

talking pensions

FOR ALL KINGFISHER EMPLOYEES

September 2006 - Issue 3

a pensions newsletter

KINGFISHER



Dear Colleagues,

Welcome to Talking Pensions, the Kingfisher pensions newsletter for all employees.

This newsletter provides general information about the Kingfisher Pension Scheme, including highlights of the annual Trustees' Report and Accounts for 2005-06.

This year has seen a radical overhaul of pensions legislation in the UK. The provisions of the Finance Act 2004 (also known as 'simplification') finally came into force on 6 April 2006. The key changes are that the amount that an individual can contribute to their pension arrangements before tax is deducted has been greatly increased and there is now one single overall Lifetime Allowance that covers the amount of pension that a person can receive before a tax charge is applied. You should have received two A-Day communications from the Pensions Department over the past year keeping you informed of progress and what the new changes mean to you. If in any doubt, please contact the Kingfisher Pensions Department.

Like last year, all employees will receive a Personal Benefit Statement. For those of you already building up a Kingfisher pension, the Statement includes information about your pension to date and as well as what you might expect to receive at retirement. For those colleagues who have previously decided not to join the Scheme, we want to be sure you are happy it was the right decision. As such, we have provided a forecast of the pension you might receive if you were to join the Kingfisher Pension Scheme. Again this year I am pleased to say that your Benefit Statement will include an indication of the pension you might expect to receive from the State; giving you a much better idea of what income you will have in retirement.

There has been a lot of press coverage about women and pension provision (or more likely the lack of it). There are many obstacles that prevent women from building up adequate pension provision. Women generally have lower pension provision than men due to lower lifetime pay and career breaks for caring responsibilities such as bringing up children.

You may also have read about the new Government White Paper; one of its many aims is to address this injustice by reducing the number of years of contributions or credits to qualify for a contributory pension from the State. The paper also proposes to increase State Pension Age to 68 over a gradual period and also introduce a new low cost savings vehicle that all employees will be automatically enrolled into if they do not have a suitable employer scheme. However this new plan is not proposed to be introduced until 2012 or later. It is therefore important that you act now if you want to try to ensure you have enough income to retire on.

It is a sobering thought that most of us may not have enough to live on when we retire and we have therefore included some 'food for thought' in the article 'Planning for Retirement' from pages 2 to 5.

Everyone needs to plan for retirement. People are living longer and healthier lives, so it is even more important to think about how and when to save for retirement. Retirement can last for 20 or 30 years, maybe even longer. The basic State Pension is a start but it may not be enough to give you the standard of living you want.

So, if you want a higher income in retirement than you would get from your State Pension, you need another source of income as well. It's never too early to start saving for your retirement. You may have other financial priorities at the moment, but don't make that an excuse to put off saving - delay can cost you money. The question may not be 'Can I afford to save for retirement?' but 'Can I afford *not* to save for retirement?'

Turning now to the financial position of the Scheme, I can confirm that the Scheme went through a special valuation at 30 September 2005. The reason for this valuation taking place ahead of schedule has been to try to reduce the levy the Scheme has to pay to the Pension Protection Fund for the 2006/2007 tax year. The background to this is at 29 September 2005 the first of the additional funding by the Company of £130 million was made to the Scheme to improve the Scheme's funding position. As the levy rises for pensions schemes that are not well funded, the Trustee wanted to make sure that the levy was based on the latest valuation, i.e. including the £130 million extra contribution. This should reduce the amount the Scheme has to pay to the Pension Protection Fund. For further information about the Scheme's financial position look out for highlights of the annual Trustees' Report and Accounts for 2005-06 from pages 11 to 15.

Finally, should you need further information about the Scheme, you can obtain a copy of the full Trustee's Report and Accounts either from the Kingfisher Group Pensions Department at the address on page 10 or from the new look pensions website www.kingfisherpensions.com.

Best wishes

Colin Hatley
Head of Pensions

Pension Scheme Summary

Membership

		Active Members
Final Salary Section	9,951	
Money Purchase Section	3,809	
Deferred Pensioners		
Final Salary Section	19,378	
Money Purchase Section	138	
Pensioners & Dependants		
Final Salary Section	13,638	
Money Purchase Section	0	
Life Assurance only		
Final Salary Section	27,220	

Assets

Final Salary Section	£1,254.7m	
Money Purchase Section	£4.0m	

Your State Pension

Your statement includes information about the State pension you can expect to receive. The combined figures should provide an important starting point in deciding whether you are saving enough for retirement.

But do remember, your Kingfisher pension normally starts when you reach age 60, while your State pension won't start until you reach State Pension age - 65 if you are a man and between ages 60 and age 65 if you are a woman born after April 1950.

If your Personal Benefit Statement does not contain a State Pension forecast...

This could be for one of several reasons:

- **You objected to the Trustees giving your details to the Department of Work & Pensions (DWP).**

- **The DWP were unable to provide a forecast.**
The DWP do not tell us why they cannot provide a forecast, but the most likely reason is that the information they hold about you does not match the information held by the Pensions Department. If you would like to receive a forecast next year, please contact the Pensions Team and/or the DWP to check that their records are correct.

What to do next...

If you have not received a State Pension forecast, but would like to receive one in future, or would just like more information, then please write to, or telephone, the Kingfisher Pensions Department. Contact details can be found on page 10

Or if you would like to obtain a State Pension forecast direct from the DWP, please contact The Pension Service, Retirement Pension Forecasting Team, Tyneview Park, Whitley Road, Newcastle upon Tyne NE98 1BA. Or telephone 0845 3000 168.

