

COMET PENSION SCHEME

Report and Accounts for the year ended 31 March 2012

Scheme Registration No: 10269876



Punter Southall
CONSULTING ACTUARIES

Tempus Court, Onslow Street, Guildford, Surrey GU1 4SS

Punter Southall is a trading name of Punter Southall Limited
Registered Office: 11 Strand, London WC2N 5HR · Registered in England and Wales No 3842603
A Punter Southall Group Company

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TRUSTEE AND ITS ADVISERS

Trustee : Comet Trustee Company Limited

Trustee Directors : Ian Edwards* (Chairman)
Simon Enoch
Victoria Milford
Michael Walters (Resigned 26 February 2012)
Paul Underwood * (Resigned 13 August 2012)
Lynn Randall (Resigned 21 May 2012)
Matthew Bentley
Richard Annett
Paul Knapman* (Appointed 6 July 2011, resigned 4 May 2012)
James Arnold (Appointed 28 March 2012)
* *Member Nominated*

Secretary to the Trustee : Wayne Phelan
PS Independent Trustees
Albion
Fishponds Road
Wokingham
Berkshire RG41 2QE
*Secretarial Services are provided by PS Secretarial Services,
a division of PSIT*

Actuary : Steve Leake
Punter Southall
Tempus Court
Onslow Street
Guildford
Surrey GU1 4SS

Auditor : BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex RH6 0PA (Appointed 25 January 2012)

KPMG LLP
15 Canada Square
London E14 5GL (Until 25 January 2012)

Legal Advisers : Eversheds LLP
Eversheds House
70 Great Bridgewater Street
Manchester M1 5ES

Bankers : Bank of Scotland
600 Gorgie Road
Edinburgh EH11 3XP

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TRUSTEE AND ITS ADVISERS (Continued)

Investment Managers :	Legg Mason Global Asset Management UBS Global Asset Management Ltd (until 1 August 2011) Legal & General Investment Management Ltd Barings Asset Management P-Solve Investments Limited PIMCO Europe Ltd Global Wellington Management International Ltd (until 30 March 2012)
Custodians :	Citibank JP Morgan Chase NA (until 1 August 2011) HSBC Global Investor Services Northern Trust P-Solve Investments Limited KAS Bank Brown Brothers Harriman Trustee Services (Ireland) Ltd State Street Custodial Services (Ireland) Ltd (until 30 March 2012)
Consultants & Administrators :	Punter Southall Tempus Court Onslow Street Guildford Surrey GU1 4SS
Investment Adviser :	P-Solve Investments Limited 11 Strand London WC2N 5HR
Principal Employer :	Kesa Electricals plc* 22 – 24 Ely Place London EC1N 6TE (from 3 February 2012) Comet Group plc George House George Street Hull HU1 3AU (until 3 February 2012)
Other Participating Employer :	Kesa Electricals plc* (until 3 February 2012) (Principal employer from 3 February 2012) * <i>Kesa Electricals plc changed its name to Darty Plc on 31 July 2012</i>
AVC Providers :	The Prudential Assurance Company Santander Corporate Banking (formerly Abbey) The Standard Life Assurance Company

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TRUSTEE'S REPORT FOR THE YEAR ENDED 31 MARCH 2012

The Trustee presents to the members its annual report and accounts for the year ended 31 March 2012.

Scheme Information

The Scheme provides pensions and lump sum benefits on retirement and death for those employees who are members of the Scheme, and is governed by a Trust Deed and Rules.

The Scheme provides defined benefit pensions. The Scheme has been closed to new members since 1 April 2004 and to future service accrual since 30 September 2007.

Trustee Directors, with the exception of Member-Nominated Trustee Directors, are appointed and removed from office by the principal employer in accordance with the Trust Deed. They have the responsibility for ensuring that the Scheme is properly run in accordance with its governing documents, and in the best interests of the members.

The Pensions Act 2004 introduced new requirements with regard to Member Nominated Trustees and requires that at least one-third of the Trustee Directors must be nominated by Scheme members. Since the year end two of the Member Nominated Trustee Directors have resigned. Arrangements will shortly be put in place to bring the number of Member Nominated Trustee Directors back to one-third of the Trustee Directors.

During the year the Trustee met regularly to review the management of the Scheme and to monitor the performance of the investment managers, administrators and advisers.

Statement of Trustee's Responsibilities

The audited accounts, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited accounts for each Scheme year which:

- show a true and fair view, of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the 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 accounts and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which it should ensure is consistent with the accounts 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.

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The Trustee has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

Membership

The number of members as at the year end was:-

	2012	2011
In-service deferred pensioners	-	297
Deferred pensioners	3,860	3,741
Pensioners	1,431	1,336

In-Service deferred pensioners were those members who were employed by Comet and had chosen to retain a link between their salary and their pension benefits. These members ceased to retain this link and became deferred pensioners when Comet ceased to be a participating employer in February 2012. For further details see the section on Benefit/Scheme changes below.

Financial Development of the Scheme

Changes in the Scheme's net assets during the year were as follows:

	£'000
Net assets at 31 March 2011	254,385
Net withdrawals from dealings with members	(1,352)
Net returns on investments	<u>44,122</u>
Net assets at 31 March 2012	<u>297,155</u>

Further information on the net returns on investments can be found in the Investment Report on pages 6 to 11.

