
COMET PENSION SCHEME

REPORT AND FINANCIAL STATEMENTS

Year ended 31 March 2006

COMET PENSION SCHEME

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COMET PENSION SCHEME

TRUSTEE ADVISERS Year ended 31 March 2006

Administrative details

Scheme 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

Auditors

KPMG LLP, One Canada Square, London, E14 5AG

Scheme Administrators

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

Medical Adviser

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

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, Croyden, Surrey, CR9 5AZ (to 5 September 2005)
Norwich Union, 2 Rougier Street, York, YO90 1UU (from 6 September 2005)

AVC providers

The Standard Life Assurance Company
The Prudential Assurance Company

Investment managers

State Street Global Advisers (until 31 July 2005)
Citigroup Asset Management Limited (now Western Asset Management Limited)
UBS Global Asset Management Limited
Legal & General Investment Management Limited
Morgan Stanley Investment Management Limited
Tremont (Bermuda) Limited

Principal employer

Comet Group plc, George House, George Street, Hull, HU1 3AU

Bankers

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

Contact address

Comet Pension Scheme, MNPA Limited, Station Road, Leatherhead House, Leatherhead, Surrey KT22 7ET, phone 01372 200378, email comet.pensions@mnpa.co.uk. Further information can also be obtained from our website www.comet-pensions.co.uk.

COMET PENSION SCHEME

TRUSTEE'S REPORT Year ended 31 March 2006

Introduction

The Trustee of Comet Pension Scheme (the 'Scheme') is pleased to present the annual report together with the audited Financial Statements for the year ended 31 March 2006. The Scheme is a defined benefit scheme and is administered by MNPA Limited in accordance with the Scheme's Trust Deed and Rules, solely for the benefit of its Members and other beneficiaries. All members of the Scheme are contracted-out of the State Second Pension.

The primary business of the Trustee during the year under review has been: -

- i. concluding the transition to the agreed investment strategy;
- ii. implementing the change to pension increases for service accrued from 6 April 2005;
- iii. introducing from 1 April 2005 the Past Service Recovery Plan in conjunction with the Employer;
- iv. introducing a salary sacrifice facility for Active Members with effect from 1 July 2005;
- v. working with the Principal Employer with regard to the Annual Funding Review undertaken by Comet as at 31 August 2006;
- vi. the rebroking of the external insurance, where possible, of potential death-in service cash sums;
- vii. considering the calculation of cash equivalent transfer values;
- viii. 'Pension Simplification' as introduced by the Finance Act 2004 and Pensions Act 2004;
- ix. preparation for implementing the agreed changes to Scheme design effective from April 2006.

The principal employer

The Principal Employer of the Scheme is Comet Group plc, whose registered address is: George House, George Street, Hull, HU1 3AU.

The Scheme is provided for all eligible employees of the Principal Employer. The other Participating Employer is Kesa Electricals plc, the parent company of Comet Group plc whose employees are entitled to be Members of the Scheme provided that they satisfy the eligibility requirements of the Scheme. The Scheme has been closed to new Members since 1 April 2004. However, Paragraph 1.1 of the Trust Deed and Rules provides for the Participating Employers to instruct the Trustee Directors to permit any colleague to join the Scheme at a future date.

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TRUSTEE'S REPORT Year ended 31 March 2006

Appointment and removal of Trustee/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 Trustee Directors. The board of the Trustee at the year end comprised 7 Directors, all of whom are appointed by the Principal Employer.

At the end of the year under review the Directors of Comet Trustee Company Limited were:

Ian Edwards(Chairman)
Simon Enoch
Jon Herzberg
Maria King
Graham McDonald
Gareth Rayworth
Brian Venters

Chris Parrott (Company Secretary)

Since the year end, Maria King and Gareth Rayworth have chosen to resign as Directors of the Trustee. Their resignations became effective from 5 April 2006 and 19 May 2006 respectively. The Principal Employer has appointed as replacement Trustee Directors Victoria Moore (with effect from 9 May 2006) and Andrew Dobson (effective from 26 June 2006).

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TRUSTEE'S REPORT Year ended 31 March 2006

Member Nominated Trustees/Directors

Section 16 of the Pensions Act 1995 requires that at least one-third of trustees (or one-third of directors of a corporate trustee company) are to be 'Member Nominated'. However, Section 17 of the Act permitted an employer to propose alternative arrangements, termed as an 'Employer Opt Out' where such alternative arrangements were considered to be more appropriate to the applicable scheme's operations. When establishing the Comet Pension Scheme with effect from 1 April 2004, the Principal Employer sought the approval of the Members in July 2004 to proceed on an interim basis that the Principal Employer would appoint all Trustee Directors. In seeking this agreement, it was acknowledged that the impending implementation of the Pensions Act 2004 (to be effective from April 2006) removed the Employer Opt Out opportunity. Therefore, it was agreed by the Members to accept the proposed Employer Opt Out process until 2006 when a full Member Nominated Director process would be undertaken.

Following his retirement from Comet Group plc in April 2005, Graham McDonald agreed to remain as a Company appointed Trustee Director until the conclusion of the Member Nominated Director process during 2006. It was agreed that this would provide for an independent analysis of the process.

Responsibility for setting a 'fair, transparent and proportionate' process fell to the Trustee, including the nomination and, where necessary, election of Member Nominated Directors. The Trustee proposed that this should be undertaken with effect from April 2006. The communication to Active and Pensioner Members requested nominations to fill the following positions: -

- a Pensioner representative;
- a representative from 'Operations'; and
- a representative from 'Head Office/Support'.

