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COMET GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2005

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COMET GROUP PLC

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 January 2005.

PRINCIPAL ACTIVITY

The company trades as an electrical retailer in stores in the United Kingdom and through a transactional website www.comet.co.uk.

RESULTS, DIVIDENDS AND REVIEW OF BUSINESS

The profit on ordinary activities after taxation amounted to £11,929,000 (2004 : £13,815,000). The directors recommend that no dividend be paid (2004 : £20,000,000) and the retained profit for the year be added to accumulated reserves.

The directors are satisfied with the continued progress of the company. During the year, the store modernisation programme continued, including the first mezzanine store, and the company continued its successful repositioning strategy. In addition, the new warehouse at Skelmersdale was opened in time for the critical trading period and provided an uninterrupted service to stores and home delivery platforms. The directors expect the company to continue to grow in the year ahead with further investments in customer service, the store modernisation programme and, in addition, all stores will be harmonised with the black and yellow signage.

PAYMENTS TO SUPPLIERS

The company's policy is that it agrees payment terms with its suppliers of goods and services, does not extend or amend those terms without prior agreement and ensures that disputes in relation to contested charges are promptly handled.

The average number of trade creditor payment days during the year was 41 (2004: 36 days).

EMPLOYEE INVOLVEMENT

The Board regards employee involvement and effective communication as being essential to foster good employee relations, to achieve improved performance and productivity, to enhance the quality of working life and to gain commitment to the company's business objectives.

The prime method of communication and involvement throughout the company is through a central consultative forum in addition to the normal day-to-day process of briefing employees through line management and the periodic publication of an in-house newsletter and DVD.

DISABLED PERSONS

It is the company's policy to give full and fair consideration to the possibility of employing disabled persons wherever suitable opportunities exist. Employees who become disabled are given every opportunity and assistance to continue in their employment or to be trained for other suitable positions.

COMET GROUP PLC

DIRECTORS' REPORT (Continued)

EXTENDED WARRANTIES

The Competition Commission inquiry into the market for extended warranties was completed during the previous year, and the company has taken appropriate measures to comply with the rulings in line with the specified timetable.

BOARD OF DIRECTORS

The Directors who held office during the period were:

S R Fox (Managing Director)
T N Barry
I R M Edwards
H Harvey


DIRECTORS' INTERESTS IN SHARES

None of the directors has a beneficial interest in the shares of Comet Group Plc. The interests of the directors in shares and options of Kesa Electricals plc are shown in note 7 to the financial statements.

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



N J Penton
Secretary
Hull

20 June 2005

COMET GROUP PLC


STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the most appropriate accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 31 January 2005. The directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD



N J Penton
Secretary
Hull

20 June 2005

COMET GROUP PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COMET GROUP PLC

We have audited the financial statements which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 January 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds

20 June 2005

COMET GROUP PLC**PROFIT AND LOSS ACCOUNT**
FOR THE YEAR ENDED 31 JANUARY 2005

	Notes	<u>2005</u> £000	<u>2004</u> £000
Turnover	2	1,447,076	1,351,278
Cost of sales		(1,134,800)	(1,062,013)
Gross profit		312,276	289,265
Selling and distribution costs		(282,372)	(276,935)
Administrative expenses		(54,897)	(51,814)
Other operating income	3	46,348	58,485
Operating profit		21,355	19,001
Exceptional profit on sale of fixed assets		395	-
Income from subsidiary undertakings		-	5,000
Profit on ordinary activities before interest and taxation		21,750	24,001
Net interest payable	4	(4,357)	(5,852)
Profit on ordinary activity before taxation	5	17,393	18,149
Taxation	8	(5,464)	(4,334)
Profit for the financial year		11,929	13,815
Dividend payable to holding company		-	(20,000)
Retained profit/(loss sustained) for the year	18,19	11,929	(6,185)

STATEMENT OF TOTAL RECOGNISED
GAINS AND LOSSES

	<u>2005</u> £000	<u>2004</u> £000
Profit for the financial year	11,929	13,815
Total recognised gains for the year	11,929	13,815
Prior year adjustments	(791)	
Total gains since last annual report	11,138	

All of the items disclosed in the profit and loss account are in respect of continuing operations.

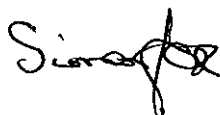
There is no difference between the profit on ordinary activities before taxation and the profit for the period stated above and their historical cost equivalents.

