CARPHONE WAREHOUSE
GROUP PLC

CONNECTED SOLUTIONS FOR A CONNECTED WORLD

Carphone Warehouse Group plc
Annual Report 2012

HARNESSING THE CONNECTED WORLD BY MAKING TECHNOLOGY ACCESSIBLE TO OUR CUSTOMERS

Following the Group's disposal of its interest in Best Buy Mobile and the closure of Best Buy UK, Carphone Warehouse Group now consists of:

- **CPW EUROPE (50% share) –** the largest independent telecommunications retailer in Europe
- **VIRGIN MOBILE FRANCE (47% share) –** the largest MVNO in France
- **GLOBAL CONNECT –** new partnership with Best Buy which aims to replicate the successful Best Buy Mobile model in jurisdictions outside North America and Western Europe
- **OTHER ASSETS –** property, cash and loans receivable with a market value at March 2012 of £201m

TURN OVER
FOR MORE INFORMATION ABOUT
THE CARPHONE WAREHOUSE GROUP

CONNECTED SOLUTIONS FOR A CONNECTED WORLD

CPW EUROPE

- Joint venture with Best Buy, a world-leading consumer electronics retailer
- Europe's leading independent telecommunications retailer, operating in eight countries across Western Europe
- Specialist advice in areas of product and service complexity
- Customer-focused, with a demonstrated track record of high quality service
- Approximately 2,400 stores and a well developed online proposition

Headline Group PAT

£48.3m

VIRGIN MOBILE FRANCE

- Joint venture with Virgin Group, leading experts in developing MVNOs worldwide
- Largest MVNO in France with 1.9m customers, of whom approximately 70% are postpay
- Strong brand with innovative propositions and high levels of customer service

Headline Group PAT

£6.1m

GLOBAL CONNECT

- In partnership with Best Buy we are aiming to replicate the success of Best Buy Mobile through partnerships in territories outside of North America and Western Europe
- Partnering with existing Best Buy operations in China and Mexico
- Aiming to partner with other established retailers in other territories

OTHER ASSETS

PROPERTY

- Four freehold properties in the UK, generally with long-term leases

Value at 31 March 2012

£74m

CASH AND LOANS RECEIVABLE

- Cash to provide flexibility and to cover short-term commitments to joint ventures, but available for distribution in the medium-term
- Loans receivable from Virgin Mobile France of £24m which are being repaid from operating cash flows

Value at 31 March 2012

£127m

Headline Group PAT

£3.3m

LEARN MORE

OUR PERFORMANCE IN BRIEF

Since March 2011 we have returned £843m to shareholders through ordinary dividends and the return of the initial proceeds from the disposal of Best Buy Mobile.

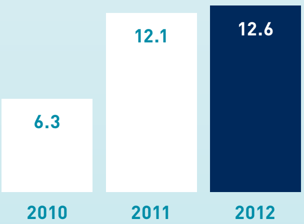
CPW Europe and Virgin Mobile France maintained EBIT year-on-year despite operating in highly competitive markets and against an uncertain economic backdrop.

Returns to shareholders

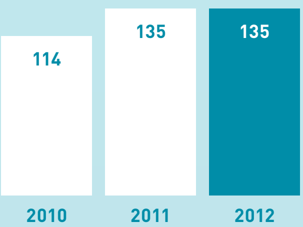
£843m

Group Headline EPS (pence)

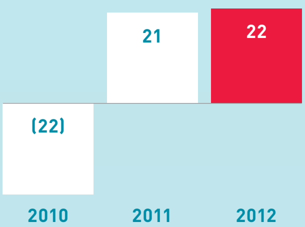
12.6p



CPW Europe Headline EBIT (100% basis) (£m)



Virgin Mobile France EBIT (100% basis) (£m)



Where this annual report contains forward-looking statements, they are made by the directors in good faith based on the information available to them at the time of the approval of this annual report. These statements should be treated with caution due to the inherent risks and uncertainties underlying any such forward-looking information. The Group cautions users of this document that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statements. Such factors include, but are not limited to, those discussed under the Risk Management sections on pages 17, 24 and 26.

OVERVIEW

BUSINESS REVIEW

GOVERNANCE

FINANCIAL STATEMENTS

Learn more online:
www.cpwplc.com

CHAIRMAN'S STATEMENT

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It has been another eventful and successful period for the Group. By disposing of our interest in Best Buy Mobile for £838m, we crystallised significant value for shareholders.

Charles Dunstone, Chairman

IN SUMMARY

— Disposal of our interest in Best Buy Mobile for £838m; £1.72 per share returned to shareholders

— Launch of Global Connect, enabling the roll-out of our connectivity strategy to new territories

— Closure of Best Buy UK business

— CPW Europe and Virgin Mobile France maintained EBIT, despite market and consumer challenges

It has been another eventful and successful period for the Group. During the year we undertook a comprehensive strategic review which led to significant Group structural changes, including the disposal of our interest in Best Buy Mobile, the closure of our Best Buy UK 'Big Box' trial stores and the creation of a new business called Global Connect. These transactions simplified and improved the joint arrangements through which Best Buy and Carphone Warehouse are harnessing the considerable growth potential in the sale of connected products and services.

By disposing of our interest in Best Buy Mobile for £838m, we crystallised significant value for shareholders, particularly in view of the absence of any capital investment, and were able to return £1.72 per share to shareholders.

The 11 trial Best Buy UK 'Big Box' stores performed well at the level of customer satisfaction, but they did not have the national reach to achieve scale and brand economies. This and the lack of visibility of an acceptable rate of return led us to close the business with effect from January 2012. The large majority of Best Buy UK employees who wanted to remain with the business have been redeployed in various roles throughout CPW Europe.

We also launched Global Connect, a new joint venture with Best Buy, which represents an exciting, low-risk opportunity to recreate the success of Best Buy Mobile and roll-out our connectivity strategy into high growth emerging markets. The first stores will be opened in China during Summer 2012 and we hope to announce new territories in the year ahead.

Our core businesses have performed well during the year. CPW Europe continues to take advantage of its positioning in the Connected World, focusing on its newly designed store format, wider product and service proposition and strong relationships with network partners, all of which have enabled us to meet our EBIT target for the year. Virgin Mobile France proved to be a resilient business in a very competitive market, with strong revenue growth, and we are excited about the opportunities that the move to a Full MVNO and launch of quad-play will bring.

We are pleased to recommend a final dividend of 3.25p per share which will be paid on 3 August 2012 to shareholders on the record as of 6 July 2012.

Our people have done a tremendous job, so that we face the future in robust shape. On behalf of the Board I would like to thank them all for their hard work and dedication.

Charles Dunstone, Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

In the UK and in Europe, we have a proven way forward to meet consumers' demand for the Connected World.

Roger Taylor, Chief Executive Officer

IN SUMMARY

CPW Europe

— Profits maintained with Headline EBIT of £135.0m (2011: £134.6m) despite shift from 18 to 24 month contracts, decline in the prepay market and tough consumer environment

— New contract terms with operators now starting to yield material benefits as the shift from 18 to 24 month contracts completes

— Continued payback from Wireless World store format and momentum in non-cellular product categories

Virgin Mobile France

— Revenue up 18.8% to £390.2m (2011: £328.4m)

— Business robust despite increased competitive pressures

Global Connect

— Global Connect launched in November 2011

— Expect to have 14 Best Buy Mobile branded stores in China by August 2012 under this new venture

Following the disposal of our interest in Best Buy Mobile and the closure of Best Buy UK, the Group now comprises our 50% interest in the core European retail business, CPW Europe, and a 47% interest in France's leading MVNO, Virgin Mobile France. In addition, we own properties in London and the north of England, and have substantial cash balances.

For the year just ended, we delivered Headline earnings in line with guidance and maintained a strong cash position for the Group.

CPW EUROPE

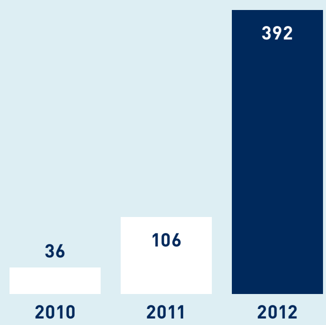
CPW Europe delivered Headline EBIT in line with last year at £135.0m (2011: £134.6m) despite a challenging consumer and mobile market. Revenue of £3,313.1m was 5.5% lower year-on-year (2011: £3,504.8m), but this was largely anticipated. Revenues associated with our German service provider business fell by around £100m, as we concluded its migration to a more typical retail model. In addition, a lack of attractively priced smartphone products in the prepay segment and a weak consumer environment caused a drop of 30–40% in prepay volumes in some markets. This had an impact on revenue, but a limited effect on profitability.

Looking ahead, pressure on mobile ARPUs as a result of regulation, competition and the challenging consumer environment will continue. Against this, however, the mobile market shift from 18 to 24 month contracts is now complete and we are starting to enjoy the anticipated benefits from our new contract terms with the network operators. We are also seeing continued payback from our investment in the roll-out of our Wireless World store format, as well as continued momentum in non-cellular product categories where we see real opportunity. Although the prepay market currently remains weak, we have some reason to be more optimistic about the increasing availability of lower priced prepay smartphones in the year ahead.

In the UK and in Europe, we have a proven way forward to meet consumers' demand for the Connected World. Built around the central theme of connectivity, our newer format Wireless World stores offer a wider range of mobile and other connected devices

NUMBER OF WIRELESS WORLD STORES

392



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Built around the central theme of connectivity, our newer format Wireless World stores have proved popular with customers and have delivered compelling returns.
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Non-cellular opportunity
One of the key opportunities for CPW Europe is to broaden the non-cellular product category, making CPW Europe the home of technology. Our Wireless World format stores combine a focused connected electronics range, with a strong service proposition.

and an enhanced level of service. These stores have proved popular with customers and have delivered compelling returns. We had 392 Wireless World stores across the Group as at the end of March 2012 (2011: 106) and we anticipate that the large majority of UK stores will be in the new format within the next two to three years, with continuing progressive conversion in mainland European markets. Within this format we continue to see a promising uptake of the Geek Squad proposition, not only in assurance products but also in service capabilities in store. One of CPW Europe's key opportunities is to broaden the non-cellular product category by moving more deeply into tablets, accessories and app-cessories, making CPW Europe the home of technology and giving our customers many more reasons to come into our stores.

VIRGIN MOBILE FRANCE

Virgin Mobile France grew revenue by 18.8% to £390.2m (2011: £328.4m), reflecting postpay growth and the benefit of termination revenues which were earned for the first time during the fourth quarter. Faced with increased competition in the French market since early January, the business has proved to be very robust. Around 70% of the Virgin Mobile France customer base is postpay and whilst on a net basis we lost customers in January and February, by March we had resumed growth in the postpay segment and delivered significant revenue growth for the quarter. As at the end of March 2012 the customer base was flat year-on-year at 1,917,000.

The business produced Headline EBIT of £21.5m (2011: £20.6m). The EBIT margin was slightly lower than last year reflecting increased investment in higher value postpay customers, which will help to drive both earnings and value over time.

Going forward, with its Full MVNO contracts with both Orange and SFR, Virgin Mobile France can now progressively move its customer base onto this platform, bringing significant benefits of increased flexibility and reduced costs, as well as enabling us to enhance our consumer proposition. The business also announced recently the launch of a quad-play offer, which provides a new strategic opportunity and value driver. Whilst still in its early stages, we are anticipating that this offer will attract and retain a higher value customer as we further develop our reach into the French market.

GLOBAL CONNECT

Global Connect is the new, capital-light profit share agreement between Best Buy and Carphone Warehouse, which aims to replicate the successful Best Buy Mobile model in jurisdictions outside North America and Western Europe.

Best Buy recently announced that it plans to have 14 Best Buy Mobile SWAS stores within Fivestar, its business in China, by August 2012. Under the Global Connect Agreement, the Group is entitled to a 20% share in incremental earnings from this business. Plans for new territories are currently being developed and we hope to make announcements in due course.

DISCONTINUED BUSINESSES

During the year, the Group disposed of its interest in Best Buy Mobile for an initial consideration of £813.0m plus a further £25.0m in consultancy payments over a five year period. CPW Europe's share of pre-tax profits from Best Buy Mobile for the first half of 2011–12 was £45.0m. Our share in this business ended from September 2011.

We also decided to close the 11 trial Best Buy UK stores during the year and concluded this in January 2012. Whilst customer feedback was positive, without national reach the business could not make an acceptable rate of return. Best Buy UK incurred operating losses of £72.5m during the year. Post-tax closure costs of £120.9m have been booked, in line with expectations, of which £45.9m were non-cash asset write-downs, and of which the Group's share was £60.5m.

OUTLOOK

We expect the consumer environment in Europe to remain challenging in the year ahead along with the continued effect of regulation and competition in the mobile market. However, we see some exciting opportunities and remain confident in our strategic positioning and operational execution. Overall, we expect Headline EBIT for CPW Europe to be in the range £130m to £150m, with the ultimate outturn for the year likely to be dependent on our success in driving smartphones more fully into the prepay segment, and on broader economic conditions in some of our continental European markets. Virgin Mobile France will continue to focus on growing its postpay base and its revenues in the year ahead. Improved margins from our Full MVNO infrastructure will help to counter downward pressure on ARPUs, and as a result, we expect to maintain earnings for the core business at a similar level to 2011–12, with limited investment in quad-play during the year. Headline EPS is expected to be in the range 11.5p–13.0p, reflecting the guidance above for the Group's joint ventures and broadly flat net income from wholly-owned operations.

Roger Taylor, Chief Executive Officer

WIRELESS WORLD

By putting connectivity at the heart of our business we are committed to helping people experience and buy the best range of hardware, accessories, connections and services available to suit their individual needs.

The Connected World is always changing with technology evolving at a rapid pace. Customers require someone who can listen, explain and show them how it all fits together.

Our Wireless World format enables us to play that valuable role by translating the benefits of technology and helping people understand how it can transform their lives.

FEATURES OF OUR WIRELESS WORLD FORMAT INCLUDE:

- LIVE DEVICES, DEMONSTRATIONS AND INTERACTIVE AREAS
- EXTENDED PRODUCT RANGE
- IMPROVED PLACEMENT OF A WIDER RANGE OF ACCESSORIES
- GEEK SQUAD AND SERVICES

Focused on opportunities for growth

One of the key opportunities for CPW Europe is to broaden the non-cellular product category, including tablets, accessories and app-cessories, making CPW Europe the home of technology and giving our customers many more reasons to come into our stores. Our Wireless World format stores combine a focused connected electronics range with a strong service proposition.

TRANSFORMING THE

SMARTPHONES

The market for smartphones has been growing at a rapid rate. For many customers, making such a significant investment requires research before making a purchase. We offer impartial expert advice about network offers, operating systems and how smartphones vary by manufacturer.

TABLETS

The Wireless World store format is ideally suited to offer a range of tablets, which play a significant role in our non-cellular strategy. We aim to help customers choose devices that are best suited to their lifestyles.

ACCESSORIES

To enhance and support all our hardware, we provide a wide range of accessories. We recognise the importance of displaying accessories clearly and prominently as part of the customer in-store journey. This allows our customers to self-select the items that suit their newest purchase.

IN-STORE EXPERIENCE

PICK UP AND PLAY

The Wireless World format provides live connected demonstrations of smartphones, tablets, laptops, wireless music systems and other connected devices. Live devices allow customers to experience device capability before making the decision to purchase, improving their overall in-store experience.

UNBEATABLE EXPERTISE

Our people understand the Connected World and the role they play. Through inspiration, engagement and training we aim to deliver highly skilled consultants who put the customer at the heart of everything they do. Walk Out Working is our free service offering that helps customers get the most from their new devices. As well as explaining how the device works we will upload contacts, download apps and set up email accounts.

GEEK SQUAD

Whether customers have lost their mobile phone, require help with setting up and using a new device, or need comprehensive advice about connected solutions for their individual lifestyles, our Geek Squad agents are available to provide assistance and reassurance 24/7. The Geek Squad service offering is a complete service plan with protection and agent support, plus the tools customers need to stay securely up and running.

OVERVIEW

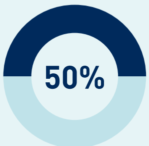
CPW EUROPE

KEY FACTS

CPW share **50%**

Partner **Best Buy**

Founded **1989**



CPW Europe is the largest independent telecommunications retailer in Europe, with 2,393 stores at March 2012 and well-developed online channels.

Its specialisation in combining hardware, connections and services, and ongoing investment in high quality and well-trained consultants, make it ideally placed to benefit from the evolution of smartphones and other areas of complex technology.

MANAGEMENT STRUCTURE

CPW Europe has its own experienced management team, led by Andrew Harrison, CEO, who has been with Carphone Warehouse since 1995.

Oversight is provided by the Global Connect board, led by Roger Taylor and comprising representatives from both shareholders.

FUNDING AND DIVIDENDS

CPW Europe has standalone financing, principally a £400m RCF provided by a syndicate of banks.

CPW Europe has an agreed dividend policy whereby dividends are paid annually, subject to cover of at least 2.5 times earnings, and certain conditions on cash generation and available funds.

BEST BUY

Best Buy is a world-leading consumer electronics retailer, listed on the New York Stock Exchange, with annual sales of over $50bn.

It has operations in Canada, Mexico and China, as well as the US, where it is a market leader, with market share of over 20% in several consumer electronics categories.

It has established a reputation for outstanding customer support, service innovation and expertise in the whole spectrum of consumer electronics technology.

PRINCIPAL BRANDS

CPW Europe has retail operations in eight markets, predominantly trading under the brands Carphone Warehouse in the UK and Ireland and Phone House in continental Europe.

CPW Europe provides insurance services under the Geek Squad brand in each of its retail territories. It also has fixed line telecoms operations in Spain and Switzerland, providing services to corporate and residential customers respectively.

OPTION AGREEMENT

In November 2011, the Group took steps to formalise the long-term ownership structure of CPW Europe. Under the option agreement Best Buy have a call option to purchase the Group's 50% stake in CPW Europe at fair market value in 2015.

If Best Buy do not exercise this option, the Group has a call option to purchase Best Buy's stake in CPW Europe at a 10% discount to fair market value. If neither shareholder exercises its call option the options roll forward three years, although the Group would no longer receive the 10% discount.

STORE FORMATS AND CHANNELS

CPW Europe has a range of store formats across Europe, together with well-developed online channels.

OWN STORES

Number of stores	Average size
2,055	c.650 sq ft

- Over time stores are being migrated to the Wireless World format which are typically larger than traditional stores
- Full Wireless World stores are typically 1,000-1,500 sq ft with an alternative format available for smaller stores of around 500-1,000 sq ft
- Wireless World stores offer a broader range of products and services with approximately 80% more products than standard stores
- Plans for 550 to 600 Wireless World stores by March 2013

FRANCHISE

Number of stores	Average size
338	c.500 sq ft

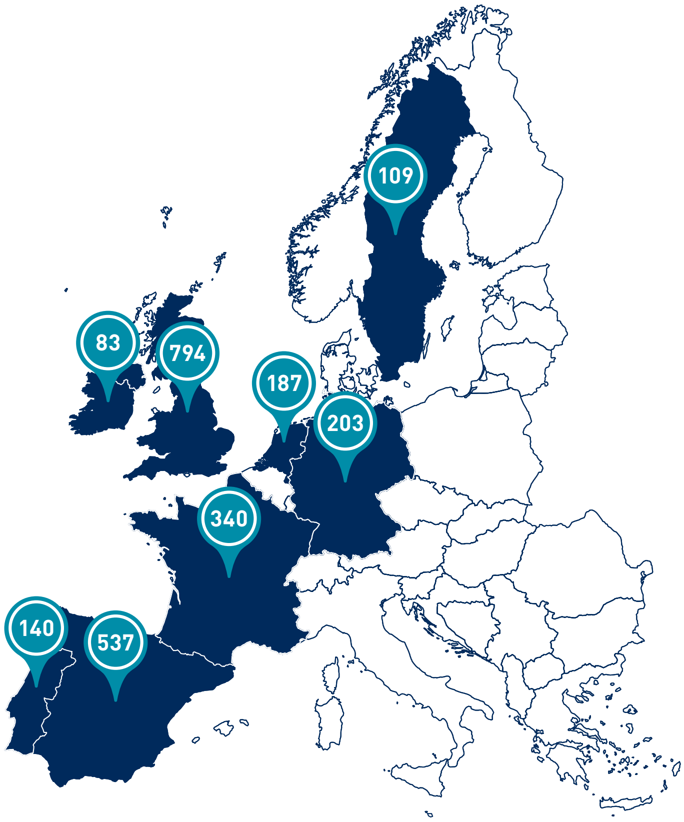
- Branded Phone House, with same proposition and operating model
- Requires little or no upfront investment
- Allows CPW Europe to build scale in more marginal locations

STORES-WITHIN-A-STORE

- Partnering with other leading retailers to help develop a store-within-a-store mobile proposition
- Allows CPW Europe to build market share in territories in which it is sub-scale
- Trials underway with plans to develop further partnerships over the coming year

ONLINE

- Transactional websites in all CPW Europe's retail territories
- Offering a range of delivery options to home, work or store
- Supports the retail business allowing customers to research products and find stores online
- 1.5m website visits each week in the UK alone



STORE LOCATIONS

UNITED KINGDOM
Own stores: 794

SPAIN
Own stores: 404
Franchise stores: 133

FRANCE
Own stores: 263
Franchise stores: 77

GERMANY
Own stores: 161
Franchise stores: 42

NETHERLANDS
Own stores: 116
Franchise stores: 71

PORTUGAL
Own stores: 136
Franchise stores: 4

SWEDEN
Own stores: 98
Franchise stores: 11

IRELAND
Own stores: 83

DISCONTINUED BUSINESSES

BEST BUY MOBILE

Best Buy Mobile was a venture started in 2006 with Best Buy, through which CPW Europe received a profit share.

The venture was a resounding success and in January 2012 the Group disposed of its interest in Best Buy Mobile for total consideration of £838m.

BEST BUY UK

In 2008 we announced plans to open Best Buy branded 'Big Box' stores in the UK which aimed to bring Best Buy's high standard of customer service to a full range of consumer electronics in the UK market.

While the customer feedback was positive the business didn't have the national reach to achieve scale and brand economies. The decision was therefore made to close the business, a process that was concluded in early 2012.

MARKETPLACE

SMARTPHONES

Smartphones have revolutionised the way we use our mobile phones. E-mail, internet access and applications mean that the devices are about far more than making and receiving calls and they are becoming a much larger part of our everyday lives.

