

Comet Pension Scheme

2013 Trustee's Report

This report is issued to all deferred members and pensioners of the Comet Pension Scheme. The Scheme is a final salary pension arrangement and was closed for future accrual from 30 September 2007. Once Comet Group plc was sold in 2012, all members became deferred members of the Scheme.

You will recall when Comet was sold, the Scheme was retained by Kesa Electricals plc (now Darty plc), who became the Principal Employer, under an agreed Scheme Apportionment Arrangement.

The representative from Darty plc ("the Company") on the Trustee Board is Simon Enoch. Simon attends all Trustee meetings and gives an update on the Company's outlook and performance. The Trustees continue to meet regularly to discuss the governance, audit and investment of the Scheme's assets, and to monitor the funding of the Scheme. In addition, Ernst & Young have been appointed to conduct regular assessments of the Company covenant.

The formal Trustee Report and Accounts for the year to 31 March 2013 will be available to view on the Comet Pension Scheme website by mid-November.

At 31 March 2013, the Scheme assets were worth just under £345 million (excluding members' AVC funds).

Value just under £345 million

This money is kept quite separate from the Company, and is looked after for you, the members, by the Trustee Company, Comet Trustee Company Limited. The Directors of the Trustee Company are responsible to members and other beneficiaries (for example, widows or widowers of members) for the proper running of the Scheme.

Their duties include the collection of contributions and the prudent investment of the Scheme's monies, the payment of benefits in accordance with the Rules and the maintenance of records of membership and financial transactions.

Your Trustees

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

Ian Edwards	Member Nominated Pensioner Director & Chairman
Simon Enoch	Darty plc Company Secretary
James Arnold	Ex-Reward Manager – Comet Group Ltd
Victoria Milford	Member Nominated Director
Jon Herzberg	Member Nominated Director
Richard Annett	Ex-General Counsel – Comet Group Ltd

In March 2013, Matthew Bentley resigned as a Trustee Director due to work commitments.

An election to appoint replacement Member Nominated Trustee Directors (MND) was held in January 2013. Victoria Milford stood down as a Company appointed Trustee Director and was appointed an MND along with Jon Herzberg. Helen Woodhouse was appointed an MND in May 2013.

Pensions Liberation

As you may be aware, some companies are claiming to be able to release cash from a member's pension benefits as a loan or lump sum before members reach the normal minimum pension age of 55. This activity is known as 'pension liberation' and is becoming increasingly more common in the UK. In rare cases, such as terminal illness, it is possible to access funds before age 55 from a current pension scheme. But for the majority, promises of early cash will be bogus and are likely to result in serious tax consequences.

Members should be wary of any offers that appear too good to be true.

Member Data

The Pensions Regulator has issued guidance to trustees requiring member data to be of a certain standard. The Trustee has reviewed the data held for all members and can confirm that the Scheme data is of a high quality. Regular checks are made on the data held but if there has been a change to your personal circumstances, eg a change of home address, please contact the Scheme administrators, Punter Southall, at the address on the back page.

The Trustee is always looking to improve communications with members and may, in future, issue certain communications by email. If you have an email address, would you please let the Scheme’s administrators know by emailing them on cometadmin@puntersouthall.com

The Comet pensions website continues to be reviewed and kept up to date. You can access it on www.comet-pensions.co.uk

Membership

At March 2013, there were:

- 3,718 deferred pensioners who have an entitlement to a pension when they reach Normal Retirement Date.
- 1,550 pensioners receiving their pension from the Scheme.

The Fund

During the last year, the Scheme’s total net assets have increased by c.51m to just over £348m.

At March 2012	£297,155,000
Income (1)	£13,951,000
Investment (2)	£46,213,000
Expenditure (3)	(£8,893,000)
At March 2013	£348,426,000

The total net assets at March 2013 shown above include c.£3.6m representing members’ AVCs.

- (1) **Income...** includes contributions, mitigation payments and transfer values received from other schemes.
- (2) **Investment...** is the change in the market value of the Scheme’s assets over the year and investment income.
- (3) **Expenditure...** includes refunds to leavers, pension payments, transfers out of the Scheme and expenses.

During the year to 31 March 2013, the value of the Scheme assets increased by 15.5%.

AVCS

Some Scheme members elected to pay Additional Voluntary Contributions (AVCs) in addition to their normal contributions to the Scheme. No further AVC payments are allowed but these members should regularly review their investments, particularly in the five years leading up to retirement.

The Trustee regularly reviews the AVC Funds available and are satisfied they remain appropriate.

Investment

The Trustee has continued to manage the investments in accordance with the agreed investment strategy as set out in the Statement of Investment Principles (SIP), a copy of which is available on the Scheme’s website. 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 target allocation for the Scheme consists of 15% invested in “off-risk” assets (which includes a liability hedge) and 85% invested in return seeking assets (“on-risk” assets).