The accounts for the year have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

Benefit/Scheme Changes

Comet Group Plc ceased to participate in the Scheme with effect from 3rd February 2012, immediately prior to its sale by Kesa Electricals Plc ("Kesa"). Kesa replaced Comet Group Plc as the Principal Employer from that date, under a Deed of Substitution of Principal Employer and Amendment. On the same date, a Scheme Apportionment Arrangement, approved by the Trustee, came into effect. Throughout the process of agreeing the Scheme Apportionment Arrangement, the Trustee worked closely with its advisors to ensure that all decisions were reached with the best interests of the members in mind. Satisfactory mitigation payments were necessary and were agreed with Kesa. Upon this basis, a new Schedule of Contributions was put in place, including the additional mitigation payments to be made to the Scheme.

The agreed Scheme Apportionment Arrangement and the agreed mitigation payments were the subject of formal clearance by the Pensions Regulator.

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As noted above, as a result of Comet Group Plc ceasing to be a participating employer, the remaining in-service deferred Members employed by Comet became deferred pensioners at that date.

Other than the annual increase of pensions in payment and of deferred pensions, the only other benefit change during the year was the review of cash equivalent transfer values following the actuarial valuation at 31 March 2010. Following this review, and after taking advice from the Scheme Actuary, the Trustee decided to stop the reduction of cash equivalent transfer values.

Actuarial Position

It is the role of the actuary to review the long-term position of the Scheme. The latest actuarial valuation was carried out as at 31 March 2010. Each year a Summary Funding Statement is issued to members to update them on the development of the long term position of the Scheme. The 2012 Summary Funding Statement is shown on pages 14 to 16 of the report.

The actuarial valuation showed that the assets of the Scheme were sufficient to cover 78% of the liabilities on the assumptions used. Following the actuarial valuation as at 31 March 2010 and a subsequent funding update as at 28 February 2011 which took into account the Company's enhanced transfer value and salary linkage initiatives, a "recovery plan" was put in place with the aim of removing the funding shortfall. The Company agreed to continue paying contributions of £6.1m per annum until 31 March 2018. Following the sale of Comet out of the Kesa group, the recovery plan was amended and Kesa agreed to pay mitigation lump sums of £3.5 million in February 2012 and £3.65 million by 31 May 2012. In addition to these lump sum payments, Kesa agreed to continue paying contributions of £6.1 million per annum until 31 March 2015 and, in addition, make mitigation payments of £3.9 million per annum until 31 March 2015. Kesa commenced these payments in February 2012.

The annual review of the funding position as at 31 March 2011 showed an improvement in the funding position to 85%. However the annual review as at 31 March 2012 showed the funding position had fallen to 80%. The next actuarial valuation of the Scheme is due as at 31 March 2013.

Investment Report for the year ended 31 March 2012

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 formal terms of reference 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 in line with the remit of the ISC.

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Objectives

In assessing the success of the investment performance, the key measurement used is the performance of the assets relative to a proxy for the movement in liabilities - the Liability Related Objective (LRO).

Over this reporting year, the **qualitative** objectives for the Scheme were:

- 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 through the Recovery Plan as agreed with the principal employer following each triennial actuarial valuation.

In addition, 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 were translated into the following **quantitative** measures, which are used as the main management tool:

- To achieve returns on the Scheme assets equal to the Liability Benchmark Objective (estimated change in liabilities + 2.2% p.a.) over rolling 3 year periods.
- To aim to not breach a downside tolerance of the estimated change in liabilities less 4.4% p.a. on the Scheme assets in any 12 month period.

For this purpose, the estimated change in value in the liabilities is calculated based on the change in interest rate and inflation swap rates over the period.

Investment Performance

During the year to 31 March 2012, the value of the Scheme assets increased by 18.2% underperforming the Liability Benchmark Objective by 5.3%. This strong absolute performance has helped improve the 3 year numbers where the annualised return was 18.3% versus a target of 14.1%.

Over 5 years, the 6.8% annualised performance is still behind the Scheme target of 11.6% despite the positive steps that the Trustee has implemented to control asset and liability risk. This longer term underperformance reflects the impact of the credit crunch in 2008 which saw increased investor uncertainty that resulted in falls across most risk based assets classes.

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1. Total Portfolio

The following table illustrates the performance of the Scheme's investments over the 12 months and 3 years (or since inception if shorter) to 31 March 2012.

Asset Class	Manager	12 months to 31 March 2012		3 years (per annum) to 31 March 2012	
		Fund	Benchmark	Fund	Benchmark
Matching Fund					
UK Gilts	P-Solve ¹	15.5	15.5	12.0	12.0
Investment Fund					
UK equity	P-Solve ²	18.0	7.3	13.9	7.2
UK and Overseas equity	LGIM	(1.6)	(1.6)	14.8	14.7
Cash	LGIM	0.8	0.5	0.6	0.4
Dynamic Asset Allocation	Barings ³	4.6	5.0	12.6	5.0
Active global bonds	Legg Mason	4.7	4.0	11.4	3.9
Active global bonds	PIMCO ⁴	7.7	10.1	10.5	11.2
Total Fund Return (including swaps)	All⁵	18.2	23.5	18.3	14.1

¹ Matching Fund return from 1/1/2009, and includes a small contribution from the LGIM Cash fund. Note: the performance numbers excludes the performance of the swaps. Instead the swap performance is included in the Total Fund Return.

² Return from 21 April 2010

³ Return from 9 September 2008

⁴ Return from 11 June 2010

⁵ The benchmark return is taken to be that on the Liability Benchmark Objective.

Barings, PIMCO and Legg Mason performance numbers are net of fees whereas LGIM and P-Solve are gross of fees.

The P-Solve mandate distributes income generated.

2. Hedging

There are two elements to the hedging strategy – liability hedging and equity hedging.

