ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDING 31 JANUARY 2007

Company registration number: 278576

COMET GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2007

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COMET GROUP PLC

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 January 2007.

The Company is a 100% percent subsidiary of Kesa Electricals PLC, a Company listed on both the London and Paris Stock Exchanges.

The Company trades as an electrical retailer through stores, transactional websites including www.comet.co.uk and a call centre, all located in the United Kingdom.

BUSINESS REVIEW

BUSINESS REVIEW AND PRINCIPAL ACTIVITES

The principal products sold by the Company are categorised as Brown Goods, White Goods, Grey Goods, related products and services.

Brown Goods include flat screen and high definition televisions, DVD players and recorders, MP3 players, cameras and camcorders. Rapid technological advances offering substantial improvements in quality, functionality, interactivity and design are typical characteristics of products in this market.

White Goods include washing machines and tumble dryers, fridges and freezers, gas and electric cookers, microwave ovens, vacuum cleaners and small kitchen and other domestic products such as kettles, toasters and irons. Although these products benefit from innovation, fashion and improved design, they are largely dependent on the replacement cycle in mature markets.

Grey Goods include mobile and home telephones, personal computers, laptops, digital cameras, printers, scanners, games and electronics. These goods have similar characteristics to brown goods.

The Company also provides extended warranty and financing products for its customers.

The directors are satisfied with the continued progress of the Company, operating in positive market conditions. Sales were strong during the year, in particular flat screen televisions, off the back of a strong World Cup campaign. Sales of white goods returned to positive growth after a tough market in the prior year. There has been continued focus on customer service from point of contact through to after sales service. Our multi-channel offering also saw some exciting changes in the year. Along with the introduction of "Click and Collect", which enables customers to reserve product on the Comet website to collect in store, there was price alignment across the various channels, creating an integrated proposition for the customer.

FUTURE OUTLOOK

The directors expect the Company to continue to grow both underlying sales and profit in the year ahead. There will be continued investment in building the Comet brand's reputation for customer service and the further development of both stores and direct sales channels.

NET DEBT

At the year end, the Company had net debt of £36.2m, a reduction in the year of £80m. Net debt is comprised of Bank Overdraft, Cash at Bank and in hand, Finance lease creditors and amounts owed from or to Parent Company.

PRINCIPAL RISKS AND UNCERTAINTIES

The directors consider that the principal risks to achieving the Company's objectives are those set out below.

a) Economic and market conditions

The economic environment influences the level of consumer expenditure on electrical goods in a number of ways. The state of the housing market affects spending on white goods in particular and the 'feel good' factor has a significant influence on discretionary spending on higher value electrical products. Many other economic factors influence customers' spending decisions, including interest rates and levels of personal debt.

Customers look for competitive prices on a wide range of products, as well as excellent service before, during and after the sale. The Company operates in a highly competitive market. The Company's business is seasonal, with a high percentage of its annual sales and operating profit generated during the fourth quarter, which includes the Christmas gift and New Year promotional periods. Unlike some other parts of the retail sector, electrical retailers have limited opportunities to compensate at other times of the year for any material shortfalls in sales during their peak season.

The level of profit margins in electrical retailing is determined by the market. Consumer demand, manufacturer supply, competition and government regulations all impact on margins. The Company protects margins, as far as possible, through its international buying arrangements and by maintaining an efficient sourcing operation. Cost structures are actively managed in order to mitigate the impact of product margin erosion.

b) Product life cycles

Certain electrical products are subject to rapid technological change which shortens their economic life. Electrical goods are often subject to price deflation as the production of new products and the adoption of new technologies grows and availability increases. Careful management of stock levels is needed in order to avoid loss of value and the risk of stock obsolescence when products are superseded.

c) Systems failure

Most businesses depend on the suitability and reliability of their systems and procedures, especially information technology, warehousing and distribution systems, and we have developed a range of procedures to deal with systems problems as they arise.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

d) Legislative, reputational and regulatory risks

The Company's operations are subject to extensive regulatory requirements. These tend to be in relation to its products, its advertising, marketing and sales practices, its employment and pensions policies and planning and environmental issues. Changes in laws and regulations and their enforcement may impact on the Company's business in terms of costs, changes to business practices, restrictions on activities or may even lead to damage to the Company's reputation and brands.

