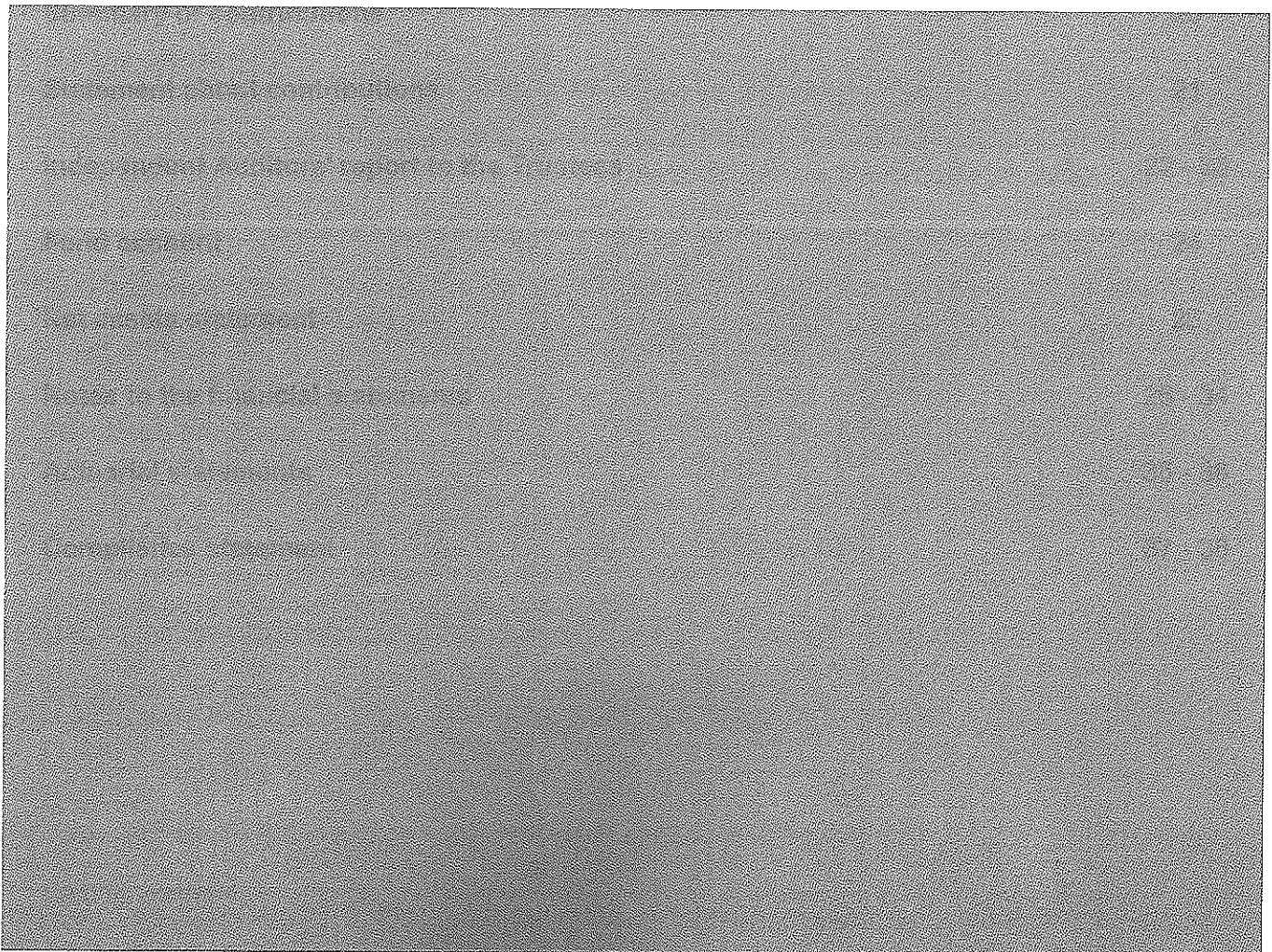


Comet Pension Scheme

Report and Financial Accounts

Year ended 31 March 2009

Registrar of Occupational and Personal Pension Schemes Registration Number 1/269876



Comet Pension Scheme

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Comet Pension Scheme

Advisers Year ended 31 March 2009

Trustee

Comet Trustee Company Limited

Secretary to the Trustee

Wayne Phelan, PS Independent Trustees Ltd (PSITL), Albion, Fishponds Road, Wokingham, RG41 2QE
Secretarial Services are provided by PS Secretarial Services, a division of PSITL.

Administrative details:

Scheme Actuary

Steve Leake, Punter Southall 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

Death in service insurance has been arranged through a separate policy from 1 October 2007

AVC providers

The Prudential Assurance Company
Abbey National plc
The Standard Life Assurance Company

Investment managers

Western Asset Management Limited (formerly known as Citigroup)
UBS Global Asset Management Limited
Legal & General Investment Management Limited
Morgan Stanley Investment Management Limited (disinvested March 2009)
Tremont (Bermuda) Limited (disinvested September 2008)
Baring Asset Management (appointed September 2008)
PSigma Investments Limited (appointed September 2008)

Investment Adviser

P-Solve Asset Solutions
(a division of PSigma Investments Limited)

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
Comet helpline 01372 200378, email comet.pensions@mnpa.co.uk. Further information can also be obtained from the Comet Pension Scheme website www.comet-pensions.co.uk.

Comet Pension Scheme

Trustee's report Year ended 31 March 2009

Appointment and removal of Trustee and 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 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 of 8 Directors. All Directors are formally appointed by the Principal Employer, but now include 2 Directors where the appointment is the consequence of the Member Nominated Director requirements. There was 1 vacancy for a Member Nominated Director at the year end.

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

Company Appointed

Ian Edwards (Chairman)
Andrew Dobson (resigned 26 March 2009)
Simon Enoch
Jon Herzberg
Victoria Moore
Michael Walters
Toby Lousada (with effect from 26 March 2009)

Member Nominated

Graham McDonald - Pensioner representative
Jeff Rowland - Head Office and Support departments representative (resigned 26 March 2009)
Paul Underwood - Operations representative

The 3 Member Nominated Directors were formally appointed with effect from 14 June 2006 for a four-year period. In accordance with the process agreed by the original Trustee Directors, Jeff Rowland and Paul Underwood would be required to resign their position as a Trustee Director should they leave the employment of any Participating Employer prior to the end of their four-year period of appointment.

