



COMET PENSION SCHEME

Annual Report

For the year ended

31 March 2005

Pension Scheme
Registry No. 1/269876



COMET PENSION SCHEME

ANNUAL REPORT

For the year ended 31 March 2005

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COMET PENSION SCHEME

TRUSTEE AND ADVISERS

TRUSTEE

Comet Trustee Company Limited

Directors

Ian Edwards (Chairman)

Simon Enoch

Jon Herzberg

Maria King

Graham McDonald

Gareth Rayworth

Brian Venters

Chris Parrott, Company Secretary

Registered Address

George House, George Street, Hull HU1 3AU

Company Registration Number: 4827757

ADVISERS

Actuary

Steve Leake, Punter Southall & Co Ltd, Tempus Court, Onslow Street, Guildford, Surrey GU1 4SS

Solicitors

Eversheds LLP, Eversheds House, 70 Great Bridgewater Street, Manchester M1 5ES

Investment Consultants

PSolve Asset Solutions, 126 Jermyn Street, London SW1Y 4UJ

Investment managers

State Street Global Advisers

Citigroup Asset Management Limited

UBS Global Asset Management (UK) Limited

Legal & General Investment Management Limited

Morgan Stanley Investment Management Limited

Tremont (Bermuda) Limited

Auditors

KPMG LLP, One Canada Square, London E14 5AG

Medical Adviser

Dr R. Willcox, InterHealth Limited, 157 Waterloo Road, London SE1 8US

COMET PENSION SCHEME

TRUSTEE AND ADVISERS (continued)

Administrator

MNPA Limited, Leatherhead House, Station Road, Leatherhead, Surrey KT22 7ET

Banker

National Westminster Bank plc, PO Box 34, 15 Bishopsgate, London EC2P 2AP

Group Risk Benefit and Financial Services Consultants

Punter Southall Financial Management Limited, Tempus Court, Onslow Street, Guildford, Surrey GU1 4SS

Insurer (for Death-In-Service benefits)

AIG Life, Alico House, 22 Addiscombe Road, Croydon, Surrey CR9 5AZ

Additional Voluntary Contribution providers

The Standard Life Assurance Company

The Prudential Assurance Company

CONTACT FOR FURTHER INFORMATION

Any person who has a query in relation to the Scheme in general, including obtaining copies of Scheme documentation, or any member enquiring about their own benefits should address their query to Comet Pension Scheme, MNPA Limited, Leatherhead House, Station Road, Leatherhead, Surrey, KT22 7ET, phone 01372 200378 or e-mail to comet.pensions@mnpa.co.uk.

COMET PENSION SCHEME

TRUSTEE'S REPORT

For the year ended 31 March 2005

Introduction

The Trustee presents its first report and the audited financial statements of the Comet Pension Scheme ("the Scheme") for the year ended 31 March 2005.

The year has been busy for the Trustee with a number of projects completed within very short timeframes. The primary focus during the Scheme year has been: -

- 1) the negotiations with the Kingfisher Trustees on the bulk transfer of assets; and past service liabilities from the Kingfisher Pension Scheme;
- 2) the receipt and audit of the transferred assets and Member data;
- 3) determining the investment strategy;
- 4) appointing the appropriate fund managers to deliver that strategy; and
- 5) managing the transfer of assets to the appointed fund manager

General details of the Scheme are described in the Member's Guide, a copy of which was distributed to all Members in April 2005. The Trust Deed and Rules governing the Scheme are available for inspection on application to the administrator.

Management of the Scheme

The Scheme is managed by the Trustee, Comet Trustee Company Limited, a company whose function is to act as the Trustee of any Fund or of any Trust or Trusts which may be established by Comet Group plc and in particular, to act as Trustee of the Scheme. The Trust Deed and Rules, the legal document that governs the Scheme, provides for the appointment and removal of Trustees. The board of the Trustee is currently comprised of 7 Directors, all of whom are appointed by the Principal Employer, Comet Group plc. The Directors serve for a period of four years, and are then eligible for re-election.

The names of the Directors are shown on page 2.

The intention of the Directors is to meet formally twice each year. However, a number of Sub-Committees have been established to meet on a more regular basis. The purpose of these Sub-Committees, and the primary members of each group, are as follows: -

COMET PENSION SCHEME

TRUSTEE'S REPORT (continued) **For the year ended 31 March 2005**

Investment

Ian Edwards chairs the Investment Sub-Committee. All of the Directors are automatically included as members.

The Investment Sub-Committee is responsible for all aspects of the Scheme's investments, including setting the investment strategy, recommending the appointment of fund managers to deliver that strategy and monitoring of investment performance.

Audit

The Audit Sub-Committee is chaired by Graham McDonald and includes Brian Venters. All other Directors may choose to attend meetings of the Audit Sub-Committee if they wish.

The Audit Sub-Committee is responsible for the production of the annual Trustee Report and Financial Statements, approving the Scheme's budget and reviewing all other aspects of the Scheme's operation as considered necessary.

Discretionary Benefits

The Discretionary Benefits Sub-Committee is chaired by Brian Venters and includes Maria King and Gareth Rayworth.