You can also obtain a State pension forecast online by visiting www.thepensionservice.gov.uk.



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Decisions about saving for retirement are amongst the most important financial decisions anyone can make. Everyone needs money to live on when they retire, but few people think enough about long-term savings.

Can I afford not to save for retirement?

The question should not be 'Can I afford to save for retirement?' but 'Can I afford *not* to save for retirement?'

Sensible planning for your retirement is not simply a matter of putting money into a pension plan when you feel you can afford to. It is likely that to provide for a comfortable retirement you will need a structured, long-term plan with a number of elements, from traditional pension savings to specialised investments. However, your plan must be flexible enough to adapt as your retirement intentions change.

It is easy to contribute to the Money Purchase Section of the Kingfisher Pension Scheme if you are not already a member. As contributions are deducted from your pay before tax, you receive tax relief at your highest rate.

The longest holiday of your life

Retirement is often described as the 'longest holiday of your life' - and you would never consider going on holiday without any spending money, would you? But that is exactly what thousands of people do.

They work hard for years only to find that, when they cease employment, they have much less money to live on than they would like - sometimes, a lot less than they actually need. There are a number of good reasons why this is the case. For example, many people grew up thinking the State would provide them with a decent pension. Or maybe they thought that retirement was a long way off into the future, or they would win the lottery before then. For most of us, this simply is not the case.

How much money will I need in my retirement?

You will probably want to plan on retiring with an income that is a relatively high proportion of the earnings you were used to before retirement.

Some costs of living, such as mortgage payments and taxes, are usually less in retirement. However, you will also have more free time and your pension in payment will probably not increase as quickly, each year, as your earnings do now.

Therefore, aiming for a relatively high proportion of your final earnings as a pension is usually a sensible course of action to take.

The chances are that, unless you are well off financially, you will need a pension because:

- You will need money for your increased free time.
- More people are living longer – your retirement could make up a third of your life.
- More people are taking out larger mortgages, later in life. You may not have paid off your mortgage when you retire.

Your annual Benefit Statement and Combined Pension Forecast will give you an idea of the amount of income you are likely to retire on.



The question should not be 'Can I afford to save for retirement?' but 'Can I afford *not* to save for retirement?'

Relying on the State Pension alone is unlikely to guarantee a standard of living you would like when you retire.

Could you live on £12.03 a day? This is the current full basic State Pension for a single person (£84.25 per week) Whilst you may be able to top up this with means-tested benefits, so you get £114.05 a week, or over £16.29 a day, this still isn't much to pay for everything. Furthermore there is no guarantee that means tested benefits will be available from the State when you retire. The maximum savings credit part of the Pension Credit will be frozen from 2015 which will reduce the number of pensioners eligible for means-tested benefits.

That's why you may want to think about supplementing any State Pensions you get with saving and investing - either in extra pension plans, savings schemes or share-based investments, or a mixture of all three.

Assess your retirement income

The starting point for any retirement planning is to assess how much income you expect to receive after you finish work. Your retirement income might come from a number of sources:

From the Government...

- **The basic State Pension**

The current basic State Pension is £84.25 per week for a single person and £134.75 per week for a couple. It's currently payable from age 65 for men and age 60 for women (rising to 65 between 2010 and 2020). To receive the full basic State Pension you must have paid, or be treated as having paid, National Insurance Contributions for sufficient qualifying years.

- **State Second Pension (S2P)**

This was previously known as the State Earnings Related Pension Scheme (SERPS). Employees with earnings over a lower limit build up entitlement provided they aren't contracted out of SERPS or S2P through a private pension plan. Earnings over an upper limit don't count for SERPS or S2P. The rules governing S2P are complicated, so it's difficult to work out what you're entitled to. But help is at hand – your annual Benefit Statement contains a State Pension forecast. Alternatively, the DWP's State Pension forecast service will calculate your expected State Pension.

If you're a member of the Final Salary Section of the Kingfisher Pension Scheme you will not build up S2P whilst a contributing member, but you will build up S2P if you are a member of the Money Purchase Section.

- **Pension Credit**

This was introduced in October 2003, and although it isn't really a pension, it guarantees everyone aged 60 and over an income of at least £114.05 for a single person and £174.05 for a couple. If your total weekly income falls below the single or couple limits, the Pension Credit will make up the difference. Between 2010 and 2020 the starting age will gradually rise to age 65. You should remember that the Pension Credit could be subject to change by a future Government.



Income from a private pension

- **Kingfisher Pension Scheme**

The Scheme offers two types of pension:

- o If you joined the Scheme before 1 April 2004, you are probably building up what's known as a final salary pension. This is calculated as a proportion of your salary at or close to your retirement, e.g. 1/60th or 1/80th of final salary for each year of service while a member of the Scheme. So if you complete 30 years' service, your pension will be half (i.e. 30/60th) of your salary when you retire.
- o If you joined the Scheme after 1 April 2004 or have not yet joined, you will build up what is known as a money purchase pension. Both you and your employer pay contributions at a fixed rate that are invested for you until you retire, when the value of your retirement account will be used to buy your pension. The amount of pension is not fixed and depends on the value of your retirement account and the cost of buying a pension when you retire. If you were a member of the Kingfisher Retirement Trust, this also provided pensions on a money purchase basis.