Nominations by and in respect of potential Trustee Directors were limited to Active or Pensioner Members and to comply with the process used by the Principal Employer in its elections to Comet's National Colleague Consultation Forum. Any nomination received was required to have two seconders, both of whom were also required to be either an Active or Pensioner Member. Where no nominations were received from any of the available representatives, this position would remain unfilled until 2007 when a new nomination process would be undertaken. Should only one nomination be received for a relevant position, that person nominated would be automatically appointed.

Following the conclusion of this process, the successful Member Nominated Directors detailed below were appointed for a four year period commencing from 14 June 2006: -

- Pensioner: Graham McDonald
- Operations: Paul Underwood, (Manager, Aylesbury Home Delivery Platform)
- Head Office/Support: Jeff Rowland (IT Department, Hull Business Centre).

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TRUSTEE'S REPORT Year ended 31 March 2006

Management of the Scheme

The intention of the Trustee Directors is to meet formally three times 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: -

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, producing, reviewing and amending as necessary the Statement of Investment Principles, 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 so choose.

The Audit Sub Committee is responsible for the production of the annual Trustee Report and Financial Statements, reviewing the security and accuracy of the investment of all surplus cash payments from the Trustee Bank Account and any other adjustments to the Scheme's asset allocation, approving the Scheme's annual 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. Following the resignation of Maria King and Gareth Rayworth in 2006, Victoria Moore and Jeff Rowland have now been appointed as permanent members of this Sub-Committee.

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 those considered as Dependants and the review of applications for ill-health early retirement.

Pensions Simplification

The Pensions Simplification Sub Committee was formed to specifically 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. This Sub-Committee was chaired by Ian Edwards and all Trustee Directors were automatically appointed.

COMET PENSION SCHEME

TRUSTEE'S REPORT Year ended 31 March 2006

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 prior to 6 April 1997 receive increases in 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 above 3% per annum are payable to the individual in addition to the Member's 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 also reviewed annually and increased by the Retail Price Index (RPI). The increase applied is determined by the RPI as declared for the previous December. The general increase applied as at 1 April 2005 for this purpose was 3½%.

The increase policy required under Paragraph 16.3 of the Trust Deed & Rules has been amended from 6 April 2005. With effect from that date, the annual review will be calculated as: -

- i. for pensionable service accrued prior to 6 April 2005: the RPI, subject to a maximum of 5% per annum; and
- ii. for pensionable service accrued post 5 April 2005: the RPI, subject to a maximum of 2½% per annum.

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

Deferred benefits

Deferred benefits held 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:

Guaranteed Minimum Pension

The Guaranteed Minimum Pension (GMP) part of members' deferred benefits is increased annually at a fixed rate, the value of which is determined by the date on which Pensionable Service ceased. The applicable rates are: -

Pensionable Service ceasing on or after 6 April 2002:	4½% per annum
Pensionable Service ceasing between 6 April 1997 and 5 April 2002:	6¼% per annum
Pensionable Service ceasing between 6 April 1993 and 5 April 1997:	7% per annum
Pensionable Service ceasing between 6 April 1988 and 5 April 1993:	7½% per annum
Pensionable Service ceasing between 6 April 1978 and 5 April 1988:	8½% per annum

'Excess Pension'

The part of the deferred benefit in excess of the GMP is increased each year in line with the increase in the RPI applying at the prior September (subject to overriding legislation).

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TRUSTEE'S REPORT Year ended 31 March 2006

Transfer values

The Rules of the Scheme permit transfers both to and from other occupational and personal pension arrangements. If a transfer payment out of the Scheme is made, the Trustee receives a statutory discharge from the receiving scheme trustee of 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 of the Pension Schemes Act 1993. From 6 April 1997, transfer values must be at least equal to 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.

Following receipt of actuarial advice, the Trustee has now introduced a policy of reducing cash equivalent transfer values to reflect the funding position of the Scheme as it applies from time to time. The stated intention is to review this aspect of the Scheme's operation following receipt of the results of each annual funding review of the Scheme.

The Trustee has made a policy decision not to accept transfers into the Scheme, although consideration is given to individual requests made in exceptional circumstances.

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TRUSTEE'S REPORT Year ended 31 March 2006

Contributions

The Principal Employer, after seeking actuarial advice, is responsible under Paragraphs 2 and 3 of the Trust Deed and Rules to set the rate of contributions payable to the Scheme by the Participating Employers and Members. 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 with effect from 1 April 2005 was 6.5% of Pensionable Salary (increased from 5%).

With effect from 1 July 2005, and at the request of the Principal Employer, a salary sacrifice arrangement was introduced, branded as 'SMART Pensions'. Those choosing to participate in SMART Pensions were able to sacrifice that part of their salary otherwise payable as Member Contributions. This allows for a more effective method of Scheme funding for both the Member and Participating Employer and a reduction in overall National Insurance Contributions payable by, and on behalf of, the Member.

Following advice received from the Company's advisers, a number of Scheme Members were identified as not benefiting from SMART Pensions. These were: -

- i. those with earnings below £5,000 per annum and for whom certain State benefits would be affected by a reduction in earnings; and
- ii. those due to retire, or those who were considering retiring prior to 6 April 2006 and whose Scheme entitlement could be affected by a reduction in Final Remuneration, as defined by HM Revenue and Customs prior to 6 April 2006.

The affected Members were advised of this issue in advance of SMART Pensions implementation. Those with earnings below £5,000 per annum were automatically opted out of the new arrangement. Additionally, all Members were also given the opportunity to voluntarily withdraw from the salary sacrifice arrangement. A total of 86 Members were either automatically opted out or voluntarily chose not to participate.

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

During the year under review, an amended Schedule of Contributions was certified by the Actuary to reflect the agreed changes as follows: -

- i. the increase in Member Contributions to 6½% of Pensionable Salaries with effect from 1 April 2005;
- ii. the introduction of SMART Pensions with effect from 1 July 2005; and
- iii. the increase in Employer Contributions to 15% of Pensionable Salaries with effect from 1 March 2006.