Tax laws that apply to the Company's businesses may be amended by the relevant authorities, for example as a result of changes in fiscal circumstances or priorities. Such potential amendments and their application to the Company are regularly monitored and, if relevant and appropriate, actions taken to ensure ongoing efficiency.

The EC Directive on Waste Electrical and Electronic Equipment (WEEE), comes into force in July 2007. Comet has already implemented its producer responsibility solution, by signing up to the Retail Compliance Scheme run by WEEE compliance organisation Valpak on behalf of the British Retail Consortium.

e) Pension risk and policies

Comet operates defined benefit and contribution pension schemes. The defined benefit scheme, which is closed to new members, is subject to certain risks. The risks centre on the amount of the liabilities as a result of changes in life expectancy, inflation and future salary increases, as well as risks regarding the value of investments and the returns derived from such investments. Pension fund legislation can also cause deficits and uncertainties in the defined benefit scheme.

f) Treasury risks

The Company publishes its financial statements in sterling and purchases some goods in several foreign currencies, primarily US dollars and Euros. As a result, it is subject to foreign currency exchange risk from exchange movements affecting the Company's sterling transactions.

No foreign exchange transaction may be undertaken without the express permission of the Kesa Group treasury team, which is responsible for all hedging transactions. Any foreign exchange transaction must be demonstrably linked to an underlying exposure and the hedge must be continually monitored through the life of the transaction to ensure it remains effective and appropriate.

The treasury policy requires that all committed and quantifiable transactional foreign exchange risk must be hedged, up to a maximum of 12 months forward, using forward foreign exchange contracts. The gain or loss on the hedge is recognised at the same time as the underlying transaction.

KEY PERFORMANCE INDICATORS

The delivery of the Company's strategic objectives is monitored by the board through Key Performance Indicators and ongoing review of the Company's operations.

Financial KPIs are :

- Sales growth
- Like for like sales growth (same store sales, year on year)
- Retail profit growth
- Profit before taxation (£m)

INVESTMENT

During the year, there was continued focus on improving the company's existing stores (in the 2 storey format in particular) in order to achieve better productivity. This investment approach will continue into 2007.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation amounted to £46,084,000 (2006:£3,693,000) which included a dividend from Comet Financial Services Limited, a wholly owned subsidiary of £28,000,000. The directors recommend that no dividend be paid (2006: £nil) and the retained profit for the year be added to accumulated reserves.

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 42 (2006: 42 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.

BOARD OF DIRECTORS

The Directors who held office during the year and up to the date of signing of this report were:

H Harvey	
I R M Edwards	
T N Barry	
R F J Darke	(Appointed 6 March 2006)
S R Fox	(Resigned 17 August 2006)
J-N Labroue	(Appointed 13 March 2007)

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.

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks. Kesa Electricals PLC, the company's ultimate parent undertaking, has in place a risk management programme that seeks to limit the adverse affects on the financial performance of the group and its subsidiaries by setting and reviewing financial strategies for the group as a whole. The Kesa Group treasury team manages liquidity and exposure to funding, credit, price, and interest rate and foreign exchange rate risks. This team uses a combination of derivative and conventional financial instruments to manage these underlying financial risks.

Treasury operations are conducted within a framework of Kesa Board-approved policies and guidelines, which are recommended and monitored by the Kesa Treasury Committee. These policies and guidelines include bank exposure limits and hedge cover levels for each of the key areas of treasury risk. The Kesa Board and Kesa Treasury Committee receive monthly reports covering the activities of Group treasury. Comet Group Plc receives all of its funding requirements from the Kesa group treasury operations.

COMET GROUP PLC

DIRECTORS' REPORT (Continued)

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware.