- **Other pensions**

You may also have built up a pension in a personal or Stakeholder pension plan or an occupational (company) pension scheme run by a previous employer. If this was a money purchase arrangement you should receive an annual statement telling you about the value of your retirement fund and a forecast of the pension it will provide at retirement. If it was a final salary arrangement, you may not receive a statement annually, but you are entitled to request a statement from the administrator of the scheme once a year:

Building up a retirement income

If you have not already done so, you can begin to build up a pension by becoming a member of the Money Purchase Section of the Kingfisher Pension Scheme. The Scheme offers a tax efficient way to build up a pension - and the Company helps too by matching your core contributions to the Scheme. Simply by making payments while you're working, you will be building up income to help protect your lifestyle after retirement and for the rest of your life.

Brief details of the pension offered by the Kingfisher Pension Scheme is provided in our article, Kingfisher Pensions at a Glance on pages 14 and 15. Alternatively, you can find out more from the Member's Guide and the Investment Choices booklet or from the Pensions website www.kingfisherpensions.com, or ask your local HR contact for assistance.

I've decided I need to save more, so when should I start?

Striking a sensible balance between a 'live today, pay tomorrow' and a 'save today, live tomorrow' approach will help you aim for what you want out of life, both now and in the future.

A lot depends on your personal circumstances but long-term savings are usually more effective if they are started sooner rather than later. Why? Because:

- people are living longer, especially women
- the earlier you start the more time you'll have to save

Increasing your Kingfisher Pension

You can increase the benefits you receive at retirement by paying Additional Voluntary Contributions (usually known as AVCs) and, if you are a member of the Money Purchase Section, by paying additional core contributions. As with ordinary contributions, paying additional contributions is a tax-efficient way of providing extra benefits. If you are a standard rate taxpayer, for every £100 you pay, the overall cost to you is just £78, and the saving is even more if you pay higher rate tax. You can now pay up to 100% of your earnings as a pension contribution subject to the Annual Allowance.

If you are already paying additional contributions or are considering your options, it is important to choose the right long-term investment fund for your particular circumstances. This will depend, for example, on your age now, how many years until you want to retire, how much you can afford to pay and your attitude to the amount of risk you are prepared to take.

- **Money Purchase Section (KPS-MP) AVCs**

If you are a member of the Money Purchase Section, then like your normal core contributions AVCs are credited to a retirement account. However, they will not be matched by the Company.



- **Money Purchase Section (KPS-MP)
Additional Core Contributions**

If you are a member of KPS-MP, then instead of paying AVCs, you can increase your Kingfisher Pension by paying additional core contributions. Normally, additional core contributions will not be matched by Company contributions, but once you have been in continuous membership of a Kingfisher Pension Scheme for 5 years (earlier in some circumstances) matching amounts will be credited to your retirement account of up to 2% of your basic salary, depending on how much extra you are paying.

Both AVCs and additional core contributions are invested in the same way as your core contributions. Information about investment options is provided in the Investment Choices booklet you were (or will be) given before joining the Pension Scheme. Additional copies can be printed from the Pensions website at www.kingfisherpensions.com.

- **Final Salary Section (KPS-FS) AVCs**

If you are a member of KPS-FS, the Scheme offers a number of investment choices for your AVCs :

- o A 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.
- o Unit-linked funds, where the value of the funds are directly linked to stock and bond markets. 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.

Details of these AVC arrangements can be found in the AVC Guide available from our website www.kingfisherpensions.com or from your HR contact. Details of the value of your AVC funds are included in your Personal Benefit Statement.

Please note that AVCs may now be taken in cash form, it used to be the case that AVCs started after 7 April 1987 had to be taken in pension form but this has now been abolished. This gives even greater flexibility.

- **Other ways to increase your pension**

You can increase your pension independently of the Kingfisher Pension Scheme by contributing to another registered pension arrangement such as a personal pension. If you are a member of the Money Purchase Section, you could also use an 'appropriate' personal pension plan to contract out of the State Second Pension. However, the Company will not contribute to any other pension arrangement apart from the Kingfisher Scheme, and you should seek independent financial advice before joining such an arrangement.



Retirement is often described as the ‘longest holiday of your life’ - and you would never consider going on holiday without any spending money, would you?

If you are a member of the Money Purchase Section, it's worth remembering that a higher fund generally means more pension in your pocket when you retire.

The amount of a money purchase pension is not fixed, but depends on the value of your retirement account (contributions plus investment return) and the amount of pension you can buy for each pound in your account (which will vary as the cost of buying a pension changes). Therefore it's important that you take an active interest in how your account is invested and how your investments are performing.

Investing for retirement need not be daunting – the basic aims are to:

- maximise your fund at retirement; while
- protecting the level of pension you can buy.



Lifestyle Options

To help you achieve the aims mentioned, the Scheme provides three Lifestyle options - known as the Cautious Lifestyle option, the Consensus Lifestyle option and the Consensus Plus Lifestyle option - all of them structured to achieve this balance automatically, but offering different levels of risk (i.e. exposure to price volatility) as you approach retirement.

These options remove the need for you to make individual investment choices and switches. Instead, investments are automatically selected depending on how close you are to Normal Retirement Age (age 60). Funds are gradually transferred from equities to gilts and cash over either five or ten year periods ending at Normal Retirement Age. Your Lifestyle options are described in more detail in your Investment Choices booklet. You can obtain a copy from your local HR contact or from the Pensions website www.kingfisherpensions.com.

