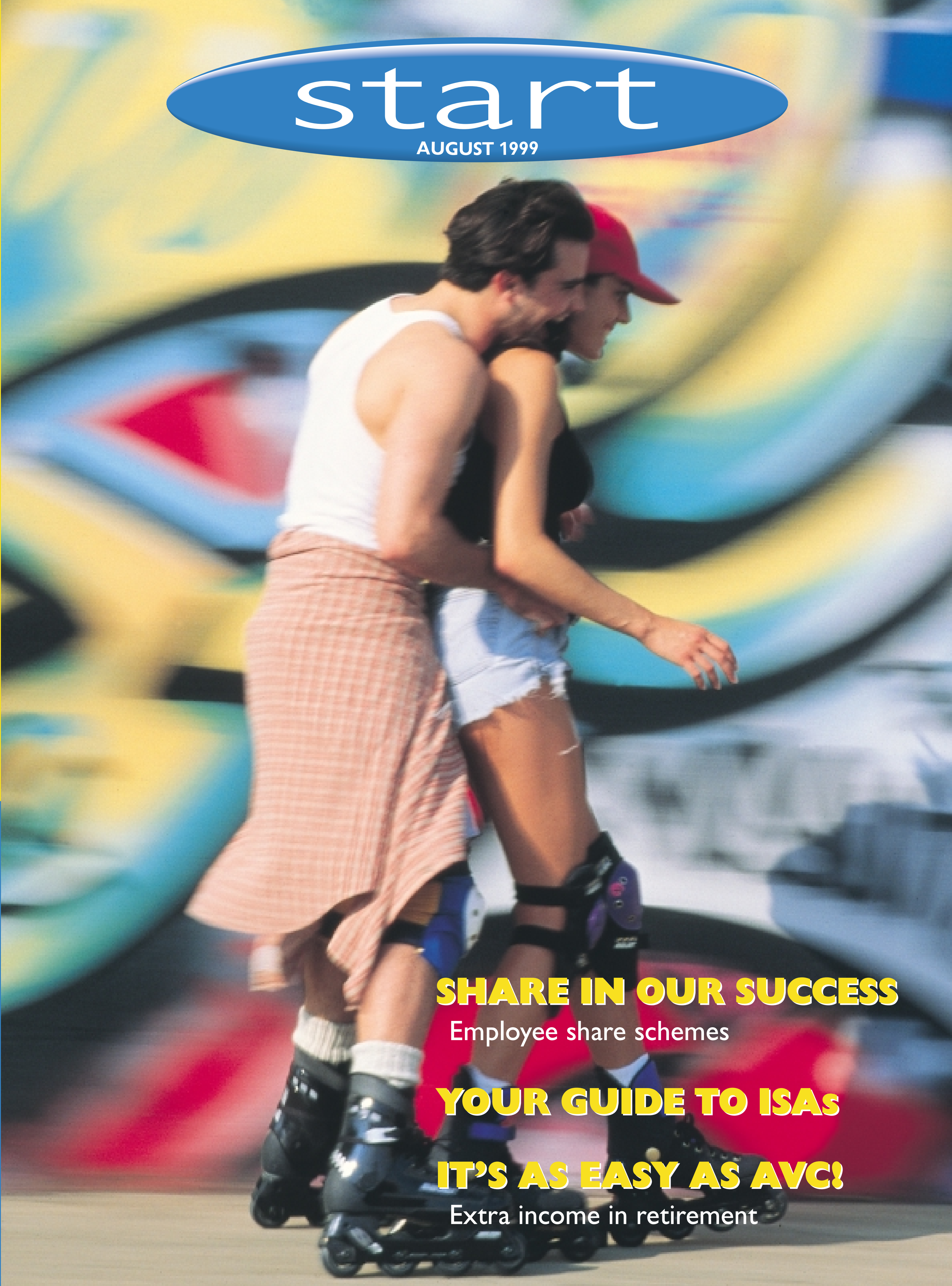
start

AUGUST 1999



SHARE IN OUR SUCCESS

Employee share schemes

YOUR GUIDE TO ISAs

IT'S AS EASY AS AVC!

Extra income in retirement

The Group Benefits Magazine for Kingfisher Employees start

This magazine is intended to be informative rather than technical and detailed. It provides a broad outline of the Group Benefits arrangements, including ShareSave, All-Employee Share Options, the Kingfisher Pension Scheme and the Kingfisher Retirement Trust.

Although still only summaries, a more detailed explanation is contained in the various explanatory guides issued to members. The legal position is governed by the formal Trust Deeds and Rules, copies of which are available to members. Legal reliance should only be placed on these formal documents.

CONTENTS

benefits POSTBAG

I intend to carry on working after age 60. Can I still be a member of the Pension Scheme and pay contributions?

The Normal Retirement Date (NRD) of the Scheme and Trust is 60, so your contributions normally cease at that date. However, the options available to you will differ depending on the date you first joined.

Members of the Pension Scheme who joined on or before 31 May 1989, have three options:

1. You can take your pension and lump sum, even if you continue working.

2. You can take your lump sum immediately and then put off taking your pension (which will continue to increase in value) until some time between ages 60 and 75, but only if you continue working either with the Kingfisher Group or elsewhere. You would not have to wait until finally retiring before taking the pension.

3. You can put off taking both your pension and lump sum until you finally retire. You can change your mind and take them before then, but you would not then be able to take the lump sum on its own and put off taking the pension, which is something you can only do at your NRD. Your pension would be increased by approximately 1% per month for late payment.

Pension Scheme members who joined on or after 1 June 1989 are not, under current Inland Revenue legislation, able to draw their pension or any lump sum payment until they actually retire from employment. Even a short break and then a planned return to work (either within the Kingfisher Group or elsewhere) is not classed by the Inland Revenue as having retired and in this instance you would still be unable to draw any benefits until actually retiring. Your pension would be increased by approximately 1% per month for late payment.

Member of the Retirement Trust who first joined on or before 31 May 1989, you have two options:

1. You can use your fund to buy a pension and lump sum even if you continue working.

2. You can put off buying your pension and lump sum until some time between ages 60 and 75.

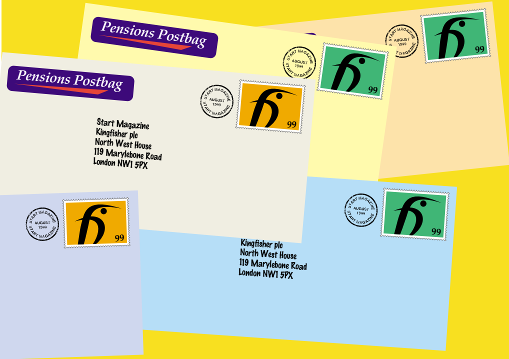
If however, your first joined the Trust on or after 1 June 1989 your only option is to purchase an annuity with the value of your Basic Account. Any lump sum available and the proceeds of your Top-Up Account must remain invested until you actually retire from employment. Again, a short break followed by a planned return to work (either in the Kingfisher Group or elsewhere) is not classed as retirement by the Inland Revenue.

I wanted to cancel my ShareSave and I filled in a form to do that, but I'm still having money deducted from my wages. Why?

That is due to payroll closing dates; you may find that one more deduction is taken after you have cancelled. Any such deductions will be automatically refunded to you by the ShareSave provider.

When the Year 2000 Share Option was given in April 1997, I was working for Superdrug, but then I transferred to Woolworths. Am I still entitled to the options?

Yes, as a permanent employee, if you transfer between Kingfisher Group companies, you can keep the options granted to you under the Kingfisher All-Employee Share Option Scheme. The same also applies to ShareSave.



What happens to your ShareSave if you are on long-term sick leave and not receiving any salary?

You may miss up to six months' contributions, but no more, and then make them up at the end of the three or five year's savings period.

