KINGFISHER

Pension Scheme & Retirement Trust

Trustees' Report & Accounts 2004

PENSION SCHEME

RETIREMENT TRUST

CONTENTS

INTRODUCTION

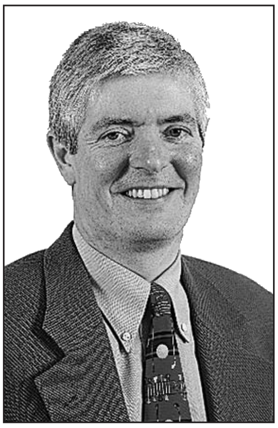
During the Scheme year under review, employees of UK companies within the Kingfisher Group were able to join either the Pension Scheme or the Retirement Trust, subject to certain eligibility conditions.

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 Scheme year 2003-04.

CHAIRMAN'S REVIEW



The year to March 2004 has been one of enormous change and challenge for everybody involved in running the Kingfisher pension schemes.

At this point, the most obvious change is that a new Chairman is reviewing the pension scheme year in place of Roger Jones. Roger retired from the Trustee Board in August, having served for many years as both a member of the Board and Chairman. Taking up the Chairman's mantle, I would firstly like to thank Roger, both personally and on behalf of the Board, for the commitment and integrity he brought to both roles. His skill and guidance have set a sure course for both me and the Board to follow, and we are grateful for his efforts. On behalf of the Board, I wish Roger a long and happy retirement.

As well as a change in Chairman, there has also been significant change in the composition of the Trustee Board. Towards the end of the 2002-03 Scheme year, and following the completion of the Woolworths, Superdrug and Time Retail bulk transfers, Kingfisher proposed new arrangements for the appointment of Trustee directors. These proposals were accepted by the Trustees and (through statutory consultation) by the members in June 2003. As a consequence, John Martin and Liz Wright retired from the Trustee Board and Helen Jones and Angela Taylor were appointed. Following completion of the Comet de-merger arrangements, Ian Edwards and Brian Venters resigned from the Board and Roger Blundell and Charles Baker were appointed (from 1 April 2004) in their place. I would like to take this opportunity to thank all the retiring trustees for their hard work and commitment to the Pension Scheme and Trust, and to welcome the new directors to the Trustee Board. Further details of the trustee changes are to be found on pages 6 and 7.

Perhaps the year's greatest challenge was set by the Company when, as part of its wide-reaching business transformation programme, it announced proposals for significant changes to pension provision throughout the group. Although these changes won't impact until the current Scheme year, the foundations for the future success of the new arrangements have already been laid. The proposals included the closure of the Retirement Trust, and Kingfisher duly notified the Trustee Board that no further contributions would be made to the Trust after 31 March 2004. In supporting these proposals, the Board anticipates that many more employees and pension scheme members will be offered the opportunity of long-term assistance towards making adequate pension provision for retirement.

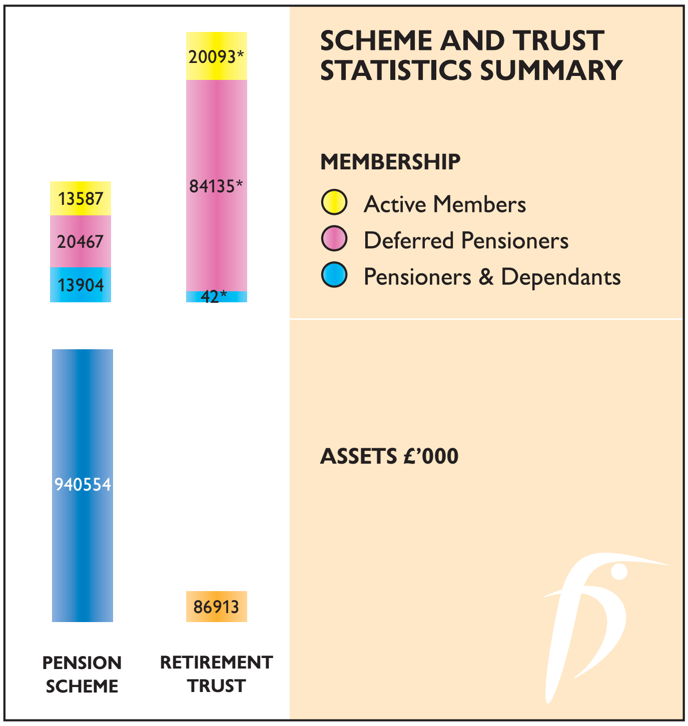
Before implementing the changes, extensive consultation was undertaken with all 38,000 of our current UK-based employees and pension scheme members, with everybody being given an opportunity to join or remain a member of the Pension Scheme and to select either final salary or money purchase provision. Although Pension Scheme members have been asked to pay more to maintain the same level of pension accrual, most have agreed to do so, and indeed, many Retirement Trust members have taken the opportunity to pay higher rate contribution to enjoy the benefit of a final salary pension. Further information is to be found on page 4. I would like to take this opportunity to thank Colin Hately and the pensions team for their hard work and professionalism in ensuring the successful implementation of the new arrangements.

Following the de-merger of Kesa Electricals and Comet Group, detailed arrangements have been made to ensure the successful transition of members, whether currently or previously employed by Comet, to new pension arrangements. The pension administration for Comet members was handed over to new management at 31 March, and arrangements are now being made to complete the actuarial calculations to enable the transfer of assets from the Pension Scheme in the coming months. Arrangements are also being made to transfer members' benefit entitlements from the Retirement Trust to a new Stakeholder arrangement set up by Comet. Further information is to be found on page 5.

Turning to the wider perspective, pensions are still hitting the headlines, with the Government announcing a number of legislative changes, firstly with the introduction of a complex Pensions Bill (with an accompanying raft of regulations) and secondly, through radical proposals to simplify pension scheme taxation. The Trustee Board has received initial reports, and when the detailed proposals are confirmed, will consider the appropriate measures to be undertaken to ensure compliance with the new legislation.

Finally, amidst all the change, I am pleased to report that for the thirteenth year running, all pensions have been increased in line with inflation.

Tony Stanworth



* The Retirement Trust 2004 membership information is shown as at 31 March 2004. Contributions to the Trust were terminated with effect from 31 March 2004, following which formerly active members are treated as deferred pensioners.

BENEFITS REVIEW

For many years, Kingfisher has provided employees with the opportunity to save for a more financially secure retirement through membership of either the Pension Scheme or the Retirement Trust. Although these arrangements have stood employees in good stead over a number of years, it was felt that the time had come to make a number of changes to reflect the current economic climate and workplace practices.

The rising cost of providing good pensions, and the uncertainty of the financial commitment of doing so, had become a cause of concern. It was also perceived that most of Kingfisher's pension costs were directed to a relatively small proportion of the group's employees, whilst for the majority, pension provision was at a relatively low level. Kingfisher therefore decided to alter its pension arrangements, partly to gain better control over its pension costs and also to enable more employees to make adequate provision for retirement.

Kingfisher and the employing companies have met the cost associated with undertaking the benefits review and implementation of the changes.

During the period between January and March, all employees were consulted about the changes, and given the opportunity to select either final salary or money purchase provision for the future.

CHANGES IN BRIEF

- Closure of the Pension Scheme to new entrants after 31 March 2004;
- Closure of the Retirement Trust from 31 March 2004;
- Addition of a new money purchase section to the Pension Scheme from 1 April 2004;
- Current employees, opportunity to choose *either*:
  - Final salary pension, *either:*
    - Employee contribution of 7% of pensionable salary and accrual rate of 60ths of final salary, *or*
    - Employee contribution of 5% of pensionable salary and accrual rate of 80ths of final salary; *or*
  - Money purchase pension, *either:*
    - minimum 3% employee contribution with matching 3% employer contribution (depending on service and grade, a higher matching employer contribution may be payable), *or*
    - 0% employee contribution with a 1% employer contribution (option available only at 31 March 2004);
- New employees on or after 1 April 2004 may join the money purchase section of the Pension Scheme after meeting eligibility criteria;
- Money purchase section to participate in the State Second Pension (final salary section remains contracted-out);
- Minimum life assurance benefit of twice salary in the event of death while working for a Kingfisher company for all employees.

The Trustees have selected Standard Life to provide investment and administration services for the money purchase section.

All members of the money purchase section are required to choose how contributions by and in respect of them should be invested. Three "lifestyle" options plus a range of specialist funds have been made available for this purpose.

THE RESTRUCTURE OF THE KINGFISHER GROUP

In July 2003, Kingfisher announced the creation, through a demerger, of two separate UK businesses; one composed of the Home Improvement companies and the other of its Electricals companies. For UK pensions purposes, the Electricals companies consist of Comet Group plc.