Each director has taken the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

23 March 2007

COMET GROUP PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

BY ORDER OF THE BOARD

N J Penton
Secretary
Hull

23 March 2007

COMET GROUP PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COMET GROUP PLC

We have audited the financial statements of Comet Group PLC for the year ended 31 January 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 January 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds

26 March 2007

COMET GROUP PLC

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 2007

	Notes	2007 £000	2006 £000
Turnover	2	**1,607,546**	1,445,505
Cost of sales		**(1,234,802)**	(1,123,880)
Gross profit		**372,744**	321,625
Selling and distribution costs		**(322,919)**	(301,233)
Administrative expenses		**(59,583)**	(53,756)
Other operating income	3	**45,460**	46,663
Operating profit		**35,702**	13,299
Income from subsidiary undertaking		**28,000**	-
Loss on sale of fixed assets		**(2)**	(25)
Profit on ordinary activities before interest and taxation		**63,700**	13,274
Net interest payable	4	**(8,112)**	(8,502)
Profit on ordinary activity before taxation	5	**55,588**	4,772
Tax on profit on ordinary activities	8	**(9,504)**	(1,079)
Retained profit for the financial year	18, 19	**46,084**	3,693

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	2007 £000	2006 £000
Profit for the financial year		**46,084**	3,693
Actuarial gain/(loss) on pension scheme assets	23	**25,151**	(14,000)
Movement on deferred tax relating to pension asset		**(7,545)**	4,200
Total gains/(losses) since last annual report		**63,690**	(6,107)

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 year stated above and their historical cost equivalents.

COMET GROUP PLC

BALANCE SHEET AS AT 31 JANUARY 2007

	Notes	2007 £000	2006 £000
FIXED ASSETS			
Tangible assets	9	**92,339**	96,692
Investments	10	**100**	100
		92,439	96,792
CURRENT ASSETS			
Stock	11	**224,327**	212,579
Debtors	12	**124,542**	101,034
Cash at bank and in hand		**5,844**	5,402
		354,713	319,015
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	13	**(315,502)**	(332,286)
NET CURRENT ASSETS/(LIABILITIES)		**39,211**	(13,271)
TOTAL ASSETS LESS CURRENT LIABILITIES		**131,650**	83,521
Creditors: Amounts falling due after one year	13	**(30,497)**	(30,268)
Provisions for liabilities and charges	14	**(4,528)**	(3,368)
NET ASSETS EXCLUDING PENSION LIABILITY		**96,625**	49,885
Pension liability	23	**(49,350)**	(66,300)
NET ASSETS/(LIABILITIES)		**47,275**	(16,415)
CAPITAL AND RESERVES			
Called-up share capital	17	**20,000**	20,000
Profit and loss account	18	**27,275**	(36,415)
EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)	19	**47,275**	(16,415)

The financial statements on pages 9 to 32 were approved by the board of directors on 23 March 2007 and were signed on its behalf by:

H Harvey, Director H. Harvey

I R M Edwards, Director I R M Edwards

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2007

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 significant accounting policies are summarised below. All of these have been adopted consistently throughout the year and the preceding year.

Turnover

Turnover represents retail sales and services, excluding value added tax and returns. Turnover on delivered products is recognised upon 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 shorter of the life of the asset and 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.

Profits and losses on disposal of leases and related assets are charged to operating profit to be consistent with the charging of rent on trading and idle properties.

1. ACCOUNTING POLICIES (continued)

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. Impairments are 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, the Comet Pension Scheme, and also offers employees a defined contribution scheme, the Comet Stakeholder Pension Plan.

The assets of these funds are held under trust which are entirely separate from the Company's assets.

The liability recognised in the balance sheet in respect of defined pension plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets, together with adjustments for past service costs which have not yet vested. The liability is shown net of deferred tax.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised net of deferred tax in the statement of total recognised gains and losses.