Self-Select funds

You may prefer to manage your own investments by switching your retirement account between a number of funds selected by the Trustees to offer a wide range of investment types. However, there is no automatic switching as you approach Normal Retirement Age, and you must make any such arrangements yourself.

Self-Select funds may be the right choice for you if:

- You want to be actively involved in managing your account.
- You want to take more risk or less risk in your investment choice.
- You plan to retire earlier or later than your Normal Retirement Age.

Making your choice...

Your pension is probably your most valuable asset. The choice of how to invest your retirement account could therefore be one of the most important decisions you make.

How you decide to invest these contributions will depend on your own personal circumstances, and your attitude as to the degree of risk that you wish to take in respect of these investments. You need to understand what 'risk' means to you. Saving for retirement, through either a pension arrangement or direct savings, involves managing a number of risks.

Risk	What can go wrong
Inflation	Investments fail to keep pace with inflation.
Stock market failure or underperformance	The value of the investments is undermined by poor, or even disastrous, stock market returns.
Manager underperformance	The fund manager fails to add value compared to passive (index-tracking) investment. Passive management is a money management strategy that seeks to match the return and risk characteristics of a market segment or index by mirroring its composition.
<i>In summary, you may reduce the risks as follows:</i>	
Risk	What you can do
Inflation	Buy equities (company shares): the historical evidence is that equities give significant 'real' (in excess of inflation) long term return. But the value of equities can also fall. This may be achieved via the Self-Select Funds on offer. Buy RPI-linked securities.
Stock market failure or underperformance	Buy equities when young but switch into bonds and cash near retirement. This is what the Lifestyle fund's offered aim to achieve. Spread your investments into other asset classes: bonds, RPI-linked securities and property. Buy RPI-linked securities; these may give you assurance against disastrous stock market conditions.
Manager underperformance	If you do not feel comfortable in choosing between the Self-Select funds available, consider using one of the Lifestyle funds.

Please note that the above information does not constitute investment advice by the Trustee and should be used as a guide only. Should you require financial or investment advice you should contact an Independent Financial Adviser (IFA).

It's worth knowing that equities (i.e. company shares) have historically produced the best long-term returns. However, they are volatile and therefore carry more risk (prices can move up and down quite quickly, sometimes by large amounts). Other assets, such as bonds and cash, have more stable prices, but at the expense of likely lower investment returns over the longer term. However, if

you're a long time from retirement, short-term movements in prices may be less of a concern because your fund has time to recover. Remember: pension contributions are savings for your retirement, possibly many years in the future; for example, cash is a sensible investment if you are saving for a new car, but it is a risky investment for retirement.

It's vital that you tell the Trustees how you want your retirement account to be invested.

You can do this by completing an Investment Choices/Changes form and sending it to the Kingfisher Pensions Department at the address on page 10.



The Trustee Board

The assets of both the Kingfisher Pension Scheme and the Kingfisher Retirement Trust are held in trust on behalf of all members and their beneficiaries. The Trusts 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 generally referred to as "Trustees".

What do the Trustees do?

The Trustees are responsible for running the Pension Scheme and the Retirement Trust in accordance with current pensions law and the Trust Deed and Rules of each Scheme. They meet regularly to discuss investment issues and other matters, often with their specialist advisers in attendance.

The Trustee Board oversees both the Scheme and the Trust through committees, which focus on specific aspects of day-to-day operations. The four committees, Accounts & Audit, Benefits, Investment and Sealing, report separately to the Trustee Board at each meeting.

All Trustees undertake specific training about their role and duties as Trustees both when they become a Trustee and throughout their period of office.

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

The Trustees are responsible for running the Pension Scheme and the Retirement Trust in accordance with current pensions law and the Trust Deed and Rules of each scheme.

At 31 March 2006, the Trustees were:

Tony Stanworth, who is Chairman of the Trustee Board and the Benefits Committee and also a member of the Sealing Committee;

Terry Hartwell, who is a member of the Investment Committee;

Helen Jones, who is Chairman of the Sealing Committee and a member of the Accounts and Audit committee and the Benefits Committee;

Roger Blundell, who is a member of the Investment Committee and the Accounts and Audit Committee

Angela Taylor, who is a member of the Accounts and Audit Committee;

Val Struthers, who is a member of the Investment Committee, the Benefits Committee and the Sealing Committee; and

Charles Woodward, who is Chairman of both the Investment Committee and the Accounts and Audit Committee.

Karl Lidgely, who is a member of the Accounts and Audit Committee.

Alison Martin, who is a member of the Investment Committee.



Pension Scheme Administrators

Kingfisher Pensions Department

The Trustees have appointed Kingfisher Pensions Department to carry out the day to day running of both the Pension Scheme and the Retirement Trust, and the Pensions Department are pleased to answer general queries about the Scheme or the Trust. However, if any of the personal details shown on your Benefit Statement are incorrect, you should inform your usual HR or payroll contact, and they will automatically pass the information to the Pensions Department.

The Kingfisher Pensions Department consists of four teams – Administration, Finance, Systems and Technical. If you need to contact the Pensions Department, usually your enquiry will be dealt with by a member of the Administration team.