The Sub-Committee is responsible for all decisions requiring the Trustee to exercise its discretion. This is primarily focused on the distribution of death in service cash lump sums, the payments of pensions to dependants and consideration of applications for ill-health early retirement.

Pensions Simplification

Ian Edwards chairs the Pensions Simplification Sub-Committee. All of the Directors are automatically included as members.

The Pensions Simplification Sub-Committee has been formed to consider the impact of the Pensions Act 2004 and Finance Act 2004 on the Comet Scheme's operation in advance of 6 April 2006 when the majority of the requirements contained within the Acts become effective.

COMET PENSION SCHEME

TRUSTEE'S REPORT (continued) **For the year ended 31 March 2005**

Principal and other participating employers

The principal employer is Comet Group plc. The other participating employer whose eligible employees are entitled to be members of the Scheme is Kesa Electricals plc, the parent company of Comet Group plc. Membership of the Scheme was also made available to all of Kesa's UK based employees, providing they too were contributing members, or had applied to become contributing members, of the Kingfisher Pension Scheme as at close of business on 31 March 2005.

Advisers

The advisers set out on pages 2 and 3 were initially appointed prior to the formal introduction of the Comet Scheme on 1 April 2004 to assist in the process necessary to establish the Scheme. Their appointments were subsequently ratified at the Directors' Meeting on 7 September 2004.

There were no changes during the year.

Contributions to the Scheme

The Principal Employer, after seeking actuarial advice, is responsible under Paragraphs 2 of the Trust Deed and Rules to set the rate of contributions payable to the Scheme by the Participating Employers. The required contributions payable, excluding Additional Voluntary Contributions ('AVCs') by both the Members and the Participating Employers are stated within a Schedule of Contributions, which the Trustee is required to prepare and maintain.

The rate of contributions payable by the Members during the Scheme year was 5% of Pensionable Salary.

Following the Scheme's first actuarial valuation as at 1 April 2004, the Scheme Actuary certified the Scheme's first Schedule of Contributions on 4 March 2005. Prior to this, contributions were made based on interim actuarial advice and in accordance with the Trust Deed and Rules.

Additional Voluntary Contributions

Members who will not achieve the maximum pensionable service under the Scheme and who wish to make further provision for their retirement may make additional voluntary contributions (AVCs) in order to enhance the pension provided under the Scheme. These contributions are held in individual funds invested in managed funds of the member's choice. At the end of the Scheme year there were 269 members making additional voluntary contributions. Members who wish to consider taking part in the AVC scheme can obtain details from the administrator.

COMET PENSION SCHEME

TRUSTEE'S REPORT (continued) **For the year ended 31 March 2005**

As part of the launch of the Comet Scheme, the Trustee has attempted to provide as much consistency as is possible to the Scheme Members by offering an AVC facility that matches, or improves upon, that formerly available to the members of the Kingfisher Pension Scheme. A With Profits Fund was made available through The Prudential Assurance Society and an internal transfer was made by that institution to place the accrued funds for the Transferring Members into individual accounts that exactly replicated those available under the Kingfisher Scheme.

Regrettably, it was not possible to establish replacement Unit Linked AVC Funds with both Legal & General Insurance Society and Merrill Lynch Investment Management, who provided such investment opportunities to the Kingfisher Scheme. In its place, the Trustee appointed The Standard Life Assurance Company as its provider of Unit Linked AVC Funds. The realisable values of the accrued Unit Linked Funds were transferred to Standard Life in January 2005 subsequent to the bulk transfer process from the Kingfisher Pension Scheme.

In establishing these replacement funds, the Trustee secured the services of Punter Southall Financial Management Limited to provide specific financial advice to those Members holding AVC accounts. The Trustee believed that the offer of such advice, the cost of which was met fully by the Trustee as part of its duty of care to the Scheme's beneficiaries, ensured that each affected Member had the opportunity to review their investment decision. This permitted each of the effected Members to take such action as appropriate should that review indicate a change to the investment of either past or future AVCs.

Actuarial position

The first formal actuarial valuation of the Scheme was undertaken as at 1 April 2004. The final report of the Scheme Actuary and the appropriate Actuarial Certificates were issued on 3 March 2005. This included a reassessment of the Scheme's funding position following receipt of the bulk transfer of assets and liabilities from the Kingfisher Pension Scheme on 16 December 2004.

The Actuarial Statements relating to that valuation as required by law are set out on pages 18 and 19.

In agreement with the Principal Employer, an interim financial assessment will be undertaken during 2005 and annually thereafter, except in those years where a formal Actuarial Valuation is required.

The next formal valuation of the Scheme is required to be undertaken no later than 1 April 2007 and will be compliant with the Government's new statutory funding framework. The valuation will compare the Scheme's assets against its liabilities on a basis to be agreed between the Trustee and the Principal Employer. If the value of the assets are less than 100% of the value of liabilities the valuation will set out the requirements for the employer to make up the shortfall.

COMET PENSION SCHEME

TRUSTEE'S REPORT (continued) **For the year ended 31 March 2005**

The Trustee and Principal Employer have agreed a strategy to address the past service deficit identified within the Actuarial Valuation as at 1 April 2004. Following actuarial advice, the Principal Employer has agreed a special Past Service Funding Contribution of £6.1m per annum payable over the 10 years commencing 1 April 2005. Reference to this commitment from the Principal Employer is made within the Statement of Investment Principles.