The liability hedging swaps are designed to help protect the Scheme from adverse movements in long term interest rate and inflation expectations that impact the value of the Scheme's liabilities. The UK Equity structured solution provides downside protection against falls in the FTSE100 of 30% from the index level at the point of investment, whilst the collateral supporting the structure is also used in the liability hedging design.

The ISC monitors the performance of the liability hedge against the liabilities on a regular basis and the Scheme's manager independently checks the counterparty valuations weekly.

The counterparty for the derivative contracts is Barclays Bank plc who have a good credit rating.

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Market Review

Over the 12 months to 31 March 2012, the investment landscape for return seeking assets remained challenging with increasing difficulties for the Global Economy. Poor growth figures across the developed world and a continuing debt crisis in the Eurozone caused global equities to fall by 0.2% on a sterling adjusted basis.

UK equities were, however, able to weather the uncertainty rising by 1.4% and US equities, despite a downgrade by Standard & Poor, a dragging political crisis over the Federal debt ceiling and poor economic data during the summer, managed an 8.8% rise in sterling terms on increased optimism that the economy was starting to experience a sustainable and self-feeding recovery. Despite these positives, Europe, Asia and Emerging markets, however, saw declines of between 5.1% and 11.4% in sterling.

The global economic uncertainty supported bonds with yields in many regions falling sharply, which helped UK government bonds produce a return approaching 15% for the year.

Continued political unrest in North Africa and the Middle East, global inflation, solvency concerns around the peripheral Eurozone economies and disruption to world trade following one of Japan's most powerful earthquakes on record, all unsettled Markets.

Sentiment was not helped by the ending of the second round of quantitative easing in the US or the decision by the European Central Bank, ECB, concerned by the threat of higher inflation, to increase interest rates by 0.25% to 1.25%. However, the ongoing Sovereign debt crisis emerged as the major factor that would influence market returns over the following months.

Given the deteriorating economic outlook, investors moved their assets away from return seeking asset classes into perceived safe havens such as UK and US Government Bonds causing yields to fall. Gold also enjoyed significant gains as investors sought protection against equity market volatility reaching a record high of \$1,892 an ounce in mid August.

The first quarter of 2012 was dominated by the continuation of the Eurozone crisis. There was some progress with the ECB announcing it would exchange Greek Sovereign bonds for those in the new Eurozone bailout fund, European Financial Stability Facility (EFSF), thus reducing some of the burden on Greece, although, given the significant challenges that remain this may eventually be seen as another temporary solution.

Elsewhere, the Federal Reserve continued with "Operation Twist" in an attempt to keep longer interest rates low, and the ECB completed its second round of Long Term Refinancing Operations (LTRO) in February arguably heading off a full-blown credit crunch.

In the UK, the Bank of England (BoE) announced a further £50bn of Quantitative Easing, bringing the total purchases of gilts to £325bn. In addition, George Osborne delivered a fiscally neutral budget that reinforced the Coalition's commitment to controlling the deficit.

In Japan, the Central Bank expanded its asset purchase program helping to weaken the Yen and benefitting equity markets as they responded to the anticipated increase in exports and higher industrial production. In the rest of Asia, the improved economic data from the US and expectations of monetary easing in China led to Asian equities posting their best quarterly performance since 2010.

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Whilst equity markets finished the period on a strong note, the underlying challenges facing developed economies remain and the success of the Eurozone in resolving its Sovereign debt crisis will be a key factor impacting future economic growth and investment returns.

Investment Strategy

The target allocation for the Scheme consists of 15% invested in a Matching Fund (which includes a liability hedge) and 85% invested in return seeking assets in an "Investment Fund".

The liability hedge is made up of a series of interest rate and inflation swap contracts together with a portfolio of investment grade inflation linked securities (used as collateral for the swap contracts), with a view to closely matching changes in value in the Scheme's liabilities.

The remaining 85% of the Scheme's assets were invested in a diversified portfolio of assets aimed at generating return whilst maintaining an acceptable level of risk in accordance with the Scheme objectives.

As at 31 March 2012, the investment allocation strategy being followed by the Trustee was as follows:

Asset Class	%	Manager	Benchmark
Investment Fund	85.0		
UK equity including collateral	15.0	P-Solve	6% p.a. in excess of the compounded 6 month Sterling LIBOR return
Overseas equity	15.0	LGIM	Composite of relevant FTSE indexes
Dynamic Asset Allocation	35.0	Barings	3 Month Sterling Libor
Active global bonds	10.0	Legg Mason	3 Month Sterling Libor
Active global investment grade bonds	10.0	PIMCO	Composite of three credit indices (GBP Hedged)
Matching Fund	15.0		
Index-linked gilts	15.0	P-Solve	n/a
Total	100.0		

The changes made to the investment allocation strategy over the course of the year by the Trustee were:

- The holding in the UBS Triton Property Fund was fully redeemed as the Trustee did not have confidence in the manager's ability over the longer term. In addition, UBS confirmed that there was an opportunity to sell the allocation quite quickly, which was an attractive proposition as it usually takes approximately 12 months to redeem. The proceeds from this sale were invested in the Barings DAA Fund in light of volatile market conditions and Barings' ability to perform in these scenarios.
- The Trustee agreed to remove the emerging market equity manager, Wellington, following a period of underperformance. This decision was implemented in two stages, with £2m redeemed in June 2011 and the remaining proceeds sold in March 2012.

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- The composition of the passive equity allocation with Legal and General was reviewed with the allocations to the various regions updated to reflect the current views.
- Following the sharp falls in interest rates over the period, the value of the liability hedging arrangements increased significantly. This presented an opportunity for the Trustee to release £20m of cash for investment elsewhere. The Trustee decided to invest the proceeds across the holdings at Barings, Legg Mason and PIMCO to bring the allocations in line with the new strategic benchmark that was set.

