KINGFISHER

Pension Scheme & Retirement Trust

Trustees' Report & Accounts 2002

PENSION SCHEME

RETIREMENT TRUST

CONTENTS

INTRODUCTION

Employees of UK companies within the Kingfisher Group may join either the Pension Scheme or the Retirement Trust, subject to certain eligibility conditions.

The Pension Scheme is a ‘final salary scheme’ and provides benefits based on a member’s salary and service.

The Retirement Trust is a ‘money purchase scheme’ and provides benefits based on what a member’s accumulated fund value will purchase at retirement.

This Report gives information about both the Scheme and the Trust and their management during the last year.

CHAIRMAN'S REVIEW

The last year has been one of immense activity.

You may remember that I reported last year about the pension arrangements being made for Pension Scheme and Retirement Trust members employed within the then General Merchandise section. I am pleased to say that these new arrangements are up and running after a great deal of effort and hard work. I should like to take this opportunity of thanking all those members of the Group Reward and Benefits Department who were actively involved and whose hard work ensured that there were no delays or hitches in the process. Additional thanks go to staff within Superdrug and the Woolworths Group who worked similarly hard and diligently to achieve a successful transition.

You may well have seen a lot of press comment about pensions over the last year. Although much of this has been about the type of schemes sponsored by employers, there has also been a great deal of publicity about the so-called 'accounting treatment' of pension schemes. A new set of accounting regulations, FRS17, is being implemented by companies, in several stages, over the next two years. The methods used to value schemes under these regulations can produce results which vary greatly from year to year and the results produced are not necessarily an accurate reflection of the long term financial position of the scheme.

What does give such a reflection of the Scheme's finances is the Trustee's actuarial valuation. Every three years, or more frequently if the Trustees consider it necessary, the Scheme Actuary carries out a full valuation of the Scheme. The most recent review, which was completed at the beginning of 2001, showed the Scheme to be in balance – in reality, a very small surplus. But it also showed that it would be necessary in future years for the Company to slightly increase its contribution, from 12.5% to 13.5% of pensionable salaries from April 2002. The Company has agreed to this increase, subject to actuarial review.

I appreciate all too well that members can be worried by sudden falls in stock market prices. The main benefits payable from the Kingfisher Pension Scheme are calculated by reference to members' salary and service and are not dependent on the level of stock market prices at any one time. For the eleventh year running, pensions have been increased in line with inflation.

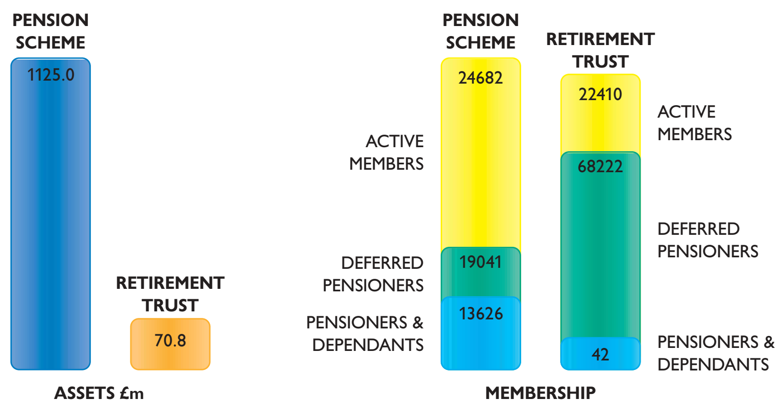
During the year, Dawn Steward and Tiku Patel resigned from the Trustee Board and I should like to express my thanks for their valuable contribution during their time on the Board.

Graham Middleton, who was Director of Group Reward and Benefits, resigned during the year, and I should like to thank him for his contribution during his time with us.

I am very pleased, on behalf of the Trustees, to welcome Neil Lister, who has been appointed Head of Pensions within Kingfisher.

Roger Jones

SCHEME AND TRUST STATISTICS SUMMARY



THE RESTRUCTURE OF THE KINGFISHER GROUP

In September 2002, Kingfisher announced that it intended to create, through a demerger, two separate UK companies; one composed of the DIY/Electricals companies and the other of its General Merchandise companies. At the time of the announcement, Superdrug formed part of General Merchandise, but was subsequently sold to Kruidvat UK Limited prior to the completion of the demerger. Superdrug was sold on 20 July 2001, and the demerger itself was completed on 28 August 2001. Time Retail Finance was also sold by Kingfisher, to GE Capital Bank on 31 January 2002.

SUPERDRUG

It was agreed between the parties, with Inland Revenue approval, that in respect of employees at 20 July 2001, Superdrug would continue to participate in KPS and KRT until 31 March 2002. This enabled sufficient time for Superdrug to create the pension arrangement defined in the Sale and Purchase Agreement.

Active members of KPS were given the option to join the Defined Benefit section of the Superdrug Pension Plan, paying the same contribution levels and with the option of transferring their KPS benefits.

Active members of KRT were given the option of joining the Defined Benefit section of the Superdrug Pension Plan, paying the same contribution levels and with the option of transferring their KPS benefits.

Whether from KPS or KRT, those members who did not join when offered membership were provided with 'life cover-only membership'.

All members who joined the new schemes were given the option to transfer funds from KPS or KRT so that their new schemes could provide the benefits they had earned in the Kingfisher schemes. For KRT, individual funds would be transferred, but for KPS, funds would be transferred *en bloc* for all the members choosing to transfer. The full transfer being paid from KPS is calculated as the amount the new scheme would have to invest in order to fund the benefits earned with Kingfisher by these members. For this calculation, benefits are based on salaries and service to date, together with an allowance for future increases to these benefits via future salary increases. In total, we estimate that 2500 members will wish to transfer to the new arrangements.

Deferred and retired members as at 31 March 2002 remain in the Kingfisher pension schemes.

WOOLWORTHS

These companies now form the Woolworths Group plc, following their demerger from Kingfisher.

Columbia Tristar Cinema Club Ltd
Demon Music Group Ltd
DISC Distribution Ltd
Flogistics Ltd
MVC Entertainment Ltd
VCI Cinema Club Limited
Video Collection International Ltd
Woolworths plc

Active members of KPS were given the option of joining the new Defined Benefit Woolworths Pension Scheme. The new scheme is similar to KPS in all material aspects.

Active members of KRT were given the scope of joining the new Defined Contribution Woolworths Pension Plan which, as a minimum, provided continuity with the previous levels of KRT contributions from both employer and employees.

All members who joined the new schemes were given the option to transfer funds from KPS or KRT so that their new schemes could provide the benefits they had earned in the Kingfisher schemes. For KRT, individual funds would be transferred, but for KPS, funds would be transferred *en bloc* for all the members choosing to transfer. The full transfer being paid from KPS is calculated as the amount the new schemes would have to invest in order to fund the benefits earned with Kingfisher by these members. For this calculation, benefits are based on salaries and service to date, together with an allowance for future increases to these benefits via future salary increases. In total, we estimate that 13,400 members will wish to transfer to the new arrangements.

Deferred and retired members as at 31 March 2002 remain in the Kingfisher pension schemes.

TIME RETAIL FINANCE

It was agreed between the parties, with Inland Revenue approval, that Time Retail Finance would continue to participate in KPS and KRT until 31 March 2002. This enabled sufficient time for Time Retail Finance to make the pension arrangement defined in the Sale and Purchase Agreement.

Active members of KPS were given the option to join the Defined Benefit Section of the GE Capital Pension Plan, paying the same contribution levels and with the option of transferring their KPS benefits.

Active members of KRT were given the option of joining the Defined Contribution section of the GE Capital Pension Plan which as a minimum provided continuity with the previous levels of KRT contributions from both the employer and employees.

All members who joined the new schemes were given the option to transfer funds from KPS or KRT so that their new schemes could provide the benefits they had earned in the Kingfisher schemes. For KRT, individual funds would be transferred, but for KPS, funds would be transferred *en bloc* for all the members choosing to transfer. The full transfer being paid from KPS is calculated as the amount the new scheme would have to invest in order to fund the benefits earned with Kingfisher by these members. For this calculation, benefits are based on salaries and service to date, together with an allowance for future increases to these benefits via future salary increases. In total, we estimate that 60 members will wish to transfer to the new arrangements.

Deferred and retired members as at 31 March 2002 remain in the Kingfisher pension schemes.

ROGER JONES
Company: Kingfisher
Committees: ● (Chairman) ★
Based: London
Appointed: 9 February 1987

HELEN CHANDLER
Company: B&Q
Committees: ⌘ ●
Based: Loughborough
Appointed: 4 March 1988

IAN EDWARDS
Company: Kingfisher
Committees: ⌘ ▲
Based: London
Appointed: 30 March 1992

THE TRUSTEE BOARD

The Scheme and the Trust are managed by Kingfisher Pension Trustee Limited, a company established specially to act as Trustee. As the Trustee is a company, there have to be directors; 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, two of the Trustees, John Martin and Charles Woodward, are not employed within the Group and are chosen for their complete independence as well as their knowledge and experience of pension matters.

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

The Trustee Board monitors and oversees both the Scheme and the Trust through committees, which focus on specific aspects of day-to-day operations. 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.

Changes to the Trustee Board during the last year have been:
Dawn Steward (Woolworths) resigned on 31 March 2002.
Graham Middleton (Kingfisher non-Trustee member of the Benefits Committee) resigned on 31 October 2001.
Neil Lister (Kingfisher) was appointed to the Benefits Committee as a non-Trustee member on 31 October 2001.
Since the year end, Tiku Patel (e-Kingfisher) resigned on 7 May 2002.

TONY STANWORTH
Company: Kingfisher
Committees: ▲ (Chairman) ★
Based: London
Appointed: 30 March 1992

VAL STRUTHERS
Company: Pensioner
Committees: ▲
Based: Southampton
Appointed: 13 March 1997

BRIAN VENTERS
Company: Comet
Committees: ⌘ ●
Based: Rickmansworth
Appointed: 9 February 1987

TERRY HARTWELL
Company: B&Q
Committees: ▲
Based: Chandlers Ford
Appointed: 6 November 1998

JOHN MARTIN
Company: Independent
Committees: ▲
Based: Bushey
Appointed: 30 March 1992

ACCOUNTS AND AUDIT COMMITTEE (⌘)

Membership: Charles Woodward (Chairman); Helen Chandler; Ian Edwards; Tiku Patel; Brian Venters and Liz Wright.

The role of the Committee is to:

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

BENEFITS COMMITTEE (●)

Membership: Roger Jones (Chairman); Helen Chandler; Brian Venters; Neil Lister (non-Trustee).

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 (for Kingfisher Pension Scheme members).

INVESTMENT COMMITTEE (▲)

Membership: Tony Stanworth (Chairman); Ian Edwards; Terry Hartwell; John Martin; and Val Struthers.

The Trustee Board agrees the Statements of Investment Principles of the Pension Scheme and Retirement Trust. Day-to-day investment management is undertaken by external managers. The role of the Committee is to:

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

SEALING COMMITTEE (★)

Membership: Tony Stanworth and Roger Jones.

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

CHARLES WOODWARD
Company: Independent
Committees: ⌘ (Chairman)
Based: Dorset
Appointed: 30 May 1992

LIZ WRIGHT
Company: Kingfisher
Committees: ⌘
Based: London
Appointed: 13 May 1997

NEIL LISTER
Head of Pensions

ADMINISTRATION

The Trustee Board delegates day-to-day administration of the Pension Scheme and the Retirement Trust to the Group Reward and Benefits Department of Kingfisher plc in accordance with formal agreements governing the services to be provided. The Trust and the Scheme meet all their administrative costs.

Neil Lister: joined Kingfisher on 10 September 2001 as Head of Pensions.

Colin Hately: Pensions Manager and Secretary to the Trustee Board.

COLIN HATELY
Pensions Manager

PARTICIPATING COMPANIES

COMPANY	DATE OF PARTICIPATION IN PENSION SCHEME	DATE OF PARTICIPATION IN RETIREMENT TRUST
B&Q plc	1 February 1988	6 April 1988
B&Q (Guernsey) Ltd	1 February 1988	1 February 1988
B&Q (Retail) Jersey Ltd	1 February 1988	6 April 1988
Chartwell Land plc	1 February 1987	6 April 1988
Columbia Tristar Cinema Club Limited‡	1 March 1999	1 March 1999
Comet Group PLC	1 February 1987	6 April 1988
Demon Music Group Limited‡	1 March 1999	1 March 1999
DISC Distribution Ltd‡	1 March 1999	1 March 1999
Entertainment UK Ltd‡	1 April 1988	1 April 1992
Flogistics Ltd‡**	1 August 2001	1 August 2001
Kingfisher plc	1 February 1987	6 April 1988
MVC Entertainment Ltd‡	1 April 1988	1 April 1994
Music Collection International Ltd‡	1 March 1999	1 March 1999
Screwfix Direct Ltd	1 August 2000	1 August 2000
Superdrug Stores PLC***	6 April 1988	6 April 1988
Thornes Supplies Ltd	1 February 1988	6 April 1988
Time Retail Finance Ltd‡	1 January 1992	1 January 1992
VCI Cinema Club Limited‡	1 March 1999	1 March 1999
Video Collection International Ltd‡	1 March 1999	1 March 1999
Woolworths plc‡	1 February 1987	1 April 1991
Woolworths Group plc**	28 August 2001	28 August 2001

‡ Companies of the Woolworth Group
* Formerly known as *Music Collection International Ltd*
** Flogistics Limited and the Woolworths Group plc became participating companies only until 31 March 2002 in order that new employees could still join the company pension schemes.
*** Superdrug Stores was sold to Kruidvat UK Ltd on 20 July 2001, but continued as a participating company until 31 March 2002.
**** Time Retail Finance was sold to GE Capital Bank on 31 January 2002, but continued as a participating company until 31 March 2002.