COMET GROUP PLC**BALANCE SHEET AS AT 31 JANUARY 2005**

	Notes	<u>2005</u> £000	<u>As Restated</u> <u>2004</u> £000
FIXED ASSETS			
Intangible assets	9	-	70
Tangible assets	10	98,737	103,567
Investments	11	100	100
		<hr/>	<hr/>
		98,837	103,737
CURRENT ASSETS			
Stock	12	216,843	209,055
Debtors	13	81,042	78,422
Cash at bank and in hand		4,012	3,922
		<hr/>	<hr/>
		301,897	291,399
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	14	(318,847)	(318,613)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(16,950)	(27,214)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		81,887	76,523
Creditors: Amounts falling due after one year	14	(27,915)	(31,490)
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions for liabilities and charges	15	(2,706)	(5,696)
		<hr/>	<hr/>
NET ASSETS		51,266	39,337
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called-up share capital	17	20,000	20,000
Profit and loss account	18	31,266	19,337
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	19	51,266	39,337
		<hr/>	<hr/>

The financial statements on pages 5 to 26 were approved by the board of directors on 20 June 2005 and were signed on its behalf by:

S R Fox, Director



I R M Edwards, Director



COMET GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 JANUARY 2005**

1. ACCOUNTING POLICIES

Accounting convention and standards

The financial statements of the company are prepared on a going concern basis under the historical cost convention and are in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom.

A summary of the more important accounting policies are summarised below. All of these have been adopted consistently throughout the year and the preceding year.

The financial statements include a prior year adjustment in relation to the employee share scheme. In 2004 an amount of £556,000 was incorrectly credited to reserves rather than creditors. In addition a further accrual of £235,000 has been made in respect of an employee share scheme relating to a former employee. The total effect of the prior year adjustment is a charge against opening reserves in 2004 of £791,000.

Turnover

Turnover represents retail sales and services excluding value added tax and returns. Home delivery turnover is recognised on delivery rather than at point of sale.

Depreciation

Depreciation of tangible fixed assets is provided to reflect a reduction from book value to estimated residual value over the useful life of the asset.

Depreciation is calculated by the straight line method, and the annual rates applicable to the principal categories are:

Freehold land and buildings	-	5%
Short leasehold land and buildings	-	to next rent review
Tenant's fixtures and fittings	-	between 10% and 20%
Computers and electronic equipment	-	between 25% and 50%
Motor vehicles	-	between 25% and 50%

Lease premiums and reverse lease premiums

Capital contributions received from landlords for entering a lease are capitalised and amortised over the period of the lease until the first rent review. These amounts are included within creditors.

Premiums payable for entering into a lease are written off over the life of the lease, except where the premium is linked to the grant of a rent free period, or where the rent is reduced below market levels, in which case the premium is written off over the period to the next rent review. These amounts are included within short leasehold land and buildings.

COMET GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 JANUARY 2005**

Intangible Assets

Intangible assets are trademarks valued at cost. Amortisation is calculated by the straight line method to the date of renewal.

Leased assets

Where assets are held under finance leases the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding lease commitments are shown as obligations to the lessor, lease payments are split between capital and interest, and depreciation and interest on the relevant assets are charged to the profit and loss account. All other leases are operating leases and the annual rentals are charged to the profit and loss account in the financial year to which the payment relates.

Investments

Investments are shown at cost less amounts written off. Provisions for temporary fluctuations in value are not made. Permanent diminutions in value would be recognised immediately.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes appropriate overheads and supplier rebates directly attributable to stocks.

Pensions

The company operates a defined benefit scheme, Comet Pension Scheme, and also offers employees a defined contribution scheme, Comet Stakeholder Pension Plan. The assets of these funds are held under trusts which are entirely separate from the company's assets.

The cost of pensions in respect of the company's defined benefit scheme is charged to the profit and loss account so that it is spread over the working lives of employees. Variations to pension costs caused by differences between the assumptions used and actual experience are spread over the working lives of the current employees at each actuarial valuation date.

FRS 17 requires certain transitional disclosures which are included in note 23.

COMET GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 JANUARY 2005**

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax is not discounted.

Cashflow statement

As permitted by FRS 1, no cashflow statement is provided as the company is a wholly owned subsidiary undertaking of a company incorporated in the United Kingdom.