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. Should they fall outside their range at the end of the quarter then the ISC will review the position and decide how to act.

Custody Arrangements

Most of 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. For the Liability Hedge and Equity Structured Product, the Trustee has delegated appointment of a custodian (for the Index Linked Gilts available to provide collateral) to P-Solve Investment Limited.

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. Copies of the statement are available on the pension website, www.comet-pensions.co.uk.

Investment Manager Fees

The investment management fees incurred by the Scheme are summarised below. Please note that the figures quoted here are best estimates since extracting the precise fee from daily unit prices would be a time-consuming exercise:

Year Ending 31 March 2010	£800,932
Year Ending 31 March 2011	£1,079,094
Year Ending 31 March 2012	£983,628

Fees are exclusive of any VAT that may be payable.

Enquiries

All enquiries about the Scheme and individual benefit entitlements should be addressed to the Scheme's Trustee, c/o Punter Southall, Tempus Court, Onslow Street, Guildford, Surrey GU1 4SS. Further information can also be obtained from the Comet Pension Scheme website: www.comet-pensions.co.uk.

By Order of the Trustee

Ian Edwards

Director

4 September 2012
Date

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ACTUARY'S CERTIFICATE OF THE CALCULATION OF TECHNICAL PROVISIONS

Name of Scheme: Comet Pension Scheme

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 March 2010 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses the method and assumptions determined by the Trustee of the Scheme and set out in the statement of funding principles dated 3 June 2011.

27 June 2011

Steve Leake
Fellow of the Institute and Faculty of Actuaries
Punter Southall Limited
Tempus Court
Onslow Street
Guildford
Surrey, GU1 4SS

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ACTUARY'S CERTIFICATE OF THE SCHEDULE OF CONTRIBUTIONS

Name of Scheme: Comet Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected on 28 February 2011 to be met by the end of the period specified in the recovery plan dated 31 January 2012.

Adherence to rates of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 3 June 2011.

This 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 purchase of annuities, if the Scheme were to be wound-up.

1 February 2012

Steve Leake
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The Comet Pension Scheme ('the Scheme') Summary Funding Statement 2012

Trustees are required to send members a brief statement giving a regular update of the Scheme's funding position. The Trustee of the Comet Pension Scheme is therefore pleased to provide the annual Summary Funding Statement for 2012. The Trustee is responsible for administering the Scheme and you will receive a statement like this each year to let you have updated information about the funding of the Scheme. The statement refers only to the Comet Pension Scheme (ie your final salary benefits).

What is the purpose of this statement?

This statement has been produced by the Trustee and its purpose is:

- to summarise the results of the latest actuarial valuation carried out as at 31 March 2010; and
- to state how the funding position may have changed since that valuation was carried out.

What is an actuarial valuation?

The Scheme Actuary studies the financial position of the Scheme periodically (at least every three years) by carrying out an actuarial valuation. The valuation is used to estimate the amount of money required to pay benefits as they fall due and compare this with the assets held in the Scheme. To make this assessment, the Actuary has to use a number of assumptions about what will happen in the future such as how long people will live, what inflation will be and how much income the Scheme will earn from its investments.

Previous actuarial valuation

The most recent actuarial valuation of the Scheme was completed as at 31 March 2010 and annual updating reports were produced as at 31 March 2011 and 31 March 2012. The results of the actuarial valuation as at 31 March 2010, the updated funding position as at 31 March 2011 and the updated funding position as at 31 March 2012 are shown below for information.

	31 March 2010 £thousands	31 March 2011 £thousands	31 March 2012 £thousands
Value of assets	239,900	247,000	293,200
Value of past service liabilities	(308,600)	(291,900)	(364,400)
Past service shortfall	(68,700)	(44,900)	(71,200)
Funding level	78%	85%	80%

Following the actuarial valuation as at 31 March 2010 and a subsequent funding update, which took into account the removal of the salary linkage and enhanced transfer value initiatives, a recovery plan was put in place with the aim of removing the remaining shortfall. As a result, Comet Group plc ('Comet') and Kesa Electricals plc ('Kesa') agreed to pay combined additional contributions of £6.1 million per annum until 31 March 2018. Following the sale of Comet by Kesa, the recovery plan was amended and Kesa agreed to pay mitigation lump sums of £3.5 million in February 2012 and £3.65 million by 31 May 2012. In addition to these lump sum payments, Kesa agreed to continue paying contributions of £6.1 million per annum until 31 March 2015 and, in addition, make mitigation payments of £3.9 million per annum until 31 March 2015. Kesa commenced these payments in February 2012.

Change in the funding position

The following factors have affected the funding position of the Scheme since 31 March 2011, by the approximate amounts shown:

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	£m
Past service shortfall as at 31 March 2011	(44.9)
• Interest on deficit	(1.2)
• Change in economic conditions	(61.9)
• Favourable investment returns	29.4
• Deficit reduction contributions	6.1
• Mitigation payments	4.2
• Other items	(2.9)
Past service shortfall as at 31 March 2012	(71.2)

As shown above, it is estimated that these factors have led to the Scheme's funding position worsening by around £26.3 million. Over the same period the ratio of the assets to the estimated liabilities, known as the funding level, will have decreased from 85% to 80%.

Funding position of the Scheme had it wound-up

The aim of the Trustee is for there to be enough money in the Scheme to pay pensions now and in the future, but this depends on Kesa carrying on in business and continuing to pay for the Scheme. If Kesa goes out of business or decides to stop paying for the Scheme, it must pay enough money to buy all the benefits built up by members from an insurance company. This is known as the Scheme being 'wound-up'. The comparison of the Scheme's assets to the cost of buying the benefits from an insurance company is known as the "solvency position".