We continue to see an exciting array of smartphones coming to market with ever increasing functionality. With fierce competition between both manufacturers and operating system providers the industry is continuously evolving as each provider seeks to differentiate itself. We are perfectly placed to take advantage of this competition as we are able to provide the independent advice that consumers need on which device is right for them.

NON-CELLULAR

Our business model has evolved over recent years towards a broader range of products associated with the Connected World. While non-cellular sales are still a very small part of our overall revenues, they provide an exciting opportunity for further revenue growth. Tablets have been a revolutionary innovation in the market, providing another way for people to get online whether at home or on-the-go. With a wide range of devices to choose from, and different options for connecting, our impartial and expert advisors are well-placed to help customers make their decisions.

With the functionality of smartphones and tablets developing all the time, the range of complementary products also continues to expand. Alongside traditional mobile accessories, such as protective screens and cases, we now cover wireless music systems, speakers and headphones. Additionally, there is an increasing proliferation of app-cessories, accessories for smartphones and tablets that enhance the performance of applications, which are being sold through dedicated app-cessories sections within a number of stores and through our online channels.

ADAPTING TO AN EVOLVING MARKET

MTR CUTS

Regulatory cuts in mobile termination rates ("MTR") during the year resulted in network operators reducing the level of subsidy on prepay handsets, causing a drop of 30–40% in prepay connections in some markets. Further MTR cuts are scheduled through to 2015 and will continue to affect the opportunity of network operators to invest in the customer proposition.

Against this, higher and higher quality devices are coming to market at affordable prices and we remain optimistic that this can be used to drive further smartphone penetration into the prepay segment.

ECONOMIC ENVIRONMENT

The economic environment is challenging for all retailers, with consumer spending subdued and fierce competition online and on the high street.

This has a direct impact through our sales channels, with some discretionary spend inevitably deferred, and on our income from the network operators, which forms the majority of our revenues. The European networks operate in a highly competitive environment, and have reported pressure on ARPUs, particularly in the second half of last year, due to MTR cuts and reduced customer spending beyond the minimum commitment. Our strategic and economic interests are aligned with the network operators through revenue share arrangements, and such ARPU pressures therefore affect our revenues.

Downward pressure on ARPUs is being offset by increasing data usage, which may increase as the penetration of high-end smartphones into the postpay market increases and smartphones move more fully into the prepay segment.

CPW EUROPE

BUSINESS MODEL

CUSTOMER OFFERING

HARDWARE
A wide range of connected devices: phones, smartphones, tablets and laptops

ACCESSORIES
Accessories that enhance and support connected hardware and applications

CONNECTIONS
Mobile and fixed line, broadband and TV, packaged with hardware to provide compelling subsidised propositions

CONTENT
Simple and secure, My Hub provides online backup and allows customers to access all their music wherever they are, using My Music Anywhere

SERVICES
In-store expert advice and ongoing technical support, including insurance and repairs

CUSTOMER PROMISES

CHOICE
The best possible choice of smartphones, tablets and networks

ADVICE
Simple, impartial advice to help find what is best for customers

PRICE
Our Network Price Promise matches or beats the networks

SUPPORT
Support throughout the life of the mobile device

TRANSLATING THE BENEFITS OF TECHNOLOGY
BRINGING HARDWARE AND SERVICES TOGETHER TO PROVIDE SUBSIDISED PROPOSITIONS

LEADING TECH COMPANIES
Working closely with leading hardware and software providers to deliver the latest technology in connected devices

MAJOR NETWORKS
Strategic agreements with major networks and selected MVNOs across Europe

PARTNERS

RELATIONSHIPS
Working closely with manufacturers and networks to provide technology and coverage

BRANDS
Carphone Warehouse, Phone House and Geek Squad are highly recognised across Europe

PEOPLE
Trained experts who are highly motivated and passionate about what they do

SCALE
Largest independent telecommunications retailer in Europe

SYSTEMS
Sophisticated sales, inventory, CRM and network commission control systems

RESOURCES AND CAPABILITIES

CPW EUROPE

STRATEGY AND KPIs

We are harnessing the Connected World through a customer-centric strategy.

OWNERSHIP OF THE CONNECTED WORLD

OBJECTIVES

Provide outstanding value and service across the broadest range of products

Help consumers simplify complex areas of technology

Enhance multi-channel platforms to improve customer choice

2011–12 ACHIEVEMENTS

- Improved customer service scores across all markets during the year
- Continued to operate the Walk Out Working programme which demonstrably improves the customer experience
- Recorded substantial growth in non-cellular revenues during the second half of the year driven by an exciting array of new products

- Added Geek Squad agents to approximately 100 stores during the year
- Ran extensive training programmes to ensure our consultants and Geek Squad agents kept pace with fast moving technology

- Improved functionality to help support our retail business, allowing customers to check if a product is in stock before they visit a store
- Developed m-commerce sites to allow customers to research and buy products on their mobile phone
- Substantial increase in social media activity as we seek to engage with our customers in new ways

GOING FORWARD

- Continue to construct innovative propositions and to find new ways to subsidise expensive products
- Continue the roll-out of the Wireless World store format with plans for a further 150–200 by March 2013
- Offer a full suite of hardware, accessories, connections, content and services to enable customers to make the most of their technology

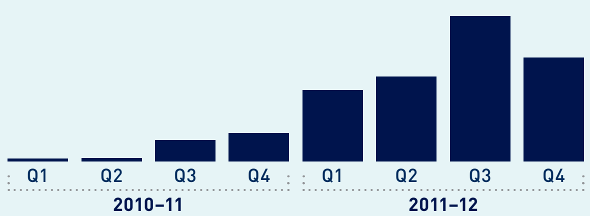
- Continue to invest in the ongoing training of our expert consultants, and to focus on in-store set-up through the Walk Out Working programme
- Continue to increase the number of stores with dedicated Geek Squad resources, and continue to develop Geek Squad phone and home support
- Maintain investment in operational platforms to simplify transaction processes

- Continued focus on m-commerce to drive traffic and improve conversion in what is a new and exciting route to market
- Continued focus on social media as we evolve the way in which we operate to make even better use of this opportunity to interact with customers

KPIs

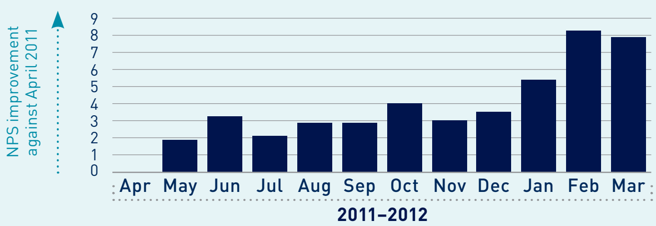
TABLET REVENUE

This year CPW Europe has experienced significant growth in tablet revenue which has contributed to the development of the non-cellular category.



NET PROMOTER SCORE ("NPS")

NPS allows CPW Europe to gauge how well it is serving its customers. NPS improved in all markets during the year aided by the Wireless World roll-out and Walk Out Working programme.



CONTINUE TO BUILD MARKET SHARE

OBJECTIVES

Reinvest benefits of scale in improving the consumer proposition, in turn driving further growth

Continue to expand and improve the quality of the retail portfolio

Leverage global scale to secure exclusives and scarce products, and build strategic relationships with key suppliers

2011–12 ACHIEVEMENTS

- Used improved commercial terms to reinvest in the customer proposition to drive market share
- Continued to develop dealer and franchise channels to develop scale with limited capital investment, with 95 net new franchise stores opened during the year

- Increased the number of Wireless World stores from 106 to 392
- Took elements of the Wireless World concept, such as accessories ranging and displays, and applied them to the rest of the estate

- Secured direct supply from key suppliers, improving availability and reducing network-locked inventory
- Continued to align interests more closely with network operators, through further revenue share arrangements across Europe

GOING FORWARD

- CPW Europe continues to maintain this long-held strategy

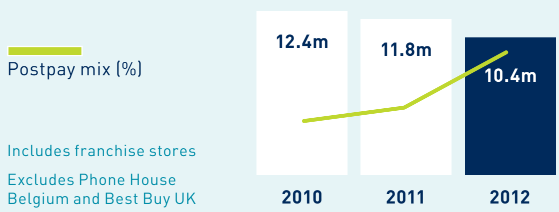
- Continue to improve the quality of the store portfolio through migration of appropriate sites to a Wireless World format
- Seek to develop partnerships with suitable retailers to allow the business to build further scale, with particular focus on markets where CPW Europe is currently sub-scale

- Apply combined scale of CPW Europe and Best Buy to drive differentiation from competitors and obtain exclusive products
- Continue to develop commercial alignment with the mobile network operators to enhance strategic partnerships

KPIs

CONNECTIONS

The connections decline in 2012 reflects the impact of reduced subsidies on prepay handsets as a result of MTR cuts and the impact of the shift from 18 to 24 month contracts in the UK from mid-2009 onwards.

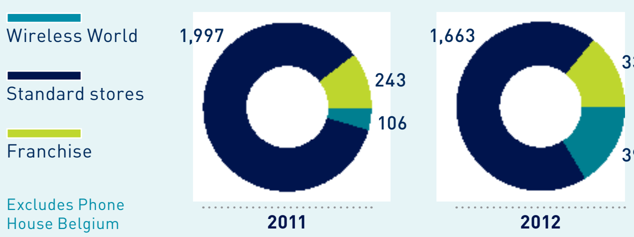


Includes franchise stores

Excludes Phone House Belgium and Best Buy UK

STORE TYPES

A further 286 Wireless World stores opened during the year and a growing portfolio of franchise stores, a format which allows CPW Europe to expand with minimal capital investment.



Excludes Phone House Belgium

CPW EUROPE
PERFORMANCE REVIEW

The business maintained EBIT year-on-year at £135m despite market challenges and a tough economic environment.

Headline income statement (100% basis)*	**2012 £m**	2011 £m
Revenue	**3,313.1**	3,504.8
Gross margin	**947.4**	996.0
GM %	**28.6%**	28.4%
Operating expenses	**(727.8)**	(776.9)
EBITDA**	**219.6**	219.1
Depreciation and amortisation	**(84.6)**	(84.5)
EBIT	**135.0**	134.6
EBIT %	**4.1%**	3.8%
Interest	**(16.4)**	(15.2)
Tax	**(22.0)**	(24.8)
PAT	**96.6**	94.6
Group share	**48.3**	47.3

* Headline results exclude exceptional items and discontinued businesses. Details of these items can be found in note 4 to the Group financial statements.

** Headline EBITDA includes the unwinding of discounts for the time value of money on network commissions receivable over the life of the customer. This unwind is treated as interest income in the joint venture's statutory results. Further details can be found in note 13 to the Group financial statements.

CPW Europe generated revenues of £3,313.1m, a decrease of 5.5% year-on-year (2011: £3,504.8m). As anticipated, revenues associated with our German service provider business fell by around £100m, as we concluded its migration to a more typical retail model.

CPW Europe saw a like-for-like revenue decline of 4.6%, reflecting structural changes in certain European markets.

The first half of the year saw the impact of the shift from 18 month to 24 month contracts in the UK from mid-2009 onwards which reduced the number of upgrades available in the market. The effect of this shift annualised during the year and the UK business showed growth in postpay connections in the second half of the year.

Regulatory cuts to mobile termination rates in the first half of the year resulted in network operators reducing subsidies on prepay handsets, causing a drop of 30–40% in prepay connection volumes in some markets. While the impact of this was principally seen on relatively low value connections, which had a limited effect on profitability, the revenue lost from these transactions had an adverse impact on like-for-like revenue, particularly in the second half of the year.

Smartphone penetration continued to increase in the postpay segment, driving an improvement in average revenue per connection. The prepay segment was subdued by the reduction of subsidies noted above, together with weak consumer confidence, and smartphone penetration in this category has remained relatively low to date.

Reduced prepay revenues were partially offset by increased non-cellular revenues, where we saw year-on-year growth of over 15% in the second half of the year. Non-cellular is still a very small part of overall revenue, but the potential for growth presented by tablets, accessories and app-cessories is significant.

The consumer environment continues to be challenging in some of our mainland European markets. We are therefore focusing on scale, structure and strong cost control to help mitigate these challenges.

In December 2011, CPW Europe completed the disposal of its retail operations in Belgium to Belgacom for net cash consideration of £16.5m. CPW Europe recorded a gain of £8.0m on the disposal, although this was substantially offset by the adverse trading impact of having announced the sale to Belgacom in April 2011.

Connection volumes (excluding Belgium and Best Buy UK) dropped year-on-year, falling by 13.9% from 11.4m to 9.8m, reflecting the factors noted above.

CPW Europe opened or resited 195 stores, closed 149 and disposed of 82 in Belgium, ending the year at 2,393 stores, slightly lower than the 2,429 at the start of the year. Within this portfolio, the number of franchise stores increased from 243 at March 2011 to 338 at the end of the year, primarily reflecting growth in France and Spain. In addition to the disposal in Belgium, the decrease in own stores reflects the closure of further stores in Germany, along with some smaller stores in other territories.

The business has continued to develop its Wireless World store format. At the start of the year we targeted having 350–400 of these stores by the end of March 2012. We ended the year towards the top end of this range with 392 Wireless World stores across our eight remaining retail markets. We continue to see the benefits of this store format both in our financial results and in our customer service scores and remain committed to converting further stores in the year ahead.

The gross margin percentage increased by 20 basis points year-on-year to 28.6% (2011: 28.4%).

The shift from 18 to 24 month contracts in the UK caused a drop in high margin postpay connections in the first half of the year. Additionally, the business saw the effect of pressure on network ARPUs, due to regulation, competition and the challenging consumer environment, affecting both revenues and margins particularly in the second half of the year.

These effects were countered by the first material benefits of commercial terms agreed with network operators in 2009–10 under which CPW Europe receives a more significant share of customer spend after the initial contract term.

Increasing visibility of customer behaviour beyond the initial contract period has resulted in higher revenues being recognised at the initial point of connection. This incremental revenue has been used to support the customer proposition, reflecting our long-held strategy of investing the benefits of scale and commercial terms into the customer proposition in order to drive market share.

Operating expenses decreased by 6.3% year-on-year to £727.8m (2011: £776.9m). CPW Europe benefited from reduced operating costs in its German service provider business, the gain on the disposal of Phone House Belgium, and ongoing cost reduction initiatives.

CPW Europe's Headline EBIT margin increased from 3.8% to 4.1%, reflecting the factors described above.

During the year CPW Europe refinanced its debt facilities, which were due to expire in 2012, with a new RCF of £400m which matures in July 2015. The costs of the new RCF are significantly lower than the previous debt facility. The interest charge for the year was marginally up year-on-year at £16.4m (2011: £15.2m) as the lower margin paid on the new RCF was offset by the write-off of fees from the previous facility.

CPW Europe had an effective tax rate of 18.5% (2011: 20.8%). The decrease reflects the reduction in the UK rate of tax from 28% to 26% and the resolution of various historical tax issues during the year.

DISCONTINUED BUSINESSES AND EXCEPTIONAL ITEMS

BEST BUY MOBILE

During the year the Group disposed of its interest in Best Buy Mobile for an initial consideration of £813.0m and a further £25.0m in consultancy payments over a five year period, both of which are payable directly to the Group.

As a result of the disposal, CPW Europe's profit share ceased from September 2011. CPW Europe's share of pre-tax profits for the year was £45.0m (2011: £97.9m).

The profit share from Best Buy Mobile, along with certain costs relating directly to the disposal, have been excluded from Headline results in order to provide visibility of the performance of the continuing business.

CPW Europe incurred cash costs of £27.7m in connection with the disposal and recorded non-cash accounting charges of £0.7m. These costs relate principally to the replacement of existing CPW Europe incentive schemes, and the award of 7.0m shares in the Company to CPW Europe executives in recognition of their contribution to the success of Best Buy Mobile and inherent value included within existing incentive schemes. These shares are restricted until 2015, representing an extension on the restriction to 2014 provided under the previous schemes. CPW Europe agreed to pay £11.7m to the Group in relation to these shares, and incurred further cash costs of £15.0m in relation to employment taxes and other compensation that resulted from the transaction. CPW Europe also incurred fees of £1.0m in relation to the disposal. A tax credit of £7.2m has been recognised in respect of these charges. This has been offset by the derecognition of £12.7m of deferred tax assets which are expected to be irrecoverable as a result of the transaction.

BEST BUY UK

During the year CPW Europe closed its Best Buy UK 'Big Box' business. While the 11 trial stores that had been opened had delivered positive customer satisfaction scores, they did not have the national reach to achieve scale, brand economies and an acceptable return on investment. The business ceased trading in January 2012, and all back office operations have been closed. Seven of the 11 leases have been assigned, one of which is subject to planning consent, and options have been granted on the remaining four, which are expected to be exercised during 2012–13.

Best Buy UK incurred operating losses of £72.5m during the year (2011: £62.2m) against which a tax credit of £19.5m (2011: £17.9m) has been recognised. These operating losses, along with the costs of closing the business, have been excluded from Headline results in order to provide visibility of the performance of the continuing business.

Total closure costs of £146.8m have been booked, against which a tax credit of £25.9m has been recognised. Closure costs comprise £45.9m of non-cash asset write-downs, £57.5m in relation to property leases, £10.7m in relation to redundancies and other employee-related costs, and other costs of £32.7m, primarily reflecting stock write-downs and contract exit costs.

PERFORMANCE REVIEW CONTINUED

Cash flow (100% basis)	**2012 £m**	2011 £m
Headline EBITDA	**219.6**	219.1
Working capital	**(170.8)**	(35.0)
Capex	**(88.3)**	(69.4)
Operating free cash flow	**(39.5)**	114.7
Best Buy Mobile	**45.0**	97.9
Best Buy UK	**(124.5)**	(78.0)
Other	**(42.1)**	(60.3)
Movement in net (debt) funds	**(161.1)**	74.3
Opening net funds	**131.7**	57.4
Closing net (debt) funds	**(29.4)**	131.7

Headline EBITDA was broadly flat year-on-year at £219.6m (2011: £219.1m) for the reasons described above.

CPW Europe experienced a working capital outflow of £170.8m in the year, up from £35.0m in the previous year. The largest part of this increase reflected the temporary build-up of network receivables as a result of a sales weighting towards networks with less favourable payment terms; these terms are being addressed as part of the finalisation of new long-term contractual agreements.

The working capital absorption also reflects moving to direct supply arrangements on some key handsets.

Capex spend increased to £88.3m (2011: £69.4m) reflecting substantial additional investment in the Wireless World store format and increased investment in IT platforms. These items were offset by proceeds of £16.5m from the sale of Phone House Belgium.

Best Buy Mobile reflects CPW Europe's profit share in this business, as described above.

Total cash costs associated with Best Buy UK were £124.5m, reflecting EBITDA losses of £69.1m, capex of £4.5m and closure costs incurred in the year of £50.9m. Further closure costs of approximately £50m are expected in the year to March 2013, principally in relation to final property exit costs.

Tax payments made during the year reduced to £12.7m (2011: £44.0m) principally reflecting lower tax payments in the UK due to the closure costs of Best Buy UK and lower profits from Best Buy Mobile.

Exceptional cash costs of £10.4m were incurred in the year in relation to the Best Buy Mobile Disposal, principally in relation to the incentive schemes described above.

The main other components of other cash flows are interest costs and facility fees associated with the new £400m RCF.

At the end of the year, net debt within CPW Europe was £29.4m (2011: net funds of £131.7m) reflecting the cash flows described above.

OUTLOOK

We expect the consumer environment in Europe to remain challenging in the year ahead along with the continued effect of regulation and competition in the mobile market. However, we see some exciting opportunities and remain confident in our strategic positioning and operational execution.

The effect of reduced subsidies on the prepay market is likely to continue into the coming year, and as a result we expect that connection volumes will show a similar year-on-year decline in the first half of the coming year as we saw in the second half of last, causing the same pattern in like-for-like revenue. However, we remain confident in our opportunity to reinvigorate the prepay market by driving smartphone penetration into that segment, and expect this to mitigate the structural effect of reduced subsidies, particularly in the second half.

We expect continuing pressure on network revenues as a result of regulation, competition and the consumer environment, and expect this in turn to affect CPW Europe's revenues and margins. Against this, the business is set to enjoy the growing benefit of customer revenues beyond the initial contract period, through the commercial terms previously agreed with network operators.

We also anticipate continued returns from our ongoing investment in Wireless World stores, and see exciting opportunity to grow our non-cellular revenues, as more and more products that utilise connected devices come to market.

Overall, we expect Headline EBIT to be in the range £130m to £150m, with the ultimate outturn for the year likely to be dependent on our success in driving smartphones more fully into the prepay segment, and on broader economic conditions in some of our continental European markets.

Cash generation will be a key priority for the business in the coming year, and we expect a working capital inflow of over £100m, reversing the short-term negative pattern that we saw in the year to March 2012.

Given the challenging environment, particularly in some of our continental European markets, we will naturally be exploring various cost reduction opportunities throughout CPW Europe. We will also continue to explore opportunities to gain further scale in a number of our mainland European markets.

CPW EUROPE

RISK MANAGEMENT

CPW Europe has a well-established risk management function, which monitors the key risks facing the business. The table below summarises the most material risks identified, and the ways in which the business seeks to mitigate them.

RISK	MITIGATION
CONSUMER ENVIRONMENT CPW Europe's major markets have suffered low or negative economic growth since 2009, and there is uncertainty surrounding the economic outlook, particularly in the Eurozone markets in which the business operates. Some of the products and services offered by the business may be viewed as discretionary, and may therefore be particularly affected by consumer confidence.	The business continues to focus on its structure and on strong cost control to try to ensure that it is well-positioned to deal with an uncertain environment.
DEPENDENCE ON KEY SUPPLIERS AND CUSTOMERS CPW Europe's principal revenue streams are from mobile network operators, and any change in their strategy could affect the revenues and profits of the business. Changes in network ARPU could also have an adverse effect on the revenues and profits of the business. The business is also dependent on relationships with key suppliers to source products on which availability may be limited.	The business has moved towards commercial arrangements that provide a closer alignment of interests with the network operators, whereby the risks and rewards of customer ownership are shared, and has focused on the high value postpay and smartphone segments to help to drive economic value for the networks. The business seeks to increase and leverage the scale of its operations to support global strategic relationships.
COMPETITION CPW Europe operates in markets that are highly competitive, in which the behaviour of competitors may damage revenues and margins. In some markets CPW Europe may not have the scale required to compete effectively against increased competition.	The business has sought to differentiate itself through innovative propositions, high quality customer service, and a good supply of scarce products. The business is working to build partnerships with other retailers in certain territories in order to achieve additional scale.
REGULATION CPW Europe is subject to regulation in a number of areas, including insurance operations, information security and customer management.	The business has internal committees and control structures to manage these requirements, to ensure appropriate compliance, and to react swiftly should issues arise.
OPERATIONS CPW Europe's operations are dependent on internal and external IT systems which could fail or be unable to keep pace with the needs of the business.	A significant investment has been made over recent years in the IT infrastructure of the business, supported by testing processes and ongoing business continuity planning.
FOREIGN EXCHANGE A material part of CPW Europe's earnings are denominated in Euros, giving rise to exposure to foreign currency fluctuations.	The business may hedge a proportion of such earnings, to provide certainty of their value.