Related party transactions

As permitted by FRS 8, transactions with fellow subsidiary undertakings of Kesa Electricals plc, in which the parent company has a shareholding of 90% or more, and which eliminate on consolidation, have not been reported in these financial statements.

COMET GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 JANUARY 2005**

2. TURNOVER

The company operates only one class of business in the United Kingdom and consequently no segmental information is required.

3. OTHER OPERATING INCOME

Other operating income includes financial services income and rents received.

4. NET INTEREST PAYABLE

	<u>2005</u> <u>£000</u>	<u>2004</u> <u>£000</u>
Interest paid on rents and on tax	82	42
On amounts owed to former parent company	-	3,290
Interest payable to parent company	4,418	2,701
Finance leases	64	61
	<u>4,564</u>	<u>6,094</u>
Less:		
Interest receivable	(49)	(57)
Interest received on tax	-	(125)
On amounts owed by parent company	(158)	(60)
	<u>4,357</u>	<u>5,852</u>

COMET GROUP PLC**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 JANUARY 2005**5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<u>2005</u> £000	<u>2004</u> £000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Rent receivable	(3,380)	(3,294)
Auditors' remuneration - Audit fees	165	160
- Non audit services	12	100
Operating leases - Land and buildings	73,346	66,499
- Plant and equipment	7,207	6,708
Depreciation - Owned assets	22,097	22,914
- Leased assets	777	654
Trademark amortisation	70	38
Loss / (profit) on disposal of fixed assets	327	(2,933)
	<u> </u>	<u> </u>

6. EMPLOYEES

	<u>2005</u> £000	<u>2004</u> £000
Staff costs (including directors):		
Wages and salaries	159,881	155,344
Social security costs	12,259	12,037
Other pension costs (note 23)	11,267	11,132
	<u>183,407</u>	<u>178,513</u>
 Average number of persons employed :		
Stores	8,536	8,554
Distribution	1,127	1,028
Administration	980	966
	<u>10,643</u>	<u>10,548</u>
 The equivalent number of employees working full time would have been	<u>7,953</u>	<u>7,900</u>

COMET GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2005

7. DIRECTORS	<u>2005</u> <u>£000</u>	<u>2004</u> <u>£000</u>
Aggregate emoluments	1,221	1,734
Amounts receivable under long-term incentive schemes	606	562
Compensation for loss of office	-	495
Directors' remuneration includes in respect of the highest paid director: Aggregate amounts paid	<u>563</u>	<u>630</u>

During the year all four of the directors exercised share options and received qualifying service shares under long term incentive schemes.

An annual pension of £11,565 (2004: £9,755) had accrued to the highest paid director at 31 January 2005 under the Company's defined benefit scheme.

SHARE AND LONG-TERM INCENTIVE PLAN AWARDS

Kesa Demerger Award Plan

The rights granted to the Directors under the terms of the Demerger Award Plan are as follows:

	Number of shares at 31.01.04	Granted	Exercised during year	Number of shares at 31.01.05	Market price at date of exercise	Expiry date
T N Barry	111,309	28.07.03	37,103	74,206	£2.77	28.07.04 – 28.01.07
I R M Edwards	102,708	28.07.03	34,236	68,472	£2.77	28.07.04 – 28.01.07
S R Fox	169,855	28.07.03	56,618	113,237	£2.77	28.07.04 – 28.01.07
H J Harvey	108,779	28.07.03	36,260	72,519	£2.77	28.07.04 – 28.01.07

The award vests in three equal annual instalments. One half of the award is subject to Total Shareholder Return performance criteria. To achieve the hurdle, the Total Shareholder Return must out perform the FTSE 250. The remaining 50 per cent is not subject to performance criteria, although to receive the shares the beneficiary must still be employed by the Group. The TSR is measured from the date of grant to the appropriate exercise date.

COMET GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2005

DIRECTORS (Continued)

Kesa Group Incentive Compensation Plan

The rights granted to Directors under the terms of this plan are as follows:

	Unvested Kesa shares held at 01.02.04	Vested in the year	Share price at award date p	Exercise price p	Total value at vesting date £	Unvested Kesa shares at 31.01.05	Vesting date
T N Barry	9,952	1,717	192	269	4,620	8,235	01.04.05 - 06
I R M Edwards	10,357	2,462	192	269	6,622	7,895	01.04.05 - 06
S R Fox	13,664	2,556	192	269	6,875	11,108	01.04.05 - 06
H J Harvey	10,318	2,152	192	269	5,789	8,166	01.04.05 - 06

The awards granted pursuant to the Kesa Group Incentive Compensation Plan replaced awards made under various Kingfisher incentive plans. Awards provide a cash element (representing a deferred bonus) and a matching award in respect of a combination of Kingfisher shares and Kesa shares having a value equal to the shares under award under the relevant Kingfisher incentive plan (allowing for the effect of the demerger and the Kingfisher share consolidation). The cash element of the replacement awards for each Director are set out in the table below. The share elements of the replacement awards for each Director are set out in the table above.