A test of this solvency position at 31 March 2010 showed that the Scheme's assets could not have paid for the full benefits of all members to be provided by an insurance company if the Scheme had wound up at that date. If the Scheme had wound up on 31 March 2010 then it is estimated that the amount needed to buy the Scheme benefits in full from an insurance company would have been £547 million (that is, a shortfall of £307 million). This figure is just an estimate and is not meant to imply that the Trustee or Kesa are considering winding-up the Scheme. It is just another piece of information that we are required to tell you and we hope will help you understand the financial security of your benefits.

Payments to the Company

The Trustee is required to make an annual statement on any payment from the Scheme that has been made to either Comet or Kesa. We can confirm that there have not been any payments to either Comet or Kesa out of Scheme funds since the inception of the Scheme.

How are the Scheme's assets invested?

The Trustee employs specialist fund managers to look after the day to day investment of the Scheme's assets. We set the investment strategy and monitor the fund managers' performance on a regular basis. We invest in a broad range of assets, limiting the amount invested in a particular class of assets (as set out in the Statement of Investment Principles dated March 2012) as follows:

Company shares (equities)	30.0%
Government securities (gilts)	15.0%
Corporate bonds	20.0%
Other investments	35.0%

A fuller breakdown of the Scheme's investment strategy (Statement of Investment Principles) is available on the website.

The Scheme's financial security

The Scheme's assets are held separately from the Kesa's assets. If the Scheme was to wind-up (come to an end), then, as previously stated, Kesa would be required to pay enough into the Scheme to enable members' benefits to be secured with an insurance company. The Government established the Pension Protection Fund (PPF) to pay benefits to members if the Scheme is wound-up when the Scheme and Kesa do not have enough money to cover the cost of buying all members' benefits with an insurer. The

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pension you would receive from the PPF is likely to be less than the full benefit you have earned in the Scheme, depending on your age and when your benefits were earned.

Further information is available on the PPF website at www.pensionprotectionfund.org.uk or you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.

The sale of Comet

Following the sale of Comet, Kesa became the principal employer of the Scheme and assumed all of Comet obligations for the Scheme under an agreed Scheme Apportionment Arrangement. Throughout the sale process, the Trustee worked closely with its advisers to ensure that all decisions were reached with the best interests of all members in mind.

Following the sale of Comet, Kesa Electricals plc changed its name to Darty Group plc.

Where can I get more information?

If you have any questions, or would like any more information, please write to the Comet Pension Scheme, Punter Southall, Tempus Court, Onslow Street, Guildford, GU1 4SS. A list of the documents available is attached. If you want to be sent a copy of any of these documents please contact Punter Southall at the address shown above. We send you a Summary Funding Statement each year, so if you change address you should let us know so that we can update our records. A form for you to use for this purpose is enclosed.

Additional documents available from www.comet-pensions.co.uk

The Statement of Investment Principles

This explains the Trustee's principles for investing the money in the Scheme.

The Annual Report and Accounts of the Comet Pension Scheme

This shows the Scheme's annual income and expenditure.

Pension Scheme Benefits

This website is a guide to the various benefits provided by the Scheme.

Additional documents available on request from Punter Southall

The Formal Actuarial Valuation Report as at 31 March 2010

This contains the details of the Scheme Actuary's check of the Scheme's financial situation as at 31 March 2010.

Statement of Funding Principles

This sets out the Scheme's funding plan.

The Schedule of Contributions and Recovery Plan

These explain how the funding shortfall is being made up including how much money Kesa is paying into the Scheme. A certificate from the Scheme Actuary is included showing that these contributions were expected to be sufficient at the specified date.

Annual Updating Valuation Report

This shows the Scheme Actuary's review of the Scheme's financial situation as at 31 March 2011 and 31 March 2012.

COMET PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE COMET PENSION SCHEME

We have audited the financial statements of Comet Pension Scheme for the year ended 31 March 2012 which comprise the fund account, the net assets statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Scheme's Trustee in accordance with the Pensions Act 1995. 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 Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustee and Auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2012, 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;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

BDO LLP

BDO LLP
Statutory Auditor
Gatwick
United Kingdom

Date *4 September 2012*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

COMET PENSION SCHEME

STATEMENT OF TRUSTEE'S RESPONSIBILITIES IN RESPECT OF CONTRIBUTIONS

The Scheme's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions ("The Schedule") showing the rates of contributions payable towards the Scheme by or on behalf of the 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 and for procuring that contributions are made to the Scheme in accordance with the Schedule.

Trustee's Summary of Contributions payable under the Schedule in respect of the Scheme year ended 31 March 2012

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer contributions payable to the Scheme under the Schedule of Contributions certified by the actuary on 17 March 2008, 27 June 2011 and 1 February 2012 in respect of the Scheme year ended 31 March 2012. The Scheme Auditor reports on contributions payable under the Schedules in the Auditor's Statement about Contributions.

Contributions payable under the Schedules in respect of the Scheme year	2012 Total £'000
Employer:	
Deficit funding contributions	6,100
PPF levy contributions	286
Mitigation payments	<u>4,150</u>
Contributions payable under the Schedules (as reported on by the Scheme Auditor)	<u>10,536</u>
Reconciliation of contributions payable under the Schedules of Contributions reported in the accounts in respect of the Scheme year	
Contributions payable under the Schedules (as above)	10,536
Contributions payable in addition to those due under the Schedules (and not reported on by the Scheme Auditor)	
Employer transfer value enhancements	<u>1,019</u>
Total contributions reported in the accounts	<u>11,555</u>

Signed: .
Director Ian Edwards

Date: 4 September 2012

Signed: .
Director Simon Enoch

Date: 4 September 2012

COMET PENSION SCHEME

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE COMET PENSION SCHEME

We have examined the Summary of Contributions to the Comet Pension Scheme for the Scheme year ended 31 March 2012 which is set out on page 18.