OVERVIEW
GLOBAL CONNECT

KEY FACTS
Partner **Best Buy**
Founded **2011**

Global Connect aims to replicate the success of the Best Buy Mobile model in jurisdictions outside North America and Western Europe, by partnering with established retailers in developing markets.

The Group and Best Buy will both contribute their expertise in retailing Connected World products and services, sharing their vendor relationships and scale to try to drive significant growth in this exciting consumer space.

MANAGEMENT STRUCTURE
Led by the Global Connect board, chaired by Roger Taylor and comprising members from both the Group and Best Buy.

FUNDING AND DIVIDENDS
Our aim is to leverage the existing infrastructure of established retailers, and to minimise the funding required from the Group.

CPW SHARE
Where we partner with local Best Buy operations in China and Mexico, the Group will be entitled to 20% of the economic value added.

In all other markets, earnings from the Global Connect business will be shared equally between the Group and Best Buy.

CONFIRMED LOCATIONS
Best Buy has 204 'Big Box' consumer electronics stores in China, trading under the Fivestar brand, and plans to trial 14 mobile SWAS stores within these outlets from the summer of 2012. While the dynamics of the Chinese market are very different to those in North America and Europe, we see opportunities to make a real difference to the consumer experience there.

OPTION AGREEMENT
The Group holds put options and Best Buy holds call options over the Group's interests in the Global Connect business.

If Best Buy or the Group exercises their respective call options in respect of CPW Europe the options over the Global Connect business may be exercised at defined times.

Under these options the Global Connect business will be valued at fair market value.

OVERVIEW

VIRGIN MOBILE FRANCE

KEY FACTS
CPW share **47%**
Partner **Virgin Group**
Founded **2006**

47%

Virgin Mobile is by far the largest MVNO in the French market, with a reputation for innovation and high quality customer service.

It has a strong distribution network with over 2,500 third party handset sales points, some 53,000 distribution points for prepay vouchers, a small but growing portfolio of Virgin branded stores, and a well-established online platform.

MANAGEMENT STRUCTURE

Virgin Mobile France has its own experienced management team, led by Chairman Geoffroy Roux de Bezieux and CEO Pascal Rialland.

Geoffroy joined Carphone Warehouse in 1995, founding its retail business in France, and was a member of the Old Carphone Warehouse board before leaving to set up this venture, in which he is also a minority shareholder. Pascal joined Virgin Mobile France in 2010 having previously worked at SAP, SFR and Xerox.

A shareholder board meets formally on a regular basis to agree strategy and review performance.

FUNDING AND DIVIDENDS

Funding is provided through shareholder loans which are provided in proportion to each party's shareholding.

When it is available, excess cash is used to pay down this debt.

VIRGIN GROUP

The Virgin Group was founded by entrepreneur Sir Richard Branson, and operates across a range of sectors globally.

It has become one of the leading exponents of the MVNO business model worldwide, having also set up Virgin Mobile operations in the UK, US, Australia, Canada, India, South Africa and Latin America.

FULL MVNO

The business has invested in the development of a Full MVNO infrastructure, which is now fully live.

The Full MVNO infrastructure enables the business to participate more fully in customer revenue streams, including termination revenues, and to reduce its operating costs. It also provides additional strategic flexibility by giving the business greater control of its customers.

The business is targeting to have 50% of its customers on this infrastructure by March 2013.

VIRGIN MOBILE FRANCE

MARKETPLACE

COMPETITIVE LANDSCAPE

France's mobile market is one of the largest in Western Europe, with approximately 67m subscribers.

The French market has historically been one of the less competitive markets in Europe, with only three network operators up until the start of 2012.

In order to stimulate greater competition in the French market, the French government and the local telecoms regulator, ARCEP, have encouraged the development of MVNOs. Virgin Mobile France has been the chief beneficiary of this drive as the clear leader in the French MVNO market.

ENTRY OF A FOURTH MNO

Iliad Group acquired a licence to develop its own mobile network infrastructure in December 2009, and launched as the fourth MNO in January 2012.

Iliad entered the market with very competitively priced SIM-only offers, with no subsidised handset proposition. In the first few weeks of activity, Virgin Mobile France saw a spike in customer churn. However, the main effect of this was in the prepay segment, which is not subject to any minimum commitment. With the benefit of competitive retention offers and attractive new postpay offers, Virgin Mobile France had resumed growth in postpay by March, and aims to take advantage of increasing churn within the market to grow the postpay base further in the year ahead.

Iliad's low-price offers have put downward pressure on industry ARPUs, and this is expected to continue to affect the market in the forthcoming year. To help to mitigate the effects of this, Virgin Mobile France has renegotiated its terms with its network partners to achieve an earlier share of termination revenues and to reduce costs.

THE CLEAR NUMBER ONE MVNO

DATA

The proliferation of internet usage on smartphones and other portable communication devices has provided an opportunity to grow data revenues.

We anticipate continued growth in network usage, providing further opportunities to try to monetise this activity.

QUAD-PLAY

Quad-play propositions which offer mobile, fixed line, broadband and TV within one package are a significant part of the French market with an estimated 5.5m households on such packages.

Virgin Mobile France launched its own competitively priced quad-play offer in the spring of 2012. While this venture is in its infancy, it provides another potential opportunity for the business to increase its reach.

VIRGIN MOBILE FRANCE

BUSINESS MODEL

CUSTOMER OFFERING

MOBILE SERVICES
Wide range of tariffs and contract options, catering for a broad range of customer needs

QUAD-PLAY
Newly launched quad-play package comprising mobile, fixed line, broadband and TV services branded 'H@ppy4'

HANDSETS
Wide range of smartphones and other mobile handsets

SERVICES
High quality customer support, through contract centres and developing store portfolio

CUSTOMER VALUES

SIMPLE AND HONEST
Offers that are both simple and clear, with no surprises

ACCESSIBLE
Offers that are affordable and best value for money

FAIR
Customers benefit from the same high quality of customer service regardless of their postpay or prepay tariffs

ORIGINAL
Humour, pleasure and being anti-establishment are its motifs: a constant desire to shake up the market

INNOVATIVE, DIFFERENTIATED AND COMPETITIVE
MAJOR ALTERNATIVE BRAND IN FRENCH MARKET

FRENCH NETWORKS
Strong partnerships with Orange and SFR provide the network infrastructure for the business

LEADING TECH COMPANIES
Working closely with leading hardware companies to deliver the latest technology in devices

PARTNERS

LARGEST MVNO IN FRANCE
The largest MVNO in France with almost 2m subscribers. Its scale and high levels of customer satisfaction have enabled it to forge strong partnerships with Orange and SFR

BRAND
The Virgin brand is one of the world's most recognised and respected brands. Virgin Mobile is the major alternative brand to MNOs in the French market

DISTRIBUTION
A network with over 2,500 third party handset sales points, 53,000 distribution points for prepay vouchers, a portfolio of Virgin branded stores and an established online platform

RESOURCES AND CAPABILITIES

VIRGIN MOBILE FRANCE
STRATEGY AND KPIs

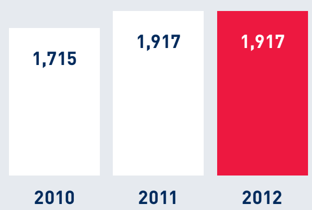
Using innovation to grow the customer base, revenue and long-term value.

GROW BASE AND REVENUE TO REINFORCE POSITION AS #1 MVNO		CONTINUE TO INVEST IN LONG-TERM PROFITABILITY AND CASH GENERATION
OBJECTIVES		
Targeting over 2m customers	**Expanding our own distribution, and third party distribution**	**Increase benefits of scale**
2011–12 ACHIEVEMENTS		
— Strong growth in the postpay base during the year, and the overall base maintained despite a highly competitive market — Revenue growth of 18.8%, reflecting improved customer quality and the first benefit of termination revenues	— Continued to grow our network of own stores, ending the year with 51 — Made strong progress with existing distributors, improving performance and delivering a better quality of customer	— The business' Full MVNO infrastructure gives us access to new revenue streams, greater flexibility, better speed to market and a lower cost base
GOING FORWARD		
— The business is primarily targeting revenue growth which is expected to be driven by growth in the postpay base through innovative propositions and quad-play	— The business continues to develop its distribution channels, including Virgin branded stores, mobile and consumer electronics specialists, and generalists and hypermarkets	— We aim to have 50% of the base on the Full MVNO infrastructure by March 2013, providing short-term earnings benefit and enhancing the strategic value of the business

KPIs

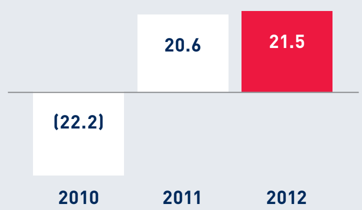
BASE EVOLUTION (000s)

Approximately 70% of the customers are higher value postpay customers. The business is targeting continued growth in the postpay base.



HEADLINE EBIT (£M)

The business has achieved strong profitability despite operating in a highly competitive environment.



VIRGIN MOBILE FRANCE
PERFORMANCE REVIEW

A year of substantial revenue growth and continued earnings improvement, despite a highly competitive market.

Headline income statement (100% basis)*	**2012 £m**	2011 £m
Revenue	**390.2**	328.4
EBITDA	**25.7**	24.3
Depreciation and amortisation	**(4.2)**	(3.7)
EBIT	**21.5**	20.6
EBIT %	**5.5%**	6.3%
Interest	**(2.5)**	(2.9)
Taxation	**(6.7)**	(0.7)
PAT	**12.3**	17.0
Group share	**6.1**	8.2

* Revenue excludes contributions towards subscriber acquisition costs from network operators and customers to avoid distorting underlying performance. These items are netted off against acquisition costs within Headline EBITDA. The amortisation of fees payable to network operators in return for preferential rates is recognised as a cost of sales within Headline EBITDA but in amortisation in the joint venture's statutory accounts. See note 13 to the Group financial statements for further details.

Virgin Mobile France revenue increased by 18.8% year-on-year to £390.2m (2011: £328.4m) reflecting a higher customer base during the year, an improvement in the quality of customers on the base and the first impact of mobile termination revenue towards the end of the year. Revenue growth at a constant currency was 17.5%.

The closing customer base was flat year-on-year at 1.92m customers; however the quality of the base improved substantially with the postpay base increasing by 7.6% year-on-year to 1.34m as the business benefited from good availability of exciting smartphones and an array of competitive offers.

In the final quarter of the year Iliad launched its mobile offer in France, offering low cost postpay SIM-only propositions. While Virgin Mobile France experienced an initial spike in churn, the impact was limited and the postpay base returned to growth within weeks of Iliad's launch.

The business produced a Headline EBIT margin of 5.5% (2011: 6.3%) with the decrease year-on-year reflecting increased investment in higher value postpay customers, which will help to drive both earnings and value over time. Interest decreased year-on-year from £2.9m to £2.5m, reflecting lower average debt as the business continued to repay shareholder loans during the year. The tax charge of £6.7m (2011: £0.7m) reflects the rate temporarily applicable in France of 36.1% (standard rate 34.4%) although the impact of the increase in rate is partly reduced by the utilisation of brought forward losses. The prior year benefited from a one-off credit in relation to brought forward losses.

Virgin Mobile France recorded amortisation on acquisition intangibles arising on the acquisition of Tele2 France, of which the Group's post-tax share is £1.3m (2011: £2.2m). This charge is excluded from Headline results to avoid distortion of underlying performance.

Cash flow (100% basis)	**2012 £m**	2011 £m
EBITDA	**25.7**	24.3
Working capital	**8.9**	2.6
Capex	**(12.5)**	(6.8)
Operating free cash flow	**22.1**	20.1
Other	**1.1**	4.5
Movement in net debt	**23.2**	24.6
Opening net debt	**(63.6)**	(88.2)
Closing net debt*	**(40.4)**	(63.6)

* Comprises shareholder loans of £50.5m (2011: £74.3m) and net cash of £10.1m (2011: £10.7m).

EBITDA increased from £24.3m to £25.7m for the reasons described above. Capex increased year-on-year to £12.5m (2011: £6.8m) reflecting investment in the Full MVNO infrastructure.

The working capital inflow of £8.9m (2011: £2.6m) reflected some one-off items which are not expected to be repeated. Other cash flows reflect interest paid and the impact of foreign exchange. Other cash flows in the prior year include an inflow of £6.7m in relation to the finalisation of the Tele2 France purchase price.

OUTLOOK
Virgin Mobile France will continue to focus on growing its postpay base and its revenues in the year ahead. While the business is not immune to downward pressure on market ARPUs, we will see the increasing benefit of termination revenues in the coming year, and are targeting year-on-year revenue growth of 5–10%.

We will continue to move customers onto our Full MVNO infrastructure, which provides us with greater strategic flexibility and improved margins. We aim to have at least half of our customers on the new infrastructure by the end of the year.

These improved margins help to counter downward pressure on ARPUs, and as a result, we expect to maintain earnings for the core business at a similar level to 2011–12.

Since the end of last year, Virgin Mobile France has launched a quad-play proposition, providing broadband, landline and TV alongside mobile services. This proposition is in its infancy, but may help the business to attract and retain higher value customers. Investment in this venture is expected to be limited in the coming year, but will be reported separately to provide visibility.

The year ahead will require continued investment in capex, both in relation to the roll-out of Full MVNO infrastructure and on quad-play equipment, which will in turn result in lower levels of cash generation than in 2011–12.

VIRGIN MOBILE FRANCE

RISK MANAGEMENT

Virgin Mobile France has its own risk management process, which monitors the main risks facing the business. The table below summarises the most material risks identified, and the ways in which the business seeks to mitigate them.

RISK	MITIGATION
CONSUMER ENVIRONMENT Consumer confidence in France remains relatively low, which may affect the level of customer spending and the ability of the business to acquire new customers.	The business is focused on improving the quality of its proposition through a wider product and service offering, increased distribution channels and ongoing brand development.
DEPENDENCE ON KEY SUPPLIERS The business is reliant on third parties for the provision of its network infrastructure.	Virgin Mobile France has a strong relationship with its key suppliers, and its increasing scale helps to improve its commercial position. The business has developed a Full MVNO infrastructure to reduce dependency and improve flexibility over time.
COMPETITION The entry of a new MNO has substantially increased competition in the market. This may adversely affect the business' ability to recruit and retain customers and its revenues and margins.	The business continues to invest in the quality of its proposition, brand and distribution channels to try to improve its scale and competitive position.
OPERATIONS The business is reliant on internal and external IT systems which could fail or be unable to keep pace with the needs of the business. The launch of the Full MVNO infrastructure and quad-play proposition place further reliance on these IT systems.	A significant investment has been made over recent years in the IT infrastructure of the business, supported by evolving business continuity plans.

OTHER
GROUP FINANCIALS

Headline Group income statement	2012 £m	2011 £m
Revenue	**6.4**	5.6
Operating expenses	**(5.4)**	(8.7)
CPW Europe[1]	**48.3**	47.3
Virgin Mobile France[2]	**6.1**	8.2
EBIT	**55.4**	52.4
Interest	**2.9**	3.9
PBT	**58.3**	56.3
Taxation	**(0.6)**	(1.6)
PAT	**57.7**	54.7
EPS	**12.6p**	12.1p

1 See page 14.

2 See page 23.

Revenue increased from £5.6m in 2010–11 to £6.4m in 2011–12, reflecting consultancy income associated with the Best Buy Mobile Disposal. Operating expenses reduced to £5.4m (2011: £8.7m) reflecting provision releases following the resolution of various uncertainties during the year.

Net interest income for the year decreased to £2.9m (2011: £3.9m) principally reflecting a reduction in loans to Virgin Mobile France and a reduction in shareholder facilities provided to CPW Europe during 2011–12.

Revenue is expected to increase further in the year to March 2013, as the Group benefits from a full year of consultancy income in relation to the Best Buy Mobile Disposal.

Operating expenses are also expected to increase year-on-year, with incremental investment in Global Connect, and lower levels of provision releases.

Statutory results	2012 £m	2011 £m
Headline PAT	**57.7**	54.7
Best Buy Mobile Disposal		
Initial consideration	**813.0**	—
Operating expenses (post-tax)	**(19.7)**	—
Share of CPW Europe		
Discontinued businesses	**(9.8)**	13.1
Exceptionals	**(77.4)**	—
Share of Virgin Mobile France		
Amortisation of acquisition intangibles	**(1.3)**	(2.2)
Statutory PAT	**762.5**	65.6
EPS	**167.0p**	14.5p

During the year the Group received initial consideration of £813.0m from the Best Buy Mobile Disposal.

Operating expenses associated with the Best Buy Mobile Disposal relate principally to the award of shares to CPW Europe employees described on page 15, together with the crystallisation of value on certain Group incentive schemes as a result of the disposal. This resulted in the acceleration of non-cash accounting charges for the relevant schemes. Total charges relating to incentive schemes were £17.5m. Professional fees of £3.1m were also incurred in relation to the disposal. A tax credit of £0.9m arose in relation to the Best Buy Mobile Disposal.

As further described on page 15 the Group's share of results of discontinued businesses and exceptional items within CPW Europe were a net expense of £9.8m (2011: net income of £13.1m) and £77.4m (2011: nil) respectively.

The Group's post-tax share of amortisation of acquisition intangibles in Virgin Mobile France was £1.3m (2011: £2.2m).

These items are excluded from Headline results in order to provide visibility of the underlying performance of the continuing business. A reconciliation between Headline results and statutory results is provided in note 9 to the Group financial statements.

GROUP FINANCIALS CONTINUED

Group balance sheet	2012 £m	2011 £m
Best Buy Europe	**521.0**	571.8
Virgin Mobile France	**14.5**	20.4
Cash	**102.7**	120.6
Property	**66.1**	67.8
Other	**3.7**	(22.6)
Net assets	**708.0**	758.0

Group net assets reduced by £50.0m year-on-year to £708.0m (2011: £758.0m) principally reflecting the exceptional charges detailed above and ordinary dividend distributions of £30.6m (2011: nil).

The Group's interests in Best Buy Europe comprise our share of the joint venture's net assets, together with goodwill on the investment, and the year-on-year reduction in its value is broadly in line with our share of Best Buy Europe statutory losses after tax along with some impact of foreign exchange on the joint venture's net assets.

The Group's interests in Virgin Mobile France include loans due to the Group as well as our share of the venture's net liabilities. Continued strong cash generation enabled the business to repay £9.9m of loans to the Group, leaving £24.3m outstanding at the end of the year.

The Group closed the year with net funds of £102.7m (2011: £120.6m) and loans receivable from Virgin Mobile France of £24.3m (2011: £35.7m).

The reduction in net funds year-on-year predominantly reflects ordinary dividends paid during the year of £30.6m and the net purchase of own shares at a cost of £27.7m, offset by £32.9m of cash held at the balance sheet date that was returned to shareholders through the deferred capital option of the B/C Share Scheme in April 2012.

DIVIDENDS AND DISTRIBUTIONS

We are proposing a final dividend of 3.25p per share, bringing the total dividend for the year to 5.0p (2011: 5.0p). The final dividend is subject to shareholder approval at the Company's forthcoming annual general meeting. The ex-dividend date is Wednesday 4 July 2012, with a record date of Friday 6 July 2012 and an intended payment date of Friday 3 August 2012.

In Feburary and April 2012, the Group distributed a further £812.8m under the B/C Share Scheme. Refer to page 47 for further details.

OTHER KPIs

The Group's principal KPIs relate to its joint venture operations and are reported in the relevant sections of the Business Review. The KPIs which are relevant for the Group as a whole are those regarding shareholder return, profitability and growth.

Headline KPIs	2012	2011
ROCE	**7.9%**	7.6%
EPS	**12.6p**	12.1p
Dividends and distributions for the year	**£836.1m**	£22.7m

The improvements in return on capital employed and EPS reflect the growth in profitability already detailed in this report.

RISK MANAGEMENT

The key risks of the Group relate to its joint venture operations and such risks are described on pages 17 and 24. The Group does not exercise control over Best Buy Europe or Virgin Mobile France and therefore material decisions can only be made with the consent of the relevant joint venture partner. Inability to reach consensus on such decisions could have an adverse effect on the growth, business and financial results of these operations. Such risks are mitigated through agreed strategies, defined and documented processes and regular communication. The Group is also exposed to market risks such as interest rate risk and foreign currency risk. Further details on such risks are provided below.

CAPITAL STRUCTURE, FINANCING AND TREASURY

The Group is funded entirely by equity, which at 31 March 2012 totalled £708.0m (2011: £758.0m). The Group had net funds including loans to joint ventures of £127.0m (2011: £156.3m). Whilst no formal obligation exists, the Group's funds are available for potential funding requirements of its joint ventures as well as investment opportunities, distributions to shareholders and ongoing operating costs.

In July 2011 Best Buy Europe agreed a new RCF of £400m provided by a syndicate of banks, which replaced its £350m Receivables Financing Agreement ("RFA"). This new facility provided the business with increased borrowing capacity and greater flexibility than the RFA, which has allowed the Group to withdraw its committed shareholder RCF to Best Buy Europe of £62.5m. The new RCF matures in July 2015.

Virgin Mobile France is funded entirely through equity and shareholder loans, which are provided by its shareholders in proportion to their shareholding.

It remains the Board's intention to return any excess cash to shareholders as it becomes available.

The Group's investment policy is to maximise investment returns whilst ensuring low risk and suitable liquidity.

As further described in note 17 to the Group financial statements, treasury policies permit the use of long-term derivative products for the management of currency and interest rate risk and the Group's exposures are monitored regularly. The Group does not trade or speculate in any financial instruments. Except for a Euro-denominated loan provided to Virgin Mobile France, the Group has limited direct exposure to foreign currency fluctuations. The Group ceased net investment hedging in May 2010 but continues to hedge its loan to Virgin Mobile France in order to prevent income statement fluctuations arising from foreign currency movements.