1. ACCOUNTING POLICIES (continued)

Pensions (continued)

Past service costs are recognised immediately in the profit and loss account, unless changes to the pension plan are conditional on the employees remaining in service for a specified amount of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

For defined contribution schemes, the Company pays contributions to separately administered pension insurance plans. The Company has no further obligation once the contributions have been paid. The contributions are recognised as an expense when they are due. Prepaid contributions are recognised as an asset to the extent that cash refund or reduction in the future payments is available.

Adoption of Accounting Standards

During the year the Company has adopted the amendment to FRS 17 issued in December 2006 and the disclosure laid out in the ASB's Reporting Statement (Retirement Benefits Disclosures). There was no effect due to the change other than the nature of the disclosures in note 23.

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.

Cash flow statement

As permitted by FRS 1, no cash flow 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2007

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, extended warraty commission and rents receivable.

4. NET INTEREST PAYABLE

	2007	2006
	£000	£000
Interest payable on rents and on taxation	**216**	84
Pension scheme interest	**2,500**	2,000
Interest payable to parent company	**5,446**	6,539
Finance lease interest	**135**	176
Interest payable	**8,297**	8,799
Bank interest receivable	-	(11)
Exchange gains	-	(10)
Interest receivable from parent company	**(53)**	(81)
Other interest receivable	**(132)**	(195)
Interest receivable	**(185)**	(297)
Net interest payable	**8,112**	8,502

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

		2007 £000	2006 £000
Profit on ordinary activities before taxation is stated after charging/(crediting):			
Rent receivable		**(3,564)**	(3,378)
Auditors' remuneration	- Audit fees	**169**	188
	- Non audit services	**86**	193
Operating leases	- Land and buildings	**79,844**	77,485
	- Plant and equipment	**8,639**	8,437
Depreciation	- Owned assets	**22,457**	22,346
	- Leased assets	**105**	588
(Profit)/Loss on disposal of fixed assets and leases		**(4,902)**	65

6. EMPLOYEES

	2007 £000	2006 £000
Staff costs (including directors):		
Wages and salaries	**164,842**	152,443
Social security costs	**13,444**	12,014
Other pension costs (note 23)	**16,048**	13,142
	194,334	177,599

Average number of persons employed :

	2007	2006
Stores	**8,593**	8,552
Distribution	**940**	1,052
Administration	**993**	950
	10,526	10,554
The equivalent number of employees working full time would have been	**7,716**	7,733

7. DIRECTORS' EMOLUMENTS

	2007 £000	2006 £000
Aggregate emoluments	**1,647**	1,228
Amounts receivable under long-term incentive schemes	-	808
Directors' remuneration includes in respect of the highest paid director: Aggregate amounts paid	477	593

During the year all five (2006: four) of the directors exercised share options and three (2006: four) received qualifying service shares under long term incentive schemes.

An annual pension of £21,812 (2006: £13,648) had accrued to the highest paid director at 31 January 2007 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 31.01.06	Exercised during year	Lapsed during year	Number of shares at 31.01.07	Market price at date of exercise
T N Barry	37,102	18,551	18,551	-	£3.07
I R M Edwards	34,236	17,118	17,118	-	£3.07
S R Fox	56,619	28,309	28,309	-	£3.07
H J Harvey	36,259	18,129	18,129	-	£3.07
R F J Darke	12,469	6,324	6,324	-	£3.50

The award vested in three equal annual instalments. One half of the award was subject to Total Shareholder Return ("TSR") performance criteria. TSR is a measure of performance based on share price and dividends. To achieve the hurdle, the Total Shareholder Return had to out-perform the FTSE 250. The remaining 50 per cent was not subject to performance criteria, although to receive the shares the beneficiary had still to be employed by the Group. The TSR was measured from the date of grant to the appropriate exercise date.

