

COMET PENSION SCHEME

Report and Accounts for the year ended 31 March 2010

Scheme Registration No: 1/269876



Punter Southall
CONSULTING ACTUARIES

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

Punter Southall is a trading name of Punter Southall Limited
Registered Office: 126 Jermyn Street, London SW1Y 4UJ · Registered in England and Wales No 3842603

A Punter Southall Group Company

COMET PENSION SCHEME

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TRUSTEE AND ITS ADVISERS

Trustee : Comet Trustee Company Limited

Trustee Directors : Ian Edwards ** (Chairman) (Reappointed Deputy Chair 7 July 2010)
Toby Lousada (Chairman) (Appointed 7 July 2010)
Simon Enoch
Victoria Moore
Michael Walters
Paul Underwood *
Lynn Randall * (Appointed 7 October 2009)
Matthew Bentley (Appointed 7 July 2010)
Richard Annett (Appointed 7 July 2010)
Graham MacDonald * (Resigned 24 March 2010)
Jon Herzberg (Resigned 7 July 2010)

* *Member Nominated*

** *Stood down as Company Nominated Director and re-elected as Member Nominated Director on 4 June 2010*

Secretary to the Trustee : Wayne Phelan
c/o PS Independent Trustees Ltd (PSITL)
Albion
Fishponds Road
Wokingham
Berkshire RG41 2QE

Secretarial Services are provided by PS Secretarial Services, a division of PSITL

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

Auditors : KPMG LLP
15 Canada Square
London E14 5GL

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

Bankers : Bank of Scotland
600 Gorgie Road
Edinburgh EH11 3XP (from 4 January 2010)

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

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TRUSTEE AND ITS ADVISERS (Continued)

<i>Investment Managers :</i>	Legg Mason Global Asset Management (formerly Western Asset Management Ltd) UBS Global Asset Management Ltd Legal & General Investment Management Ltd Barings Asset Management P-Solve Investments Ltd (formerly PSigma Investments Limited) PIMCO Europe Ltd Global (from 13 May 2009) Wellington Management International Ltd (from 11 January 2010)
<i>Custodians :</i>	Citibank JP Morgan HSBC Global investor Services Northern Trust P-Solve Investment Limited KAS Bank Brown Brothers Harriman Trustee Services (Ireland) Ltd State Street Custodial Services (Ireland) Ltd
<i>Consultants & Administrators :</i>	MNPA Limited Station Road Leatherhead House Leatherhead Surrey KT22 7ET (until 31 December 2009) Punter Southall Tempus Court Onslow Street Guildford Surrey GU1 4SS (from 1 January 2010)
<i>Investment Adviser :</i>	P-Solve Investments Limited 126 Jermyn Street London SW1Y 4UJ
<i>Sponsoring Employer :</i>	Comet Group plc George House George Street Hull HU1 3AU
<i>Other Participating Employer :</i>	Kesa Electricals plc
<i>AVC Providers :</i>	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 2010

The Trustee presents to the members its annual report and accounts for the year ended 31 March 2010.

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. In accordance with the new provisions three Member Nominated Trustee Directors have been appointed.

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:-

	2010	2009
In-service deferred pensioners	1,358	1,596
Deferred pensioners	3,065	3,038
Pensioners	1,215	1,017

Financial Development of the Scheme

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

	£'000
Net assets at 31 March 2009	189,635
Net withdrawals from dealings with members	(462)
Net returns on investments	<u>55,326</u>
Net assets at 31 March 2010	<u>244,499</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

There were no changes to the Scheme Rules during the year ended 31 March 2010. However, the practice of allowing members who had joined the Company's Stakeholder Plan (following the closure of the Scheme to future service accrual on 30 September 2007) to transfer any funds they had accumulated therein into the Scheme to increase their retirement benefits (in the same way as AVCs) was discontinued by the Company from 30 September 2009.

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 2007 and the Summary Funding Statement issued to members is shown on pages 14 to 16 of the report.