The Group is more significantly affected by foreign currency fluctuations through the results of its joint ventures. All of Virgin Mobile France's profits arise in Euros, while those of Best Buy Europe are materially affected by both the Euro and, prior to the Best Buy Mobile Disposal, the US Dollar. Best Buy Europe may hedge a proportion of its non-Sterling earnings to provide certainty of their value. Best Buy Europe provides some funding to its subsidiaries in currencies other than Sterling, giving it limited exposure within net funds to currency fluctuations.

GOING CONCERN

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out elsewhere within this Business Review, including the Risk Management sections. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are shown in the balance sheet, cash flow statement and accompanying notes to the Group financial statements.

As described in note 1 to the Group financial statements, the directors, in their consideration of going concern, have reviewed the future cash and profit forecasts of the Group's joint venture investments and other businesses. The directors consider that these forecasts are based on prudent assumptions, and based on these forecasts, that it is appropriate to prepare the Group financial statements on the going concern basis. In arriving at this conclusion, they have noted that at 31 March 2012 the Group had net funds of £102.7m.

CORPORATE RESPONSIBILITY

Carphone Warehouse corporate responsibility is focused on the following key areas: Community and Charity, Environment and People.

CPW Europe sponsored Get Connected's most successful auction to date with help from avid supporter Daniel Radcliffe.

At our annual ONEteam Expo, managers from all over Europe come together as one team with a common purpose.

We aim to attract and retain the best people. CEO of CPW Europe, Andrew Harrison, makes an award to an employee at the Expo.

The Board is committed to high standards of corporate responsibility and expects the same from the Group's joint venture businesses. Whilst all Group businesses seek to operate in a socially responsible way, given its relative size, this effort is focused especially within CPW Europe.

CPW Europe corporate responsibility focuses on employee engagement, making a difference in local communities and minimising the Group's impact on the environment. By being committed to projects that focus on these key areas CPW Europe strives to meet the expectations of its customers, shareholders and employees as well as local and wider communities.

This approach means making business decisions that reflect these priorities, based on its values and steered by its code of business ethics. We'll continue to listen and learn from all our stakeholders to ensure all our programmes and activities are as effective and transparent as possible. As a company, our customer ambition is 'Always on your side'. Inherently, this means that we act responsibly as a business and in a way that is sustainable.

“ ”

Last year we worked with Get Connected to raise approximately £390,000 through activities such as a week-long national fundraising event called Get Connected Week.

COMMUNITY AND CHARITY

We strive to be a responsible member of every community in which we operate. Whether it's enabling our employees to support local good causes that are important to them or supporting young people, we will implement ideas to make a positive impact locally.

SUPPORTING LOCAL CHARITIES THROUGH THE CARPHONE WAREHOUSE FOUNDATION

The Carphone Warehouse Foundation was set up over eight years ago to support employees with their own fundraising initiatives. Small grants are awarded to charities nominated by employees. The Foundation will match the amount an employee has raised for their chosen charity by up to £200, or up to £500 for a team fundraising for the same event. Last year the Foundation sponsored 21 employees and donated £4,200.

For national charity campaigns or emergency disaster funds, we make lump sum donations of up to £10,000 on behalf of employees. During the year we donated towards the Japan Earthquake Appeal and in the lead up to Christmas each year the Foundation also donates £1,000 to 12 different charities, all nominated and voted for by employees.

In addition, employees can donate through the payroll giving scheme, Give As You Earn.

CHARITY PARTNERSHIP

During 2011 we celebrated the tenth anniversary of our partnership with our charity partner, Get Connected. This registered charity is a free, confidential helpline for children and young people under the age of 25. Using technology such as phones, text messages or webmail, young people who are struggling to cope with the pressures of life can contact trained volunteers and be put in touch with the specific support they need.

GET CONNECTED

Get Connected is the national helpline for young people under the age of 25 and has been our charity partner for ten years.

FREE confidential help for under 25's
getconnected.org
PHONE: 0808 808 4994
WEBCHAT • EMAIL • WEBHELP 24/7

GET CONNECTED WEEK

Get Connected Week is Carphone Warehouse's national fundraising week for Get Connected. All employees, whether store or office based, have a chance to create their own fundraising initiatives. It is a fantastic team-building opportunity, which allows employees to have fun at work while raising money for a worthy cause.

Andrew Harrison, CEO of CPW Europe, volunteers for target practice.

Last year we worked with Get Connected to raise approximately £390,000 through activities such as a week-long national fundraising event, a quiz night and by offering intrepid employees the chance to raise funds by trekking or skydiving. The majority was raised through our flagship fundraising event, the charity auction, which raised a record-breaking £250,000. We also generated approximately £45,000 for Get Connected through our 'Take Back' handset recycling scheme.

During the financial year Get Connected was contacted by around 70,000 young people, some as young as eight years old. Of these, around half benefited from emotional support and guidance offered through the helpline. The balance of callers were referred to additional third party support.

In 2011–12, CPW Europe contributed £179,000 to the running costs of Get Connected and committed £105,000 to improve their office space and upgrade their telecommunication systems to cope with increasing demand. During the next financial year our in-house corporate responsibility function will focus on developing the charity partnership and will aim to increase the public profile of Get Connected.

"During 2011 Carphone Warehouse was awarded the Carbon Saver Gold Standard for measuring, managing and reducing carbon emissions across the organisation."

COMMUNITY AND CHARITY CONTINUED

PROTECTING YOUNG PEOPLE

During 2011, Carphone Warehouse pledged to support parents and help them understand the risks that can be associated with buying a child their first mobile phone. With today's vast range of smartphones we see it as our responsibility to educate parents about the risks that come with this, so as to help protect young people from illegal or anti-social activity. It is estimated that over 2.8m children in the UK own a smartphone and almost a million of them are under the age of 12. Two years ago we published our Guide to Mobile Safety, which introduced concerned parents to a 'Talk-Act-Engage' approach so that devices are used positively and productively. During early 2012 the business released a revised version so that parents are as up-to-date as technology today.

MOBILE WEB SAFETY

Carphone Warehouse has developed an advice booklet, packed with tips to help parents keep their children safe online. It aims to educate parents about the security measures they can use.

Find out more online:
www.carphonewarehouse.com/mobilewebsafety

ENVIRONMENT

The Group's businesses are not by their nature particularly high impact in terms of carbon emissions and waste. Nonetheless, we are committed to reducing our impact and continue to look at all aspects of the business for environmental sustainability.

MINIMISING OUR IMPACT ON THE ENVIRONMENT

During the next financial year, we want to make it easier for customers to make greener purchasing decisions both in store and when buying products from our website.

During 2011 Carphone Warehouse was awarded the Carbon Saver Gold Standard for measuring, managing and reducing carbon emissions across the organisation. Carbon Saver Ltd commended the investments we have made to lower carbon emissions, including lighting upgrades, passive infrared sensors, smart meters, new air conditioning systems with controls and replacement hand dryers. In addition, bottled water has been replaced with mains filtered water.

Carphone Warehouse is now working in close partnership with EnergyQuote to improve management of emissions and carbon performance. EnergyQuote is an expert in this area and is a valuable resource to help us monitor, develop and ensure that the business maximises compliance and excellence in this area.

According to waste management and recycling specialists BIFFA, as of March 2012 our retail sites were at 57% landfill free. We aim to improve this in future by working with shopping centres, local authorities and BIFFA.

CPW Europe is WEEE (Waste Electrical and Electronic Equipment Directive) compliant and committed to recycling and reusing old handset components. Anyone can drop off an old handset at a store to be recycled and in return £10 is donated to charity (£5 to Get Connected and £5 to The Carphone Warehouse Foundation). This system ensures that phones are refurbished for local use, reused in developing countries or broken down for recycling to avoid toxic materials being taken to landfill.

CPW Europe also offers a trade-in service. It doesn't matter how old the device is, the customer will get a fair price. Even if the device doesn't have a trade-in value, it can still be brought into store to be recycled free of charge. Recycling bags for mobile phones are also provided to customers purchasing a new phone so they can send us their old phone for recycling.

In line with Welsh legislation, we've been charging customers in Wales 5p for a carrier bag since October 2011. Any funds received from this initiative have been shared between Get Connected and environmental charity The Woodland Trust.

PEOPLE

Our people are the cornerstone of our business and, as such, our biggest investment. It's essential that we attract the right people and that our employees feel rewarded and valued. Our philosophy is that each employee is treated equally and that reward is based on a combination of personal contribution and the overall success of our business.

ATTRACTING AND RETAINING THE BEST PEOPLE

CPW Europe employees are surveyed every six months on a range of topics to assess and measure employee engagement, which is a key performance indicator of the business.

Our executive team analyse the findings, recognise what is working well and discuss how to improve the things that aren't. Managers are given a detailed report of the results in their area so they can work with their teams to identify how they can improve engagement locally.

Our employee engagement scores show positive results, with many employees feeling they work with colleagues who are committed to quality. Overall, the results indicate that engagement is moving in the right direction.

We engage with our employees in a variety of ways, from the intranet and weekly cascades to the ONEteam conference, ONEteam retail roadshows and senior leadership strategic workshops.

We want our people to enjoy working at CPW Europe. Social activities support our company camaraderie and are regular and varied. As a 'thank you' for hard work over the year, all Carphone Warehouse employees were invited to one of seventeen Christmas parties held all over the UK.

MAGIC NUMBER

In June 2011 we launched a new employee initiative called the Magic Number as a means to engage with and reward employees. An automated prize draw takes place each week and employees can win a prize by registering their unique number via the intranet. Prizes are generally sponsored by suppliers. On average 3,000 employees continue to enter each week, making it one of our most successful and sustainable employee initiatives to date.

THANK YOU PARTIES

Carphone Warehouse employees were invited to one of seventeen 'Thank You' parties held all over the UK last Christmas.

All permanent employees are included in a bonus scheme tailored to their area of the business. This is in addition to their basic pay and benefits package. We challenge our retail employees to work together to achieve common goals by meeting sales targets based on a number of important metrics, with a strong emphasis on customer service.

CPW Europe is committed to helping everyone learn and develop. We aim to deliver highly skilled employees who put the customer at the heart of everything they do. We have a number of programmes for our people including a five day induction training event, a two week training 'Boot Camp' for Geek Squad agents and ongoing E-learning accreditation for continual development.

At management level, we have a four to six week retail management programme which involves structured four week management modules including an induction, values-based leadership, facilitation and coaching skills and 'train the trainer' programmes. A further two weeks are spent with a subject matter expert in store with on the job training.

CPW Europe was placed 12th on The Sunday Times 'Best Big Companies to Work For' list 2011.

PEOPLE CONTINUED

ENSURING THE HEALTH, SAFETY AND WELLBEING OF EMPLOYEES

CPW Europe has a health and safety policy whereby it undertakes to give the greatest importance to the health, safety and welfare of its employees, temporary employees, visitors and members of the public.

We promote healthy living through a number of initiatives and facilities. On-site gyms are available in our main support centres in Acton, Warrington and Preston. In these sites, we also provide on-site canteens offering a range of healthy foods, which are reviewed regularly to ensure they offer a balanced menu.

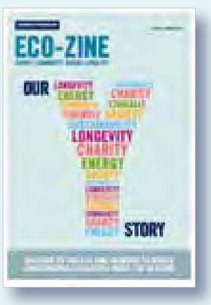
Specific areas of the business also offer support in other ways too. For example, at our support centre in Acton a physiotherapist comes in regularly and offers treatments to employees at reduced rates.

We are committed to ensuring that all employees are treated equally, with dignity and respect. Our dignity at work and grievance policies detail both our formal and informal approaches to any workplace issues that may arise.

We also provide informal mediation where appropriate, to assist employees in constructively dealing with workplace conflicts. We provide employee relations training workshops for our managers, which reinforce our stance on equal treatment and equip them with strategies for dealing with workplace issues.

In addition, the Employee Assistance Programme offers a 24/7 online and telephone helpline for all of our employees, and an opportunity to speak to an independent, impartial third party.

ECO-ZINE



For 2012, Carphone Warehouse introduced a quarterly magazine called Eco-zine to help employees understand corporate responsibility and increase an understanding of the partnership with Get Connected. It also provides visibility of donations by The Carphone Warehouse Foundation.

EMPLOYEE ASSISTANCE PROGRAMME

The Employee Assistance Program ("EAP") is operated by an independent provider called PPC Worldwide, who offer support to employees through guidance and counselling if required. EAP provides free and confidential advice on a range of issues. The programme is available 24 hours a day, 7 days a week, via a dedicated telephone helpline and online facility.

ppc
positive people company

To support and build upon our diversity agenda, we are committed members of Opportunity Now, the organisation for employers who strive to create an inclusive workplace. This vital partnership provides us with specific, practical and pragmatic advice on promoting diversity within our business. CPW Europe's human resources director is on the board of Opportunity Now and our close relationship with the organisation provides us with deep insight into how we can share and learn best practice strategies with other organisations. We advertise all vacancies across Where Women Work, and are developing links with Working Mums and other sites that promote opportunities to a diverse audience.

IMPROVING EMPLOYEE UNDERSTANDING AND AWARENESS OF AND INVOLVEMENT IN CORPORATE RESPONSIBILITY

As industry leaders we work to engage and inspire our people to do their best for customers. We listen and work with our people to develop them to fulfil their potential and create a diverse, rewarding environment in which they feel empowered to help us grow and succeed.

For 2012, we have introduced a quarterly employee magazine called Eco-zine to help employees understand corporate responsibility and sustainability issues and how the business supports it. Eco-zine creates an ongoing record of corporate responsibility activity and achievements, provides employees who raise money for charity with a platform for publicity, increases understanding of our partnership with Get Connected and provides visibility of donations by The Carphone Warehouse Foundation. In addition, Eco-zine provides a mechanism for people to share their stories and generate ideas for future corporate responsibility strategic planning.

INFORMATION FOR SHAREHOLDERS

FINANCIAL CALENDAR 2012

Accounting period end	31 March
Preliminary results 2011–12	14 June
Ex-dividend date (final dividend 2011–12)	4 July
Record date (final dividend 2011–12)	6 July
Annual general meeting	27 July
Interim management statement Q1 2012–13	27 July
Intended dividend payment date (final dividend 2011–12)	3 August
Interim results 2012–13	14 November

INFORMATION FOR INVESTORS

STOCK SYMBOL
CPW-LN

MARKET
London Stock Exchange, Main Market

FTSE INDEX
Standard listing, not eligible for inclusion in the FTSE UK Index Series

REGISTRAR
EQUINITI LIMITED
Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA
United Kingdom
0871 384 2089 (UK only)*
+44 (0)121 415 7047 (from outside the UK)

*Calls to the 0871 number cost 8p per minute from a BT landline; other providers' costs may vary. Lines are open 8.30am to 5.30pm, Monday to Friday.

REGISTERED OFFICE
1 Portal Way
London W3 6RS
United Kingdom
+44 (0)20 8617 6002

www.cpwplc.com

COMPANY REGISTRATION NUMBER
07105905

COMPANY SECRETARY
Enquiries should be directed to:

Tim Morris, Company Secretary and General Counsel

cpwplclegal@cpwplc.com

INVESTOR RELATIONS
Enquiries should be directed to:

Kate Ferry, Investor Relations Director
Kerry Becker, Investor Relations Manager

ir@cpwplc.com

ADVISORS TO THE COMPANY

AUDITORS
DELOITTE LLP
2 New Street Square
London EC4A 3BZ

JOINT STOCKBROKERS
DEUTSCHE BANK AG
1 Great Winchester Street
London EC2N 2DB

UBS INVESTMENT BANK
1 Finsbury Avenue
London EC2M 2PP

FINANCIAL ADVISORS
CREDIT SUISSE (EUROPE) LIMITED
1 Cabot Square
London E14 4QJ

PRINCIPAL BANKERS
BARCLAYS BANK PLC
1 Churchill Place
London E14 5HP

HSBC BANK PLC
Level 19, 8 Canada Square
London E14 5HQ

ROYAL BANK OF SCOTLAND GROUP PLC
Level 7, 135 Bishopsgate
London EC2M 3UR

BOARD OF DIRECTORS

Charles Dunstone
Chairman

Roger Taylor
Chief Executive Officer

Nigel Langstaff
Chief Financial Officer

John Gildersleeve
Non-Executive Deputy Chairman

Baroness Morgan of Huyton
Non-Executive Director

John Allwood
Non-Executive Director

Charles Dunstone
Chairman
Charles is the founder of Carphone Warehouse. He has been Chairman of the Group since January 2010 and was Chief Executive Officer of Old Carphone Warehouse from 1989 to 2010. He was appointed Chairman of TalkTalk Telecom Group PLC in 2010. He was a non-executive director of Daily Mail and General Trust from 2001 until February 2012. He is a non-executive director of Independent Media Distribution PLC. He is Chairman of The Prince's Trust Trading Board and a member of its Council.

Roger Taylor
Chief Executive Officer
Roger has been Chief Executive Officer of the Group since 2010 and was Chief Financial Officer of Old Carphone Warehouse from 2000 to 2010. He is responsible for new business development, strategic initiatives and investor relations. He was appointed Non-Executive Deputy Chairman of TalkTalk Telecom Group PLC in 2010. He is also a director of Virgin Mobile France and chairman of the Global Connect Board.

Nigel Langstaff
Chief Financial Officer
Nigel has been Chief Financial Officer of the Group since 2010 and previously held various roles within Old Carphone Warehouse Group from 1997 to 2010, including UK Finance Director and Group Finance Director. He is responsible for the Group's finance functions, financial reporting and procedures. He is also a director of Virgin Mobile France.

John Gildersleeve
Non-Executive Deputy Chairman
John joined the Board in January 2010 as a non-executive director. He was a member of the board of Old Carphone Warehouse from 2000 and was Non-Executive Chairman between 2005 and 2010. He is a non-executive director of British Land PLC and, since 2010, a non-executive director of TalkTalk Telecom Group PLC. He was Chairman of New Look Retail Group until 2011, Gallaher Group PLC until 2007 and EMI Group PLC until 2007. Previously, he was an executive director of Tesco PLC until he retired in February 2004. Prior to this he was a non-executive director of Vodafone Group PLC from 1998 to 2000.

Baroness Morgan of Huyton
Non-Executive Director
Baroness Morgan joined the Board in January 2010 as a non-executive director. She was a non-executive director of Old Carphone Warehouse from 2005 to 2010. From 2001 until 2005, she was Director of Government Relations at 10 Downing Street. Prior to this she was Political Secretary to the Prime Minister from 1997 to 2001 and was appointed Minister for Women and Equalities in 2001. In 2006 she was appointed as a board member of the Olympic Delivery Authority. She is an advisor to the board of the children's charity ARK and a member of the advisory committee of Virgin Group Holdings Limited. She was appointed Chair of Ofsted in March 2011.

John Allwood
Non-Executive Director
John joined the Board in 2010 as a non-executive director. He is a non-executive director of TalkTalk Telecom Group PLC. Previously he was Chief Operating Officer and latterly Group Finance Director of Mecom Group plc. Prior to this, he was Managing Director of Telegraph Media Group Limited. Formerly, he was Chief Executive of Orange UK and also Chief Executive of Mirror Group plc. He is currently a member of Exeter University Council.

"The Board is committed to the highest standards of corporate governance."

INTRODUCTION

As the Company has a standard listing on the main market of the London Stock Exchange, it is not required to comply with the UK Corporate Governance Code (the "Code") published by the UK Financial Reporting Council on 28 May 2010. However, the Board is committed to the highest standards of corporate governance and in accordance with the Listing Rules of the UK Listing Authority ("Listing Rules") the Board confirms that, except to the extent stated below, the Company has throughout the year and as at the date of this annual report complied with the provisions set out in the Code. In accordance with the Listing Rules, the relevant parts of this Report have been reviewed by the Company's auditors and their opinion is contained in the Independent Auditors' Report on page 50.

BOARD OF DIRECTORS

MEMBERS

- Charles Dunstone (Chairman)
- Roger Taylor (Chief Executive Officer)
- Nigel Langstaff (Chief Financial Officer)
- John Gildersleeve (Non-Executive Deputy Chairman)
- John Allwood (Non-Executive Director)
- Baroness Morgan of Huyton (Non-Executive Director)

The wide range of experience and expertise of the non-executive directors, combined with the skills of the executive directors, provides vast retailing, mobile industry and general business experience, strong personal skills and independence of thought and perspective.

John Gildersleeve is also the Senior Independent Director.

John Allwood is the non-executive director with relevant financial experience.

MEETINGS

- The Board had nine formal meetings during the year as well as other meetings as were appropriate for approving certain announcements to shareholders and other matters from time to time.
- All directors attended all formal meetings.

OTHER GOVERNANCE MATTERS

- All Board papers are sent out on a timely basis with sufficient information for the directors to be able to discharge their duties.
- The Company Secretary ensures that all Board papers are sent to non-attending directors and that, where possible, any comments they have are received beforehand so that they can be expressed at the meeting.

RESPONSIBILITIES AND RESERVED MATTERS

The overriding responsibility of the Board is to provide clear, entrepreneurial and responsible leadership to the Group within a framework of efficient and effective controls so as to allow for the key issues and risks facing the business to be assessed and managed. Specifically, the Board:

- determines the overall strategic direction for the Group;
- manages the Group's investments, including reviewing their performance;
- reviews and challenges management performance;
- ensures that the necessary operational, financial and human resources are in place to enable the Group to meet its objectives;
- develops an understanding of the views of major shareholders about the Company; and
- communicates with shareholders in conjunction with its dedicated internal investor relations department.

There are also documented schedules of matters reserved to the Board and matters delegated to Committees of the Board. Such reserved matters include:

- approval of published financial statements;
- declaration of interim and final dividends;
- approval of budget and strategy;
- appointment and remuneration of directors and auditors;
- approval of major acquisitions and disposals;
- approval of authority levels for expenditure; and
- approval of treasury and risk management policies.

INDEPENDENCE AND COMPLIANCE

The Board has six members, three of whom, excluding the Chairman, are considered to be independent non-executive directors. These directors are John Gildersleeve, John Allwood and Baroness Morgan of Huyton. Therefore more than half of the directors excluding the Chairman are independent.

Executive directors and the Chairman have service contracts that can be terminated by either the Company or the director on between six and 12 months' notice, depending on the individual. The non-executive directors have three year periods of appointment, the terms of which are substantially in the same format as suggested by the Code, with three month notice periods and no compensation for loss of office. Further details on each director's remuneration and notice period are set out in the Remuneration Report on pages 41 to 46.

Each of the directors will stand for reappointment at the Company's annual general meeting.