7. DIRECTORS' EMOLUMENTS (continued)

Kesa Group Incentive Compensation Plan

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

	Unvested Kesa shares held at 01.02.06	Vested in the year	Share price at award date p	Exercise price p	Total value at vesting date £	Vesting date
T N Barry	5,762	5,762	192	319.25	18,395	23.03.06
I R M Edwards	4,916	4,916	192	319.25	15,694	23.03.06
S R Fox	6,501	6,501	192	319.25	20,754	23.03.06
H J Harvey	5,631	5,631	192	319.25	17,977	23.03.06
R F J Darke	-	-	-	-	-	-

The awards granted pursuant to the Kesa Group Incentive Compensation Plan replaced awards made under various Kingfisher incentive plans. Awards provided 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 share elements of the replacement awards for each Director vested during the year are set out in the table above. The final cash elements of replacement awards were paid in the previous financial year.

The value of the awards was 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 respectively. For the year ended 31 January 2006 the awards were based on the closing price for the Kingfisher shares on 21 March 2006, which was 248 pence per share and the Kesa share price on 21 March 2006, which was 319.25 pence per share.

7. DIRECTORS' EMOLUMENTS (continued)

Kesa Share Incentive Plan

A UK Inland Revenue approved Share Incentive Plan is open to all eligible UK employees, including Executive Directors, in the UK. As is the usual with plans of this type, open to all employees, there are no performance criteria provisions. Employees receive one matching share in Kesa Electricals PLC for every four partnership shares they acquire.

	At start of year	Granted during year	At end of year	Date from which exercisable
T N Barry	483	586	1,069	05.09
R F J Darke	483	586	1,069	05.09

Long-Term Incentive Plan

The following rights in Kesa Electricals PLC shares were granted to the Directors and other senior managers under the terms of the Long-Term Incentive Plan in 2006 based on the 2005 bonus in accordance with the rules of the scheme and based on a share price of 299 pence on 23 March 2005, being the date of the preliminary announcement of the results for the financial year 2005.

	At start of year	Granted during year	At end of year	Option price (pence)	Date from which exercisable	Lapse date
T N Barry	64,760	26,086	90,846	0p	24.05.2010	22.11.2010
I R M Edwards	43,281	23,076	66,357	0p	24.05.2010	22.11.2010
H J Harvey	64,760	28,093	92,853	0p	24.05.2010	22.11.2010

As at the close of the market on 31 January 2007 the share price was 339.5 pence. Between 31 January 2006 and 31 January 2007, the lowest price has been 242.75 pence and the highest price was 376.75 pence.

S R Fox held rights to 53,302 shares at the start of the year, all of which lapsed on the date of his resignation.

Based on managements' latest forecasts and assumptions, an amount has been included in the balance sheet representing the Kesa Group Long-Term Incentive awards anticipated for the performance year ending 31 January 2007.

7. DIRECTORS' EMOLUMENTS (continued)

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.

	Ordinary Shares of 0.25p each	
	2007	2006
I R M Edwards	52,553	39,077
H J Harvey	48,416	32,089
R F J Darke	3,731	-

8. TAXATION

(a)

UK corporation tax charge on profits for the period at 30%	**2007** **£000**	2006 £000
Current tax	**8,769**	2,756
Adjustment in respect of prior period	**747**	(1,618)
Total current tax (see note 8b)	**9,516**	1,138
Deferred tax	**(12)**	(59)
Total tax charge for the period	**9,504**	1,079

(b) **Factors affecting the tax charge for the period**

The tax charge for the year is lower (2006 : lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2007 **£000**	2006 £000
Profit on ordinary activities before taxation	**55,588**	4,772
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006: 30%)	**16,676**	1,432
Effects of:		
Timing differences	**(107)**	597
Intergroup dividend not taxable	**(8,400)**	-
Expenses not deductible for tax	**587**	1,338
Capital gains less than/(in excess) of gains on property transactions	**13**	(611)
Adjustments relating to prior period corporation tax	**747**	(1,618)
***Current corporation tax charge for the period* (see note 8(a))**	**9,516**	1,138