The actuarial valuation showed that the assets of the Scheme were sufficient to cover 80.6% of the liabilities on the funding basis and assumptions used. As a result of the actuarial valuation as at 31 March 2007, a "recovery plan" has been put in place with the aim of eliminating the shortfall, whereby the Company has agreed to pay contributions of £6.1m per annum from 1 April 2008.

An actuarial valuation at 31 March 2010 is currently underway and once it is approved by the Trustee and the Company a new Recovery Plan and Schedule of Contributions will also be agreed. The Trustee expects to approve these at its meeting in March 2011.

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Investment Report

Investment Report for the year ended 31 March 2010

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 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 line with the remit of the ISC.

The Trustee's investment adviser is P-Solve Investments Limited and they delegate the investment governance aspects of the Scheme to a separate P-Solve business called CAMRADATA Analytical Services.

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. This proxy movement in the liabilities is calculated using a portfolio of gilts plus a target outperformance and is termed 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 aimed 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 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 was defined as follows:

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

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Investment Performance

Over the year, the assets grew by £55 million, principally due to investment return. This was a result of the assets growing by 30% over the year, outperforming the LRO by 20%.

Over the last 3-year and 5-year periods the return has recovered to an annualised 2.6% and 6.6% respectively. These annualised returns remain below the LRO by -5.7% and -1.4% respectively. This is a result of the poor economic conditions that prevailed over recent times and the impact of the “credit crunch” on nearly all asset classes in 2008 and 2009. The impact on the Scheme was reduced by the Trustee’s diversification strategy and changes implemented during the period.

(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 2010.

Asset Class	Manager	12 months to 31 March 2010		3 years (per annum) to 31 March 2010	
		Fund	Benchmark	Fund	Benchmark
Matching Fund					
Liability Hedge and collateral	P-Solve ^{1,6}	30.6	7.4	n/a	n/a
Investment Fund					
UK equity based on derivatives and gilt collateral	P-Solve ²	32.8	1.0	n/a	n/a
UK and Overseas equity plus cash	LGIM	43.3	42.8	2.3	2.0
Emerging market equity	Wellington ³	2.7	5.1	n/a	n/a
Dynamic Asset Allocation	Barings ⁴	27.9	0.9	12.2	2.3
Property	UBS	3.3	16.3	-14.4	-8.2
Active global bonds	Legg Mason	26.5	0.9	1.9	2.5
Active global bonds	PIMCO ⁵	19.2	0.7	n/a	n/a
Total Fund Return	All ⁶	28.9	8.8	2.6	8.3

¹ 3-yearly performance is not available for this investment since it was incepted on 4 November 2008

² Return from 29 April 2009

³ Return from 11 January 2010

⁴ Return from 9 September 2008

⁵ Return from 13 May 2009

⁶ The benchmark return is taken to be that on the Liability Related Objective

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

The UBS and P-Solve mandates distribute income generated.

(2) Hedging

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

As reported last year, the liability hedging swaps are designed to protect the Scheme from adverse movements in long term interest rate and inflation expectations that impact the value of the Scheme's liabilities. As at 31 March 2010, the mark to market valuation of the swaps represented an unrealised gain of £2.6m in the Scheme's favour and against the counterparty. This represents a net change over the year of £3.4m:

	31 Mar 09	Movement	31 Mar 10
Interest Rate Swaps	7,782,460	(3,707,067)	4,075,393
Inflation Swaps	(8,608,998)	7,115,988	(1,493,010)
Total	(826,538)	3,408,921	2,582,383

In addition, the value of assets held for use as liability hedge collateral and that also contribute to the hedge increased in value by £3m:

	31 Mar 09	Transfers out during the year	Movement	31 Mar 10
Liability Hedge Collateral - Gilts	38,617,029	(5,676,041)	2,988,420	35,929,408
Cash from Gilt Interest	473,008	449,455*	(212)	922,251
Total	39,090,037	(5,226,586)	2,988,208	36,851,659

* *Movements in the custody account excluding interest received and custody fees*

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

During the year the ISC decided that it should switch its direct investment in a passive portfolio of UK equities that tracked the FTSE100 index for an equity hedge that better balanced the trade-off between reward and risk in a period of market volatility. The equity hedge uses a structured product known as an Equity Derivative Overlay Strategy ("EDOS") and was purchased on 29th April 2009. The total EDOS value as at 31st March 2010 was £39.8m (made up of the value of the Equity Option components and a portfolio of gilts) and represents a gain over the period that the EDOS was held in the year of £9,846,732.

