



KINGFISHER  
Pension  
Scheme

**Trustees'  
Report &  
Accounts  
2006**

# Introduction

During the Scheme year under review, employees of UK companies within the Kingfisher Group were able to join the Kingfisher Pension Scheme, subject to certain eligibility conditions.

The Pension Scheme is a hybrid scheme, providing 'money purchase' benefits (i.e. based on what a member's accumulated fund value will purchase at retirement) for all employees recruited on or after 1 April 2004 or who otherwise elect to be provided with such benefits and 'final salary' benefits (i.e. based on a member's salary and service) for employees who joined the Scheme before 1 April 2004.

This Report gives information about the Scheme and its management during the Scheme year 2005/2006.

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# Chairman's Review

I am pleased to present my review of the Scheme year ended 31 March 2006.

Once again, the past year has seen a lot of press comment about pensions. Whilst there has been some doom and gloom with a number of pension scheme closures the year has also heralded a radical new beginning in pensions thinking with a report from the Pensions Commission on the future of State provision and the resulting Government White Paper entitled 'Security in retirement: towards a new pensions system'. This paper introduces a radical overhaul to State pension provision going forward with the introduction of a new scheme of personal accounts and increase in the State pension age.

Also this year the provisions of the Finance Act 2004 (also known as 'simplification') finally came into force on 6 April 2006 ('A Day'). The old complicated Inland Revenue limits on the amount of pension a member can receive from a pension scheme have been abolished and replaced by one Lifetime Allowance that covers all pension arrangements. The amount that an individual can contribute to their pension scheme before tax is deducted has also been greatly increased. You should have received two A Day communications from the Pensions Department over the past year keeping you informed of progress and what the new changes mean to you. If in any doubt, please contact the Kingfisher Pensions Department.

As a result, this year has been one of significant change for the Pensions Department who have worked hard toward making the Department compliant with the new pensions regime that came into effect from 6 April 2006.

This year the Trustees have also undertaken a review of the Scheme's investment strategy. Briefly, the investment objectives are over the longer term to achieve a return on the Scheme's assets that exceeds the growth of the Scheme's liabilities, consistent with an acceptable degree of risk. Therefore it is essential that the Trustees get the right mix

of asset classes in the Scheme's portfolio. Longevity, inflation and wage rises are significant risks. In an attempt to mitigate these risks the Trustees are currently seeking out better matching longer term investments and reducing equity exposure.

On top of this the Scheme went through a valuation at 30 September 2005. The reason for this valuation taking place ahead of schedule has been to try to reduce the levy the Scheme has to pay to the Pension Protection Fund for the 2006/2007 tax year. The background to this is at 29 September 2005 the first stage of the additional payment by the company (£130 million) was made to the Scheme to improve the Scheme's funding position. As the levy rises for pensions schemes that are not well funded, the Trustee wanted to make sure that the levy was based on the latest valuation, i.e. including the £130 million extra contribution. This should reduce the amount the Scheme has to pay to the Pension Protection Fund whilst ensuring the Scheme is as well funded as it can be for the security of its members. The remaining £120 million of the £250 million extra funding agreed by the company is scheduled to be paid to the Scheme over the next two scheme years (i.e. £60 million in the 2006/2007 scheme year and £60 million in 2007/2008).

Later on this year, if you are an employee, you will receive your new look Annual Benefit Statement. As with last years Statement this will also provide you with details of what pension you might expect to receive from the State. By having this information alongside the illustration of your Kingfisher pension, you will be able to get a much clearer idea of the level of pension you can expect to retire on.

We are now also obliged to provide members with a Summary Funding Statement on an annual basis to provide you with information about the Scheme funding. This information will be communicated to members later in the year, if you have not received it already.

There have been some changes to the Board of Trustee Directors during the last year. Mrs Helen Chandler retired on 30th September 2005 after 15 years as a Trustee. Helen made an excellent contribution to the good running of the Scheme during her time as a Trustee and she will be missed. Following on from this I am pleased to announce that two more Trustee Directors have been appointed from the active membership of the Scheme. Alison Martin replaces Charles Baker who resigned in late 2004 and Karl Lidgley fills the vacancy left by Helen Chandler.

Finally, I am especially pleased to announce that this year the Scheme won 'Best New Benefits Strategy Implementation Award' at the prestigious 'Pensions Management' Awards. Pensions Management is a Financial Times Business publication and the awards seek to recognise excellence in UK occupational pension schemes. These awards have become highly regarded as a badge of quality among schemes. The category the Scheme won is designed for schemes that have changed their benefits for members and aims to recognise good planning and

implementation of a change in benefits. This award recognises the hard work put in by the Pensions Department and the Trustee Board in implementing last years Benefit Review.

We live in interesting times and no doubt the recent evolution in pensions thinking will present challenges in the future for pension scheme trustees, employers and the Government. I am certain that we can all work together to make a significant positive contribution to the security of pension provision going forward.

On behalf of the Board I would also like to take this opportunity to recognise the hard work of the Kingfisher Pensions Department and thank them for their tremendous efforts this year.



Tony Stanworth

**2005-2006  
Statistics Summary**

**Membership**



**Assets**



# Pension Scheme Information

## Trustee Board

The Scheme is 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; the directors of this trustee company form the Trustee Board and are colloquially termed 'Trustees'.

Trustees are drawn from all levels within the Kingfisher Group, including Val Struthers who is a pensioner. In addition, one of the Trustees, Charles Woodward, is not employed within the Group and is chosen for his complete independence as well as his knowledge and experience of pension matters.

Before taking up their appointment, new Trustee Board directors receive both external and internal training.

The Trustee Board monitors and oversees the Scheme through committees, which focus on specific aspects of day-to-day operations. The four Committees (Accounts and Audit, Benefits, Investment and Sealing) report separately to the Trustee Board. The role of each Committee is briefly explained opposite.

### Changes 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 Trustees rests with Kingfisher plc.

Under the terms of the Pensions Act 1995, Kingfisher plc opted out of the requirement to appoint Member Nominated Trustees, and alternative arrangements were adopted.

Helen Chandler retired from the Trustee Board on 30 September 2005. Alison Martin joined the board on 21 June 2005 and Karl Lidgley joined on 25 November 2005.

### Accounts & Audit Committee

Membership: Charles Woodward (Chairman); Karl Lidgley; Helen Jones; Angela Taylor and Roger Blundell.

The role of the Committee is to:

- approve the Accounts of the Scheme and the Report to members;
- arrange and approve the process of auditing the Accounts;
- monitor controls and record keeping; and
- approve budgets and monitor the expenses of running the Scheme.

### Benefits Committee

Membership: Tony Stanworth (Chairman), Helen Jones and Val Struthers.

The Committee meets as necessary to exercise the Trustee's discretionary powers, particularly in relation to:

- the distribution of lump sum death benefits; and
- the granting of ill-health early retirement pensions.

### Investment Committee

Membership: Charles Woodward (Chairman); Terry Hartwell; Val Struthers; Roger Blundell, Alison Martin. In addition Duncan Tatton-Brown, Group Finance Director, is also a non-Trustee member of the committee.

The Trustee Board agrees the Scheme's Statement of Investment Principles. Day-to-day investment management is undertaken by external managers.

The role of the Committee is to:

- make recommendations to the Trustee Board on strategic issues;
- monitor and review the managers; and
- decide on manager appointments and terminations.

### Sealing Committee

Membership: Helen Jones (Chairman), Tony Stanworth and Val Struthers.

The role of the Committee is to authorise the affixing of the company seal to relevant documents.



**Tony Stanworth**

**Company:** Kingfisher (retired)  
**Committees:** Benefits (Chair)  
 Sealing  
**Based:** London  
**Appointed:** 30 March 1992



**Angela Taylor**

**Company:** B&Q  
**Committees:** Accounts & Audit  
**Based:** Chandlers Ford  
**Appointed:** 1 January 2004



**Terry Hartwell**

**Company:** Kingfisher  
**Committees:** Investment  
**Based:** Southampton  
**Appointed:** 6 November 1998



**Roger Blundell**

**Company:** Kingfisher  
**Committees:** Accounts & Audit  
 Investment  
**Based:** London  
**Appointed:** 1 April 2004



**Val Struthers**

**Company:** Pensioner, B&Q  
**Committees:** Investment, Sealing  
 Benefits  
**Based:** Southampton  
**Appointed:** 13 March 1997



**Alison Martin**

**Company:** B&Q  
**Committees:** Investment  
**Based:** Essex  
**Appointed:** 21 June 2005



**Charles Woodward**

**Company:** Independent  
**Committees:** Accounts &  
 Audit (Chair)  
 Investment (Chair)  
**Based:** France  
**Appointed:** 30 May 1992



**Karl Lidgley**

**Company:** B&Q  
**Committees:** Accounts & Audit  
**Based:** Northampton  
**Appointed:** 25 November 2005



**Helen Jones**

**Company:** Kingfisher  
**Committees:** Sealing (Chair)  
 Accounts & Audit  
 Benefits  
**Based:** London  
**Appointed:** 1 September 2003

## Administration

The Trustee Board delegates day-to-day administration of the Pension Scheme to the Group Pensions Department of Kingfisher plc. The Trustee Board also delegates aspects of the day-to-day administration of the Money Purchase Section to The Standard Life Assurance Company. The delegated administration services are carried out in accordance with formal agreements governing the services to be provided.

The Scheme meets all the administrative costs incurred by Kingfisher Pensions Department and Standard Life.