	Cash entitlement	Number of Kingfisher shares replaced by awards over a combination of Kingfisher shares and Kesa shares	Kingfisher shares	Kesa shares
	£	Number	Number	Number
T N Barry	208,745	41,172	36,026	8,235
I R M Edwards	203,328	39,477	34,542	7,895
S R Fox	288,230	55,542	48,599	11,108
H J Harvey	207,445	40,831	35,727	8,166

The value of the awards is based on the respective closing share prices of Kingfisher and Kesa shares following the announcement of their full-year results for the years ending 31 January 2004, 2005 and 2006. For the year ended 31 January 2005 the awards were based on the closing price for the Kingfisher shares on 17 March 2005, which was 295.5 (17 March 2004: 291.5) pence per share and the Kesa share price on 23 March 2005, which was 299.0 (30 March 2004: 269.0) pence per share.

COMET GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2005

DIRECTORS (Continued)

Long-Term Incentive Plan

Rights will be granted to the Directors and other senior managers under the terms of the Long-Term Incentive Plan in early April 2005 based on the 2004 bonus in accordance with the rules of the scheme and based on a share price of 299 pence on 23 March 2005.

As at the close of the market on 31 January 2005 the share price was 319.5 pence. Between 31 January 2004 and 31 January 2005, the lowest price has been 252.25 pence and the highest price was 319.5 pence

Beneficial holdings

The beneficial interests of the Directors in shares of Kesa Electricals plc, which include holdings by their spouses or other related parties are shown below.

	<u>Ordinary Shares</u> <u>of 0.25p each</u>	
	<u>2005</u>	<u>2004</u>
T N Barry	-	-
I R M Edwards	25,999	3,338
S R Fox	35,961	-
H J Harvey	21,393	-

8. TAXATION

(a)	<u>UK corporation tax charge on profits for</u> <u>the period at 30%</u>	<u>2005</u> <u>£000</u>	<u>2004</u> <u>£000</u>
	Current tax	7,696	4,008
	Adjustment in respect of prior period	381	(441)
	Total current tax (see note 8b)	8,077	3,567
	Deferred tax (see note 15)	(2,613)	767
	Total tax charge for the period	5,464	4,334

COMET GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2005

TAXATION (Continued)

(b) Factors affecting the tax charge for the period

The tax charge for the year is higher (2004 : lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	<u>2005</u> <u>£000</u>	<u>2004</u> <u>£000</u>
Profit on ordinary activities before taxation	<u>17,393</u>	<u>18,149</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	5,218	5,445
Effects of:		
Timing differences provided for	1,716	86
Expenses not deductible for tax purposes not taxable	1,346	244
Income from subsidiary undertaking not taxable	-	(1,500)
UK deductions	(584)	(267)
Adjustments relating to prior period corporation tax	<u>381</u>	<u>(441)</u>
Current corporation tax charge for the period (see note 8(a))	<u>8,077</u>	<u>3,567</u>

9. INTANGIBLE ASSETS

	<u>Trademarks</u> <u>£000</u>
Cost at 1 February 2004 and 31 January 2005	<u>190</u>
Amortisation at 1 February 2004	120
Charge for year	<u>70</u>
At 31 January 2005	<u>190</u>
Net book value at 31 January 2005	<u>-</u>
Net book value at 1 February 2004	<u>70</u>

COMET GROUP PLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2005****10. TANGIBLE FIXED ASSETS**