Who is included in the review of the mis-selling of personal pensions?

The Financial Services Authority (FSA) is reviewing personal pensions sold between 29 April 1988 and 30 June 1994. Firms selling personal pensions must follow certain rules but during this period, many firms broke these rules and sold pensions to people who would have been better off staying in, or joining, their employer's scheme. If at the time you took out your personal pension you were either self-employed or your employer had no pension scheme, then your personal pension is unlikely to be covered by the review unless you took a transfer of a pension you had earned in a previous job. If you are unsure, check with the firm that arranged your personal pension.

The review started at the end of 1994; because it involves a huge number of cases, some, e.g. people who had already retired or were close to retirement, were given higher priority and dealt with first. Firms are now in the second phase of the review, and you should have heard from the firm that sold you your pension some time between January and April 1999, who would have sent you either an information pack and a letter asking if you want your case reviewed or a factsheet about mis-selling. If you have not heard from them, contact them and ask for an information pack or factsheet. If they have written to you and you have not replied, contact the firm now if you want to have your case reviewed – don't wait for them to write to you again. If you do not and you are one of those who might be affected, you could lose your chance to put things right.

pensions factfile

BENEFICIARY FORMS

The date of the last Beneficiary Form you completed is shown on your annual Benefit Statement. If you aren't sure who your beneficiary is, you should complete a new form; this will override any previous forms.

MATERNITY LEAVE

Going on Maternity Leave does not normally affect your Scheme or Trust membership. You will remain a member of the Scheme or Trust and your contributions will be based on whatever pay you receive during your Maternity Leave.

DEATH BENEFITS

Retirement Trust: if you are a member and die whilst working for the Company, a death benefit of twice your salary at the date of death is payable. A small pension for your widow/widower may also be provided (under current pensions legislation, this pension may only be paid to a widow or widower) and/or an additional lump sum.

Pension Scheme: if you are a member and die whilst working for the Company, a death benefit of four times your salary at the date of death is payable, plus all of the contributions (with interest) that you have paid. A pension to your spouse/partner and Child Allowances may also be payable.

TAX ON PENSIONS

All company pension schemes are instructed by the Tax Office to deduct tax at the Basic Rate from the pensions of all new pensioners.

When the Tax Office advises us of the correct coding, this is backdated to your date of retirement. Contacting your local tax office as soon as possible after you retire will help speed up the process of getting your new tax coding.

Whether you would have to pay tax on your pension, and the amount payable, would depend on your level of income.

PERSONAL PENSIONS

You cannot contribute to both a personal pension and one of the Kingfisher schemes unless you have jobs with two different employers.

SERPS

Both the Scheme and the Trust are 'contracted-out' of the State Earnings-Related Pension Scheme (SERPS). So, members of the Scheme and Trust do not pay any contributions to SERPS.

TRUSTEE BOARD 99

The Trustee Board

HELEN CHANDLER
Company: B&Q
Appointed: March 1988

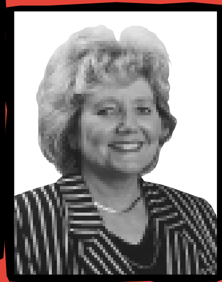
IAN EDWARDS
Company: Superdrug
Appointed: March 1992

TERRY HARTWELL
Company: B&Q
Appointed: November 1998

STAN HUNT
Company: Superdrug
Appointed: February 1993

ROGER JONES
Company: Woolworths
Appointed: February 1987

JOHN MARTIN
Company: Independent
Appointed: March 1992



LIZ WRIGHT
Company: Superdrug
Appointed: May 1997

CHARLES WOODWARD
Company: Independent
Appointed: May 1992

HOWARD WARREN
Company: Woolworths
Appointed: February 1987

BRIAN VENTERS
Company: Comet
Appointed: February 1987

VAL STRUTHERS
Company: Pensioner
Appointed: March 1997

DAWN STEWARD
Company: Woolworths
Appointed: December 1993

TONY STANWORTH
Company: Kingfisher
Appointed: March 1992

TIKU PATEL
Company: Woolworths
Appointed: May 1997

The Scheme and the Trust are managed by Kingfisher Pension Trustee Limited, a company established specially to act as Trustee. As the Trustee is a company, there have to be directors, collectively referred to as the Trustee Board.

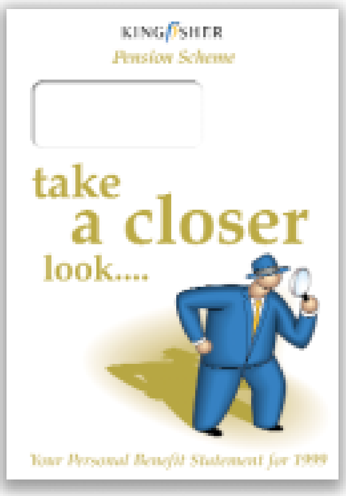
Members of the Trustee Board are drawn from all levels within the Kingfisher Group, including Val Struthers who is a pensioner. In addition, two of the directors, John Martin and Charles Woodward, are not employed within the Group and are chosen for their complete independence as well as their knowledge and experience of pension matters.

Before taking up their appointment, members of the Trustee Board receive both external and internal training.

The Trustee Board monitors and oversees both the Scheme and the Trust through committees which focus on specific aspects of day-to-day operations. These committees (Accounts & Audit, Benefits, Investment and Sealing) report separately to the Trustee Board.

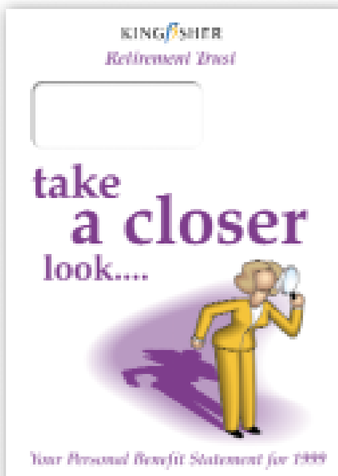
There is no set term of appointment to the Trustee Board, but appointments are reviewable after four years, or earlier if there is a change in a director's employment or personal circumstances. The power to appoint and remove directors rests with Kingfisher plc.

Contributions and Benefits



During the time they are employed by the Company, members of the Pension Scheme and the Retirement Trust receive a personal Benefit Statement every year.

These Statements show the contributions, including AVCs, that you have made and the benefits you may receive on retirement. It also shows the last time that you completed a Beneficiary Form. It is extremely important to keep your Beneficiary Form up-to-date as it helps the Trustees know who you would like to receive any benefits that may be payable on your death, although they are not legally bound to adhere to this.



DIVORCE

A draft Bill – The Pensions Sharing Act 1998 – was published in the Autumn of 1998. Legislation is expected to come into force in April 2000. Pensions splitting will split the member's accrued benefits and attribute part of this to the former spouse, thus achieving a 'clean break' in that the former spouse's pension benefits are now in his/her own right and not dependent on the circumstances of the member. The former spouse may then either leave his/her benefits in the member's scheme or transfer them to their own pension arrangement.

Courts will not be compelled to apply pensions splitting and it will be available only to legally-married partners, not 'common-law' partners. It will apply to occupational pension schemes, personal pensions and the State Earnings-Related Pension Scheme, but not to the Basic State Pension. It will not be compulsory – current off-setting of pension rights, attachment and earmarking, will continue to be available as options for divorce courts.

The administration costs of pension splitting will be borne by the divorcing couple with pension schemes being allowed to charge a reasonable fee. The pension-sharing process may differ between England, Wales, Scotland and Northern Ireland (due to differing divorce laws), but the responsibilities of pension schemes will be broadly the same everywhere.