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings	Short leasehold land and buildings	Fixtures, fittings and equipment	Computer equipment held on finance lease	Total
	£000	£000	£000	£000	£000
Cost					
At 1 February 2006	1,270	3,818	227,762	3,714	236,564
Additions	-	-	20,580	-	20,580
Disposals	-	(32)	(8,274)	-	(8,306)
At 31 January 2007	**1,270**	**3,786**	**240,068**	**3,714**	**248,838**
Depreciation					
At 1 February 2006	32	3,009	133,339	3,492	139,872
Charge for year	16	152	22,289	105	22,562
Disposals	-	(32)	(5,903)	-	(5,935)
At 31 January 2007	**48**	**3,129**	**149,725**	**3,597**	**156,499**
Net book value At 31 January 2007	**1,222**	**657**	**90,343**	**117**	**92,339**
At 1 February 2006	1,238	809	94,423	222	96,692

10. INVESTMENTS

	2007	2006
	£000	£000
Subsidiaries at cost	**100**	100

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

	Nature of Business	Country of Registration
Comet Financial Services Limited	Non-trading	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
Comet Limited	Non-trading	England & Wales
IT Therapy 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.

11. STOCK

	2007	2006
	£000	£000
Goods for resale	**224,327**	212,579

12. DEBTORS

	2007 £000	2006 £000
Amounts receivable within one year:		
Trade debtors	**45,794**	53,795
Amounts owed by fellow subsidiary undertakings	**1,196**	10,358
Amounts owed by parent company	**55,019**	20,000
Other debtors	**1,719**	1,589
Prepayments and accrued income	**20,814**	15,292
	124,542	101,034

13. CREDITORS

	2007 £000	2006 £000
Amounts falling due within one year:		
Bank overdrafts	**76,881**	59,913
Obligations under finance leases	**126**	150
Trade creditors	**106,648**	100,004
Amounts owed to parent company	**108**	61,442
Amounts owed to fellow subsidiary undertakings	**546**	367
Corporation tax	**8,078**	4,139
Other taxation and social security	**35,437**	31,507
Other creditors	**17,883**	13,630
Accruals and deferred income	**69,795**	61,134
	315,502	332,286
Amounts falling due after one year:		
Subordinated loan from parent company	**20,000**	20,000
Deferred income	**10,446**	10,089
Obligations under finance leases	**51**	179
	30,497	30,268

The subordinated loan from the parent company bears interest at 5.63% per annum, being fixed at 5 year LIBOR rate plus 150 basis points. The loan is unsecured and repayable in July 2008.

COMET GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2007

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £000	Idle Properties £000	Total £000
At 1 February 2006	2,477	891	3,368
Utilised in year	139	(797)	(658)
Created in year	144	1,674	1,818
At 31 January 2007	**2,760**	**1,768**	**4,528**

Within the idle properties provision, the Company has provided against future liabilities for all properties expected to be vacant for more than one year, and 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.

15. DEFERRED TAXATION

Deferred taxation is provided in the financial statements as follows:

	2007 **£000**	2006 £000
Tax effects of timing differences due to:		
Accelerated capital allowances	**(2,881)**	(5,973)
Other timing differences	**121**	3,496
Deferred tax liability	**(2,760)**	(2,477)
Deferred tax asset on pension liability	**21,150**	28,400
Total deferred tax asset including deferred tax on pension liability	**18,390**	25,923

16. OBLIGATIONS UNDER FINANCE LEASES

	2007 £000	2006 £000
Future minimum payments under finance leases are:		
Within one year	**133**	161
In more than one year, but not more than five years	**56**	178
	189	339
Less finance charges included above	**(12)**	(10)
At 31 January 2007	**177**	329

17. CALLED-UP SHARE CAPITAL

	2007 £000	2006 £000
Authorised:		
50,000,000 Ordinary shares of £1 each	**50,000**	50,000
Allotted, called-up and fully paid:		
20,000,000 Ordinary shares of £1 each	**20,000**	20,000

18. PROFIT AND LOSS ACCOUNT

	Total £000
At 1 February 2006	(36,415)
Retained profit for the year	46,084
Actuarial gain on pension scheme assets	25,151
Movement in deferred tax relating to pension asset	(7,545)
At 31 January 2007	27,275

19. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2007 £000	2006 £000
Profit for the year	46,084	3,693
Actuarial gain/(loss) on pension scheme assets	25,151	(14,000)
Movement in deferred tax relating to pension asset	(7,545)	4,200
Net addition/(reduction) to equity shareholders' funds	63,690	(6,107)
Opening equity shareholders' deficit	(16,415)	(10,308)
Closing equity shareholders' funds/(deficit)	47,275	(16,415)

20. CAPITAL COMMITMENTS

	2007	2006
	£000	£000
Contracted but not provided	**959**	2,689

21. CONTINGENT LIABILITIES

The Company has a guarantee in favour of HM Customs & Excise for £3m (2006 : £3 million).