MEMBER INFORMATION

Membership of the Scheme and the Trust 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 annually give individual members information on the benefits they may receive.
- *Start*, a magazine explaining in an informal way the options open to employees.
- *The Pension Scheme Members' Guide,* the explanatory booklet for the Kingfisher Pension Scheme.
- *The Retirement Trust Members' Guide*, the explanatory booklet for the Kingfisher Retirement Trust.
- *The KPS AVC Guide*, a booklet for members of the Pension Scheme giving full details of the Kingfisher AVC Scheme.
- *Penfriend*, a magazine of news and interests specially for pensioners.

  All of these publications are online at our website, www.kgbd.co.uk; alternatively, you can contact the person shown for your company on page 60.
- The 24 hour Information Line (020 7725 5725) which gives recorded information on, amongst other things, what happens when a member leaves or retires.

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 and the Retirement Trust has been given to the Registrar. The registration number of the Scheme is 100797763. The registration number of the Trust is 10076602X.

Address: OPRA, The Pension Schemes Registry, PO Box 1NN, Newcastle-upon-Tyne, NE99 1NN.
Telephone: 0191 225 6316

THE OCCUPATIONAL PENSIONS REGULATORY AUTHORITY (OPRA)

OPRA'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: OPRA, Invicta House, Trafalgar Place, Brighton, East Sussex, EN1 4DW
Telephone: 01273 627600

COMPLAINTS PROCEDURE

If you have a complaint against the Scheme or the Trust, it should firstly be referred, in writing, to the Pensions Manager at Kingfisher. This will then go through the Internal Dispute Resolution Procedure, as follows.

1. **The complaint has to be made in the prescribed format (a form is available from the Group Reward and Benefits Department) and any complaint should be submitted to the Pensions Manager, 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.**

   The reply will include:

   - A statement of the decision referring to any part of the Rules or legislation which has formed the basis of the decision.
   - If discretion has been exercised, the Rules which allow this.
   - The complainant's right to ask the Trustee Board to reconsider the dispute within a specified time period, this being six months.
   - Information about the availability of the services provided by OPAS and the Ombudsman and the addresses at which they may be contacted should the complainant feel that the matter is still unresolved. They will also be advised that complaints must be referred to the Ombudsman within three years of the complaint arising.

2. **If the complainant considers the matter still unresolved, they may ask for a review by one of the Independent Trustee Directors 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.**

   The information given for this review will set out the grounds on which the complaint has been made and will include:

   - The information on the first stage application.
   - A copy of the first stage decision.
   - A statement that the complainant wishes the dispute to be reconsidered.
   - The reasons why the complainant is unhappy with the first stage decision.

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.**

   The reply will include:

   - A statement of the decision and an explanation as to whether the Trustee Board's decision confirms or replaces the first stage (and if so, to what extent).
   - If discretion has been exercised, the Rules which allow this.
   - Information about the availability of the services provided by OPAS and the Ombudsman and the addresses at which they may be contacted should the complainant feel that the matter is still unresolved. They will also be advised that complaints must be referred to the Ombudsman within three years of the complaint arising.

At any point during the Internal Dispute Resolution Procedure, you may want to contact OPAS. This organisation can help members and beneficiaries with difficulties they have not been able to resolve with their scheme trustees.

Address: OPAS Ltd, 11 Belgrave Road, London, SW1V 1RB
Telephone: 0845 6012923 (all calls are charged at local rates)

Finally, if the problem remains unresolved, you may want to 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, First Floor, 11 Belgrave Road, London, SW1V 1RB
Telephone: 020 7834 9144

KINGFISHER

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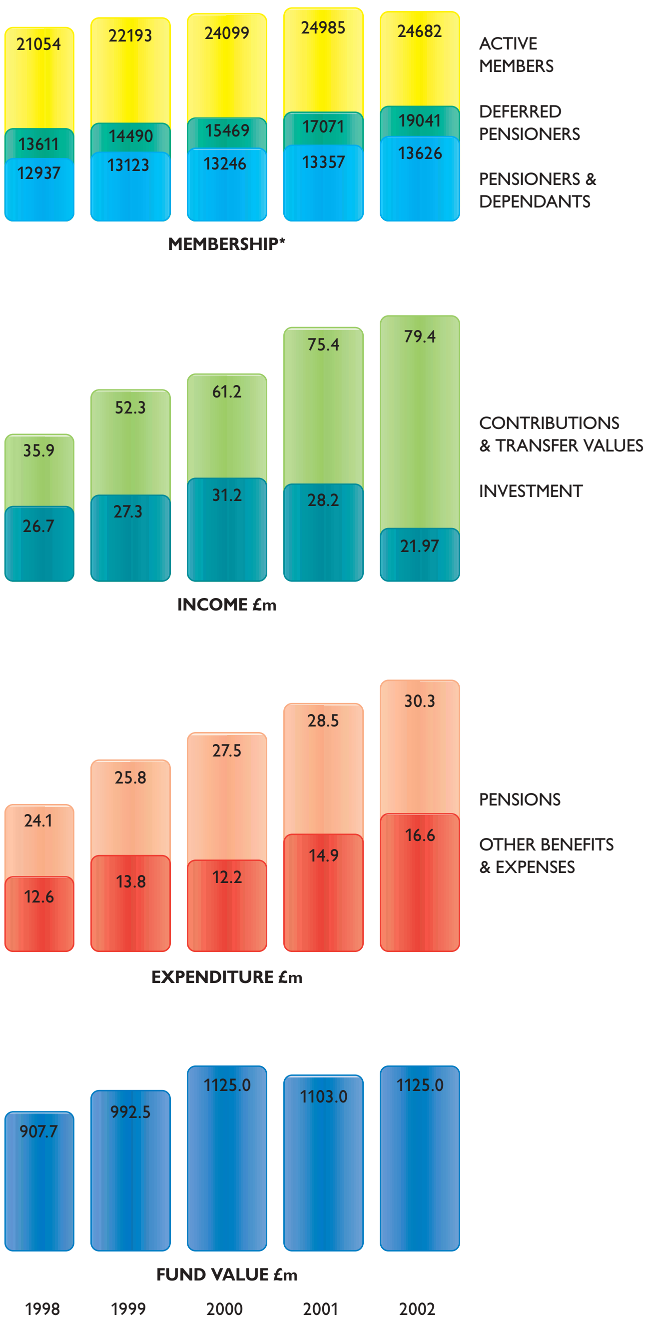
FIVE YEAR SUMMARY



* The membership statistics include the transferring members in respect of the Woolworths Group, Superdrug and Time Retail Finance as 'active' members.

PENSION SCHEME

The Scheme provides benefits, related to salary and length of service, by means of a trust which is independent of participating companies' financial affairs.

The Scheme:

- is open to all UK companies and their employees within the Kingfisher Group, subject to certain employee eligibility conditions;
- is governed by the Definitive Trust Deed and Rules and approved by the Inland Revenue under the Income and Corporation Taxes Act 1988;
- is contracted-out of the State Earnings-Related Pension Scheme (SERPS).

This Report should be read in conjunction with the information set out on pages 6 to 11.

SUMMARY OF BENEFITS PROVIDED BY THE SCHEME

This is only a brief outline of the Scheme. Further details can be found in the 'Kingfisher Pension Scheme Members' Guide', available online at our website www.kgbd.co.uk, from personnel departments or from the person named for your company on page 60. The legal position is governed by the Trust Deed and Rules, copies of which are available to members; legal reliance should only be placed on that formal document.

RETIREMENT

From age 50 onwards, a pension based on 1/60th of salary for each year of Scheme service to the date of actual retirement, 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. Pensions in payment before State Pension Age increase annually by the increase in the Retail Price Index up to a maximum of 5%.

From State Pension Age, part of this increase will be paid by the State, with the remainder paid by the Scheme. The pensions of members who joined the Scheme before 6 April 1997 will include the Guaranteed Minimum Pension (GMP), which is roughly equivalent to what a member would have received from SERPS had they not been a member of the Scheme. Increases to the GMP are paid by the State (see page 20 for information about changes to GMP).

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

ILL-HEALTH

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

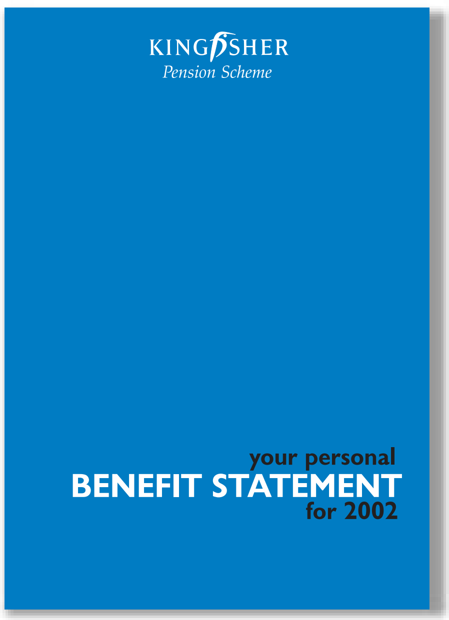
If earning capacity is seriously impaired, then the pension may be based on a maximum of full potential Scheme membership to age 60.

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.



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 Scheme benefits is fully transferable to a suitable scheme of a new employer or personal arrangement.

Deferred pensions continue to receive increases before retirement. The GMP element increases at 6.25% per annum for members leaving service after 1 April 1997 or at 4.5% for those who left after 5 April 2002. Differing rates are applied to members leaving prior to 1 April 1997, the rates being set by the Inland Revenue. Any excess increases annually by the increase in the Retail Price Index, up to a maximum of 5%.

COST

Members' contributions are 5% of Pensionable Salary, but this usually translates into a reduction in take-home pay of less than 3% as a result of:

- the Scheme being contracted-out of SERPS with most members paying lower National Insurance contributions; and

- members receiving tax relief on their contributions.

Participating companies meet the balance of the cost to ensure that the Scheme is able to meet its estimated future commitments, which can be very long-term, spanning fifty or more years. This is assessed by the Consulting Actuary, taking into account the expected future experience of the Scheme as well as the Scheme's current financial position.

Following the Actuarial Review, the contribution rates were increased. Each employer (with the exception of Superdrug Stores plc and the Woolworths Group and its subsidiaries, viz. Columbia Tristar Cinema Club Limited, Demon Group Music Group Limited, Disc Distribution Limited, Entertainment UK Limited, Flogistics Limited, MVC Entertainment Limited, VCI Cinema Club Limited, Video Collection International Limited, Woolworths plc) was required to make an additional contribution equal to the difference in the old rate of 10% (which for B&Q was 10.5%) and 12.5% (12.9% in the case of B&Q). Where relevant, each employer paid arrears in a timely manner.

For Superdrug Stores plc, the additional payment of 2.5% applied from 1 April 2001 to the sale date of 20 July 2001. Subsequent to the sale date, the contribution rates were at the specified rate of 12.6%.

For the Woolworths Group and its subsidiaries, the additional payment at 2.5% applied from 1 April 2001 to the demerger date of 28 August 2001. Subsequent to the demerger dates, the contribution rates were at the specified 12.6%.

From April 2002, the limit on earnings that can count for pensions purposes (the Pensions Cap) in respect of members who joined after May 1989 increased from £95,400 to £97,200.

STATE PENSION

Members retain their entitlement to the Basic (Old Age) State Pension.

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 are invested separately from the other Scheme assets to ensure there are individual funds for each member which are clearly identifiable.