The Scheme's manager monitors the value of the equity hedge weekly and the Trustee Directors regularly monitor the performance.

Market Review

The Scheme's financial year saw a marked turnaround in the performance of financial markets with equity and corporate bond markets staging a strong recovery.

There were many factors behind this including the prompt intervention by the authorities at the height of the credit crunch involving support for key financial institutions, together with fiscal and monetary stimulus. All these initiatives helped to gradually restore confidence in the world's financial markets.

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Even as conditions slowly improved, investors remained concerned at the level of debt being accumulated. This manifested itself most clearly in the euro-zone, where investors became increasingly concerned at the size of the Greek budget deficit and the lack of a substantive plan to address, which led to a crisis of confidence and euro-zone governments having to offer support in conjunction with the IMF.

These concerns were not restricted to Europe with investors in the UK increasingly focused on the rising budget deficit and worries over the possibility of the General Election producing a “hung parliament” that would be unable to tackle the deficit. Despite this underlying unease, the sterling investor continued to see positive returns from most asset classes during the first quarter of 2010.

Elsewhere, the news was more positive with many developed countries returning to positive GDP growth, including the US.

Whilst confidence and economic activity have undoubtedly improved in the past year, most western Governments face a daunting challenge of having to reduce national debt without endangering economic recovery. As a result the conditions for investment over the coming year remain uncertain.

Investment Strategy

The target allocation for the Scheme consists of 15% invested in 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 offsetting changes in value in the Scheme’s liabilities that arise from changes in anticipated interest and inflation rates.

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 2010, 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	10% p.a. in excess of the compounded 6 month Sterling LIBOR return
Overseas equity	15.0	LGIM	Composite of relevant FTSE indexes
Emerging market equities	5.0	Wellington	MSCI Emerging Markets
Dynamic Asset Allocation	25.0	Barings	3 Month Sterling Libor
Property	7.5	UBS	HSBC/APUT "Pooled Property Fund Indices" All Balanced Funds Median
Active global bonds	10.0	Legg Mason	3 Month Sterling Libor
Active global investment grade bonds	7.5	PIMCO	Barclays Capital Global Aggregate Credit (ex-Government, Ex-Securitized) (GBP Hedged)
Collateral for Liability Hedge	15.0		
Index-linked gilts	15.0	P-Solve	n/a
Total	100.0		

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

- A replacement of the passive UK equity holding managed by LGIM with a structured equity product (the "EDOS") in May 2009.
- A reduction in the strategic allocation to the collateral for the liability hedge since the collateral pools for the UK equity structured product and the liability hedge have been set up so that they can be used for either purpose. This coincided with the setting up of the structured equity product.
- An increase in the allocation to the Dynamic Asset Allocation portfolio from 20% to 25% in May 2009.
- A transfer of the 10% allocation to global equity invested with Morgan Stanley Investment Management, following the departure of the investment team, to a global investment grade bonds portfolio managed by PIMCO in May 2009.
- A transfer of 50% of the un-hedged overseas equity funds managed by LGIM into the currency hedged versions of their funds in July 2009.
- A decrease in both the UBS property allocation and the PIMCO global investment grade bonds allocation from 10% to 7.5% in January 2010. This was replaced by a 5% strategic allocation to emerging market equities with Wellington.

In addition, Legg Mason Investments now owns Western Asset Management and hence the manager name has changed. In April 2009, the unit-holders of the fund that the Scheme invested in were transferred into the larger on-shore version of the fund run by the same manager.

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.