22. LEASE COMMITMENTS

	Land and buildings		**Other assets**	
The Company has annual commitments under non-cancellable operating leases as follows:	**2007** **£000**	2006 £000	**2007** **£000**	2006 £000
Expiring within one year	**806**	269	**593**	642
Expiring between two and five years inclusive	**5,890**	3,954	**5,343**	5,063
Expiring in over five years	**71,358**	72,410	**242**	242
	78,054	76,633	**6,178**	5,947

23. PENSION COMMITMENTS

The Group operates one funded defined benefit pension scheme in the UK, the Comet Pension Scheme, with assets held in a separately administered fund. The inception of this Scheme was at 1 April 2004.

The most recent actuarial valuation of the scheme was carried out at 1 April 2004 and updated at 31 January 2007 by Punter Southall and Co, a qualified independent actuary. The contribution made to the scheme in the accounting period was £17.0m (including the value of the employee contributions for those members in the salary sacrifice arrangement). Further contributions are agreed to continue at 15% of pensionable salary per annum plus 6.5% to cover employee contributions for those members in the salary sacrifice arrangement. In addition, contributions of £0.5m per month have been made in respect of the scheme's deficit since March 2006.

23. PENSION COMMITMENTS (continued)

The Comet Pension Scheme was closed to new entrants on 1 April 2004 and all employees who do not participate in the Comet Pension Scheme are offered access to a Group defined contribution scheme, the Comet Stakeholder Pension Plan.

Pension costs for defined contribution schemes are as follows:

	2007 £m	2006 £m
Defined contribution schemes included within staff costs	**0.8**	0.7

A qualified, independent actuary has updated the actuarial valuations of the Company's defined benefit scheme as at 31 January 2007. The principal assumptions made by the actuaries were:

	2007	2006
Discount rate	**5.20%**	4.60%
Rate of increase in pensionable salaries	**4.85%**	4.75%
Rate of pension increases	**3.05%**	2.80%
Price inflation	**3.10%**	3.00%
Expected return on plan assets		
- Equities	**7.85%**	7.10%
- Bonds	**5.25%**	4.25%
- Cash	**5.25%**	4.50%
- Real estate	**7.85%**	7.10%
- Other	**7.85%**	7.10%

Mortality assumptions

	2007	2006
Life expectancy at age 60 for a male currently aged 60	**24.0**	22.4
Life expectancy at age 60 for a female currently aged 60	**26.9**	25.4
Life expectancy at age 60 for a male currently aged 40	**25.6**	23.5
Life expectancy at age 60 for a female currently aged 40	**28.5**	26.5

Expected returns on plan assets are based on market expectation at the beginning of the year for returns over the entire life of the benefit obligation. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and real estate investments reflect long-term real rates of return experienced in the respective markets.

The Company has used PA92 tables (medium cohort) with mortality projected to 2005 for pensioners and to 2015 for non-pensioners.