To ensure that there would be sufficient time to create new pension arrangements for Comet Group, it was agreed that existing and new employees would continue to participate in and be able to join the Kingfisher Pension Scheme and the Kingfisher Retirement Trust for a period up to 31 March 2004.

From 1 April 2004, active, deferred and pensioner members of the Pension Scheme who are (or were) employed by Comet Group became deferred members prior to the transfer of funds to a new scheme established by Comet Group plc providing benefits of equivalent value. At the time of preparing this report, the Scheme Actuaries to the respective pension schemes are engaged in calculating and agreeing the transfer value to be paid in respect of the past service liabilities being transferred. This Report and Accounts have been prepared inclusive of the Comet membership.

Active and deferred members of the Retirement Trust who are (or were) employed by Comet Group have been offered the opportunity to transfer the realizable value of their individual accounts to a new Stakeholder pension scheme established by Comet Group plc.

Full details of the transfers were provided to affected members. These changes have no effect on the members of either the Pension Scheme or the Retirement Trust other than those who were employed by Comet Group.

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, one of the Trustees, Charles Woodward, is not employed within the Group and is chosen for his complete independence as well as his knowledge and experience of pension matters.

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

The Trustee Board monitors and oversees 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.

Under the terms of the Pensions Act 1995, Kingfisher plc opted out of the requirement to appoint Member Nominated Trustees, and alternative arrangements were adopted. Following the completion of the bulk transfers related to the demerger of the Woolworths Group and sale of Time Retail and Superdrug, Kingfisher proposed new arrangements for the appointment of Trustees. The proposals were approved by the Trustee Board and Scheme members in accordance with the Pensions Act 1995 and the composition of the Trustee Board was subsequently altered to reflect the terms of these proposals.

Roger Jones and Liz Wright resigned from the Trustee Board on 31 August 2003, John Martin resigned on 30 September 2003, and Ian Edwards and Brian Venters resigned on 31 March 2004.

Tony Stanworth was appointed as Chairman of the Trustee Board from 1 September 2003. After the end of the Scheme year, Roger Blundell and Charles Baker were appointed to the Trustee Board from 1 April 2004.

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

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

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

TERRY HARTWELL
Company: Kingfisher
Committees: ▲
Based: London
Appointed: 6 November 1998

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

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

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

HELEN JONES
Company: Kingfisher
Committees: ★ (Chairman) ✤
Based: London
Appointed: 1 September 2003

ANGELA TAYLOR
Company: B&Q
Committees: ✤
Based: Chandlers Ford
Appointed: 1 January 2004

CHARLES BAKER
Company: B&Q
Committees: ▲
Based: Middlesex
Appointed: 1 April 2004

ROGER BLUNDELL
Company: Kingfisher
Committees: ✤ ▲
Based: London
Appointed: 1 April 2004

ROGER JONES
Resigned: 31 August 2003

LIZ WRIGHT
Resigned: 31 August 2003

JOHN MARTIN
Resigned: 30 September 2003

ACCOUNTS AND AUDIT COMMITTEE (✤)

Membership: Charles Woodward (Chairman); Helen Chandler; Ian Edwards; Brian Venters; Helen Jones and Angela Taylor.

Liz Wright resigned from 31 August 2003 and Ian Edwards and Brian Venters resigned from 31 March 2004. Helen Jones was appointed from 1 September 2003 and Angela Taylor was appointed from 1 January 2004. Roger Blundell was appointed after the end of the Scheme year (from 1 April 2004).

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 controls and record keeping; and
- approve budgets and monitor the expenses of running the Scheme and Trust.

BENEFITS COMMITTEE (●)

Membership: Tony Stanworth (Chairman); Helen Chandler; and Brian Venters.

Neil Lister resigned on 31 May 2003 and Tony Stanworth was appointed in his place. Brian Venters resigned from 31 March 2004. Val Struthers was appointed after the end of the Scheme year (from 1 April 2004).

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: Charles Woodward (Chairman); Ian Edwards; Terry Hartwell; Val Struthers and Duncan Tatton-Brown (non-Trustee).

Tony Stanworth resigned (from the Committee) from 30 September 2003 and Charles Woodward was appointed in his place. Helen Weir (non-Trustee member) resigned from 31 January 2004 and Duncan Tatton-Brown (non-Trustee member) was appointed in her place. Ian Edwards resigned from 31 March 2004. Roger Blundell and Charles Baker were appointed after the end of the Scheme year (from 1 April 2004).

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

Roger Jones resigned from 31 August 2003 and Helen Jones was appointed in his place. Val Struthers was appointed from 1 September 2003.

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

ADMINISTRATION

The Trustee Board delegates day-to-day administration of the Pension Scheme and the Retirement Trust to the Group Pensions 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.

COLIN HATELY
Head of Pensions

Neil Lister who was appointed as Head of Pensions on 10 September 2001 resigned from Kingfisher with effect from 31 May 2003.

Colin Hately was appointed as Head of UK Pensions with effect from 26 March 2003, and as Head of Pensions from 1 June 2003. Colin continues in his role as Secretary to the Trustee Board.

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	6 April 1988
B&Q (Retail) Jersey Ltd	1 February 1988	6 April 1988
B&Q Properties Limited	1 February 1987	6 April 1988
Comet Group PLC*	1 February 1987	6 April 1988
Kingfisher plc	1 February 1987	6 April 1988
Screwfix Direct Ltd	1 August 2000	1 August 2000
Kesa Electricals PLC*	1 July 2003	

*Comet Group PLC and Kesa Electricals PLC ceased to participate with effect from 31 March 2004 (see page 5 for further details).

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 (to be replaced in the new Scheme year by a new style pensions leaflet).
- *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 7644 1200) 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 Head of Pensions 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 Pensions Department) and any complaint should be submitted to the Head of Pensions, who will respond within ten working days. Where it is not possible to meet this deadline, an interim reply will be sent explaining the reason for the delay and giving an idea of when a reply may be expected.**

   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 Pensions 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 Pensions Ombudsman within three years of the complaint arising.

2. **If the complainant considers the matter still unresolved, they may ask for a review by the Independent Trustee Director who will consult with any two other Trustee Directors of his choosing who have not been involved (e.g. via the Benefits Committee in the exercise of a discretion) to decide the merit of the complaint and the action to be taken.**

   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, the complainant may 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, the complainant 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, 11 Belgrave Road, London, SW1V 1RB
Telephone: 020 7834 9144

KINGFISHER

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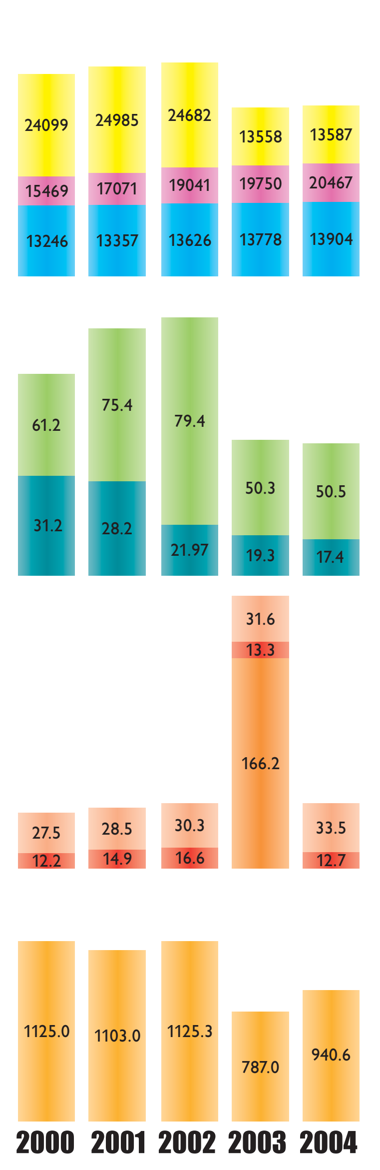


PENSION SCHEME 5 YEAR SUMMARY

MEMBERSHIP

- Active Members
- Deferred Pensioners
- Pensioners & Dependants

INCOME £m

- Contributions & Transfer Values
- Investment

EXPENDITURE £m

- Pensions
- Other Benefits & Expenses
- Group Transfers

FUND VALUE £m

PENSION SCHEME

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

During the Scheme year under review, the Scheme:

- was open to all UK companies and their employees within the Kingfisher Group, subject to certain employee eligibility conditions;
- was governed by the Definitive Trust Deed and Rules and approved by the Inland Revenue under the Income and Corporation Taxes Act 1988 as an exempt approved scheme;
- was contracted-out of the State Second Pension (S2P).

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 be placed only on this 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 the State Earnings Related Pension Scheme (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.