	<u>Freehold land and buildings</u>	<u>Short leasehold land and buildings</u>	<u>Fixtures, fittings and equipment</u>	<u>Computer equipment held on finance lease</u>	<u>Total</u>
	£000	£000	£000	£000	£000
Cost					
At 1 February 2004	2,520	7,854	203,726	3,273	217,373
Additions	825	700	20,162	326	22,013
Disposals	(2,075)	(100)	(7,840)	-	(10,015)
At 31 January 2005	<u><u>1,270</u></u>	<u><u>8,454</u></u>	<u><u>216,048</u></u>	<u><u>3,599</u></u>	<u><u>229,371</u></u>
Depreciation					
At 1 February 2004	-	4,772	106,907	2,127	113,806
Charge for year	30	823	21,244	777	22,874
Disposals	(14)	(72)	(5,960)	-	(6,046)
At 31 January 2005	<u><u>16</u></u>	<u><u>5,523</u></u>	<u><u>122,191</u></u>	<u><u>2,904</u></u>	<u><u>130,634</u></u>
Net book value					
At 31 January 2005	<u><u>1,254</u></u>	<u><u>2,931</u></u>	<u><u>93,857</u></u>	<u><u>695</u></u>	<u><u>98,737</u></u>
At 1 February 2004	<u><u>2,520</u></u>	<u><u>3,082</u></u>	<u><u>96,819</u></u>	<u><u>1,146</u></u>	<u><u>103,567</u></u>

COMET GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2005

11. INVESTMENTS

	<u>2005</u> <u>£000</u>	<u>2004</u> <u>£000</u>
Subsidiaries at cost	<u>100</u>	<u>100</u>

The company owns the entire issued ordinary share capital of the following principal subsidiary companies:

	<u>Nature of Business</u>	<u>Country of Registration</u>
Comet Financial Services Limited	Card Handling Services	England & Wales
Comet Radiovision Services Limited	Non-trading	England & Wales
I.T. Works Limited	Non-trading	England & Wales
Soundtwice Limited	Non-trading	England & Wales
Finance Works Limited	Non-trading	England & Wales
Starsense Limited	Non-trading	England & Wales
Comet Trustee Company Limited	Non-trading	England & Wales

Consolidated accounts have not been prepared as the company is a wholly owned subsidiary of Kesa Electricals plc, which is registered in England and Wales.

12. STOCK

	<u>2005</u> <u>£000</u>	<u>2004</u> <u>£000</u>
Goods for resale	<u>216,843</u>	<u>209,055</u>

13. DEBTORS

	<u>2005</u> <u>£000</u>	<u>2004</u> <u>£000</u>
Amounts receivable within one year:		
Trade debtors	51,346	41,277
Amounts owed by fellow subsidiary undertakings	193	3,873
Amounts owed by parent company	20,000	23,570
Other debtors	-	90
Prepayments and accrued income	9,503	9,612
	<u>81,042</u>	<u>78,422</u>

COMET GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2005

14. CREDITORS	<u>As Restated</u>	
	<u>2005</u>	<u>2004</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:		
Bank overdrafts	89,457	83,402
Obligations under finance leases	112	304
Trade creditors	82,494	66,766
Amounts owed to parent company	18,019	50,599
Amounts owed to fellow subsidiary undertakings	1,926	4,358
Corporation tax	13,440	4,204
Other taxation and social security	27,181	26,668
Other creditors	25,116	23,046
Accruals and deferred income	61,102	59,266
	<u>318,847</u>	<u>318,613</u>
Amounts falling due after one year:		
Subordinated loan from parent company	20,000	20,000
Corporation tax	-	2,181
Deferred income	7,722	9,309
Obligations under finance leases	193	-
	<u>27,915</u>	<u>31,490</u>

COMET GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2005

15. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Deferred</u> <u>tax</u> <u>£000</u>	<u>Idle</u> <u>stores</u> <u>£000</u>	<u>Total</u> <u>£000</u>
At 1 February 2004	4,758	938	5,696
Utilised in the year	562	(425)	137
Created in the year	(3,175)	48	(3,127)
At 31 January 2005	<u>2,145</u>	<u>561</u>	<u>2,706</u>

Within the idle property provision, the company has provided against future liabilities for all properties sublet at a shortfall and long term idle properties. The provision is based on the value of future cash outflows relating to rent, rates and service charges, and will be utilised when the leases expire.