Following the receipt of the results of the Actuarial Valuation as at 1 April 2004, the Trustee and the Principal Employer agreed a 'Past Service Recovery Plan', the intention of which is to restore the Scheme to a fully funded position (calculated on an on-going basis) by 31 March 2015. With effect from 1 April 2005, the Principal Employer has made an additional fixed payment of £6.1m per annum for this purpose. The continued appropriateness of the level of the Past Service Deficit Contribution is considered within future annual funding reviews. Payment of the Past Service Recovery Plan is noted in the Schedule of Contributions.

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TRUSTEE'S REPORT Year ended 31 March 2006

Employer-related investments

There was no employer-related investment at any time during the year, except within passively managed funds that seek to track an index and which requires an appropriate holding in Kesa Electricals plc to achieve that tracking requirement.

Scheme changes

As stated above, following the publication of the Actuarial Valuation as at 1 April 2004, the Principal Employer undertook a reassessment of the required future service funding rate. It was agreed that Member contributions were to be increased to 6.5% (from 5%) of Pensionable Salary with effect from 1 April 2005. To assist Members with the increased cost of Scheme participation, a 'salary sacrifice' arrangement, under the branding of 'SMART Pensions' was introduced with effect from 1 July 2005.

Pension increases for benefits accrued from 6 April 2005 were reduced to 2.5% per annum or the increase in the Retail Price Index (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.

With effect from 1 April 2005, Members were permitted to continue to contribute to the Scheme beyond Normal Retirement Date ('NRD') if agreement was reached with the applicable Participating Employer that their employment was to continue beyond that date. This was subject to no retirement benefits having been brought into payment at NRD. Such additional contributions are permitted until the last day of the month in which the Member attains their 65th birthday or actual retirement if earlier. The Principal Employer and the Trustee Directors recognised that former contributing Members remaining in employment beyond NRD, but who had been required to cease contributing at that time and whose entitlement, therefore, became subject to the Scheme's Late Retirement provisions, would potentially welcome the opportunity of resuming Active Membership. Such Members were invited to rejoin the Scheme with effect from 1 April 2005 and represent the 20 new Members to the Scheme, as stated in the Membership Report shown on page 12. Resuming Active Membership was agreed on the basis that the latest period of Membership accrued as a separate entitlement to that previously calculated at NRD. That early period of pensionable service continued to be subject to the Later Retirement provisions in accordance with Paragraph 6 of the Trust Deed & Rules.

Group Risk Benefits

It is the Trustee's policy that wherever necessary or advantageous, external insurance will be sought to minimise the financial risk to the Scheme on the payment of certain benefits, primarily death-in-service cash lump sums. With regard to the ability of Active Members to contribute to age 65 and thereby be considered as continuing to be an Active Member beyond NRD, the Trustee undertook a review of the life assurance market for this purpose. It was agreed within that review that the existing policy with AIG be cancelled in favour of a replacement arrangement with Norwich Union.

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TRUSTEE'S REPORT Year ended 31 March 2006

Pensions Simplification

The Finance Act 2004 and Pensions Act 2004 sought to simplify pension provision in the UK. This process included withdrawing the applicable legislation that has previously imposed restrictions on payments to, and/or benefits arising from, UK pension arrangements. That previous legislation has now been replaced with effect from 6 April 2006 by: -

- i. a 'Lifetime Allowance' that limits the value of pension benefits (excluding those paid as State Scheme or as Dependant's pensions from other 'Registered Pension Schemes') to, initially £1.5m; and
- ii. an 'Annual Allowance' that limits the value of contributions (or increase in defined benefit pension benefits that arise from earlier membership of such arrangements) to, initially, £215,000 per annum.

In conjunction with the Principal Employer, the Trustee has sought to introduce changes to the Scheme design to allow Members to benefit from the flexibility that the new legislation affords, but where necessary limiting the exposure to additional funding required from the Principal Employer. Whilst these changes become effective outside of the year under review, the discussions and decisions made were within the 2005/06 Scheme Year. These changes were: -

1) Increase in the value of Pension Commencement Lump Sum

Prior to April 2006, Members were able to receive cash lump sums at retirement calculated by a specific formula set out in the Scheme's Trust Deed and Rules. Since 1 April 2006, the Trustee has introduced a simplified approach that permits Members to now receive a maximum cash sum at retirement equal to four times the initial rate of pension at retirement, plus, where relevant, 25% of the value of the applicable Member's Additional Voluntary Contributions ('AVCs') fund. Initial funding for what is now termed a 'Pension Commencement Lump Sum' is provided first by the surrender of the Member's AVC fund and, secondly, from the commutation of pension. The Trustee believes that in general this new policy affords the Member a financial advantage than if the AVC were first converted to pension.

2) Continuation of providing Additional Voluntary Contributions ('AVCs') Facility

The Pensions Act 2004 removed the previous requirement that Trustees provide to Scheme Members the ability to make additional contributions through the applicable occupational scheme. The Trustee believes that the Members value their continual monitoring in conjunction with their advisers of the appointed provider for this purpose. As such, it was agreed that the Trustee would continue to provide an AVC facility. However, following discussion with the Principal Employer, it was agreed that contributions to the AVC facility would be limited to 15% of Pensionable Salary. This limit allows for an element of control over the on-going liability, and potentially increased and volatile funding of such liabilities, that could be incurred by those Members choosing to fully utilise their AVC fund to increase their retirement pension.