Following the year end, the Trustee has decided to move the PIMCO holding to a broader bond fund managed by the same manager; and the profit on the EDOS was realised and reinvested in a new version of the same structured product.

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.

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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. The latest version of the statement following the latest strategy changes will be signed at the next Trustee meeting. 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, where fees are deducted from unit prices, extracting the precise fee from daily unit prices would be a time-consuming exercise:

	Fees
Year Ending 31 March 2008	£751,525
Year Ending 31 March 2009	£702,035
Year Ending 31 March 2010	£800,932

The fees can be broken down into the way in which they are charged as follows:

	Paid by reduced unit price	Paid by invoice
Year Ending 31 March 2008	£466,302	£285,224
Year Ending 31 March 2009	£479,891	£222,144
Year Ending 31 March 2010	£494,854	£306,079

Enquiries

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. Further information can also be obtained from the Comet Pension Scheme website: www.comet-pensions.co.uk.

By Order of the Trustee

.....
Director

.....
Date

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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 Trustee 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

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

17 March 2008

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The Comet Pension Scheme ('the Scheme') Summary Funding Statement 2010

The Trustee is required to send you a brief statement giving you 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 2010. The statement refers only to the Comet Pension Scheme (i.e. 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 actuarial valuation carried out as at 31 March 2007; 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 2007 and annual updating reports were produced as at 31 March 2008 and 31 March 2009. The Trustee and Company are currently discussing the actuarial valuation as at 31 March 2010. However, the updated funding position as at 31 March 2010 using the basis agreed for the 31 March 2007 valuation is shown for information.

The funding positions at these dates were:

	31 March 2007	31 March 2008	31 March 2009	31 March 2010
	£thousands	£thousands	£thousands	£thousands
Value of assets	220,400	215,600	185,800	239,200
Value of past service liabilities	273,500	305,700	307,500	313,800
Past service shortfall	(53,100)	(90,100)	(121,700)	(74,600)
Funding level	81%	71%	60%	76%

Following the actuarial valuation as at 31 March 2007, a recovery plan was put in place with the aim of removing the shortfall. As a result, Comet Group plc ('Comet') and Kesa Electricals plc ('Kesa'), together referred to as 'the Company', have agreed to pay combined additional contributions of £6.1 million per annum until 31 May 2016.

Change in the funding position

The following factors have affected the funding position of the Scheme since the update as at 31 March 2009, by the approximate amounts shown:

	£m
• Change in economic conditions	-4.5
• Favourable investment returns	41.0
• Other items	10.6

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As shown above, it is estimated that these factors have led to the Scheme's funding position improving by around £47.1 million. Over the same period the ratio of the assets to the estimated liabilities, known as the funding level, increased from 60% to 76%. This improvement is primarily as a result of the recovery of the financial markets following the economic downturn, therefore, leading to higher investment returns over the period than expected. However, it should be noted that the Scheme's deficit as at 31 March 2010 exceeds that as at the previous valuation in 2007.

Following completion of the actuarial valuation as at 31 March 2010 you will receive a further summary funding statement which will show the position as at that date and you will also be informed of any amendments required to the agreed recovery plan. The Trustee expects to agree the actuarial valuation and amendments to the recovery plan with the Company early in 2011. The amended recovery plan will incorporate the effects of the Company's current initiatives to offer enhanced transfer values and to remove the link between retirement pensions and final salary for those members still employed at the Company.

Funding position if the Scheme had 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 the Company carrying on in business and continuing to pay for the Scheme. If the Company 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 2007 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 2007 then it is estimated that the amount needed to buy the Scheme benefits in full from an insurance company would have been £510 million (that is, a shortfall of £289 million). This figure is just an estimate and is not meant to imply that the Trustee or the Company 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 May 2009) as follows:

Company shares (equities)	30%
Government securities (gilts)	15%
Corporate bonds	20%
Commercial property	10%
Other investments	25%

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

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The Scheme's financial security

The Scheme's assets are held separately from the Company's assets. If the Scheme was to wind up (come to an end), then, as previously stated, the Company 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 the Company do not have enough money to cover the cost of buying all members' benefits with an insurer. The 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.