Members have a choice of :

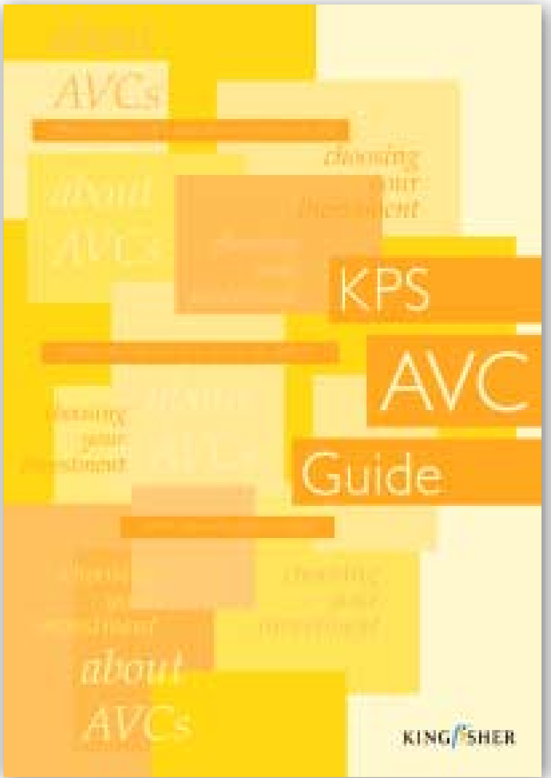
- The With-Profits Fund, currently invested with the Prudential Assurance Company, which aims to provide steady growth with a guarantee that if the monies are left in the Fund until retirement, they will only increase in value.

  The annual bonus rate during the year was 4.75% and as from 1 April 2002 becomes 4.25%. 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.

During the year, the Trustees added another investment option to the unit-linked funds, the Ethical Fund, designed to allow people to invest with the knowledge that their money is being used ethically. The fund manager has created a fund that tracks the performance of the FTSE 350 Index as closely as possibly, whilst excluding those companies that are involved in areas such as animal testing, the processing and sale of tropical hardwood, nuclear power and weapons, countries with a record of poor human rights or environmentally unfriendly products.



At the year end, there were 5718 active members with AVC accounts, a decrease on last year's membership of 6173. There were also 2194 deferred members with AVC accounts.

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

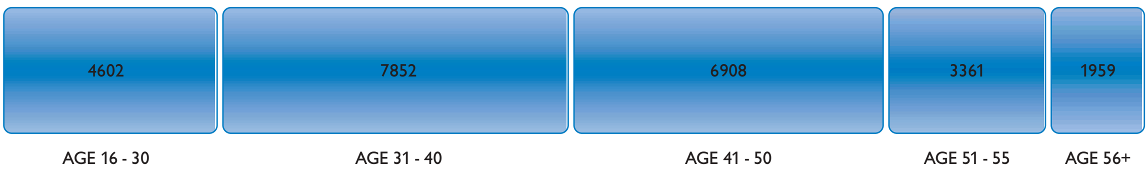
Full details of the Kingfisher AVC Scheme can be found in the explanatory booklet *The KPS AVC Guide*, available online at our website www.kgbd.co.uk or from your personnel department.

MEMBERSHIP

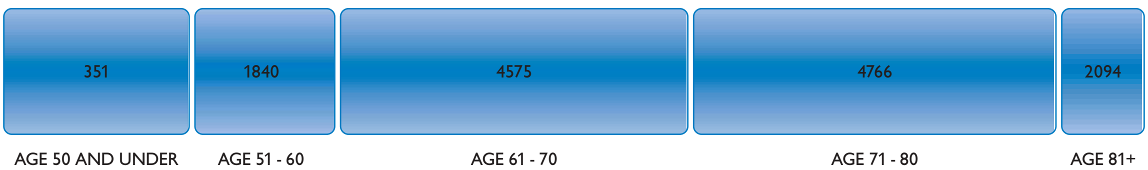
Membership is open to all employees of UK companies within the Kingfisher Group who satisfy the entry qualifications set by their employer, which are broadly similar. There are three categories of membership within the Scheme.

- 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.

AGE PROFILE OF ACTIVE MEMBERS*

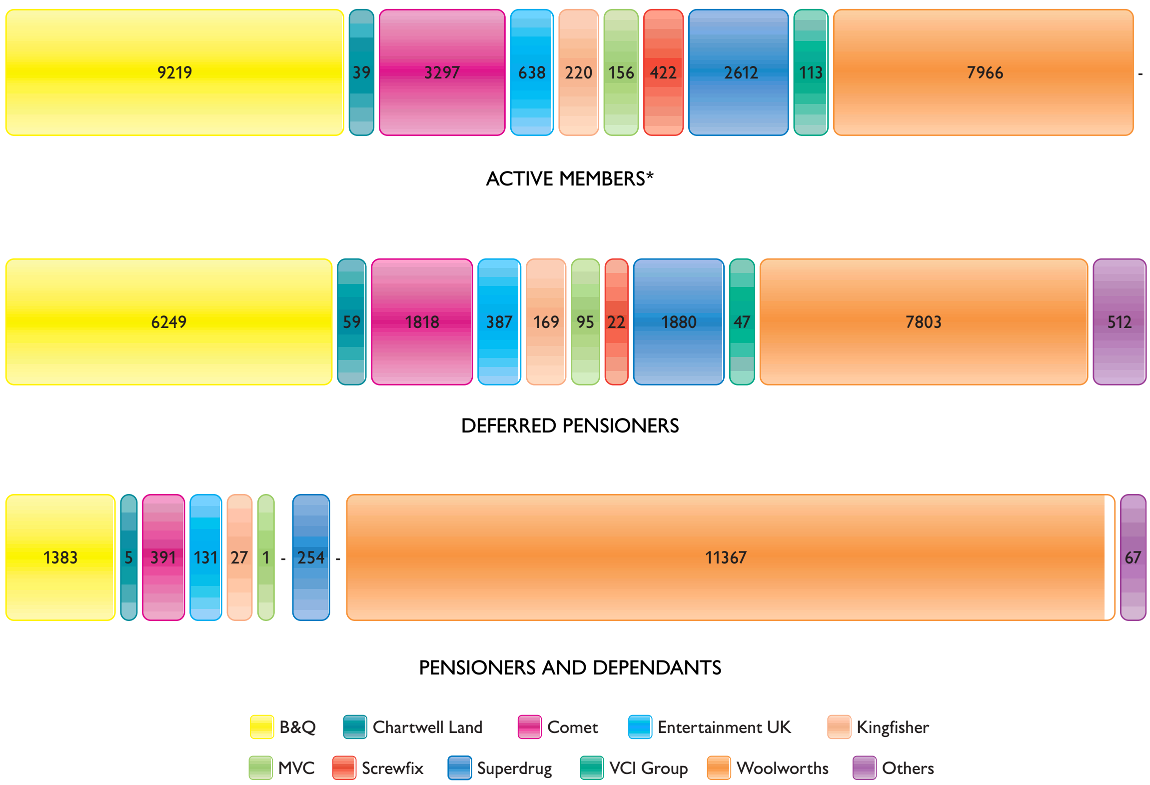


AGE PROFILE OF PENSIONERS & DEPENDANTS

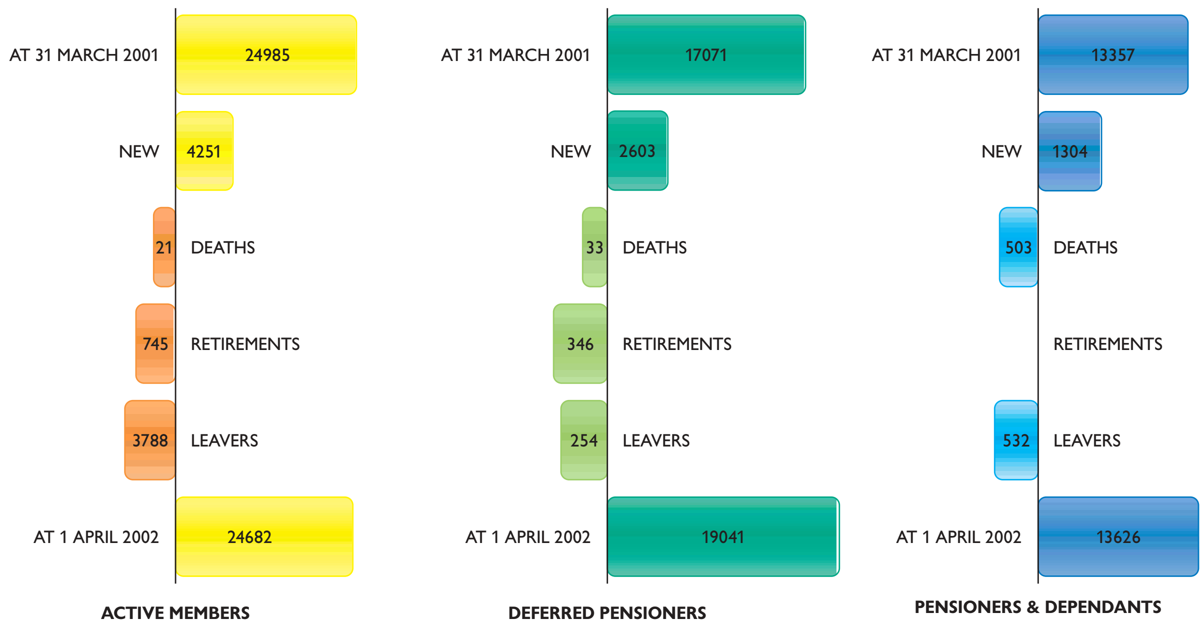


* The membership statistics include the transferring members in respect of the Woolworths Group, Superdrug and Time Retail Finance as 'active' members.

MEMBERSHIP BY OPERATING COMPANY



CHANGES IN MEMBERSHIP DURING THE YEAR



* The membership statistics include the transferring members in respect of the Woolworths Group, Superdrug and Time Retail Finance as 'active' members.

PENSION INCREASES AND TRANSFER VALUES

Both pensions in payment and in deferment 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), 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. Both Jersey and Guernsey have their own Retail Prices Index (3.1% and 1.9% respectively at December 2001), and increases for Channel Islands pensioners are calculated in accordance with these.

Since April 1978, final salary schemes have been able to contract-out of the State-Earnings Related Pension Scheme (SERPS); in doing so, a member and their employer would not pay full-rate NI contributions. Because this reduced the member's SERPS pension, a contracted-out scheme had to guarantee to pay a minimum pension so that the member would not be disadvantaged.

As a result of the 1995 Pensions Act, 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 will not have a GMP. The GMPs of members who joined before 6 April 1997 stopped accruing at that date.

PENSION INCREASES

	1998	1999	2000	2001	2002
Kingfisher	3.6%	2.8%	1.8%	2.9%	0.7%
RPI (Inflation)	3.6%	2.8%	1.8%	2.9%	0.7%

TRANSFER VALUES

Transfer values were calculated in accordance with the provisions of the Pensions Act 1995 on a basis agreed between the Trustee Board 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.

ACTUARIAL AND FINANCIAL REVIEW

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, the latest one being at 31 March 2001.

The 2001 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 13.5% of pensionable earnings. However, the balance of assets over the cost of benefits earned to the Valuation date means that employer contributions may be maintained at the level of 12.5% (except for B&Q at 12.9%) of pensionable earnings for a period of one year. It was decided that the employer's contribution would be 12.5% (except for B&Q at 12.9%) up to 31 March 2002, at which time the rate will be reviewed as part of the Valuation which will be conducted at 1 April 2002, following the transfer of members for the Woolworth Group, Superdrug and Time Retail Finance.

Because of the demerger of the Kingfisher Group and the sale of Superdrug, an additional Actuarial Valuation is being carried out as at 31 March 2002.

The Actuarial Statement setting out the background to the last review is shown on page 31.

FINANCIAL REVIEW

During the year to 31 March 2002, the Scheme's (non-investment) income from contributions and transfers-in exceeded spending on pensions, other benefits and expenses by £29.5m. The Scheme's investment income, plus the decrease in the market value of its investments, resulted in the fund value at the year end of £1,125m being £22m higher than the value at the commencement of the year which was £1,103m. The Investment Performance Review on page 27 gives more information on the investment background, strategy and performance over the year.

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 may be required to pay an additional amount to the Scheme to cover the cost of providing these benefits. The amount paid is calculated in accordance with instructions provided by the Scheme Actuary. The payment of such amounts was not included in the Schedule of Contributions until this was revised in January 2002. A total of £794,000 has therefore been received this year in addition to that required by the applicable schedule.

Also, as explained on page 15, following the Actuarial Review, employer normal contribution rates were increased. The increase was applied retroactively from 1 April 2001 and additional contribution payments equal to the difference between the old and new rates were due to and received by the Scheme in December 2001, as agreed between the Trustee Directors and the employers. A revised Schedule of Contributions was prepared reflecting the new rates and certified by the Scheme Actuary on 29 January 2002. The Schedule in place prior to this did not refer to the new rates and as such the additional contribution payments were in excess of the requirements of the Schedule in force at the time of their receipt by £7,348,150.

The Scheme Auditor is required to refer to the above matters in the report of contributions.