STAKEHOLDER PENSIONS

The Government issued its Green Paper (the second stage in draft legislation) on pensions in the Autumn of 1998. 'A new contract for welfare: partnership in pensions' sets out the Government's proposed reforms for State and occupational pensions. The stated aim of these proposals is to reduce the pensions income accounted for by the State from its current 60% to 40% by 2050. There are two main proposals: the introduction of a Second State Pension and of Stakeholder Pensions. The Second State Pension is designed to help the lower-paid (those earning less than £9,000 a year, and carers and disabled people with incomplete work records).

With Stakeholder Pensions, the principle is that employers with no occupational pension scheme will be required to nominate a Stakeholder pension plan in consultation with their workforce, facilitate their employees' access to it and deduct employees' contributions within a specified time. Stakeholder pension benefits will be money purchase, with the option of targeting for an earnings-related benefit. The employee would decide whether or not they wish to contract-out of SERPS. The regulations that will apply to Stakeholder Pensions will be comparable to those applying to occupational pensions. Consultation continues - watch this space.

REVIEW OF PERSONAL PENSIONS

This review was undertaken in the wake of insurance companies incorrectly advising members of occupational pension schemes to switch instead to a personal pension.

During the year, the Personal Investment Authority (PIA) imposed a series of fines on insurance companies which failed to meet personal pension mis-selling review targets.

A review is also to take place into the possible mis-selling of Free-Standing Additional Voluntary Contributions (FSAVCs) as a result of many occupational pension managers' long-standing concerns over the issue.

YEAR 2000

The Kingfisher Group Benefits Department has already written to all its external service providers asking them to confirm either that their services will not be disrupted by Year 2000 or that they are reviewing their systems, or to advise if they are unable to give such undertakings (in which case, contingency plans would be prepared).

Kingfisher plc has also prepared a contingency plan in the event of the provision of services and goods being disrupted by Year 2000; this plan covers the Group Benefits Department.

Kingfisher ShareSave

Share in our Success

Kingfisher is committed to employee share ownership and wants as many employees as possible to become stakeholders in the Group, so that we can all benefit from our success.

To make this easy, every UK employee who has been with the Group for at least six months at the date when an 'offer' is made can join ShareSave. ShareSave allows you to buy shares at a discounted option price using the savings and guaranteed, tax-free bonus gained from a special three or five year savings account. The option price, which is set shortly before an offer is made, is up to 20% lower than the market value of Kingfisher shares then.

Over 30% of Kingfisher's UK employees participate in ShareSave, but to allow all employees to benefit as soon as possible there are now two chances to join each year. The next offer will be in the Autumn, when employees outside of the UK will also begin to be given the same chance to participate when the global roll-out of ShareSave starts.

This year, the 1994 ShareSave options will mature. The option price is £2.39½, so participants can use their savings and tax-free bonus to purchase Kingfisher shares for only £2.39½ each. If the share price stays around £7, option holders will benefit as shown in the table below.

This example is based on what has happened in the past and you must remember that there is no guarantee of a similar benefit in the future. However, if the share price was lower than the option price at the end of the savings period participants would simply take their savings and the guaranteed tax free bonus back in cash and ignore the share option.

Kingfisher ShareSave is supported by Lloyds TSB Bank plc. Until this year, the Yorkshire Building Society provided this service in the UK, but we have appointed Lloyds TSB to allow all employees worldwide to join ShareSave on the same basis, and to benefit from Lloyds' experience when our All-Employee Share Options mature in 2000 and 2001. However, the savings for existing ShareSave accounts will remain with the Yorkshire, but Lloyds TSB will carry out all the administration.

If you have any questions on ShareSave or the All-Employee Share Options you should contact the Share Schemes Helpline on 01903 833689.

Value of 1994 ShareSave which matured in August 1999

Monthly Saving	Total savings plus tax-free bonus	Number of shares in Option at £2.39½ each	Market value of shares (at £7 each) in August 1999	At a share price of £7.00 participants would benefit by
£10	£690	288	£2,016	£1,326
£25	£1,725	720	£5,040	£3,315
£50	£3,450	1,440	£10,080	£6,631
£100	£6,900	2,881	£20.167	£13,267
£150	£10,350	4,321	£30,427	£19,898
£250	£17,250	7,202	£50,414	£33,165

KINGFISHER

All-employee
Share Options

In 1997 and 1998, following exceptional Group performances, Kingfisher granted share options to all permanent employees working for Group companies on 19th March 1997. Both these 'all-employee' options are over 400 shares (the number of shares in the 1997 options doubled following a share split) and are not linked to savings accounts. The 1997 options can be exercised from April 2000; the 1998 ones from July 2001.

The procedure for this will be explained early in the New Year. However, some additional background may be helpful now.

Taking the 1997 option as an example, if you were a permanent employee working for a Group company between 19th March 1997 and 16th April 1997 (inclusive) you would have been granted an option.

The number of shares reserved for each option holder is 400 (the number of shares reserved for each option holder doubled in 1998 following a share split), and these can be bought at a price of £3.28$^1/_2$ per share from 16th April 2000.

To make this as easy as possible, a special finance facility is being arranged to allow option holders to fund the cost of buying their shares by selling some of the shares reserved for them immediately. In this way, option holders will not need to provide the funds to buy the shares in their options themselves and can take the net gain in either shares or cash as they choose.

For example, if the market value of Kingfisher shares is £7 per share in April 2000, an option holder, using the finance arrangement, would buy the shares reserved in their option as shown in the table below:

	Sell all shares (cash)	Sell sufficient shares to repay
Sales Proceeds	£2,800 (7 x 400)	£1,344 (7 x 192)
Commission (approx.)	(£25)	(£25)
Cost of buying shares	(£1,314)	(£1,314)
Net cash	£1,461	£5 (and retain 208 shares, worth £1,456)

Shares reserved under 1998 options can be bought in a similar way from July 2001.

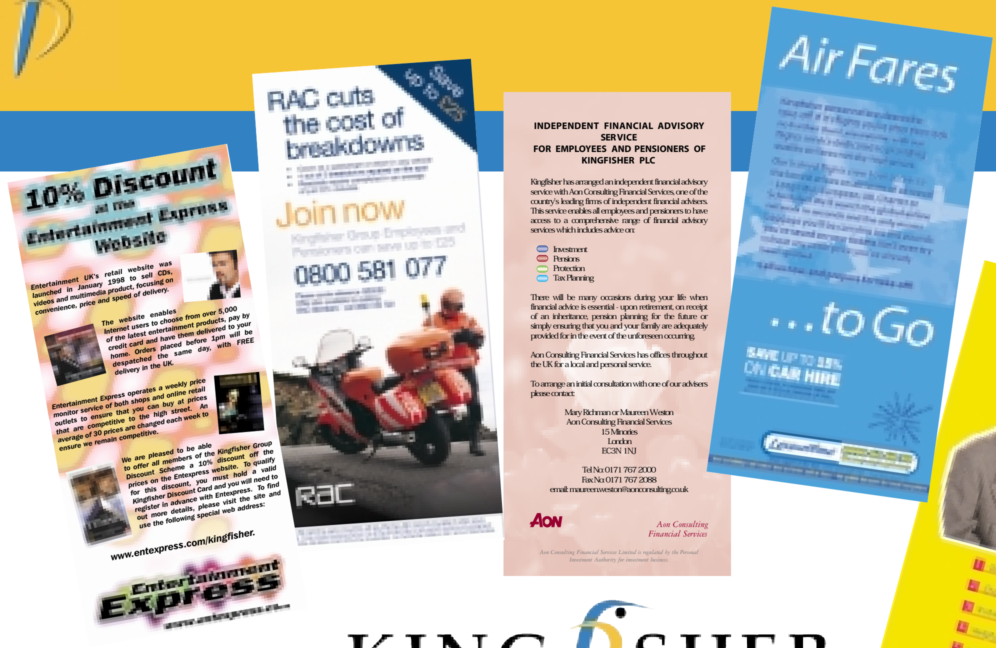
It really is that simple - if the Kingfisher share price is higher than the option price, option holders can buy the shares reserved for them and take their gains. If it is lower, they can wait and see if the share price increases and, if it does, buy the shares then.