Where can I get more information?

If you have any other 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.

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 2007

This contains the details of the Scheme Actuary's check of the Scheme's financial situation as at 31 March 2007.

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 the Company is paying into the Scheme. A certificate from the Scheme Actuary is included showing that these contributions were sufficient at the date they were agreed.

Annual Updating Valuation Report

This shows the Scheme Actuary's review of the Scheme's financial situation as at 31 March 2009.

COMET PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT

We have audited the accounts of the Comet Pension Scheme for the year ended 31 March 2010 which comprise the Fund Account, the Net Assets Statement and the related notes. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Scheme's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme'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 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 pages 4 and 5, the Scheme's Trustee is responsible for obtaining an annual report, including audited accounts prepared in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice).

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

We read the Trustee's report and other information contained in the annual report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. 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 accounts. It also includes an assessment of the significant estimates and judgements made by or on behalf of the Trustee in the preparation of the accounts, 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 accounts 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 the information in the accounts.

COMET PENSION SCHEME

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion the accounts:

- show a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the financial transactions of the Scheme during the Scheme year ended 31 March 2010, and of the amount and disposition at that date of its assets and liabilities (other than liabilities to pay pensions and benefits after the end of the Scheme year); and
- contain the information specified in Regulation 3 of and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.

K Clark, for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

Date:

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 employer and the active members of the Scheme 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 2010

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Scheme under the Schedule of Contributions certified by the actuary on 17 March 2008 in respect of the Scheme year ended 31 March 2010. The Scheme Auditors report on contributions payable under the schedule in the Auditors’ Statement about Contributions.

Contributions payable under the Schedule in respect of the Scheme year	2010
	Total
	£’000
Employer:	
Deficit funding contributions	6,100
PPF levy contributions	<u>187</u>
Contributions payable under the Schedule (as reported on by the Scheme auditors) and total contributions reported in the accounts	<u>6,287</u>

Signed: Date:
Director

Signed: Date:
Director

COMET PENSION SCHEME

**INDEPENDENT AUDITOR’S STATEMENT ABOUT CONTRIBUTIONS, 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 2010, which is set out in the Trustee’s Report on page 19.

This statement is made solely to the Scheme’s Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Scheme’s Trustee those matters we are required to state to it 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 for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of Trustee and Auditors

As described on page 19, the Scheme’s Trustee is responsible under the Pensions Act 2004 for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions which sets out the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee has a general responsibility for procuring that contributions are made to the Scheme in accordance with the Schedule of Contributions.

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

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

Basis of statement about contributions

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

Statement about contributions payable

In our opinion contributions for the Scheme year ended 31 March 2010 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.

K Clark, for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

Date

COMET PENSION SCHEME

FUND ACCOUNT

For the year ended 31 March 2010

	Note	2010 £'000	2009 £'000
CONTRIBUTIONS AND BENEFITS			
Contributions	3	6,287	6,320
Transfers in	4	154	83
Other income	5	<u>-</u>	<u>87</u>
		<u>6,441</u>	<u>6,490</u>
Benefits	6	6,527	5,815
Payments to and on account of leavers	7	187	172
Administration expenses	8	<u>189</u>	<u>212</u>
		<u>6,903</u>	<u>6,199</u>
NET (WITHDRAWALS)/ADDITIONS FROM DEALINGS WITH MEMBERS		<u>(462)</u>	<u>291</u>
RETURNS ON INVESTMENTS			
Investment income	9	6,348	1,080
Change in market value of investments	10	49,187	(32,277)
Investment management expenses		<u>(209)</u>	<u>(245)</u>
NET RETURNS ON INVESTMENTS		<u>55,326</u>	<u>(31,442)</u>
NET INCREASE/(DECREASE) IN THE FUND FOR THE YEAR		54,864	(31,151)
NET ASSETS AT 31 MARCH 2009		<u>189,635</u>	<u>220,786</u>
NET ASSETS AT 31 MARCH 2010		<u>244,499</u>	<u>189,635</u>

COMET PENSION SCHEME

NET ASSETS STATEMENT

At 31 March 2010

	Note	2010 £'000	2009 £'000
Investment assets	10	248,413	197,602
Investment liabilities	10	(5,642)	(8,988)
Current assets	12	1,883	1,320
Current liabilities	13	<u>(155)</u>	<u>(299)</u>
NET ASSETS AT 31 MARCH 2010		<u>244,499</u>	<u>189,635</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.