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3) Scheme Specific Earnings Cap

Members commencing Pensionable Service after 31 May 1989 were previously subject to the 'Earnings Cap' as required by the Finance Act 1989. The Cap limited the amount of pension contributions to, and benefits arising from, UK pension arrangements. The Cap was initially set at £60,000 (for the fiscal year commencing 6 April 1989), but is subject to annual increase. For the fiscal year commencing 6 April 2005, the value of the Earnings Cap was £105,000. This requirement to impose an earnings limitation has now been removed by the provisions of the Finance Act 2004 with overall benefit and contribution limits now restricted solely by the 'Lifetime' and 'Annual' Allowances. With effect from 6 April 2006, a 'Scheme Specific Earnings Cap' has been introduced for all Members previously subject to this earnings restriction. This is calculated as 7½% of the Lifetime Allowance as applying from time to time. For the 2006/07 Scheme Year the value of the Scheme Specific Earnings Cap is £112,500 (i.e., £1.5m x 7½%)

As an additional benefit to those formerly subject to the Earnings Cap, the previous salary limitation has now been removed for Death-in-Service purposes. Therefore, Members are now covered for life assurance at four times their basic salary.

Pension sharing on divorce

The Trustee has considered the Regulations introduced to facilitate Pension Sharing on Divorce. It was decided that the default option would, where possible, be to transfer benefits out of the Scheme without consent. However, because of conflicts in legislation it was agreed to allow 'internal transfers' where necessary. This requires a separate 'deferred pension' to be established for the Member's former spouse, with that resulting entitlement being subject to the annual increase and early retirement provisions as applying for 'ordinary' deferred pensions. The value of the pension to be allocated to the Member's former spouse will be determined by the Court. Members and their ex-spouses will be responsible for the costs of providing information and implementing a pension sharing order in accordance with the Scheme administrators standard basis.

Management of investments

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. A copy is also freely available to view or download from the company's pension website, www.comet-pensions.co.uk.

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 the Participating 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.

Basis of investment manager fees

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

COMET PENSION SCHEME

TRUSTEE'S REPORT Year ended 31 March 2006

Membership

Details of the membership of the Scheme as at 31 March 2006 are given below:-

	Total 2006	Total 2005
ACTIVE MEMBERS		
At start of the year	2,745	3,098
Transferred pending members	-	8
New entrants in the year	20	141
Retirements	(39)	(31)
Death in service	(2)	(4)
Members leaving with contribution refunds	(88)	(191)
Members leaving with preserved benefits	(251)	(276)
	2,385	2,745
ACTIVE MEMBERS AT THE END OF THE YEAR		
PENSIONERS		
At start of the year	621	542
Members retiring during the year	71	77
Spouses and dependants	5	8
Pensions ceased	(11)	(6)
	686	621
PENSIONERS AT THE END OF THE YEAR		
MEMBERS WITH PRESERVED AND DEFERRED BENEFITS		
At start of the year	2,441	2,247
Leavers during the year with preserved benefits	251	276
Deferred pensioners becoming pensioners	(32)	(46)
Transfers out during the year	(16)	(2)
Deaths	(2)	(2)
Full trivial commutation	(5)	(32)
	2,637	2,441
MEMBERS WITH PRESERVED AND DEFERRED BENEFITS AT THE END OF THE YEAR		
	5,708	5,807
TOTAL MEMBERSHIP AT THE END OF THE YEAR		

Pensioners include individuals receiving a pension upon the death of their spouse. These membership figures do not include movements notified to the Administrator after the completion of the annual renewal.

The Scheme also provides Death-in-Service cover for those colleagues that either participate in the Comet Stakeholder Pension Plan or for whom life assurance is provided under their Terms and Conditions of Employment. The number of 'Life Cover Only Members' as at 31 March 2006 was 2,699 (2005: 4,490)

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TRUSTEE'S REPORT Year ended 31 March 2006

Financial development of the Scheme

The Financial Statements on pages 23 to 24 show that the value of the Scheme's assets increased by £41,892,000 to £198,077,000 as at 31 March 2006. The increase was comprised of net additions from dealings with Members (i.e. contributions payable by, and in respect of Members, less the value of benefits paid) of £12,216,000 together with a net increase in the value of investments of £29,676,000.

The Financial Statements have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

Further details of the financial developments of the Scheme may be found in the audited Financial Statements on pages 23 to 30.

Actuarial Valuation

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.

The Actuarial Statements relating to that Valuation as required by law are set out on page 31.

The initial Valuation identified a deficit of assets held against accrued liabilities. Following discussions between the Principal Employer and the Trustee, a 'Past Service Recovery Plan' has been introduced that seeks to rectify the deficit position, calculated on an on-going basis, by 31 March 2015. This requires a payment of a Past Service Deficit Contribution of £6.1m per annum (payable in monthly instalments commencing 1 April 2005). The Recovery Plan is subject to annual review to ensure that the assumptions used in calculating the appropriate contribution, together with the level of contribution itself, remain adequate to meet the stated objective. Reference to this commitment from the Principal Employer is made within the Statement of Investment Principles

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 Scheme 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 Participating Employers to make up the shortfall.

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TRUSTEE'S REPORT Year ended 31 March 2006

Further information

Members are entitled to inspect copies of documents giving information about the Scheme. In some circumstances copies of documents can be provided, but a charge may be made for copies of the trust documents (the Trust Deed and Rules) and the Actuary's report. A number of these documents are freely available to view on the Company's pension website, www.comet-pensions.co.uk.

The documents available from the website are: -

- i. a full copy of the Definitive Trust Deed & Rules and, where appropriate, any subsequent Deeds of Amendment;
- ii. the most recent Trustee Report & Financial Statements;
- iii. the current Statement of Investment Principles;
- iv. A copy of the latest Summary Funding Statement; and
- v. the relevant approval certificates for HR Revenue & Customs approval, Contracting-Out Certificate and the Data Protection Register.