During the year under review, Jeff Rowland resigned as a Director following the termination of his employment with Comet. His resignation became effective from 26 March 2009. In accordance with the Member Nominated Director procedure, a selection process was conducted through the summer.

The new Member Nominated Director for Head Office and Support departments is Lynn Randall.

Comet Pension Scheme

Trustee's report Year ended 31 March 2009

Management of the Scheme

The intention of the Trustee 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. However, the Directors have delegated the investment matters to a smaller group: Simon Enoch, Jon Herzberg, Jeff Rowland (until March 2009), Toby Lousada (from March 2009), Paul Underwood and Michael Walters. In addition, the Company is invited to send a representative to each meeting. Richard Boulton and Andrew Stoodley attended most meetings on behalf of the Company. The Company Pensions Manager, James Arnold, also attended.

This 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 Ian Edwards and Michael Walters. All other Directors may choose to attend meetings of the Audit Sub-Committee if they so choose. The Company Pensions Manager is also invited to attend these meetings.

This 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. It reviews the risk register in conjunction with the Scheme Auditor and monitors Conflicts of Interest.

Discretionary benefits

The Discretionary Benefits Sub Committee is chaired by Victoria Moore and includes Jeff Rowland (until March 2009) and Andrew Dobson (until March 2009), who have temporarily been replaced by Ian Edwards and Toby Lousada from March 2009. The Company Pensions Manager liaises with Colleague Services and, if necessary, MNPA to collate information required by this committee in order that they may exercise their discretions.

This Sub-Committee is responsible for all decisions requiring the Trustee to exercise its discretion. This is primarily focused on the distribution of the return of contributions, plus interest, payable on death before retirement, the payments of pensions to those considered as Dependents and the review of applications for ill-health early retirement.

Governance

The Governance Committee is chaired by Simon Enoch and includes Graham McDonald, Victoria Moore, Andrew Dobson (until March 2009), Toby Lousada (from March 2009) and Paul Underwood.

This Committee is responsible for managing the risk to the Scheme by monitoring the actions and decisions of the other sub-committees, wherever possible ensuring effective decision making by using defined processes and procedures and adopting pension industry best practices wherever these are appropriate for the Scheme.

Comet Pension Scheme

Trustee's report Year ended 31 March 2009

Pension increases

In accordance with Paragraph 16 of the Scheme's Rules, pensions in payment at 1 April 2008 were reviewed for cost of living purposes.

Guarantee Minimum Pensions (GMP) 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 GMP accrued between 6 April 1988 and 5 April 1997. Increases to GMP accruing between 6 April 1978 and 5 April 1988, and any increase on 'Post 1988' GMP 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 2008 that included GMP accrued between 6 April 1988 and 5 April 1997 was increased by 3%.

Paragraph 16.3 of the Rules requires that any part of the pension in payment in excess of the GMP is also reviewed annually at each 1 April, with the increase required determined by the annual rise in the Retail Price Index ('RPI') as declared for the previous December. The Rules require that such 'excess' pensions are increased in the following manner:

- i. for Pensionable Service prior to 6 April 2005: by the rise in RPI, subject to a maximum of 5% per annum; and
- ii. for Pensionable Service after 5 April 2005: by the rise in RPI, subject to a maximum of 2.5% per annum.

The increases applied as at 1 April 2008 to any 'excess pension' were:

- i. for Pensionable Service prior to 6 April 2005: 4.0%
- ii. for Pensionable Service after 5 April 2005: 2.5%

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 2008.

At the Meeting held on 26 March 2009, the Trustee approved the pension increase to be granted with effect from 1 April 2009. The agreed increases were:

• GMP accrued between 6 April 1988 and 5 April 1997:	3.0%
• Excess pension accrued prior to 6 April 2005:	0.9%
• Excess pension accrued post 5 April 2005:	0.9%

The Principal Employer again confirmed that it would not be requesting any discretionary pension increases to be granted with effect from 1 April 2009 in accordance with Paragraph 16.5 of the Scheme Rules.

Comet Pension Scheme

Trustee's report Year ended 31 March 2009

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 2007:	4% per annum
Pensionable Service ceasing between 6 April 2002 and 5 April 2007:	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 December (subject to overriding legislation) and in line with the policy of increasing pensions in payment as detailed above.

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

With effect from 1 October 2008, following publication of amending regulations and guidance from the Pensions Regulator, the Trustee became responsible for setting the actuarial assumptions (having taken actuarial advice) to be used to calculate transfer values.

A report on setting transfer value assumptions with effect from 1 October 2008 was prepared by the Scheme Actuary and following detailed discussions the proposed basis was adopted. In addition, it was agreed that to ensure fair treatment of members the transfer value should be reduced in line with the estimated deficit based on the priority orders on wind-up. This reduction will be kept under periodic review.

The Trustee confirms that having received actuarial advice, all transfer values are calculated and verified in accordance with the statutory cash equivalent requirements of the Pension Schemes Act 1993. The transfer calculation basis meets the legal requirements of the Act and makes no allowance for any discretionary benefits which might be payable under the Scheme.

Comet Pension Scheme

Trustee's report Year ended 31 March 2009

Contributions

The Principal Employer, after seeking actuarial advice, is currently responsible under Paragraphs 2 and 3 of the 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.

Following the closure of the Scheme to future accrual with effect from 1 October 2007, no further member contributions or AVCs will be paid.

Once again, the Trustee made a payment to the Pension Protection Fund under the risk-based levy calculation. Whilst the responsibility for payment of the Levy falls to the Trustee, the Schedule of Contributions requires the Principal Employer to make a special annual contribution equal to the amount of the annual levy to the Pension Protection Fund and within 30 days of the date of the invoice from the Pension Protection Fund. It is confirmed that the special contribution required in respect of the 2008 levy payment of £219,172 was made to the Trustee Bank Account on 28 October 2008 and, therefore, within the specified 30 day period.