23. PENSION COMMITMENTS (Continued)

The amounts recognised in the balance sheet are determined as follows:	**2007 £m**	2006 £m
Present value of defined benefit obligation	**279.3**	280.6
Fair value of plan assets	**(208.8)**	(185.9)
Deficit	**70.5**	94.7
Related deferred tax asset	**(21.1)**	(28.4)
Net liability recognised in the balance sheet	**49.4**	66.3

The major categories of plan assets as a percentage of total plan assets are as follows:	**2007**	2006
Equities	**42%**	42%
Bonds	**37%**	39%
Cash	**1%**	1%
Real Estate	**14%**	13%
Other	**6%**	5%

The amounts recognised in the profit and loss account are as follows:

	2007 £m	2006 £m
Current service cost	**15.4**	12.7
Interest cost	**13.2**	12.0
Expected return on plan assets	**(10.7)**	(10.0)
Past service cost	**-**	-
Total included within staff costs and interest	**17.9**	14.7

Of the total charge, including defined contribution schemes £2.4m (2006: £2.3m), £7.8m (2006: £5.4m) and £6m (2006: £5.7m) were included in cost of sales, administrative expenses and selling expenses respectively. Scheme administration expenses have been netted off against the expected return on plan assets.

A salary sacrifice scheme was introduced in respect of the Comet Pension Scheme on 1 July 2005.

23. PENSION COMMITMENTS (Continued)

Analysis of the movement in the defined benefit obligation during the year

	2007 £m	2006 £m
Defined benefit obligation at start of year	**280.6**	227.1
Current service cost	**15.4**	12.7
Past service cost	**-**	-
Interest cost	**13.2**	12.0
Contributions by employees	**0.1**	1.5
Benefits paid	**(4.6)**	(4.4)
Actuarial (gain)/loss recognised in the STRGL	**(25.4)**	31.7
Currency translation movement	**-**	-
Defined benefit obligation at end of year	**279.3**	280.6

Analysis of the movement in plan assets during the year

	2007 £m	2006 £m
Fair value of plan assets at start of year	**185.9**	146.0
Expected return on plan assets	**10.7**	10.0
Contributions by employer	**17.0**	14.6
Contributions by employees	**0.1**	1.5
Benefits paid	**(4.6)**	(4.4)
Actuarial (loss)/gain recognised in the STRGL	**(0.3)**	18.2
Currency translation movement	**-**	-
Fair value of plan assets at end of year	**208.8**	185.9

Analysis of the movement in the balance sheet liability during the year

	2007 £m	2006 £m
Liability at start of year	**94.7**	80.6
Total expense as above	**17.9**	14.7
Contributions paid	**(17.0)**	(14.6)
Actuarial loss recognised in the STRGL	**(25.1)**	14.0
Currency translation movement	**-**	-
Liability at end of year	**70.5**	94.7

23. PENSION COMMITMENTS (Continued)

Analysis of the balance sheet liability between funded and unfunded plans

	2007	2006
	£m	£m
Present value of funded obligations	**279.3**	280.6
Fair value of plan assets	**(208.8)**	(185.9)
Present value of unfunded obligations	**-**	-
Unrecognised past service costs	**-**	-
Liability at the year end	**70.5**	94.7

Cumulative actuarial gains and losses recognised in equity

	2007	2006
	£m	£m
At beginning of year	**25.1**	11.6
Actuarial (gains)/losses recognised in the year	**(25.1)**	13.5
At end of year	**-**	25.1

The actual returns on plan assets were:

	2007	2006
	£m	£m
Returns on plan assets	**10.4**	28.2

History of experience gains and losses

	2007	2006
Experience gains/(losses) arising on scheme assets	**£m**	£m
Amount	**(0.3)**	18.2
Percentage of scheme assets	**(0.1%)**	9.8%

Experience adjustments arising on scheme liabilities

Amount	**0.2**	(8.9)
Percentage of the present value of scheme liabilities	**(0.1%)**	(3.2%)

Effective 3rd April 2006, the rules of the scheme were amended to allow greater communication of pensionable benefits to members of the fund in accordance with changes to the applicable legislation. The rule change provides members earlier access to their cash benefit (at reduced amounts) sooner than otherwise available, which reflects the withdrawal of entitlements at an earlier date. This change allows members increased control over their pension benefits. The effect of this rule change was to reduce the Scheme's liabilities by £6.6m (pre-tax), which has been reflected in the statement of total recognised gains and losses.

The contribution expected to be paid during the financial year ended 31 January 2008 amounts to £13.4m.

24. 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.