Any query about the Scheme, including requests from individuals for information about their benefits, should be addressed to:

The Trustee of Comet Pension Scheme (the 'Scheme') c/o MNPA Limited, Leatherhead House, Leatherhead, Surrey, KT22 7ET.

Internal dispute resolution (IDR) procedures

Since 6 April 1997, all trustees of occupational pension schemes must have internal dispute resolution (IDR) procedures in place, for dealing with any disputes between Trustee and Scheme beneficiaries.

Detailed information regarding the Scheme's IDR procedures can be obtained from the Secretary to the Trustee. A brief description of the agreed procedure is given within the Member Guide and on the Company's pension website, www.comet-pensions.co.uk.

Alternatively, Members and their beneficiaries can obtain free advice through the Pensions Advisory Service (tPAS) who can be reached at 11 Belgrave Road, London SW1V 1RB. If a member has a complaint which tPAS is unable to resolve then they can ask for a ruling from the Pensions Ombudsman who can be reached at the same address.

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TRUSTEE'S REPORT Year ended 31 March 2006

Additional Voluntary Contributions

Members wishing 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 pooled accounts invested in managed funds of the Member's choice. At the end of the Scheme year there were 269 members making AVCs. Members who wish to make AVCs can obtain details from the administrator or from the Company's pension website, www.comet-pensions.co.uk.

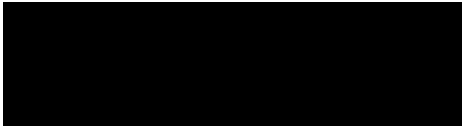
A With-Profits Fund continues to be made available through The Prudential Assurance Company for those who chose to use this investment option whilst contributing to the former Kingfisher Pension Scheme prior to 31 March 2004. The Trustee has resolved that no new contributors to this investment fund will be permitted. Members choosing to invest in a With Profits Fund may do so by using a Free Standing AVC policy established on an individual basis.

The Standard Life Assurance Company has also been appointed to provide Unit Linked and 'Lifestyle' AVC Funds. Full details of the Funds available can be obtained from www.comet-pensions.co.uk. The website also contains a link to Standard Life's 'Fund Selection Tool' as a means to assist Members in determining which Funds would be suitable for their purposes dependent upon answers to a series of questions that aims to identify their attitude to investment risk and retirement planning.

In establishing these AVC providers, the Trustee undertook a thorough review of, and continues to review, the AVC market in conjunction with Punter Southall Financial Management ('PSFM') Limited. The latest review on the continued appropriateness of both The Prudential Assurance Society and The Standard Life Assurance Society for this purpose was undertaken in March 2006.

As part of its continued service to the Trustee and Members, PSFM Limited provide general advice on the advantages of making additional provision through the payment of AVCs or, alternatively, the Comet Stakeholder Pension Plan. PSFM may be contacted by calling 0845-456-4030, or by e-mail to comet@psfm.com.

This report, including the Compliance Statement, was approved by the Trustee on 5 October 2006 and signed on its behalf by:



I R M Edwards
Chairman of the Trustees



C J Parrott/
Company/Secretary

COMET PENSION SCHEME

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

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:

- 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
- 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. They are 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 also has certain responsibilities in respect of contributions, which are set out in the Statement of Trustee's Responsibilities accompanying the Trustee's summary 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.

COMET PENSION SCHEME

INVESTMENT REPORT

In general terms, the Trustee's qualitative objective for the Scheme is: -

- i. to ensure that sufficient assets are available to pay out current and future members benefits as and when they arise; and
- ii. to maximise the funding level on an on-going basis, in particular, ensuring that the Scheme reaches a 100% funding level by 2015.

Secondarily, the Trustee aims to minimise the risk of additional cash contribution requirements from the Participating Employers in meeting the balance of the costs required to provide the benefits required under the Rules. To achieve this secondary aim, a diversified strategy was agreed that permits investment in a wide range of differing investment opportunities as a solution to the potential volatility risk apparent in investing in a smaller number of asset classes.

The agreed investment strategy comprises of: -

1. A 'Matching Fund', which invests in assets that produces an income stream derived from investment in 'monetary assets' to enable the benefits as they fall due. The measurement used for this part of the investment strategy is to achieve a return equal to Gilts + 0.75% per annum; and
2. An 'Investment Fund', that generally invests in 'real assets' that provide a match against final salary benefits as they fall due. Its strategy aims to achieve an investment return of Gilts + 3% per annum.

The asset allocation within the agreed strategy and the Investment Manager appointed for that mandate are as follows: -

<u>Asset Class</u>	<u>Allocation</u>
Investment Fund	70%
UK Equities	15%
Overseas Equities	
US	5%
Europe (Excluding UK)	5%
Asia Pacific (Including Japan)	5%
Property	15%
Active Global Equities	10%
Active Global Bonds	10%
Absolute Return Funds	5%
Matching Fund	30%
Fixed Interest Corporate Bonds	10%
Index Linked Gilts	20%

The Trustee recognises that with the movement of markets generally, and differing asset classes specifically, allowance must be given to permit the allocation to each part of the agreed strategy to operate around this core allocation. Investments are permitted to be within a range of +/-5% of the core allocation.

COMET PENSION SCHEME

INVESTMENT REPORT

The Trustee has appointed specialist Investment Managers to manage each of the individual mandates within the agreed investment strategy. The appointed Managers for each of the applicable mandates are: -

<u>Mandate</u>	<u>Selected Fund Manager</u>
Passive UK and Overseas Equities Global Equities Active Global Bonds	Legal & General Investment Management Limited Morgan Stanley Investment Management Limited Citigroup Asset Management Limited (now Western Asset Management Limited)
Absolute Return Funds Property, Fixed Interest Corporate Bonds & Index Linked Gilts	Tremont (Bermuda) Limited UBS Global Asset Management Limited

Details of each individual Investment Managers investment objectives and technique, together with any restrictions placed upon the Manager by the Trustee, are detailed in the Statement of Investment Principles. The Statement is available on request from the administrator or freely available to download from www.comet-pensions.co.uk.