Standard Life

The Trustees have also appointed Standard Life to administer the Money Purchase Section of the Scheme. At Standard Life, there's a special team dedicated to Kingfisher, who will work in conjunction with the Kingfisher Pensions Department.

Customer service

The Kingfisher Pensions Department liaises on a daily basis with the Standard Life administration team to ensure that a co-ordinated service is provided, especially important where members have benefits in both the Final Salary and Money Purchase Sections of the Scheme.

Both Kingfisher and Standard Life will ensure that your queries are dealt with in an efficient and timely manner. Sometimes, an issue requires further information from an external provider; and if this is the case, the Kingfisher Pensions Team will liaise with that party in order to assist your enquiry.



Contacting the Pensions Teams

When you write to either the Kingfisher Pensions Department or Standard Life, please remember to tell us:

- Your full name, company and current home address
- Your National Insurance number
- If you're a member of the Final Salary Section, your employee or membership number (and if you have more than one period of membership, you will need to tell us all your membership numbers)
- If you're a member of the Money Purchase Section, your Standard Life membership number as well.

You should contact your HR or payroll department if you receive any documents (like your Benefit Statement) from us that show the wrong salary details. They will let us know about any changes to be made to our records.

However, if we haven't got your right date of birth or if your name has changed on marriage, you will need to contact us (as well as your HR or payroll department) and send a copy of the birth or marriage certificate – we always use special delivery to return original certificates.

How to contact the pensions administration teams:

You can contact both the Kingfisher Pensions Department and Standard Life either by telephone or by writing. If you contact us by telephone, please remember to have your identification details to hand, as you will be asked to provide them by way of identification.

Contact Kingfisher Pensions Department

By telephone: 020 7372 8008 or
 By writing to: Group Pensions Department
 Kingfisher plc
 3 Sheldon Square
 Paddington
 London W2 6PX

Contact Standard Life

(Money Purchase members only)
 By telephone: 0845 2728801 or
 By writing to: Standard Life Assurance Company
 Group Pensions 03
 Standard Life House
 30 Lothian Road
 Edinburgh EH1 2DH

Contacting your Company HR/Payroll Department

You can also contact the department or person listed below for your company if you need to change your personal details or for further information about pensions and other company benefits:

	Human Resources 02380 818122
	Caroline Higgins 01935 41400
	Human Resources 020 7644 1112
	Paula Porter 02380 383891



Money Matters

As reported last year, the Company and the Trustees agreed to a new Contribution Schedule which would see significantly increased funding over a period of three years.

Since the announcement, the Company has made an initial special contribution of £130m together with regular contributions of £40m per annum. The next special contribution, totalling £60m is to be made this autumn.

Investment of Assets

As reported last year, the Trustees having agreed long-term funding plans with the Company, have been developing an Investment Strategy designed to achieve these.

Following completion of this review, the Trustees have agreed that all future contributions will be invested in less volatile assets such as Government Gilts and Corporate Bonds which better match the pensions provided by the Final Salary Section of the Scheme. This necessitated a full review of the incumbent bond managers, with changes made to the benchmarks. In addition, two new asset managers with specialist expertise in these markets; PIMCO and European Credit Management, have been appointed to run portfolios, with a third, Goldman Sachs expected to start managing the next £60 million of special company funding.

The Trustees have agreed that all future contributions will be invested in less volatile assets such as Government Gilts and Corporate Bonds which better match the pensions provided by the Final Salary Section of the Scheme



The strategy will, as before, involve the Scheme's assets being spread across a number of asset classes and geographic areas, with the Investment Committee selecting appropriate managers for each particular asset class, who are then 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).

Taking all portfolios together, the return achieved by the Scheme during the year to 31 March 2006 was 22.18%. Over three and five year periods, the annualised returns were 17.3% and 5.9% respectively.

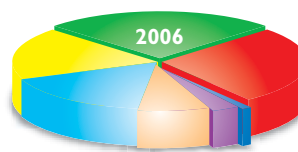
A copy of the Statement of Investment Principles can be obtained by writing to the Kingfisher Pensions Department at the address shown on page 10.

Another of the Trustees' principal responsibilities is to keep accounts for the Pension Scheme. We show opposite a summary of the Annual Accounts of the Pension Scheme which have been audited by KPMG.

Distribution of Scheme Assets

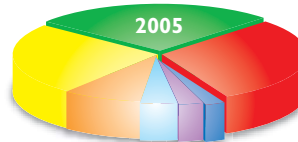
2006

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



2005

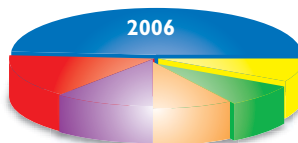
● UK Equities	30%
● Overseas Equities	27%
● Fixed Interest	25%
● Index-Linked Quoted	4%
● Cash and Cash Instruments	3%
● Property	9%
● AVC Funds	2%



Distribution of the Fund by Investment Managers

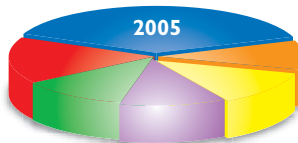
2006

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



2005

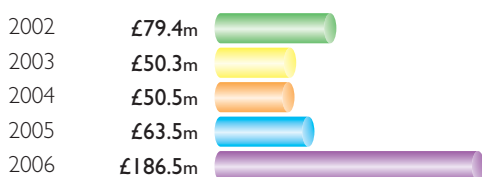
● AXA Rosenberg (UK Equity)	16%
● Gartmore Investment Managers (Fixed Interest)	12%
● Western Asset (Fixed Interest)	12%
● Deutsche Asset Management (Cash)	0%
● Wellington Management (Global Equity)	12%
● Morley Fund Managers (Property)	10%
● State Street Global Advisors (Passive Global Equities and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



