

UPDATE

September 2011

The Comet Pension Scheme ('the Scheme') Summary Funding Statement 2011

Dear Member

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 2011. 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. 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 an annual updating report was produced as at 31 March 2011. The results of the actuarial valuation as at 31 March 2010 along with the updated funding position as at 31 March 2011 are shown below for information.

The funding positions at these dates were:

	31 March 2010 £ millions	31 March 2011 £ millions
Value of assets	239.9*	247.0
Value of past service liabilities	308.6*	291.9
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Past service shortfall	(68.7)*	(44.9)
Funding level	78%	85%

*These figures have been revised from the 2010 summary funding statement to reflect the final assumptions adopted for the actuarial valuation.

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 salary linkage and enhanced transfer value initiatives, 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') have agreed to pay combined additional contributions of £6.1 million per annum until 31 March 2018.

Change in the funding position

The following factors have affected the funding position of the Scheme since the actuarial valuation as at 31 March 2010, by the approximate amounts shown:

	£ millions
Past service shortfall as at 31 March 2010	-68.7
Liability reduction exercises	7.7
Change in economic conditions	-3.1
Favourable investment returns	14.2
Deficit reduction contributions	6.1
Other items	-1.1
Past service shortfall as at 31 March 2011	-44.9

As shown above, it is estimated that these factors have led to the Scheme's funding position improving by around £23.8 million. Over the same period the ratio of the assets to the estimated liabilities, known as the funding level, increased from 78% to 85%.

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 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 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.

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.

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 February 2011) as follows:

Company shares (equities)	35%
Government securities (gilts)	15%
Corporate bonds	17.5%
Property	7.5%
Other investments	25%

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

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 is shown opposite. 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 income and expenditure.

Pension Scheme Benefits

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

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 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 2011.