During the year under review, the Trustee has concluded the implementation of the agreed investment strategy. The majority of the transition to the new strategy was undertaken during March 2005. However, this was not concluded until 31 August 2005 when the Trustee undertook the final realisation of units held with State Street Global Advisers and the subsequent transfer to UBS Global Asset Management Limited for inclusion in the Property investment. This process was delayed due to UBS's decision to temporarily close the applicable Property investment Fund (Triton') to new monies. The decision was made to retain the investment with State Street, which itself was held within a range of passively managed equity funds and at low management charges, until the opportunity to increase the Property allocation arose.

The UBS Triton Fund remains closed to new monies with the result that the Scheme's allocation to Property falls below the agreed target of 15% of total assets. The Trustee has considered further Property investment utilising alternative managers, but decided that there should be no further allocation to this asset class in the short term. It has been decided that this will be reviewed again during 2007 or if the value of the Property allocation falls below 10% of the Scheme's total asset value.

The Trustee has resolved to implement a monthly process that identifies surplus cash held in the Trustee Bank account. The availability of these surplus monies, generally of c£1m per month, allows the Trustee to further develop the Scheme's investment strategy in line with the change in liabilities without the need to disinvest other assets. Additionally, this allows for the flexibility to consider new investment opportunities as they arise from time to time.

Performance Summary

Manager	12 Months to 31 March 2006			
	Scheme	Benchmark	Relative	
	%	%	vs BM %	vs Target %
Legal & General Investment Management	31.1	30.8	0.3	
Morgan Stanley	25.1	28.6	-3.5	25.1
UBS Triton Fund	21.3	20.3	1.0	
Citigroup Asset Management	11.5	10.7	0.9	-1.2
Tremont	13.3	7.3	5.9	
UBS Global Asset Management (Bonds)	9.1	9.5	-0.3	-1.1
Total	19.8	19.2	0.6	

Where returns are shown gross of fees.

COMET PENSION SCHEME

SUMMARY OF CONTRIBUTIONS For the ended 31 March 2006

Statement of Trustee's Responsibilities in respect of Contributions

The Trustee Directors are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Participating Employers and the Active Members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee Directors are also responsible for keeping records of contributions received in respect of any Active Member of the scheme and for procuring that contributions are made to the Scheme in accordance with the Schedule.

Trustee's Summary of Contributions payable under the Schedules in respect of the Scheme year ended 31 March 2006

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the trustees. It sets out the Participating Employer and Member contributions paid to the Scheme under the Schedules of Contributions certified by the Actuary on 4 March 2005, 30 June 2005 and 24 February 2006 in respect of the Scheme year ended 31 March 2006. The Scheme auditor reports on contributions payable under the Schedules in the Auditors' Statement about Contributions.

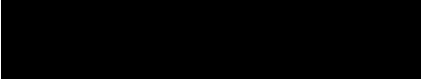
Contributions payable under the schedules in respect of the scheme year	£'000
Employer:	
Normal contributions	7,426
SMART contributions	2,509
Special contributions	6,100
Member:	
Normal contributions	1,033
Contributions payable under the Schedules	<u>17,068</u>

Reconciliation of contributions

Reconciliation of contributions payable under the Schedules of Contributions reported in the accounts in respect of the scheme year:

	£'000
Contributions payable under the Schedules (as above)	17,068
Contributions payable in addition to those due under the Schedules:	
Member additional voluntary contributions	351
Total contributions reported in the accounts	<u>17,419</u>

Signed on behalf of the Trustees by I R M Edwards.


Chairman of the Trustees

5 October 2006

COMET PENSION SCHEME

STATEMENT ABOUT CONTRIBUTIONS For the ended 31 March 2006

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

We have examined the summary of contributions payable under the schedules of contributions to the Comet Pension Scheme in respect of the scheme year ended 31 March 2006 which is set out on page 19.

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

Respective responsibilities of trustee and auditors

As described on page 19, the scheme's trustee is responsible, under the Pensions Act 1995, for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions which sets out the rates and due dates of certain contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme. The trustee has a general responsibility for procuring that contributions are made to the scheme in accordance with the schedule of contributions.

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

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

Basis of statement about contributions

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

Statement about contributions payable under the schedule

In our opinion, contributions for the scheme year ended 31 March 2006 as reported in the summary of contributions and payable under the schedule have been paid from 1 April 2005 to 29 June 2005 in accordance with the schedule of contributions certified by the actuary on 4 March 2005, from 30 June 2005 to 23 February 2006 with the schedule of contributions certified by the actuary on 30 June 2005 and subsequently in accordance with the schedule of contributions certified by the actuary on 24 February 2006.

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

19 OCTOBER 2006

COMET PENSION SCHEME

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE

Independent Auditors' Report to the trustee of the Comet Pension Scheme

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

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

Respective responsibilities of trustees and auditors

As described in the Statement of trustee's responsibilities on page 16, the scheme trustee is responsible for obtaining an annual report, including audited financial statements prepared in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

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

We read the trustee's report and other information contained in the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

COMET PENSION SCHEME

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE

Opinion

In our opinion the financial statements:

- show a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the financial transactions of the scheme during the scheme year ended 31 March 2006 and of the amount and disposition at that date of its assets and liabilities (other than liabilities to pay pensions and benefits after the end of the scheme year); and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.