Changes to the Scheme

There were no changes to the Rules or benefit structure during the Scheme Year. This follows the commitment made by Kesa Electricals plc, as the parent company of the Principal Employer, during 2003 to both Kingfisher plc and Kingfisher Pension Trustee Limited within the Deed of Division dated 17 June 2004. However, that commitment included the agreement that were Kingfisher themselves to introduce any changes to benefits to the Kingfisher Pension Scheme, the Comet Scheme may be amended to mirror those changes.

Following the publication of the Actuarial Valuation as at 1 April 2004, and a reassessment of the required future service funding rate, Member contributions were increased to 6.5% (from 5%) of Pensionable Salary with effect from 1 April 2005. Further, a 'salary sacrifice' arrangement was introduced with effect from 1 July 2005. Its introduction, together with the tax relief available at source on pension contributions has mitigated the cost of this increase for the active Members.

Pension increases for benefits accrued from 6 April 2005 were changed to 2.5% or the increase in the General Index of Retail Prices ('RPI') if less. Benefits accrued prior to this change remain unaffected with pension increases being made at 5% per annum or the rise in RPI if less.

Pension increases

In accordance with Paragraph 16 of the Scheme's Trust Deed and Rules, pensions in payment at 1 April 2005 were reviewed for cost of living purposes.

Guarantee Minimum Pensions accruing from prior to 6 April 1997 receive guaranteed increases when they come into payment in line with statutory requirements. The Trustee is responsible for meeting the first 3% per annum of any increase required on that part of the Guaranteed Minimum Pension accrued between 6 April 1988 and 5 April 1997. Increases to Guaranteed Minimum Pensions accruing between 6 April 1978 and 5 April 1988, and any increase on 'Post 1988' Guaranteed Minimum Pensions required above 3% per annum are payable to the individual with their Basic State Pension. That part of the pension in payment as at 1 April 2005 that included Guaranteed Minimum Pensions accrued between 6 April 1988 and 5 April 1997 was increased by 3%.

Paragraph 16.3 of the Trust Deed and Rules requires that any part of the pension in payment in excess of the Guaranteed Minimum Pension is increased by the General Index of Retail Prices over the year to the previous 31 December, up to a maximum of 5%. At 1 April 2005 this increase was 3.5%.

COMET PENSION SCHEME

TRUSTEE'S REPORT (continued) **For the year ended 31 March 2005**

Paragraph 16.5 of the Trust Deed and Rules requires the Principal Employer to consider granting increases to pensions in payment in excess of the increase required under Paragraphs 16.1 to 16.4 inclusive. Comet Group plc confirmed their decision not to provide such additional increases at 1 April 2005.

Deferred benefits

Deferred benefits held under the Scheme for members who have left service or ceased to contribute to the Scheme are increased over the period from the date of leaving service as follows:

- i) The Guaranteed Minimum Pension (GMP) part of members' deferred benefits are increased at a fixed rate (for members who left in the current year 4½%) for each complete financial year to State Pension Age.
- ii) The part of the deferred benefit in excess of the GMP are increased each year in line with the increase in the General Index of Retail Prices over the period to Normal Retirement Date. This is subject to a maximum increase of 5% per annum for Pensionable Service to 5 April 2005 and 2½% per annum for Pensionable Service after 5 April 2005.

Leavers

The rules of the Scheme permit transfers both to and from other occupational pension schemes and legislation permits members to transfer to personal pension plans or to single premium insurance policies (known as 'Section 32' policies). If a transfer is made, the Trustees receive a statutory discharge from any further liability once the transfer has been effected.

The Trustee confirms that all transfer values are calculated and verified in accordance with the statutory cash equivalent requirements in accordance with the Pension Schemes Act 1993. From 6 April 1997, transfer values must be at least the amount calculated on the actuarial basis that applies to the Minimum Funding Requirement valuation. The Trustees confirm that, having received actuarial advice, they have adopted a transfer calculation basis which meets the legal requirements of the Act and makes no allowance for any discretionary benefits which might be payable under the Scheme.

Transfer-in policy discretion

The Trustee has made a policy decision not to accept transfers into the Scheme.

This excludes the specific requirement under Paragraph 19.1 of the Trust Deed and Rules to accept the 'KPS Transfer Amount' from the Kingfisher Pension Scheme. The receipt of this amount formally secured all past service benefits previously provided to the 'Transferring Members'. Payment of the bulk transfer payment was received in December 2004.