This statement is made solely to the Scheme's Trustee in accordance with the Pensions Act 1995. Our 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 auditor's 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 Trustee for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of Trustee and Auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing 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 is also responsible for keeping records in respect of contributions received in respect of any active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedules of contributions.

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

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the schedules of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedules of contributions.

Statement about Contributions payable under the Schedules of Contributions

In our opinion contributions for the Scheme year ended 31 March 2012 totalling £10,536,000 as reported in the summary of contributions and payable under the schedules of contributions have in all material respects been paid at least in accordance with the schedules of contributions certified by the Scheme actuary on 17 March 2008, 27 June 2011 and 1 February 2012.

BDO LLP

BDO LLP
Statutory Auditor
Gatwick
United Kingdom

Date *4 September 2012*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

COMET PENSION SCHEME

FUND ACCOUNT

For the year ended 31 March 2012

	Note	2012 £'000	2011 £'000 (Restated)
CONTRIBUTIONS AND BENEFITS			
Contributions	3	<u>11,555</u>	<u>9,824</u>
Benefits	4	7,103	6,402
Payments to and on account of leavers	5	5,516	14,637
Administration expenses	6	<u>288</u>	<u>256</u>
		<u>12,907</u>	<u>21,295</u>
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		<u>(1,352)</u>	<u>(11,471)</u>
RETURNS ON INVESTMENTS			
Investment income	7	2,795	3,133
Change in market value of investments	8	41,570	18,478
Investment management expenses		<u>(243)</u>	<u>(254)</u>
NET RETURNS ON INVESTMENTS		<u>44,122</u>	<u>21,357</u>
NET INCREASE IN THE FUND FOR THE YEAR		42,770	9,886
NET ASSETS AT 31 MARCH 2011		<u>254,385</u>	<u>244,499</u>
NET ASSETS AT 31 MARCH 2012		<u>297,155</u>	<u>254,385</u>

The notes on pages 22 to 27 form an integral part of these accounts.

COMET PENSION SCHEME

NET ASSETS STATEMENT

At 31 March 2012

	Note	2012 £'000	2011 £'000
Investment assets	8	317,848	257,582
Investment liabilities	8	(22,228)	(9,328)
Current assets	10	1,790	6,893
Current liabilities	11	<u>(255)</u>	<u>(762)</u>
NET ASSETS AT 31 MARCH 2012		<u>297,155</u>	<u>254,385</u>

The accounts 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 Summary Funding Statement and actuarial certificate included in the Annual Report and these accounts should be read in conjunction with them.

The notes on pages 22 to 27 form an integral part of these accounts.

These accounts were approved by the Trustee on 4 September 2012

Signed on behalf of the Trustee

Ian Edwards

Simon Enoch

COMET PENSION SCHEME

NOTES TO THE ACCOUNTS

For the year ended 31 March 2012

1. BASIS OF PREPARATION

The accounts 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 (SORP), Financial Reports of Pension Schemes (Revised May 2007).

2. ACCOUNTING POLICIES

(a) *Accounting Convention*

The accounts are prepared on an accruals basis.

(b) *Contributions*

Employer augmentations are recognised in accordance with the agreement under which they are paid, or in the absence of an agreement, on a receipts basis.

Employer deficit funding contributions are recognised on the due dates in accordance with the Schedule of Contributions.

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

PPF levy contributions are accounted for when paid.

(c) *Benefits and Transfers to/from the Scheme*

Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken or, if there is no member choice, on the date of retirement or leaving.

Individual transfers in or out are accounted for when paid or received which is normally when member liability is accepted/discharged.

(d) *Investment Income*

Income from fixed interest securities and other interest receivable is taken into account on an accruals basis. Income from all other investments is taken into account on a receivable date basis. Income arising on the underlying investments of accumulation funds is reflected within the change in market value.

(e) *Investments*

Investments are valued at market value.

Quoted securities are valued at the bid price at the year end date.

Pooled investment vehicles are valued at the bid price where there is a bid/offer spread quoted by the investment managers, or at the single price if only one price is quoted as provided by the investment managers.

Swaps are revalued monthly. The fair value is calculated using pricing models such as Bloomberg's, where inputs are based on market data at the year end date. Interest is accrued monthly on a basis consistent with the terms of each contract. The amounts included in change in market value are the realised gains or losses on closed contracts and the unrealised gains or losses on open contracts. Net receipts or payments on swap contracts are either reported within investment income or within change in market value.

COMET PENSION SCHEME

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 March 2012

(e) Investments (continued)

Options are valued at their mark to market value. If a quoted market price is not available on a recognised exchange the fair value is calculated using pricing models such as Black-Scholes, where inputs are based on market data at the year end date.

(f) Foreign Currency Translation

Foreign currency income is translated into sterling at the rate ruling at that date. Investments and current assets and liabilities denominated in foreign currencies are translated using the sterling rate of exchange ruling at the period end.

Differences arising on translation of current assets and liabilities are included in the fund account.

(g) Investment Management Expenses

The investment managers' fees are paid in accordance with the agreed scales and accounted for on an accruals basis.