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

19 OCTOBER 2006

COMET PENSION SCHEME

FUND ACCOUNT For the year ended 31 March 2006

	Note	2006 £000	2005 £000
CONTRIBUTIONS AND BENEFITS			
Contributions receivable	3	17,419	12,121
Transfers in	4	80	141,643
Other income	5	172	208
		<u>17,671</u>	<u>153,972</u>
Benefits payable	6	(3,117)	(2,737)
Payments to and on account of leavers	7	(1,264)	(182)
Other payments	8	(246)	(279)
Administrative expenses	9	(828)	(868)
		<u>(5,455)</u>	<u>(4,066)</u>
NET ADDITIONS FROM DEALINGS WITH MEMBERS		<u>12,216</u>	<u>149,906</u>
INVESTMENT RETURNS			
Investment income	10	729	142
Change in market value of investments	12	29,139	6,294
Investment management expenses	11	(192)	(157)
		<u>29,676</u>	<u>6,279</u>
NET RETURNS ON INVESTMENTS		<u>29,676</u>	<u>6,279</u>
NET INCREASE IN THE FUND DURING THE YEAR		<u>41,892</u>	<u>156,185</u>
OPENING NET ASSETS AT 1 APRIL 2005		<u>156,185</u>	-
NET ASSETS AT 31 MARCH 2006		<u><u>198,077</u></u>	<u><u>156,185</u></u>

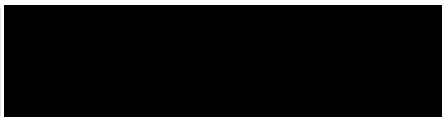
COMET PENSION SCHEME

NET ASSETS STATEMENT As at 31 March 2006

	Note	2006 £000	2005 £000
TOTAL INVESTMENTS			
INVESTMENTS	12	196,570	151,556
CURRENT ASSETS AND LIABILITIES	13	1,507	4,629
NET ASSETS AT 31 MARCH 2006		<u>198,077</u>	<u>156,185</u>

The notes on pages 25 to 30 form an integral part of these financial statements.

These financial statements were approved by the Trustee at a meeting held on 5 October 2006 and were signed on their behalf by:



I R M Edwards
Chairman of the Trustees



G K McDonald
Director

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2006

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, "Financial Reports of Pension Scheme" (SORP) (revised November 2002).

The Financial Statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. 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 statements by the Actuary on Page 31 of the Annual Report and these Financial Statements should be read in conjunction therewith.

2. ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of the Financial Statements.

2.1 Accruals concept

The Financial Statements, including administration expenses, have been prepared on an accruals basis with the exception of individual transfers which are recognised when received or paid.

2.2 Contributions and benefits

Contributions and benefits are accounted for in the period in which they fall due.

Normal contributions received during the year have been paid in accordance with the schedule of contributions.

Augmentations relate to the cost of augmenting benefits of certain retiring members, as advised by the Actuary.

Employer special contributions are accounted for in accordance with the agreement under which they are paid.

2.3 Transfers to and from other Schemes

Transfer values have been included in the Financial Statements when received and paid. They do not take account of members who have notified the Scheme of their intention to transfer.

Individual transfer values to and from other pension arrangements represent the amounts received and paid during the year for members who either joined or left the Scheme and are accounted for when a member exercises their option to transfer their benefit.

Group transfers are accounted for on the accruals basis where the Trustee has agreed to accept the liability for members' benefits.

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2006

2. ACCOUNTING POLICIES (continued)

2.4 Investment income

Investment income on cash deposits is accounted for on an accruals basis.

Income from managed funds is not distributed but is reinvested and included within the closing value of the fund at the year end.

2.5 Valuation of investments

The market value of pooled investment vehicles is based on the unit price operating at the accounting date, as advised by the investment managers.

2.6 Additional Voluntary Contributions (AVCs)

AVCs are accounted for on an accruals basis, and the resulting investments are included within the net assets statements.

3. CONTRIBUTIONS RECEIVABLE

	2006 £000	2005 £000
Employer's Contributions		
Normal contributions	7,426	8,182
Annual lump sums as per the Schedule of Contributions*	6,100	508
Employer SMART contributions	2,509	-
Members' Contributions		
Normal contributions	1,033	3,029
Additional voluntary contributions	351	402
	<u>17,419</u>	<u>12,121</u>

*These contributions are funding for past service. The intention is to pay these contributions over a 10 year period ending 31 March 2015, but the appropriateness of this payment period is subject to periodic review.

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2006

4. TRANSFERS IN

	2006 £000	2005 £000
Transfers in-Individuals	80	19
Group transfers in from other schemes	-	141,624
	80	141,643
	80	141,643

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.

5. OTHER INCOME

	2006 £000	2005 £000
Claims on term insurance policies	172	208
	172	208
	172	208

6. BENEFITS PAYABLE

	2006 £000	2005 £000
Pension payments	2,102	1,802
Commutations and lump sum retirement benefits	717	578
Lump sums on death in retirement	5	-
Lump sums on death in service	284	357
Lump sums on death of deferred member	9	-
	3,117	2,737
	3,117	2,737

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2006 £000	2005 £000
Payments for members joining state scheme	49	67
Individual transfers to other schemes	1,106	7
Refunds to members leaving service	109	108
	1,264	182
	1,264	182

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2006

8. OTHER PAYMENTS

	2006 £000	2005 £000
Term insurance premiums	246	279

9. ADMINISTRATIVE EXPENSES

	2006 £000	2005 £000
Administration and processing	284	167
Actuarial fees	165	28
Audit fee	18	20
Other consultancy costs	255	157
Levy payable to Pension Protection Fund	70	-
Set-up costs	-	494
Sundry expenses	36	2
	<u>828</u>	<u>868</u>