## Participating Companies

Company	Date of Participation in Pension Scheme
B&Q plc	1 February 1988
B&Q (Guernsey) Ltd	1 February 1988
B&Q (Retail) Jersey Ltd	1 February 1988
B&Q Properties Limited	1 February 1987
Kingfisher plc	1 February 1987
Screwfix Direct Ltd	1 August 2000
Trade Depot	1 May 2005

## Complaints Procedure

Complaints against the Pension Scheme should firstly be referred, in writing, to the Head of Pensions at Kingfisher for consideration under the Internal Dispute Resolution Procedure.

1. The complaint must be made in the prescribed format (a form is available from the Group Pensions Department) and any complaint should be submitted to the Head of Pensions, who will respond within ten working days. Where it is not possible to meet this deadline, an interim reply will be sent explaining the reason for the delay and giving an idea of when a reply may be expected.
2. If the complainant considers the matter still unresolved, they may ask for a review by the Independent Trustee Director who will

consult with any two other Trustee Directors of his choosing who have not been involved (e.g. via the Benefits Committee in the exercise of a discretion) to decide the merit of the complaint and the action to be taken.

3. The Trustee Board has two months to arrive at a decision and to reply to the complainant or their representative. Where it is impossible to meet this deadline, an interim reply will be sent explaining the reason for the delay and giving an idea of when a reply may be expected.

At any point during the Internal Dispute Resolution Procedure, the complainant may contact The Pensions Advisory Service (TPAS). This organisation can help members and beneficiaries with pension difficulties they have not been able to resolve with their scheme trustees.

Address:  
The Pensions Advisory Service  
11 Belgrave Road  
London  
SW1V 1RB

Telephone: 0845 6012923  
(all calls are charged at local rates)

If the problem remains unresolved, the complainant may contact the Pensions Ombudsman. He can investigate and determine complaints or disputes of fact or law, referred to him in accordance with the Pensions Schemes Act 1993.

The decision of the Pensions Ombudsman is binding on both the member and their pension scheme.

Address:  
The Pensions Ombudsman  
11 Belgrave Road  
London  
SW1V 1RB

Telephone: 020 7834 9144

# Trustee Board Report

The Scheme provides retirement and death benefits by means of a trust which is independent of the participating companies' financial affairs.

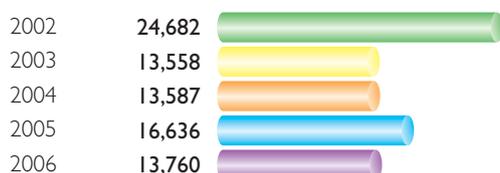
Following a review of retirement benefits, the Scheme was amended with effect from 1 April 2004 and became a hybrid scheme, providing 'money purchase' benefits (i.e. based on what a member's accumulated fund value will purchase at retirement) for all UK employees recruited on or after 1 April 2004, or who elect to join the Scheme or otherwise elect to be provided with money purchase benefits after that date, and 'final salary' benefits (i.e. based on a member's salary and service) for employees who joined the Scheme before 1 April 2004 (and do not elect to be provided with money purchase benefits). The two sections of the Scheme are referred to respectively as the Final Salary Section (or KPS-FS) and the Money Purchase Section (or KPS-MP). A summary of the changes introduced on 1 April 2004, and the benefits now provided by the respective sections of the Scheme is provided on page 10.

During the Scheme year under review:

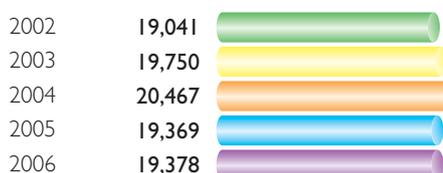
- The Money Purchase section of the Scheme was open to all UK companies and their employees within the Kingfisher Group, subject to certain employee eligibility conditions;
- The Scheme was governed by the Definitive Trust Deed and Rules (as amended inter alia by a Deed of Amendment dated 31 March 2004) and approved by the Inland Revenue under the Income and Corporation Taxes Act 1988 as an exempt approved scheme;
- Members of the Final Salary Section were contracted-out of the State Second Pension (S2P) whilst members of the Money Purchase Section participated in S2P.

## 5 Year Summary at 31 March

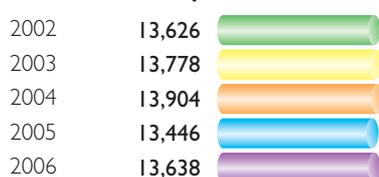
### Active Members



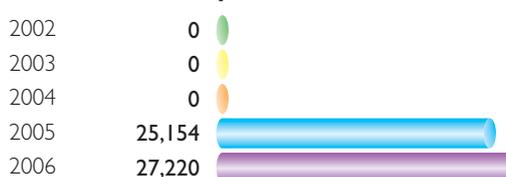
### Deferred Pensioners



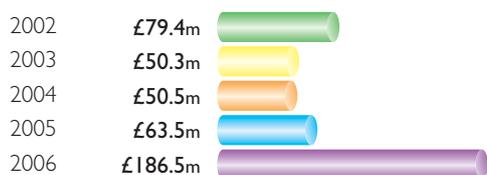
### Pensioners & Dependents



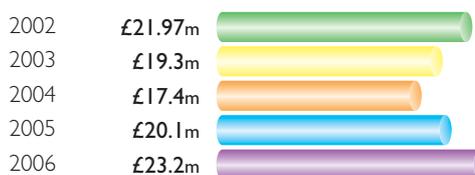
### Life Assurance Only Members\*



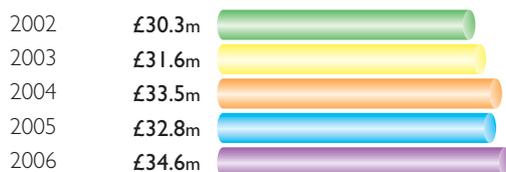
### Income - Contributions & Transfer Values



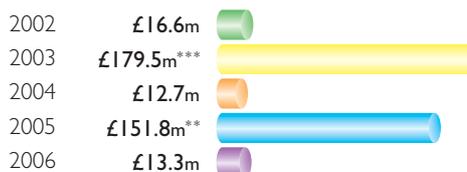
### Income - Investment



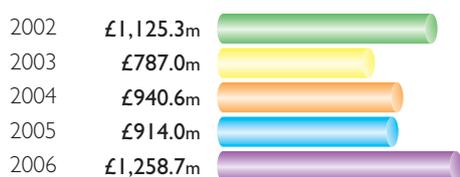
### Expenditure - Pensions



### Expenditure - Other Benefits & Expenses



### Fund Value



\* From 1 April 2004, a lump sum death benefit is provided for all employees in the event of their death while still working for a participating company.

\*\* Includes a bulk transfer of approximately £142 million.

\*\*\* Includes a bulk transfer of approximately £166.2 million.

## Membership

Membership of the Money Purchase section of the scheme is open to all employees of UK companies within the Kingfisher Group who satisfy the entry qualifications set by their employer, which are broadly similar. There are three categories of membership within the Scheme:

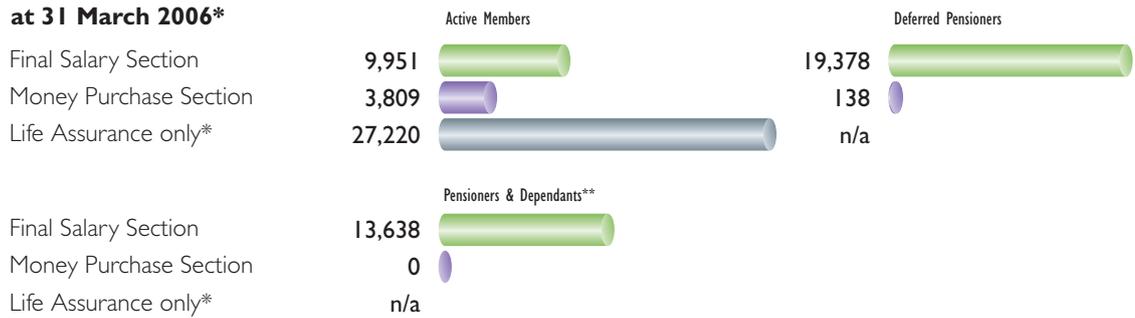
**Active members** - currently contributing employees who are members of the Scheme.

**Deferred pensioners** - members who have left service or otherwise ceased active membership and have the right to a future pension under the Scheme.

**Pensioners** - members who have retired and are in receipt of a pension and dependants who are in receipt of a pension following the death of a member.

### Membership

at 31 March 2006\*

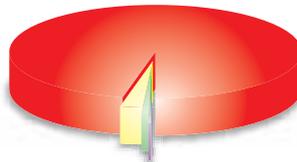


- \* From 1 April 2004, a lump sum death benefit is provided for all employees in the event of their death while still working for a participating company.
- \*\* The Trustees discharge their liability to provide pensions for retired members of the Money Purchase Section by purchasing annuity policies in the name of individual members.

### Membership by Operating Company at 31 March 2006

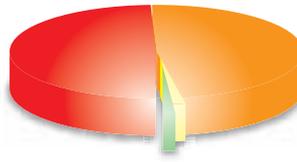
#### Active

B&Q	13,286
Kingfisher	106
Screwfix Direct	349
Trade Depot	19
Others**	0



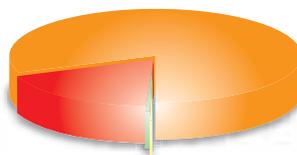
#### Deferred

B&Q	9,702
Kingfisher	264
Screwfix Direct	271
Trade Depot	0
Others**	9,279



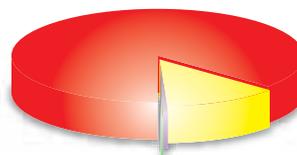
#### Pensioners/Dependants

B&Q	2,530
Kingfisher	46
Screwfix Direct	32
Trade Depot	0
Others**	11,030



#### Life Assurance Only\*

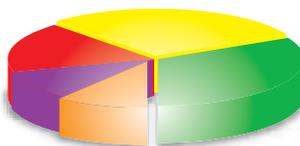
B&Q	23,576
Kingfisher	48
Screwfix Direct	3,467
Trade Depot	129
Others**	0



- \* From 1 April 2004, a lump sum death benefit is provided for all employees in the event of their death while still working for a participating company.
- \*\* Includes former participating companies Woolworths group, Superdrug, Entertainment UK, MVC and VCI.