There are, of course, some tax issues you need to consider before deciding when to buy your shares. Full details will be explained early in the new year.

If you have 'all-employee' options, you do not need to do anything now, even if you have misplaced your option certificate or did not receive one when you think you should have.

Kingfisher has a register of all option holders and will write to each of them to explain the procedure for buying the shares reserved in their options and the tax implications in the New Year.

If you have not received details by 16th March 2000, you should contact the Share Schemes Helpline on 01903 833689.



KINGFISHER Group Discount Scheme

The Kingfisher Group Discount Scheme allows eligible employees and retired personnel to purchase goods at a discount from all the Group's UK stores – B&Q, Comet, MVC, Superdrug and Woolworths. The standard discount is 10% on all eligible goods, although some of the companies operate a different discount for their staff in their own stores. You can buy CDs, videos and multi-media products through Entertainment UK's retail website Entertainment Express on www.entexpress.com/Kingfisher. You can also purchase electrical products through Comet's website on www.comet.co.uk.

As well as your store discounts, there's a range of discounted products and services with a number of well-known companies arranged especially for members of the Kingfisher Group Discount Scheme, which include:

Royal Bank of Scotland – The Royalties current account, giving you preferential terms on loans and overdrafts, 10% off flights and holidays, half-price hotel accommodation throughout the world, even 20% off your telephone bill.

RAC – discounted membership

AON – offering independent financial advice to Kingfisher employees

Willis Corroon – discounted home and car insurance

AIG Europe – Personal Accident Insurance from only 25p per week

Specsavers – The Specsavers Premium Eyecare Package

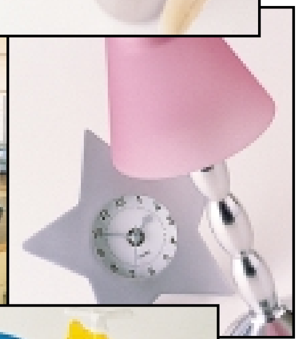
Select Benefits with Bank of Scotland – High interest savings with instant access

Select Benefits with Capital Bank - personal loans of up to £15,000

Leisuretime Holidays (member of ABTA) – one-call direct booking, instant discounts on brochure prices, discounts of between 10% and 60% on a wide range of cruises.

Full details of the discounts available are in the handbook issued to members with their card.

Any questions?



Who can I have a second card for?

Employees may apply for a second card for someone to shop on their behalf. The second cardholder may be either a spouse or partner, parent, brother or sister, or child, aged 16+ and living at your home address.

If I apply for a second card this year, do I have to apply again next year?

No. You will automatically be issued with the second card in the name of the person you requested it for.

Can anybody else use my discount card?

Only the person whose name appears on the card may use it, like a credit or cheque card.

What happens when I retire, do I keep on getting a card?

If you are eligible, you will receive a discount card during your retirement. To be eligible, you must retire directly from employment and have completed at least five years' company service plus at least two years' Pension Scheme or Retirement Trust membership.

Can I change my second cardholder?

Yes by contacting the Group Benefits Department.

If I lose my card, or if the second card is lost, will it be replaced?

Yes. Please contact the Group Benefits Department.

The new arrangements

Several changes were made to the Group Discount Scheme this year, which will enable future improvements to be made.

Firstly, the arrangements for issuing second cards have been overhauled so that cards are now issued in the name of the nominated user. Checks are made on the validity of the proposed second cardholder at the time of issue so that, in future, cardholders will only have to show that they are the person named on the card to receive discount.

Secondly, a central database is being set up which will list all current valid discount cardholders. In future, this database can be used to check card validity at the point-of-sale and can also be used to obtain discount when purchasing goods through the Kingfisher Internet and home shopping catalogues. It will also be used for future annual renewals so that you will not need to apply for a second card – it will be issued automatically.

Thirdly, lost/stolen cards can now be replaced as only the named cardholder can use the card.

To make these improvements, we had to change our card production company. Unfortunately, the new company had severe problems with equipment failure and it took some time to correct this; this caused a major delay with the issue of employee's cards and also caused a backlog in the processing of second card applications. Our stores were instructed to accept last year's cards until 30 June. The Group Benefits Department would like to formally apologise for the inconvenience that has been caused and also wishes to assure you that everything possible is being done to ensure that this situation does not happen again.

The changes made will make a significant improvement in the operation of the Group Discount Scheme and will also enable the Scheme to expand in future to cover any new technological advances in home shopping.

Pensions

The Kingfisher Pension Scheme

You get a guaranteed level of pension linked to your salary and years of service, plus a whole range of other benefits. This costs 5% of your pensionable salary, but savings in tax and National Insurance contributions reduce the actual costs substantially, as can be seen from the table below.

The Kingfisher Retirement Trust

Designed to cost you virtually nothing if you are a Basic Rate tax-payer. Unlike a personal pension with an insurance company, more of your money is invested as the expenses are lower and there is no commission.

The Trust works in a similar way to a personal pension, but for no extra cost you get additional company contributions and free life cover while you are with the company.

Personal Pension

What you finally receive depends on what you put in, what the charges are and the rate of return you get on the contributions you pay. Any other benefits are optional extras available at a price.

State Earnings-Related Pension Scheme

Known as SERPS for short, the cost of this is met by the National Insurance (NI) contributions you and the Company pay. It's designed to provide an earnings-related State pension in addition to your Basic Old Age Pension. If you are a member of the Trust or the Scheme, your SERPS pension will be reduced but your Basic Old Age Pension will be unaffected (and you pay lower NI) .

Can I pay more?

With both a personal pension and a company pension you can contribute more at any time to increase the benefit you'll enjoy at retirement.

These extra contributions to a company scheme are known as Additional Voluntary Contributions (AVCs). These are an attractive way to save for your pension because your contributions qualify for tax relief at your highest rate.

What's more, if you're looking to retire before the age of 60, they're a good way of increasing the benefits you receive. Paying AVCs through the company scheme means you benefit from lower expenses and don't have to pay salesmen's commission charges. Further details on AVCs are given on pages 14 and 15.

Examples of contributions payable by Scheme members

Gross Annual Salary	Monthly Salary	Pension Conts.	Reduction in N.I.	Tax Relief	Cost to You	Percentage of Salary
£4,000.00	£333.33	£16.67	£0.76	£0.00	£15.91	4.77%
£6,000.00	£500.00	£25.00	£3.42	£5.75	£15.83	3.17%
£9,000.00	£750.00	£37.50	£7.42	£8.63	£21.45	2.86%
£15,000.00	£1,250.00	£62.50	£15.42	£14.38	£32.70	2.62%
£20,000.00	£1,666.67	£83.33	£22.09	£19.17	£42.08	2.52%
£25,000.00	£2,083.33	£104.17	£28.76	£23.96	£51.45	2.47%
£30,000.00	£2,500.00	£125.00	£30.09	£28.75	£66.16	2.65%

The examples shown are based on a single person's tax allowance and tax and National Insurance bands as at 6 April 1999.

Examples of contributions payable by Trust members

Gross Annual Salary	Monthly Salary	Pension Conts.	Reduction in N.I.	Tax Relief	Cost to You	Percentage of Salary
£4,000.00	£333.33	£0.98	£0.76	£0.00	£0.23	0.07%
£6,000.00	£500.00	£4.45	£3.42	£1.02	£0.00	0.00%
£8,000.00	£666.67	£7.92	£6.09	£1.82	£0.01	0.00%
£10,000.00	£833.33	£11.38	£8.76	£2.62	£0.01	0.00%
£12,000.00	£1,000.00	£14.85	£11.42	£3.42	£0.01	0.00%
£15,000.00	£1,250.00	£20.05	£15.42	£4.61	£0.02	0.00%

The examples shown are based on a single person's tax allowance and tax and National Insurance bands as at 6 April 1999.