Following completion of the 31 March 2007 Actuarial Valuation, the Principal Employer and the Trustee agreed to amend the Schedule of Contributions in respect of the Past Service Deficit Contribution. It was agreed that the Principal Employer would make equal monthly contributions of £508,333 from 1 April 2008 to 31 May 2016.

Summary Funding Statement

Trustees of defined benefit pension schemes are now required to issue an annual 'Summary Funding Statement' to all scheme members. The intention of the Statement is to provide all members of such schemes an illustration of the financial position of the applicable arrangement and confirmation of the level of funding applying against the value of liabilities built up by all participants in that scheme.

The Comet Pension Scheme's Summary Funding Statement will be distributed to all categories of Member in October 2009. That Statement confirmed that as at the last funding review (31 March 2009) the Scheme could be considered as 60% funded (31 March 2008:71%).

Copies of the 2009 Summary Funding Statement are freely available for download from the 'useful documents' section of the Company's pension website, www.comet-pensions.co.uk.

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

There have been no further Scheme changes following its closure on 30 September 2007.

Comet Pension Scheme

Trustee's report Year ended 31 March 2009

Group risk benefits

Following the implementation of the changes for future pension arrangements from 1 October 2007, the Principal Employer established an approved 'life cover only scheme' outside of the current trust arrangement that provides for all life assurance cover as a multiple of salary. The Trustee recognises, however, that its discretion is still required in those instances where a return of personal contributions plus interest, is required in accordance with Paragraph 9 of the Rules.

Pension sharing on divorce

The Trustee considered the Regulations introduced to facilitate Pension Sharing on Divorce. It 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 administrator's standard basis.

Following the decision to reduce transfer values it was agreed that an ex-spouse could not be encouraged to transfer their benefits out of the Scheme. However, this will be revisited once transfer values are being paid in full again.

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. This was reviewed during the year and an amended SIP prepared in October 2008 and signed in November 2008. A further amendment to the SIP was prepared in May 2009 and signed in August 2009.

A copy of the SIP is available on request from the Scheme Administrator, the contact details of whom are given on page 2 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) to ensure that sufficient assets are available to pay out current and future members benefits as and when they arise.
- (b) to maximise the funding level on an on-going basis. In particular, ensuring that the Scheme reaches a 100% funding level within an appropriate period of time.

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 2009

Membership

Details of the membership of the Scheme as at 31 March 2009 are given below:-

	Total 2009	Total 2008
IN SERVICE MEMBERS		
At the start of the year	1,888	2,090
Transferred pending members	(29)	(17)
Retirements	(76)	(41)
Death in service	(4)	(2)
Members leaving with preserved benefits	(183)	(142)
IN SERVICE MEMBERS AT THE END OF THE YEAR	1,596	1,888
PENSIONERS		
At the start of the year	885	786
Members retiring during the year (from In Service and Deferred)	127	89
Members retiring during the year (from Pending)	10	9
Spouses and dependants	17	13
Pensions ceased	(22)	(12)
PENSIONERS AT THE END OF THE YEAR	1,017	885
MEMBERS WITH PRESERVED AND DEFERRED BENEFITS		
At the start of the year	2,896	2,811
Leavers during the year with preserved benefits (from Pending)	10	1
Leavers during the year with preserved benefits (from In Service)	183	142
Deferred pensioners becoming pensioners	(51)	(48)
Transfers out during the year	(8)	(8)
Deaths	(7)	(2)
Full trivial commutation	(3)	-
MEMBERS WITH PRESERVED AND DEFERRED BENEFITS AT THE END OF THE YEAR	3,020	2,896
PENDING MEMBERS		
At start of the year	9	2
Members moving from In Service to Pending	29	17
Pending members opting for preserved benefit	(10)	(1)
Pending members opting for retirement	(10)	(9)
PENDING MEMBERS AT THE END OF THE YEAR	18	9
TOTAL MEMBERSHIP AT THE END OF THE YEAR	5,651	5,678

Note

- 1) Pensioners include individuals receiving a pension upon the death of their spouse.
- 2) Pending members are those members who have left service with the option of preserving their benefits or taking retirement but the decision was not received at 31 March 2009.

Comet Pension Scheme

Trustee's report Year ended 31 March 2009

Financial development of the Scheme

The financial statements on pages 24 and 25 show that the value of the Scheme's assets decreased by £31,151,000 to £189,635,000 as at 31 March 2009. The decrease was comprised of net additions from dealings with Members and the Company Contributions of £291,000 together with a net reduction in the value of investments of £31,442,000. Further information on the changes in the value of the investments can be found in the Investment Report on pages 15 to 19.

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 notes to the audited financial statements on pages 26 to 34.

Actuarial Valuation

The formal Actuarial Valuation of the Scheme was undertaken as at 31 March 2007. The final report of the Scheme Actuary and the appropriate Actuarial Certificates were signed in March 2008.

The actuarial Statements relating to that Valuation as required by law are set out on pages 35 and 36.

The valuation at 31 March 2007 identified a deficit of assets held against accrued liabilities. Following discussions between the Principal Employer and the Trustee, a 'Recovery Plan' was put into place. The Recovery Plan seeks to rectify the deficit position as at 31 March 2007, calculated on an ongoing basis, by 31 May 2016. The Recovery Plan requires a payment of a Past Service Deficit Contribution of £6.1m per annum, payable in monthly instalments, commencing 1 April 2008. It 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.

The Trustee reviewed the position of the Scheme as at 31 March 2008 and as at 31 March 2009. These reviews indicated that the deficit had increased primarily as a result of investment conditions and were discussed with the Sponsoring Employer. No immediate revisions were felt necessary to the Recovery Plan ahead of the next formal valuation.

The next formal Valuation is to be undertaken no later than 31 March 2010.

Life Assurance

On 30 September 2007 life assurance cover that was previously provided through the Scheme to those colleagues whose Terms and Conditions of employment warranted it, was ceased. This cover is now provided under the Comet Group Life Assurance Scheme and is outside this Trust.