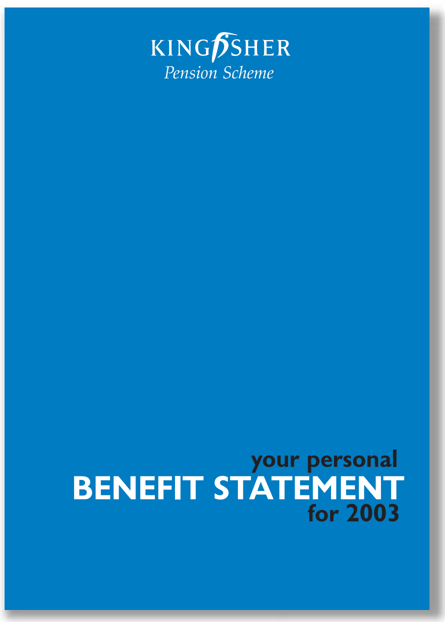
If earning capacity is seriously impaired, then the pension may be based on a maximum of full potential Scheme membership to age 60.

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 4.5% per annum for members who left after 5 April 2002 or at 6.25% for members leaving service between 6 April 1997 and 5 April 2002. Differing rates are applied to members leaving prior to 6 April 1997; the rates being set by the Inland Revenue. Any excess increases annually by the increase in the Retail Prices 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 S2P with most members paying lower National Insurance contributions; and

- members receiving tax relief on their contributions.

From April 2004, the limit on earnings that can count for pensions purposes (the Pensions Cap) in respect of members who joined after May 1989 increased from £99,000 to £102,000.

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 Scheme Actuary, taking into account the expected future experience of the Scheme as well as the Scheme's current financial position.

Following the Actuarial Review in 2002, the contribution rates were reset. Each employer is required to contribute 13.5% (13.9% in the case of B&Q) of pensionable salaries.

After the end of the Scheme year and consequent to the changes being made to the Pension Scheme from 1 April 2004, contribution rates will be changed for future service from 1 April 2004 (see page 4 for further details). In addition, an actuarial review will be carried out at 31 March 2004 (following the bulk transfer of Comet members). Prior to the results being formally available, the Company has agreed to increase its contribution to the final salary section of the Scheme.

A new schedule of contributions was introduced at 1 April 2004 and certified by the Scheme Actuary.

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 3.25% and as from 1 April 2004 becomes 3%. This bonus becomes part of the member's fund on which future bonuses will be calculated. When the benefits become payable, there is the possibility of an additional Terminal Bonus.

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

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

At the year end, there were 2,231 active members with AVC accounts, a decrease on last year's membership of 2,433. There were also 2,477 deferred members with AVC accounts. AVC accounts in respect of members who are (or were) employed by Comet will be transferred along with the main benefits.

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.

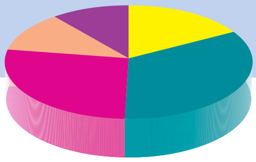
MEMBERSHIP

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:

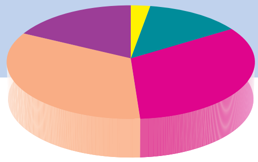
- Active members - currently contributing employees who are members of the Scheme.
- Deferred pensioners - members who have left service or otherwise ceased active membership and have the right to a future pension under the Scheme.
- Pensioners - members who have retired and are in receipt of a pension and dependants who are in receipt of a pension following the death of a member.

AGE PROFILES AT 31 MARCH 2004

AGE PROFILES AT 31 MARCH 2004	ACTIVE MEMBERS
Age 16-30	2305
Age 31-40	4554
Age 41-50	3671
Age 51-55	1581
Age 56+	1476

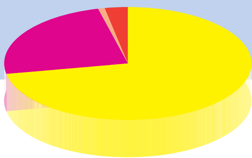


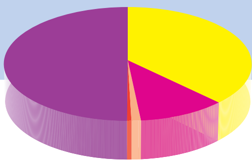
PENSIONERS & DEPENDANTS	AGE PROFILES AT 31 MARCH 2004
372	Age 50 and under
1845	Age 51-60
4577	Age 61-70
4675	Age 71-80
2435	Age 81+

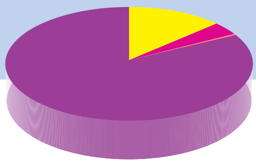


MEMBERSHIP BY OPERATING COMPANY †

MEMBERSHIP BY OPERATING COMPANY †	ACTIVE MEMBERS	DEFERRED PENSIONERS	PENSIONERS & DEPENDANTS
B&Q	9916	7700	1838
Comet	3137	2206	541
Kingfisher	118	236	36
Screwfix Direct	416	108	8
Others*	0	10217	11481





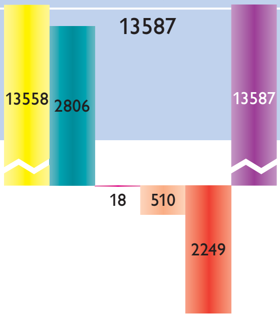


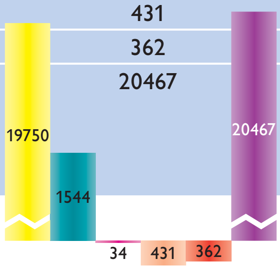
† at 31 March 2004

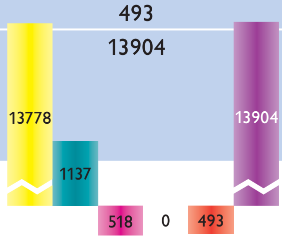
* Includes former participating companies Woolworths group, Superdrug, Entertainment UK, MVC and VCI

CHANGES IN MEMBERSHIP DURING THE YEAR

CHANGES IN MEMBERSHIP DURING THE YEAR	ACTIVE MEMBERS	DEFERRED PENSIONERS	PENSIONERS & DEPENDANTS
At 31 March 2003	13558	19750	13778
New	2806	1544	1137
Deaths	18	34	518
Retirements	510	431	0
Leavers	2249	362	493
At 31 March 2004	13587	20467	13904







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.

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

	2000	2001	2002	2003	2004
Kingfisher	1.8%	2.9%	0.7%	2.9%	2.8%
RPI (Inflation)	1.8%	2.9%	0.7%	2.9%	2.8%

Increases from the Scheme do not apply to that element of the pension representing any Guaranteed Minimum Pension (GMP) in payment after age 60 for females or 65 for males (which the Scheme is required to provide as a consequence of contracting-out of SERPS) earned before 6 April 1988, as these increases are provided along with the State pension. The GMP element earned after April 1988 will be increased by the Scheme in line with inflation, as required by legislation, up to a limit of 3% per annum.

Both Jersey and Guernsey have their own Retail Prices Index (4.0% and 3.9% respectively at December 2003), 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 additional pension scheme (known until April 2002 as the State Earnings Related Pension Scheme (SERPS) and now known as the State Second Pension (S2P); in doing so, a member and their employer 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.

TRANSFER VALUES

Transfer values were calculated in accordance with the provisions of the Pension Schemes Act 1993 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. Although a valuation was carried out at 31 March 2002, the Trustees have decided that an additional valuation should be carried out at 31 March 2004 following the bulk transfer out of Comet members.

The 2002 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 13.9% (except for B&Q at 14.4%) 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 13.5% (except for B&Q at 13.9%) of pensionable earnings for a period of three years.

The Actuary's Statement is shown on page 31.

FINANCIAL REVIEW

During the year to 31 March 2004, (member related) income from contributions and transfers-in exceeded the Scheme's spending on pensions, other benefits and expenses by approximately £6.3 million.

The Scheme's investment income, plus the increase in the market value of its investments, resulted in the fund value at the year end of £940.5 million being £153.5 million higher than the value at the commencement of the year which was £787 million.

The Investment Report on page 22 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 are 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 is included within the Schedule of Contributions.

INVESTMENT OBJECTIVES

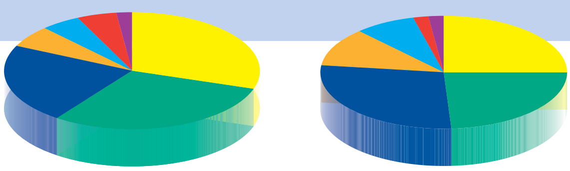
The Scheme's present investment objectives can be briefly stated as being to achieve a return on the Scheme's assets over the longer-term that exceeds the growth of the Scheme's liabilities (due to increases in salaries and price inflation) consistent with an acceptable degree of risk measured in terms of variability in funding level (defined as 'assets divided by liabilities').

The Scheme's investment objectives together with full details of the investment process, is set out in the 'Statement of Investment Principles', a copy of which is available by writing to the Group Pensions Department. The Statement is currently being revised following the addition of the money purchase section from 1 April 2004.