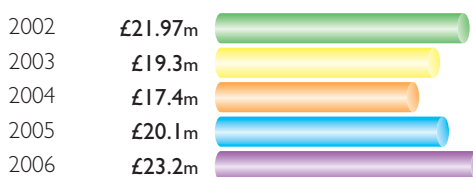
Taking all portfolios together, the return achieved by the Scheme during the year to 31 March 2006 was 22.18%. Over three and five year periods, the annualised returns were 17.3% and 5.9% respectively.

5 Year Summary at 31 March

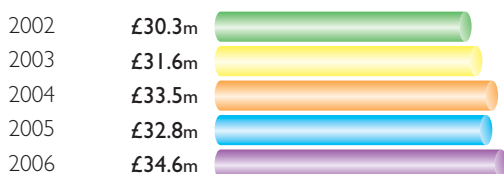
Income - Contributions & Transfer Values



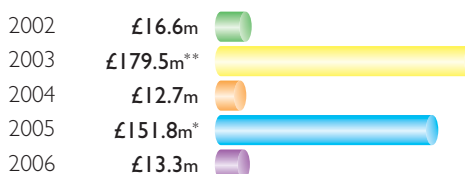
Income - Investment



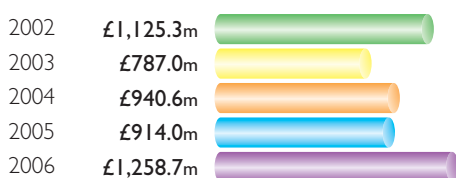
Expenditure - Pensions



Expenditure - Other Benefits & Expenses



Fund Value



* Includes a bulk transfer of approximately £142 million.

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

	Final Salary £'000	Money Purchase £'000	Total 2006 £'000	Total 2005 £'000
Fund Value at start of year	912,219	1,781	914,000	940,554
Plus income				
Contributions	183,729	695	23,176	61,053
Transfers in	695	7	702	2,542
Investment income/bank interest	23,176	4	23,180	20,096
Change in market value of investments	184,528	428	184,956	77,907
Total income	1,120,618	4,318	1,308,665	1,102,152
Less expenditure				
Benefits payable	(42,371)	(36)	(42,407)	(40,466)
Leavers' benefits	(1,889)	(261)	(2,150)	(143,800)
Administrative expenses	(3,339)	0	(3,339)	(2,091)
Investment expenses	(2,003)	0	(2,003)	(1,795)
Total expenditure	(49,602)	(297)	(49,899)	(188,152)
Fund Value at end of year	1,254,745	4,021	1,258,766	914,000

Actuarial Review

The last valuation took place on 31 March 2004, at which point a new contribution schedule was agreed. The next formal valuation is scheduled for 31 March 2007.

Money Purchase Section

Standard section	
For members joining at/after 1 April 2004 and for employees who selected this option between January and March 2004	
Core contributions and benefits	You will contribute 3% of basic Salary An additional amount is payable on behalf of the Company equal to 3% of basic Salary
Pension at retirement	A pension will be purchased from an insurance company. The amount will depend on the value of your retirement account and annuity rates available at the time.
Normal Retirement Age	Age 60
Lump sum death in service benefit	2 x Salary, plus your accrued retirement account
Incapacity early retirement benefit	Additional credit to retirement account equal to the total contributions already credited on behalf of the Company
Options: <i>Contributions</i>	You may contribute more, up to 100% of your earnings in total subject to the Annual Allowance (currently £215,000 per annum) Depending on service or grade, a higher matching company contribution may be payable
<i>Additional death benefit</i>	You may redirect 0.25% of salary towards an additional age-related death benefit to provide dependants benefits
<i>Additional Total Incapacity benefit</i>	You may redirect 0.25% of salary towards an additional age-related benefit in the event of ill-health early retirement.
Leaving Service	If you have more than 2 years service you are entitled to a deferred pension or transfer value. If you have less than 2 years' total membership, you may receive a refund of your contributions less tax. If you have more than 3 months service but less than two years you may transfer your contributions to another pension arrangement. If you have less than 3 months service you will only be entitled to a refund of your contributions.
Participation in the State Second Pension (S2P)	You will participate in S2P. Therefore standard rate NI contributions are payable, and you will receive S2P in addition to your Kingfisher Pension at State Pension age.

Non-contributory Section	
For employees who selected this option between January and March 2004	
Core contributions and benefits:	You will not be required to pay towards the cost of your benefits. 1% of your basic Salary is payable on behalf of the Company.
Pension at retirement	A pension will be purchased from an insurance company. The amount will depend on the value of your retirement account and annuity rates available at the time.
Normal Retirement Age	Age 60
Lump sum death in service benefit	2 x Salary, plus your accrued retirement account.
Leaving Service	A deferred pension or transfer value. If you have completed less than 2 years' membership, no benefit will be payable.
Participation in the State Second Pension (S2P)	You will participate in S2P. Therefore standard rate NI contributions are payable, and you will receive S2P in addition to your Kingfisher Pension at State Pension age.