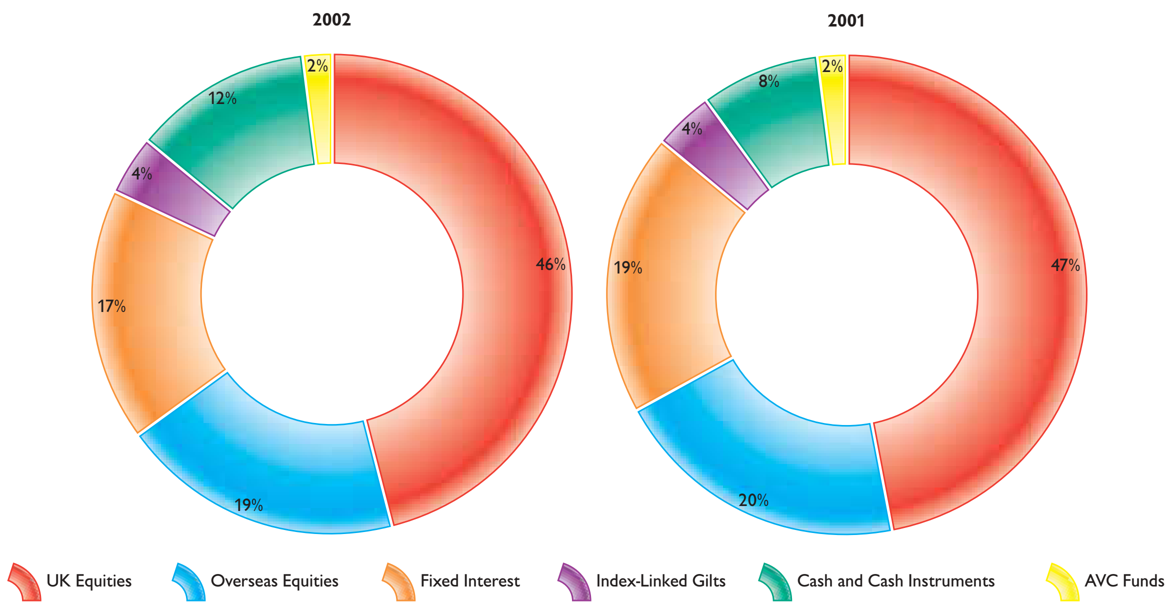
INVESTMENT OBJECTIVES

The Scheme's present investment objectives can be briefly stated as follows.

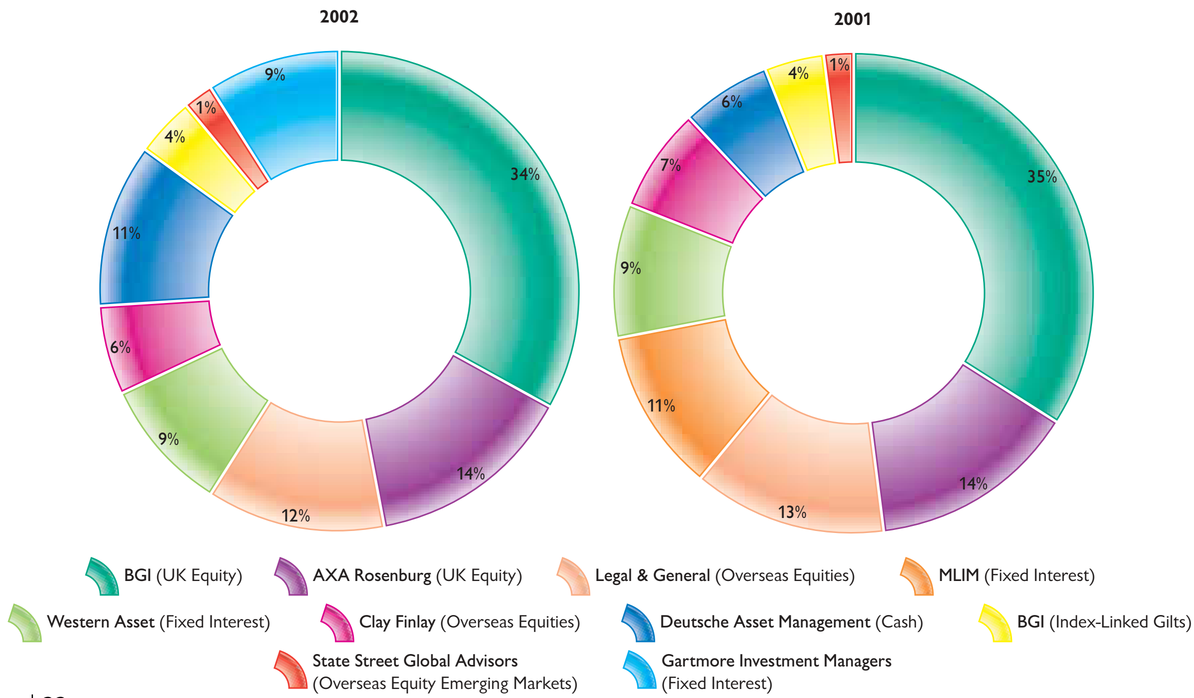
- To achieve a return on the Scheme's assets over the longer-term that exceeds the growth of the Scheme's liabilities (due to increases in salaries and price inflation) consistent with an acceptable degree of risk measured in terms of variability in funding level (defined as 'assets divided by liabilities').
- At least match the rate of return of the 'average' pension fund over a period of time (in excess of five years) providing this is not incompatible with the above.

The Scheme's investment objectives are set out in detail in the 'Statement of Investment Principles', a copy of which is available by writing to the Group Reward and Benefits Department at the address given on page 60.

DISTRIBUTION OF SCHEME ASSETS



DISTRIBUTION OF THE FUND BY INVESTMENT MANAGERS



INVESTMENT STRATEGY

The strategy to achieve the investment objectives involves the Scheme's assets being invested across a wide range of asset classes and geographical areas. Following the results of the 2001 Actuarial Valuation, the Trustees embarked upon a full analysis of the Scheme's liabilities with a view to determining the most appropriate distribution of investments for the Scheme. This analysis – an asset/liability exercise – was completed after the year end, and has taken into account the assets which are to be transferred in respect of former Scheme members following the sale of Superdrug and the demerger of Woolworths.

The Investment Committee selects the appropriate managers for each particular asset class, who are given specific objectives to achieve. The type of managers employed include both 'passive' (index-tracking) managers as well as active managers (who are expected to produce higher investment performances than the index-tracking managers over the longer-term, but with an expectation of greater fluctuations in their returns over the shorter-term).

The adjustment to investments which has been approved following discussions of the asset/liability exercise is expected to be completed by December 2002 – subject to a gradual investment in respect of an (indirectly held) property portfolio.

The assets will be allocated as follows.

Asset Class		Mandate	Proportion of fund allocated
Equities	- Clay Finlay	Active Equities - non-UK	11%
	- Axa Rosenberg	Active Equities - 80% UK	13%
	- Passive Manager	Global	36%
Bonds	- Gartmore	Active – Global	11%
	- Western	Active – Global	11%
	- Passive Manager	Global	8%
Property	- Active Manager	n/a	10%

The Scheme does not hold shares directly in Kingfisher plc.

CHANGES TO INVESTMENT MANAGEMENT ARRANGEMENTS

MERRILL LYNCH INVESTMENT MANAGERS (MLIM)

MLIM's objective was to out-perform the FT-SE-A All-Share Index by 1% per annum (net of base fees) over rolling three-year periods. During the year, a decision was taken, on performance grounds, to terminate the arrangement with MLIM. From 12 November 2001, the assets managed by MLIM (£121.5m) were reallocated to Deutsche Asset Management to be managed on an index-tracking basis until a new investment manager had been appointed.

GARTMORE INVESTMENT MANAGEMENT

Gartmore Investment Management was appointed as a specialist UK and Overseas Fixed Interest manager on 18 February 2002 and has been allocated £100m of the assets previously managed by Merrill Lynch Investment Managers.

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.

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 27 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.

CUSTODY OF THE SCHEME'S INVESTMENTS

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.

INVESTMENT BACKGROUND

EQUITIES

The year to 31 March 2002 was one in which growth stalled in the largest economies in the World (USA and Japan). The impact of the deceleration was felt in Europe and the Pacific Basin, but less so in the UK where growth in GDP remained over 2%.

By the end of this period, however, there were signs that aggressive interest rate cuts had been successful in reviving growth.

Equity markets under-performed over the year as company profits suffered from the slowdown that began in the USA.

In 2001, the US Federal Reserve Board cut interest rates by 4.7% to 1.75% in an effort to stave off the threat of recession, and rates in the UK and Europe were also reduced to 4.0% and 3.25% respectively. This policy was given extra urgency following the terrorist attacks against America in September and the temporary closure of the New York Stock Exchange.

The Technology, Media and Telecommunication (TMT) shares continued to slide. The USA NASDAQ Index (which is dominated by technology issues) led the way down, losing some 65% of its peak value, as evidence mounted that the slowdown was hitting the technology sector particularly hard. The hotels, transport and insurance sectors were undermined worldwide by the September terrorist attacks. However, the aggressive cutting of interest-rates following the attacks proved effective in supporting equity markets and prompted a sharp rally at the year end.

Most markets reflected these trends, with, for example, the decline in TMT stocks pulling the FT-SE All-Share Index down in the UK. In Japan, this effect was compounded by news of bankruptcies, the selling of cross shareholdings by corporations and a weak Yen which resulted in Japanese returns in Sterling being a negative 20.9%, the worst for a major market.

Continental Europe was also weak, whereas the UK was relatively resilient as growth remained steady. Asia Pacific benefited from the strength of Australia and remarkable rebounds in the Korean and Taiwanese markets late in 2001 as investors anticipated recovery.

INVESTMENT BACKGROUND

UK

The FT-SE-A All Share Index returned –3.2% over the year.

CONTINENTAL EUROPE

The FT/S&P-A (excluding UK) Index returned –7.4% in Sterling terms over the year.

JAPAN

The FT/S&P-A Japan Index returned –20.0% in Sterling terms over the year.

THE PACIFIC BASIN

The FT/S&P-A Pacific Basin (excluding Japan) Index returned 12.6% in Sterling terms over the year.

US EQUITIES

The FT/S&P-AW North America Index returned –0.5% in Sterling terms over the year.

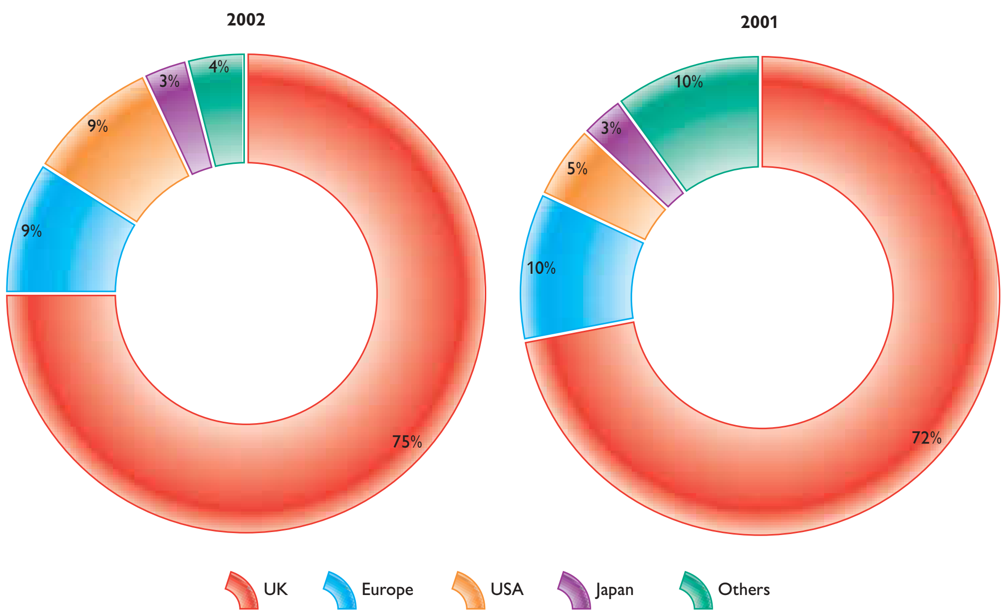
EMERGING MARKETS

The IFCI Composite Index returned 20.6% in Sterling terms over the year.

FIXED INTEREST (BONDS)

Over the year, the JP Morgan (Global excluding UK) Bonds Index returned 0.3% in Sterling terms and the FTA All Stocks Index returned 1.6%. Bonds started the year with mixed yields as steadying equity markets and rising inflation reduced investment demand, but later fell as both equity markets and consumer confidence weakened. This volatile pattern continued well into the third quarter, until increasing confidence in global economic recovery reversed the decline and yields ended the quarter higher. By the end of the year, Government bond yields were rising in response to early signs of economic recovery.