Comet Pension Scheme

Trustee's report Year ended 31 March 2009

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 HM 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 the 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 the 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.

Comet Pension Scheme

Trustee's report Year ended 31 March 2009

Additional Voluntary Contributions

Following the implementation of the changes for future pension arrangements from 1 October 2007, members were no longer allowed to make Additional Voluntary Contributions (AVCs) under the Scheme.

Members who had paid contributions to either Abbey National, the Prudential or Standard Life had the option to leave their AVCs with those providers or transfer them to a suitably approved arrangement.

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 Abbey National plc, the Prudential Assurance Society and the Standard Life Assurance Society for this purpose was undertaken in March 2006. A further review was commissioned in the year and a report received from PSFM in September 2009.

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 Comet Stakeholder Pension Plan. PSFM may be contacted by calling 0845-402-4112, or by e-mail to comet@psfm.com.

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

Ian Edwards

I R M Edwards
Chairman of the Trustee

Date 7 October 2009

Comet Pension Scheme

Statement of Trustee's responsibilities

The Annual Report (including the financial statements) is the responsibility of the Trustee. Pension Scheme regulations requires the Trustee to make available to Scheme members, beneficiaries and certain other parties, an Annual Report for each scheme year which contain:

Audited financial statements that comply with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and 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 that year of the assets and liabilities, other than 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 Financial Statements have been prepared in accordance with the Statement of Recommended Practice, 'Financial Reports of Pension Schemes' (revised May 2007).

The other information specified in Schedule 3 to the Occupational Pension Schemes (Disclosure of Information) Regulations 1996.

The Trustee has supervised the preparation of the Financial Statements and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a reasonable and prudent basis.

The Trustee is responsible under pensions legislation for ensuring that there is a Schedule of Contributions prepared, maintained and from time to time revised and certified by the Scheme Actuary, showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether the contributions are made to the Scheme in accordance with the Schedule of Contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the Members.

The Trustee also 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 an appropriate system of internal control.

Comet Pension Scheme

Investment Report

Investment Report for the year ended 31 March 2009

The Trustee has continued to manage the investments in accordance with the agreed investment strategy as set out in the Statement of Investment Principles. Each of the Scheme's investment managers (as detailed below) takes responsibility for the day to day decisions relating to each portfolio. The Trustee has taken steps to ensure the investment managers and advisers have the appropriate knowledge and experience. The Trustee has an investment sub-committee (ISC) consisting of a sub-group of the Trustee directors. The ISC and Trustee have set up a formal terms of responsibility for the delegation to and responsibilities of the ISC. The ISC's role is to make decisions on behalf of the Trustee in order to fulfil the investment aspects of their duties. Recommendations are taken for approval by the full board.

Objectives

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

- i. To ensure that sufficient assets are available to pay out members' current and future benefits as and when they arise.
- ii. To maximise the funding level on an ongoing basis. In particular, to ensure that the Scheme reaches a 100% funding level within an appropriate period of time (currently by May 2016 as agreed with the Principal Employer in the Recovery Plan dated March 2008).

Secondly, the Trustee aims to minimise the risk of additional cash contribution requirements from the Principal 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:

- To achieve returns on the Total Fund equal to the Liability Benchmark Objective (gilts + 2.2% p.a.) over rolling 3 year periods.
- To aim to not breach a downside tolerance of gilts – 4.4% p.a. on the Total Fund in any 12 month period.

For this purpose, "gilts" is used as a proxy benchmark for the liabilities and is defined as follows:

65% FTSE Over 5 Year Index-linked Gilt Index
35% FTSE Over 15 Year Fixed Interest Gilt Index

Investment Strategy

During the year, the Trustee allocated 20% of the Scheme's assets to a risk-management mandate. These assets are invested in a liability hedge which is made up of a series of interest rate and inflation swap contracts and investment grade inflation linked securities to be used as collateral, with a view to closely matching changes in value in the Scheme's liabilities.

The remaining 80% of the Scheme's assets were invested in a diversified portfolio of assets aimed at generating return whilst maintaining an acceptable level of risk.

Comet Pension Scheme

Investment Report

As at 31 March 2009, the investment strategy for the Scheme's assets was as follows:

Asset Class	%	Manager	Benchmark
Investment Fund	80.0		
UK equity	15.0	LGIM	FTSE All Share
Overseas equity	15.0	LGIM	Composite of relevant FTSE indexes
Cash (pending reinvestment) ¹	10.0	LGIM	
Dynamic Asset Allocation	20.0	Barings	3 Month Sterling Libor
Property	10.0	UBS	IPD Property Monthly
Global bonds	10.0	Western Asset	3 Month Sterling Libor
Collateral for Liability Hedge	20.0		
Index-linked gilts	20.0	PSigma	n/a
Total	100.0		

¹ The 10% holding in the LGIM Cash Fund allocation at this date resulted from the disinvestment of the Morgan Stanley global equity holding on 30 March 2009. The decision was taken to disinvest, following advice from the investment adviser, following notification of departure of the investment management team of this product. These proceeds were subsequently used to purchase units in a global investment grade credit fund managed by PIMCO, shortly after the Scheme's accounting year end.

The other physical changes made to the investment structure over the course of the year by the Trustee were:

- A disinvestment of the funds held with the hedge fund manager, Tremont, and investment of the proceeds in the Barings Dynamic Asset Allocation Fund in September 2008.
- An in-specie transfer of the index-linked gilts, that were managed by UBS, to PSigma so they could be used as collateral for the Liability Hedge in September 2008.
- Inception of the liability hedge on 4th November 2008. This was implemented over a few months and now the Scheme is partially hedged as it waits for more favourable market conditions to finish implementing the rest of the strategy such that the Scheme will have hedged 80% of the liabilities (in terms of the interest rate and inflation rate risks)
- An increase in the allocation to Barings Dynamic Asset Allocation by investing an additional amount from the LGIM Cash Fund in September 2008.
- A transfer in-specie of the majority of the corporate bonds managed by UBS to Barings in exchange for units in the Dynamic Asset Allocation Fund in November 2008. The remainder of the corporate bonds – 11 lines of stock - were transferred in-specie to KAS Bank with the intention to sell them and purchase additional units in the Barings Dynamic Asset Allocation Fund. By 31 March 2009, 1 line remained which was subsequently sold in June 2009.