COMET PENSION SCHEME

TRUSTEE'S REPORT (continued) For the year ended 31 March 2005

Membership

The movements in Scheme membership during the year were as follows: -

	2005
Active members	
Group Transfer from the Kingfisher Pension Scheme	3,098
Transferred Pending Members	8
New members (see note below)	141
Members retiring	(31)
Deaths in service	(4)
Leavers - Short Service Refunds	(191)
Leavers - Deferred	(276)
At the end of the year	2,745
Pensioners	
Group Transfer from the Kingfisher Pension Scheme	542
New pensioners (includes widows of active and deferred members)	77
Pensions ceased (includes Beneficiaries)	(6)
New Beneficiaries	8
At the end of the year	621
Deferred members	
Group Transfer from the Kingfisher Pension Scheme	2,247
New leavers before pensionable age (retaining an entitlement)	276
Transfers Out	(2)
Deaths	(2)
Full trivial commutations	(32)
Retirements	(46)
At the end of the year	2,441
TOTAL MEMBERSHIP at the end of the year	5,807

Prior to the establishment of the Comet Pension Scheme on 1 April 2004, the Principal Employer announced that the Scheme was to be closed immediately to new Members. All colleagues were offered the opportunity to participate in the new Comet Scheme provided that they joined, or applied to join, the final salary arrangement to close of business on 31 March 2004. The total of 'New Members' shown are those colleagues who applied during March 2004 but, due to the late receipt of their application, whose membership did not commence until 1 April 2004. Both Kesa Electrical plc and Comet Group plc may instruct the Trustee to accept new Members in accordance with Paragraph 1.1 of the Trust Deed and Rules.

COMET PENSION SCHEME

TRUSTEE'S REPORT (continued) For the year ended 31 March 2005

Financial development of the Scheme

The Comet Scheme was newly established and launched on 1 April 2004 following the demerger of Kesa Electricals plc from Kingfisher plc on 9 July 2003. During the period from demerger to 31 March 2004, both Kesa Electricals plc and Comet Group plc continued to participate in the Kingfisher Pension Scheme following agreement to such a transitional period by the Kingfisher Trustee and following approval from the Inland Revenue.

As part of the demerger agreement, the Scheme was immediately required to provide the overall benefit to those retiring or leaving early assuming past service benefits within the Kingfisher Pension Scheme had been fully secured in the Comet Scheme prior to 1 April 2004.

This past service guarantee was in recognition of the proposed 'Share of Fund' transfer payment payable from the Kingfisher Pension Scheme. This payment was calculated in accordance with the Deed of Division dated 17 June 2003 and the accompanying Actuary's Memorandum dated 12 June 2003 from Watson Wyatt Partners LLP, the actuarial consultants to the Kingfisher Pension Scheme.

The value of the net assets of the Scheme increased during the year to £156.2 million at 31 March 2005.

The increase is made up as follows:

	31 March 2005 £'000s	31 March 2005 £'000s
Contributions receivable	12,121	
Transfers in	141,643	
Benefits payable	(2,737)	
Payments to, and on account of, leavers	(182)	
Other income, less expenses	(939)	
	<hr/>	
Net additions from dealings with members		149,906
Increased in market value of investments net of investment management expenses	6,137	
Investment income	142	
	<hr/>	
Return on investments		6,279
		<hr/>
Net increase in the Scheme during the year		156,185
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COMET PENSION SCHEME

TRUSTEE'S REPORT (continued) For the year ended 31 March 2005

Scheme financial statements and summary of contributions

The financial statements of the Scheme for the year ended 31 March 2005 are set out on pages 22 to 29. The financial statements have been prepared and audited in accordance with Section 41(1) and (6) of the Pensions Act 1995.

Investments - policy

The investment policy of the Scheme was determined by the Investment Sub-Committee and subsequently ratified by the Directors. This was determined following an Asset/Liability Model undertaken by the Scheme's investment consultants, PSolve Asset Solutions, in conjunction with the Actuary.

The Trustee has established a funding strategy of: -

- (a) a 'Matching Fund', that in general terms provides an income stream derived from investment in monetary assets to enable the payment of benefits as they fall due; and
- (b) an 'Investment Fund', that in general terms is intended to use 'real' assets that provide a match against final salary benefits as they accrue.

In general terms, the Trustee's **qualitative** objectives for the Scheme are:

- 1) To ensure that sufficient assets are available to pay out current and future members' benefits as and when they arise; and
- 2) Maximising the funding level on an ongoing basis. In particular, to ensure that the scheme reaches a 100% funding level on an on-going basis within 10 years.

And secondarily,

- 3) Minimising the risk of additional cash contribution requirements from the sponsoring employer in meeting the balance of the costs in underwriting the scheme benefits.

In terms of monitoring the investment arrangements, the above objectives are translated into the following **quantitative** measures, which are used as the main management tool:

- 1) To achieve returns equal to gilts + 0.75% p.a. on the Matching Fund;
- 2) To achieve returns equal to gilts + 3.0% p.a. on the Investment Fund.

COMET PENSION SCHEME

TRUSTEE'S REPORT (continued) For the year ended 31 March 2005

The asset allocation within the agreed strategy is as follows: -

Asset Class	%	Expected Rate of Return above gilt returns (pa)
Investment Fund	70%	3.0%
UK equities	15	
Overseas equities		
US	5	
Europe (ex UK)	5	
Asia Pacific (inc Japan)	5	
Global equities	10	
Property	15	
Active Global Bonds	10	
Absolute Return Funds	5	
Matching Fund	30%	0.75%
Fixed Interest Corporate Bonds	10	
Index-linked gilts	20	

In setting this strategy, the Trustee has sought to ensure that the investments are adequately diversified and liquid. The strategy is monitored on an on-going basis and a complete review will be carried out within any 12-month period to ensure that the Trustee is satisfied with the level of diversification being achieved.