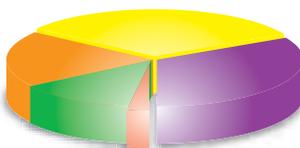
### Age Profile of Active Members at 31 March 2006

Age 16-30	2,401
Age 31-40	4,488
Age 41-50	4,066
Age 51-55	1,413
Age 56+	1,392



### Age Profile of Pensioners and Dependants at 31 March 2006

Age 50 & under	319
Age 51-60	1,765
Age 61-70	4,395
Age 71-80	4,495
Age 81+	2,664



## Changes in Membership during the Year at 31 March 2006

### Final Salary Section

	Active	Deferred
At 31 March 2005	12,388	19,189
New	6	1,679
Deaths	(16)	(33)
Retirements	(274)	(776)
Leavers	(2,153)	(681)
At 31 March 2006	9,951	19,378

	Pensioners & Dependants	Life Assurance only*
At 31 March 2005	13,466	25,154
New	1,228	27,230
Deaths	(506)	
Retirements	0	
Leavers	(530)	
At 31 March 2006	13,638	

\* From 1 April 2004, a lump sum death benefit is provided for all employees in the event of their death while still working for a participating company.

### Money Purchase Section

	Active	Deferred
At 31 March 2005	4,248	180
New	439	169
Deaths	(7)	0
Retirements	(24)	(12)
Leavers	(847)	(199)
At 31 March 2006	3,809	138

The Trustees discharge their liability to provide pensions for retired members of the money purchase section by purchasing annuity policies in the name of individual members.

## Retirement and Death Benefits

The following is intended as a brief outline of the Scheme, and further details can be found in the explanatory booklets described on page 14. The legal position is governed by the Trust Deed and Rules, copies of which are available to members. Legal reliance should be placed only on this formal document.

### Final Salary Section

#### Pension at retirement

From age 50 onwards (age 55 from 6th April 2010), a pension based on either 1/60<sup>th</sup> or 1/80<sup>th</sup> of salary for each year of Scheme service to the date of actual retirement (depending on the member's chosen option during the consultation period between 1 January and 31 March 2004 subject to any later decision by the member to contribute at a lower rate), with a percentage reduction for each year of early payment before age 60. Under current legislation, part of the pension may be exchanged for a tax-free lump sum.

#### 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 Company may consider the payment of additional discretionary increases.

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 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.

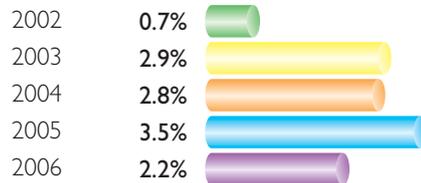
From time-to-time, special pension increases have been awarded (in 1986, 1990 and 1999).

The *Pension Increases* chart shows the level of increases over the last five years.

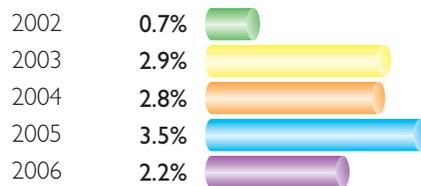
Both Jersey and Guernsey have their own Retail Prices Index (2.2% and 3.3% respectively at December 2005), and increases for Channel Islands pensioners are calculated in accordance with these.

### Pension Increases

#### Kingfisher



#### RPI (Inflation)



Since April 1978, final salary schemes have been able to contract-out of the State additional pension scheme (known until April 2002 as the State Earnings Related Pension Scheme (SERPS) and now known as the State Second Pension (S2P)); in doing so, a member and their employer do not pay full-rate NI contributions.

Because this reduced the member's SERPS pension, prior to 6 April 1997 a contracted-out scheme had to guarantee to pay a minimum pension so that the member would not be disadvantaged. Following the Pensions Act 1995, with effect from 6 April 1997 contracted-out final salary schemes no longer have to guarantee to provide a minimum pension. Instead, they are required to pass a 'Reference Scheme Test'. Consequently, members who joined after 6 April 1997, do not have a GMP, and the GMPs of members who joined before 6 April 1997 stopped accruing at that date.

#### Ill-Health retirement

Subject to medical evidence, a pension may be payable (irrespective of age), based on actual Scheme membership, with no reduction for early payment.

If earning capacity is seriously impaired, then the pension may be based on a maximum of full potential Scheme membership to age 60.

Active members who take ill-health early retirement remain covered by the lump sum death benefit of four times their annual Salary (at the date of retirement) until they reach age 60.

**Death**

While in employment, a lump sum of four times Pensionable Salary is payable, plus a refund of the member's contributions together with interest related to the Retail Price Index (up to a limit of 5% per annum).

A dependant's pension and children's allowances may be payable on death either before or after retirement.

For employees not provided with pension benefits, on death while in employment, a lump sum of two times Pensionable Salary is payable.

**Leaving**

A pension deferred until retirement, with the option of a refund of member contributions for those with less than two years' qualifying service.

The value of a member's Scheme benefits under the Scheme is fully transferable to a suitable pension scheme of a new employer or personal pension arrangement.

Deferred pensions continue to receive increases before retirement as required by legislation.

**Transfer Values**

Transfer values were calculated in accordance with the provisions of the Pension Schemes Act 1993 on a basis agreed between the Trustees and the Actuary. The amount available for transfer is the 'cash equivalent' of a member's benefits under the Scheme. It does not take account of any future benefits that may be payable at the discretion of the Trustees or the Company. No payments were reduced below the actuarially calculated value.

**Earnings Cap**

From April 2005, the limit on earnings that can count for pensions purposes (the Earnings Cap) in respect of members who joined after May 1989 increased from £102,000 to £105,600. With effect from 6 April 2006 the Earnings Cap was abolished, however Scheme's can impose their own cap known as the 'scheme specific earnings cap'. For the 2006/2007 tax year the scheme specific earnings cap for the Kingfisher Pension Scheme is £108,600.

**Money Purchase Section****Retirement**

From age 50 onwards (age 55 from 6th April 2010), a pension is based on the value of the member's retirement account and annuity rates at the date of retirement. Under current legislation,

a portion of the retirement account may be taken as a tax-free lump sum. Pensions will increase as required by legislation and depending on the type of annuity selected by the member.

**Ill-Health retirement**

Subject to medical evidence, a pension may be payable (irrespective of age), dependent on the value of the member's retirement account at the date of retirement.

**Death**

While in employment, a lump sum of two times Pensionable Salary is payable, plus a refund of the member's retirement account.

**Leaving**

A pension deferred until retirement, provided two years' qualifying service have been completed. For members with less than two years' qualifying service, a refund of member contributions is payable.

The value of a member's Scheme benefits under the Scheme is fully transferable to a suitable pension scheme of a new employer or personal pension arrangement.

Deferred benefit entitlements continue to enjoy the returns generated by the respective investment funds underlying the member's retirement account.

**Transfer Values**

Transfer values were calculated in accordance with the provisions of the Pension Schemes Act 1993. The amount available for transfer is the 'cash equivalent' of a member's benefits under the Scheme.

**Earnings Cap**

From April 2005, the limit on earnings that can count for pensions purposes (the Earnings Cap) in respect of members who joined after May 1989 increased from £102,000 to £105,600. With effect from 6 April 2006 the Earnings Cap was abolished, however Scheme's can impose their own cap known as the 'scheme specific earnings cap'. For the 2006/2007 tax year the scheme specific earnings cap for the Kingfisher Pension Scheme is £108,600. Going forward, in practice this only applies to the final salary section of the scheme.

**State Pension**

Members of the Scheme retain their entitlement to the Basic (Old Age) State Pension. Members of the Money Purchase Section are also entitled to the State Second Pension.

## Contributions Payable to the Scheme

A new Schedule of Contributions was introduced at 1 April 2004 and certified by the Scheme Actuary. Following completion of the Actuarial Review at 31 March 2004 (see page 15 for further information), a new Schedule of Contributions was introduced at 1 April 2005 and certified by the Scheme Actuary.

### Final Salary Section

Members' contributions are either 7% or 5% of Pensionable Salary depending on the member's chosen option during the consultation period between 1 January and 31 March 2004 (see page 6) subject to any later decision to pay contributions at the lower rate.

Participating companies meet the balance of the cost to ensure that the Scheme is able to meet its estimated future commitments. During the Scheme year under review the employer contributions were £40 million in addition to this an 'additional' employer contribution of £130 million was paid on 29th September 2005. This is shown as a normal employer contribution as it is accounted for in the Schedule of Contributions.

### Money Purchase Section

Member's core contributions are 3% of Pensionable Salary. At the member's option, additional core contributions may be paid, which will be matched by the Company up to a maximum of an additional 2% (5% in certain circumstances) of Pensionable Salary.

Members who during the consultation period between 1 January and 31 March 2004 (see page 6) chose to join the Money Purchase Section on terms similar to those provided by the Kingfisher Retirement Trust, do not contribute to the Money Purchase Section, and the Company contributes 1% of Pensionable Salary on their behalf.