Factfile

DIFFERENT SCHEMES OFFER DIFFERENT LEVELS OF BENEFIT AND ADDITIONAL COVER. YOU SHOULD TAKE INTO ACCOUNT BOTH WHAT YOU WANT FROM A SCHEME AS WELL AS WHAT YOU CAN AFFORD.

	STATE (SERPS)	**PERSONAL PENSION (NI Rebate only)**	**KINGFISHER RETIREMENT TRUST**	**KINGFISHER PENSION SCHEME**
Income for your children if you die in service				Yes (up to another 50% of the dependant's pension).
The option to give up part of your pension for a tax-free sum			Yes	Yes (more than Retirement Trust).
Early retirement from 50 onwards			Pension from Top-up Fund is payable.*	A pension payable at any time after age 50.*
Early retirement due to ill-health			Small pension.*	Yes, counting some or all of the years you could have worked.*
A tax-free lump sum if you die in service			2 x annual salary plus proceeds of Top-up Account.	4 x annual salary plus refund of your contributions.
Income for your dependants if you die in service	50% to spouse of what you have built up.	As can be purchased with what you have built up.	Spouse's pension and/or lump sum.	50% of your future pension for spouse (or dependant**).
Income for your dependants if you die after retirement	100% of your pension to spouse, reducing to 50% after 1999.	50% of your pension.	Depends on the terms you choose.	50% of your pension for spouse (or dependant**).
Retirement Pension at age 60 for men and women	Not more than 20% of average earnings. Payable from State Pension Age (65).	Depends on investment conditions. Payable from State Pension Age (65).	Depends on investment conditions.	Up to 66% of all basic salary at a rate of 1/60th for each year of membership.
Company contributions towards your pension	Included in National Insurance.	National Insurance, rebate plus Age-Related NI Rebate.	If paying National Insurance, rebate plus extra 1% of ALL pay plus Age-Related rebate from DSS.	Pays balance of cost (substantial).

* Early retirement is at the discretion of the Company/Trustees. ** At the discretion of the Trustees.

Kingfisher Pension Scheme

Introduction

The Scheme is fully tax-approved by the Inland Revenue for the purposes of Chapter I, Part XIV of the Income and Corporation Taxes Act 1988, and is contracted out of the State Earnings-Related Pension Scheme under the Pension Schemes Act 1993.

Contributions

Your contributions are 5% of your Salary. For pension purposes, your Salary is your basic salary plus any other contractual payments your employer decides, e.g. bonuses, but not overtime. Final Salary is the highest 12 months' Salary over any of the last five years before your retirement, leaving service or death (or, if greater, the average of the highest 36 months' consecutive salaries earned in the last ten years before retirement). Your pension is calculated as 1/60th of your Final Salary for every year of your Scheme membership.

Kingfisher pays the balance of the cost of providing all the benefits.

You may increase your pension by paying Additional Voluntary Contributions.

You can stop paying contributions by giving one month's notice to your Payroll Department.

It may be possible to transfer a pension with a previous employers or insurance company into the Scheme to get extra pension – these transfers are at the Trustees' discretion.

The Pension Schemes Registry holds details of pension schemes to help you trace any past benefits. Information about the Scheme has been given to the Registrar.

Retirement

At retirement, part of your pension may be exchanged for a lump sum (currently, tax-free). This lump sum is based on your Final Salary, service and the date you joined the Scheme.

Pensions in payment receive guaranteed annual increases of 5% (or in line with the Retail Prices Index if this is less than 5%). Kingfisher has the discretion to give increases above the guaranteed level.

A Dependant's Pension may be payable on death for current, deferred or retired members. If you were married and living with your spouse at the date of death, they will be paid a Dependant's Pension, otherwise it would only be payable at the Trustees' discretion.

Children (including adopted and stepchildren) would be eligible for a Child Allowance until age 18 – the Trustees have the discretion to extend this during full-time further education. Illegitimate children should be notified in writing to the Trustees otherwise they may not be eligible.

An Ill-Health Early Retirement Pension is payable at the Trustees' discretion.

Leaving

If you have more than two years' membership, you may transfer your benefits to an appropriate arrangement with a new employer or to an insurance company. The 'transfer value' is the cash equivalent of your Scheme benefits (calculated in accordance with the Pensions Act 1995), but it does not take into account any discretionary benefits i.e. Ill-Health Early Retirement, Dependants' Pensions or Child Allowances.

If you have less than two years' membership, you may have a refund of your contributions with interest, less tax (because the contributions were tax-free) and the amount needed to reinstate you in SERPS.

In either instance, you may also defer your pension until you retire.

Membership of the Scheme and Trust

Membership to both the Scheme and Trust is voluntary. All eligible employees working at least a minimum of 10 hours per week are automatically made members unless they state otherwise using the Pensions Decision Form. On joining, medical evidence may be required.

Each operating company has specific eligibility conditions which you are advised on starting employment.

If you don't join when first able, you may only do so later with the Company's consent and subject to medical evidence, and the Company/Trustees may impose special conditions.

Normal Retirement Age is 60 for men and women.

Complaints
Complaints should be made in writing to the Pensions Manager at Kingfisher. This will then go through the Internal Dispute Resolution Procedure (you can get a copy from the Group Benefits Department). If you need help, you can approach OPAS (The Pensions Advisory Service) which helps members and beneficiaries when they

Kingfisher Retirement Trust

Introduction

The Trust is fully tax-approved as 'a simplified defined contribution scheme' by the Inland Revenue for the purposes of Chapter I, Part XIV of the Income and Corporation Taxes Act 1988, and is contracted out of the State Earnings-Related Pension Scheme under the Pension Schemes Act 1993.

Contributions

Your normal contributions are equal to the reduction in your National Insurance (NI) contribution 'grossed-up' at the Basic Rate of tax. The Company pays a contribution equal to what it would be paying were you in SERPS, plus a contribution equal to 1% of your full pay once your earnings have gone above the Lower Earnings Limit. You may increase your pension by paying Additional Voluntary Contributions.

Currently, contributions are invested in Eagle Star's Unitised With-Profits Pension Fund.

You can stop paying contributions by giving one month's notice to your Payroll Department.

It may be possible to transfer a pension with a previous employer or insurance company into the Trust to get extra pension – these transfers are at the Trustees' discretion.

The Pension Schemes Registry holds details of pension schemes to help you trace any past benefits. Information about the Trust has been given to the Registrar.

Retirement

Your retirement pension will be based on the value of your Basic Account and your Top-up Account. The Basic Account is made up of your and your company's NI reductions. It can only be used to buy pension for you at age 60 (or on later retirement) or for benefits if you die before age 60. Benefits from the Basic Account replace the benefits you would have received under SERPS.

The Top-up Account is made up of the tax relief you get on your Basic Account, the company's extra contribution and any AVCs you might have paid.

The Basic Account must be taken as pension, but part of the Top-up Account may be taken as a lump sum (currently, tax-free), subject to Inland Revenue restrictions.
Any pension bought with contributions paid after 6 April 1997 will receive annual increases of 5% or the change in the Retail Prices Index if this is less.

A Dependant's Pension is payable if you die in service. If you die in retirement, a Dependant's Pension will only be payable if you made provision for this when you retired, i.e. if you choose a 'Single Life' pension for yourself, there would be no Dependant's Pension.

Leaving

Under current pensions legislation, the option of a refund of contributions on leaving the company is not available. If you leave the company, your Basic and Top-up accounts remain invested and continue to receive investment returns/bonuses.