The Scheme has adopted a Statement of Investment Principles ("SIP") as required under the Pensions Act 1995, which sets out the Trustee's investment decisions and processes. A copy of the SIP is available on request from the Scheme Administrator, the contact details of whom are given on page 3 of the Trustee Report.

The SIP sets out the investment objectives of the Scheme, which are:

- (a) the acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with contributions from members and employers, the cost of current and future benefits which the Scheme provides.
- (b) to limit the risk of the assets failing to meet the liabilities over the long term including in relation to the Minimum Funding Requirement.

COMET PENSION SCHEME

TRUSTEE'S REPORT (continued) **For the year ended 31 March 2005**

Investment – implementation of investment strategy

Prior to the Share of Fund transfer payment from the Kingfisher Trustees, monthly contributions were maintained within the Trustee Bank account. These funds were placed on overnight deposit at the most advantageous rates possible from a suite of institutions offering such deposit facilities. The Trustee considered this as appropriate policy prior to the receipt of the bulk transfer payment. This ensured that as much liquidity as possible was available during the implementation of the agreed investment strategy and avoided unnecessary investment and disinvestment costs.

The Share of Fund payment was agreed to be made by the Kingfisher Trustees by the transfer of ownership of a series of units held in passively managed investment funds with State Street Global Advisers ('SSgA'). This unit transfer took place on 16 December 2004 and a total of £137.575m was transferred to the Trustee. This transfer payment comprised of £135.0m in unitised investments and a balancing payment in cash to the Trustee Bank account.

Following the receipt of the bulk transfer payment, it was agreed that the units held with SSgA would remain within the relevant funds and disinvested as appropriate when implementing the agreed investment strategy.

The main transition to the agreed Scheme strategy commenced on 1 March 2005 and was made in several tranches during that month. PSolve were appointed by the Trustee to act as Transition Manager and supervise the transfer of assets out from SSgA into the appropriate manager. This was achieved by a series of in-specie stock transfers in accordance with 'wish lists' provided by the new manager. Where that option was not available, a realisation of assets was made to enable a cash investment with the new manager.

Prior to the main transition, use was made of the available surplus cash in the Trustee Bank account to make the initial investment in Absolute Return Funds. Two separate investments of £4m and £2m were made to Tremont (Bermuda) Limited on 2 January 2005 and 1 February 2005 respectively. A further investment of £1.5m was made on 1 May 2005 to bring the allocation to Absolute Return Funds to the required 5% level.

It was not possible for the Trustee to make the agreed 15% investment strategy in Property due to a decision by the selected investment manager to restrict the amount of new money into the 'Triton' Fund. An initial investment of £13m was made on 15 March 2005. The remaining allocation was retained in a range of passive unitised funds with SSgA until such time as the selected investment manager agrees to accept further new investments. The appropriateness of maintaining this proportion of the assets within a passive equity fund and the anticipated period where this is temporarily held in equities remains under constant review by both the Trustee and the Investment Consultant.

COMET PENSION SCHEME

TRUSTEE'S REPORT (continued) **For the year ended 31 March 2005**

In order to discharge its responsibilities with regard to investments, the Trustee employs a range of specialist fund managers to deliver the investment strategy as detailed above. Details of the fund managers are set out on page 2.

Each investment manager has been set a performance target in excess of a benchmark return, and is expected to achieve the target performance over a rolling three-year period. A limit is also set to control maximum under-performance by the investment manager in any one year.

The investment managers are remunerated in accordance with the market value of securities under their control.

Investment Managers

The managers appointed to manage the appropriate portfolios within the agreed investment strategy, as are follows:

Asset Class	Selected Manager
Passive UK and Overseas equities	Legal & General Investment Management Ltd
Global equities	Morgan Stanley Investment Management
Active Global Bonds	Citigroup Asset Management Ltd
Absolute Return Funds	Tremont (Bermuda) Limited
Property, Fixed Interest Corporate Bonds & Index Linked Gilts	UBS Global Asset Management

Details of each individual fund managers investment objectives and technique and any restrictions placed upon the manager by the Trustee are detailed within the Statement of Investment Principles available on request from the administrator.

Internal dispute resolution procedure

The Pensions Act 1995 requires the Trustees to establish a formal complaint procedure. The Trustees have put such a procedure in place and this is detailed in the Member's handbook.

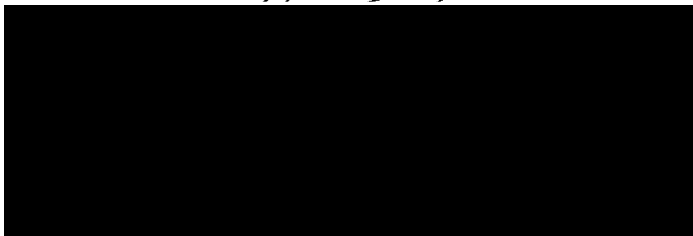
COMET PENSION SCHEME

TRUSTEE'S REPORT (continued) For the year ended 31 March 2005

Information to members

Members of the Scheme are advised that this Annual Report is for information purposes only and should be read in conjunction with the Trust Deed and Rules to which reference should be made in respect of any query. Queries should be addressed in the first instance to the administrator detailed on page 3.