PERFORMANCE EVALUATION

During the year, the balance of skills, knowledge and experience of the directors was reviewed. The Board and each individual director also undertook performance evaluations. Using the Higgs Report 'Suggestions for Good Practice' as guidance, the individual directors initially completed separate questionnaires. The results were collated for and analysed by the Chairman, the Senior Independent Director, the Chief Executive Officer and the Board as a whole. The areas covered included the roles of the executive and non-executive directors, the Board, Board Committees, the Chairman, preparation for and performance at meetings, the effectiveness of each director, leadership, culture and corporate governance. The results were then considered by the Board as a specific item of business.

Following such performance evaluation the Chairman confirms that all directors seeking re-election at the annual general meeting continue to be effective and demonstrate a commitment to the role, including having time to attend all necessary meetings and to carry out other appropriate duties.

The Chairman meets regularly with all the non-executive directors, usually in an evening prior to a Board meeting. This provides the opportunity to raise any questions regarding the performance of the executive directors or in respect of any other matters.

The Senior Independent Director also met with the non-executive directors, in the absence of the Chairman, to assess the Chairman's effectiveness, having first reviewed the results of a performance evaluation questionnaire completed by all of the directors apart from the Chairman. The Board is of the opinion that the Chairman had no other significant commitments during the year that affected his performance in his role.

In accordance with the Code the performance of the Board will be externally reviewed every three years and such review will be carried out during the year ending 31 March 2013.

EXTERNAL APPOINTMENTS

The Board supports executive directors taking up non-executive directorships as part of their continuing development, and the Board believes that this will ultimately benefit the Company. Further details are provided in the Remuneration Report on pages 41 to 46.

BOARD COMMITTEES

There are three Board Committees: Nomination, Audit and Remuneration. The committees are provided with sufficient resources via the Company Secretary and, where necessary, have direct access to independent professional advisors to undertake their duties.

NOMINATION COMMITTEE

MEMBERS

— John Gildersleeve (Chairman)

— Baroness Morgan of Huyton

MEETINGS

— The Nomination Committee meets as and when required.

— The Nomination Committee met once during the year and both members attended the meeting.

RESPONSIBILITIES

The principal responsibility of the Nomination Committee is to consider succession planning and appropriate appointments to the Board, and its duties include:

— overseeing the identification, selection and appointment of directors;

— reviewing the structure, size, composition and leadership needs of the Board;

— considering other commitments of directors relative to the time required for them to fulfil their duties;

— evaluating the skills, knowledge and experience of the Board; and

— making recommendations to the Board.

The terms of reference of the Nomination Committee are available on the Group's website (www.cpwplc.com) or on request from the Company Secretary.

AUDIT COMMITTEE

MEMBERS

— John Allwood (Chairman)

— John Gildersleeve

— Baroness Morgan of Huyton

MEETINGS

— The Audit Committee met three times during the year. All members attended each of these meetings except for John Gildersleeve who was absent from the meeting held on 26 March 2012 due to a prior engagement that could not be changed.

— The Chief Executive Officer, Chief Financial Officer, other senior management and representatives of the Company's external auditors, Deloitte LLP, attend the Audit Committee meetings by invitation of the Audit Committee.

ADVISORS

— The Board makes funds available to the Audit Committee to enable it to take independent legal, accounting or other advice when the Audit Committee reasonably believes it necessary to do so.

OTHER GOVERNANCE MATTERS

— The Chairman of the Audit Committee updates the Board on any significant issues that have arisen at the previous Audit Committee meeting.

— External auditors have direct access to the Audit Committee during formal meetings and time will be set aside for them to have private discussions with the Audit Committee, in the absence of management.

RESPONSIBILITIES

The Audit Committee has the following principal duties:

— monitoring the integrity of the financial statements and any formal announcements relating to the Group's financial performance;

— reviewing significant financial reporting judgements;

— reviewing the Group's financial controls and internal control and risk management systems;

— monitoring and reviewing the effectiveness of the Group's internal audit functions;

— making recommendations to the Board in relation to the appointment of external auditors;

— reviewing and monitoring the relationship with the external auditors, including their independence, effectiveness, remuneration and terms of engagement;

— considering arrangements by which employees may raise concerns about possible improprieties in matters of financial reporting or other matters;

— considering other topics, as defined by the Board; and

— referring matters to the Board which, in its opinion, should be addressed at a meeting of the Board.

The terms of reference of the Audit Committee are available on the Group's website (www.cpwplc.com) or on request from the Company Secretary.

In light of the assessments and review undertaken, the Audit Committee recommended to the Board that Deloitte LLP be retained as auditors of the Company. This recommendation was endorsed by the Board. The policy relating to the provision of non-audit services by the external auditors specifies the types of work from which the external auditors are excluded; for which the external auditors can be engaged without referral to the Audit Committee; and for which a case-by-case decision is required. In order to safeguard the external auditors' objectivity and independence, the ratio of non-audit fees to audit fees is monitored by the Audit Committee within an overall limit set by the Board on the recommendation of the Audit Committee.

A statement of fees paid or accrued for services from the external auditors during the year is set out below:

	2012 £m	2011 £m
Audit services – statutory audit	**0.1**	0.1
Tax advisory services	**0.6**	0.1
Other assurance services	**0.2**	—
Total	**0.9**	0.2

Tax and other services in the year ended 31 March 2012 relate primarily to tax advisory and reporting accountant services associated with the Best Buy Mobile Disposal and the B/C Share Scheme.

In addition to the fees above, the Group's share of the external auditors' statutory audit fees for joint ventures was £0.6m (2011: £0.7m) and the Group's share of their fees for tax and other services was £0.2m (2011: £0.1m).

Certain non-audit services are pre-approved by the Audit Committee depending upon the nature and cost of the service. Tax services principally comprise technical advice associated with relevant UK and international fiscal laws and regulations and, in particular, assessment of the potential implications of proposed corporate transactions or restructuring. Having undertaken a review of the non-audit related work, the Audit Committee has satisfied itself that the services undertaken during the year did not prejudice the external auditors' independence.

At each of its meetings the Audit Committee reviewed and considered reports on the status of the Group's risk management systems, findings from reviews of internal controls in joint venture operations, and reports on the status of any weaknesses in internal controls identified by the internal or external auditors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has established a risk management programme that assists management throughout the Group to identify, assess and mitigate business, financial, operational and compliance risks. The Board views management of risk as integral to good business practice.

The directors have overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. The Board delegates to executive management the responsibility for designing, operating and monitoring these systems. The systems are based on a process of identifying, evaluating and managing significant risks and include the risk management processes set out above.

Executive management of Best Buy Europe and Virgin Mobile France have direct responsibility for the risk management programmes of their businesses. Consequently, the Board places reliance as far as possible on the risk management processes of the joint venture boards. The Board's focus is primarily on reviewing the effectiveness of these processes, more than involving itself in the processes themselves. Specific controls and processes are detailed further below.

The systems of internal control described above were in place throughout the year and up to the date of approval of the annual report and financial statements. The effectiveness of these systems is periodically reviewed by the Audit Committee in accordance with the revised guidance in the Turnbull Report. These systems are also refined as necessary to meet changes in the Group's business and associated risks. The systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives. They can only provide reasonable and not absolute assurance against material errors, losses, fraud or breaches of laws and regulations.

The Board has conducted an annual review of the effectiveness of the systems of risk management and internal control in operation during the year and up to the date of the approval of the annual report and financial statements and this was approved by the Audit Committee and the Board.

“ ”

The Board believes it is important to explain business developments and financial results to the Company’s shareholders and to understand shareholder concerns.

JOINT VENTURE CONTROL PROCESSES

A dedicated team of risk specialists, including internal auditors, form the Best Buy Europe Risk and Business Assurance function. Members of this team conduct risk workshops and reviews within each of the main Best Buy Europe operating divisions and assist Virgin Mobile France with similar risk reviews as required.

The risk management processes of Best Buy Europe and Virgin Mobile France have involved assessments of significant business risks which are wide-ranging, covering risks arising from the regulatory environment, strategy, counter-parties and organisational change associated with acquisitions and major projects. The output from each assessment is a list of strategic, financial, operational and compliance risks. Associated action plans and controls to mitigate them are also put in place where this is possible and to the extent considered appropriate, taking account of costs and benefits.

Reports, action plans and any changes to the status of significant risks and risk matrices are reported at each Audit Committee meeting and at Board meetings where applicable. During the year the Board has not identified or been advised of any significant control failings.

Other controls in place for Best Buy Europe and Virgin Mobile France are as follows:

— Best Buy Europe has its own audit committee. Nigel Langstaff is a member of the committee and other members of senior management attend the meetings by invitation. Internal audit and risk reports are provided at all meetings.

— A number of key matters are reserved for the approval of both of Best Buy Europe's shareholders before they can be undertaken by the Best Buy Europe management team.

— Roger Taylor, Nigel Langstaff and Tim Morris are directors of Virgin Mobile France. Its board ordinarily meets monthly and has ultimate responsibility for strategic, operational, risk and compliance matters for the business.

— There is frequent informal interaction between shareholders and management on strategic and operational matters, with respect to Best Buy Europe and Virgin Mobile France.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises all independent non-executive directors: John Gildersleeve (Chairman), John Allwood and Baroness Morgan of Huyton. A detailed description of the Remuneration Committee’s remit, meetings held and work during the period is contained in the Remuneration Report on pages 41 to 46. The Chairman of the Remuneration Committee updates the Board following each Remuneration Committee meeting.

COMMUNICATION WITH INVESTORS

The Board believes it is important to explain business developments and financial results to the Company’s shareholders and to understand shareholder concerns. The principal communication media used to impart information to shareholders are news releases (including results announcements), investor presentations and Company publications.

The Chief Executive Officer has lead responsibility for investor relations. He is supported by a dedicated investor relations department that, amongst other matters, organises presentations for analysts and institutional investors. There is a full programme of regular dialogue with major institutional shareholders and potential shareholders as well as sell-side analysts. In all such dialogue, care is taken to ensure that no price sensitive information is released. The Chairman ensures that the Board receives regular shareholder updates at Board meetings. The Board also receives periodic reports on investors’ views of the performance of the Company. The Chairman and all the non-executive directors, in particular the Senior Independent Director, are available to meet with major shareholders, if such meetings are required.

The Company also communicates with shareholders through the annual general meeting, at which the Chairman gives an account of the progress of the business over the last year, a review of current issues, and provides the opportunity for shareholders to ask questions. Further financial and business information is available on the Group’s website, www.cpwplc.com.

Part 1: Remuneration Committee, policies and structure (unaudited)

REMUNERATION COMMITTEE

MEMBERS
— John Gildersleeve (Chairman)

— John Allwood

— Baroness Morgan of Huyton

MEETINGS
— The Remuneration Committee met four times during the year and all members attended these meetings.

ADVISORS
— PricewaterhouseCoopers LLP – long-term incentive plans and share option schemes.

— Deloitte LLP – employment tax and share option schemes.

— Deloitte LLP are the Group's auditors and provide other services as described in the Corporate Governance Report on pages 36 to 40.

OTHER GOVERNANCE MATTERS
— None of the members of the Remuneration Committee has any personal financial interest (other than as shareholders) in the matters to be decided by the Remuneration Committee nor potential conflicts of interest arising from cross-directorships.

— No director or any person advising the Remuneration Committee plays a part in any discussion about his or her own remuneration.

— All members are non-executive directors who have no day-to-day involvement in running the Group's business.

RESPONSIBILITIES
Responsibility for the establishment of overall remuneration policy for the Group lies with the Board. The Remuneration Committee has the following principal duties:

— making recommendations to the Board on the Company's framework of executive remuneration;

— considering and making recommendations to the Board on the remuneration of the executive directors and senior management relative to performance and market data;

— approving contracts of employment which exceed defined thresholds of total remuneration or have unusual terms or termination periods;

— considering and agreeing changes to remuneration policy or major changes to employee benefit structures; and

— approving employee share-based incentive schemes and associated performance conditions and targets.

The terms of reference of the Remuneration Committee are available on the Group's website (www.cpwplc.com) or on request from the Company Secretary.

REMUNERATION POLICY

The Group's remuneration policy has been defined so as to meet the Remuneration Committee's remuneration strategy.

REMUNERATION STRATEGY
The Remuneration Committee seeks to ensure that remuneration and incentive schemes:

— achieve alignment between employees and shareholders;

— provide a strong link to individual and business performance;

— attract, retain and incentivise individuals of high quality who have the skills to achieve the highest levels of performance; and

— are in line with best practice.

REMUNERATION POLICY
In order to achieve this strategy, the remuneration policy is to:

— provide overall packages which are market competitive and capable of rewarding exceptional performance;

— set fixed remuneration at market median levels;

— offer variable rewards, linked to the performance of the Group, which can provide significant overall levels of remuneration for exceptional performance and shareholder value creation; and

— require executive directors to retain a shareholding in the Company, including share options and shares associated with other incentive schemes, of at least 200% of their annual salary.

COMPONENTS OF REMUNERATION

The main fixed and performance-related elements of remuneration for executive directors are as follows:

COMPONENT	REASON
— Basic salary and benefits (fixed)	— Provide fixed remuneration and benefits reflecting skills, experience and responsibilities to attract and retain key employees.
— Pension (fixed)	— Provide reasonable and competitive retirement benefits.
— Annual performance bonus (short-term variable)	— Reward individual and Group performance on both financial and non-financial measures.
— Value enhancement and share option schemes (long-term variable)	— Align long-term interests of key employees and shareholders, through incentivising the creation of shareholder value.

The remuneration strategy of the Group is also applied as far as possible within Best Buy Europe and Virgin Mobile France. Directors of the Company do not participate in any of the joint venture schemes described below.

SHORT-TERM INCENTIVES

BASIC SALARY AND BENEFITS

Salaries are reviewed annually with changes ordinarily taking effect on 1 July each year. Salary reviews take into account individual and business performance and market data. There has been no change in the salaries of the executive directors over the past two years. Taxable benefits consist of car allowances and private medical cover.

PENSION

The Company pays 5% of the executive directors' basic salary to defined contribution pension schemes or self-invested pension plans. The Company does not operate any defined benefit pension schemes. Non-executive directors do not participate in any pension schemes.

ANNUAL PERFORMANCE BONUS

Bonuses are governed by performance conditions set by the Remuneration Committee to ensure that maximum variable rewards are paid only for exceptional performance. The bonus scheme for the year ended 31 March 2012 was based on Headline EPS together with specific business unit targets based on a balanced scorecard approach. The scorecard considers the achievement of financial, customer, employee and strategy-related objectives.

The bonus scheme has a maximum payment of 200% of annual salary. The bonus scheme for 2012–13 will be based on TSR rather than Headline EPS, but will otherwise have a similar structure. For the year ended 31 March 2012 a bonus of 50% was awarded to executive directors. Roger Taylor has waived his right to receive his bonus for the year and has instead chosen for it to be paid directly to charity.

The Remuneration Committee is satisfied that this bonus structure provides a strong link between reward and performance and that it drives the creation of further shareholder value.

The Chairman and non-executive directors do not receive an annual performance-related bonus.

Best Buy Europe and Virgin Mobile France have similar annual performance-related bonus schemes, in which senior management of these joint ventures participate. Directors of the Company do not participate in these schemes.

LONG-TERM INCENTIVES

VALUE ENHANCEMENT SCHEMES

BEST BUY EUROPE VES

Prior to the Demerger during the year ended 31 March 2010, Old Carphone Warehouse introduced the Best Buy Europe VES, to provide long-term incentives to its senior management group in relation to Best Buy Europe.

The Best Buy Europe VES allowed participants to invest at market value in shares which enabled them to share in up to 2.24% of any increase in the value of Best Buy Europe over an opening valuation determined by the Old Carphone Warehouse board as at 1 April 2009. The incremental value was measured after a minimum annual rate of return of 7% on this valuation, and was subject to an adjustment for any change in the Company's market capitalisation since 6 April 2009.

The Group advanced loans totalling £5.8m to participants to enable them to purchase A shares in CPW Retail Holdings Limited, which held part of the Group's investment in Best Buy Europe. The Company had an obligation to acquire these shares if performance conditions were met, to provide participants with the share of value described above. Performance was to be measured over performance periods to July 2013 and July 2014, at which point participants had put options over the shares.

In order to facilitate the Best Buy Mobile Disposal and the B/C Share Scheme, these shares were exchanged for shares in the Company at fair market value, as determined by the Remuneration Committee, supported by third party advisors. As part of this agreement, participants are not permitted (unless the Remuneration Committee determines otherwise) to sell these shares until June 2015.

This transaction with participants was effected on 20 January 2012 following approval of the Best Buy Mobile Disposal and the B/C Share Scheme at a general meeting of the Company and resulted in the issue to participants of approximately 15.7m shares in the Company, in exchange for their shares in CPW Retail Holdings Limited, of which Roger Taylor and Nigel Langstaff received 8.4m and 2.9m shares respectively. The loans of £5.8m, together with accrued interest, were repaid by participants in February 2012. These shares participated in the B/C Share Scheme which provided a pre-tax return of £1.72 per share. The market price of the shares at 20 January 2012 was £3.25 and at 31 March 2012 was £1.52 per share.

TALKTALK VES
Prior to the Demerger, Old Carphone Warehouse introduced the TalkTalk VES, in which certain directors and other key management participate. The scheme has a similar structure to the Best Buy Europe VES, but is based on the value of TalkTalk Group, with the obligation to acquire the relevant shares lying with TalkTalk Group. As with the Best Buy Europe VES, the Group advanced loans to participants to enable them to purchase TalkTalk VES shares. Loans are ordinarily repayable in full if performance conditions are met. Performance is measured over an initial period to September 2012, at which point participants have a put option over 60% of their shares, and a subsequent performance period to September 2013, at which point participants have a put option over the remainder of their shares.

SHARE GIFTS
In December 2008, shares were gifted to certain senior employees, including Nigel Langstaff prior to his appointment as a director of the Company. The shares were restricted until 30 June 2010 and were conditional on meeting various internal performance conditions. Loans of £288,000 were provided to cover the tax arising on this gift, of which £144,000 was provided to Nigel Langstaff. As described in the Remuneration Report for the year ended 31 March 2011, these loans, together with accrued interest, were forgiven by the Remuneration Committee during the year ended 31 March 2012. No other directors of the Company participated in this scheme.

BEST BUY EUROPE
Best Buy Europe also had a long-term incentive scheme, in which certain members of the joint venture's senior management team participated, which enabled participants to share in incremental profits generated by Best Buy Europe (based in part on Best Buy Mobile) over a base defined in respect of the year to 3 April 2010, which was to vest over periods to September 2014. As a result of the Best Buy Mobile Disposal, this scheme was cancelled, in return for which the Remuneration Committee allowed the transfer of 7.0m shares in the Company to senior executives of Best Buy Europe.

Best Buy Europe has provided cash compensation of approximately £11.7m to the Group in respect of this transfer. As part of this agreement, participants will not be permitted (unless the Remuneration Committee determines otherwise) to sell these shares until dates in 2015. No directors of the Company participated in this scheme.

SHARE OPTIONS
Old Carphone Warehouse Group had various share option schemes for executive directors and senior managers. With the exception of a TSR-based scheme which lapsed in June 2010, all schemes had vested prior to the Demerger. Following the Demerger, share options were issued to members of Group management who did not participate in the Best Buy Europe VES. The scheme was based on TSR targets, and had vesting dates in 2013 and 2014. No directors of the Company participated in this scheme.

In January 2012 the Remuneration Committee allowed these options to vest early, based on TSR performance to date, in order to avoid a substantial loss of value as a result of the Best Buy Mobile Disposal and the B/C Share Scheme. As part of this agreement, participants are not permitted (unless the Remuneration Committee determines otherwise) to sell these shares until June 2015.

BEST BUY EUROPE
Best Buy Europe also had a share option scheme, which was to vest over periods to September 2014, and in which a broad group of senior Best Buy Europe employees participated. As a result of the Best Buy Mobile Disposal, the option scheme was cancelled and replaced by a scheme which will vest in 2015. Under the scheme, participants will receive options over A shares in New BBED and each of Best Buy and the Company has an obligation to acquire 50% of these shares at a value based on the Headline PBT of CPW Europe over the vesting period. The pool is based on earnings in excess of minimum growth targets, against the earnings for the year ended 31 March 2009. The Company and Best Buy have agreed a minimum value of the pool, in recognition of the value that had already accrued in the scheme in relation to Best Buy Mobile.

With regards to satisfying the Company's obligations under the scheme and in order to align the interests of participants with those of the Company, the value of the A shares in New BBED will be assessed at defined points during the vesting period, and nil-priced options over shares in the Company will be granted to participants through the Carphone Warehouse Group plc Participation Plan 2011 ("Participation Plan") to match this value, so that participants benefit from any growth in the market capitalisation of the Company during the vesting period. The Remuneration Committee has the discretion under the Participation Plan without needing further shareholder approval to determine the conversion price into nil-priced options over the Company's shares. Having now reviewed this in light of the timing of the proposed awards and the overall purpose of the Participation Plan to motivate and retain participants, the Remuneration Committee has determined that the price to be used for such conversion shall be the average share price of the Company in April and May 2012 instead of the period set out in the circular to shareholders of the Company on 23 December 2011.

VIRGIN MOBILE FRANCE
Virgin Mobile France has issued market-priced and nil-priced share options in Omer Telecom Limited, the parent company of Virgin Mobile France, to certain employees of the business. These options vest over periods of two to four years.

In order to align the interests of the executive directors and shareholders, the Company requires executive directors to build up and retain a shareholding in the Company of at least 200% of their annual salary.

DIRECTORS' INTERESTS IN SHARES AND SERVICE CONTRACTS

Details of directors' interests in shares of the Company and their service contracts are shown in the following table:

	Ordinary shares			
	2012	2011	Date of contract	Notice period
Charles Dunstone	**132,833,481**	133,083,481	28 January 2010	12 months
Nigel Langstaff	**3,609,180**	500,000	28 January 2010	6 months
Roger Taylor	**9,693,554**	522,030	28 January 2010	6 months
John Allwood	**10,000**	—	28 January 2010	3 months
John Gildersleeve	**123,000**	123,000	28 January 2010	3 months
Baroness Morgan of Huyton	**991**	991	28 January 2010	3 months

EXTERNAL APPOINTMENTS

The Board supports executive directors taking non-executive directorships as a part of their continuing development.

The Board has reviewed all such appointments and those appointments that the Board believes require disclosure pursuant to the Code are set out below. The Board has also agreed that the executive directors may retain their fees from such appointments.

Roger Taylor is the Non-Executive Deputy Chairman of TalkTalk Telecom Group PLC, for which he received £75,000 (2011: £75,000) during the year.

Each of the non-executive directors has a letter of appointment substantially in the form suggested by the Code. The Company has no age limit for directors.