### Company Additional Contributions

It is on occasion considered appropriate by the employer to enhance a member's benefits available from the Scheme. Where an employer chooses to do this, they are required to pay an additional amount to the Scheme (in the case of a member of the Final Salary Section and where applicable, to cover the cost of providing a stated level of benefits). The amount paid is calculated in accordance with instructions provided by the Scheme Actuary. The payment of such amounts is included within the Schedule of Contributions.

## Additional Voluntary Contributions

AVCs provide an opportunity for members of the Scheme to increase their retirement benefits. AVCs are a tax-efficient way of providing extra benefits as the amount paid in contributions currently attracts tax relief at the member's highest rate of taxation and the fund builds up in a favourable tax environment.

AVCs paid by members of the Final Salary Section 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 fund.

### Final Salary Section

Members of the Final Salary Section have a choice of:

- The With-Profits Fund, currently invested with the Prudential Assurance Company, which aims to provide steady growth with a guarantee that if the monies are left in the Fund until retirement, they will only increase in value.

The annual bonus rate during the year was 3% and is retained at the same rate from 1 April 2005. This bonus becomes part of the member's fund on which future bonuses will be calculated. When the benefits become payable, there is the possibility of an additional Terminal Bonus.

- Unit-linked funds, where the value of the funds are directly linked to stock and bond markets. Returns are not guaranteed and fund values can fall as well as rise.

Unit-linked funds are currently invested with two AVC providers: Merrill Lynch Investment Managers and the Legal and General Assurance Company, who offer a range of investment funds using active and passive management approaches.

At the year end, there were 1,266 active members with AVC accounts. There were also 2,507 deferred members with AVC accounts. AVC accounts in respect of members who are (or were) employed by Comet were transferred along with the main benefits in December 2004.

Details of the value of members' AVC funds are included in Personal Benefit Statements.

Full details of the Final Salary AVC Scheme can be found in the explanatory booklet *The KPS AVC Guide*, available online at the pensions website [www.kingfisherpensions.com](http://www.kingfisherpensions.com) or from personnel departments.

### Money Purchase Section

AVCs paid by members of the Money Purchase Section are invested in the same underlying funds as already selected by them for the investment of their core contributions.

At the year end, there were 35 active members paying AVCs.

## 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.
- *Talking Pensions*, a magazine explaining in an informal way the options open to employees.
- *Your Guide to the Money Purchase Section of the Kingfisher Pension Scheme* and *Choosing your Investments*, the explanatory booklets for the Money Purchase Section.
- *Your Guide to the Final Salary Section of the Kingfisher Pension Scheme*, the explanatory booklet for the Final Salary Section.
- *The KPS AVC Guide*, a booklet 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](http://www.kingfisherpensions.com) alternatively, they may be obtained from the relevant person shown as the relevant company contact on page 40.

### **The Pension Schemes Registry**

The Pension Schemes Registry holds details of pension schemes to assist individuals in tracing past pension benefits. Information on the Pension Scheme has been given to the Registrar. The registration number of the Scheme is 100797763.

Address:

The Pension Schemes Registry  
PO Box INN  
Newcastle-upon-Tyne  
NE99 INN

Telephone: 0191 225 6316

### **The Pensions Regulator (tPR)**

TPR's main function is to supervise trustees and scheme administration, and it is able to intervene in the running of a pension scheme where trustees, employers or professional advisers have failed in their duties.

Address:

The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
East Sussex  
BN1 4DW

Telephone: 01273 811800

## Financial and Actuarial Review

### Financial Review

During the year to 31 March 2006, (member related) income from contributions and transfers-in was higher than the Scheme's spending on pensions, other benefits and expenses by approximately £139 million.

The Scheme's investment income, plus the increase in the market value of its investments, resulted in the fund value at the year end of £1,259 million being £345 million higher than the value at the commencement of the year which was £914 million.

The Investment Report on pages 17 to 23 gives more information on the investment background, strategy and performance over the year.

### Actuarial Review

The financing of the Scheme is subject to regular review by the Actuary. The main purpose of a review (Actuarial Valuation) is to assess the adequacy of the fund and the level of contributions necessary to maintain the financial soundness of the Scheme in relation to benefits that have accrued and will accrue to members

and their dependants. These reviews normally occur every three years.

Although a valuation was carried out at 31 March 2002, the Trustees decided that an additional valuation should be carried out at 31 March 2004 following the bulk transfer out of Comet members. The data used, and the results and recommendations of the valuation report refer to the Final Salary Section.

The 2004 Valuation showed that the long-term rate of employer's contribution required to cover the accrual of future service benefits (including an allowance for administrative expenses) is £40 million p.a. subject to review at the next triennial valuation.

In addition, the participating companies have agreed to pay additional lump sum contributions in three installments of £130million, £60 million and £60 million in the years to 31 January 2006, 31 January 2007 and 31 January 2008 respectively.

The first additional employer contribution of £130 million was paid in September 2005.

The Actuary's Statement is shown on page 27.

## Advisers and Investment Managers

Actuary	Peter Sisson (partner in the firm of Watson Wyatt LLP)
Auditor	KPMG LLP
Bankers	Barclays Bank PLC
Investment Final Salary Section	AXA Rosenberg Investment Management Limited Deutsche Asset Management Limited Gartmore Investment Management plc Legal & General Assurance (Pensions Management) Limited London Life Limited Prudential Assurance Company Limited State Street Global Advisors UK Limited Western Asset Management Company Limited Morley Fund Management Limited Wellington Management International Limited
Money Purchase Section	Standard Life Investments
Custodian Final Salary Section Money Purchase Section	State Street Bank & Trust Company Standard Life Investments
Solicitors	Mayer Brown Rowe & Maw LLP

# Investment Report

## Investment Objectives

Following the review of the Scheme's Investment Strategy the Trustees and the Company have agreed long term funding objectives which can be summarised as:

- to be fully funded on a Gilts basis (least risk) in a period not exceeding 20 years
- to be 110-120% funded on a Gilts basis in a period not exceeding 30 years.

The Trustees believe that the very long term nature of pension scheme liabilities make the targets appropriate and a contribution schedule has been agreed with the Company, which together with a newly agreed investment strategy has been developed to ensure the objectives are met.

The Scheme's funding and investment objectives, together with full details of the relevant processes, are set out in the 'Statement of Investment Principles', copies of which are available by writing to the Group Pensions Department at the address shown on page 40. The charts on pages 18 and 19 illustrate the current allocations by asset type, investment manager and geographical spread. Further details of the investment objectives and performance of each manager can be found on page 21.

In respect of the Money Purchase Section, the Scheme's long-term investment objective can be stated as being to consider members' circumstances and protect their interests and to make available a series of funds designed to enable appropriate decisions to be taken.

## Socially Responsible Investment

Under the 1995 Pensions Act, from July 2000 trustees of occupational pension schemes must state in their Statement of Investment Principles (SIP) whether or not they operate an ethical investment policy. The law requires that trustees should act in the best interests of all beneficiaries, which generally means their best financial interests.

The Trustee Board believes that all companies should be run in a socially responsible way as in the long run this will 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. The Trustee Board's policy is therefore 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 the companies in which they invest funds.

However, the Trustee Board recognises that because of the need to closely track the Index benchmarks, it is not appropriate for the Scheme's passive managers (see page 21 for details of the investment managers) to take account of social, environmental or ethical considerations in the construction of their portfolio. However, the Trustee Board also encourages its passive managers to pursue policies of engagement with the companies in which they invest funds.

## Corporate Governance

The Scheme has instructed its investment managers to, whenever possible, exercise voting rights attaching to investments. While in the majority of circumstances the managers are instructed to exercise their professional judgement on how the 'vote' is exercised, in potentially contentious situations the Investment Committee is consulted. To assist in this process, the Scheme subscribes to the voting service operated by the National Association of Pension Funds which gives information about matters on which shareholders are asked to vote. The Investment Committee regularly reviews how the investment managers exercise the Scheme's voting rights and continues to monitor the debate on corporate governance and the role shareholders should play.

## Custody of Assets

In respect of the Final Salary Section, although the Trustee Board has delegated day-to-day management of the Scheme's investments to external managers, the custody (safekeeping) of most of these assets is presently carried out independently of the managers by State Street Bank and Trust Company Limited.

In respect of the Money Purchase Section, the custody (safekeeping) of these assets is carried out by the manager, Standard Life Investments.

## Investment Strategy

### Final Salary Section

As previously mentioned, the Trustees have undertaken a major review of the Scheme's investment strategy designed to achieve the long term funding objectives agreed with the Company.

Following the changes made to the Scheme in 2004, the Trustees are developing a strategy designed to reduce risk in a controlled manner, whilst leaving sufficient flexibility to produce positive returns in the future. This will involve the selling of assets that are volatile when compared to the assets, such as equities and the purchase of bonds which better match the pensions provided by the scheme. It is intended that the Scheme will hold no more than 20% of its assets in more volatile investments by 2014.

This strategy will, as in previous years, involve the Scheme's asset classes and geographic areas. This diversified spread is designed to deliver the Scheme's required investment performance in a risk controlled manner.

### Target Asset Allocation

Asset Class		Mandate	Proportion of fund allocated
Equities	Wellington Management	Active Equities – Global	11%
	AXA Rosenberg	Active Equities - UK only	13%
	State Street Global Advisors	Passive Global	36%
Bonds	Gartmore	Active – Global	11%
	Western Asset	Active – Global	11%
	State Street Global Advisors	Passive Global	8%
Property	Morley Fund Managers	n/a	10%

## Investment Strategy

### Money Purchase Section

The strategy to achieve the investment objectives of the Money Purchase Section involves the Scheme's assets being spread across a number of asset classes and geographic areas. The assets are invested in unit linked arrangements, wrapped in insurance policies, managed by Standard Life Investments.