The charts below illustrate the current investment strategy both by asset type and investment manager. Further details of the investment objectives and performance of each manager can be found on page 27.

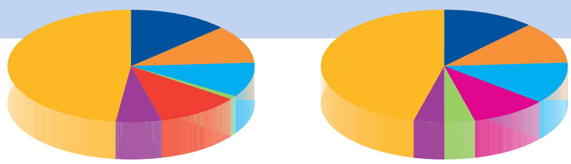
DISTRIBUTION OF SCHEME ASSETS (%)

2004		2003
30	UK Equities	25
30	Overseas Equities	24
22	Fixed Interest	28
6	Index-Linked Gilts	11
5	Cash and Cash Instruments	8
5	Property	2
2	AVC Funds	2



DISTRIBUTION OF THE FUND BY INVESTMENT MANAGERS (%)

2004		2003
13	AXA Rosenberg (UK Equity)	12
11	Gartmore Investment Managers (Fixed Interest)	12
10	Western Asset (Fixed Interest)	12
0	Clay Finlay (Global Equity)*	10
1	Deutsche Asset Management (Cash)	4
11	Wellington*	0
6	Morley Fund Managers	4
48	State Street Global Advisors (Passive Global Equities and Bonds)	46



* Wellington Management replaced Clay Finlay from 3 November 2003.

INVESTMENT STRATEGY

The strategy to achieve the investment objectives involves the Scheme's assets being spread across a number of asset classes and geographic areas. This diversified spread of assets is designed to deliver the scheme's required investment performance in a risk controlled manner.

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 performance than the index-tracking managers over the longer-term, but with greater fluctuations in their returns over the shorter-term).

The target asset allocation is as follows:

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

The Scheme does not hold shares directly in Kingfisher plc.

The phased allocation to property to ensure the Scheme obtains the most favourable terms continues.

INVESTMENT MANAGEMENT ARRANGEMENTS

INVESTMENT MANAGER CHANGES

Wellington were appointed on 3 November 2003 to manage the global equity mandate previously managed by Clay Finlay. Wellington Management was initially allocated approximately £96 million.

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.

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 43 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.

INVESTMENT BACKGROUND

EQUITIES

Global equity markets continued to recover from the downturn of the previous 3 years. There was an initial boost from the swift termination of Gulf War II which was supported during the year as investors' confidence grew, sensing a broader economic recovery was underway.

Once again the US led this recovery with Asian economies, particularly China, following. The Japanese and European economies have shown a more muted recovery.

Continued UK economic growth, together with supportive government spending and low interest rates, have fuelled consumer spending and in turn the UK equity market. Although the UK equity market outperformed other asset classes it underperformed other equity markets. This is due to the trend for large institutional funds to reduce their equity holdings in favour of other asset classes following reviews of investment strategy as a result of major equity losses in the last 3 years.

The final quarter saw a levelling off of the sustained growth during the year as some large stock-specific issues took effect.

The US equity recovery was primarily driven by a strong recovery in US corporate profits together with improved productivity. The weakened dollar also contributed to profits, particularly in the manufacturing sector. The equity recovery eased off towards the end of the year as investors waited for corporates to start generating extra revenue and not just cut costs.

Europe has experienced poor economic growth, which was undermined by the authorities' slow reaction to the global downturn. Nevertheless with the global recovery as an impetus, investor confidence has slowly increased and pushed equity markets upwards.

Japanese equities finally rallied on the news of local and global economic recovery and were driven forward by foreign investors.

Asia Pacific (excluding Japan) equities reacted strongly to positive economic reports for the US and Asia.

INVESTMENT BACKGROUND

UK

The FTSE All Share Index returned 31.0% over the year.

CONTINENTAL EUROPEAN MARKETS

FTSE-W Europe (excluding UK) Index returned 36.4% in Sterling terms over the year.

JAPAN

The FTSE-AW Japan Index returned 46.4% in Sterling terms over the year.

THE PACIFIC BASIN

The FTSE-AW Developed Asia Pacific (Excluding Japan) Index returned 33.4% in Sterling terms over the year.

US EQUITIES

The FTSE AW USA Index returned 15.9% in Sterling terms over the year.

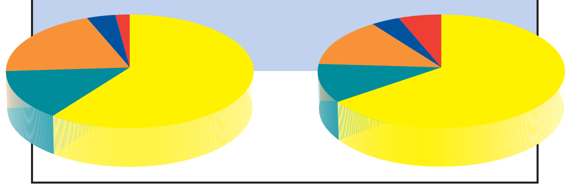
FIXED INTEREST (BONDS)

Although the year started with an initial increase in bond yields due to the end of Gulf War II, fears of the possibility of global deflation pushed yields down. These fears soon dissipated as a result of strong economic activity data in the summer and autumn leading to strong rises. However by the fourth quarter the yields had started to ease as global markets waited for clear improvements in the US labour market to signal ongoing US economic recovery.

Over the year the JP Morgan (Global excluding UK) Index returned -2.8% in Sterling Terms and the FTSE A All Stocks Gilts Index returned 2.3%.

GEOGRAPHICAL SPREAD OF ASSETS

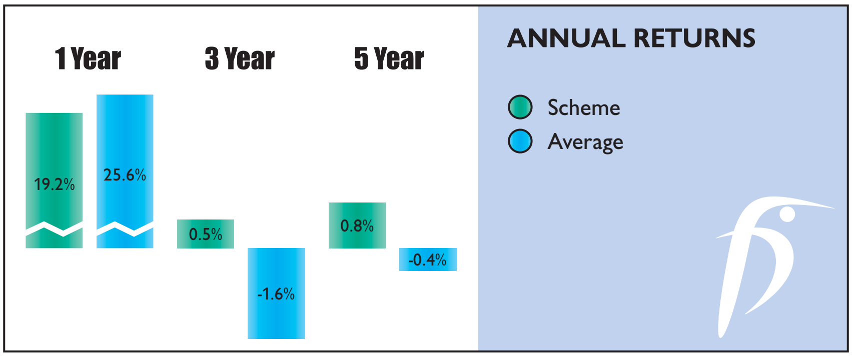
2004		2003
60	UK	65
14	Europe	11
20	USA	14
4	Japan	4
2	Others	6



INVESTMENT PERFORMANCE REVIEW

The performance of the Scheme's investments is measured against the scheme specific benchmark and other UK pension schemes of various sizes by an independent external measurement service, the Combined Actuarial Performance Services (CAPS) investment survey. Taking all portfolios together, the return achieved by the Scheme during the year to 31 March 2004 was 19.2%, outperforming the scheme specific benchmark (17.7%) by 1.5%.

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 -0.5% and 0.8% compared to the average of -1.6% and -0.4% respectively. These returns reflect the following equity markets during this period.



CURRENT MANAGERS' OBJECTIVES AND ACHIEVEMENTS

As part of the Scheme's investment strategy, its assets are allocated to a number of investment managers in specific asset classes. The investment managers are given performance objectives which, when combined, are intended to enable the Scheme to achieve its overall investment objectives (see page 22).

UK EQUITIES

AXA Rosenberg's UK Equity portfolio objective is to out-perform the FTSE All-Share Index by 2% per annum (net of base fees) over rolling three year periods. Over the rolling 3 year period AXA Rosenberg whilst outperforming its benchmark (i.e. the FTSE All-Share Index), did not achieve the objective. AXA Rosenberg's fees are market-value based with a performance-related element.

GLOBAL EQUITIES

Wellington Management's objective is to out-perform the MSCI World Index return by 2% per annum (net of base fees) over rolling three year periods. As Wellington Management was appointed in November 2003, it is too early to assess its performance. Wellington Management's fees are market-value based with a performance based element.

INVESTMENT PERFORMANCE REVIEW

State Street Global Advisors's objective is to deliver a return to within 0.5% of the rolling annual total return and within 0.25% per annum over rolling three-year period of its 'benchmark'. The 'benchmark' is made up of UK and Overseas Equity securities and comprises the following indices: 43.9% FTSE-All Share Index; 28.1% FTSE-All World North America; 16.8% FTSE-All World Europe ex-UK; 5.6% FTSE-All World Japan and 5.6% FTSE-All World Pacific Basin ex Japan. Over the year State Street Global Advisors achieved their objective. State Street is remunerated on the basis of a fixed fee.

FIXED INTEREST

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

Western Asset's fixed interest portfolio has the objective of out-performing its 'benchmark' by 1% over rolling three year periods (net of base fees). The 'benchmark' is made up of UK and Overseas Fixed Interest securities and comprises the following indices: 35% Merrill Lynch Sterling Non-gilts Index; 27.5% FTSE-A All Stocks UK Gilts Index; 27.5% JP Morgan Global Government Bonds (Traded) ex UK Index (Sterling-hedged) and 10% FTSE-A Index-linked Gilts Over 5 Years Index. Over the rolling three-year period, Western Asset both outperformed its benchmark and achieved its objective. Western Asset's fees are market value-based with a performance-related element.