FEES FOR NON-EXECUTIVE DIRECTORS

The fees for the independent non-executive directors are determined by the Board after considering external market research. Independent non-executive directors receive a basic fee of £43,000 (2011: £43,000) plus additional fees as detailed below:

	2012 £000	2011 £000
Chairperson of Audit Committee	**15**	15
Member of Audit Committee	**4**	4
Chairperson of Nomination Committee	**5**	5
Member of Nomination Committee	**4**	4
Chairperson of Remuneration Committee	**10**	10
Member of Remuneration Committee	**4**	4
Senior Independent Director	**17**	17

PERFORMANCE GRAPH

The graph below shows the Group's performance measured through TSR, compared with the FTSE 250 Index, since 29 March 2010 when the Company was first admitted to the London Stock Exchange following the Demerger. The FTSE 250 Index was selected as it is a broad market which includes competitors of the Company.

Part 2: Remuneration details (audited)

The Accounting Regulations under the Companies Act 2006 ("Regulations") require the Company's auditors to report to the members on this part of the Remuneration Report and to state, in their opinion, that this part of the Remuneration Report has been properly prepared in accordance with the Companies Act 2006.

AGGREGATE REMUNERATION

The total amounts of directors' remuneration and other benefits (excluding pension contributions) were as follows:

	Basic salary/ fees £000	Taxable benefits £000	Annual bonuses £000	**Total 2012 £000**	Total 2011 £000
Charles Dunstone	240	1	—	**241**	240
Nigel Langstaff	275	161	138	**574**	733
Roger Taylor	440	12	—	**452**	1,171
John Allwood	62	—	—	**62**	62
John Gildersleeve	79	—	—	**79**	79
Baroness Morgan of Huyton	55	—	—	**55**	55

Roger Taylor has waived his bonus of £220,000 for the year to March 2012 and has instead chosen for it to be paid directly to charity.

The taxable benefits of Nigel Langstaff include the forgiveness of a loan, together with accrued interest, of £151,000 relating to a share gift scheme of Old Carphone Warehouse, as described on page 43.

PENSION CONTRIBUTIONS

The schedule below sets out payments by the Group to pension schemes on behalf of executive directors:

	2012 £000	2011 £000
Nigel Langstaff	**14**	14
Roger Taylor	**22**	22

LONG-TERM BENEFITS

Details of directors' interests in market-priced and nil-priced share options are as follows:

	At 1 April 2011	Exercised	**At 31 March 2012**	Exercise price per share	Market price at exercise date	Exercisable from	Expiry date
Nigel Langstaff	70,000	(70,000)	—	0.76	3.14	6 June 2006	6 June 2013
	87,501	(87,501)	—	nil	3.14	28 July 2008	28 July 2014
Roger Taylor	222,222	(222,222)	—	0.76	3.10	6 June 2006	6 June 2013
	231,928	(231,928)	—	0.70	3.10	11 June 2005	11 June 2012
	120,000	(120,000)	—	1.04	3.10	21 May 2004	21 May 2012
	337,500	(337,500)	—	nil	3.10	28 July 2007	28 July 2014
	337,500	(337,500)	—	nil	3.10	28 July 2008	28 July 2014

The market price per share was £1.52 as at 31 March 2012 and during the year ranged between £1.52 and £4.40. The low market price during the year followed the return to shareholders of £1.72 per share through the B/C Share Scheme. Of the 1,249,150 options exercised by Roger Taylor, 477,351 were used to cover part of the exercise price and taxes arising on exercise. The remaining 771,799 options were retained as shares in the Company. All of the options exercised by Nigel Langstaff were retained as shares in the Company.

BEST BUY EUROPE VES SHARES

The number of CPW Retail Holdings Limited A shares held by executive directors as a part of the Best Buy Europe VES are as follows:

	2012	2011
Nigel Langstaff	—	376
Roger Taylor	—	1,070

As noted on pages 42 to 43 in Part 1 of this Report, these shares were exchanged for shares in the Company in January 2012, to facilitate the Best Buy Mobile Disposal and B/C Share Scheme.

COMPLIANCE

This Remuneration Report has been prepared in accordance with the Regulations, the relevant Listing Rules of the Financial Services Authority and the Code. The constitution and operation of the Remuneration Committee are in compliance with the Code. In framing its remuneration policy the Remuneration Committee has given full consideration to the matters set out in Schedule A of the Code. As required by the Regulations, a resolution to approve this Remuneration Report will be proposed at the annual general meeting to be held on 27 July 2012.

This report was approved by the Board on 13 June 2012.

John Gildersleeve
Chairman, Remuneration Committee

OTHER STATUTORY INFORMATION

EMPLOYEE INVOLVEMENT

The Group places significant emphasis on its employees' involvement in the business at all levels. Managers are remunerated according to results wherever possible and all employees are kept informed of issues affecting the Group through formal and informal meetings and through the Group's internal publications. The management team regularly communicates matters of current interest and concern with all employees. Information on employee engagement of Best Buy Europe is included in the Corporate Responsibility report on pages 28 to 32.

EMPLOYMENT OF DISABLED PEOPLE

It is the Group's policy to encourage application for employment from disabled people and to assist with their training and career development, having regard to particular aptitudes and abilities. Every endeavour is made to find suitable alternative employment and to re-train any employee who becomes disabled while serving the Group.

SUPPLIER PAYMENT POLICY

The Group's policy is to agree terms of transactions, including payment terms, with suppliers and, provided that suppliers perform in accordance with the agreed terms, it is the Group's normal practice that payment is made accordingly. Trade payables were not material at 31 March 2012 and 31 March 2011.

DONATIONS

Information on the Group's charitable activities and donations is included in the report on Corporate Responsibility on pages 28 to 32. No political donations were made during either year by the Group or its joint venture businesses.

DIRECTORS' INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its directors. These were made during the year and remain in force at the date of this report.

CAPITAL STRUCTURE

Details of the movements in issued share capital during the year are provided in notes 19 and 20 to the Group financial statements. Ordinary shares of the Company carry the right to one vote at a general meeting of the Company and have no right to fixed income.

Under the B/C Share Scheme, on 30 January 2012 342.9m B shares and 129.7m C shares were allotted to shareholders through the capitalisation of £589.8m of the share premium reserve. The B shares were redeemed by the Company on either 31 January 2012 or 10 April 2012 for 172p per share, while a dividend of 172p was declared on each C share on 31 January 2012. Following the declaration of dividends on the C shares, these shares became deferred shares which carry no rights to participate in the profits of the Company or a return of capital. The B shares, C shares and deferred shares have no rights to attend or vote at a general meeting of the Company. The Company intends to carry out a capital reduction in the year ending 31 March 2013 to cancel all deferred shares and the capital redemption reserve arising on the B/C Share Scheme, and to create additional distributable reserves.

Details of employee share schemes are provided in note 5 to the Group financial statements. The Group's ESOT held 0.2m shares on 31 March 2012 (2011: 2.9m); it does not vote or receive dividends.

The shareholder agreements of Best Buy Europe and Virgin Mobile France include change of control clauses, whereby if there is a change of control event in relation to the Company, the other shareholders have the option to acquire the Company's ownership of these investments, or require the Company to acquire the other shareholders' interests.

The Company and Best Buy have granted each other a call option to acquire their respective 50% interests in Best Buy Europe. Each of the options is exercisable from March 2015 with Best Buy having the first opportunity to purchase the Company's interest at fair market value. If Best Buy does not exercise its option then the Company will have the right to purchase Best Buy's interest at a 10% discount to fair market value. If neither party exercises its option then both options will roll forward every three years, although the Company will no longer be entitled to the 10% discount. Further put and call options have been granted by each party in respect of the Global Connect business; however these options cannot be exercised until an option over Best Buy Europe has been exercised.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are set out in note 11 to the Group financial statements. In the opinion of the directors the current open market value of the Group's interests in freehold land and buildings exceeds the book value by £8.0m at 31 March 2012.

SIGNIFICANT SHAREHOLDINGS

The Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules of the UK Financial Services Authority, of the following interests of over 3% of issued share capital at 31 March 2012:

Name	Number of shares	Percentage of share capital
D P J Ross	58,204,699	12.31%
BlackRock Investment Management (UK) Ltd	53,026,230	11.22%
Newton Investment Management Ltd	23,921,654	5.06%
FMR LLC	19,636,949	4.15%

Following further notifications between 31 March 2012 and 8 June 2012, the Company had been notified of the following shareholdings of over 3% of issued share capital at 8 June 2012:

Name	Number of shares	Percentage of share capital
BlackRock Investment Management (UK) Ltd	70,872,208	14.99%
D P J Ross	58,204,699	12.31%
Invesco Ltd	24,691,544	5.22%
Newton Investment Management Ltd	23,921,654	5.06%
FMR LLC	19,636,949	4.15%
Deutsche Bank AG	14,791,734	3.13%

The interests of the directors in the Company's shares are detailed in the Directors' Remuneration Report on pages 41 to 46.

AUDITORS

Each director at the date of approval of this annual report confirms that:

— so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming annual general meeting.

By order of the Board on 13 June 2012

Tim Morris
Company Secretary

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 are required to prepare the consolidated financial statements in accordance with IFRS and Article 4 of the IAS Regulation and have elected to prepare the Company financial statements in accordance with UK GAAP. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Company and Group for that period.

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

— select suitable accounting policies and then apply them consistently;

— make judgements and accounting estimates that are reasonable and prudent;

— state whether applicable UK GAAP has been followed, subject to any material departures disclosed and explained in the financial statements; and

— prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the consolidated financial statements, IAS 1 'Presentation of Financial Statements' requires that directors:

— properly select and apply accounting policies;

— present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

— provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and

— make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

— the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

— the business review on pages 3 to 32, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board on 13 June 2012

Roger Taylor
Chief Executive Officer

Nigel Langstaff
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of Carphone Warehouse Group plc for the year ended 31 March 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the notes to the Consolidated Financial Statements 1 to 22, the Company Balance Sheet and the notes 1 to 10 of the Company Financial Statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRS. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and UK GAAP.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

— the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2012 and of the Group's profit for the year then ended;

— the Group financial statements have been properly prepared in accordance with IFRS;

— the Company financial statements have been properly prepared in accordance with UK GAAP; and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

— the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

— the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

— adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or

— the Company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or

— certain disclosures of directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

Other matters

Although not required to do so, the directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We reviewed:

— the directors' statement, contained on page 27 of the Business Review, in relation to going concern;

— the part of the report on Corporate Governance relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and

— certain elements of the Remuneration Report.

John Adam (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
13 June 2012

CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED 31 MARCH 2012 AND 31 MARCH 2011

	Notes	**Headline 2012 £m**	**Non-Headline* 2012 £m**	**Statutory 2012 £m**	Restated* Headline 2011 £m	Restated* Non-Headline* 2011 £m	Statutory 2011 £m
Revenue	2	**6.4**	**—**	**6.4**	5.6	—	5.6
Cost of sales		**—**	**—**	**—**	—	—	—
Gross profit		**6.4**	**—**	**6.4**	5.6	—	5.6
Operating expenses	4	**(5.4)**	**(20.6)**	**(26.0)**	(8.7)	—	(8.7)
Share of results of joint ventures	2, 4, 13	**54.4**	**(88.5)**	**(34.1)**	55.5	10.9	66.4
Profit (loss) before investment income, interest and taxation	3	**55.4**	**(109.1)**	**(53.7)**	52.4	10.9	63.3
Interest income	6	**2.9**	**—**	**2.9**	3.9	—	3.9
Interest expense	6	**(0.2)**	**—**	**(0.2)**	(0.6)	—	(0.6)
Investment income	4, 6	**0.2**	**813.0**	**813.2**	0.6	—	0.6
Profit before taxation		**58.3**	**703.9**	**762.2**	56.3	10.9	67.2
Taxation	4, 7	**(0.6)**	**0.9**	**0.3**	(1.6)	—	(1.6)
Net profit for the year		**57.7**	**704.8**	**762.5**	54.7	10.9	65.6

*Non-Headline items comprise exceptional items, the results of businesses which have been discontinued by the Group's joint ventures, and amortisation of acquisition intangibles (see note 4). Prior year Headline results have been restated to exclude the results of businesses which have been discontinued by the Group's joint ventures. A reconciliation of Headline results to statutory results is provided in note 9.

The accompanying notes are an integral part of this Consolidated Income Statement. All amounts relate to continuing operations.

Earnings per share	Notes	**Headline 2012**	**Statutory 2012**	Headline 2011	Statutory 2011
Basic	10	**12.6p**	**167.0p**	12.1p	14.5p
Diluted	10	**12.1p**	**159.6p**	11.6p	13.9p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 MARCH 2012 AND 31 MARCH 2011

	2012 £m	2011 £m
Net profit for the year	**762.5**	65.6
Currency translation	**(11.9)**	(0.1)
Total recognised income and expenses for the year	**750.6**	65.5

The accompanying notes are an integral part of this Consolidated Statement of Comprehensive Income.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2012

	Share capital £m	Share premium reserve £m	Accumulated profits £m	Translation reserve £m	Demerger reserve £m	Capital redemption reserve £m	Total £m
At the beginning of the year	**0.5**	**754.0**	**741.7**	**12.0**	**(750.2)**	**—**	**758.0**
Total recognised income and expenses for the year	**—**	**—**	**762.5**	**(11.9)**	**—**	**—**	**750.6**
Issue of shares	**589.8**	**(584.0)**	**—**	**—**	**—**	**—**	**5.8**
Redemption of shares	**(556.9)**	**—**	**(556.9)**	**—**	**—**	**556.9**	**(556.9)**
Equity dividends	**—**	**—**	**(253.6)**	**—**	**—**	**—**	**(253.6)**
Net purchase of own shares	**—**	**—**	**(16.0)**	**—**	**—**	**—**	**(16.0)**
Tax on items recognised directly in reserves	**—**	**—**	**(0.2)**	**—**	**—**	**—**	**(0.2)**
Share of other reserve movements of joint ventures	**—**	**—**	**0.7**	**—**	**—**	**—**	**0.7**
Net movement in relation to share schemes	**—**	**—**	**19.6**	**—**	**—**	**—**	**19.6**
At the end of the year	**33.4**	**170.0**	**697.8**	**0.1**	**(750.2)**	**556.9**	**708.0**

FOR THE YEAR ENDED 31 MARCH 2011

	Share capital £m	Share premium reserve £m	Accumulated profits £m	Translation reserve £m	Demerger reserve £m	Capital redemption reserve £m	Total £m
At the beginning of the year	0.5	754.0	675.1	12.1	(751.2)	—	690.5
Total recognised income and expenses for the year	—	—	65.6	(0.1)	—	—	65.5
Net purchase of own shares	—	—	(2.7)	—	—	—	(2.7)
Tax on items recognised directly in reserves	—	—	1.0	—	—	—	1.0
Share of other reserve movements of joint ventures	—	—	1.5	—	—	—	1.5
Net movement in relation to share schemes	—	—	1.2	—	—	—	1.2
Movements in demerger reserve	—	—	—	—	1.0	—	1.0
At the end of the year	0.5	754.0	741.7	12.0	(750.2)	—	758.0

The accompanying notes are an integral part of this Consolidated Statement of Changes in Equity.

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2012 AND 31 MARCH 2011

	Notes	2012 £m	2011 £m
Non-current assets			
Property, plant and equipment	11	**66.1**	67.8
Non-current asset investments	12	**0.1**	0.1
Interests in joint ventures	13	**535.5**	592.2
Deferred tax assets	7	**1.3**	1.4
		603.0	661.5
Current assets			
Trade and other receivables	14	**21.3**	6.5
Cash and cash equivalents	16	**102.7**	120.6
		124.0	127.1
Total assets		**727.0**	788.6
Current liabilities			
Trade and other payables	15	**(10.1)**	(16.2)
Corporation tax liabilities		**—**	(1.2)
Provisions	18	**(8.9)**	(13.2)
Total liabilities		**(19.0)**	(30.6)
Net assets		**708.0**	758.0
Equity			
Share capital	19, 20	**33.4**	0.5
Share premium reserve	20	**170.0**	754.0
Accumulated profits	20	**697.8**	741.7
Translation reserve	20	**0.1**	12.0
Demerger reserve	20	**(750.2)**	(750.2)
Capital redemption reserve	20	**556.9**	—
Funds attributable to equity shareholders		**708.0**	758.0

The accompanying notes are an integral part of this Consolidated Balance Sheet.

The financial statements on pages 51 to 78 were approved by the Board on 13 June 2012 and signed on its behalf by:

Roger Taylor
Chief Executive Officer

Nigel Langstaff
Chief Financial Officer

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEARS ENDED 31 MARCH 2012 AND 31 MARCH 2011

	2012 £m	2011 £m
Operating activities		
(Loss) profit before investment income, interest and taxation	**(53.7)**	63.3
Adjustments for non-cash items:		
Share-based payments	**14.9**	1.9
Non-cash movements on joint ventures	**34.1**	(66.4)
Depreciation	**1.0**	0.8
Impairment	**0.8**	—
Operating cash flows before movements in working capital	**(2.9)**	(0.4)
(Increase) decrease in trade and other receivables	**(4.2)**	0.2
Increase in trade and other payables	**—**	5.0
Decrease in provisions	**(4.3)**	(0.4)
Cash flows from operating activities	**(11.4)**	4.4
Taxation paid	**(0.9)**	—
Net cash flows from operating activities	**(12.3)**	4.4
Investing activities		
Investment income received	**813.2**	0.6
Interest received	**2.9**	3.9
Acquisition of property, plant and equipment	**(0.5)**	(2.3)
Net receipts from joint ventures	**9.9**	14.6
Cash flows from investing activities	**825.5**	16.8
Financing activities		
Settlement of financial instruments	**1.5**	2.7
Net purchase of own shares	**(27.7)**	(2.7)
Equity dividends paid	**(253.6)**	—
Shares redeemed	**(556.9)**	—
Interest paid	**(0.2)**	(0.6)
Repayment of VES loans	**5.8**	—
Cash flows from financing activities	**(831.1)**	(0.6)
Net (decrease) increase in cash and cash equivalents	**(17.9)**	20.6
Cash and cash equivalents at the start of the year	**120.6**	100.0
Cash and cash equivalents at the end of the year	**102.7**	120.6

The accompanying notes are an integral part of this Consolidated Cash Flow Statement.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

a) Basis of preparation

The Company is incorporated in the United Kingdom. The financial statements of the Group have been prepared on a going concern basis in accordance with IFRS as applied in accordance with the provisions of the Companies Act 2006 and Article 4 of the EU IAS Regulation. The financial statements have been presented in UK Sterling on the historical cost basis except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

Going concern

Note 17 to the financial statements includes the Group's policies and processes for managing its exposure to liquidity risk. At 31 March 2012, the Group had cash and cash equivalents of £102.7m (2011: £120.6m).

The directors have reviewed the future cash and profit forecasts of the Group's joint venture investments and other businesses, which they consider to be based on prudent assumptions. The directors are of the opinion that the forecasts, which reflect both the current uncertain economic outlook and reasonably possible changes in trading performance, show that these businesses and the Group should be able to operate within their facilities and comply with their banking covenants. In arriving at this conclusion the directors were mindful that the Group has significant cash and cash equivalents.

Accordingly the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future and consequently the directors continue to adopt the going concern basis in the preparation of the financial statements.

Prior year comparatives

Prior year Headline results have been restated to exclude the results of businesses which have been discontinued by the Group's joint ventures.

Joint ventures

Where necessary, adjustments are made to the financial statements of joint ventures to bring accounting policies used into line with those used by the Group. The accounting policies below also relate to those applied to the Group's joint ventures.

b) Basis of consolidation

The financial statements reflect the Group's results for the year from 1 April 2011 to 31 March 2012 and comparative information for the year from 1 April 2010 to 31 March 2011. Best Buy Europe reports to a retail calendar, whereby its year-end date is normally the Saturday closest to 31 March. As such its results for the year ended 31 March 2012 cover the 52 weeks ended 31 March 2012 and its results for the year ended 31 March 2011 cover the 52 weeks ended 2 April 2011.

The results of subsidiaries and joint ventures acquired or sold during the year are included from or to the date on which control or significant influence passed. Intercompany transactions and balances between subsidiaries are eliminated on consolidation.

In accordance with UITF 38 'Accounting for ESOP Trusts', shares in the Company held by the Group's ESOT are shown as a reduction in shareholders' funds. Other assets and liabilities held by the Group's ESOT are consolidated with the assets of the Group.

c) Foreign currency translation and transactions

Material transactions in foreign currencies are hedged using forward purchases or sales of the relevant currencies and are recognised in the financial statements at the exchange rates thus obtained. Unhedged transactions are recorded at the exchange rate on the date of the transaction. Material monetary assets and liabilities denominated in foreign currencies are hedged, mainly using forward foreign exchange contracts to create matching liabilities and assets, and are retranslated at each balance sheet date. Hedge accounting as defined by IAS 39 'Financial Instruments: Recognition and Measurement' has been applied by marking to market the relevant financial instruments at the balance sheet date and recognising the gain or loss in reserves in respect of cash flow hedges, and through the income statement in respect of fair value hedges.

Until May 2010 financial instruments were used for the purposes of net investment hedging. Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges in that the gain or loss on the effective portion of the hedges is recognised in equity, while gains or losses on any ineffective portion are recognised in the income statement.

The results of overseas operations are translated at the average foreign exchange rates for the year, and their balance sheets are translated at the rates prevailing at the balance sheet date. Exchange differences arising on the translation of net assets, goodwill and results of overseas operations are recognised in the translation reserve. All other exchange differences are included in the income statement.

1 Accounting policies continued

c) Foreign currency translation and transactions continued
The principal exchange rates against UK Sterling used in these financial statements are as follows:

	Average		Closing	
	2012	2011	**2012**	2011
Euro	**1.16**	1.17	**1.20**	1.13
United States Dollar	**1.60**	1.56	**1.60**	1.60

If a foreign operation is sold, the gain or loss on disposal recognised in the income statement is determined after taking into account the cumulative currency translation differences that are attributable to the operation.

d) Revenue
Revenue comprises rental income on investment properties and consultancy income, and is stated net of VAT and other sales-related taxes. All such revenue is recognised as the services are provided.