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. Please refer to the SIP for further details.

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 2013, the investment allocation strategy being followed by the Trustees was as follows:

Asset Class	%	Manager	Benchmark and target
On risk assets	85.0		
UK structured equity including collateral	7.5	P-Solve	6% p.a. in excess of the compounded 6 month Sterling LIBOR return
US structured equity including collateral	10.0	P-Solve	6% p.a. in excess of the compounded 6 month Sterling LIBOR return
UK structured equity including collateral	7.5	P-Solve	7.24% p.a. in excess of the compounded 6 month Sterling LIBOR return
Dynamic Asset Allocation	40.0	Barings	3 Month Sterling Libor plus 4% p.a.
Active global bonds	10.0	Legg Mason	3 Month Sterling Libor plus 3% p.a.
Active global investment grade bonds	10.0	PIMCO	Composite of three credit indices (GBP Hedged) plus 1% p.a.
Off risk assets	15.0		
Index linked gilts*	15.0	P-Solve	n/a
Total	100.0		

*In addition, an amount of cash is held with Legal & General, to cover the immediate cash flow from the Scheme.

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).

During the year to 31 March 2013, the value of the Scheme assets increased by 15.5% outperforming the LRO by 2.1%. This strong performance has helped improve the three year numbers where the annualised return was 14.1% versus a target of 11.7%.

Actuarial Valuation

Every three years the Trustee asks their Scheme Actuary to undertake a formal actuarial valuation of the Scheme in order to compare the amount of the Scheme’s assets with the estimated amount needed to pay the benefits earned in the Scheme. The last formal valuation was as at 31 March 2010, and so a new valuation is currently being undertaken as at 31 March 2013.

To date, the Trustee has received initial advice on the valuation, and the Scheme Actuary has completed the preliminary calculations. The next stages are for the Company to formally agree the actuarial valuation results, and for the Trustee and Company to determine how the Company will make up any shortfall between the Scheme’s assets and the estimated amount required to pay the benefits earned in the Scheme.

It is expected that the actuarial valuation will be finalised early in the new year and the results of this will be shared with members in 2014 via a Summary Funding Statement.

Death Benefits

On death before retirement, subject to the Rules, a return of contributions (plus interest) becomes payable when there are no dependants’ or children’s pensions payable. The lump sum is paid at the Trustee’s discretion to one or more of a member’s dependants, relations, “nominee” or estate. It is important to ensure that the Trustee understands your wishes over the payment of death benefits by keeping your Expression of Wishes Form up to date. If you need a new form or want to know more about this, please refer to the Comet Pensions website or contact Ann Geer at the address below.

Rule Amendment

The Trustee has reviewed the Scheme’s Rules to allow discretion for payment of a spouse’s pension where the marriage or civil partnership was registered within 6 months of a member’s death. The pension to a spouse or civil partner more than 20 years younger than the member may be actuarially reduced at the Trustee’s discretion. Further details can be obtained from Ann Geer or Punter Southall.

Dispute Resolution

If you have a complaint about the running of the Scheme or your benefits under it, this should be raised informally through Punter Southall. If you do not receive a satisfactory response, then you should write formally to the Complaints Procedure Officer who is Secretary to the Trustee, Ann Geer, of PS Secretarial Services. Ann will supply you with a copy of the Internal Dispute Resolution Procedure.

Professional Advisers

The Trustees have a duty of care and must act prudently. To help the Directors, they employ various professional advisers. These are currently:

Scheme Actuary	Steve Leake of Punter Southall
Administrator	Punter Southall
Auditors	BDO LLP
Bankers	Bank of Scotland
Financial Advisers	Ernst & Young LLP
Investment Managers	LGIM, P-Solve, Legg Mason, PIMCO & Barings
Investment Consultants	P-Solve Asset Solutions
Solicitors	Eversheds LLP
Trustee Company Secretary	Wayne Phelan of PS Independent Trustees Ltd
Secretary to the Trustee	Ann Geer of PS Secretarial Services

Since the year-end the assets with Legg Mason have been disinvested and re-allocated and Leadenhall has been appointed as an additional investment manager.

Information

If you require any information about the Scheme or you would like a copy of the more detailed disclosure report, please refer to the Comet Pensions website or ask:

Ann Geer – Secretary to the Trustee

ann.geer@psitl.com · 0118 313 0882 · Albion, Fishponds Rd, Wokingham, Berks RG41 2QE

or

Punter Southall – Scheme Administrator

cometadmin@puntersouthall.com · 01483 330100 · Tempus Court, Onslow Street, Guildford GU1 4SS