The Trustees make available a range of investments via pooled funds, which seek to:

- Establish a financially efficient scheme that provides attractive and robust long term investment options to members that recognise their investment challenge and incorporate institutional best practices
- Enable members to protect their benefits as they approach retirement
- Limit the scope of members to need to take detailed investment decisions.

Currently the Trustees offer three Lifestyle strategies which involve automatic switches from predominantly equities to fixed interest and cash funds as the target retirement date approaches. In addition, the Trustees offer a number of funds offering specific equity, bond or cash investments which may be selected by members instead of the Lifestyle options.

The Money Purchase Section does not hold shares directly in Kingfisher plc.

### Geographical Spread of Assets

#### 31 March 2006

● UK	71%
● Europe	9%
● North America	15%
● Japan	2%
● Others	3%



#### 31 March 2005

● UK	58%
● Europe	17%
● North America	19%
● Japan	3%
● Others	3%



### Distribution of Scheme Assets

#### 2006

● UK Equities	27%
● Overseas Equities	26%
● Fixed Interest	18%
● Index-Linked Quoted	17%
● Cash and Cash Instruments	3%
● Property	8%
● AVC Funds	1%



#### 2005

● UK Equities	30%
● Overseas Equities	27%
● Fixed Interest	25%
● Index-Linked Quoted	4%
● Cash and Cash Instruments	3%
● Property	9%
● AVC Funds	2%



### Distribution of the Fund by Investment Managers

#### 2006

● AXA Rosenberg (UK Equity)	15%
● Gartmore Investment Managers (Fixed Interest)	8%
● Western Asset (Fixed Interest)	8%
● Deutsche Asset Management (Cash)	0%
● Wellington Management (Global Equity)	11%
● Morley Fund Managers (Property)	9%
● State Street Global Advisors (Passive Global Equities and Bonds)	49%



#### 2005

● AXA Rosenberg (UK Equity)	16%
● Gartmore Investment Managers (Fixed Interest)	12%
● Western Asset (Fixed Interest)	12%
● Deutsche Asset Management (Cash)	0%
● Wellington Management (Global Equity)	12%
● Morley Fund Managers (Property)	10%
● State Street Global Advisors (Passive Global Equities and Bonds)	38%



## Investment Background

### Final Salary Section

#### Equities

Global equity markets remained robust despite volatile energy prices and a tightening of interest rates across the US, European and Japanese economies.

#### UK

The year started sluggishly with poor retail results due to decreased consumer spending based on fears of housing market slowdown. UK shares were however relatively immune to major shocks including the 7 July terrorist bombings and the effect of Hurricane Katrina on the insurance sector. The continual rise throughout the year was driven by increased Merger & Acquisitions activity as, amongst others, several European companies sought expansion into the UK market. The best performing sectors were Mining, Steel and Oil & Gas on the back of strong commodity prices.

The FTSE All Share Index returned 28.0% over the year.

#### US

Despite shocks of two hurricanes' devastation; increasing energy prices; slowing consumer spending; increasing trade and current account deficit imbalances and Federal Reserve interest rate tightening; the economy and corporate earnings performed strongly. Merger & Acquisitions activity further buoyed the market whilst the energy sector performed best.

The FTSE AW USA Index returned 23.0% in Sterling terms over the year.

#### Continental Europe

European equities also performed well on the back of strong corporate earnings and increased merger acquisitions activity. Economic performance continued to strengthen despite interest rate tightening by the European Central Bank.

FTSE-W Europe (excluding UK) Index returned 35.5% in Sterling terms over the year.

#### Japan

Japanese equities finally recorded very strong increases as the economy emerged from its long decline as driven particularly by domestic activity. The Japanese Central Bank increased interest rates as a response but with little effect during the year.

The FTSE-AW Japan Index returned 48.1% in Sterling terms over the year.

#### The Pacific Basin

Chinese growth continued to drive performance forward. Chinese and other Asian companies used strong earnings to fund global company acquisition activity. Excess liquidity and strong corporate profits kept the markets buoyant despite threats from increasing commodity prices and a potential bird flu pandemic.

The FTSE-AW Developed Asia Pacific (excluding Japan) Index returned 44.0% in Sterling terms over the year.

#### Fixed Interest (Bonds)

Gilt yields increased globally except in the UK due to institutional demand for liability matching assets. Global credit spreads started the year unstably following the downgrading of motoring giants Ford and General Motors. They tightened before widening slowly in the second half of the year with credit valuations remaining at historic highs.

Over the year the JP Morgan (Global excluding UK) Index returned 3.7% in Sterling terms and the FTSE A All Stocks Gilts Index returned 7.4%.

#### UK

Investors preferred longer dated bonds to shorter term bonds causing longer term yields to drop dramatically during the year before rising at the end of the last quarter. The primary long term government gilt purchasers were UK pension schemes looking to match their liabilities and overseas investors looking to invest excess global liquidity in a perceived relative safety of UK gilts. The drop in long term yields had the additional effect of increasing the scheme's pension liabilities as these are measured by reference to movements in bond yield rates. UK ten year bond yields fell from 4.70% at the beginning of the year to 4.40% at the end of the year.

## US

Continued strong economic growth, some budget deficit increases and rising base interest rates drove the price of Treasury bonds lower during the year. This caused US ten year bond yields to rise from 4.49% at the beginning of the year to 4.85% at the end of the year.

## Continental Europe

Eurozone ten-year bond yields fell in the first 6 months as investors concentrated on the region's sluggish economic growth and the impact of rising energy prices. However improved business and consumer confidence and increased base interest rates by the European Central Bank caused yields to rise in the second half of the year. Eurozone ten year bond yields increased from 3.68% at the beginning of the year to 3.77% at the end of the year.

## Japan

In Japan ten-year bond yields rose on the back of strengthening economic data and the indication from the Bank of Japan that the zero rate policy was coming to an end. Japanese ten year bond yields increased from 1.33% at the beginning of the year to 1.78% at the end of the year.

## Investment Performance

### Final Salary Section

The performance of the Scheme's investments is measured against the scheme specific benchmark and other UK pension schemes of various sizes by an independent external measurement service, Russell Mellon. Taking all portfolios together, the return achieved by the Scheme during the year to 31 March 2006 was 22.0%, outperforming the scheme specific benchmark (21.1%) by 0.9%.

Reviewing performance over the longer periods is more relevant to the Scheme's long-term objectives. Over three and five year periods, the annual returns were 17.3% and 5.9% compared to the average of 16.3% and 3.8% respectively. These returns reflect the following markets during this period.

### Current Managers' Objectives and Achievements

As part of the Scheme's investment strategy, its assets are allocated to a number of investment managers in specific asset classes. The investment managers are given performance objectives

which, when combined, are intended to enable the Scheme to achieve its overall investment objectives (see page 17).

### UK Equities

**AXA Rosenberg's** UK Equity portfolio objective is to out-perform the FTSE All-Share Index by 2% per annum (net of base fees) over rolling three year periods. Over the rolling three year period AXA Rosenberg outperformed its objective. AXA Rosenberg's fees are market-value based with a performance-related element.

### Global Equities

**Wellington Management's** objective is to out-perform the MSCI World Index return by 2% per annum (net of base fees) over rolling three year periods. Over the year, Wellington did not achieve either its benchmark or its objective. Wellington Management's fees are market-value based with a performance based element.

**State Street Global Advisors'** objective is to deliver a return to within 0.5% of the rolling annual total return and within 0.25% per annum over rolling three-year period of its 'benchmark'. The 'benchmark' is made up of UK and Overseas Equity securities and comprises the following indices: 43.4% FTSE-All Share Index; 24.4% FTSE-All World North America; 19.3% FTSE-All World Europe ex-UK; 5.6% FTSE-All World Japan and 7.3% FTSE-All World Pacific Basin ex Japan. Over the year State Street Global Advisors achieved their objective. State Street is remunerated on the basis of a fixed fee.

### Fixed Interest

**Gartmore's** fixed interest portfolio has the objective of out-performing its 'benchmark' by 1.5% per annum (net of base fees) over rolling three year periods. The 'benchmark' is made up of UK and Overseas Fixed Interest securities and comprises the following indices: 30% FTSE Actuaries All-Stocks Gilts Index and 70% Merrill Lynch Sterling Non-Gilts Index. Over the rolling three year period Gartmore outperformed its benchmark but did not achieve its objective. Gartmore's fees are market-value based with a performance-related element.

**Western Asset's** fixed interest portfolio has the objective of out-performing its 'benchmark' by 1% over rolling three year periods (net of base fees). The 'benchmark' is made up of UK and Overseas

Fixed Interest securities and comprises the following indices: 70.0% Merrill Lynch Sterling Non-gilts Index and 30.0% FTSE-A All Stocks UK Gilts Index. Over the rolling three year period, Western Asset outperformed its benchmark but did not achieve its objective. Western Asset's fees are market value-based with a performance-related element.

**State Street Global Advisors'** objective is to deliver a return to within 0.5% of the rolling annual total return and within 0.25% per annum over rolling three-year period of its 'benchmark'. The 'benchmark' is made up of UK and Overseas Fixed Interest securities and comprises the following indices: 57.0% FTSE Actuaries British Government Gilts (All-Stocks) Index and 43.0% Merrill Lynch Sterling Non-Gilts All Stocks. Over the year State Street Global Advisors achieved their objective. State Street is remunerated on the basis of a fixed fee.

#### **Property**

**Morley Fund Management's** property portfolio has the objective of out-performing the CAPS Pooled Property Median by 0.5% (net of fees) per annum over rolling three year periods. Over the year Morley achieved its objective. Morley is remunerated on a fixed fee basis.