The following accounting policies are applied to revenue arising in the Group's joint ventures:

— revenue arising on the sale of mobile and other products and services is recognised when the relevant products or services are provided;

— commission receivable on sales, being commission which is contractually committed, and for which there are no ongoing performance criteria, is recognised when the sales to which the commission relates are made, net of any provision for promotional offers and network operator performance penalties. Commission includes a share of customer airtime spend, to the extent that it can be reliably measured and there are no ongoing service obligations (see 'Use of critical accounting estimates and assumptions' in 't' below). Where the time value of money has a material impact, an appropriate discount is applied such that revenue is recognised at an amount equal to the present value of the future consideration received;

— other ongoing revenue is recognised as it is earned over the lives of the relevant customers;

— volume bonuses receivable from network operators are recognised when the conditions on which they are earned have been met;

— volume bonuses received from suppliers of products are recognised as an offset to product cost when the conditions on which they are earned have been met, and are recognised within cost of sales when the products to which the volume bonuses relate have been sold;

— insurance premiums are typically paid either monthly or quarterly in advance. Sales commission paid by third parties is recognised when the insurance policies to which it relates are sold, to the extent that it can be reliably measured and there are no ongoing service obligations. Insurance premium income for the provision of ongoing insurance services is recognised over the lives of the relevant policies;

— revenue from the sale of prepaid credits is deferred until the customer uses the airtime or the credit expires;

— revenue generated from the provision of fixed and mobile network services is recognised as it is earned over the lives of the relevant customers; and

— all other revenue is recognised when the relevant goods or services are provided.

e) Share-based payments
Equity settled share-based payments are measured at fair value at the date of grant, and expensed over the vesting period, based on an estimate of the number of shares that will eventually vest.

Fair value is measured by use of a Binomial model for share-based payments with internal performance criteria (such as EPS targets) and a Monte Carlo model for those with external performance criteria (such as TSR targets).

For schemes with internal performance criteria, the number of options expected to vest is recalculated at each balance sheet date, based on expectations of performance against target and of leavers prior to vesting. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in reserves.

For schemes with external performance criteria, the number of options expected to vest is adjusted only for expectations of leavers prior to vesting. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in reserves.

If a share-based payment scheme is cancelled, any remaining part of the fair value of the scheme is expensed through the income statement. If a share-based payment scheme is forfeited, no further expense is recognised and any charges previously recognised through the income statement are reversed.

1 Accounting policies continued

e) Share-based payments continued
Share-based payment charges are also recognised on loans that are provided to employees to settle personal tax liabilities; the cost of such loans is expensed on grant.

Charges also arise on loans that are provided to employees to fund the purchase of shares as part of long-term incentive plans, to the extent to which the loans are not, in certain circumstances, repayable; the cost of the relevant part of such loans is expensed over the course of the relevant incentive plans.

f) Pensions
Contributions to defined contribution schemes are charged to the income statement as they become payable in accordance with the rules of the schemes.

g) Dividends
Dividend income is recognised when payment has been received. Final dividend distributions are recognised as a liability in the financial statements in the year in which they are approved by shareholders. Interim and other dividends are recognised in the year in which they are paid.

h) Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives and rent-free periods are amortised through the income statement over the period of the lease.

i) Taxation
Current tax, including UK corporation tax and overseas tax, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax liabilities represent tax payable in future periods in respect of taxable temporary differences. Deferred tax assets represent tax recoverable in future periods in respect of deductible temporary differences, and the carry-forward of unused tax losses and credits. Deferred tax is determined using the tax rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Current and deferred tax is recognised in the income statement except where it relates to an item recognised directly in reserves, in which case it is recognised directly in reserves.

Deferred tax assets and liabilities are offset where there is a legal right to do so in the relevant jurisdictions.

j) Intangible assets
Goodwill
Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is recognised initially as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. At the acquisition date, goodwill is allocated to each of the CGUs expected to benefit from the combination and held in the currency of the operations to which the goodwill relates. Goodwill is reviewed at least annually for impairment, or more frequently where there is an indication that goodwill may be impaired. Impairment is determined by assessing the future cash flows of the CGUs to which the goodwill relates. Where the future cash flows are less than the carrying value of goodwill, an impairment charge is recognised in the income statement.

On disposal of subsidiary undertakings and businesses, the relevant goodwill is included in the calculation of the profit or loss on disposal.

Software and licences
Software and licences includes internal infrastructure and design costs incurred in the development of software for internal use. Internally generated software is recognised as an intangible asset only if it can be separately identified, it is probable that the asset will generate future economic benefits, and the development cost can be measured reliably. Where these conditions are not met, development expenditure is recognised as an expense in the year in which it is incurred. Software and licences are amortised on a straight-line basis over their estimated useful economic lives of up to eight years.

Key money
Key money paid to enter a property is stated at cost, net of amortisation and any provision for impairment. Amortisation is provided on key money at rates calculated to write off the cost, less estimated residual value, on a straight-line basis over ten years or the lease term if less.

Acquisition intangibles
Acquisition intangibles are amortised over their expected useful lives of up to five years. The value attributed to such assets is based on the future economic benefit that is expected to be derived from them, calculated as the present value of future cash flows after a deduction for contributory assets.

1 Accounting policies continued

k) Property, plant and equipment
Property, plant and equipment, principally for the Group comprising investment property (property held to earn rental income and/or for capital appreciation) is stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all property, plant and equipment, except for land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life from the date it is brought into use, as follows:

Investment properties:	2–4% per annum
Short leasehold costs:	10% per annum or the lease term if less
Network equipment and computer hardware:	12.5–50% per annum
Fixtures and fittings:	20–25% per annum
Motor vehicles:	25% per annum

l) Recoverable amount of non-current assets
At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down through an accelerated amortisation charge to its recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets.

m) Investments
Investments, other than subsidiaries and joint ventures, are initially recognised at cost, being the fair value of the consideration given plus any transaction costs associated with the acquisition. Investments are categorised as available-for-sale and are then recorded at fair value. Changes in fair value, together with any related taxation, are taken directly to reserves, and recycled to the income statement when the investment is sold or determined to be impaired.

n) Interests in joint ventures
Interests in joint ventures are accounted for using the equity method. The consolidated income statement includes the Group's share of the post-tax profits or losses of the joint ventures based on their financial statements for the year. In the consolidated balance sheet, the Group's interests in joint ventures are shown as a non-current asset in the balance sheet, representing the Group's investment in the share capital of the joint ventures, as adjusted by post-acquisition changes in the Group's share of the net assets or liabilities less provision for any impairment. Any associated goodwill is included within the carrying value of the investment and is assessed for impairment as part of that investment.

Where a joint venture has net liabilities, any loans advanced to it are included in the Group's equity-accounted investment in it. Where a joint venture has net assets, any loans advanced to it are shown separately in the balance sheet, as a receivable to the Group.

o) Stock
Stock is stated at the lower of cost and net realisable value. Cost, net of discounts and volume bonuses from product suppliers (see note 1d), includes all direct costs incurred in bringing stock to its present location and condition and represents finished goods and goods for resale. Net realisable value is based on estimated selling price, less further costs expected to be incurred to disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

p) Cash and cash equivalents
Cash and cash equivalents represent cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash.

q) Loans and other borrowings
Other borrowings in the balance sheets of joint ventures represent committed and uncommitted bank loans and loans from shareholders other than the Group.

Bank fees and legal costs associated with the securing of external financing are ordinarily capitalised and amortised over the term of the relevant facility. Borrowing costs associated with qualifying assets are included in the cost of the asset. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

1 Accounting policies continued

r) Provisions

Provisions are recognised when a legal or constructive obligation exists as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted where the time value of money is considered to be material.

Provisions in the Group relate primarily to warranties provided in relation to the Best Buy Europe Joint Venture Transaction.

Provisions in Best Buy Europe and Virgin Mobile France include the following categories:

Sales

Sales provisions relate to 'cash-back' and similar promotions, product warranties, product returns, and network operator performance penalties. The anticipated costs of these items are assessed by reference to historical trends and any other information that is considered to be relevant.

Insurance

Full provision is made for the estimated cost of all claims notified but not settled at the balance sheet date. Provision is also made for the estimated cost of claims incurred but not reported at the balance sheet date, based on historical experience of the value of such claims. Any differences between original claims provisions and subsequent settlements are reflected in the income statement in the relevant year.

Reorganisation

Reorganisation provisions relate principally to redundancy costs, the costs of onerous leases and other onerous contracts, and are only recognised where plans are demonstrably committed and where appropriate communication to those affected has been undertaken at the balance sheet date. Provisions are not recognised in respect of future operating losses.

Other

Other provisions relate to dilapidations and similar property costs, and all other provisions, principally being the anticipated costs of unresolved tax issues and legal disputes, and costs associated with onerous contracts. All such provisions are assessed by reference to the best available information at the balance sheet date.

s) Headline results

Headline results are stated before any exceptional items that are considered to be one-off and so material that they require separate disclosure to avoid distortion of underlying performance, the results of discontinued businesses within the Group's joint ventures, and the amortisation of acquisition intangibles.

t) Use of critical accounting estimates and assumptions

Estimates and assumptions used in the preparation of the financial statements are continually reviewed and revised as necessary. Whilst every effort is made to ensure that such estimates and assumptions are reasonable, by their nature they are uncertain, and as such changes in estimates and assumptions may have a material impact.

The principal items in the financial statements where changes in estimates and assumptions may have a material impact are as follows:

Recoverable amount of non-current assets

All non-current assets, including goodwill and other intangible assets, are reviewed for potential impairment using estimates of the future economic benefits attributable to them. Any estimates of future economic benefits made in relation to non-current assets may differ from the benefits that ultimately arise and materially affect the recoverable value of the asset. Refer to notes 11,12 and 13.

Trade and other receivables

Provisions for irrecoverable receivables are based on extensive historical evidence and the best available information in relation to specific issues, but are unavoidably dependent on future events.

Revenue recognition

Commission receivable within Best Buy Europe depends for certain transactions on customer behaviour after the point of sale. Assumptions are therefore required, particularly in relation to levels of customer default within the contract period, expected levels of customer spend, and customer behaviour beyond the initial contract period. Such assumptions are based on extensive historical evidence, and provision is made for the risk of potential changes in customer behaviour, but they are nonetheless inherently uncertain. Changes in estimates recognised as an increase to revenue may be made, where for example more reliable information is available, and any such changes are required to be recognised in the income statement. Changes of estimates during the year ended 31 March 2012 in relation to commission receivable after the initial contract term for sales originating in previous years totalled £17.0m. Total ongoing revenues receivable within Best Buy Europe are £474.0m (2011: £335.0m).

Current taxation

The complex nature of tax legislation across the tax jurisdictions in which the Group and its joint ventures operate necessitates the use of many estimates and assumptions, where the outcome may differ from that assumed. Refer to note 7.

1 Accounting policies continued

t) Use of critical accounting estimates and assumptions continued

Deferred taxation

The extent to which tax losses can be utilised depends on the extent to which taxable profits are generated in the relevant jurisdictions in the foreseeable future, and on the tax legislation then in force, and as such the value of associated deferred tax assets is uncertain.

Provisions

The Group's provisions are based on the best information available to management at the balance sheet date. However, the future costs assumed are inevitably only estimates, which may differ from those ultimately incurred.

Provisions relating to the disposal of excess property necessitate assumptions in respect of period to disposal and exit costs, which may differ from the ultimate cost of disposal.

u) Recent accounting developments

There have been no standards, amendments or interpretations adopted by the Group during the year ended 31 March 2012 which have had or are likely to have a material effect on the results or financial position of the Group.

The following standards, amendments and interpretations are likely to be applicable to the Group but have not yet been approved by the European Union and as such cannot be adopted early by the Group:

— IFRS 9 'Financial Instruments' on 'Classification and Measurement' affects the classification and measurement of financial instruments. It is expected to be effective for the year ending 31 March 2016.

— IFRS 10 'Consolidated Financial Statements' changes the definition of 'control' in the context of financial consolidation procedures, but is not expected to affect the Group's consolidation. It is expected to be effective for the year ending 31 March 2014.

— IFRS 11 'Joint Arrangements' changes the assessment of jointly controlled arrangements, but is not expected to affect the accounting for the Group's joint ventures. It is expected to be effective for the year ending 31 March 2014.

— IFRS 12 'Disclosure of Interests in Other Entities' changes the disclosures required for the Group's interests in other entities and is expected to be effective for the year ending 31 March 2014.

— IFRS 13 'Fair Value Measurement' changes requirements for fair value measurement and is expected to be effective for the year ending 31 March 2014.

— IAS 1 'Presentation of Financial Statements' on 'Presentation of Items of Other Comprehensive Income' changes the grouping of items presented in other comprehensive income and is expected to be effective for the year ending 31 March 2014.

— IAS 12 (Amendment) 'Income Taxes' on 'Deferred Tax' provides guidance regarding deferred tax on investment properties measured at fair value. The Group's investment properties are recognised at cost and as such are not expected to be affected by this amendment. It is expected to be effective for the year ending 31 March 2013.

— IAS 19 (Revised) 'Employee Benefits' makes a number of amendments, primarily regarding defined benefit plans, of which the Group has none. It is expected to be effective for the year ending 31 March 2014.

2 Segmental reporting

Segmental results are analysed as follows:

2012	Best Buy Europe (see note 13) £m	Virgin Mobile France (see note 13) £m	Wholly-owned operations £m	Total £m
Revenue	—	—	6.4	6.4
Headline EBIT before share of results of joint ventures	—	—	1.0	1.0
Share of Headline results of joint ventures (post-tax)	48.3	6.1	—	54.4
Headline EBIT	48.3	6.1	1.0	55.4
Exceptional items *	—	—	(20.6)	(20.6)
Share of operating results of discontinued businesses within joint ventures (post-tax) *	(9.8)	—	—	(9.8)
Share of joint venture exceptional items (post-tax) *	(77.4)	—	—	(77.4)
Share of amortisation of joint venture acquisition intangibles (post-tax) *	—	(1.3)	—	(1.3)
Statutory EBIT (segment results)	(38.9)	4.8	(19.6)	(53.7)
Assets	521.0	14.5	191.5	727.0
Liabilities	—	—	(19.0)	(19.0)
Net assets	521.0	14.5	172.5	708.0

*See note 4 for further details.

2011 (restated)	Best Buy Europe (see note 13) £m	Virgin Mobile France (see note 13) £m	Wholly-owned operations £m	Total £m
Revenue	—	—	5.6	5.6
Headline EBIT before share of results of joint ventures	—	—	(3.1)	(3.1)
Share of Headline results of joint ventures (post-tax)	47.3	8.2	—	55.5
Headline EBIT	47.3	8.2	(3.1)	52.4
Share of results of discontinued businesses within joint ventures (post-tax) *	13.1	—	—	13.1
Share of amortisation of joint venture acquisition intangibles (post-tax) *	—	(2.2)	—	(2.2)
Statutory EBIT (segment results)	60.4	6.0	(3.1)	63.3
Assets	571.8	20.4	196.4	788.6
Liabilities	—	—	(30.6)	(30.6)
Net assets	571.8	20.4	165.8	758.0

*See note 4 for further details.

Transactions between segments are on an arm's length basis.

3 Profit (loss) before investment income, interest and taxation

Profit (loss) before investment income, interest and taxation is stated after charging (crediting):

	2012 £m	2011 £m
Auditors' remuneration – see below	0.9	0.2
Depreciation of property, plant and equipment	1.0	0.8
Impairment of property, plant and equipment	0.8	—
Investment property rental income	(5.6)	(5.6)
Share-based payments	14.9	1.9
Other employee costs (see note 5)	5.2	4.7

3 Profit (loss) before investment income, interest and taxation continued

Auditors' remuneration comprises the following:

	2012 £m	2011 £m
Statutory services – audit of Company and the Company's subsidiaries	**0.1**	0.1
Tax advisory services	**0.6**	0.1
Other assurance services	**0.2**	—
	0.9	0.2

The Group's share of audit fees for Best Buy Europe and Virgin Mobile France was £0.6m (2011: £0.7m) in the year and the Group's share of fees for their tax and other services was £0.2m (2011: £0.1m).

Other assurance services relate to reporting accountant work in respect of the Best Buy Mobile Disposal.

4 Non-Headline items

Non-Headline items comprise:

— exceptional items, which have been disclosed separately given their size and one-off nature;

— the Group's share of results of discontinued businesses within joint ventures; and

— the Group's share of joint venture amortisation of acquisition intangibles.

Non-Headline items are grouped into three categories: Best Buy Mobile Disposal, Best Buy UK closure and Virgin Mobile France amortisation, and are analysed as follows:

	Notes	2012 £m	2011 £m
Operating expenses:			
Best Buy Mobile Disposal			
Costs associated with the Best Buy Mobile Disposal	i)	**(20.6)**	—
		(20.6)	—
Share of results of joint ventures (post-tax):			
Best Buy Mobile Disposal			
Best Buy Mobile operating profit	ii)	**16.7**	35.2
Costs associated with the Best Buy Mobile Disposal	iii)	**(16.9)**	—
Best Buy UK closure			
Best Buy UK operating losses	iv)	**(26.5)**	(22.1)
Closure costs of Best Buy UK	v)	**(60.5)**	—
Virgin Mobile France amortisation			
Virgin Mobile France amortisation of acquisition intangibles	vi)	**(1.3)**	(2.2)
		(88.5)	10.9
Investment income:			
Best Buy Mobile Disposal			
Consideration from the Best Buy Mobile Disposal	vii)	**813.0**	—
		813.0	—
Taxation:			
Best Buy Mobile Disposal			
Tax credit on costs associated with the Best Buy Mobile Disposal	viii)	**0.9**	—
		0.9	—
		704.8	10.9

4 Non-Headline items continued

The operating results of discontinued businesses within joint ventures are further analysed as follows:

	2012 £m	2011 £m
Best Buy Mobile		
EBIT	45.0	97.9
Tax	(11.7)	(27.4)
	33.3	70.5
Best Buy UK		
EBIT	(72.5)	(62.2)
Tax	19.5	17.9
	(53.0)	(44.3)
Group share	(9.8)	13.1

Exceptional items within joint ventures are further analysed as follows:

	2012 £m	2011 £m
Costs associated with the Best Buy Mobile Disposal	(28.4)	—
Closure costs of Best Buy UK	(146.8)	—
Tax	20.4	—
	(154.8)	—
Group share	(77.4)	—

Best Buy Mobile Disposal
During the year the Group disposed of its interest in Best Buy Mobile for an initial consideration of £813.0m. In addition a further £25.0m in consultancy payments are payable to the Group over a five year period. The initial consideration was returned to shareholders in February and April 2012 via the B/C Share Scheme. As a result of this transaction a number of long-term incentive schemes either vested or were replaced, resulting in cash costs and non-cash accounting charges. Other costs were also incurred as a result of this transaction by both the Group and Best Buy Europe.

i) Costs incurred by the Group comprise cash costs of £7.2m and other non-cash accounting charges of £13.4m.

As described in note 5, as a result of the Best Buy Mobile Disposal, existing Best Buy Europe incentive schemes were cancelled, and in recognition of the value that had built up in relation to Best Buy Mobile, the Company gifted 7.0m shares to senior Best Buy Europe executives. This gift resulted in a non-cash accounting charge of £11.4m and employer taxes of £1.6m for the Group as Best Buy Europe agreed to pay cash compensation of £11.7m to satisfy the cost of the remaining shares. Also as described in note 5, certain Group incentive schemes were allowed to vest early in order to facilitate the Best Buy Mobile Disposal and to avoid a substantial loss in value. This resulted in cash costs of £2.5m and non-cash accounting charges of £2.0m.

Professional fees of £3.1m were also incurred in relation to the disposal.

ii) The Group's share of the results of Best Buy Mobile have been excluded from Headline results in order to provide visibility of the performance of the continuing business.

iii) The cancellation of existing incentive plans, the share gift described above, associated employment taxes and bonuses paid as a result of the transaction resulted in cash costs of £26.7m and non-cash accounting charges of £0.7m within Best Buy Europe, including the compensation to the Group described above.

Best Buy Europe also incurred fees of £1.0m in relation to the transaction.

A tax credit of £7.2m has been recognised in respect of these charges. This has been offset by the derecognition of £12.7m of deferred tax assets which are expected to be irrecoverable due to the Best Buy Mobile Disposal.

vii) The Group received initial consideration of £813.0m for its interest in Best Buy Mobile in the form of a dividend.

viii) The Group recognised a tax credit of £0.9m in relation to costs associated with the Best Buy Mobile Disposal.

4 Non-Headline items continued

Best Buy UK closure
During the year Best Buy Europe closed its Best Buy UK business. While the 11 stores that had been opened had delivered positive customer satisfaction scores, they did not have the national reach to achieve scale and brand economies.

iv) The Group's share of the results of Best Buy UK have been excluded from Headline results in order to provide visibility of the performance of the continuing business.

v) Total costs of closure of £146.8m have been recognised, against which a tax credit of £25.9m has been booked. These closure costs are analysed as follows:

	£m
Property exit costs	**57.5**
Employee redundancies and other employee-related costs	**10.7**
Non-cash asset write-downs (net)	**45.9**
Other exit costs	**32.7**
Exceptional charge before tax	**146.8**
Tax credit	**(25.9)**
Exceptional charge after tax	**120.9**
Group share	**60.5**

Other exit costs predominantly reflect stock write-downs and contract exit costs.

Virgin Mobile France amortisation
vi) Amortisation of acquisition intangibles within Virgin Mobile France relates to the acquisition of Tele2 France in December 2009.

5 Employee costs and share-based payments

The aggregate remuneration recognised in the income statement in each year is as follows:

	2012 £m	2011 £m
Salaries and performance bonuses	**3.1**	3.9
Social security costs	**2.0**	0.7
Other pension costs	**0.1**	0.1
	5.2	4.7
Share-based payments (see below)	**14.9**	1.9
	20.1	6.6

The average number of employees (including directors) during the year ended 31 March 2012 was 18 (2011: 18).

Compensation earned by key management, comprising the Board of Directors and senior executives, was as follows:

	2012 £m	2011 £m
Salaries	**1.5**	1.4
Performance bonuses	**0.9**	1.5
Share-based payments	**14.5**	1.7
	16.9	4.6

At 31 March 2011 the Group had made loans totalling £10.2m to key management (£7.3m to directors of the Company) in relation to the Best Buy Europe VES, TalkTalk VES and a share gift made in December 2008. Loans of £0.3m in relation to the share gift were waived in May 2011, and as a result of the Best Buy Mobile Disposal, loans and interest of £6.3m in relation to the Best Buy Europe VES were repaid. At 31 March 2012, loans of £4.0m remain in respect of the TalkTalk VES (£2.9m to directors of the Company). Interest is charged on the loans at market rates and interest of £0.4m (2011: £0.5m) has been recognised during the year ended 31 March 2012.

As detailed in note 5b, loans were made to employees of the Group in relation to the Carphone Warehouse 2010 LTIP. Within these loans were loans of £0.7m made to key management.