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 vary within a range of +/-5% of the core allocation.

In addition, the strategic allocation to property was reduced from 15% to 10% to reflect the fact that the actual allocation had fallen and the Trustee had decided not to invest further in this asset class given market conditions.

Comet Pension Scheme

Investment Report

Since the year end, it has also been decided to invest the 15% strategic holding in the LGIM UK equity fund into a structured equity product managed by PSigma (which was then incepted in April 2009) to provide a combination of greater downside protection and the ability to receive enhanced returns than could be achieved by investing directly in the underlying UK equity holdings.

Custody Arrangements

The assets are held in pooled funds by the Investment Managers and so the Trustee has effectively delegated the custody of the investments of the Scheme to the Managers. The Trustee has delegated appointment of a custodian for the Index Linked Gilts available to provide collateral for the Liability Hedge and Equity Structured Product to PSigma Investment Limited.

Cashflow Management

The Trustee continued to implement a monthly process that identifies surplus cash held in the Trustee Bank account and transfers it to the LGIM Cash Fund. Once a quarter, the Trustee makes a decision whether to use the cash as funds for a new investment decision or to rebalance existing holdings.

Market Review for Year to 31 March 2009

The year ending March 2009 was an extremely difficult year for all market participants. Equity, commodity and property markets all suffered double digit falls during the period. In fixed income markets, UK corporate bonds ended down whilst gilts and cash showed the only positive returns. It was also a very challenging investment period for hedge fund managers as a result of market illiquidity, deleveraging, and economic uncertainty. Technical pressures led to the majority of hedge fund strategies recording significant losses during the year.

The phrase "credit crunch" has become synonymous with recent events but the key to the problems was, and continues to be, a liquidity crisis. A combination of extreme credit illiquidity, a retraction of bank-provided financing, growing global economic pessimism, unusual Federal Reserve Bank actions and the near collapse of Bear Stearns during March last year created a very challenging market environment.

During the second quarter of 2008 worsening economic data, amidst fears of rising global inflation, created a new wave of worry. As a result, equity market gains generated in April and May were largely given back in a large scale sell off in June.

Growing anxiety over the US financial system in the third quarter culminated in one of the worst periods in modern US financial history which affected all of the global financial markets. In September, Lehman Brothers Holdings Inc. filed for Chapter 11 Bankruptcy protection which set off a ripple effect around the globe as the continued viability of nearly every financial institution was in question.

In an attempt to restore some faith in financial markets Ben Bernanke and Henry Paulson announced a plan to stabilise markets by taking on the toxic assets of banks with a \$700bn rescue fund called TARP (Troubled Asset Relief Program). Simultaneously a ban on the short selling of financial stocks in – among other places – the UK and the US was announced.

During the fourth quarter of 2008 the market environment was beset by continued technical and economic pressures following the unusual events of September. The combination of a sharp reduction in investor risk tolerances and limited liquidity resulted in high levels of volatility across nearly all asset classes, particularly in October, generally overwhelming stock or asset class specific investment theses. Diversification failed as the value of every asset class except Sovereign debt declined.

Comet Pension Scheme

Investment Report

Aggressive government efforts to restore financial liquidity appeared to have reduced fears from crisis levels. However, the regular shocks which dominated 2008 fuelled the concern of a global recession. Faced with this, policy makers have been fighting back with large and synchronised macroeconomic stimuli. Short term interest rates were cut close to zero in the US and the UK and in the early part of 2009 many central banks engaged in quantitative easing. The power of international financial institutions, namely the IMF, was boosted to help emerging economies which were not in a position to help themselves.

In March 2009 the equity markets started a revival, buoyed by the efforts of government and central bank intervention however the bounce was not enough to reverse the poor returns in January and February 2009 and in the latter part of 2008.

The backdrop of serious and sustained financial turmoil has made it an extremely difficult 12 months for pension schemes. By and large, the value put on pension scheme liabilities will have risen substantially, whilst asset values have fallen due to the poor condition of most investment markets.

Investment Performance

Due to the poor economic conditions that prevailed throughout the year and the impact of the "credit crunch" on nearly all asset classes, the Scheme's assets fell in value over the year by £32.3 million. The impact on the Scheme was reduced by the Trustee's diversification strategy and changes implemented during the year. However, the overall performance has breached the Trustee's downside tolerance level of gilts – 4.4% p.a. in any 12 month period. This was monitored carefully throughout the year and discussed by the Trustee with the investment adviser to actively manage the taking of actions to protect short term returns but to remain appropriately positioned to meet the longer term objectives. In addition, the annual revision to our Statement of Investment Principles was brought forward and amended as recorded in this report with the approval of the Principal Employer.

(1) Total Portfolio

The following table illustrates the return performance of the Scheme's investments over the 12 months and 3 years (or since inception if shorter) to 31 March 2009.

Asset Class	Manager	12 months or since inception to 31 March 2009		3 years (per annum) to 31 March 2009	
		Fund %	Benchmark %	Fund %	Benchmark %
Matching Fund					
Liability Hedge	PSigma	n/a	n/a	n/a	n/a
Investment Fund					
UK and Overseas equity	LGIM	-24.8	-25.0	-8.1	-8.3
Cash Fund	LGIM	4.0	4.1	5.0	4.8
Global equity	Morgan Stanley ¹	-7.2	-20.4	-1.6	-8.1
Dynamic Asset Allocation	Barings ²	-4.3	3.2	n/a	n/a
Property	UBS	-31.8	-26.2	-11.4	-8.5
Global bonds	Western Asset	-14.3	1.6	-6.2	1.8
Total Fund Return³		-14.2	3.5	-3.8	6.5

¹ return from July 2008

² return to 30th March 2009

³ the benchmark return is taken to be that on the liability benchmark portfolio

Comet Pension Scheme

Investment Report

The Barings, UBS and Western performance numbers are net of fees whereas LGIM and Morgan Stanley are gross of fees.