■ For and on behalf of the Trustee



Date: 13.10.2005

COMET PENSION SCHEME

STATEMENT OF TRUSTEE'S RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

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

1. 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 end of the Scheme year; and
2. contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice, 'Financial Reports of Pension Schemes'.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It 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 they should ensure is consistent with the financial statements it accompanies.

The Trustee is responsible, under pension 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 is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for procuring that contributions are made to the Scheme in accordance with the Schedule of Contributions.

The Trustee 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, including the maintenance of appropriate internal controls.

**ACTUARIAL STATEMENT MADE FOR THE PURPOSES OF
REGULATION 30 OF THE OCCUPATIONAL PENSION SCHEMES
(MINIMUM FUNDING REQUIREMENT AND ACTUARIAL
VALUATIONS) REGULATIONS 1996**

Name of Scheme Comet Pension Scheme
Effective Date of Valuation 1st April 2004

1. Security of prospective rights

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

Members (excluding AVCs)

5.0% of pensionable salary per annum up to 31st March 2005
6.5% of pensionable salary per annum from 1st April 2005

Company (including expense allowance and cost of insured benefits for all members including those eligible for the life assurance benefit only)

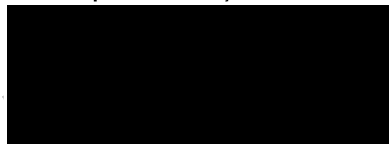
Regular Contributions 13.5% of pensionable salaries per annum
Annual Lump Sums £508,333 payable each month from 1st March 2005

2. Summary of methods and assumptions used

Method: Projected Unit

Assumptions:	Interest - pre-retirement	7.30% per annum
	Interest - post-retirement	5.30% per annum
	Salary inflation (full-time employees)	4.70% per annum
	Salary inflation (part-timer employees)	3.00% per annum
	Price inflation	3.00% per annum
	Pension increases	2.80% per annum
	Mortality - pensioners	PA92 C2005
	Mortality - actives/deferreds	
	Post-retirement	PA92 C2015
	Pre-retirement	A92
	Asset valuation	Market value

Further details of the methods and assumptions used are set out in my Actuarial Valuation addressed to the Trustees or managers dated 10th February 2005.

Signature:.. 

3rd March 2005

S Leake

Fellow of the Institute of Actuaries
Punter Southall & Co
Tempus Court
Onslow Street
Guildford GU1 4SS

**ACTUARIAL CERTIFICATE GIVEN FOR THE PURPOSES OF SECTION 58 OF THE
PENSIONS ACT 1995
(CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS)**

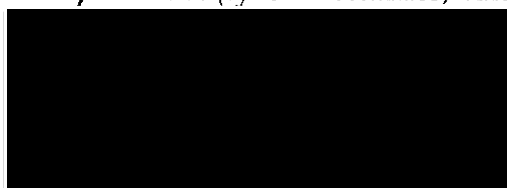
Name of Scheme: Comet Pension Scheme

Adequacy of rates of contributions

1. I hereby certify that, in my opinion, the rates of the contributions payable in accordance with this 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



Steve Leake BSc FIA

Date 4th March 2005

Address: Punter Southall & Co
Tempus Court
Onslow Street
Guildford
Surrey GU1 4SS

Qualification: Fellow of the Institute of Actuaries

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.

COMET PENSION SCHEME

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE **For the year ended 31 March 2005**

We have audited the accounts on pages 22 to 29.

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 Trustee 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 trustees and auditors

As described on page 17, the scheme's trustee directors 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 scheme which complies with applicable United Kingdom law. Further, as described on page 17, they are responsible for ensuring that, following the first minimum funding valuation, 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, as appropriate, the scheme rules and the recommendation of the actuary and the schedule of contributions certified by the actuary. 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 scheme rules and the recommendation of the actuary and, following the certification of the schedule by the actuary, in accordance with that schedule. We report to you if we have not received all the information and explanations we require for our audit.

We read the trustee 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 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.

COMET PENSION SCHEME

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE (continued) For the year ended 31 March 2005

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 period ended 31 March 2005 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 2005 have been paid in accordance with the scheme rules and with the recommendation of the actuary.

KPMG LLP

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

Date: *19* OCTOBER 2005

COMET PENSION SCHEME

FUND ACCOUNT

For the period ended 31 March 2005

	Note	2005 £'000s
Contributions and benefits		
Contributions receivable	3	12,121
Transfers in	4	141,643
Other income	5	208
		<hr/>
		153,972
		<hr/>
Benefits payable	6	2,737
Leavers	7	182
Term insurance premiums		279
Administration expenses	8	868
		<hr/>
		4,066
		<hr/>
Net additions from dealings with members		149,906
		<hr/>
Returns on investments		
Investment income	10	142
Change in market value of investments	11	6,294
Investment management expenses	12	(157)
		<hr/>
Net returns on investments		6,279
		<hr/>
Net increase in the Scheme during the period		156,185
		<hr/> <hr/>

The notes on pages 24 to 29 form part of these financial statements.