Deferred taxation provided in the financial statements is as follows:

	<u>2005</u> <u>£000</u>	<u>2004</u> <u>£000</u>
Tax effects of timing differences due to:		
Accelerated capital allowances	6,389	6,706
Other timing differences	(4,244)	(1,948)
At 31 January 2005	<u>2,145</u>	<u>4,758</u>

COMET GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2005

16. OBLIGATIONS UNDER FINANCE LEASES

<i>Future minimum payments under finance leases are:</i>	<u>2005</u> £000	<u>2004</u> £000
Within one year	137	313
In more than one year, but not more than five years	205	-
	342	313
Less finance charges included above	(37)	(9)
<i>At 31 January 2005</i>	<u>305</u>	<u>304</u>

17. CALLED-UP SHARE CAPITAL

	<u>2005</u> £000	<u>2004</u> £000
Authorised:		
50,000,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Allotted, called-up and fully paid:		
20,000,000 Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

COMET GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 JANUARY 2005**

18. PROFIT AND LOSS ACCOUNT

	<u>Total</u> <u>£000</u>
At 1 February 2004 as previously reported	20,128
Prior year adjustment (see below)	(791)
At 1 February 2004 as restated	19,337
Retained profit for the year	11,929
At 31 January 2005	31,266

The prior year adjustment of £791,000 relates to the restatement of the employee share schemes incorrectly credited to reserves in the prior year and an additional accrual of £235,000 in respect of an employee share scheme relating to a former employee.

19. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	<u>2005</u> <u>£000</u>	<u>2004</u> <u>£000</u>
Profit for the year	11,929	13,815
Dividends	-	(20,000)
Employee share schemes	-	556
Net addition to equity shareholders' funds	11,929	(5,629)
Opening equity shareholders funds as previously reported	40,128	45,757
Prior year adjustment (see note 18)	(791)	-
Opening equity shareholders' funds as restated	39,337	45,757

COMET GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 JANUARY 2005**

20. CAPITAL COMMITMENTS

	<u>2005</u> <u>£000</u>	<u>2004</u> <u>£000</u>
Contracted but not provided	<u>7,912</u>	<u>3,271</u>

21. CONTINGENT LIABILITIES

On 24 September 2004, Comet Group PLC entered into a guarantee in favour of HM Customs & Excise for £2 million (2004 : £2 million).

22. LEASE COMMITMENTS

	<u>Land and</u> <u>buildings</u>		<u>Other assets</u>	
The company has annual commitments under non-cancellable operating leases as follows:	<u>2005</u> <u>£000</u>	<u>2004</u> <u>£000</u>	<u>2005</u> <u>£000</u>	<u>2004</u> <u>£000</u>
Expiring within one year	653	389	885	1,014
Expiring between two and five years inclusive	1,897	2,355	3,513	2,778
Expiring in over five years	<u>69,602</u>	<u>64,981</u>	<u>243</u>	<u>-</u>
	<u>72,152</u>	<u>67,725</u>	<u>4,641</u>	<u>3,792</u>

23. PENSION COMMITMENTS

The Group operates one funded defined benefit pension scheme in the UK, the Comet Pension Scheme. The inception of this Scheme was at 1st April 2004.

Over the period of the accounts, the Group participated in the Kingfisher Pension Scheme until 31st March 2004 and then, the Comet Pension Scheme from 1st April 2004. This Scheme received a bulk transfer in respect of past service benefits from the Kingfisher Pension Scheme on 16th December 2004. The contributions paid by the Group into the two schemes over the year of £8.2 million (2004: £7.8 million) are in line with the contribution rate as advised by the Scheme Actuary following the 2002 valuation of the Kingfisher Pension Scheme. Further contributions are agreed to continue at 13.5 per cent of pensionable salary per annum. In addition contribution of £0.5m per month will be made in respect of the scheme's deficit. As the scheme is closed to new members, the current service cost will increase as members of the scheme approach retirement. In this valuation, the assets were taken at their market value of £129.2m (excluding AVCs) and based on the following actuarial assumptions, the assets were sufficient to cover 77 per cent of the scheme's liabilities.

COMET GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 JANUARY 2005**

23. PENSION COMMITMENTS (Continued)

The calculation of the pension cost (in respect of defined benefit provision) over the period was carried out by an independent, professionally qualified actuary. The principal assumptions used for this purpose are an inflation rate of 3.0% per annum, an investment return on assets of 6.9% per annum, pensionable pay increases of 4.6% per annum and pension increases of 2.8% per annum.

The pension cost charge in the profit and loss account is £10.4 million. This is based on asset and membership data as at 1st April 2004 for the Comet Pension Scheme, adjusted for market movements back to 31st January 2004. Variations against regular cost have been amortised using the fixed charge method. The pension cost for the Scheme is £2.2 million higher than the contributions paid into the Scheme by the Group during the year. As a result, the provision on the balance sheet has increased to £6.6 million (2004 : £4.4 million).