Final Salary Section

(Available from 1 April 2004 only for employees who selected this option between January and March 2004)

	For Contributions of 7% of basic Salary from 1 April 2004	For Contributions of 5% of basic Salary from 1 April 2004
Pension at Normal Retirement Age	$1/60 \times \text{Final Pensionable Salary} \times \text{Pensionable Service}$	$1/60 \times \text{Final Pensionable Salary} \times \text{Pensionable Service to 31 March 2004}$ plus $1/80 \times \text{Final Pensionable Salary} \times \text{Pensionable Service from 1 April 2004}$
Normal Retirement Age (NRA)	Age 60	Age 60
Lump sum payable following death in Pensionable Service	4 x Pensionable Salary plus return of contributions with interest	4 x Pensionable Salary plus return of contributions with interest
Dependants' pension paid if you die in Pensionable Service	Half the pension you would have received at NRA assuming continuation of 60ths pension accrual to NRA.	Half the pension you would have received at NRA assuming continuation of 80ths pension accrual to NRA
Leaving Service	A deferred pension or transfer value. As the scheme closed to new members with effect from 1 April 2004 there should now not be any members still contributing with less than two years service.	A deferred pension or transfer value. As the scheme closed to new members with effect from 1 April 2004 there should now not be any members still contributing with less than two years service.
Participation in the State Second Pension (S2P)	You will be contracted-out of S2P. This means you will receive benefits from the Pension Scheme instead of S2P benefits, and you will pay lower rate NI contributions to the State.	You will be contracted-out of S2P. This means you will receive benefits from the Pension Scheme instead of S2P benefits, and you will pay lower rate NI contributions to the State.

Although care has been taken to ensure that the summaries of contributions and benefits set out above are accurate, all entitlements are subject to the terms of the Pension Scheme Trust Deed and Rules from time to time, including terms allowing for amendment, closure or termination (with or without the provision of a replacement scheme). Further details about the arrangements can be found in the appropriate Member Guide.



As you may be aware, the Government has introduced legislation effective from 6 April 2006 that has had a major effect on pensions and how we all fund our retirement. The aim of these reforms is to make pensions more flexible and provide more opportunities to save, whether through company pension schemes or through personal pension plans.

The main changes are as follows:

Lifetime Allowance

Although it will only affect a few people, there will be a Lifetime Allowance on pension benefits that can be built up. The Lifetime Allowance will be £1.5 million initially and will increase each year, reaching £1.8 million by April 2010. The total value of an individual's pension benefits cannot exceed the Lifetime Allowance without attracting a tax charge on the excess.

Annual Allowance

In addition there will be an Annual Allowance that will control the build up of final salary pension benefits and the level of contributions to money purchase schemes. The Annual Allowance will be £215,000 initially, so again this will only affect a small number. This will rise to £255,000 by April 2010, although no one can pay in more than their annual earnings or £3,600 if greater. All employees will have the opportunity of paying into a personal pension scheme even if they are currently in an employer's pension scheme.

Change to early retirement age

The age from which early retirement benefits may be taken is to rise from 50 to 55 by April 2010. However, schemes can decide how and when they introduce the new minimum retirement age. In order to allow Kingfisher members the maximum flexibility when planning their retirement, we will not introduce the new minimum retirement age until April 2010.

Tax-Free Cash

Before the legislation was introduced, Final Salary members of the Kingfisher Pension Scheme could take a tax-free cash sum on retirement of roughly 2.25 times their annual pension. Money Purchase members could generally take up to 25% of their accrued pension fund as tax-free cash on retirement. These rules stated that no part of an AVC fund (started after 7th April 1987), could be taken as cash and could only be used to provide a pension. From April 2006, schemes are able to provide a tax-free cash sum, which amounts to 25% of the capital value of a member's pension fund and this can now include AVC funds. This change will allow people more flexibility in how they take their pension and is very welcome. We have changed the Scheme rules to allow members who retire from 6 April 2006 to take the new maximum tax-free cash sum. This applies to both Final Salary and Money Purchase members, and includes the use of AVC funds when calculating the amount of tax-free cash available.



The age from which early retirement benefits may be taken is to rise from 50 to 55 by April 2010.



The new legislation allows individuals to draw a pension whilst continuing to work if their employer adopts this option.

Death Benefits

Final Salary members

For members of the Final Salary Scheme, the rules on death-in-service benefits will be unchanged after 6 April. So if you die before normal retirement age, whilst a contributing member, the scheme will pay the following amounts: a lump sum of four times your Salary or four times your Final Pensionable Salary (if greater), together with all your contributions with interest added. Half your pension will be paid to your dependants plus allowances (pensions) for any children you have. The value of your AVCs will also be paid.

Money Purchase members

For Money Purchase Scheme members, if you die whilst working for the Company, the scheme currently pays twice your salary plus the value of your retirement account. Members can also opt to pay for a higher level of cover. Until 6 April 2006, the maximum lump sum payable was four times your salary but after that date that limit will be removed. The requirement to secure a pension for your dependants will also no longer be necessary. Providing the benefits remain within the available LTA, any lump sum paid will be free of tax charges. Dependants will be given the choice of taking the benefits as a pension or taking the whole amount as cash.