GEOGRAPHICAL SPREAD OF ASSETS

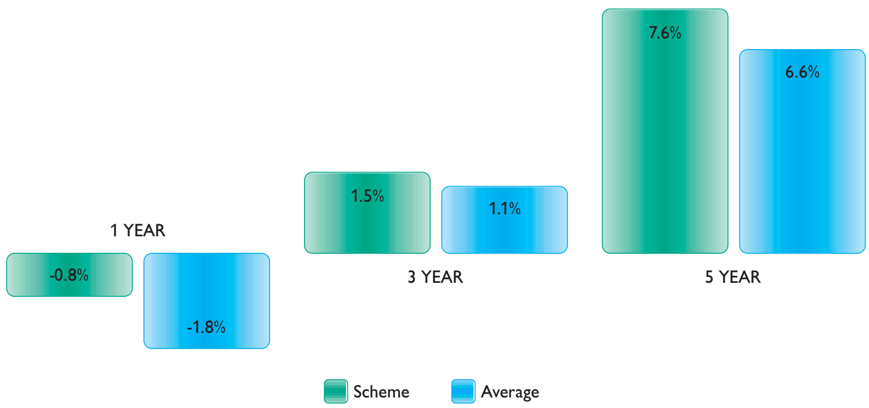


INVESTMENT PERFORMANCE REVIEW

The performance of the Scheme's investments is measured against that of other UK pension schemes of various sizes by an independent external measurement service, the Combined Actuarial Performance Services (CAPS) investment survey. Taking all portfolios together, the return achieved by the Scheme during the year to 31 March 2002 was -0.8%. This was against the survey average return of -1.8%.

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 1.5% and 7.6% compared to the average of 1.1% and 6.6% respectively.

ANNUAL RETURNS



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 22).

UK EQUITIES

Barclays Global Investors' (BGI) UK Equity portfolio is managed to track the performance of the FT-SE-A All-Share Index within a small deviation. Over the year and longer-term, the BGI portfolio achieved its objective. BGI is remunerated on the basis of a fixed fee.

Axa Rosenberg Investment Management's UK Equity portfolio objective is to out-perform the FT-SE-A All-Share Index by 2% per annum (net of base fees) over rolling three year periods. Over the year and longer-term, Axa Rosenberg achieved its objective. Axa Rosenberg's fees are market-value based with a performance-related element.

INVESTMENT PERFORMANCE REVIEW

OVERSEAS EQUITIES

Legal & General's objective is to achieve similar performance to that of overseas equity indices (excluding the UK) weighted in line with the average pension fund. Over the year and longer-term, Legal and General achieved its objective. Legal & General's fees are market value-based.

Clay Finlay's objective is to out-perform an 'overseas index' return (which is the same as the objective of the Legal & General portfolio described above) by 2% per annum (net of base fees) over rolling three year periods. Over the latest rolling three-year period, Clay Finlay achieved its objective. Clay Finlay's fees are market value-based and have a performance-related element.

State Street's objective is to out-perform the International Finance Corporation Investable (IFCI) Index (the index the Scheme uses for emerging markets) by 6% per annum (net of base fees) over rolling three year periods. Over a rolling three-year period, State Street achieved its benchmark but not its objective. State Street's fees are market value-based with a performance-related element.

FIXED INTEREST

Gartmore Investment Management's fixed interest portfolio has the objective of out-performing its benchmark by 1.5% per annum (net of base fees). The 'benchmark' is made up of UK and Overseas Fixed Interest securities and comprises the following indices: 25% FTSE Actuaries All-Stocks Gilts Index; 25% Merrill Lynch Sterling Non-Gilts Index; 20% FTSE Actuaries Over-5 Year Index-Linked Gilts Index and 30% JP Morgan WXUK Index (fully hedged). As Gartmore Investment Management was appointed in February 2002, it is too early to assess its performance. Gartmore's fees are market-value based with a performance-related element.

Western Asset Management's fixed interest portfolio has the objective of out-performing its 'benchmark' (the same as that for Gartmore Investment Management, described above) by 1.5% per annum (net of base fees). The 'benchmark' is the average return on a portfolio of UK and overseas fixed interest securities weighted in the same proportion as the average pension fund over rolling three year periods. Over its first rolling three-year period, Western Asset Management achieved its benchmark but not its objective. Western Asset Management's fees are market value-based with a performance-related element.

BGI Index-Linked Gilts has the objective of tracking the FTA Index-Linked All Stocks Index within a small deviation. Over the year and longer-term, the BGI portfolio achieved its objective. BGI is remunerated on the basis of a fixed fee.

CASH AND CASH INSTRUMENTS

Deutsche Asset Management's objective is to achieve a total return (net of base fees) which exceeds the Three Month Sterling LIBID. During the year, Deutsche Asset Management achieved its objective. 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.

INDEPENDENT AUDITORS' REPORT

To the Trustees of the Kingfisher Pension Scheme

We have audited the Accounts on pages 34 to 42.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

As described on page 33, the Scheme's Trustees are responsible for obtaining audited accounts which comply with applicable United Kingdom law and Accounting Standards. They are also responsible for making available, commonly in the form of a Trustee's Report, certain other information about the Scheme which complies with applicable United Kingdom law. Further, as described on page 33, they are responsible for ensuring that, following the minimum funding valuation, a Schedule of Contributions payable to the Scheme is prepared and maintained, and for ensuring that contributions are made to the Scheme in accordance with that Schedule of Contributions. Our responsibilities as independent auditors are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the Accounts give a true and fair view and contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Account and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. We also report to you our opinion as to whether the contributions have been paid in accordance with the Schedule of Contributions certified by the Actuary and if we have not received all the information and explanations we require for our audit.

We read the Trustee's Report and other information accompanying the Accounts, and consider whether it is consistent with those Accounts. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the Accounts.

BASES OF OPINIONS

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Accounts. It also includes an assessment of the significant estimates and judgements made by or on behalf of the Trustees in the preparation of the Accounts and of whether the accounting policies are appropriate to the Scheme's circumstances, consistently applied and adequately disclosed. The work that we carried out also included an examination, on a test basis, of evidence relevant to the amounts of contributions paid to the Scheme and the timing of those payments.

INDEPENDENT AUDITORS' REPORT

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the Accounts are free from material mis-statement, whether caused by fraud or other irregularity or error, and that contributions have been paid in accordance with the Schedule of Contributions certified by the Scheme Actuary on 15 June 1999 up to 29 January 2002, and subsequently in accordance with the Schedule of Contributions certified by the Scheme Actuary on 29 January 2002, both prepared in accordance with the Pensions Act 1995. In forming our opinions, we also evaluated the overall adequacy of the presentation of information in the Accounts.

OPINIONS

In our opinion, the Accounts show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2002 and of the amount and disposition at that date of the assets and liabilities (other than liabilities to pay pensions and benefits after the end of the Scheme 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 made under the Pensions Act 1995.

As explained on page 21 of the Trustee Board Report, employer contributions totalling £8,142,150 were paid in the period to 28 January 2002, although the Schedule of Contributions applicable at the time did not require such payments to be made.

In our opinion, contributions for the Scheme year ended 31 March 2002 have been paid from 1 April 2001 to 28 January 2002, except for the above matter, in accordance with the Schedule of Contributions certificate by the Scheme Actuary on 15 June 1999 and subsequently in accordance with the Schedule of Contributions certified by the Scheme Actuary on 29 January 2002.

KPMG
Chartered Accountants
Registered Auditors
1 Canada Square
Canary Wharf
London
E14 5AG

27 June 2002

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 2001

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	5% of pensionable earnings
By the Company	12.5% of pensionable earnings until 31 March 2002 and 13.5% of pensionable earnings thereafter, but subject to review at the next Valuation, due as at 31 March 2002. Additional Contributions are payable by B&Q equal to 0.4% of B&Q pensionable earnings.

2. Summary of Methods and Assumptions used

For the purposes of Section 1, I have assumed that the Scheme will continue. The liabilities referred to in Section 1 relate to the benefits which are expected to become payable under the normal operation of the Scheme. They take account of future benefit accruals and include appropriate allowance for future salary increases.

Funding method: Projected Unit

Main financial assumptions (relative to an assumed inflation rate of 4.0% per annum):

Earnings Escalation	1.55% p.a.
Pension Increases (in payment)*	-0.25% p.a.
Pension increases (in deferment)*	0.00% p.a.
Investment return on existing assets	3.40% p.a.
Investment return on future contributions	3.50 p.a.

* On the excess over the Guaranteed Minimum Pension.

Further details of the methods and assumptions used are set out in my Actuarial Valuation addressed to the Trustees and Kingfisher plc dated 14 March 2002.

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

P. N. M. Sisson

14 March 2002

ACTUARIAL CERTIFICATE

Given for the purposes of Section 58, 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 contributions payable in accordance with the schedule of contributions running from 31 May 2002 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 the 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.

Signature P. N. M. Sisson

Date 31 May 2002

Name P.N.M. Sisson
Fellow of the Institute of Actuaries
Partner in the firm of Watson Wyatt LLP

Address Watson House
London Road
Reigate
Surrey
RH2 9PQ

Note: The certification of the adequacy rates of contributions for the purpose of securing the meeting of the Minimum Funding Requirement is not a certification of their adequacy for the purpose of securing the Scheme's liabilities for the purchase of annuities if the Scheme is wound-up.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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.

Following the minimum funding valuation under the Pensions Act 1995, the Trustee Board is 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 Trustee Board is also responsible for keeping records of contributions received in respect of any active member of the Scheme, and for ensuring that contributions are made to the Scheme in accordance with the Schedule 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 STATEMENT for the period ended 31 March 2002

	Notes	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Fund at the beginning of the year			**1,102,671**		1,124,958
Contributions & Benefits					
Contributions	2	**74,819**		61,436	
Transfer values	3	**4,587**		13,930	
		79,406		75,366	
Benefits payable	4	**39,614**		36,314	
Leavers	5	**5,835**		3,545	
Administrative expenses	6	**2,012**		1,627	
		47,461		41,486	
Net additions from dealings with members		**31,945**		33,880	
Returns on Investments					
Investment income	7	**21,967**		28,229	
Change in market value of investments	8	**(28,790)**		(82,567)	
Investment management expenses	9	**(2,468)**		(1,829)	
Net returns on investments		**(9,291)**		(56,167)	
Net decrease/increase in Fund during the year			**22,654**		(22,287)
Fund at the end of the year			**1,125,325**		1,102,671
Represented by:					
Investments	8		**1,125,424**		1,104,895
Debtors	10	**79**		166	
Creditors	11	**(1,854)**		(1,895)	
Bank accounts		**1,676**		(495)	
			(99)		(2,224)
Net assets of the Scheme at the end of the year			**1,125,325**		1,102,671

The Notes on pages 35 to 42 form part of this Financial Statement.

R.E. Jones

J.C. Woodward

For Kingfisher Pension Trustee Limited

27 June 2002

NOTES TO THE FINANCIAL STATEMENT

1. Accounting Policies

This Financial Statement has 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 SORP, Financial Reports of Pension Schemes.

The Financial Statement summarises 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 31.

The following accounting policies have been applied:

a) Employee contributions are accrued for from the date of deduction from payroll, and employer contributions are accrued for as they fall due.

b) Benefits are accounted for on an accruals basis, except where the member has a choice of benefits, in which case a cash basis is used.

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) The investments have been included at mid-market values at 31 March 2002. Those quoted in foreign currencies have been translated at the rates of exchange ruling at that date. Unit trusts have been valued at the mid-point quoted by the trust manager on the date nearest 31 March 2002. 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.

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) Overseas taxation on dividends is accounted for as irrecoverable taxation on an accruals basis net of any recoveries received during the year.

NOTES TO THE FINANCIAL STATEMENT

2. Contributions

2002

	Members Ordinary	Members Additional Voluntary	Company Ordinary	Company Additional	Total Contributions
	£'000	£'000	£'000	£'000	£'000
B&Q	6,743	1,293	18,042	0	26,078
Comet	3,168	543	8,021	43	11,775
Entertainment UK	707	122	1,805	2	2,636
Superdrug	1,987	509	4,974	163	7,633
Woolworths	5,337	1,525	13,803	660	21,325
Others	1,378	378	3,515	101	5,372
Total Contributions	19,320	4,370	50,160	969	74,819

2001

	Members Ordinary	Members Additional Voluntary	Company Ordinary	Company Additional	Total Contributions
	£'000	£'000	£'000	£'000	£'000
B&Q	6,114	1,417	12,898	28	20,457
Comet	2,850	531	5,743	0	9,124
Entertainment UK	639	141	1,292	25	2,097
Superdrug	2,173	629	4,503	9	7,314
Woolworths	5,397	1,615	10,943	64	18,019
Others	1,260	551	2,576	38	4,425
Total Contributions	18,433	4,884	37,955	164	61,436

3. Transfer Values

	2002	2001
	£'000	£'000
Group Transfers	1,306	7,621
Individual transfers-in from other schemes	3,281	6,309
Total	4,587	13,930

NOTES TO THE FINANCIAL STATEMENT

4. Benefits Payable

	2002 £'000	2001 £'000
Lump sums on retirement	7,604	5,891
Lump sums on death	2,044	1,961
Gross pensions	30,313	28,828
Less Annuities	(347)	(366)
Total	39,614	36,314

5. Leavers

	2002 £'000	2001 £'000
Individual transfers-out	4,520	2,519
DWP Premiums	802	547
Refunds of contributions	513	479
Total	5,835	3,545

6. Administrative Expenses

The Scheme bears all its administration expenses. These expenses consist of the costs incurred on behalf of the Trustee Board by the Group Reward and Benefits Department and are detailed below.