#### **Cash and Cash Instruments**

**Deutsche Asset Management's** objective is to achieve a total return (net of base fees) which exceeds the Seven Day Sterling LIBID. Although the Scheme has use of the cash facility it has not used it during the year. Deutsche Asset Management's fees are market-valued based.

#### **Trustee's Cash**

The Trustee maintains a current account to meet the day-to-day benefits and expenditure payments. Any monies in the account that are not required for immediate use are placed on an overnight Money Market account.

### **Money Purchase Section**

All the assets attributed to the Money Purchase section, including members' AVCs but excluding cash required for transaction purposes, are presently invested in a range of funds managed by Standard Life. Members have the option to invest in one of three lifestyle approaches or select from a range of individual funds, listed below.

Each of the lifestyle approaches represents investment in a range of funds, comprising the first five funds listed below. It is not possible to compare the performance of each lifestyle approach with a stated objective.

#### **Consensus Lifestyle**

This approach attempts to balance the opportunity for maximizing returns whilst reducing the volatility as retirement approaches.

#### **Cautious Lifestyle**

This approach takes a more cautious approach to investing whilst still delivering above average returns in the early years.

#### **Consensus plus Lifestyle**

This approach strives for maximum possible returns whilst accepting greater volatility throughout its life.

#### **FTSE Tracker One Fund**

The fund invests in a broad spread of UK listed equities which are constituents of the FTSE All-Share. The fund's objective is to closely track the performance of the FTSE All-Share Index. Over the year the fund met its objective.

#### **Overseas Tracker One Fund**

The fund is a fund of funds investing in the US Equity Tracker, European Equity Tracker, Japanese Equity Tracker, Pacific Basin Equity Tracker funds. The objective is to match the returns of the FTSE World Ex UK index. Over the year the fund did not meet its objective.

**Corporate Bond Fund**

The fund invests in the UK non-gilt fixed interest market. Its objective is to outperform the Merrill Lynch non Gilt Sterling Allstocks bond index by 0.8% pa. gross of fees. Over the year the fund met its objective.

**UK Gilt Tracker Fund**

The fund invests in UK gilts. The objective of the gilt tracker fund is to match the return within 15 basis points of the FTSE All Stocks Gilt total return index over all periods before all costs. Over the year the fund met its objective.

**Index Linked One Fund**

The fund's objective is to outperform the FTSE-A Index Linked Gilt over 5 Year index by 0.6% pa gross of fees in each calendar year by investing in an actively managed portfolio of mainly index linked fixed interest securities. Over the year the fund did not meet its objective.

**Global Equity (50:50) One Fund**

The Global Equity 50:50 Fund is an equity fund split equally between the UK and overseas equity markets. The proportions held are decided after reviewing the prospects for each market and will vary from time to time around the long term strategic asset allocation of 50% in UK equities and 50% in overseas equities. The fund is benchmarked equally between the FTSE All Share Index and FTSE AllWorld ex UK Index and aims to outperform the benchmark by 2% per annum. Over the year the fund met its objective.

**Global Equity (50:50) Tracker One Fund**

The fund invests in a broad range of equities which are constituents of the FTSE All-Share and FTSE World (excl. UK) indices. The fund's benchmark is to closely track the performance of the FTSE All-Share and FTSE World (excl. UK) indices. Over the year the fund met its objective.

**Global Equity Manager of Managers Fund**

The fund is a 50:50 fund with 50% in the UK benchmarked against the FTSE All Share index and the other 50% benchmarked against the FTSE World ex UK Index. This is done by holding the underlying regional funds of US, Europe, Japan and Pacific Basin. Over the year the fund did not meet its objective.

**UK Equity Manager of Managers Fund**

The objective of the fund is to provide capital appreciation, investing in an actively managed portfolio in a broad range of mainly UK Equities to give a spread over the market's most attractive sectors. The UK fund is benchmarked against the FTSE All Share Index. Over the year the fund did not meet its objective.

**Pension Protection One Fund**

The fund invests in long-dated government gilts. The fund's objective is to track broadly long term interest rates. Over the year the fund met its objective.

**Pension Sterling One Fund**

The fund's objective is to outperform the median over periods up to and including one year of the ABI Money market sector by investing in an actively managed portfolio of mainly short dated Sterling deposits. Over the year the fund met its objective.

**Invesco Perpetual High Income Fund**

The fund's objective is to achieve a high level of income, together with capital growth. The fund intends to invest primarily in companies listed in the UK, with the balance invested internationally. Over the year the fund met its objective.

**UBS Global Optimal Fund**

The fund's objective is to achieve long-term growth through active management of a diversified portfolio invested primarily in non-UK equities. Over the year the fund did not meet its objective.

# Independent Auditor's Report

## To the trustee of the Kingfisher Pension Scheme

We have audited the financial statements of the Kingfisher Pension Scheme for the year ended 31 March 2006 which comprise the fund account, the net assets statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. This report is made solely to the scheme trustees, as a body in accordance with the Pensions Act 1995 and Regulations made thereunder.

Our audit work has been undertaken so that we might state to the scheme trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the scheme trustees, as a body for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of trustee and auditors

As described in the Statement of trustees' responsibilities on page 29, the scheme trustees are responsible for obtaining an annual report, including audited financial statements prepared in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements show a true and fair view and contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the trustees' report and other information contained in the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware

of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by or on behalf of the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the scheme's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion the financial statements:

- show a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the financial transactions of the scheme during the scheme year ended 31 March 2006 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 scheme year); and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.

KPMG LLP  
Chartered Accountants  
Registered Auditor  
One Canada Square  
London E14 5AG

22 June 2006

# Statement of Trustees' Responsibilities in respect of Contributions

The Scheme's Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the

dates on or before which such contributions are to be paid. The Scheme's Trustees are also responsible for keeping records of contributions received in respect of any active member of the Scheme and for procuring that contributions are made to the Scheme in accordance with the schedule.

## Trustees' Summary of Contributions payable under the schedules in respect of the scheme year ended 31 March 2006

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustees. It sets out the employer and member contributions payable to the Scheme under the schedules of contributions

certified by the Actuary on 1 April 2004 and 10 June 2005 in respect of the Scheme year ended 31 March 2006. The Scheme Auditor reports on contributions payable under the schedules in the Auditors' Statement about Contributions.

### Contributions payable under the schedules in respect of the scheme year

#### Employer:

FS normal contributions  
MP normal contributions  
FS special contributions

#### Member:

FS normal contributions  
MP normal contributions

### Contributions payable under the Schedules

#### Reconciliation of contributions

Reconciliation of contributions payable under the schedules to contributions reported in the accounts in respect of the scheme year:

Contributions payable under the Schedules (as above)

Contributions payable in addition to those due under the Schedules:

Member additional voluntary contributions

Total contributions reported in the accounts

£'000s

170,000

1,012

660

12,365

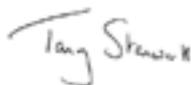
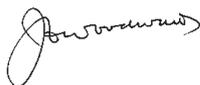
1,085

**185,122**

185,122

705

**185,827**

A.J. Stanworth

J.C. Woodward

For Kingfisher Pension Trustee Limited 22 June 2006

# Independent Auditor's Statement

## **Independent Auditors' Statement about Contributions, made under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the trustees of the Kingfisher Pension Scheme.**

We have examined the summary of contributions payable under the schedules of contributions to the Kingfisher Pension Scheme in respect of the scheme year ended 31 March 2006 which is set out on page 25.

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

### **Respective responsibilities of trustee and auditors**

As described on page 29, the scheme's trustee is responsible, under the Pensions Act 1995, for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions which sets out the rates and due dates of certain contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme. The trustee has a general responsibility for procuring that contributions are made to the scheme in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid to the scheme and to report our opinion to you.

We read the trustee's report and other information in the annual report and consider whether it is consistent with the summary of contributions. We consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary of contributions.

### **Basis of statement about contributions**

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to give reasonable assurance that contributions reported in the summary of contributions have been paid in accordance with the relevant requirements. For this purpose, the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments. Our statement about contributions is required to refer to those exceptions which come to our attention in the course of our work.

### **Statement about contributions payable under the schedule**

In our opinion, contributions for the scheme year ended 31 March 2006 as reported in the summary of contributions and payable under the schedule have been paid from 1 April 2005 to 9 June 2005 in accordance with the schedule of contributions certified by the actuary on 1 April 2004 and subsequently in accordance with the schedule of contributions certified by the actuary on 10 June 2005.

KPMG LLP  
Chartered Accountants  
One Canada Square  
London E14 5AG

22 June 2006

# Actuarial Statement

## Actuarial Statement made for the purposes of Regulation 30 of The Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996.

### Kingfisher Pension Scheme

#### Valuation as at 31 March 2004

#### 1. Security of Prospective Rights

In my opinion, the resources of the Scheme are likely in the normal course of events to meet in full the liabilities of the Scheme as they fall due. In giving this opinion, I have assumed that the following amounts will be paid to the Scheme.

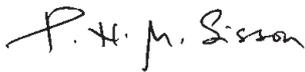
By Members	contributions at the rates set out in the Scheme's documentation.
By the Company	20% of salaries to 31 March 2005, then £40m a year subject to review at the next valuation, plus £130m in the year to 31 January 2006, £60m in the year to 31 January 2007 and £60m in the year to 31 January 2008.

#### 2. Summary of Methods and Assumptions used

For the purposes of Section 1, I have assumed that the Scheme will continue. I have adopted the "Projected Unit" Funding method and valued assets at mid-market value.

Main Financial Assumptions	% pa relative to inflation of 3% pa
Investment return: pre retirement	4.00
post-retirement	2.60
Earnings escalation	1.55
Inflation	-
Pension Increases	-0.25

Further details of the methods and assumptions used are set out in my actuarial valuation report addressed to the Trustee dated 30 March 2005.