These accounts were approved by the Trustee on [date]

Signed on behalf of the Trustee

.....

.....

COMET PENSION SCHEME

NOTES TO THE ACCOUNTS

For the year ended 31 March 2010

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.

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 2010

(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	2010	2009
	£'000	£'000
Employer - deficit funding	6,100	6,101
- PPF levy contributions	<u>187</u>	<u>219</u>
	<u>6,287</u>	<u>6,320</u>

Deficit funding contributions are payable at a rate of £508,333 per month for a period of 8 years and 2 months as required under the recovery plan.

4. TRANSFERS IN	2010	2009
	£'000	£'000
Individual transfers in from other schemes	<u>154</u>	<u>83</u>

Although the Trustee has a policy of not accepting transfer payments into the Scheme on an individual basis, up until 30 September 2009, on a discretionary basis the Trustee allowed money purchase benefits that had built up in the Comet Stakeholder arrangement (following the Comet Pension Scheme's closure to future accrual on 30 September 2007) to be transferred into the Scheme to provide additional benefits for retiring members.

5. OTHER INCOME	2010	2009
	£'000	£'000
Claims on term insurance policies	-	56
Sundry income	<u>-</u>	<u>31</u>
	<u>-</u>	<u>87</u>

COMET PENSION SCHEME

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 March 2010

6. BENEFITS					2010	2009
					£'000	£'000
Pensions					3,857	3,316
Commutations					2,655	2,403
Lump sum death benefits					-	83
Refunds of contributions on death					<u>15</u>	<u>13</u>
					<u>6,527</u>	<u>5,815</u>
7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS					2010	2009
					£'000	£'000
Individual transfers out					<u>187</u>	<u>172</u>
8. ADMINISTRATION EXPENSES					2010	2009
					£'000	£'000
PPF levy					187	219
Miscellaneous expenses (net)					<u>2</u>	<u>(7)</u>
					<u>189</u>	<u>212</u>
9. INVESTMENT INCOME					2010	2009
					£'000	£'000
Income from index linked securities					4,427	-
Income from pooled investment vehicles					1,759	1,040
Interest on cash deposits					<u>162</u>	<u>40</u>
					<u>6,348</u>	<u>1,080</u>
10. INVESTMENTS	Value at	Purchases	Sales	Change in		Value at
	31.03.2009	at cost	proceeds	market		31.03.2010
		and	and	value		
		derivative	derivative			
		payments	receipts			
	£'000	£'000	£'000	£'000	£'000	£'000
Index linked securities	37,545	21,521	(793)	2,801		61,074
Pooled investment vehicles	126,224	85,170	(86,482)	33,953		158,865
Derivative contracts (net)	(827)	2,260	-	12,204		13,637
AVC investments	<u>4,648</u>	<u>160</u>	<u>(409)</u>	<u>229</u>		<u>4,628</u>
	167,590	<u>109,111</u>	<u>(87,684)</u>	<u>49,187</u>		238,204
Cash deposits	21,024					922
Other investment balances	-					<u>3,645</u>
	<u>188,614</u>					<u>242,771</u>
					2010	2009
					£'000	£'000
Investment assets					248,413	197,602
Investment liabilities					<u>(5,642)</u>	<u>(8,988)</u>
					<u>242,771</u>	<u>188,614</u>

COMET PENSION SCHEME

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 March 2010

10. INVESTMENTS (continued)

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.

Included within sales and purchases are transfers between investment managers of £75,303,000. The transfers occurred by the transfer of cash.