State Street Global Advisors' objective is to deliver a return to within 0.5% of the rolling annual total return and within 0.25% per annum over rolling three-year period of its 'benchmark'. The 'benchmark' is made up of UK and Overseas Fixed Interest securities and comprises the following indices: 18.1% FTA British Government All-Stocks Index; 47.5% FTA British Government (Over 5 Years) Index-Linked Gilts Index; 18.1% JP Morgan Global Government (ex-UK) Bond Index and 16.3% Merrill Lynch Sterling Non-Gilts All Stocks. Over the year State Street Global Advisors achieved their objective. State Street is remunerated on the basis of a fixed fee.

PROPERTY

Morley Fund Management's property portfolio has the objective of out-performing the CAPS Pooled Property Median by 0.5% (net of fees) per annum over rolling three year periods. Over the year Morley did not achieve its objective primarily as a result of the phased implementation of its portfolio. Morley is remunerated on a fixed fee basis.

CASH AND CASH INSTRUMENTS

Deutsche Asset Management's objective is to achieve a total return (net of base fees) which exceeds the Seven Day Sterling LIBID. During the year, Deutsche Asset Management did not achieve 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 AUDITOR'S REPORT

To the Trustee of the Kingfisher Pension Scheme

We have audited the accounts on pages 34 to 42.

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

RESPECTIVE RESPONSIBILITIES OF TRUSTEE AND AUDITORS

As described on page 33, the scheme's trustee is responsible for obtaining audited accounts which comply with applicable United Kingdom law and Accounting Standards. The trustee is 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, the trustee is responsible for ensuring that a schedule of contributions payable to the scheme is prepared and maintained and for procuring 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 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 misstatements 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 trustee 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 examination, on a test basis, of evidence relevant to the amounts of contributions paid to the scheme and the timing of those payments.

INDEPENDENT AUDITOR'S REPORT

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 misstatement, whether caused by fraud or other irregularity or error, and that contributions have been paid in accordance with the relevant requirements. In forming our opinions we also evaluated the overall adequacy of the presentation of information in the accounts.

OPINIONS

Opinion on the accounts

In our opinion the accounts show a true and fair view of the financial transactions of the scheme during the scheme year ended 31 March 2004 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.

Auditor's Statement about Contributions

In our opinion, contributions for the scheme year ended 31 March 2004 have been paid from 1 April 2003 to 31 March 2004 in accordance with the Schedule of Contributions certified by the actuary on 20 December 2002.

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

23 June 2004

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 2002

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	13.5% of pensionable earnings subject to review at the next valuation, due as at 31 March 2005. 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 3.0% 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 report addressed to the Trustees and Kingfisher plc dated 5 November 2002.

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

Watson House
London Road
Reigate
Surrey RH2 9PQ

5 November 2002

ACTUARIAL CERTIFICATE

Given for the purposes of section 58 of the Pensions Act 1995
(Certificate of Schedule of Contributions)

Name of scheme: Kingfisher Pension Scheme

Adequacy of rates of contributions

1 I hereby certify that, in my opinion, the rates of the contributions payable in accordance with the attached schedule of contributions are adequate for the purpose of securing that throughout the period it covers the scheme will meet the minimum funding requirement imposed by section 56(1) of the Pensions Act 1995.

2 In forming this opinion I have complied with the requirements imposed by sections 56(3) and 58 of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries, and have made the assumptions prescribed by them.

Signature P. N. M. Sisson 1 April 2004

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

Address Watson House
London Road
Reigate
Surrey
RH2 9PQ

Note: The certification of the adequacy of 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 by the purchase of annuities, if the scheme were 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' (revised November 2002).

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.

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 2004

	Notes	2004 £'000	2004 £'000	2003 £'000	2003 £'000
Fund at the beginning of the year			787,035		1,125,325
Contributions & Benefits					
Contributions	2	48,537		48,747	
Transfer values	3	1,968		1,524	
		50,505		50,271	
Benefits payable	4	(40,381)		(38,396)	
Leavers	5	(2,090)		(168,503)	
Administrative expenses	6	(1,762)		(2,356)	
		(44,233)		(209,255)	
Net additions/(withdrawals) from dealings with members		6,272		(158,984)	
Returns on Investments					
Investment income	7	17,385		19,348	
Change in market value of investments	8	131,803		(196,856)	
Investment management expenses	9	(1,941)		(1,798)	
Net returns on investments		147,247		(179,306)	
Net increase/(decrease) in Fund during the year			153,519		(338,290)
Fund at the end of the year			940,554		787,035
Represented by:					
Investments	8		940,263		789,418
Debtors	10	84		267	
Creditors	11	(2,079)		(2,135)	
Bank accounts		2,286		(515)	
			291		(2,383)
Net assets of the Scheme at the end of the year			940,554		787,035

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

A.J.Stanworth

J.C. Woodward

For Kingfisher Pension Trustee Limited

23 June 2004

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 Statement of Recommended Practice (SORP), Financial Reports of Pension Schemes (revised November 2002).

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 accounted for from the date of deduction from payroll, and employer contributions are accounted for in the period to which the corresponding pay relates. Employer special contributions are accounted for in accordance with the agreement under which they are being paid.

b) Benefits are accounted for on the date of leaving, or if a member has a choice of benefits, on notification of choice to the Scheme.

c) Individual transfer values to or from other schemes are accounted for on a cash basis. Group transfers are accounted for on a cash basis except where the Trustee Board has agreed to accept the liability in advance of the funds, in which case the transfer is accrued in accordance with the terms of the agreement.

d) Securities have been included at mid-market values at 31 March 2004. Unit funds have been valued at the mid-point quoted by the unit manager on the date nearest 31 March 2004. Futures contracts are valued at market prices at the year end on the associated economic exposure basis. The associated economic exposure of a futures contract is the value of an amount of securities which, if held as an alternative to the futures contract, would provide a similar return in the market to that obtained on the futures contract. Other derivative contracts are included at market value.

e) Any transaction in foreign currency is converted to Sterling at the exchange rate ruling at the transaction date. Assets and liabilities are translated at year end rates.

f) Dividends, fixed interest income and deposit interest have been accounted for on an accruals basis.

g) Administration and investment management expenses are accounted for on an accruals basis.

NOTES TO THE FINANCIAL STATEMENT

2. Contributions

2004

	Members Ordinary	Members Additional Voluntary	Company Ordinary	Company Additional	Total Contributions
	£'000	£'000	£'000	£'000	£'000
B&Q	8,428	1,079	23,923	145	33,575
Comet	2,919	415	7,928	16	11,278
Others	765	91	2,106	722	3,684
Total Contributions	12,112	1,585	33,957	883	48,537

2003

	Members Ordinary	Members Additional Voluntary	Company Ordinary	Company Additional	Total Contributions
	£'000	£'000	£'000	£'000	£'000
B&Q	7,668	1,207	21,108	458	30,441
Comet	2,948	466	8,038	24	11,476
Others	1,142	200	2,896	2,592	6,830
Total Contributions	11,758	1,873	32,042	3,074	48,747

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

3. Transfer Values

	2004	2003
	£'000	£'000
Group Transfers	0	65
Individual transfers-in from other schemes	1,968	1,459
Total	1,968	1,524

NOTES TO THE FINANCIAL STATEMENT

4. Benefits Payable

	2004 £'000	2003 £'000
Lump sums on retirement	5,595	6,050
Lump sums on death	1,630	1,085
Gross pensions	33,452	31,560
Less Annuities	(296)	(299)
Total	40,381	38,396

5. Leavers

	2004 £'000	2003 £'000
Group transfers	111	166,200
Individual transfers-out	1,287	1,561
DWP Premiums	385	309
Refunds of contributions	307	433
Total	2,090	168,503

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 Pensions Department and are detailed below.