P.N.M. Sisson  
 Fellow of the Institute of Actuaries  
 Partner in the firm of Watson Wyatt LLP  
 Watson House  
 London Road  
 Reigate  
 Surrey  
 RH2 9PQ

30 March 2005

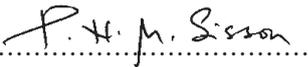
# Actuarial Certificate

**Actuarial certificate given for the purposes of section 58 of the Pensions Act 1995  
(Certificate of Schedule of Contributions)**

**Name of scheme: Kingfisher Pension Scheme**

**Adequacy of rates of contributions**

- 1 I hereby certify that, in my opinion, the rates of the contributions payable in accordance with the schedule of contributions dated 10 June 2005 are adequate for the purpose of securing that throughout the period it covers the scheme will meet the minimum funding requirement imposed by section 56(1) of the Pensions Act 1995.
- 2 In forming this opinion I have complied with the requirements imposed by sections 56(3) and 58 of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries, and have made the assumptions prescribed by them.

Signed: 

**P N M Sisson**  
**Fellow of the Institute of Actuaries**  
**Partner**  
**Watson Wyatt LLP**

**Watson House**  
**London Road**  
**Reigate**  
**Surrey**  
**RH2 9PQ**

**10 June 2005**

# Statement of Trustees' Responsibilities for the Accounts

The audited Accounts are the responsibility of the Trustee Board. Pension scheme regulations require the Trustee Board to make available to Scheme members, beneficiaries and certain other parties the audited Accounts for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year, and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the year; and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the Accounts have been prepared in accordance with the Statement of Recommended Practice, 'Financial Reports of Pension Schemes'.

The Trustee Board has supervised the preparation of the Accounts and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. The Trustee Board is also responsible for making available each year, commonly in the form of a Trustee's Annual Report, information about the Scheme prescribed by pensions legislation, which it should ensure is consistent with the audited Accounts it accompanies.

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

The Trustee Board has a general responsibility for ensuring that adequate accounting records are kept, and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

# Financial Statements for year ended 31 March 2006

## Fund Account

	Notes	Final Salary £'000	Money Purchase £'000	Total 2006 £'000	Total 2005 £'000
<b>Net assets of the scheme at the beginning of the year</b>		912,219	1,781	914,000	940,554
<b>Contributions &amp; Benefits</b>					
Contributions receivable	2	183,729	2,098	185,827	61,053
Transfers in	3	695	7	702	2,542
		184,424	2,105	186,529	63,595
Benefits payable	4	(42,371)	(36)	(42,407)	(40,466)
Payments to and on account of leavers	5	(1,889)	(261)	(2,150)	(143,800)
Administrative expenses	6	(3,339)	0	(3,339)	(2,091)
<b>Net additions / (withdrawals) from dealings with members</b>		136,825	1,808	138,633	(122,762)
<b>Returns on Investments</b>					
Investment income	7	23,176	4	23,180	20,096
Change in market value of investments	8	184,528	428	184,956	77,907
Investment management expenses	9	(2,003)	0	(2,003)	(1,795)
<b>Net returns on investments</b>		205,701	432	206,133	96,208
<b>Net increase / (decrease) in Fund during the year</b>		342,526	2,240	344,766	(26,554)
<b>Net assets of the Scheme at the end of the year</b>		1,254,745	4,021	1,258,766	914,000

Represented by:

## Net Asset Statement

### Final Salary Section

Investments	8	1,256,748	915,098
Debtors	10	728	213
Creditors	11	(2,381)	(2,930)
Cash at Bank		(350)	(162)

**Net assets at the end of the year**

1,254,745 912,219

### Money Purchase Section

Investments	8	3,516	1,557
Debtors	10	1	0
Creditors	11	(19)	(24)
Cash at Bank	12	523	248

**Net assets at the end of the year**

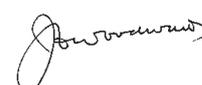
4,021 1,781

**Net assets of the Scheme at the end of the year**

1,258,766 914,000

The Notes on pages 31 to 39 form part of this Financial Statement.





A.J. Stanworth

J.C. Woodward

For Kingfisher Pension Trustee Limited

22 June 2006

# Notes to the Financial Statements

## Year ended 31 March 2006

### I. Accounting Policies

These Financial Statements have been prepared in accordance with the provisions of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and with the guidelines set out in the Statement of Recommended Practice (SORP), Financial Reports of Pension Schemes (revised November 2002).

These Financial Statements summarise the transactions of the Scheme and deals with the net assets at the disposal of the Trustee Board. It does 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 Scheme, which does take into account such liabilities, is dealt with in the Actuarial Statement on page 27.

The following accounting policies have been applied:

- a) Employee contributions are accounted for from the date of deduction from payroll, and employer contributions are accounted for in the period to which the corresponding pay relates. Employer special contributions are accounted for in accordance with the agreement under which they are being paid.
- b) Benefits are accounted for on the date of leaving, or if a member has a choice of benefits, on notification of choice to the Scheme.
- c) Individual transfer values to or from other schemes are accounted for on a cash basis. Group transfers are accounted for on a cash basis except where the Trustee Board has agreed to accept the liability in advance of the funds, in which case the transfer is accrued in accordance with the terms of the agreement.
- d) Securities have been included at mid-market values at 31 March 2006. Unit funds have been valued at the mid-point quoted by the unit manager on the date nearest 31 March 2006. Futures contracts are valued at market prices at the year end on the associated economic exposure basis. The associated economic exposure of a futures contract is the value of an amount of securities which, if held as an alternative to the futures contract, would provide a similar return in the market to that obtained on the futures contract. Other derivative contracts are included at market value.
- e) Any transaction in foreign currency is converted to Sterling at the exchange rate ruling at the transaction date. Assets and liabilities are translated at year end rates.
- f) Dividends, fixed interest income and deposit interest have been accounted for on an accruals basis.
- g) Administration and investment management expenses are accounted for on an accruals basis.

## 2. Contributions Receivable

### Final Salary Section 2006

	Members Ordinary £'000	Members Additional Voluntary £'000	Company Ordinary £'000	Company Additional £'000	Total Contributions £'000
B&Q	11,595	675	162,039	441	174,750
Others	770	30	7,996	183	8,979
<b>Total Contributions</b>	<b>12,365</b>	<b>705</b>	<b>170,035</b>	<b>624</b>	<b>183,729</b>

### Money Purchase Section 2006

	Members Ordinary £'000	Members Additional Voluntary £'000	Company Ordinary £'000	Company Additional £'000	Total Contributions £'000
B&Q	945	0	912	0	1,857
Others	140	0	100	1	241
<b>Total Contributions</b>	<b>1,085</b>	<b>0</b>	<b>1,012</b>	<b>1</b>	<b>2,098</b>

### Total 2006

	Members Ordinary £'000	Members Additional Voluntary £'000	Company Ordinary £'000	Company Additional £'000	Total Contributions £'000
B&Q	12,540	675	162,951	441	176,607
Others	910	30	8,096	184	9,220
<b>Total Contributions</b>	<b>13,450</b>	<b>705</b>	<b>171,047</b>	<b>625</b>	<b>185,827</b>

### Total 2005

	Members Ordinary £'000	Members Additional Voluntary £'000	Company Ordinary £'000	Company Additional £'000	Total Contributions £'000
B&Q	14,283	782	41,784	176	57,025
Others	932	28	2,694	374	4,028
<b>Total Contributions</b>	<b>15,215</b>	<b>810</b>	<b>44,478</b>	<b>550</b>	<b>61,053</b>

Company Additional contributions were paid on occasions where the employer considered it to be appropriate to enhance a member's benefits available from the Scheme. On each occasion, the employer paid an additional amount to the Scheme to cover the cost of providing these benefits. In the case of the Final Salary Section, the amount paid was calculated in accordance with instructions provided by the Scheme Actuary.

**3. Transfers In**

	Final Salary £'000	Money Purchase £'000	Total 2006 £'000	Total 2005 £'000
Group Transfers in from other schemes and scheme mergers	0	0	0	1,908
Individual transfers-in from other schemes	695	7	702	634
<b>Total</b>	<b>695</b>	<b>7</b>	<b>702</b>	<b>2,542</b>

**4. Benefits Payable**

	Final Salary £'000	Money Purchase £'000	Total 2006 £'000	Total 2005 £'000
Lump sums on retirement	6,157	6	6,163	5,772
Lump sums on death	1,840	3	1,843	2,068
Gross pensions	34,632	0	34,632	32,880
Less Annuities	(258)	0	(258)	(276)
MP life premiums paid to FS	0	27	27	22
<b>Total</b>	<b>42,371</b>	<b>36</b>	<b>42,407</b>	<b>40,466</b>

**5. Leavers**

	Final Salary £'000	Money Purchase £'000	Total 2006 £'000	Total 2005 £'000
Group transfers	0	0	0	141,616
Individual transfers-out	849	0	849	1,283
DWP Premiums	450	0	450	524
Refunds of contributions	590	261	851	377
<b>Total</b>	<b>1,889</b>	<b>261</b>	<b>2,150</b>	<b>143,800</b>

**6. Administrative Expenses**

The Scheme bears all its administration expenses. The expenses are borne by the Final Salary Section and consist of the costs incurred on behalf of the Trustee Board by the Group Pensions Department and are detailed below.