(2) Hedging Portfolio

The swaps are designed to protect the Scheme from adverse movements in long term interest rate and inflation expectations which impact the value of the Scheme's liabilities. In simple terms, the hedging portfolio is an arrangement where, if bonds rise significantly (and so too the liabilities), an investment bank pays the Scheme to cover the rise in the value of the liabilities. Conversely, if the value of the liabilities falls due to interest rate and inflation changes, the Scheme pays the investment bank under the swap contracts an amount that is in line with this fall. Importantly, the purpose of the swaps is to hedge (offset) the changes in the value of the liabilities whether this is a rise or fall.

As at 31 March 2009, the mark to market valuation of the swaps represented a small unrealised loss as follows:

	31 March 09
	£000
Interest rate swaps	7,782
Inflation swaps	(8,609)
Total	(827)

Since the liability hedge was implemented on 4 November 2008, the change over the full year is not available.

The negative value of the swaps represents a fall in the value of the swaps from the Scheme's perspective. However, this fall will have offset a fall in the value of the Scheme's liabilities over the same period and so the impact of the rate changes on the Scheme's finances will (as intended) have been broadly neutral for the element that is hedged.

When collateral is required to be provided to the investment bank because the mark to market value of the swaps is in favour of the bank, this is held by Barclays Bank plc in an interest bearing deposit account designated in the name of the Trustee. Collateral of £0.7m was held by Barclays Bank plc at 31 March 2009 due to the swaps having a mark to market value out of favour to the Scheme. Whilst this collateral is posted by the custodian on the Scheme's behalf and hence held by Barclays Bank as security for the swaps it still remains an asset of the Scheme – the economic interest in this collateral remains with the Scheme and the value of the swaps themselves remain an asset or liability until the contracts mature.

The Trustee directors monitor the performance of the hedge against the liabilities on a regular basis and the Scheme's manager independently checks the counterparty valuations on a weekly basis.

Statement of Investment Principles

In accordance with the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles, which describes the key elements of the investment arrangements of the Scheme. This statement was signed in November 2008; reviewed again since the end of the financial year and approved in August 2009. Copies of the statement are available on the pension website, www.comet-pensions.co.uk.

Comet Pension Scheme

Summary of contributions For the year ended 31 March 2009

Statement of Trustees' Responsibilities in respect of Contributions

The Scheme's Trustee is responsible under pensions legislation for ensuring that there is a Schedule of Contributions prepared, maintained and from time to time revised showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the dates on or before which such contributions are to be paid. The Scheme's Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for monitoring that contributions are made to the Scheme in accordance with the schedule.

Summary of contributions payable during the Scheme year ended 31 March 2009

Contributions payable to the Scheme by the employer under the Schedule of Contributions in respect of the year ended 31 March 2009 were as follows:

	Financial statements £000	Schedule £000	Difference £000
Defined Benefits Section			
Normal contributions	-	-	-
Deficit Contributions	6,101	6,101	-
PPF & General Levy contributions	219	219	-
Employer contributions	6,320	6,320	
Normal contributions	-	-	-
Additional voluntary contributions	-	-	-
Employee contributions	-	-	-
Total contributions	6,320	6,320	-

Signed for and on behalf of the Trustee:

Ian Edwards

Graham McDonald

7 October 2009

Date

Comet Pension Scheme

Statement about contributions For the year ended 31 March 2009

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 Schedule of Contributions to the Comet Pension Scheme, in respect of the Scheme year ended 31 March 2009 which is set out on page 20.

This statement is made solely to the Scheme's Trustee, as a body, in accordance with 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 14 the Scheme's Trustee is responsible, under the Pensions Act 1995, for ensuring that there is a Schedule of Contributions prepared, maintained and from time to time revised which sets out the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer. The Trustee has a general responsibility to monitor 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 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 the information and explanations which we considered necessary in order to give reasonable assurance that contributions reported in the Summary of Contributions have in all material aspects been paid at least 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 paid to the Scheme and the timing of those payments. Our Statement about Contributions is required to refer to those exceptions of the Schedule of Contributions which come to our attention in the course of our work.

Statement about contributions

In our opinion contributions for the Scheme year ended 31 March 2009 as reported in the Summary of Contributions and payable under the Schedule have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 17 March 2008.



KPMG LLP
Chartered Accountants
One Canada Square
London
E14 5AG

Date: 15 October 2009

Comet Pension Scheme

Independent Auditors' report to the Trustee

We have audited the financial statements of the Comet Pension Scheme for the year ended 31 March 2009 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's Trustee in accordance with the Occupational Pensions Act 1995 and Regulations made there under. Our audit work has been undertaken so that we might state to the Scheme's 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's Trustee, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustee and auditors

As described in the Statement of Trustee's Responsibilities on page 14, the Scheme's Trustee is responsible for obtaining an Annual Report, including audited financial statements prepared in accordance with applicable law and United Kingdom 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 Report 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 judgments 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

(Continued)

Opinion

In our opinion:

- the financial statements show a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial transactions of the Scheme during the Scheme year ended 31 March 2009, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year; and
- the financial statements 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

Date: *15 OCTOBER 2009*

Comet Pension Scheme

Fund account For the year ended 31 March 2009

	Note	For the year ended 31 March 2009 £000	For the year ended 31 March 2008 £000
CONTRIBUTIONS AND BENEFITS			
Contributions	3	6,320	6,940
Transfers in	4	83	24
Other income	5	87	105
		<u>6,490</u>	<u>7,069</u>
Benefits	6	(5,815)	(4,314)
Payments to and on account of leavers	7	(172)	(253)
Other payments	8	-	(114)
Administrative expenses	9	(212)	(516)
		<u>(6,199)</u>	<u>(5,197)</u>
NET ADDITIONS FROM DEALINGS WITH MEMBERS		<u>291</u>	<u>1,872</u>
RETURNS ON INVESTMENTS			
Investment income	10	1,080	723
Investment management expenses	11	(245)	(133)
Changes in market value	12	(32,277)	(7,416)
NET RETURNS ON INVESTMENTS		<u>(31,442)</u>	<u>(6,826)</u>
NET (DECREASE) IN THE FUND DURING THE YEAR		<u>(31,151)</u>	<u>(4,954)</u>
NET ASSETS OF THE SCHEME AT 1 APRIL 2008		<u>220,786</u>	<u>225,740</u>
NET ASSETS OF THE SCHEME AT 31 MARCH 2009		<u>189,635</u>	<u>220,786</u>