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	2010 £'000	2009 £'000
UK Government - quoted	<u>61,074</u>	<u>37,545</u>

Pooled investment vehicles	2010 £'000	2009 £'000
Other managed funds	143,307	110,337
Property	<u>15,558</u>	<u>15,887</u>
	<u>158,865</u>	<u>126,224</u>

Derivative contracts	2010 Asset £'000	2010 Liability £'000	2009 Asset £'000	2009 Liability £'000
Options	11,055	-	-	-
Swaps	<u>8,224</u>	<u>5,642</u>	<u>8,161</u>	<u>8,988</u>
	<u>19,279</u>	<u>5,642</u>	<u>8,161</u>	<u>8,988</u>
Net asset/(liability)	<u>13,637</u>		<u>(827)</u>	

Options		2010 Asset £'000	2010 Liability £'000
Type	Expiration		
UK FTSE exchange traded	30 April 2012	<u>11,055</u>	<u>-</u>

Swaps			Notional Principal £'000	2010 Asset £'000	2010 Liability £'000
Type of contract	Expiration	Nature of swap			
Interest rate (OTC)	8 to 28 years	Pay fixed for floating	14,616	5,352	1,277
Inflation (OTC)	9 to 48 years	Pay fixed for RPI	169,565	<u>2,872</u>	<u>4,365</u>
				<u>8,224</u>	<u>5,642</u>

COMET PENSION SCHEME

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 March 2010

10. INVESTMENTS (continued)

At the year end the Scheme held £12,852,680 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 during the year that extend the duration of the fixed income portfolio to better match the long term liabilities of the Scheme.

Cash deposits	2010 £'000	2009 £'000
Sterling	<u>922</u>	<u>21,024</u>
Other investment balances	2010 £'000	2009 £'000
Dividends and interest receivable	<u>3,645</u>	<u>-</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:

	2010 £'000	2009 £'000
Standard Life	780	635
Santander (formerly Abbey)	15	15
Prudential Assurance	<u>3,833</u>	<u>3,998</u>
	<u>4,628</u>	<u>4,648</u>

COMET PENSION SCHEME

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 March 2010

11. CONCENTRATION OF INVESTMENTS

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

	2010		2009	
	£'000	%	£'000	%
PIMCO Global Investment Grade Credit Fund	17,526	7.2	-	-
UBS Triton Property Unit Trust	15,558	6.4	15,887	8.4
Barings Dynamic Asset Allocation	58,472	23.9	45,720	24.1
WA Global Multi Sector Fund	-	-	14,987	7.9
Legg Mason Global Multi Strategy	22,669	9.3	-	-

12. CURRENT ASSETS

	2010	2009
	£'000	£'000
Contributions receivable - employer	508	508
Bank balance	1,168	798
Other debtors	<u>207</u>	<u>14</u>
	<u>1,883</u>	<u>1,320</u>

All contributions receivable relate to the month of March 2010 and were paid in full to the Scheme within the timescale required by the Schedule of Contributions currently in force.

13. CURRENT LIABILITIES

	2010	2009
	£'000	£'000
Unpaid benefits	45	93
Tax payable	48	45
Administration expenses	<u>62</u>	<u>161</u>
	<u>155</u>	<u>299</u>

14. RELATED PARTIES

Benefit payments to Trustee Directors, being I R M Edwards and G K McDonald, 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 Comet Group plc for employees of the Company. The Scheme is quite separate from the Company and it operates under Trust Law, through the Definitive Trust Deed, drawn up between the Company and the Trustee.

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 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 after this date). On 1 April 2009 the increases applied were as follows:

GMP accrued before 6 April 1988:	Nil
GMP accrued after 5 April 1988:	3.0%
Pension above pension accrued before 6 April 2005:	0.9%
Pension accrued after 5 April 2005:	0.9%

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.

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.

COMET PENSION SCHEME

COMPLIANCE STATEMENT (Continued)

Transfer Values (Continued)

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.

Employer Related Investments

There were no employer related investments during the year (2009: nil).

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

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 1/269876. 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