	2002 £'000	2001 £'000
Staff costs	1,088	975
Rent, rates and service charges	319	254
Professional fees	228	108
Communications and printing	117	110
General	66	80
Computing	106	100
Valuation	88	-
Total administration costs	2,012	1,627

NOTES TO THE FINANCIAL STATEMENT

7. Investment Income

	2002 £'000	2001 £'000
UK		
- Equities*	5,075	9,666
- Fixed Interest	7,560	10,638
- Unquoted Unit Trusts	2	116
- Index-Linked	-	869
Overseas		
- Equities	1,108	1,042
- Fixed Interest	3,896	2,266
- Unquoted Unit Trusts	212	242
Interest on cash and cash instruments	4,240	3,565
Sub-total	22,093	28,404
Irrecoverable taxation	(126)	(175)
Total Investment Income	21,967	28,229

* The equity investment income for 2002 has decreased significantly from the 2001 levels due to the pooling into income accumulation units in February 2001 of the equity inerests formerly held as segregated assets.

8. Investments

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

NOTES TO THE FINANCIAL STATEMENT

8. Investments

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

	Value at 31 March 2001 £'000	Purchases £'000	Sales £'000	Movement in value £'000	Value at 31 March 2002 £'000	Percentage of total Fund at 31 March 2002
UK Equities						
- Equities Quoted	144,787	178,198	171,242	(5,537)	**146,206**	**12.99**
- Unit Trusts Unquoted	381,715	3	141	(13,515)	**368,062**	**32.71**
Sub-total	**526,502**	**178,201**	**171,383**	**(19,052)**	**514,268**	**45.70**
Overseas Equities						
- Europe Quoted	33,799	25,765	30,803	(2,222)	**26,539**	**2.36**
- Japan Quoted	11,946	14,649	11,838	(4,689)	**10,068**	**0.89**
- United States Quoted	15,781	8,179	5,471	1,510	**19,999**	**1.78**
- Pacific Basin Quoted	10,821	13,439	11,977	(551)	**11,732**	**1.04**
- Unit Trusts Unquoted	151,763	14,725	14,292	(5,549)	**146,647**	**13.03**
Sub-total	**224,110**	**76,757**	**74,381**	**(11,501)**	**214,985**	**19.10**
Total Equities	**750,612**	**254,958**	**245,764**	**(30,553)**	**729,253**	**64.80**
UK Fixed Interest						
- Government	43,037	59,586	21,032	(3,250)	**78,341**	**7.03**
- Corporate	28,894	22,790	10,832	12,822	**53,674**	**4.77**
- Unquoted Unit Trusts	77,642	2,950	83,032	2,440	**-**	**-**
- UK Fixed Income Futures Quoted	(9,343)	9,746	568	1,031	**866**	**-**
Sub-total	**140,230**	**95,072**	**115,464**	**13,043**	**132,881**	**11.80**
Overseas Fixed Interest						
- Government	17,422	64,307	31,020	(39,025)	**11,684**	**1.20**
- Corporate	5,606	41,861	27,316	25,559	**45,710**	**4.06**
- Unquoted Unit Trusts	36,284	6,000	41,417	(867)	**-**	**-**
- Overseas Fixed Income Futures Quoted	790	1,624	1,632	965	**1,747**	**-**
Sub-total	**60,102**	**113,792**	**101,385**	**(13,368)**	**59,141**	**5.26**
Total Fixed Interest	**200,332**	**208,864**	**216,849**	**(325)**	**192,022**	**17.06**
UK Index-Linked						
- Quoted	400	-	439	39	**-**	**-**
- Unquoted Unit Trusts	42,645	4	-	1,403	**44,052**	**3.91**
Total Index-Linked	**43,045**	**4**	**439**	**1,442**	**44,052**	**3.91**
Liquid Assets						
- Cash and Cash instruments	83,710	85,788	38,299	(740)	**130,459**	**11.59**
- Debtors	3,389	2,188	-	-	**5,577**	**0.50**
- Creditors	(5,330)	-	4,639	-	**(9,969)**	**(0.89)**
- Investment Managers' fees	(865)	-	444	-	**(1,309)**	**(0.12)**
- Tax recoverable	513	-	195	-	**318**	**0.03**
- Investment income accrual	3,700	1,892	-	4	**5,596**	**0.50**
Sub-total	**85,117**	**89,868**	**43,577**	**(736)**	**130,672**	**11.61**
AVC Investments						
- Prudential	22,244	4,186	2,342	1,318	**25,406**	**2.26**
- London Life - surrender value	2,105	-	507	142	**1,740**	**0.15**
- Merrill Lynch unit-linked AVCs	773	262	31	(23)	**981**	**0.09**
- Legal & General unit-linked AVCs	669	719	35	(55)	**1,298**	**0.12**
Sub-total	**25,791**	5,167	2,915	1,382	**29,425**	**2.62**
Total	**1,104,897**	**558,861**	**509,544**	**(28,790)**	**1,125,424**	**100.00**

NOTES TO THE FINANCIAL STATEMENT

8. Investments

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

	2002 £'000	2001 £'000
Included in the Market Values shown above are:		
Unit Trust with UK registered companies		
- Unquoted Index-tracking unit trusts	**558,761**	679,346
Unit Trust with overseas registered companies		
- Unquoted Index-tracking unit trusts	**13,003**	10,702
Total	**571,764**	690,048
Cash & Cash Instruments:		
Cash deposits	**93,721**	38,824
Cash backing Futures	**(2,615)**	8,553
Floating rate notes	**39,353**	36,333
Total	**130,459**	83,710

8.3 AVC Investments

Prudential and London Life

The Trustee holds assets invested separately from the main fund, securing additional benefits on a money purchase basis for those members electing to pay Additional Voluntary Contributions. Each member participating in this arrangement receives an annual statement confirming the amounts held in their account. The aggregate amount of AVC investments are shown above.

Legal & General and Merrill Lynch Unit-Linked

The Trustee hold assets invested separately from the main fund in the form of unit-linked contracts for those members electing to pay unit-linked Additional Voluntary Contributions.

8.4 Market Value of the Scheme's largest investments

	2002 £'000	
Unit Trusts		
Aquila Life UK Equity Index Fund Series 1	**367,689**	**32.7%**
Legal & General European Index	**50,673**	**4.5%**
Aquila Life UK Index-linked Gilts Accumulated Units Index	**44,052**	**3.9%**
Legal & General North American Index	**40,321**	**3.6%**
Legal & General Japanese Index	**19,874**	**1.8%**
Legal & General Other Pacific Basin Index	**17,073**	**1.5%**

NOTES TO THE FINANCIAL STATEMENT

8. Investments

8.4 Market Value of the Scheme's largest investments (contd)

Securities	2002 £'000	
BP Amoco	13,291	1.2%
Glaxo SmithKline	8,435	0.7%
Royal Bank of Scotland Group	7,919	0.7%
Vodafone Airtouch	6,434	0.6%
Barclays	6,033	0.5%
HSBC Holdings	5,619	0.5%
HBOS	5,264	0.5%
BT Group	5.230	0.5%

8.5 Analysis of quoted UK Equities by Industrial Sector - Market Value

	2002 £'000	2001 £'000
Consumer	23,024	26,545
Services	34,792	25,546
Basic Industries	3,961	6,970
Financials	49,316	52,959
General Industries	10,980	9,147
Information Technology	1,490	198
Resources	18,513	21,086
Utilities	4,130	2,336
Total	146,206	144,787

9. Investment Management Costs/Fees

	2002 £'000	2001 £'000
Axa Rosenberg	817	90
Barclays Global Investors	124	134
Britannic Asset Managers Limited	-	(8)
Clay Finlay	715	831
Deutsche Asset Management	95	51
Gartmore Investment Management	13	-
Legal & General	212	240
Merrill Lynch	154	142
State Street Global Advisors UK	60	35
Western Asset Management	108	138
Custody Services	141	144
Performance Measurement and Risk Reporting	25	29
Other Services	4	3
Total	2,468	1,829

NOTES TO THE FINANCIAL STATEMENT

10. Debtors

	2002 £'000	2001 £'000
Tax recoverable (VAT on Administration Expenses)	54	64
Inter-company expenses due from Kingfisher Retirement Trust	15	78
Others	10	24
Total	79	166

11. Creditors

	2002 £'000	2001 £'000
Tax payable	477	426
Expenses	314	200
DWP	152	99
Sundry Unclaimed Benefits	254	226
Inter-company expenses due to Kingfisher plc	114	664
Others	543	280
Total	1,854	1,895

12. Related Parties

The Scheme has received employee contributions in respect of the eight 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, £1,430,000 this year (2001: £1,388,000) and subsequently recharges these to the Scheme.

The Scheme pays some expenses on behalf of the Kingfisher Retirement Trust, £133,000 this year (2001: £149,000), and recharges these to the Trust.

Transfer values of £474,000 (2001: £769,000) were received into the Scheme from Kingfisher Retirement Trust.

13. Bulk Transfer

With effect from 1 April 2002, the past service liabilities of members employed by Superdrug, Time Retail Finance and Woolworths transferred to successor schemes set up by these employers, who left the Group during 2002. The bulk transfer payments from the Scheme in respect of these transfers are expected to be made in the near future, and as at 1 June 2002 were estimated by the Scheme Actuary to be approximately £190m. These bulk transfer payments will be recognised in the 2003 Financial Statements, being the period in which past service liabilities will transfer.

ADVISORS AND INVESTMENT MANAGERS

Actuaries
Watson Wyatt

Auditors
KPMG

Bankers
Barclays Bank PLC

Investment
Axa Rosenberg European Management Limited
Barclays Global Investors Limited
Clay Finlay Incorporated
Deutsche Asset Management
Gartmore Investment Management*
Legal & General Assurance Pensions Management Limited
London Life Limited
Merrill Lynch Investment Managers**
Prudential Assurance Company Limited
State Street Global Advisers UK Limited
Western Asset Management

Custodian
State Street Bank & Trust Company

Solicitors
Mayer Brown Rowe & Maw***

* Gartmore Investment Management was appointed on 18 February 2002.
** The contract with Merrill Lynch Investment Managers was terminated on 30 October 2001.
*** Rowe & Maw changed name on its merger with Mayer Brown on 1 February 2002.

CONTENTS

FIVE YEAR SUMMARY

* The membership statistics include the transferring members in respect of the Woolworths Group, Superdrug and Time Retail Finance as 'active' members.

RETIREMENT TRUST

The Trust provides benefits for members and their dependants, both in service and in retirement, based on the build-up of a fund of money (which is then used to purchase an annuity from an insurance company where a regular pension is paid).

The Trust:

- is open to all UK companies and their employees within the Kingfisher Group, subject to certain employee eligibility conditions;
- is governed by the Definitive Trust Deed and approved by the Inland Revenue as a Simplified Defined Contribution Scheme under the Income and Corporation Taxes Act 1988;
- is contracted-out of the State Earnings-Related Pension Scheme.

This Report should be read in conjunction with the information set out on pages 6 to 11.

SUMMARY OF BENEFITS

This is only a brief outline of the Trust. Further details can be found in the ‘Kingfisher Retirement Trust Members’ Guide’, available online at our website www.kgbd.co.uk, from personnel departments or from the person named for your company on page 60. The legal position is covered by the Trust Deed and Rules, copies of which are available to members; legal reliance should only be placed on that formal document.

The Trust provides benefits for virtually no reduction in take-home pay for a tax-paying member.

Contributions to the With-Profits Fund build up as a fund of money (as explained on page 50), plus bonuses, which is then used to purchase benefits on retirement. Because the unit-linked funds will rise and fall in line with the underlying investments, the value of a member’s contributions can fall as well as rise.

Benefits, apart from the lump sum on death, therefore depend on the amount of money built up and the rate at which benefits (such as a pension) can be purchased. Consequently, there is no requirement for an actuarial statement.

The main features are:

ON JOINING

A minimum contribution from the employing company of 1% of pay plus an amount equivalent to the reduction in employer and employee National Insurance contributions as a result of being contracted-out of SERPS.

ON RETIREMENT

A tax-free lump sum plus a pension. Members have two accounts, the Basic (into which is paid the NI rebate and the company equivalent) and Top-up (in which is paid any additional company contribution and AVCs plus tax relief); the money built up in the Basic Account must be used to buy a pension that will be subject to annual increases.

ON DEATH

While in employment, a lump sum of two times salary is payable (this benefit is paid via the final salary Kingfisher Pension Scheme).

ON LEAVING

Benefits may be deferred until retirement or taken as a transfer payment to a new employer or personal arrangement. The value of a member’s fund remains invested and continues to enjoy the returns generated by the respective funds. A transfer payment represents the value built up in the Trust to the date of transfer. When transferring, a member may not get the full value of their fund as the Market Level Adjustment (MLA) may be applied. This serves to protect members remaining in the With-Profits fund at a time when markets are depressed or when returns earned by the With-Profits Fund are less than the annual bonus.

STATE PENSION

Members retain their right to the Basic (Old Age) State Pension.