Flexible retirement and age discrimination

The new legislation allows individuals to draw a pension whilst continuing to work if their employer adopts this option. It is hoped this will encourage phased retirement, giving people additional flexibility to reduce working hours in later life, if they would like to and if their position and their employer allow. Kingfisher has decided to adopt a policy of members taking their retirement benefits and remaining in employment, if they would like to.

Coincidentally new legislation on age discrimination is due to become effective in October 2006. This may tie

in with flexible retirement, so once the legislation has been finalised and the Company has decided its policy, further information will be provided to you.

Government White Paper – Security in retirement: towards a new pensions system

Earlier this year the Government published its long-awaited Pensions White Paper:

Some of the key components of the proposals are as follows:

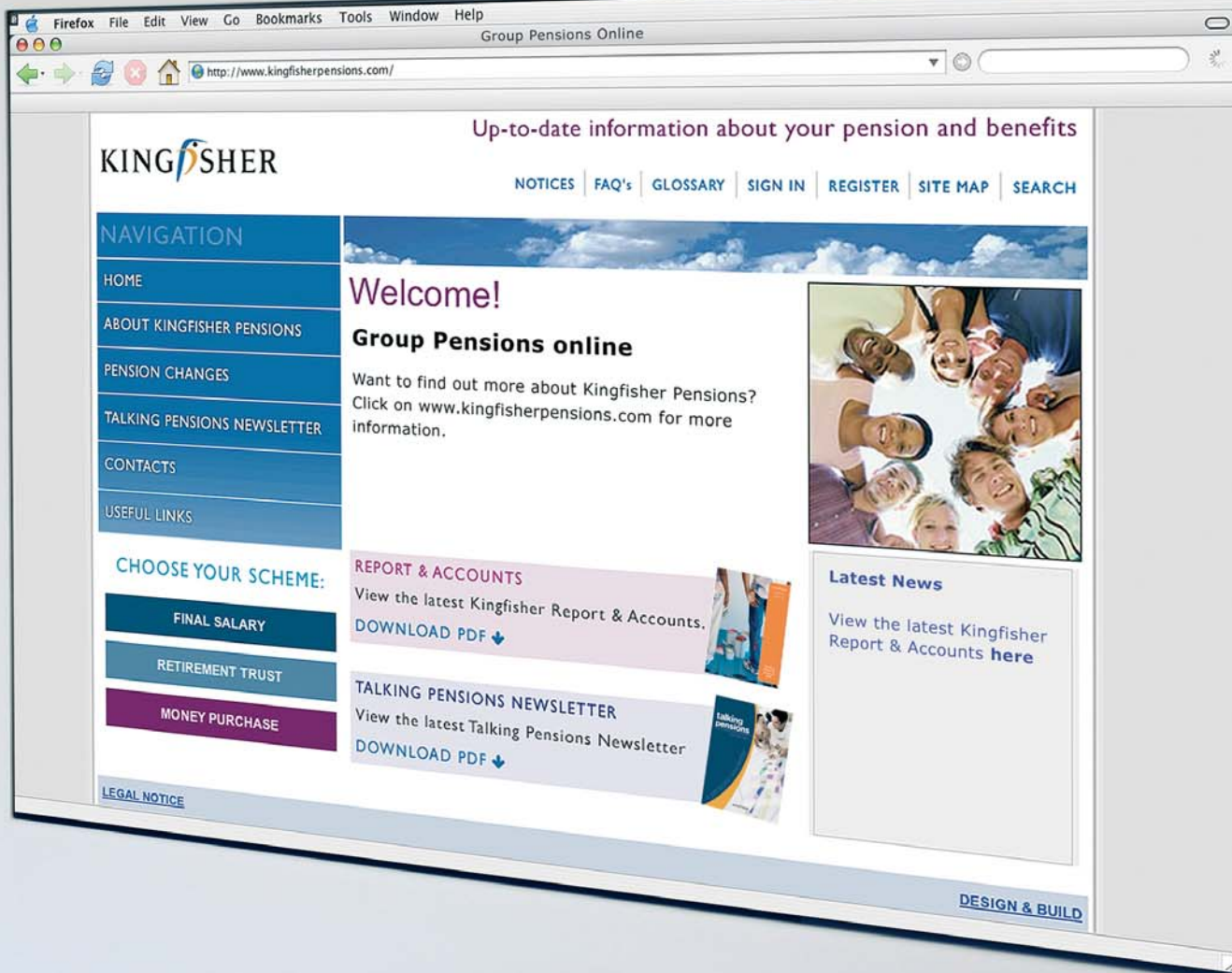
State Reform:

- The basic State Pension will start rising in line with earnings during the next parliament.
- State Pension age will rise to 66 by 2026, 67 to 2036 and 68 to 2046.
- The contributory principle behind the State Pension will be retained, but it will be easier for people to qualify for contributory pensions. People reaching State Pension Age from 2010 will only need 30 years of contributions or credits to qualify for a full basic State Pension.

Enabling and encouraging private saving:

- The creation of a new low cost savings vehicle providing fully portable personal accounts with mandatory employer and employee contributions.
- Auto-enrolment – which means that all employees will be automatically enrolled into a pension scheme, either a suitable employer scheme or into the new low cost pension arrangement.

The White Paper stresses that 'Personal accounts are intended to complement, and not replace existing pension provision from employers'. The Government intends to consult further on the issue of the proposal for personal accounts later this year.



For your online guide to your
pension benefits visit the Kingfisher website at

www.kingfisherpensions.com

GROUP PENSIONS ONLINE