Comet Pension Scheme

Net assets statement As at 31 March 2009

	Note	31 March 2009 £000	31 March 2008 £000
Investment assets	12	197,602	219,554
Investment liabilities	12	<u>(8,988)</u>	-
Total net investments		188,614	219,554
Current assets	13	1,320	1,508
Current liabilities	14	<u>(299)</u>	<u>(276)</u>
NET ASSETS AT 31 MARCH 2009		<u>189,635</u>	<u>220,786</u>

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 pages 35 and 36 of the Annual Report and these financial statements should be read in conjunction therewith.

The notes on pages 26 to 34 form an integral part of these financial statements.

These financial statements were approved by the Trustee and were signed on their behalf by:

Ian Edwards

....
I R M Edwards
Chairman of the Trustee

Date: 7 October 2009

Comet Pension Scheme

Notes to the financial statements For the year ended 31 March 2009

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" (the revised SORP)(revised May 2007).

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.

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.

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 transfers their benefits.

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.

Comet Pension Scheme

Notes to the financial statements For the year ended 31 March 2009

2. ACCOUNTING POLICIES (continued)

2.5 Valuation of investments

The market value of pooled investment vehicles is based on the bid price operating at the accounting date where there is a bid/offer spread, or single price as advised by the investment managers.

Index linked securities are stated at their clean prices. Accrued income is accounted for in investment income.

Exchange traded financial contracts are included at market value as advised by third party brokers. OTC derivatives, including interest rate swaps and inflation swaps, are included at the Trustee's estimate of market value for the respective investment classes as advised by the fund 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

	For the year ended 31 March 2009 £000	For the year ended 31 March 2008 £000
Employer's Contributions		
- Normal contributions	-	3,545
- Annual lump sums as per the Schedule of Contributions	6,101	1,525
- Employer SMART contributions	-	1,478
- PPF Levy contribution	219	172
Members' Contributions		
- Normal contributions	-	58
- Additional voluntary contributions	-	162
	<u>6,320</u>	<u>6,940</u>

Annual lump sums as per the Schedule of Contributions are funding for past service and are paid in equal monthly amounts. The intention is to pay these contributions for a 10 year period until 31 May 2016 but this is subject to periodic review.

Comet Pension Scheme

Notes to the financial statements For the year ended 31 March 2009

4. TRANSFERS IN

	For the year ended 31 March 2009 £000	For the year ended 31 March 2008 £000
Transfers in - individuals	83	24

Although the Trustee has a policy of not accepting transfer payments into the Scheme on an individual basis, pension entitlements accrued by a 'Transferring Member' in the former Kingfisher Pension Scheme were accepted on a discretionary basis, so as not to disadvantage the Member concerned.

5. OTHER INCOME

	For the year ended 31 March 2009 £000	For the year ended 31 March 2008 £000
Claims on term insurance policies	56	105
Sundry Income	31	-
	87	105

Sundry income is compensation payments received from the administrator MNPA for 2 service failures in the year

6. BENEFITS

	For the year ended 31 March 2009 £000	For the year ended 31 March 2008 £000
Pension payments	3,316	2,809
Commutations and lump sum retirement benefits	2,403	1,359
Lump sums on death in retirement	27	18
Lump sums on death in service	56	120
Lump sums on death of a deferred member	13	8
	5,815	4,314

Comet Pension Scheme

Notes to the financial statements For the year ended 31 March 2009

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	For the year ended 31 March 2009 £000	For the year ended 31 March 2008 £000
Payments for members joining the state scheme	-	(1)
Individual transfers to other schemes	172	253
Refunds to members leaving service	-	1
	172	253

8. OTHER PAYMENTS

	For the year ended 31 March 2009 £000	For the year ended 31 March 2008 £000
Term insurance premiums	-	114
	-	114

9. ADMINISTRATIVE EXPENSES

	For the year ended 31 March 2009 £000	For the year ended 31 March 2008 £000
Administration and processing	-	82
Actuarial fees	-	119
Audit fee	-	23
Other consultancy costs	2	101
Levy payable to Pension Protection Fund	219	172
Trustee fees and expenses	-	-
Bank charges	3	1
Non audit fees paid to KPMG	-	13
Sundry (income)/expenses	(12)	5
	212	516

From 1 October 2007, the employer has paid for all administrative expenses of the Scheme (including an audit fee of £23,000) apart from bank charges and the PPF levy which is contributed for separately. The other consultancy expense is a pre 1 October 2007 cost. The other income received is due to an over accrual of expenses from last year.

Comet Pension Scheme

Notes to the financial statements For the year ended 31 March 2009

10. INVESTMENT INCOME

	For the year ended 31 March 2009 £000	For the year ended 31 March 2008 £000
Income from pooled investment vehicles	1,040	664
Interest on cash deposits	40	59
	<u>1,080</u>	<u>723</u>

11. INVESTMENT MANAGEMENT EXPENSES

	For the year ended 31 March 2009 £000	For the year ended 31 March 2008 £000
Administration, management & custody	134	102
Other advisory fees	111	31
	<u>245</u>	<u>133</u>

In addition to the above, fees paid to investment managers by way of reduced unit prices for investments totalled £489,000 (2008: £466,000)

Comet Pension Scheme

Notes to the financial statements For the year ended 31 March 2009

12. INVESTMENTS

	Value at 1/04/2008 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Value at 31/03/2009 £000
Pooled investment vehicles	214,128	53,078	(112,079)	(28,903)	126,224
Index Linked Securities	-	40,105	-	(2,560)	37,545
Derivative assets	-	-	-	8,161	8,161
AVC investments	5,426	-	(791)	13	4,648
	<u>219,554</u>	<u>93,183</u>	<u>(112,870)</u>	<u>(23,289)</u>	<u>176,578</u>
Cash deposits	-	21,024	-	-	21,024
Investment assets	<u>219,554</u>				<u>197,602</u>
Derivative liabilities	-	-	-	(8,988)	(8,988)
Total net investments	<u>219,554</u>	<u>114,207</u>	<u>(112,870)</u>	<u>(32,277)</u>	<u>188,614</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.