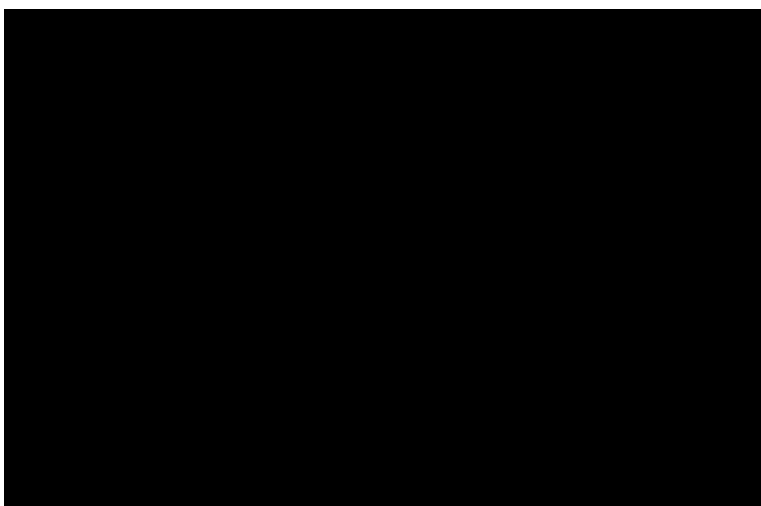
COMET PENSION SCHEME

NET ASSETS STATEMENT
As at 31 March 2005

	Note	2005 £'000s
Investments	11	<u>151,556</u>
Current assets and liabilities	13	<u>4,629</u>
Net assets of the Scheme at end of year		<u><u>156,185</u></u>

These financial statements were approved by the Trustees on 13 October 2005

Signed on behalf of the Trustee:



COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 March 2005

1. Basis of preparation

The financial statements have 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 (the SORP) (revised November 2002), Financial Reports of Pension Schemes.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do 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 account of such obligations, is dealt with in the statement by the actuary on page 18 of the annual report and these financial statements should be read in conjunction with it.

2. Accounting policies

The financial statements have been prepared under the historical cost convention, modified to include investments at market value. The principal accounting policies, all of which have been applied consistently throughout the year and, unless otherwise stated, the preceding year are as follows:

(a) Contributions

Members' and employers' contributions due for periods up to the year end are recognised in the year under review.

(b) Benefits payable

Benefits payable, with the exception of transfers to other schemes, are taken into account in respect of valid claims notified before the year-end. Transfers to other schemes are accounted for on a cash basis.

(c) Investment income

Investment income is recognised as follows:

Dividend income from equity shares is recognised when the Scheme becomes entitled to the dividend. In the case of UK quoted shares this will be from the ex-dividend date.

Income from fixed interest securities and cash deposits is recognised on an accruals basis.

All investment income is stated inclusive of any related taxation recoverable but net of irrecoverable overseas withholding taxes.

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued) For the period ended 31 March 2005

(d) Investments - valuation

Shares in the FTSE 100 and its reserve list have been valued on the basis of the last traded price recorded on the Stock Exchange Electronic Trading Service. Other investments have been valued wherever possible on a middle market basis recorded at the close of business at the year end.

(e) Pooled investment vehicles

Where the investments are held in managed and unitised funds the change in market value also includes expenses both implicit and explicit to the Scheme and any reinvested income, where the income is not distributed.

(f) Additional Voluntary Contributions (AVCs)

Under the Rules of the Scheme, members are able to make AVCs. AVCs from members represent the total amount received which are invested with the Prudential Group and Standard Life to secure benefits on a money purchase basis.

	2005 £'000s
3. Contributions receivable	
Employers - normal	8,182
- special contributions*	508
Members - normal	3,029
- additional voluntary contributions	402
	12,121
	12,121

*These contributions are funding for past service. The intention is to pay these contributions over a 10 year period ending 28 February 2014, but the appropriateness of this payment period is subject to periodic review.

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued) For the period ended 31 March 2005

	2005 £'000s
4. Transfers in	
Group transfers in from other Schemes	141,624
Individual transfers in from other schemes	19
	141,643
	141,643
<p>The Group transfer in represents the assets transferred to the Scheme from the Kingfisher Pension Scheme, inclusive of accrued AVC accounts. The bulk transfer comprised of investment assets of £135.000m, £4.050m AVCs and £2.575m cash.</p> <p>Although the Trustee has a policy of not accepting transfer payments into the Scheme on an individual basis, pension entitlements accrued by a number of 'Transferring Members' in the former Kingfisher Pension Scheme include reinstatements of pension benefits following the FSA review of 'Pension Mis-selling'. 'Individual transfers in from other schemes' relate to the total of such payments that had been requested to be paid in respect of such Members prior to 1 April 2005, but which had not been received by that date. On a discretionary basis, the Trustee permitted the completion of that reinstatement process so as not to disadvantage the Members concerned.</p>	
5. Other income	
Claims on term insurance policies	208
	208
	208
6. Benefits payable	
Pensions	1,802
Lump sum retirement benefits	578
Lump sum death benefits	357
	2,737
	2,737