The total pension charge in the profit and loss account includes £0.7m (2004 £0.9m) for the UK defined contribution arrangements.

The transitional arrangements of FRS 17 require disclosure of assets and liabilities as at 31 January 2005 calculated in accordance with the requirements of FRS17. They also require disclosure of the items which would appear in the profit and loss account and in the statement of total recognised gains and losses were the full requirements of FRS 17 in place. For the purpose of these financial statements, all of these figures are illustrative only and do not impact on the actual 31 January 2005 balance sheet, profit and loss account or statement of total recognised gains and losses.

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions.

	<u>2005</u>	<u>2004</u>	<u>2003</u>
	%	%	%
Discount rate	5.2	5.5	5.5
Salary Escalation	4.6	4.5	3.9
Rate of pension increases	2.7	2.7	2.3
Price inflation	2.9	2.8	2.3

COMET GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2005

23. PENSION COMMITMENTS (Continued)

	£m	2005 %	£m	2004 %	£m	2003 %
Equities	111.4	7.6	101.0	7.9	47.0	8.5
Bonds	27.2	4.9	21.0	5.0	35.0	4.7
Cash	3.9	4.8	-	-	1.0	7.0
Other	<u>4.0</u>	7.6	<u>-</u>	-	<u>12.0</u>	3.8
Total market value of assets	146.5		122.0		95.0	
Present value of liabilities	<u>(227.1)</u>		<u>(185.0)</u>		<u>(140.0)</u>	
Deficit in the scheme	(80.6)		(63.0)		(45.0)	
Related deferred tax asset	24.2		19.0		14.0	
Net pension deficit	<u>(56.4)</u>		<u>(44.0)</u>		<u>(31.0)</u>	

Analysis of amount charged to operating profit

	2005 £m	2004 £m
Current service costs	13.0	9.0
Total operating charge	<u>13.0</u>	<u>9.0</u>

Analysis of the amount credited to other finance income

	2005 £m	2004 £m
Expected return on pension scheme assets	9.3	6.0
Interest on pension scheme liabilities	(10.5)	(8.0)
Net return	<u>(1.2)</u>	<u>(2.0)</u>

COMET GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2005

23. PENSION COMMITMENTS (Continued)

Analysis of the STRGL

	<u>2005</u> £m	<u>2004</u> £m
Actual return less expected return on pension scheme assets	7.1	12.0
As a percentage of scheme assets	4.8%	9.8%
Experience gain arising on scheme	(1.1)	(4.0)
As a percentage of present value of scheme liabilities	(0.8)%	(2.2)%
Changes in assumptions underlying present value of scheme liabilities	(17.6)	(22.8)
Total actuarial loss recognised in STRGL	(11.6)	(14.8)
As a percentage of present value of scheme liabilities	(7.9)%	(8.0)%

Movement in deficit during the year

	<u>2005</u> £m	<u>2004</u> £m
Deficit in scheme at start of year (before tax)	(63.0)	(45.0)
Current service cost	(13.0)	(9.0)
Employer contribution	8.2	7.8
Other finance income (net)	(1.2)	(2.0)
Actuarial loss recognised in STRGL	(11.6)	(14.8)
Deficit in scheme at end of year (before tax)	<u>(80.6)</u>	<u>(63.0)</u>

Balance sheet impact

If the above amounts measured using FRS17 had been recognised in the financial statements, the group's net assets and profit and loss reserve at 31 January 2005 would have been as follows.

	<u>2005</u> £m	<u>2004</u> £m
Net assets excluding pension liability	51.3	39.3
Pension deficit	(56.4)	(44.0)
Net liabilities including pension deficit	<u>(5.1)</u>	<u>(4.7)</u>
Profit and loss reserve excluding pension liability	31.3	19.3
Pension deficit	(56.4)	(44.0)
Profit and loss reserve including pension deficit	<u>(25.1)</u>	<u>(24.7)</u>

COMET GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2005

24. DIRECTORS' INTERESTS

None of the directors has a beneficial interest in the shares of Kesa Electricals plc.

25. ULTIMATE PARENT COMPANY

The company's ultimate parent company and controlling party is Kesa Electricals plc, a company registered in England and Wales. Copies of the parent's consolidated financial statements may be obtained from the Secretary, Kesa Electricals plc, 22-24 Ely Place, London, EC1N 6TE.