Costs are borne by the Scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid offer spread of these investments and are not, therefore separately distinguishable.

The Index Linked Securities above are available as collateral for the interest rate and inflation swaps. These are separate to the collateral held from counter parties.

POOLED INVESTMENT VEHICLES

	31 March 2009 £000	31 March 2008 £000
Absolute return fund (Overseas)	-	12,369
Managed funds	110,337	177,446
Property unit trust	15,887	24,313
	<u>126,224</u>	<u>214,128</u>

INDEX LINKED SECURITIES

	31 March 2009 £000	31 March 2008 £000
UK Public Sector Quoted	<u>37,545</u>	<u>-</u>

Comet Pension Scheme

Notes to the financial statements For the year ended 31 March 2009

DERIVATIVE ASSETS

	31 March 2009 £000	31 March 2008 £000
Interest Rate Swaps	8,161	-

CASH DEPOSITS

	31 March 2009 £000	31 March 2008 £000
Sterling cash deposits	21,024	-

At the year end £20,551,000 was disinvested cash in transit from Morgan Stanley to Legal & General

DERIVATIVE LIABILITIES

	31 March 2009 £000	31 March 2008 £000
Interest Rate Swaps	379	-
Inflation Rate Swaps	8,609	-
	8,988	-

DERIVATIVE CONTRACTS

Objectives and policies

Swaps

The aim is to match as far as possible the fixed income portfolio and the Scheme's long term liabilities, in particular in relation to their sensitivities to interest rate and inflation rate movements. Due to the lack of available long term bonds the Trustee has entered into interest rate and inflation rate swaps during the year that extend the duration of the fixed income portfolio to better match the long term liabilities of the Scheme.

Comet Pension Scheme

Notes to the financial statements For the year ended 31 March 2009

Swaps (continued)

The Scheme had derivative contracts outstanding at the end of the year relating to its fixed income investment portfolio. These contracts are traded over the counter.

The details are:

	Notional Principal £000	Market value (asset) £000	Market value (liability) £000
Expiration			
Up to 2030	36,338	3,559	-
Up to 2040	86,739	4,602	(4,136)
Up to 2050 and over	44,260	-	(4,852)
	<u>167,337</u>	<u>8,161</u>	<u>(8,988)</u>
Types of Swaps			
Interest rate	91,576	8,161	(379)
Inflation rate	75,761	-	(8,609)
	<u>167,337</u>	<u>8,161</u>	<u>(8,988)</u>

Although the overall value of Derivatives is a liability of £827,000 at the year end, the Scheme posted collateral to the counterparty of £710,000 due to timing of transfer of collateral that is settled on a weekly basis. This collateral is included in the Scheme's net assets within Index Linked Securities.

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.

	31 March 2009 £000	31 March 2008 £000
Standard Life	635	1,208
Abbey	15	15
Prudential Assurance	3,998	4,203
	<u>4,648</u>	<u>5,426</u>

Comet Pension Scheme

Notes to the financial statements For the year ended 31 March 2009

13. CURRENT ASSETS

	31 March 2009 £000	31 March 2008 £000
Cash balances	798	1,000
Debtors		
Employer contributions due	508	508
Prepayments and accrued income	14	-
	1,320	1,508

Contributions due at the year end have been paid to the Scheme subsequent to the year end in accordance with the Schedule of Contributions.

14. CURRENT LIABILITIES

	31 March 2009 £000	31 March 2008 £000
Creditors		
Unpaid benefits	93	133
Taxation	45	34
Other creditors	161	109
	299	276

15. RELATED PARTY TRANSACTIONS

Benefit payments to Trustee Directors, being I R M Edwards, Chairman of the Trustee who retired from Comet Group plc on 30 September 2008, and G K McDonald, are included within pension payments, commutations and lump sum retirement benefits shown in note 6. The amount of these benefits is calculated on the same basis as pensions, commutations and lump sums to other members of the Scheme in accordance with the Trust Deed and Rules.

Comet Pension Scheme

Actuarial statements For the year ended 31 March 2009

Actuary's Certificate of the Calculation of Technical Provisions

Name of Scheme Comet Pension Scheme
Effective date of valuation 31 March 2007

Adequacy of rates of contributions

I certify that, in my opinion, the calculation of the Scheme's Technical Provisions as at 31 March 2007 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Scheme and set out in the Statement of Funding Principles dated 17 March 2008.

Signature: S Leake

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

24 April 2008

Comet Pension Scheme

Actuarial statements For the year ended 31 March 2009

Actuary's Certificate of the Schedule of Contributions

Name of Scheme Comet Pension Scheme
Effective date of valuation 31 March 2007

Name of Scheme: Comet Pension Scheme

Adequacy of rates of contributions

1 I hereby certify that, in my opinion, the rates of the contributions shown in this schedule of contributions are such that -

the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated 17 March 2008.

Adherence to statement of funding principles

2 I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 17 March 2008.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the annuities, if the Scheme were to be wound-up.

Signature: S Leake

Steve Leake
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17 March 2008

Comet Pension Scheme

Compliance statement For the year ended 31 March 2009

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) TPAS 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. TPAS may be contacted at:

The Pensions Advisory Service
11 Belgrave Road
London
SW1V 1RB

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- (iv) The Pensions Regulator (tPR) took over from OPRA (the Occupational Pensions Regulatory Authority) on 6 April 2005 and is the UK regulator of work-based pension schemes.

The Pensions Act 2004 gives the Pensions Regulator a set of specific objectives:
to protect the benefits of members of work-based pension schemes;
to promote good administration of work-based pension schemes; and
to reduce the risk of situations arising that may lead to claims for compensation from the Pension Protection Fund.

TPR can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

- (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 Schedule of Contributions 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.