Instead of leaving your pension accounts invested under the Trust, you may decide to transfer them to an appropriate arrangement with a new employer or to an insurance company. The 'transfer value' will be based on the amounts in your pension accounts.

have not been able to resolve the problem with their schemes' trustees. If the problem is still not resolved to your satisfaction, you can go to the Pensions Ombudsman, who can investigate and make binding decisions on complaints or disputes of fact or law.

The Occupational Pensions Regulatory Authority (OPRA) supervises trustees and pension schemes, and can intervene in the running of a scheme where trustees, employers or professional advisers have failed in their duties.

The addresses for the Pension Schemes Registry, OPAS, the Ombudsman and OPRA are all available from the Group Benefits Department.

Further Information
The Trustees produce an annual Report and Accounts for the Scheme and Trust – you can get a copy from the Group Benefits Department.

Further information about the Scheme and Trust and your benefit entitlement is available from the Kingfisher Group Benefits Department.

LOOKING FOR IT'S AS

Additional Voluntary Contributions (AVCs) are an ideal way to increase your pension if you want to retire early; didn't make your pension arrangements until later in life; have had any breaks when you weren't paying pension contributions or if you just want to increase your retirement income.

We know that many people prefer to discuss their pension arrangements, especially AVCs, rather than trying to get the information from booklets. So, since 1996, we have arranged for Prudential (with whom With-Profits AVCs are currently invested) to carry out a series of one-to-one presentations about With-Profits AVCs for Pension Scheme members at the operating companies (unit-linked AVCs are currently invested with Mercury Asset Management and Legal & General).

These presentations are intended to raise your awareness of the importance of AVCs and the Kingfisher AVC Scheme when planning for your retirement, and to encourage you to examine the options for yourselves - the presentations are not a means for Prudential to sell any of their products. The number of members paying AVCs has increased considerably since the presentations started, from 1083 in March 1996 to 6123 in March 1999.

What's the difference between AVCs and Free-Standing AVCs?

AVCs are paid through your company pension scheme. FSAVCs are a private arrangement paid directly to an insurance company.

Should I pay AVCs or FSAVCs?

We're not allowed to advise you on that. However, it's worth bearing in mind that with AVCs expenses are kept to a minimum (because you benefit from Group terms) and you also avoid the commission payments you usually find with FSAVCs.

What are the charges if I pay AVCs through Kingfisher?

The level of charges depends on the investment fund you choose. Charges can be levied as:

- an administration fee;
- an annual management fee; or
- a reduction in the bonus rates awarded.

Full details of the charges are in the AVC guide The Choice is Yours.

If I start paying AVCs, can I change my mind?

Yes. You can increase or decrease payments, stop or restart, and make one-off annual payments. Your payroll department generally requires one month's notice of any change.

Am I penalised if I change my mind about paying AVCs?

No. There are no charges for stopping or restarting AVC payments, no matter how often you change your mind.

Do I get tax relief?

Yes, at the highest rate you pay. The contributions are deducted from your salary, so the tax relief is automatic. When your AVCs become payable as pension, the payments are classed as income and may be liable to tax.

Are there different AVC arrangements for the Scheme and the Trust?

Members of the Pension Scheme have their AVCs invested separately from the other Scheme assets. Currently members have the choice of paying into the With-Profits Fund invested with Prudential or a variety of unit-linked funds with Mercury Asset Management and Legal & General. Please ask your personnel department for copies of the AVC guides.

All the assets of the Trust, including AVCs, are invested in Eagle Star's Unitised With-Profits Pension Fund, and members' pension contributions and AVCs are used to buy units in this fund. Trust members can, if they wish, invest their contributions in a range of Eagle Star's unit-linked funds. Eagle Star have produced a factsheet and you can obtain a copy from your personnel department.

What's the difference between unit-linked and with-profits AVCs?

With-profits AVCs are invested in a fund managed by an insurance company. The return is provided by way of annual bonuses which are designed to be steady rather than directly reflecting the performance of the underlying assets.

There is a capital guarantee in that bonuses cannot be negative, so provided that your contributions have been invested for a minimum period, you should get back at least what you have put in. This makes them suitable for members who want a steady, regular return on their investment and those approaching retirement age for whom capital security is desirable.

MORE INCOME IN RETIREMENT? EASY AS AVC!

Unit-linked AVCs allow you to invest directly in Stock Market funds. Whilst there is no capital guarantee, over the longer-term a suitable mix of unit-linked funds can be expected to out-perform the With-Profits Fund, but with much greater volatility of returns. Please note that the value of unit-linked funds can fall as well as rise.

How much can I pay?

If you're a member of the Pension Scheme, you can pay maximum pension contributions of 15% of your pensionable salary. You would already pay 5% to the Pension Scheme, leaving you a possible maximum of 10% to pay in AVCs. Your annual Benefit Statement shows you how much scope you have for paying AVCs or you can contact the Kingfisher Group Benefits Department. You may also be able to pay more if you have non-pensionable earnings (e.g. bonuses)

If you're a member of the Trust, you would have the scope to pay approximately 10% of your salaries. However, because your actual Trust contribution is what you would otherwise have had to pay into SERPS (the State-Earnings Related Pension Scheme) and therefore lower than the 5% contribution to the Pension Scheme, it may be possible to pay more than 10% in AVCs (the Group Benefits Department will advise you on this). It is worth bearing in mind that if you are in the Trust and want to start paying AVCs, you may wish to consider transferring to the Pension Scheme. Further information about this can be obtained from the Group Benefits Department.

How are my AVCs paid on retirement?

If you started paying AVCs before 8 April 1987, you can take them as part of any tax-free lump sum option you have. If you started paying AVCs after that date, by law they must be taken as pension by buying an annuity.

Annuities from AVCs are paid directly to you by the insurance company you have chosen to buy a pension with.

When I retire, can I use my AVC fund to buy an annuity with another provider?

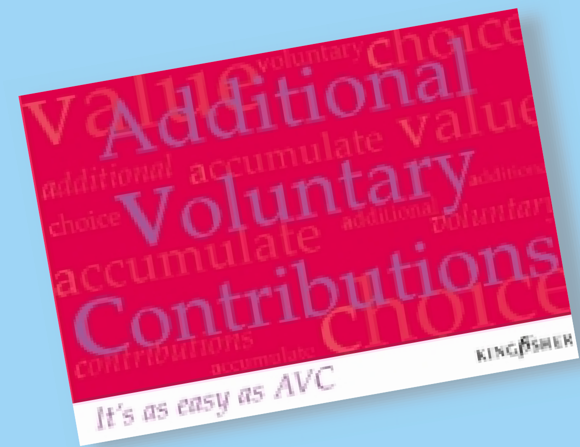
Yes. This is known as an 'open-market' option, and because you are paying into a company AVC arrangement, there are no penalties if you do so. Group Benefits Department can provide you with details of an Independent Financial Adviser who will research the market on your behalf.

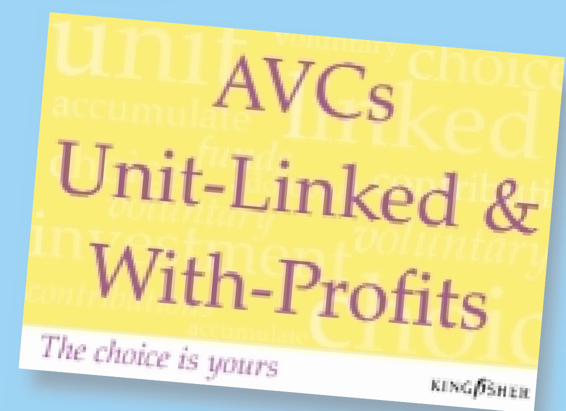
WANT TO KNOW MORE?