	2004 £'000	2003 £'000
Staff costs	1,100	1,305
Rent, rates and service charges	350	410
Professional fees	220	322
Communications and printing	34	82
General	110	86
Computing	(52)	60
Valuation	0	91
Total	1,762	2,356

NOTES TO THE FINANCIAL STATEMENT

7. Investment Income

	2004 £'000	2003 £'000
UK		
- Equities	4,561	4,440
- Fixed Interest	5,908	6,875
- Unquoted Unit Trusts	118	35
- Index-Linked	553	152
- Property	846	25
Overseas		
- Equities	1,581	1,269
- Fixed Interest	2,463	2,730
- Unquoted Unit Trusts	0	75
Interest on cash and cash instruments	1,464	3,857
Sub-total	17,494	19,458
Irrecoverable taxation	(109)	(110)
Total	17,385	19,348

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 2003	Purchases	Sales	Movement in value	Value at 31 March 2004	Percentage of total Fund at 31 March 2004
	£'000	£'000	£'000	£'000	£'000	
UK Equities						
- Equities Quoted	95,165	142,566	138,818	28,581	127,494	13.56
Pooled Investment Vehicles						
- Managed Unit Funds	97,606	24,100	0	34,665	156,371	16.63
Sub-total	192,771	166,666	138,818	63,246	283,865	30.19
Overseas Equities						
- Europe Quoted	20,562	25,985	38,126	5,788	14,209	1.51
- Japan Quoted	10,606	10,062	17,910	5,163	7,921	0.84
- United States Quoted	28,156	71,941	41,590	7,452	65,959	7.01
- Pacific Basin Quoted	8,386	5,608	15,308	2,310	996	0.11
- Emerging Markets	0	301	0	113	414	0.04
Pooled Investment Vehicles						
- Managed Unit Funds	122,216	35,500	45	39,832	197,503	21.01
Sub-total	189,926	149,397	112,979	60,658	287,002	30.52
Total Equities	382,697	316,063	251,797	123,904	570,867	60.71
UK Fixed Interest						
- Government	41,336	48,777	34,669	(1,528)	53,916	5.73
- Others	53,349	27,859	20,864	1,196	61,540	6.54
Pooled Investment Vehicles						
- Managed Unit Funds	44,744	34	19,849	899	25,828	2.75
- UK Fixed Income Futures Quoted	163	164	126	(201)	0	0.00
Sub-total	139,592	76,834	75,508	366	141,284	15.02
Overseas Fixed Interest						
- Government	43,198	99,978	97,422	(1,817)	43,937	4.67
- Others	13,291	16,808	20,388	(898)	8,813	0.94
Pooled Investment Vehicles						
- Managed Unit Funds	24,982	522	11,550	(382)	13,572	1.44
- Overseas Fixed Income Futures Quoted	892	761	640	(959)	54	0.01
Sub-total	82,363	118,069	130,000	(4,056)	66,376	7.06
Total Fixed Interest	221,955	194,903	205,508	(3,690)	207,660	22.08
UK Index-Linked						
- Quoted	26,512	2,061	10,993	543	18,123	1.93
Pooled Investment Vehicles						
- Managed Unit Funds	63,384	0	28,470	2,211	37,125	3.95
Sub-total	89,896	2,061	39,463	2,754	55,248	5.88
Property						
Pooled Investment Vehicles						
- Limited Partnerships	0	10,154	0	460	10,614	1.13
- Unit Trusts	7,655	9,999	0	96	17,750	1.89
- Managed Unit Funds	5,190	8,698	0	1,710	15,598	1.66
Sub-total	12,845	28,851	0	2,266	43,962	4.68
Liquid Assets						
- Cash & Cash Instruments	60,346	35,755	61,562	5,699	40,238	4.28
- Other Investment balances	3,041	440	1,193	(3)	2,285	0.25
Sub-total	63,387	36,195	62,755	5,696	42,523	4.53
AVC Investments	18,638	1,794	1,302	873	20,003	2.12
Total	789,418	579,867	560,825	131,803	940,263	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)

	2004 £'000	2003 £'000
Included in the Market Values shown above are:		
Pooled Investment Vehicles		
Managed Unit Funds with UK registered companies		
- Unquoted Index-tracking unit trusts	430,399	352,932
Pooled Investment Vehicles		
Managed Unit Funds with overseas registered companies		
- Unquoted Index-tracking	0	0
Total	430,398	352,932
Cash & Cash Instruments:		
Cash deposits	25,930	46,583
Cash backing Futures	(54)	(1,055)
Short term liquidity funds	14,362	14,818
Total	40,238	60,346

8.3 AVC Investments

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

	2004 £'000	2003 £'000
Prudential	17,577	16,639
London Life – surrender value	763	834
Merrill Lynch unit linked AVCs	604	419
Legal & General unit linked AVCs	1,059	746
Total	20,003	18,638

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

	31 March 2004 £'000	
SSgA (Natwest Life) MPF UK Equity Enhanced	156,090	16.6%
SSgA (Natwest Life) MPF North American Equities	90,946	9.7%
SSgA (Natwest Life) MPF European (ex UK) Equities	60,191	6.4%

NOTES TO THE FINANCIAL STATEMENT

9. Investment Management Expenses

	2004 £'000	2003 £'000
Investment managers fees	1,763	1,606
Custody Services	135	145
Performance Measurement and Risk Reporting	37	43
Other Services	6	4
Total	1,941	1,798

10. Debtors

	2004 £'000	2003 £'000
Tax recoverable	35	22
Inter-company expenses due from Kingfisher Retirement Trust	46	88
Others	3	157
Total	84	267

11. Creditors

	2004 £'000	2003 £'000
Tax payable	621	655
Expenses	135	239
DWP	36	0
Sundry Unclaimed Benefits	406	289
Inter-company expenses due to Kingfisher plc	415	584
Others	466	368
Total	2,079	2,135

NOTES TO THE FINANCIAL STATEMENT

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, £1,503,000 this year (2003: £1,631,000) and subsequently recharges these to the Scheme. The balance owing to Kingfisher plc at year end is £415,000.

The Scheme pays some expenses on behalf of the Kingfisher Retirement Trust, £153,000 this year (2003: £196,000), and subsequently recharges these to the Trust. The balance due from the Kingfisher Retirement Trust at year end is £46,000.

Transfer values of £449,000 (2003: £212,000) were received into the Scheme from Kingfisher Retirement Trust.

13. Bulk Transfer

With effect from 1 April 2004, the past service liabilities of members employed by Comet, which left the Kingfisher Group during 2003, transferred to a successor scheme set up by Comet. The bulk transfer payment from the Scheme in respect of the transfer is expected to be made in the near future. This bulk transfer payment will be recognized in the 2004/5 Financial Statement, being the period in which past service liabilities will transfer.

ADVISERS AND INVESTMENT MANAGERS

Actuary
Peter Sisson (partner in the firm of Watson Wyatt LLP)

Auditors
KPMG LLP

Bankers
Barclays Bank PLC

Investment
Axa Rosenberg Investment Management Limited
Clay Finlay Incorporated*
Deutsche Asset Management Limited
Gartmore Investment Management plc
Legal & General Assurance (Pensions Management) Limited
London Life Limited
Prudential Assurance Company Limited
State Street Global Advisors UK Limited
Western Asset Management Company Limited
Morley Fund Management Limited
Wellington Management International Limited*

Custodian
State Street Bank & Trust Company

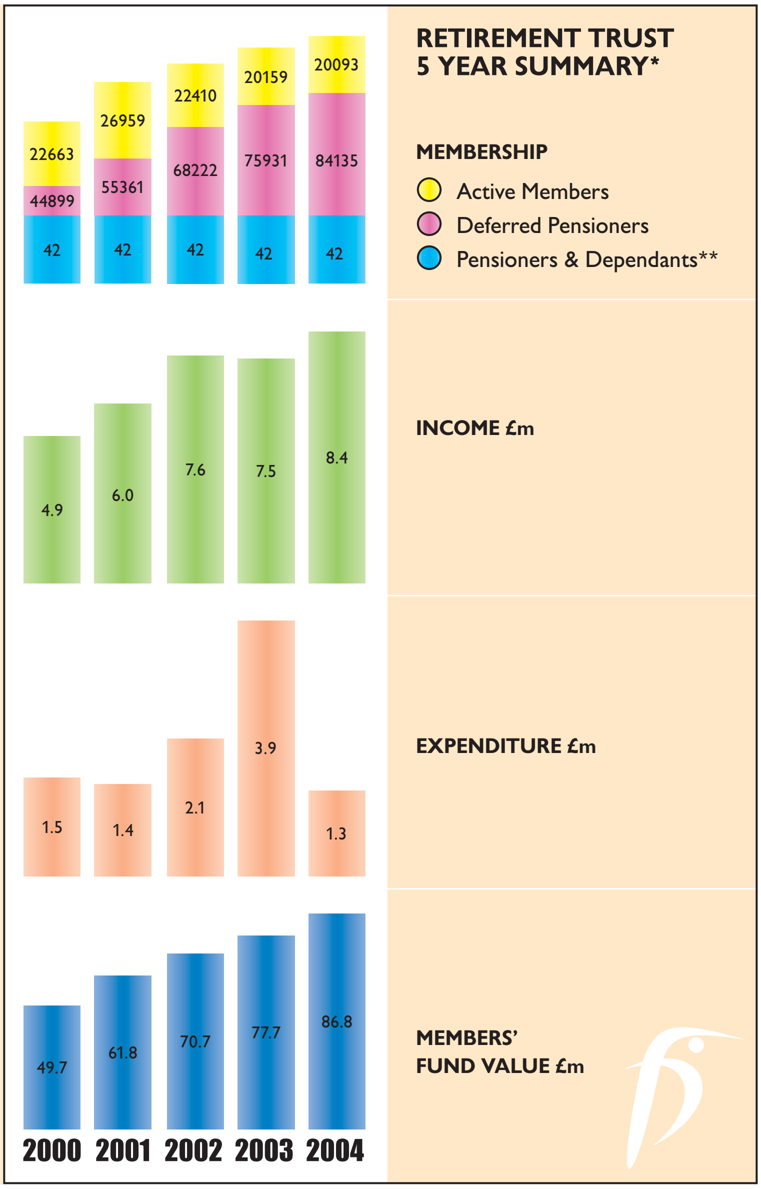
Solicitors
Mayer Brown Rowe & Maw LLP

* Wellington Management International Limited replaced Clay Finlay Incorporated on 3 November 2003