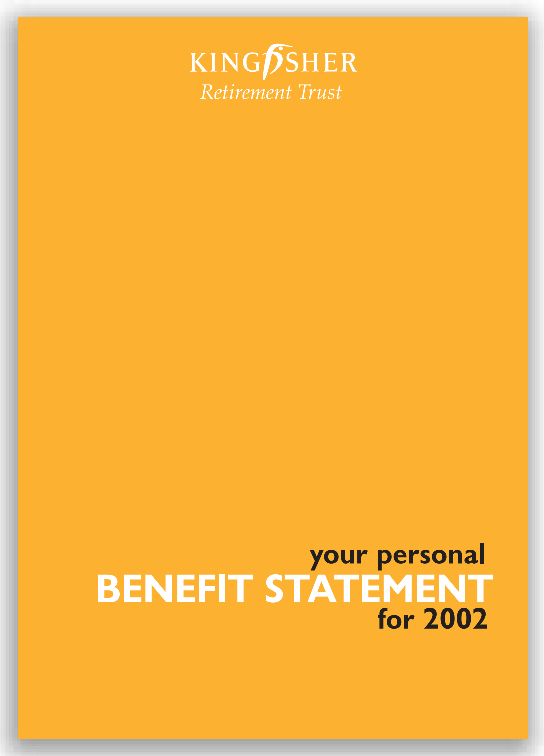
ADDITIONAL VOLUNTARY CONTRIBUTIONS

AVCs provide an opportunity for members of the Trust to increase their retirement benefits. AVCs are a tax-efficient way of providing extra benefits as the amount members pay in contributions is, under current legislation, subject to tax relief at the member's highest rate of taxation and the fund builds up in a favourable tax environment.

All AVCs have been invested with Eagle Star since 1 October 1993. Members have a choice of Eagle Star's With-Profits fund or a range of other unit-linked funds (see Investment on page 50). The value of units purchased in some of these unit-linked funds is subject to fluctuation as they are not guaranteed and so can fall in value as well as rise.

Further information is available from personnel departments or from the person named for your company on page 60.

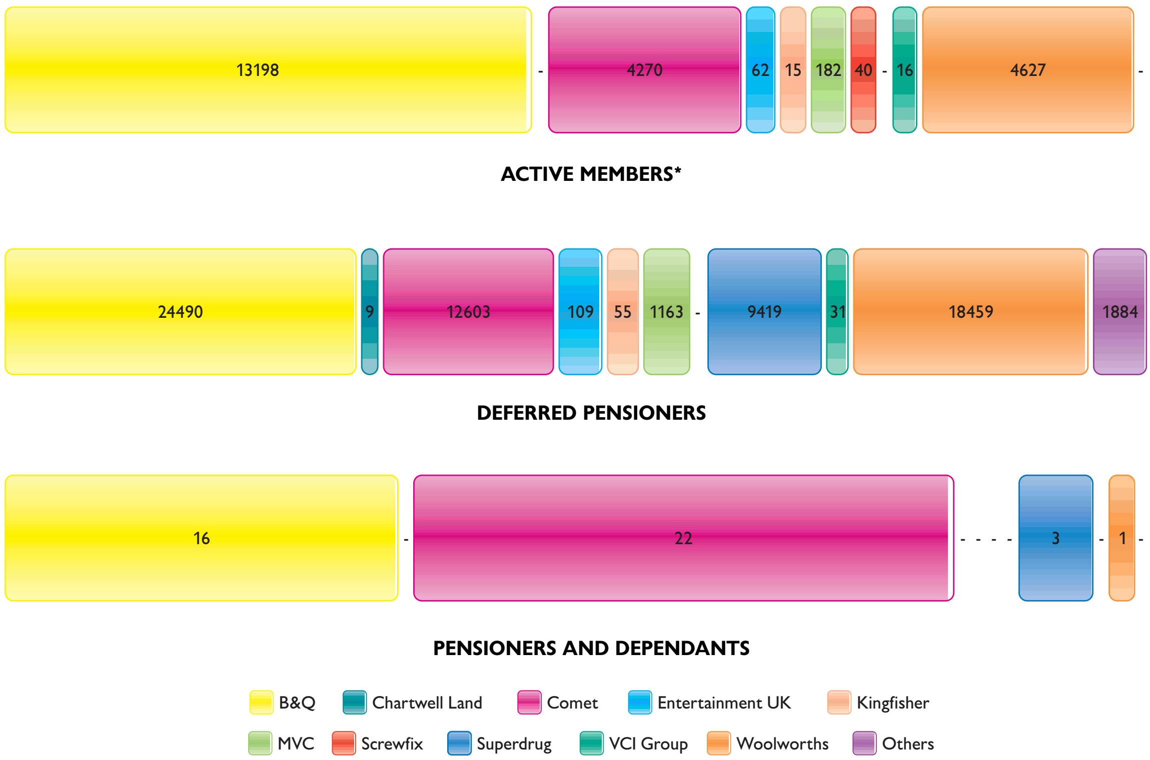
At the year end, there were 50 active members paying AVCs, a decrease on last year's membership of 56. There were also 66 deferred members with AVC accounts.



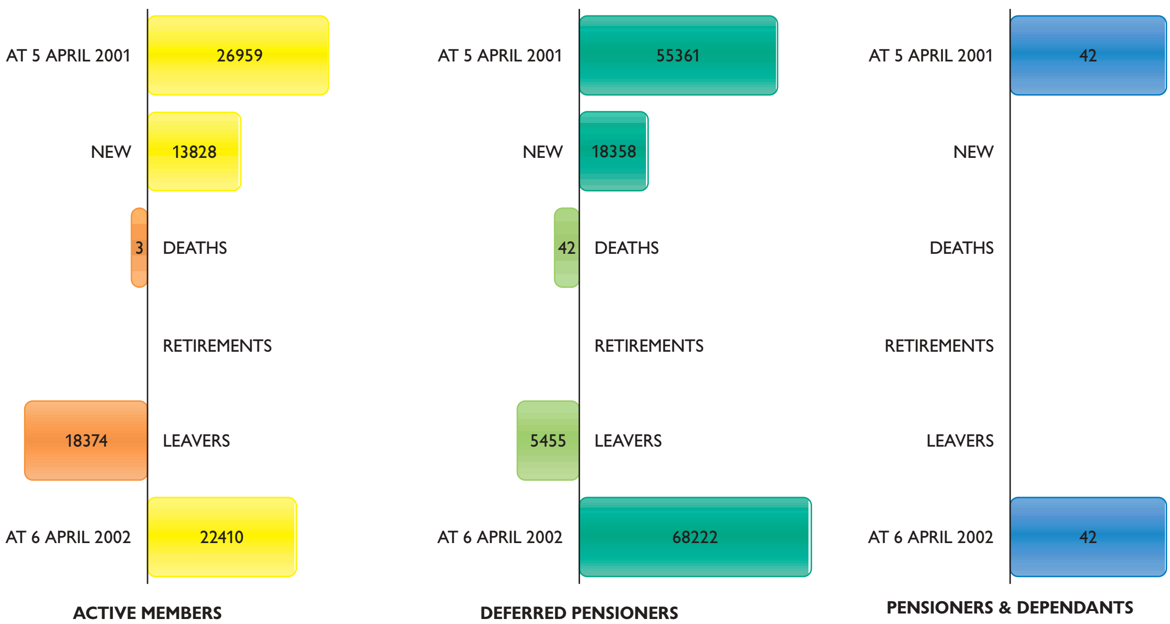
MEMBERSHIP

Membership is open to all employees satisfying the entry qualifications set by their employer, which are broadly similar. The categories of membership within the Trust are:

MEMBERSHIP BY OPERATING COMPANY



CHANGES IN MEMBERSHIP DURING THE YEAR



* The membership statistics include the transferring members in respect of the Woolworths Group, Superdrug and Time Retail Finance as 'active' members.

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

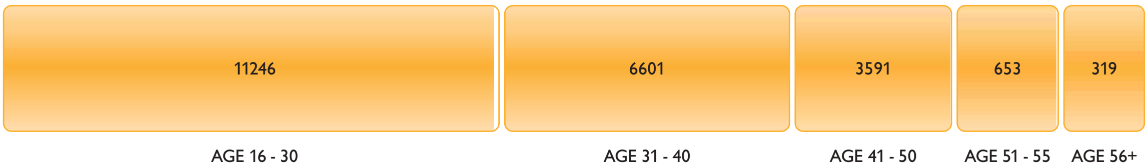
  All active members are automatically members of the Kingfisher Pension Scheme only for the purpose of the lump sum payable on death. This is done in order to provide the benefit in a cost-effective way.

  Men and women over a recommended age (49 for a woman and 57 for a man) will be automatically withdrawn and be reinstated in SERPS unless they elect to remain in the Trust or join the final salary Pension Scheme, because from these ages they may not build up as high a level of benefits under the Trust up to age 60 as they could in SERPS.

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

- **Pensioners** - on retirement, members have the right to purchase an annuity with any approved provider.

AGE PROFILE OF ACTIVE MEMBERS*



* The membership statistics include the transferring members in respect of the Woolworths Group, Superdrug and Time Retail Finance as 'active' members.

CONTRIBUTIONS

Members of the Trust who pay National Insurance (NI) contributions enjoy a reduction in the rate of contributions they pay. This reduction is known as the 'NI rebate'.

For the year to 5 April 2002, the NI rebate for Trust members is calculated on an age-related basis and is paid in two instalments as follows:

1. A minimum of 2.2% of relevant earnings (from the employee, a contribution of 1.6% grossed-up at the basic rate of Income Tax, and from the employer a contribution of 0.6%) paid on a monthly basis plus
2. an additional amount, depending on the member's age, which could bring the total up to a maximum of 9% of relevant earnings paid via the Department of Work and Pensions (DWP) after the end of the Trust year.

From 6 April 2002, this changes to:

1. A minimum of 2.6% of relevant earnings (from the employee, a contribution of 1.6% grossed-up at the basic rate of Income Tax, and from the employer a contribution of 1.0%) paid on a monthly basis plus
2. an additional amount, depending on the member's age, which could bring the total up to a maximum of 10.5% of relevant earnings paid via the DWP after the end of the Trust year.

From April 2002, the limit on earnings that can count for pensions purposes (the Pensions Cap) in respect of members of pension schemes who joined after May 1989 increased from £95,400 to £97,200.

INVESTMENT

All the assets of the Trust, including members' AVCs but excluding cash required for transaction purposes, are presently invested in the range of funds managed by Eagle Star and detailed below.

THE WITH-PROFITS FUND

The with-profits concept offers the opportunity for good equity-type long-term returns, coupled with the capital security not available from direct investment.

Contributions are invested in a broad range of stocks, shares and property. All of these assets can, of course, fall in value, but the bonus structure of the With-Profits Fund ensures that the fund is able to provide steady growth with a guarantee that if the monies are left in the fund until retirement, they will only increase in value.

When shares and property do well, the bonus will be lower than the increase in the value of the fund, because some of the bonus is held back and put in reserve. In other years, when shares and property may perform poorly, the bonus may be more than the fund has actually earned because this reserve is drawn on to make sure that members receive a steady year-on-year growth.

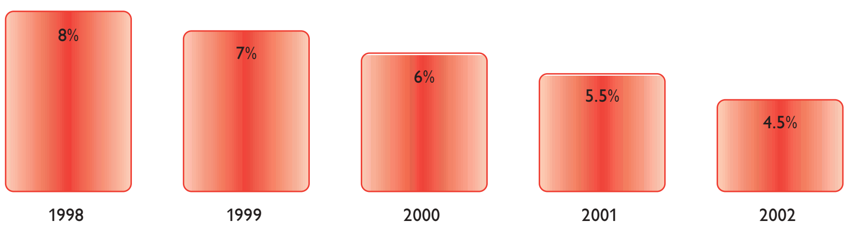
The default fund used is the Unitised With-Profits Pension Fund of Eagle Star Life Assurance Company Limited.

Members receive an annual Benefit Statement showing how their funds are building up.

The Trust does not hold shares directly in Kingfisher plc.

The bonus rate declared by Eagle Star has been reduced twice over the year to reflect market conditions. From 1 April 2001, the dividend rate was 5.5%. This was subsequently reduced on 21 December 2001 to 5% and again on 11 March 2002 to 4.5%. However, returns are still above inflation.

WITH-PROFITS FUND ANNUAL BONUS RATE



In addition, dependent on market conditions, there may be an additional bonus (the terminal bonus) available.

For the year just passed, Eagle Star was remunerated by an annual management charge of approximately 1% of the value of the Fund at the year end. From this latter amount, a fee was paid to the Trust for administration.

INVESTMENT

UNIT-LINKED FUNDS

Members can, if they wish, choose to invest their contributions in a range of unit-linked funds, also provided by Eagle Star, which provide a range of risk and return.