We've published two **AVC** guides to help you make the right choice.

IT'S AS EASY AS AVC gives you a general overview of the Kingfisher Pension Scheme AVC arrangements: how they can be used, what happens if you retire early or leave before retirement, details of the Inland Revenue limits on pension benefits, etc.

THE CHOICE IS YOURS gives you details about the investment options available. Both booklets are available from your personnel department or from the Kingfisher Group Benefits Department.



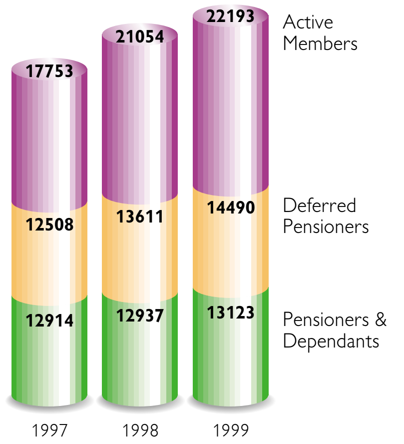


Scheme & Trust Update

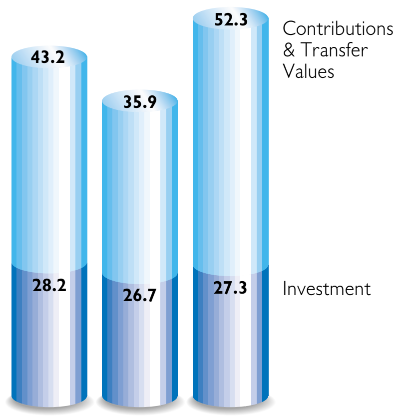
Pension Scheme

The Pension Scheme provides benefits, related to salary and length of service. The promised benefits are provided through a trust which is independent of the operating companies' financial affairs.

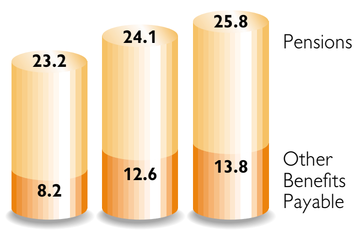
The financial assets of the Scheme are managed by external investment managers, who invest in a wide range of stocks and fixed interest bonds both in the UK and overseas.



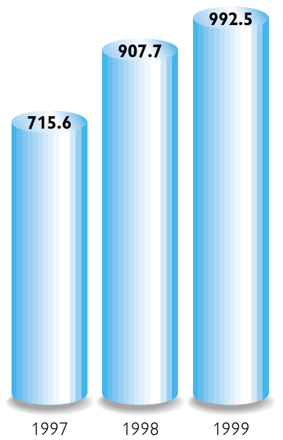
Pension Scheme Membership



Pension Scheme Income £m

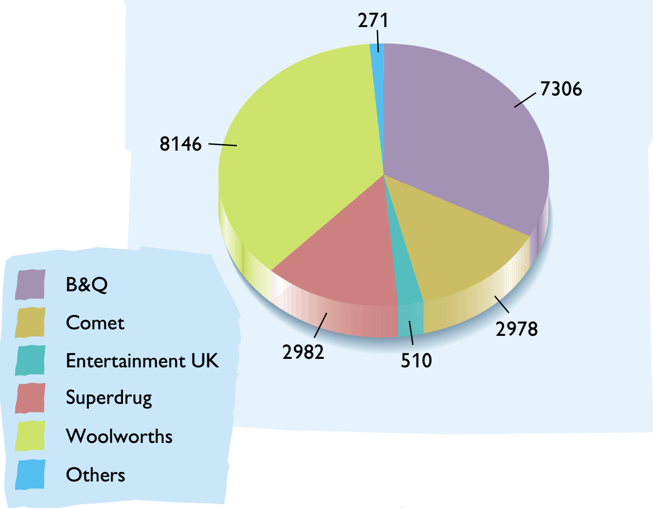


Pension Scheme Expenditure £m

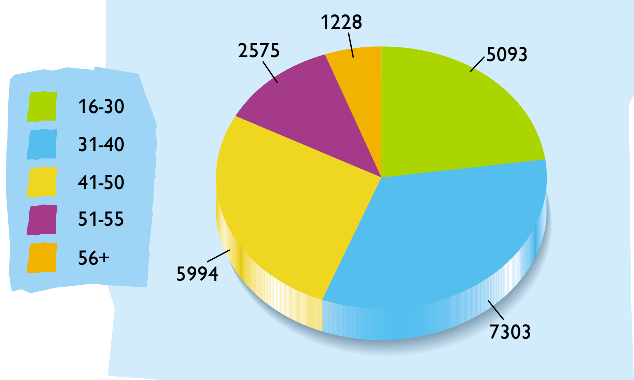


Pension Scheme Fund Value £m

Active Membership by Operating Company



Active Membership by Age Profile



The Trustee Board produces an Annual Report and Accounts giving information about both the Scheme and and Trust and their management during the year.

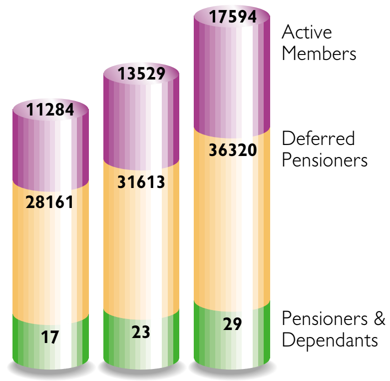
Update is not a substitute for the Scheme and Trust Report and Accounts.

A copy of the Pension Scheme and Retirement Trust Report and Accounts is sent to every company location and you can get your own copy from your personnel department or the Kingfisher Group Benefits Department. But, we know that although you might want to see details of membership changes, how much has been paid in pensions and how the investments are doing, you don't necessarily want to have to read a 60-page document to find out!

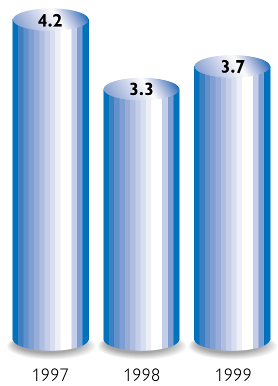
Retirement Trust

The Retirement Trust provides benefits based on the build-up of a fund of money by means of a trust, which is independent of the operating companies' financial affairs. On retirement, some of the fund may be taken as a tax-free lump sum, with the rest being used to buy an annuity from an insurance company.

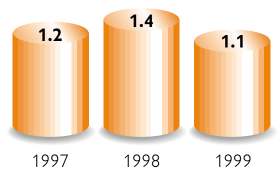
Apart from the cash needed for transactions, the financial assets of the Trust are currently invested in Eagle Star's Unitised With-Profits Pension Fund, and your contributions are used to buy units in this fund. Money invested in a with-profits fund offers a steady and secure rate of return.