KINGFISHER

CONTENTS

RETIREMENT TRUST 5 YEAR SUMMARY*



* All information is shown as at 5 April except the 2004 Active Member and Deferred Pensioner information which is shown as at 31 March 2004. Following the termination of contributions at 31 March 2004, all active members at that date are thereafter treated as deferred pensioners.

** The Trustees discharge their liability to provide pensions for retired members by purchasing annuity policies on behalf of individual members.

RETIREMENT TRUST

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

During the Scheme year under review, the Trust:

- was open to all UK companies and their employees within the Kingfisher Group, subject to certain employee eligibility conditions;
- was 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;
- was contracted-out of the State Second Pension.

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

With effect from 31 March 2004, the employing companies terminated contributions to the Trust. No employees will be admitted to membership of the Trust after that date. The termination occurred as part of the overall pension review changes described on page 4. The Trustee Board is considering the available options for securing benefit entitlements accrued under the Trust. Members will be informed of the Trustees' proposals in due course and given an opportunity to decide how their benefit entitlement should be secured.

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 be placed only on this 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. Unit-linked funds rise and fall in line with the underlying investments, therefore the value of a member's fund 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 actuary's 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 or employee National Insurance contributions as a result of being contracted-out of the State Second Pension.

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 (into which is paid any additional company contribution and AVCs plus tax relief); the money built up in the Basic Account will 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 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.

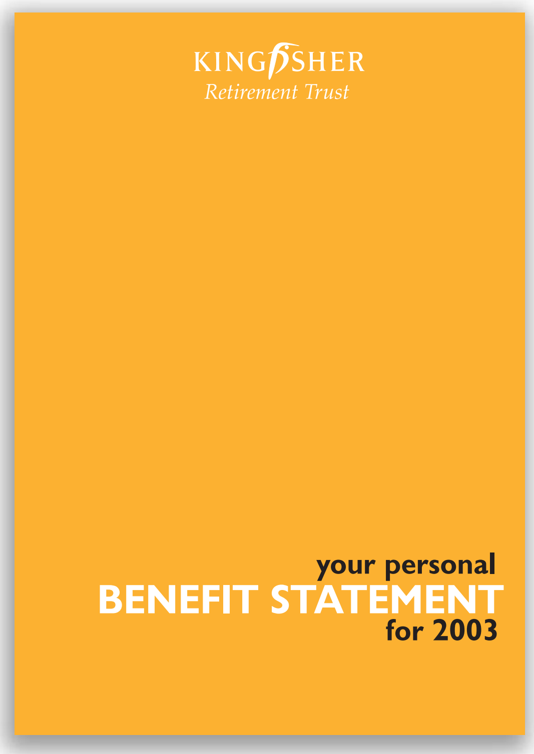
ADDITIONAL VOLUNTARY CONTRIBUTIONS

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 pages 50 to 51). 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 31 March 2004, there were 13 active members paying AVCs, a decrease on last year's membership of 16. There were also 86 deferred members with AVC accounts. No further AVCs were payable after 31 March 2004.



MEMBERSHIP

During the Scheme year under review, membership was open to all employees satisfying the entry qualifications set by their employer, which were broadly similar. From 1 April 2004, the Trust was closed to new entrants. During the Scheme year, the categories of membership within the Trust were:

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

  All active members were automatically members of the Kingfisher Pension Scheme only for the purpose of the lump sum payable on death. This was 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) were automatically withdrawn and be reinstated in S2P unless they elected to remain in the Trust or join the final salary Kingfisher Pension Scheme, because from these ages they may not have built up as high a level of benefits under the Trust up to age 60 as they could in S2P.

- **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.

CONTRIBUTIONS

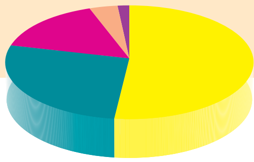
Members of the Trust who pay National Insurance (NI) contributions enjoy a reduction in the rate of contributions they pay. This reduction is known as the 'NI rebate'.

For the year to 5 April 2004, the NI rebate for Trust members is calculated on an age-related basis and is paid in two instalments as follows:

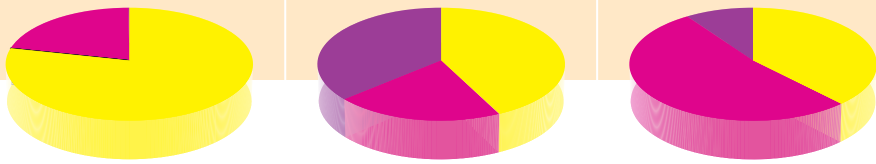
1. A minimum of 2.6% of relevant earnings (from the employee, a contribution of 1.6% grossed-up at the basic rate of Income Tax, and from the employer a contribution of 1.0%) paid on a monthly basis plus

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.

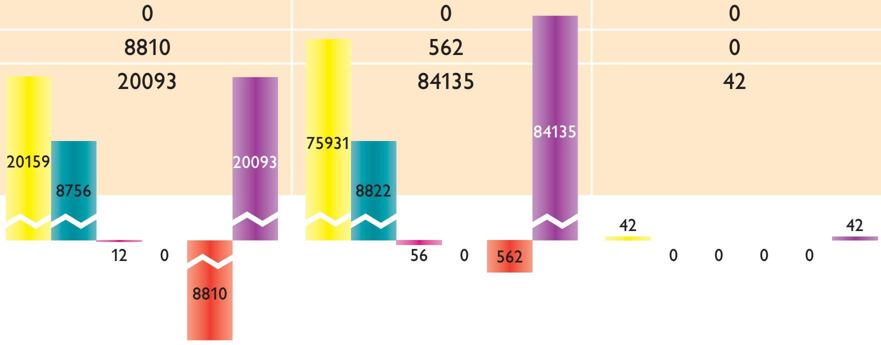
AGE PROFILES AT 31 MARCH 2004*	ACTIVE MEMBERS
Age 16-30	10412
Age 31-40	5416
Age 41-50	3148
Age 51-55	788
Age 56+	329



MEMBERSHIP BY OPERATING COMPANY*	ACTIVE MEMBERS	DEFERRED PENSIONERS	PENSIONERS & DEPENDANTS**
B&Q	15781	35882	16
Kingfisher	2	61	0
Screwfix Direct	0	0	0
Comet	4288	17478	22
Others***	22	30714	4



CHANGES IN MEMBERSHIP DURING THE YEAR	ACTIVE MEMBERS	DEFERRED PENSIONERS	PENSIONERS & DEPENDANTS**
At 5 April 2003	20159	75931	42
New	8756	8822	0
Deaths	12	56	0
Retirements	0	0	0
Leavers	8810	562	0
At 31 March 2004*	20093	84135	42



* Membership information is shown as at 31 March 2004. Following the termination of contributions at that date, all active members are treated as deferred pensioners at the end of the Trust year (5 April 2004).

** The Trustees discharge their liability to provide pensions for retired members by purchasing immediate annuity policies on behalf of individual members.

*** Includes former participating companies Woolworths group, Superdrug, Entertainment UK, MVC and VCI.

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 Trust'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 Pensions Department at the address given on page 60.

Members receive an annual Benefit Statement showing how their funds are building up.
The Trust does not hold shares directly in Kingfisher plc.

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.