	Final Salary £'000	Money Purchase £'000	2006 £'000	2005 £'000
Staff costs	1,070	0	1,070	997
Rent, rates and service charges	316	0	316	380
Professional fees	812	0	812	245
Communications and printing	169	0	169	101
General	735	0	735	129
Computing	138	0	138	55
Valuation	99	0	99	184
<b>Total</b>	<b>3,339</b>	<b>0</b>	<b>3,339</b>	<b>2,091</b>

## 7. Investment Income

	Final Salary £'000	Money Purchase £'000	2006 £'000	2005 £'000
Income from fixed interest securities	8,315	0	8,315	9,079
Dividends from equities	8,094	0	8,094	6,490
Income from index-linked securities	2,410	0	2,410	410
Income from pooled investment vehicles	4,050	0	4,050	3,217
Interest on cash and cash instruments	432	4	436	1,026
<b>Sub total</b>	<b>23,301</b>	<b>4</b>	<b>23,305</b>	<b>20,222</b>
Irrecoverable taxation	(125)	0	(125)	(126)
<b>Total</b>	<b>23,176</b>	<b>4</b>	<b>23,180</b>	<b>20,096</b>

Investment income arising on the SSgA pooled investment vehicles is reinvested and reflected in the unit price.

## 8. Investments

### FINAL SALARY SECTION

8.1 The investments of the Scheme are held in either the name of the nominee company of State Street Bank and Trust Company which acts as custodian.

8.2 Summary by Sector-Market Value showing the movement in value of the funds during the year.

	Value at 31 March 2005 £'000	Purchases £'000	Sales £'000	Movement in Value £'000	Value at 31 March 2006 £'000
Fixed Interest securities	179,611	777,199	(858,520)	2,853	101,143
Equities	243,066	204,660	(197,626)	69,023	319,123
Index Linked securities	17,386	205,427	(20,343)	7,439	209,909
Pooled Investment Vehicles	427,917	169,458	(138,525)	104,451	563,301
AVCs	16,520	733	(992)	955	17,216
	<b>884,500</b>	<b>1,357,477</b>	<b>(1,216,006)</b>	<b>184,721</b>	<b>1,210,692</b>
Cash & Cash instruments	24,496			(194)	47,439
Outstanding dividends, withholding taxes and interest rec'ble	6,317			(1)	5,563
Debtors	4,106			5	2,223
Creditors	(3,561)			(3)	(8,847)
Investment manager fees	(760)			0	(322)
	<b>915,098</b>			<b>184,528</b>	<b>1,256,748</b>

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. Pooled investment vehicles are operated by companies that are registered in the UK.

Included in the fixed interest securities purchases and sales are future purchases on the economic exposure basis of £643m and future sales of £630m.

## 8.2 continued

Details of the Final Salary Section investments held at year end

	2006 £'000	2005 £'000
<b>Fixed interest securities</b>		
UK public sector quoted	37,922	35,082
UK quoted	63,402	61,100
Overseas public quoted	14,271	78,071
Overseas quoted	4,004	10,218
UK options	64	505
Overseas options	114	341
UK Futures contracts	0	(5,696)
Overseas Futures contracts	(18,634)	(10)
	<b>101,143</b>	<b>179,611</b>
<b>Equities</b>		
UK quoted	183,446	147,257
Overseas quoted	135,677	95,809
	<b>319,123</b>	<b>243,066</b>
<b>Index linked securities</b>		
UK public sector	209,909	17,386
	<b>209,909</b>	<b>17,386</b>
<b>Pooled Investment Vehicles</b>		
Unit trusts		
- property	79,587	63,920
- other		
UK equity	153,867	119,786
Overseas equity	201,070	153,228
UK fixed interest	101,388	28,095
Overseas fixed interest	5,063	21,440
UK Index linked	0	22,714
Managed funds		
- property	22,326	18,734
	<b>563,301</b>	<b>427,917</b>
<b>Cash and Cash Equivalents</b>		
Cash deposits	15,438	15,254
Short term liquidity funds	13,367	3,536
Cash backing open fixed int. futures	18,634	5,706
	<b>47,439</b>	<b>24,496</b>

Pooled investment vehicles with a market value of £558,238,000 were operated by companies registered in the UK. Pooled investment vehicles with a market value of £5,063,000 were operated by non UK registered companies.

### 8.3 AVC Investments

The Trustee holds assets invested separately from the main fund in the form of individual insurance policies, with profits (Prudential and London Life) and unit linked (Legal & General and Merrill Lynch), securing additional benefits on a money purchase basis for those members electing to pay Additional Voluntary Contributions. Each member participating in this arrangement receive an annual statement confirming the amounts held in their account. The aggregate amount of AVC investments are shown above.

	2006 £'000	2005 £'000
Prudential	14,769	14,454
London Life – surrender value	557	633
Legal & General unit linked AVC's	1,025	789
Merrill Lynch unit linked AVC's	865	644
<b>Total</b>	<b>17,216</b>	<b>16,520</b>

### 8.4 Market Value of the Scheme's largest investments (greater than 5% of total net assets)

	31 March 2006	
	£'000	%
SSgA (Natwest Life) MPF UK Equity Enhanced	153,502	12.20
SSgA (Natwest) Life MPF North American Equities	85,729	6.82
UK Treasury Stock FRN Index Linked 22JUL30	71,824	5.72
Gartmore Fund Managers Institutional Corp Bond Fund	69,971	5.57
SSgA (Natwest Life) MPF European (ex UK) Equities	69,197	5.51

## MONEY PURCHASE SECTION

8.1 The investments of the Scheme are held in the name of the Trustees. The investment manager for the money purchase section is Standard Life.

8.2 Summary of Pooled Investment Vehicles showing the movement in value of the funds during the year:

	Value at 1 April 2005	Purchases	Sales	Movement in Value	Value at 31 March 2006
	£'000	£'000	£'000	£'000	£'000
Pooled Investment Vehicles	1,557	2,047	(516)	428	3,516
<b>Total</b>	<b>1,557</b>	<b>2,047</b>	<b>(516)</b>	<b>428</b>	<b>3,516</b>

	2006 £'000	2005 £'000
Pension Corporate Bond One Fund	193	80
Pension FTSE Tracker One Fund	828	329
Pension Global Equity 50:50 One Fund	65	18
Pension Global Equity 50:50 Tracker One Fund	25	6
Pension Index Linked One Fund	184	75
Pension Overseas Tracker One Fund	1,209	477
Pension Protection One Fund	14	5
Pension Sterling One Fund	808	495
UK Gilt Tracker Fund	175	72
UBS Global Optimal Fund	1	0
Invesco Perpetual High Income Fund	7	0
Pension UK Equity Manager of Managers One Fund	4	0
Global Equity Manager of Managers One Fund	3	0
<b>Total</b>	<b>3,516</b>	<b>1,557</b>

All of the investment assets above have been designated to members of the Money Purchase Section.

Pooled investment vehicles are operated by companies that are registered in the UK.

Money purchase assets are allocated to provide benefits to the individuals on whose behalf the contributions were paid and assets identified as designated to members in the Net Asset Statement do not form a common pool of assets available for members generally.

Members receive an annual statement confirming the contributions paid on their behalf and the value of money purchase rights.

**9. Investment Management Expenses**

	Final Salary £'000	Money Purchase £'000	Total 2006 £'000	Total 2005 £'000
Investment managers fees	1,668	0	1,668	1,462
Custody Services	151	0	151	143
Performance Measurement and Risk Reporting	51	0	51	37
Other Services	5	0	5	5
MP Investment Manager Administration fees	128	0	128	148
<b>Total</b>	<b>2,003</b>	<b>0</b>	<b>2,003</b>	<b>1,795</b>

Investment manager expenses for the Money Purchase Section are reflected in the unit price.

**10. Debtors**

	Final Salary £'000	Money Purchase £'000	Total 2006 £'000	Total 2005 £'000
Contributions receivable	134	0	134	0
Tax recoverable	89	1	90	57
Inter-company expenses due from KRT	432	0	432	96
Others	73	0	73	60
<b>Total</b>	<b>728</b>	<b>1</b>	<b>729</b>	<b>213</b>

**11. Creditors**

	Final Salary £'000	Money Purchase £'000	Total 2006 £'000	Total 2005 £'000
Tax payable	750	1	751	601
Expenses	468	0	468	254
DWP	96	0	96	59
Sundry Unclaimed Benefits	815	0	815	1,251
Inter-company expenses due to Kingfisher plc	190	0	190	160
Others	62	18	80	629
<b>Total</b>	<b>2,381</b>	<b>19</b>	<b>2,400</b>	<b>2,954</b>

## 12. Related Parties

The Scheme has received employee contributions in respect of the seven directors of the Trustee Board who are also contributing members of the Scheme. These were paid in accordance with the Rules of the Scheme.

Kingfisher plc pays some administration expenses on behalf of the Scheme, £958,000 this year (2005: £1,055,000) and subsequently recharges these to the Scheme. The balance owing to Kingfisher plc at year end is £190,000.

B&Q plc pays the pensioner payroll expenses on behalf of the Scheme, £34,708,000 this year (2005: £30,210,000), and subsequently recharges these to the Scheme. B&Q plc also reimburses pensions no longer payable and at year end the balance owing to the Scheme is £19,000.

The Scheme pays some expenses on behalf of the Kingfisher Retirement Trust, £337,000 this year (2005: £124,000), and subsequently recharges these to the Trust. The balance due from the Kingfisher Retirement Trust at year end is £432,000.

Transfer values of £128,000 (2005: £1,908,000) were received into the Scheme from Kingfisher Retirement Trust.

# Contacts

For further information about the Pension Scheme contact:

## **B&Q**

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1 Hampshire Business Park

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SO53 3YX

## **Kingfisher**

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Kingfisher plc

Group Pensions Department

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## **Screwfix Direct**

Caroline Higgins

01935 414100

Screwfix Direct Ltd

Mead Avenue

Houndstone Business Park

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Paula Porter

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