The unit-linked funds currently available are:

NO RISK FUNDS

Money Pension Fund

LOWER RISK FUNDS

Long Dated Gilt Pension Fund
Managed Pension Fund

MEDIUM RISK FUNDS

Environmental Opportunities Pension Fund
Equity Managed Pension Fund
UK Index Tracker Pension Fund

HIGHER RISK FUND

Adventurous Pension Fund

Members also have the option of investing in the Lifestyle Investment Strategy which is primarily for investors who do not wish to regularly review their investment decisions.

Members can choose to split their contributions between the Unitised With-Profits Fund and the unit-linked funds.

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.

As a result of the pooled nature of the Retirement Trust investments, the Trustee Board accepts that the investment manager has responsibility for the selection, retention and realisation of investments. The Trustee Board believes that all companies should be run in a socially responsible way, as in the long run this should contribute to the success of those companies, but equally recognises its fiduciary responsibility to act in the best financial interests of the Trust's members. Therefore, the Trustee Board's policy is that the extent to which social, environmental or ethical considerations may have a financial impact on the portfolio should be taken into account by the investment manager in the exercise of its delegated duties.

INDEPENDENT AUDITORS' REPORT

To the Trustees of the Kingfisher Retirement Trust.

We have audited the Accounts on pages 54 to 59.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

As described on page 53, the Trustee Board is responsible for obtaining audited accounts which comply with applicable United Kingdom law and Accounting Standards. They are also responsible for making available, commonly in the form of a Trustee's Report, certain other information about the Scheme which complies with applicable United Kingdom law. Further, as described on page 53, they are responsible for ensuring that a payment schedule of contributions payable to the Scheme is prepared and maintained, and for ensuring that contributions are made to the Scheme in accordance with that Schedule. Our responsibilities as independent auditors are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the Accounts give 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 our opinion as to whether the contributions have been paid in accordance with the payment schedule and if we have not received all the information and explanations we require for our audit.

We read the Trustees' Report and other information accompanying the Accounts and consider whether it is consistent with those Accounts. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the Accounts.

BASES OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Accounts. It also includes an assessment of the significant estimates and judgements made by the Trustee Board in the preparation of the Accounts and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed. The work that we carried out also included an examination, on a test basis, of evidence relevant to the amounts of contributions paid to the Trust and the timing of those payments.

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 Accounts are free from material mis-statement, whether caused by fraud or other irregularity or error, and that contributions have been paid in accordance with the payment schedules effective 6 April 2001 prepared in accordance with the Pensions Act 1995. In forming our opinions, we also evaluated the overall adequacy of the presentation of the information in the Accounts.

OPINIONS

In our opinion, the Accounts give a true and fair view of the financial transactions of the Trust during the year ended 5 April 2002 and of the disposition at that date of the assets and liabilities (other than liabilities to pay pensions and benefits after the end of the Trust 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 made under the Pensions Act 1995.

In our opinion, contributions for the scheme year ended 5 April 2002 have been paid in accordance with the payment schedules effective 6 April 2001.

KPMG Chartered Accountants, Registered Auditors,
1 Canada Square, Canary Wharf, London E14 5AG
27 June 2002

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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, audited accounts for each 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 have 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 Trustees' Annual Report, information about the Scheme prescribed by pensions legislation, which they should ensure is consistent with the audited Accounts it accompanies.

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and, from time-to-time, revised, a payment schedule 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 Trustees are also responsible for keeping records received in respect of any active member of the scheme and for ensuring that contributions are made to the scheme in accordance with the payment schedule.

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

FINANCIAL STATEMENT for the period ended 5 April 2002

	Notes	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Net assets at the beginning of the year			61,833		49,744
Contributions & Benefits					
Contributions	3	6,141		4,883	
Transfer values	4	104		171	
Age-related Rebates	3	1,252		871	
Bank interest		63		61	
		7,560		5,986	
Benefits payable	5	128		114	
Leavers - Transfers-out	6	1,686		926	
Administrative Expenses	7	327		316	
Release of deferred income to meet expenses		(310)		-	
		1,831		1,356	
Net additions from dealings with members		5,729		4,630	
Returns on Investments					
Change in market value of investments	2	3,265		7,740	
Eagle Star charges	2	-		(281)	
		3,265		7,459	
Net increase in fund during the year			8,994		12,089
Net assets at the end of the year			70,827		61,833
Assets designated to members					
Managed funds	2	70,637		61,447	
Bank accounts		246		(293)	
Debtors	8	-		-	
Creditors	9	(148)		(202)	
		70,735		60,952	
Assets not designated to members					
Managed funds	2	-		216	
Debtors	8	10		10	
Bank Accounts		907		1,835	
Creditors	9	(825)		(1,180)	
		92		881	
Net Assets of the Trust at the end of the year			70,827		61,833

The Notes on pages 55 to 58 form part of this Financial Statement.

R.E. Jones

J.C. Woodward

For Kingfisher Pension Trustee Limited

27 June 2002

NOTES TO THE FINANCIAL STATEMENT

1. Accounting Policies

This Financial Statement has been prepared in accordance with 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.

The Financial Statement summarises the transactions of the Trust 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 Trust year.

The following accounting policies have been applied:

a) Employee contributions are accrued from the date of deduction from payroll, and employer contributions are accrued for in accordance with the Payment Schedule. Age-related rebates are accounted for on a cash basis.

b) Benefits are accounted for on an accruals basis, except where the member has a choice of benefits, in which case a cash basis is used.

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) Investments are held in an insurance policy with Eagle Star. The units held in the policy are valued at the bid price at the date nearest to 5 April 2002.

e) Deposit interest has been accounted for on an accruals basis.

NOTES TO THE FINANCIAL STATEMENT

2. Investments

Investments purchased by the Trust are allocated to provide benefits to the individuals on whose behalf the corresponding contributions were paid. Accordingly, the assets identified as designated to members in the Net Assets statement do not form a common pool of assets available for members generally. Members each receive an annual statement confirming the contributions paid on their behalf and the value of the money purchase rights. The movements in investments during the year were:

	Assets designated to members	Trustee Unallocated Account	Total
	£'000	£'000	£'000
Market value at 6 April 2001	61,447	216	61,663
Purchases at cost	7,717	-	7,717
Surrenders from member accounts	(1,790)	-	(1,790)
Surrenders for expenses	-	(218)	(218)
Change in market value of investments	3,263	2	3,265
Market value at 5 April 2002	70,637	-	70,637

Included in the above amounts are AVCs as follows:

AVCs receivable during the year amount to £40,683 (2001: £23,308). The total AVC fund value is £110,788 (2001: £67,642).

3. Contributions

2002	Members	Company	Total
	£'000	£'000	£'000
B&Q	1,498	1,652	3,150
Comet	632	642	1,274
Superdrug	188	211	399
Woolworths	433	591	1,024
Others	123	171	294
Total Contributions	2,874	3,267	6,141

2001	Members	Company	Total
	£'000	£'000	£'000
B&Q	1,041	1,333	2,374
Comet	500	499	999
Superdrug	200	251	451
Woolworths	367	482	849
Others	99	111	210
Total Contributions	2,207	2,676	4,883

NOTES TO THE FINANCIAL STATEMENT

4. Transfer Values

	2002 £'000	2001 £'000
Individual transfers-in from other schemes	104	171
Total	104	171

5. Benefits Payable

	2002 £'000	2001 £'000
Lump sums on retirement	74	33
Lump sums on death	36	63
Purchase of annuities to match preserved benefits	18	18
Total	128	114

6. Leavers – Transfers-out

	2002 £'000	2001 £'000
Individual transfers-out	1,686	926
Total	1,686	926

7. Administrative Expenses

The Trust bears all its administration expenses. These expenses consist of the costs incurred on behalf of the Trustee Board by the Group Reward and Benefits Department and are detailed below.

	2002 £'000	2001 £'000
Staff costs	132	125
Rent, rates and service charges	43	26
Professional fees	10	29
Communications and printing	67	79
General	47	34
Computers	28	23
Total	327	316

NOTES TO THE FINANCIAL STATEMENT

8. Debtors

	2002 £'000	2001 £'000
Designated to members		
Payments from Eagle Star	-	-
Total	-	-
Not designated to members		
VAT	10	10
Total	10	10

9. Creditors

	2002 £'000	2001 £'000
Designated to members		
Monies due to Eagle Star	-	-
Payments due to members	20	23
Monies due to operating companies	128	179
Total	148	202
Not designated to members		
Deferred income*	769	1,079
Tax payable	7	4
Inter-company expenses due to:		
Kingfisher Pension Scheme	15	78
Kingfisher plc	4	1
Expenses	30	18
Total	825	1,180

*** This item represents monies received from Eagle Star. The Trustees have decided to apply this to cover future years' expenses which would otherwise be deducted from members' accounts. During the year, £310,000 of deferred income was transferred to the Revenue Account.**

10. Related Parties

Kingfisher plc pays some administration expenses on behalf of the Trust, which amounted to £57,000 in the year ending 5 April 2002 (2001: £25,800), and subsequently recharges these to the Trust.

Kingfisher Pension Scheme pays some expenses on behalf of Kingfisher Retirement Trust, which amounted to £133,000 in the year ending 5 April 2002 (2001: £148,600), and recharges these to the Trust.

Transfer values of £474,000 (2001: £757,700) were paid to the Kingfisher Pension Scheme from the Trust.

11. Bulk Transfers

With effect from 1 April 2002, members employed by Superdrug, Time Retail Finance and Woolworths were given the option of transferring to new pension arrangements. At the time of preparing these Financial Statements, the estimated value of transfers for those members who have indicated they wish to transfer is approximately £3m. These transfer payments will be recognised in the 2003 Financial Statements.

ADVISORS AND INVESTMENT MANAGER

Actuaries
Watson Wyatt

Auditors
KPMG

Bankers
Barclays Bank PLC

Investment Manager
Eagle Star Life Assurance Company Limited

Solicitors
Mayer Brown Rowe & Maw*

* Rowe & Maw changed name on its merger with Mayer Brown on 1 February 2002.

For further information about the Pension Scheme or Retirement Trust.

CONTACT	COMPANY	ADDRESS
ERICKA GRAY	B&Q	B&Q PLC PORTSWOOD HOUSE 1 HAMPSHIRE BUSINESS PARK CHANDLERS FORD EASTLEIGH HAMPSHIRE SO53 3YX
TELEPHONE		
02380 256256		

CONTACT	COMPANY	ADDRESS
ANNE LAWLEY	CHARTWELL ·LAND·	CHARTWELL LAND PLC 66 CHILTERN STREET LONDON W1M 2AL
TELEPHONE		
020 7224 5522		

CONTACT	COMPANY	ADDRESS
COLLEAGUE SERVICES	COMET	COMET GROUP PLC GEORGE HOUSE GEORGE STREET HULL EAST YORKSHIRE HU1 3AU
TELEPHONE		
01482 592121		

CONTACT	COMPANY	ADDRESS
COLIN HATELY	KINGFISHER	KINGFISHER PLC 3 SHELDON SQUARE PADDINGTON LONDON W2 6PX
TELEPHONE		
020 7372 8008		

CONTACT	COMPANY	ADDRESS
DAVID SEARLE	SCREWFIX DIRECT	SCREWFIX DIRECT LTD MEAD AVENUE HOUNDSTONE BUSINESS PARK YEOVIL SOMERSET BA22 8RT
TELEPHONE		
01935 414100		

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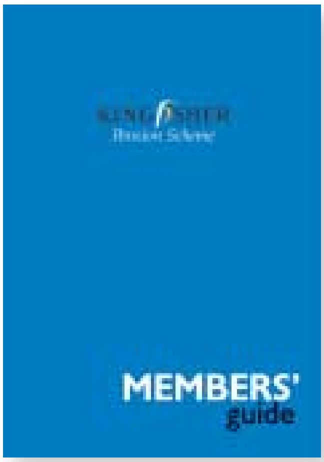

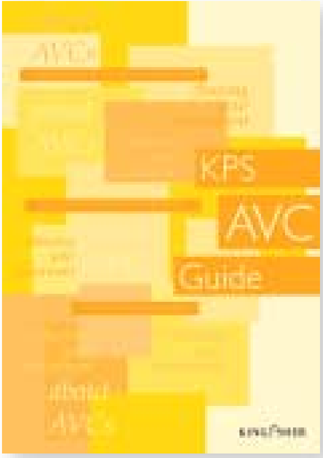

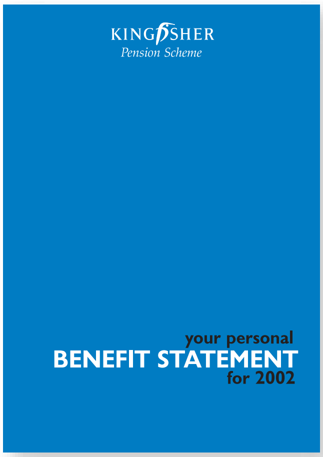

PUBLICATIONS FOR PENSIONERS

Designed by: *Hughes & Co Design Limited*
Printed by: *Philip Myers Press (Holdings) Limited*

KINGFISHER PENSION TRUSTEE LIMITED
3 Sheldon Square
Paddington
London W2 6PX

Telephone: 020 7372 8008
www.kingfisher.com