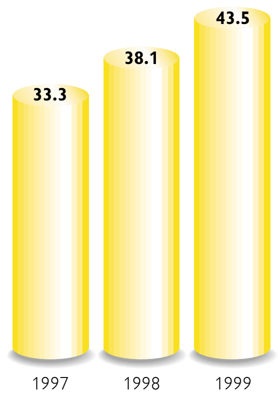
Retirement Trust Membership



Retirement Trust Income £m

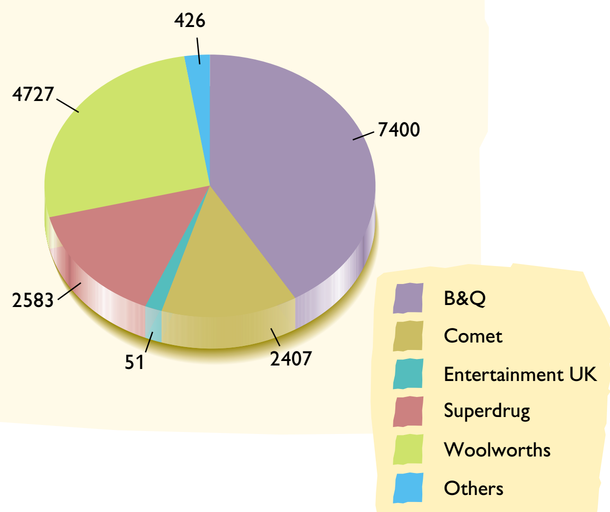


Retirement Trust Expenditure £m

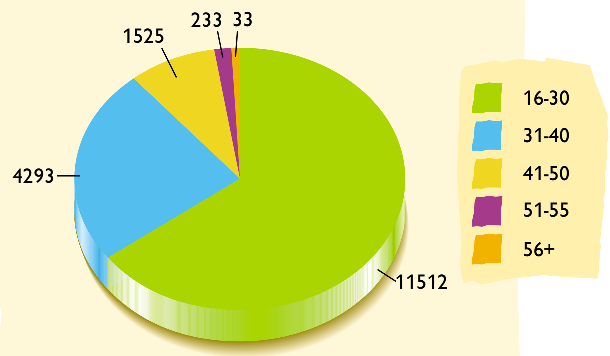


Retirement Trust Members' Fund Value £m

Active Membership by Operating Company



Active Membership by Age Profile



An Introduction to Individual Savings Accounts

Ian Barton, Financial Services Manager of Aon Consulting Financial Services looks at ISAs

On 6 April 1999 the Individual Savings Account or ISA was launched into the investment market. This account supersedes Personal Equity Plans (PEPs), and Tax Exempt Special Savings Accounts (TESSAs) and has been designed to combine their most attractive features.

At Aon Consulting Financial Services, we have been monitoring the launch of ISAs and reviewing the investment market to determine which of the many ISAs available we are confident to recommend.

If you are interested in taking advantage of tax efficient investment opportunities, you will need a basic understanding of ISAs and recognise the importance of seeking independent advice before making any decisions.

The following details may help you in this process:

How does an ISA work?

An ISA is a tax free "wrapper" into which one or more of three components may be placed:

- Stocks and shares component
- Cash component
- Insurance component

What investments can be held within these components?

Stocks and Shares Component: this may include unit trusts, OEIC funds, investment trusts, fixed interest corporate bonds and convertible bonds with at least five years to run, gilts and individual company shares.

Cash Component: this may include bank or building society deposits, National Savings and cash unit trusts.

Insurance Component: this may include certain types of life assurance investment funds.

Are there different types of ISAs?

Yes, there are Mini, Maxi ISAs and TESSA ISAs.

A Maxi ISA allows you to spread your investment across the three component options with a Single Provider. A Maxi ISA must contain an investment element and can include cash and insurance components if the selected provider offers these options.

A Mini ISA offers one component only and can allow you to spread your investments across a range of ISA managers, selecting a different manager for each of your investment, cash and insurance components.

A TESSA, ISA can only be made up of a cash component and will receive the original sum invested from a matured TESSA.

How much can I invest in an ISA?

The maximum that can be placed into an ISA is as follows:

Maximum ISA Contribution Options

Type	Cash	Insurance	Stocks & Shares
Mini ISA			
Year 1	£3,000	£1,000	£3,000
Year 2+	£1,000	£1,000	£3,000
Maxi ISA			
Year 1	£3,000	£1,000	£7,000
	Overall limit across all three components: £7,000		
Year 2+	£1,000	£1,000	£5,000
	Overall limit across all three components: £5,000		

In addition to the above, investors can transfer their maturing TESSAs into a TESSA only ISA.

What are CAT-marked ISAs?

These are ISAs that have met the Government's guidelines on Cost, Access and Terms.

Are CAT-marked ISAs the best ones available?

Not necessarily. The CAT mark is not a stamp of Government approval, nor will it guarantee your initial investment or the return. For these reasons, it will be important to seek independent financial advice, to ensure that you select a plan that is best suited to your individual needs and circumstances.

I have already received some details on ISA providers, should I put some money in one of these to start an account?

Beware! If you open a Cash Mini ISA, you can see from the above table that you will have restricted the maximum amount that you can place into an Investment ISA to £3,000. Also, if you put money into the cash component of a Maxi ISA, you will have to place all of your ISA allowance for that tax year with the same provider. You therefore need to be sure that this provider can provide strong returns on the investment component.

Kingfisher has a long-standing relationship with Aon Consulting Financial Services, one of the country's leading firms of Independent Financial Advisers. Aon can provide recommendations in line with your individual circumstances and needs. Aon have reviewed the providers of ISAs and their investment fund links and performance and are therefore able to provide you with specific recommendations. To receive advice you can contact Aon Consulting Financial Services through Aon Direct on 0845 608 0202. Kingfisher cannot take any responsibility for the independent financial advice an employee may receive from Aon.

Aon's fees are normally commission-based. Fees are paid by the insurance or investment company within whom the investments are placed. Aon also work on a fee basis. Because of their size in the market place, Aon are often able to negotiate discounts on behalf of their clients.

Aon Direct is a trading name of Aon Consulting Financial Services Limited.
Aon Consulting Financial Services Limited is regulated by the Personal Investment Authority for investment business

PENSION INFORMATION AT YOUR FINGER TIPS

It's good to talk, but it's not always easy to get to a phone, especially when you work in a store. And by the time you get home, it may be too late. Which is why we introduced the Kingfisher Pensions Helpline. It provides recorded information on the Retirement Trust and the Pension Scheme, 24 hours a day, seven days a week, on things you want to know, like:

- How to join one of our schemes and how to switch from one scheme to the other.
- What happens to your benefits if you leave the Company, and how to transfer your benefits to another pension arrangement.
- What to do if you're considering retirement.
- Death benefits.
- Additional Voluntary Contributions.

0207 725 5725

CALLS CHARGED AT NORMAL RATES

Write Away

When you contact us at the Group Benefits Department, we want to make sure that we can provide you with all the information you need as quickly as possible, but we can't do this if we can't identify your membership record.

So, when writing, please remember to tell us:

- Your full name, company and current home address
- Your National Insurance number
- Your employee number
- If you are a member of the Retirement Trust, you will also need to quote your member number.

If you receive documents from us (like your Benefit Statement) that show incorrect personal details for you, please contact us so that we can change your membership record. We will notify your payroll department of these changes.

If your date of birth is wrong or if your name has changed on marriage, it will be necessary for you to send us your Birth or Marriage Certificates, and we always return such documents by Registered Post.

But please remember that we can only make changes if we are notified in writing.

FURTHER INFORMATION

B&Q
Contact: **Lynda Wilkins**
01703 256256

Chartwell Land
Contact: **Anne Lawley**
0207 224 5522

Comet
Contact: **Richard Ezard**
01482 320681

Entertainment UK
Contact: **Helen Ferguson**
0208 848 7511

Kingfisher
Contact: **Colin Hately**
0207 724 7749

MVC Entertainment
Contact: **Lynda Bridgett**
0208 424 0101

Superdrug
Contact: **Peter Raine**
0208 684 7000

VCI Group PLC
Contact: **Lorraine Blake**
0208 362 8111

Woolworths
Contact: **Christine Gray**
0207 262 1222

"Need information on Share Schemes or pensions? We've just added another helpline..."

Share Schemes Helpline

01903 833689

If you'd like to talk to one of our share schemes specialists about ShareSave or the All-Employee Share Options, you can call the Share Schemes Helpline. It's open Monday to Friday, from 9am to 5pm.

Pensions Helpline

0207 725 5725

The Pensions Helpline gives you recorded information on what you want to know about our pension arrangements, 24 hours a day, seven days a week.

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