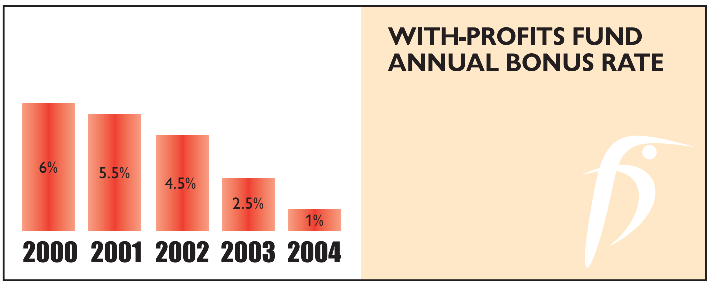
When shares and property do well, the bonus will be lower than the increase in the value of the fund, because some of the bonus is held back and put in reserve. In other years, when shares and property may perform poorly, the bonus may be more than the fund has actually earned because this reserve is 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.

The With-Profits Fund is closed as an investment option to new schemes. Following from this the membership profile of the Fund is expected to mature over time, and Eagle Star has announced that it will continue to reduce the Fund's exposure to equities both in the short and longer terms in order to achieve a better balance of investment return and protect guarantees.

Subject to any action that may be taken following the termination of contributions to the Trust on 31 March 2004, the Trustees will continue both to monitor the fund's performance and assess its continued appropriateness.

The bonus rate declared by Eagle Star has been reduced over the year to reflect market conditions. From April 2003 the annual bonus rate was 2.5%. From April 2004, the annual bonus rate has been set at 1%.



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.

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:

MINIMUM RISK FUND

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 AUDITOR'S REPORT

To the Trustee of the Kingfisher Retirement Trust

We have audited the accounts on pages 54 to 58.

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

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

As described on page 53, the Trust'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 trustees' report, certain other information about the Trust 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 Trust is prepared and maintained and for procuring that contributions are made to the Trust 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 misstatements 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 Trust's circumstances, consistently applied and adequately disclosed. The work that we carried out also included 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 misstatement, whether caused by fraud or other irregularity or error, and that contributions have been paid in accordance with the relevant requirements. In forming our opinions we also evaluated the overall adequacy of the presentation of the information in the accounts.

OPINIONS

Opinion on the accounts

In our opinion the accounts show a true and fair view of the financial transactions of the Trust during the Trust year ended 5 April 2004 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 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.

Auditor's Statement about Contributions

In our opinion, contributions for the Trust year ended 5 April 2004 have been paid in accordance with the payment schedules effective 6 April 2003.

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

23 June 2004

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 Trust members, beneficiaries and certain other parties, audited accounts for each year which:

- show a true and fair view of the financial transactions of the Trust during the Trust year, and of the amount and disposition at the end of the Trust 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' (revised November 2002).

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 Trust prescribed by pensions legislation, which they should ensure is consistent with the audited Accounts it accompanies.

The Trustee Board is 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 Trust by or on behalf of the employer and the active members of the Trust, 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 Trust, and for ensuring that contributions are made to the Trust 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 Trust and to prevent and detect fraud and other irregularities.

FINANCIAL STATEMENT for the period ended 5 April 2004

	Notes	2004 £'000	2004 £'000	2003 £'000	2003 £'000
Net assets at the beginning of the year			77,761		70,827
Contributions & Benefits					
Contributions	3	6,553		5,849	
Transfer values	4	34		21	
Age-related rebates		1,772		1,631	
Bank interest		16		32	
		8,375		7,533	
Benefits payable	5	(280)		(197)	
Leavers - transfers-out	6	(700)		(3,330)	
Administrative expenses	7	(348)		(400)	
Release of deferred income to meet expenses		346		400	
		(982)		(3,527)	
Net additions from dealings with members		7,393		4,006	
Returns on Investments					
Change in market value of investments	2	1,759		2,928	
Net increase in fund during the year			9,152		6,934
Net assets at the end of the year			86,913		77,761
Assets allocated to members					
Pooled Investment Vehicles	2	86,649		77,517	
Bank accounts		224		161	
Creditors	9	(72)		(29)	
		86,801		77,649	
Assets not allocated to members					
Debtors	8	8		2	
Bank Accounts		210		610	
Creditors	9	(106)		(500)	
		112		112	
Net Assets of the Trust at the end of the year			86,913		77,761

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

A.J. Stanworth

J.C. Woodward

For Kingfisher Pension Trustee Limited

23 June 2004

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 (revised November 2002), except in relation to (a) below. The SORP recommends in relation to Age Related Rebates that they are accounted for on an accruals basis. The Group Pensions Department management considers that the cost of changing the present accounting policy outweighs the benefit of doing so.

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 accounted for from the date of deduction from payroll, and employer contributions are accounted for in the period to which the corresponding pay relates. Age-Related Rebates are accounted for on a cash basis.

b) Benefits are accounted for on the date of leaving or, if the member has a choice of benefits, on notification of choice to the Trust.

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 in the Eagle Star unitised with profits policy are valued at the unit price advised by Eagle Star at the date nearest to 5 April 2004.

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

f) Administration expenses are 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 allocated 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 allocated to members	Total
	£'000	£'000
Market value at 6 April 2003	77,517	77,517
Purchases at cost	8,332	8,332
Surrenders from member accounts	(959)	(959)
Change in market value of investments	1,759	1,759
Market value at 5 April 2004	86,649	86,649

Included in the above amounts are AVCs as follows:

AVCs receivable during the year amount to £21,000 (2003: £34,000). The total AVC fund value is £211,000 (2003: £190,000).

3. Contributions

2004	Members	Company	Total
	£'000	£'000	£'000
B&Q	2,137	2,739	4,876
Comet	747	898	1,645
Others	14	18	32
Total Contributions	2,898	3,655	6,553

2003	Members	Company	Total
	£'000	£'000	£'000
B&Q	1,844	2,386	4,230
Comet	708	858	1,566
Others	26	27	53
Total Contributions	2,578	3,271	5,849

4. Transfer Values

	2004	2003
	£'000	£'000
Individual transfers-in from other schemes	34	21
Total	34	21

NOTES TO THE FINANCIAL STATEMENT

5. Benefits Payable

	2004 £'000	2003 £'000
Lump sums on retirement	149	123
Lump sums on death	79	57
Purchase of annuities to match preserved benefits	52	17
Total	280	197

6. Leavers – Transfers-out

	2004 £'000	2003 £'000
Group transfers-out	33	2,919
Individual transfers-out	667	411
Total	700	3,330

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 Pensions Department and are detailed below.

	2004 £'000	2003 £'000
Staff costs	152	189
Rent, rates and service charges	48	56
Professional fees	26	23
Communications and printing	58	49
General	55	56
Computing	9	27
Total	348	400

8. Debtors

	2004 £'000	2003 £'000
Not allocated to members		
VAT	8	2
Total	8	2

NOTES TO THE FINANCIAL STATEMENT

9. Creditors

	2004 £'000	2003 £'000
Allocated to members		
Payments due to members	21	1
Monies due to Operating Companies	51	28
Total	72	29
Not allocated to members		
Deferred income*	23	369
Tax payable	14	16
Inter-company expenses due to:		
Kingfisher Pension Scheme	46	88
Kingfisher plc	15	3
Expenses	8	24
Total	106	500

* 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 £346,000 of deferred income was taken to the Revenue Account.

10. Related Parties

Kingfisher plc pays some administration expenses on behalf of the Trust, which amounted to £48,000 in the year ending 5 April 2004 (2003: £56,000), and subsequently recharges these to the Trust. The balance owing to Kingfisher plc at year end was £15,407.

Kingfisher Pension Scheme pays some expenses on behalf of Kingfisher Retirement Trust, which amounted to £153,000 in the year ending 5 April 2004 (2003: £196,000), and subsequently recharges these to the Trust. The balance owing to Kingfisher Pension Scheme at year end was £46,483.

Transfer values of £449,000 (2003: £212,000) were paid to the Kingfisher Pension Scheme from the Trust.

11. Bulk Transfer

With effect from 1 April 2004, members employed by Comet Group plc (which left the Group during 2003) will be given the option of transferring to a new pension arrangement. At the time of preparing this Financial Statement, the aggregate value of the transfers for members wishing to transfer is unknown. The transfer payment(s) will be recognized in the 2004/5 Financial Statement.

12. Termination of Contributions

With effect from the end of 31 March 2004, the employing companies terminated their contributions to the Trust. The termination occurred as part of the overall pension review changes described on page 4. The Trustee Board is considering the available options for securing benefit entitlements accrued under the Trust. Members will be informed of the Trustees' proposals and given an opportunity to decide how their benefit entitlement should be secured. Buy-out and transfer value payments associated with securing members' entitlements accrued under the Trust will be recognized in the 2004/5 Financial Statement.

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KPMG LLP

Bankers
Barclays Bank PLC

Investment Manager
Eagle Star Life Assurance Company Limited

Solicitors
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