3. CONTRIBUTIONS	2012 £'000	2011 £'000
Employer - deficit funding	6,100	6,100
- PPF levy contributions	286	253
- transfer value enhancements	1,019	3,471
- mitigation payments	<u>4,150</u>	<u>-</u>
	<u>11,555</u>	<u>9,824</u>

Deficit funding contributions are payable at a rate of £508,333 per month until 31 March 2015.

Following the sale of Comet Group plc, mitigation payments are payable at a rate of £325,000 per month from 1 February 2012 until 31 March 2015, along with lump sums of £3,500,000 in February 2012 and £3,650,000 by 31 May 2012.

4. BENEFITS	2012 £'000	2011 £'000
Pensions	4,928	4,396
Commutations and lump sum retirement benefits	2,173	1,984
Refunds of contributions on death	<u>2</u>	<u>22</u>
	<u>7,103</u>	<u>6,402</u>

5. PAYMENTS TO AND ON ACCOUNT OF LEAVERS	2012 £'000	2011 £'000
Individual transfers out	4,497	11,166
Company enhancements	<u>1,019</u>	<u>3,471</u>
	<u>5,516</u>	<u>14,637</u>

COMET PENSION SCHEME

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 March 2012

6. ADMINISTRATION EXPENSES	2012	2011
	£'000	£'000
PPF levy	286	253
Miscellaneous expenses (net)	<u>2</u>	<u>3</u>
	<u>288</u>	<u>256</u>
7. INVESTMENT INCOME	2012	2011
	£'000	(Restated) £'000
Income from index linked securities	1,135	1,097
Income from pooled investment vehicles	1,500	1,844
Interest on cash deposits	<u>160</u>	<u>192</u>
	<u>2,795</u>	<u>3,133</u>

Income from index-linked investments for prior years had been incorrectly reported and had included an element of an increase in market value. This has resulted in an overstatement of income reported in 2011 totalling £1,977K and a corresponding understatement in the change in market value. The net assets of the Scheme were, and remain, unaffected.

8. INVESTMENTS	Value at 31.03.2011 (Restated)	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31.03.2012
	£'000	£'000	£'000	£'000	£'000
Index linked securities	72,435	-	-	12,691	85,126
Pooled investment vehicles	167,463	55,397	(30,830)	3,840	195,870
Derivative contracts (net)	3,668	63	(20,000)	25,019	8,750
AVC investments	<u>4,230</u>	<u>156</u>	<u>(493)</u>	<u>20</u>	<u>3,913</u>
	247,796	<u>55,616</u>	<u>(51,323)</u>	<u>41,570</u>	293,659
Cash deposits	10				1,056
Cash in transit	26				577
Other investment balances	<u>422</u>				<u>328</u>
	<u>248,254</u>				<u>295,620</u>
				2012	2011
				£'000	£'000
Investment assets				317,848	257,582
Investment liabilities				<u>(22,228)</u>	<u>(9,328)</u>
				<u>295,620</u>	<u>248,254</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 and investment managers' fees.

COMET PENSION SCHEME

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 March 2012

8. INVESTMENTS (continued)

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. In addition to the transaction costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

The companies managing the pooled investment vehicles are registered in the United Kingdom.

Index-Linked Securities			2012	2011		
			£'000	£'000		
UK Government - quoted			<u>85,126</u>	<u>72,435</u>		
Pooled investment vehicles			2012	2011		
			£'000	£'000		
Other managed funds			195,870	156,093		
Property			<u>-</u>	<u>11,370</u>		
			<u>195,870</u>	<u>167,463</u>		
Derivative contracts			2012	2012	2011	2011
			Asset	Liability	Asset	Liability
			£'000	£'000	£'000	£'000
Options			3,167	-	3,750	-
Swaps			<u>27,811</u>	<u>(22,228)</u>	<u>9,246</u>	<u>(9,328)</u>
			<u>30,978</u>	<u>(22,228)</u>	<u>12,996</u>	<u>(9,328)</u>
Net asset			<u>8,750</u>		<u>3,668</u>	
Options					2012	2012
					Asset	Liability
Type		Expiration			£'000	£'000
UK FTSE exchange traded		2013			<u>3,167</u>	<u>-</u>
Swaps						
Type of contract	Expiration	Nature of swap	Notional Principal	2012 Asset	2012 Liability	
			£'000	£'000	£'000	
Interest rate (OTC)	7 to 49 years	Receive fixed for floating	196,400	26,286	(1,169)	
Interest rate (OTC)	4 to 29 years	Pay fixed for floating	98,240	-	(10,514)	
Inflation (OTC)	4 to 49 years	Pay fixed for RPI	187,700	1,312	(10,389)	
Inflation (OTC)	4 to 44 years	Receive fixed for RPI	46,400	<u>213</u>	<u>(156)</u>	
				<u>27,811</u>	<u>(22,228)</u>	

COMET PENSION SCHEME

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 March 2012

8. INVESTMENTS (continued)

At the year end the Scheme held £7,122,870 (2011: £2,302,000) of collateral belonging to the counterparty in respect of the outstanding Options and Swaps values. This collateral is not reported within the Scheme's net assets.

Derivative receipts and payments represent the realised gains and losses on futures contracts. The Scheme's objective is to decrease risk in the portfolio by entering into futures positions to match assets that are already held in the portfolio without disturbing the underlying assets.

Objectives and policies

Options - are valued at their mark to market value. If a quoted market price is not available on a recognised exchange the fair value is calculated using pricing models such as Black-Scholes, where inputs are based on market data at the year end date.

Swaps – the Trustee's 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 dated bonds the Trustee has entered interest rate and inflation rate swaps that extend the duration of the fixed income portfolio to better match the long term liabilities of the Scheme.