10. INVESTMENT INCOME

	2006 £000	2005 £000
Income from pooled investment vehicles	615	-
Interest on cash deposits	114	142
	<u>729</u>	<u>142</u>

11. INVESTMENT MANAGEMENT EXPENSES

	2006 £000	2005 £000
Administration, management & custody	56	17
Other advisory fees	136	140
	<u>192</u>	<u>157</u>

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2006

12. INVESTMENTS

	Value at 01/04/2005	Purchases at cost	Sales proceeds	Change in market value	Value at 31/03/2006
	£000	£000	£000	£000	£000
Pooled investment vehicles	147,051	25,863	(10,151)	28,789	191,552
AVC investments	4,402	392	(154)	350	4,990
Sub total	<u>151,453</u>	<u>26,255</u>	<u>(10,305)</u>	<u>29,139</u>	<u>196,542</u>
Cash deposits	103				28
	<u><u>151,556</u></u>				<u><u>196,570</u></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.

The Non property Pooled Investment Vehicles detailed below have the following amounts in underlying types of investments: Absolute return fund (registered overseas) £10,335k, Fixed interest Securities £20,679k, Index Linked Securities £ 33,867k, UK Equities £ 31,544k, Overseas Equities £ 51,622k and Overseas Fixed Interest £ 18,088k. All registered in the UK except where mentioned otherwise.

POOLED INVESTMENT VEHICLES

	2006 £000	2005 £000
Property Unit Trust	25,417	12,805
Non Property pooled Investment vehicles	166,135	134,246
	<u><u>191,552</u></u>	<u><u>147,051</u></u>

CASH DEPOSITS

	2006 £000	2005 £000
Sterling cash deposits	<u><u>28</u></u>	<u><u>103</u></u>

COMET PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2006

AVC INVESTMENTS

The trustee holds assets which are separately invested from the main fund. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions.

Members participating in this arrangement receive an annual statement made up to 31 March each year, confirming the amounts held to their account and movements during the year.

The total amount of AVC investments at the year end is shown below.

	2006 £000	2005 £000
Standard Life AVC	959	600
Prudential Assurance AVC	4,031	3,802
	4,990	4,402
	4,990	4,402

13. CURRENT ASSETS AND LIABILITIES

CURRENT ASSETS

	2006 £000	2005 £000
Employer contributions due	1,428	1,256
Employee contributions due	90	238
Cash balances	393	4,273
	1,911	5,767
	1,911	5,767

CURRENT LIABILITIES

	2006 £000	2005 £000
Unpaid benefits	14	52
Taxation	62	-
Other creditors	328	1,086
	404	1,138
	404	1,138
NET CURRENT ASSETS AND LIABILITIES	1,507	4,629

All contributions due to the scheme relate to the month of March 2006 and were paid in full to the Scheme within the timescale required by the schedule of contributions currently in force.

COMET PENSION SCHEME

ACTUARIAL STATEMENTS

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 1 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% of Pensionable Salary per annum to 31 March 2005
6½% of Pensionable Salary per annum from 1 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

2. Summary of method 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	PA92 C2015
	Post-retirements	A92
	Pre-retirements	Market Value
	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 10 February 2005.

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

3 March 2005

COMET PENSION SCHEME

ACTUARIAL STATEMENTS

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 purposes of securing that the minimum funding requirement imposed by section 56(1) of the Pensions Act 1995 will be met by the end of the period covered by the schedule of contributions.
- 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.

Steve Leake BSc FIA

Date: 24 February 2006

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 the rates of contributions for the purposes 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

COMPLIANCE STATEMENT For the year ended 31 March 2006

Introduction

The Scheme is a defined benefit scheme and is administered by MNPA Limited in accordance with the establishing document and rules, solely for the benefit of its members and other beneficiaries.

The registration number in the Register of Occupational and Personal Pension Schemes is **1/269876**.

Inland Revenue approval

The Scheme has been Exempt Approved by the Pension Schemes Office, in accordance with Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988. From 6 April 2006 the Scheme has become a Registered Scheme. This means that the contributions paid by both the Participating Employers and the Members qualify for full tax relief, and enables income earned from investments by the Trustee to receive preferential tax treatment.

Other information

- (i) The Trustee is required to provide certain information about the scheme to the Registrar of Pension Schemes. This has been forwarded to:

The Registrar of Pension Schemes
PO Box 1NN
Newcastle Upon Tyne
NE99 1NN

- (ii) The Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law in relation to an Occupational Pension scheme. Any such complaints should be addressed in the first instance to the Scheme Adjudicator. Enquiries should be addressed to:

The Pensions Ombudsman
11 Belgrave Road
London
SE1V 1RB

- (iii) PAS The Pensions Advisory Service exists to assist members and beneficiaries of schemes in connection with difficulties which they have failed to resolve with the Trustees or Administrators of the scheme. PAS may be contacted at:

PAS The Pensions Advisory Service
11 Belgrave Road
London
SW1V 1RB

- (iv) 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
Brighton
East Sussex
BN1 4DW

COMET PENSION SCHEME

COMPLIANCE STATEMENT For the year ended 31 March 2006

- (v) The Pensions Compensation Scheme was introduced to protect members' interests in certain circumstances, i.e. to provide compensation where an employer has become insolvent and the scheme assets have been reduced due to fraud, theft, or misappropriation. It does not cover losses resulting from adverse investment returns.

The Compensation Scheme is funded by a retrospective levy on occupational pension schemes.

- (vi) The Trust Deed and rules, the scheme details, and a copy of the payment schedule and Statement of Investment Principles are available for inspection free of charge by contacting the Trustee at the address shown for enquiries in this report.

Any information relating to the members' own pension position, including estimates of transfer values, should also be requested from the administrators of the scheme, MNPA Limited, at the address detailed in this report.