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 March 2005

	2005 £'000s
7. Payments to and on account of leavers	
Individual transfers to other scheme	7
Payments for members joining state scheme	67
Refunds to members leaving the Scheme	108
	182
	182
8. Administration expenses	
Administrative and processing	167
Actuarial fees	28
Audit fees	20
Other consultancy costs	157
Miscellaneous expenses	2
Set-up costs	494
	868
	868
9. Related party transactions	
<p>Under Financial Reporting Standard No 8 the Trustee is deemed to be a "related party" of the Scheme. No payments were made to any Trustee Director for fees and expenses, relating to attendance at Trustees' Board meetings during the year. Additionally, certain Board members have an interest as either a deferred or active member of the Scheme due to their service as an employee with the employer.</p>	
	2005 £'000s
10. Investment income	
Interest on cash deposits	142
	142
	142

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued) For the period ended 31 March 2005

11. Investments

	Transfer from Kingfisher Pension Scheme £'000s	Purchases at cost £'000s	Sales proceeds £'000s	Change in market value £'000s	Value at 31 March 2005 £'000s
Pooled investment vehicles	135,000	138,087	(132,184)	6,148	147,051
AVC investments	4,049	296	(89)	146	4,402
	<u>139,049</u>	<u>138,383</u>	<u>(132,273)</u>	<u>6,294</u>	<u>151,453</u>
Cash deposits					103
					<u>151,556</u>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

11.1 Pooled investment vehicles

Fixed interest securities	16,528
Index linked securities	28,584
UK equities	29,903
Overseas equities	37,270
Property*	12,805
Overseas fixed interest	15,881
Absolute return fund•	6,080
	<u>147,051</u>

*Unit trust

•Registered overseas

Of the above investments in Pooled Investment Vehicles, £140.971m are invested by managers who are registered in the U.K. with £6.080m invested by managers registered outside the U.K.

11.2 Cash deposits

Dealing account	103
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COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued) For the period ended 31 March 2005

11.3 AVC investments

The Trustees hold assets invested separately from the main Scheme in the form of individual accounts securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement made up to the year end confirming the amounts held to their account and the movements in the year. The aggregate amounts of AVC investments were as follows:

	2005 £'000s
Standard Life	600
Prudential Group	3,802
	<hr/> 4,402 <hr/> <hr/>
12. Investment management expenses	
Investment management fees	17
Other advisory fees	2
Set-up costs	138
	<hr/> 157 <hr/> <hr/>
13. Current assets and liabilities	
Contributions due - employer	1,256
- employee	238
Cash balance	4,273
Benefits payable	(52)
Creditors and accruals	(1,086)
	<hr/> 4,629 <hr/> <hr/>

COMET PENSION SCHEME

COMPLIANCE STATEMENT

Constitution

The Comet Pension Scheme is governed by a Definitive Trust Deed and Rules dated 29 March 2004, with subsequent amendments. The registration number of the scheme with the Registrar of Occupational Pension Schemes is shown on the front cover.

Taxation Status

The Scheme has been approved by the Occupational Pensions Board and members are contracted out of the additional component of the State Second Pension (S2P). The Scheme is exempt approved under Chapter I Part XIV of the Income and Corporation Taxes Act 1988. The Trustees know of no reason why this approval may be prejudiced or withdrawn.

Changes to scheme constitution rules or basic information

Save as disclosed below, there were no changes to the Scheme Rules, Constitution or basic information during the year under review.

The Principal Employer and Trustee agreed a series of changes to be effective from April 2005, which were introduced by a Deed of Amendment dated 30 March 2005. These changes are: -

1. an increase in Member Contributions from 5% of Pensionable Salaries to 6½%, effective from 1 April 2005; and
2. a reduction in 'Limited Price Indexation' for Pensionable Service accrued post 5 April 2005 to the rise in RPI, subject to a maximum of 2½% per annum.

Pension increases

In accordance with the rules, pensions in payment and deferred pensions were increased by 3.5% with effect from 1 April 2005 to assist pensioners to keep pace with inflation.

COMET PENSION SCHEME

COMPLIANCE STATEMENT (continued)

OPAS and Pensions Ombudsman

If Scheme members have any queries concerning their benefits they should contact the Scheme's administrators by writing to the pensions administration office at the address shown on page 3.

If a member has a complaint against the Scheme which has not been resolved to their satisfaction through the Scheme's dispute procedure, the Office of the Pension Advisory Service (OPAS), an independent voluntary organisation, may be able to offer advice. OPAS is available at any time to help members with any query or any difficulty that they have failed to resolve with the Trustee or administrators. It is not necessary to go through the formal internal dispute resolution procedure first. The name of the local OPAS adviser can be obtained from any local Citizens Advice Bureau. If the complaint is not satisfactorily resolved, the government appointed Pensions Ombudsman can investigate complaints of injustice caused by mal-administration, either by the Trustees or scheme administrators, or disputes of fact or law. The Pensions Ombudsman can be contacted at:

11 Belgrave Road
London SW1V 1RB

The Pensions Regulator (TPR) can intervene if it considers that a Scheme's Trustee, advisers or the employer are not carrying out their duties correctly. The address for TPR is:

Napier House
Trafalgar Place
Trafalgar Street, Brighton BN1 4DW

Self investment (employer-related investment)

There has been no employer-related investment at any time during the year, except in pooled funds used for the purpose of index tracking where shares in Kesa Electricals plc are held for that purpose.