Cash deposits	2012 £'000	2011 £'000
Sterling	<u>1,056</u>	<u>10</u>
Other investment balances	2012 £'000	2011 £'000
Dividends and interest receivable	<u>328</u>	<u>422</u>

AVC Investments

The Trustee holds assets invested separately from the main fund in the form of individual building society accounts and insurance policies securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement made up to the year end confirming contributions paid and the value of their fund. The aggregate amounts of AVC investments are as follows:

	2012 £'000	2011 £'000
AVCs		
Standard Life	612	727
Santander (formerly Abbey)	14	14
Prudential Assurance	<u>3,287</u>	<u>3,489</u>
	<u>3,913</u>	<u>4,230</u>

COMET PENSION SCHEME

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 March 2012

9. CONCENTRATION OF INVESTMENTS

The following investments represented over 5% of the net assets of the Scheme:

	2012		2011	
	£'000	%	£'000	%
PIMCO Diversified Income Fund	29,215	9.8	21,716	8.5
Barings Dynamic Asset Allocation	100,099	33.7	62,323	24.5
Legg Mason Global Multi Strategy	29,265	9.9	23,966	9.4

10. CURRENT ASSETS

	2012	2011
	£'000	£'000
Contributions receivable - employer	833	508
Bank balance	<u>957</u>	<u>6,385</u>
	<u>1,790</u>	<u>6,893</u>

All contributions receivable relate to the month of March 2012 and were paid in full to the Scheme within the timescale required by the Schedule of Contributions currently in force.

11. CURRENT LIABILITIES

	2012	2011
	£'000	£'000
Unpaid benefits	132	123
Tax payable	67	58
Administration expenses	56	65
Transfer value enhancements	<u>-</u>	<u>516</u>
	<u>255</u>	<u>762</u>

12. RELATED PARTIES

Benefit payments to a Trustee Director, I R M Edwards, are included within pension payments. The amount of these benefits is calculated on the same basis as pensions to other members of the Scheme in accordance with the Trust Deed and Rules.

COMET PENSION SCHEME

COMPLIANCE STATEMENT

Constitution

The Comet Pension Scheme is an occupational pension scheme operated by Kesa. The Scheme is quite separate from Kesa and it operates under Trust Law. Kesa Electricals plc changed its name to Darty Plc on 31 July 2012.

Taxation Status

The Scheme is a registered pension scheme within the meaning of Section 153 of the Finance Act 2004.

Contracting Out

Members of the Scheme were contracted-out of the earnings-related element of the State Second Pension Scheme until the Scheme closed to accrual in 2007.

Pensions

All pensions in payment were increased in accordance with the Rules of the Scheme. Statutory increases are applied to GMP earned after 5 April 1988. The remainder of a member's pension in payment increases in line with the cost of living, up to a maximum of 5% (if accrued before 6 April 2005) or 2.5% (if accrued on or after this date). On 1 April 2011 the increases applied were as follows:

GMP accrued before 6 April 1988:	Nil
GMP accrued after 5 April 1988:	3.0%
Pension above GMP accrued before 6 April 2005:	4.8%
Pension accrued after 5 April 2005:	2.5%

Deferred pensions in excess of the GMP are increased annually in line with the cost of living, up to a maximum of 5%.

There were no discretionary increases made during the year.

Transfer Values

Cash equivalents (transfer values to other approved pension arrangements) payable are calculated and verified as prescribed by Section 97 of the Pension Schemes Act 1993. No discretionary benefits are included.

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.

COMET PENSION SCHEME

COMPLIANCE STATEMENT (Continued)

Transfer Values (Continued)

The actuarial valuation of the Scheme was completed as at 31 March 2010 following which the level of cash equivalent transfer values (CETVs) was reviewed, and it was decided to stop the reduction of CETVs.

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.

Change of Auditor

BDO LLP was appointed as Scheme auditor on 25 January 2012 in place of KPMG LLP. KPMG LLP confirmed to the Trustee in a letter dated 20 February 2012 that they know of no circumstances connected with their resignation which in their opinion significantly affected the interests of the members or prospective members of, or beneficiaries under, the Scheme.

Employer Related Investments

There are no employer related investments within the Scheme above the limits permitted under the Pensions Act 1995.

TPAS and Pensions Ombudsman

All enquiries about the Scheme and individual benefit entitlements should be addressed to the Scheme Trustee c/o Punter Southall, Tempus Court, Onslow Street, Guildford, Surrey GU1 4SS.

If a member has a complaint against the Scheme that has not been resolved to his or her satisfaction through the Scheme's Dispute Procedure, The Pensions Advisory Service (TPAS), an independent voluntary organisation, may be able to offer advice. TPAS are also able to help with general pensions queries. The name of the local TPAS adviser can be obtained from any local Citizens Advice Bureau. If the complaint is not satisfactorily resolved, the government appointed Pensions Ombudsman can investigate complaints of injustice caused by bad administration, either by the Trustee or Scheme administrators, or disputes of fact or law. Both TPAS and the Pensions Ombudsman can be contacted at:

11 Belgrave Road
London SW1V 1RB

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

Napier House
Trafalgar Place
Brighton BN1 4DW

COMET PENSION SCHEME

COMPLIANCE STATEMENT (Continued)

The Pension Scheme Registry

The Scheme is registered with the Pension Schemes Registry which is part of the Pension Regulator's office. The registration number is 10269876. The data held by the Registry is used by the Pension Tracing Service to assist former members of schemes to trace their scheme benefits. The Pension Tracing Service can be contacted at:

Pension Tracing Service
The Pensions Service
Tyneview Park
Whitley Road
Newcastle upon Tyne NE98 1BA

Tel: 0845 6002 537