5 Employee costs and share-based payments continued

Share-based payments

a) Value enhancement schemes

Prior to the Demerger during the year ended 31 March 2010, Old Carphone Warehouse introduced the Best Buy Europe VES, to provide long-term incentives to its senior management group in relation to Best Buy Europe.

The Best Buy Europe VES allowed participants to invest at market value in shares which enabled them to share in up to 2.24% of any increase in the value of Best Buy Europe over an opening valuation determined by the Old Carphone Warehouse board as at 1 April 2009. The incremental value was measured after a minimum annual rate of return of 7% on this valuation, and was subject to an adjustment for any change in the Company's market capitalisation since 6 April 2009.

The Group advanced loans totalling £5.8m to participants to enable them to purchase A shares in CPW Retail Holdings Limited, which held part of the Group's investment in Best Buy Europe. The Company had an obligation to acquire these shares if performance conditions were met, to provide participants with the share of value described above. Performance was to be measured over performance periods to July 2013 and July 2014, at which point participants had put options over the shares.

In order to facilitate the Best Buy Mobile Disposal and the B/C Share Scheme, these shares were exchanged for shares in the Company at fair market value, as determined by the Remuneration Committee, supported by third party advisors. As part of this agreement, participants are not permitted (unless the Remuneration Committee determines otherwise) to sell these shares until June 2015.

This transaction with participants was effected on 20 January 2012 following the approval of the Best Buy Mobile Disposal and the B/C Share Scheme at a general meeting of the Company and resulted in the issue of approximately 15.7m shares in the Company, in exchange for their shares in CPW Retail Holdings Limited, to participants. The loans of £5.8 million, together with accrued interest, were repaid by participants in February 2012.

Prior to the Demerger, Old Carphone Warehouse introduced the TalkTalk VES, in which certain directors and other key management participate. The scheme has a similar structure to the Best Buy Europe VES, but is based on the value of TalkTalk Group, with the obligation to acquire the relevant shares lying with TalkTalk Group. As with the Best Buy Europe VES, the Group advanced loans to participants to enable them to purchase TalkTalk VES shares. Loans are ordinarily repayable in full if performance conditions are met. Performance is measured over an initial period to September 2012, at which point participants have a put option over 60% of their shares, and a subsequent performance period to September 2013, at which point participants have a put option over the remainder of their shares.

b) Share option schemes

At the start of the year a number of options were held over the Company's shares by employees and former employees of the Group, Old Carphone Warehouse Group and TalkTalk Group. These options included schemes which had vested prior to the Demerger and options issued to employees of the Group under the Carphone Warehouse 2010 LTIP.

Under the Carphone Warehouse 2010 LTIP, market-priced and zero-priced options were granted in March and April 2010. The options were subject to TSR performance targets and were measured over a performance period to 29 March 2013. As a consequence of the Best Buy Mobile Disposal the Remuneration Committee allowed the Carphone Warehouse 2010 LTIP to vest, based on TSR performance to date, in order to avoid a substantial loss in value as a result of the Best Buy Mobile Disposal and the B/C Share Scheme. As part of this agreement, participants are not permitted (unless the Remuneration Committee determines otherwise) to sell these shares until June 2015. Loans of £2.5m were made to participants in relation to the tax and national insurance due on the exercise of these share options. These loans bear interest at market rates and were outstanding at the end of the year.

The following table summarises the number and weighted average exercise price ("WAEP") of share options for the schemes:

	2012		2011	
	Number million	**WAEP £**	Number million	WAEP £
Outstanding at the beginning of the year	**6.1**	**0.70**	14.3	0.49
Granted during the year	**—**	**—**	0.7	0.77
Lapsed during the year	**—**	**—**	(3.6)	—
Exercised during the year	**(6.1)**	**0.70**	(5.3)	0.64
Outstanding at the end of the year	**—**	**—**	6.1	0.70
Exercisable at the end of the year	**—**	**—**	4.0	0.47

The options exercised during the year were exercised at a weighted average market price of £3.29 (2011: £2.57).

5 Employee costs and share-based payments continued

c) Joint venture incentive schemes

Best Buy Europe also had a long-term incentive scheme, in which certain members of the joint venture's senior management team participated, which enabled participants to share in incremental profits generated by Best Buy Europe (based in part on Best Buy Mobile) over a base defined in respect of the year to 3 April 2010, which was to vest over periods to September 2014. As a result of the Best Buy Mobile Disposal, this scheme was cancelled, in return for which the Remuneration Committee has allowed the transfer of 7.0m shares in the Company to senior executives of Best Europe. Best Buy Europe has provided cash compensation of approximately £11.7m to the Group in respect of this transfer; this compensation was paid in April 2012. As part of this agreement, participants will not be permitted (unless the Remuneration Committee determines otherwise) to sell these shares until dates in 2015.

Best Buy Europe also had a share option scheme, which was to vest over periods to September 2014, and in which a broad group of senior Best Buy Europe employees participated. As a result of the Best Buy Mobile Disposal, the option scheme was cancelled and replaced by a scheme which will vest in 2015. Under the scheme, participants will receive options over A shares in New BBED and each of Best Buy and the Company has an obligation to acquire 50% of these shares at a value based on the Headline PBT of CPW Europe over the vesting period. The pool is based on earnings in excess of minimum growth targets, against the earnings for the year ended 31 March 2009. The Company and Best Buy have agreed a minimum value of the pool, in recognition of the value that had already accrued in the scheme in relation to Best Buy Mobile.

In order to align the interests of participants with those of the Company, the value of the A shares in New BBED will be assessed at defined points during the vesting period, and nil-priced options over shares in the Company will be granted to participants through the Carphone Warehouse Group plc Participation Plan 2011 to match this value, so that participants benefit from any growth in the market capitalisation of the Company during the vesting period.

Virgin Mobile France has issued market-priced and nil-priced share options in Omer Telecom Limited, the parent company of Virgin Mobile France, to certain employees of the business. These options vest over periods of two to four years.

d) Fair value model

The fair value of options with external performance targets was estimated at the date of grant using a Monte Carlo model. The model combines the market price of a share at the date of grant with the probability of meeting performance criteria, based on the historical performance of Old Carphone Warehouse shares.

The Best Buy Europe VES shares described in note 5a above were acquired by participants at market value as calculated by third party valuation experts using option pricing methodology, cross-checked to an expected returns approach adopting discounted cash flow methodology. The discount rates and discounts for lack of marketability employed, where appropriate, reflected the market risk and volatility of the VES shares in question over their expected vesting period. An accounting charge arose on this scheme since the loans provided to acquire the shares were in certain circumstances not fully repayable. The charge was derived using a Black Scholes option pricing model, reflecting equity volatilities specific to the relevant shares.

The Best Buy Europe share option scheme described above was valued based on market perception of the likely future earnings of CPW Europe with appropriate discounts made for lack of marketability, lack of control and the volatility of the Company's share price.

e) Charge to income statement and entries in reserves

During the year ended 31 March 2012, the Group recognised a non-cash accounting charge to the income statement of £14.9m (2011: £1.9m) in respect of equity settled share-based payments, which is offset by an entry through reserves. As detailed in note 4, this charge relates principally to a gift of shares to Best Buy Europe executives (£11.4m) and the accelerated vesting of other incentive schemes (£2.0m). As explained above, there were circumstances in which part of the loans advanced to Best Buy Europe VES participants would not have been repayable. During the year these loans were repaid in full. As required by IFRS 2 'Share-based Payment', the element of the loans on which repayment was previously uncertain has been reflected as a credit in reserves, being £4.7m (2011: debit of £0.7m).

f) Employee share ownership trust

The Group has an ESOT which held 0.2m shares in the Company at 31 March 2012 (2011: 2.9m) for the benefit of the employees of the Group. The maximum number of shares held by the Group's ESOT during the year was 10.3m in November 2011 which represented 2.3% of the Group's issued share capital. The ESOT has waived its rights to receive dividends and its shares have not been allocated to specific schemes. At 31 March 2012 the shares had a market value of £0.3m (2011: £10.4m).

6 Interest income, interest expense and investment income

Interest income is analysed as follows:

	2012 £m	2011 £m
Interest on cash and cash equivalents	**1.0**	0.8
Interest and other finance income from joint ventures	**1.5**	2.6
Other interest income	**0.4**	0.5
	2.9	3.9

Interest expense is analysed as follows:

	2012 £m	2011 £m
Other interest expense	**0.2**	0.6
	0.2	0.6

Investment income is analysed as follows:

	2012 £m	2011 £m
Consideration from the Best Buy Mobile Disposal	**813.0**	—
Income from minority investments	**0.2**	0.6
	813.2	0.6

The Group received initial consideration of £813.0m for its interest in Best Buy Mobile in the form of a dividend. The dividend was received in US dollars and hedged to convert it to £813.0m. The amount of the dividend received was US$1,303.4m which was exchanged for £813.0m on 26 January 2012.

7 Taxation

The tax (credit) charge comprises:

	2012 £m	2011 £m
Current tax:		
UK corporation tax	**0.7**	1.2
Adjustments made in respect of prior years	**(0.2)**	—
	0.5	1.2
Deferred tax:		
Origination and reversal of timing differences	**(0.9)**	0.2
Adjustments in respect of prior years	**0.1**	0.2
	(0.8)	0.4
Total tax (credit) charge	**(0.3)**	1.6

The principal differences between the tax (credit) charge and the amount calculated by applying the standard rate of UK corporation tax of 26% (2011: 28%) to profit before taxation are as follows:

	2012 £m	2011 £m
Profit before taxation	**762.2**	67.2
Profit before taxation at 26% (2011: 28%)	**198.2**	18.8
Adjustments in respect of prior years	**(0.1)**	0.2
Items attracting no tax relief or liability	**(198.4)**	(17.4)
Total tax (credit) charge	**(0.3)**	1.6

Items attracting no tax relief or liability relate primarily to the Group's share of results of joint ventures and exceptional items associated with the Best Buy Mobile Disposal. Taxation associated with the Group's interests in joint ventures is recognised within their results.

7 Taxation continued

Deferred tax assets recognised by the Group and movements thereon during the year are as follows:

	2012 £m	2011 £m
Opening balance	1.4	0.8
Credit (charge) to the income statement	0.8	(0.4)
Movements through accumulated profits	(1.1)	1.0
Current year tax losses carried forward	0.2	—
Deferred tax assets	1.3	1.4

On 21 March 2012 the government announced the reduction of the UK corporation tax rate from 26% to 24% with effect from April 2012 and then to 22% by April 2014. The impact of this reduction is not material to the wholly-owned Group.

8 Equity dividends and other distributions

The following dividends and distributions were paid during the year:

	2012 £m	2011 £m
Final dividend for the year ended 31 March 2011 of 5.0p per ordinary share	22.7	—
Interim dividend for the year ended 31 March 2012 of 1.75p per ordinary share	7.9	—
Dividend of 172p per C share through the B/C Share Scheme	223.0	—
Redemption of 172p per B share through the B/C Share Scheme	556.9	—
	810.5	—

The following distributions are committed or proposed but had not been effected at 31 March 2012:

	2012 £m
Final dividend for the year ended 31 March 2012 of 3.25p per ordinary share	15.4
Redemption of 172p per B share through the B/C Share Scheme	32.9

The proposed final dividend for the year ended 31 March 2012 is subject to shareholders' approval at the forthcoming annual general meeting and has not been included as a liability in these financial statements. The expected cost of this dividend reflects the fact that the Group's ESOT has agreed to waive its rights to receive dividends (see note 5f).

The redemption of B shares which had not been effected at 31 March 2012 is in respect of shares where an election was made for the deferred capital option under the B/C Share Scheme and was effected in April 2012.

9 Reconciliation of Headline results to statutory results

2012	Profit (loss) before investment income, interest and taxation £m	Profit before taxation £m	Net profit for the year £m
Headline results	**55.4**	**58.3**	**57.7**
Group exceptional items *	**(20.6)**	**792.4**	**793.3**
Share of operating results of discontinued businesses within joint ventures (post-tax) *	**(9.8)**	**(9.8)**	**(9.8)**
Share of joint venture exceptional items (post-tax) *	**(77.4)**	**(77.4)**	**(77.4)**
Share of amortisation of joint venture acquisition intangibles (post-tax) *	**(1.3)**	**(1.3)**	**(1.3)**
Statutory results	**(53.7)**	**762.2**	**762.5**

* See note 4 for further details.

2011 (restated)	Profit (loss) before investment income, interest and taxation £m	Profit before taxation £m	Net profit for the year £m
Headline results	52.4	56.3	54.7
Share of results of businesses discontinued by joint ventures (post-tax) *	13.1	13.1	13.1
Share of amortisation of joint venture acquisition intangibles (post-tax) *	(2.2)	(2.2)	(2.2)
Statutory results	63.3	67.2	65.6

* See note 4 for further details.

Headline information is provided because the directors consider that it provides assistance in understanding the Group's underlying performance.

10 Earnings per share

	2012	Restated 2011
Headline earnings (£m)	**57.7**	54.7
Statutory earnings (£m)	**762.5**	65.6
Weighted average number of shares (millions):		
Average shares in issue	**460.1**	457.1
Less average holding by Group ESOT (see note 5f)	**(3.5)**	(4.4)
For basic earnings per share	**456.6**	452.7
Dilutive effect of share options and other incentive schemes	**21.1**	18.4
For diluted earnings per share	**477.7**	471.1

Basic earnings per share	**2012**	2011
Headline	**12.6p**	12.1p
Statutory	**167.0p**	14.5p

Diluted earnings per share	**2012**	2011
Headline	**12.1p**	11.6p
Statutory	**159.6p**	13.9p

As detailed in note 5, prior to the Demerger, Old Carphone Warehouse introduced the Best Buy Europe VES to provide incentives to the Group's senior management. The Best Buy Europe VES enabled participants to share in any increase in the value of Best Buy Europe above a defined minimum annual rate of return. The scheme had an initial performance period to July 2013 and a subsequent performance period to July 2014. Best Buy Europe also introduced a long-term incentive plan in the year ended 31 March 2010 with the expectation that the Group's obligations under this scheme would also be met using the Company's shares.

As further detailed in note 5a, the Best Buy Europe VES shares were exchanged for 15.7m shares in the Company in January 2012, from which time the Best Buy Europe VES was no longer dilutive.

11 Property, plant and equipment

	2012 £m	2011 £m
Opening balance	**67.8**	65.9
Additions	**0.1**	2.7
Depreciation	**(1.0)**	(0.8)
Impairment	**(0.8)**	—
Closing balance	**66.1**	67.8
Cost	**72.3**	72.2
Accumulated depreciation	**(6.2)**	(4.4)
Net carrying amount	**66.1**	67.8

Property, plant and equipment held by the Group is principally investment property. The fair value of the investment property at 31 March 2012 was £74.1m (2011: £73.7m). The valuation of properties was performed internally by reference to appropriate yield rates and market evidence of recent transactions.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2012 £m	2011 £m
Within one year	**5.5**	4.9
In two to five years	**22.1**	21.6
After five years	**40.0**	44.1
	67.6	70.6

12 Non-current asset investments

	2012 £m	2011 £m
Non-current asset investments	**0.1**	0.1

Principal Company investments

The Company has investments in the following subsidiary undertakings, which, alongside joint ventures, principally affected the profits or losses or net assets of the Group. To avoid a statement of excessive length, details of investments which are not significant have been omitted. All holdings are in equity share capital, are held directly by the Company, and give the Group an effective holding of 100% on consolidation.

Name	Country of incorporation or registration	Nature of business
CPW Acton One Limited	Isle of Man	Property holding company
CPW Acton Five Limited	England and Wales	Property holding company
CPW Tulketh Mill Limited	England and Wales	Property holding company
CPW Irlam Limited	England and Wales	Property holding company
CPW Consultancy Limited	England and Wales	Provider of consultancy services

13 Interests in joint ventures

Interests in joint ventures are as follows:

Business	Principal activities	Country of incorporation	2012 interest	2011 interest
Best Buy Europe	Retail, distribution, insurance, telecoms services	England and Wales	**50.0%**	50.0%
Virgin Mobile France	MVNO	England and Wales	**46.6%**	47.1%

The Group's interest in Virgin Mobile France reduced from 47.1% to 46.6% during the year ended 31 March 2012 following the sale of shares to management of Virgin Mobile France. Management of Virgin Mobile France also hold warrants that give them the right to acquire up to an additional 8.5% of the issued share capital of the business, at a price based on the value of existing shareholder funding and an additional amount which increases with the quantity of shares being acquired.

a) Group balance sheet interests
The Group's interests in joint ventures are analysed as follows:

2012	**Net assets (liabilities) £m**	**Goodwill £m**	**Loans £m**	**Total £m**
Opening balance	**453.6**	**102.9**	**35.7**	**592.2**
Share of results	**(34.1)**	**—**	**—**	**(34.1)**
Loans repaid (net)	**—**	**—**	**(9.9)**	**(9.9)**
Share of other reserve movements	**0.7**	**—**	**—**	**0.7**
Foreign exchange	**(11.9)**	**—**	**(1.5)**	**(13.4)**
Closing balance	**408.3**	**102.9**	**24.3**	**535.5**
Best Buy Europe	**418.1**	**102.9**	**—**	**521.0**
Virgin Mobile France	**(9.8)**	**—**	**24.3**	**14.5**
Closing balance	**408.3**	**102.9**	**24.3**	**535.5**

2011	Net assets (liabilities) £m	Goodwill £m	Loans £m	Total £m
Opening balance	384.7	106.3	50.8	541.8
Share of results	66.4	—	—	66.4
Loans repaid (net)	—	—	(14.6)	(14.6)
Share of other reserve movements	1.5	—	—	1.5
Foreign exchange	1.0	(3.4)	(0.5)	(2.9)
Closing balance	453.6	102.9	35.7	592.2
Best Buy Europe	468.9	102.9	—	571.8
Virgin Mobile France	(15.3)	—	35.7	20.4
Closing balance	453.6	102.9	35.7	592.2

At 31 March 2011, Best Buy Europe had a £350m receivables financing arrangement provided by a number of banks. This facility was supplemented by an RCF of £125m provided equally by the Company and Best Buy, and letters of support through which both shareholders were committed to providing further funding to a maximum of £50m each.

In July 2011, Best Buy Europe secured a new £400m RCF from its core bank group. This facility matures in July 2015. Following this refinancing, the receivables financing arrangement, the shareholder RCF and the letters of support were cancelled.

Loans are provided to Virgin Mobile France under a shareholder agreement; funding requirements are agreed between the shareholders on a regular basis and are provided in proportion to each party's shareholding.

13 Interests in joint ventures continued

b) Analysis of profits and losses
The Group's share of the results of its joint ventures is as follows:

Best Buy Europe	2012 £m	Restated 2011 £m
Revenue	**3,313.1**	3,504.8
Headline EBITDA *	**219.6**	219.1
Depreciation and amortisation	**(84.6)**	(84.5)
Headline EBIT	**135.0**	134.6
Net interest expense	**(16.4)**	(15.2)
Taxation on Headline results	**(22.0)**	(24.8)
Headline profit after taxation	**96.6**	94.6
Group share of Headline profit after taxation	**48.3**	47.3
Group share of operating results of discontinued businesses (post-tax) (see note 4)	**(9.8)**	13.1
Group share of exceptional items (post-tax) (see note 4)	**(77.4)**	—
Group share of (loss) profit after taxation	**(38.9)**	60.4

* Headline EBTIDA includes the unwinding of discounts for the time value of money on network commissions receivable over the life of the customer. This unwind has a value of £8.7m in the year ended 31 March 2012 (2011: £10.0m) and is treated as interest income in the joint venture's statutory results.

Virgin Mobile France	2012 £m	2011 £m
Revenue *	**390.2**	328.4
Headline EBITDA **	**25.7**	24.3
Depreciation and amortisation	**(4.2)**	(3.7)
Headline EBIT	**21.5**	20.6
Net interest expense	**(2.5)**	(2.9)
Taxation on Headline results	**(6.7)**	(0.7)
Headline profit after taxation	**12.3**	17.0
Group share of Headline profit after taxation before change in share ownership	**5.8**	8.0
Gain on reduction of % share ownership	**0.3**	0.2
Group share of Headline profit after taxation	**6.1**	8.2
Group share of amortisation of acquisition intangibles (post-tax)	**(1.3)**	(2.2)
Group share of profit after taxation	**4.8**	6.0

* Revenue excludes contributions towards subscriber acquisition costs from network operators and customers, as the directors consider that this provides a better representation of underlying performance. These items, which have a value of £71.0m in the year ended 31 March 2012 (2011: £55.1m), are netted off against acquisition costs within Headline EBITDA. Reported revenue on a statutory basis for the year ended 31 March 2012 is £461.2m (2011: £383.5m).

** Virgin Mobile France have commitments in place to purchase an agreed amount of wholesale capacity at preferential rates from network operators in return for a fixed fee. The fixed fee has been recognised as a non-current asset and will be amortised over the period of the commitment. The amortisation of this asset is recognised as a cost of sales within Headline EBITDA in line with other network-related expenses. The amortisation has a value of £4.2m in the year ended 31 March 2012 (2011: nil) and is treated as amortisation in the joint venture's statutory results.

Total Group share	2012 £m	2011 £m
Headline	**54.4**	55.5
Statutory	**(34.1)**	66.4

13 Interests in joint ventures continued

c) Analysis of assets and liabilities

The Group's share of the assets and liabilities of its joint ventures is as follows:

Best Buy Europe	2012 £m	2011 £m
Non-current assets	662.4	661.7
Cash and overdrafts (net)	165.3	146.8
Other borrowings	(194.7)	(15.1)
Other assets and liabilities (net)	203.2	144.5
Net assets	836.2	937.9
Group share of net assets	418.1	468.9

Virgin Mobile France	2012 £m	2011 £m
Non-current assets	127.4	95.1
Cash and overdrafts (net)	10.1	10.7
Loans from the Group	(24.3)	(35.7)
Other borrowings	(26.2)	(38.6)
Other assets and liabilities (net)	(107.9)	(64.0)
Net liabilities	(20.9)	(32.5)
Group share of net liabilities	(9.8)	(15.3)

Total Group share	2012 £m	2011 £m
Total Group share of net assets and liabilities of joint ventures	408.3	453.6

There are no material contingent liabilities in relation to the Group's joint ventures. Best Buy Europe had no capital commitments at 31 March 2012 (2011: £4.0m). Virgin Mobile France had no capital commitments at the end of either period.

Within the cash and overdrafts of Best Buy Europe, £37.0m (2011: £45.0m) is held by its insurance business to cover regulatory reserve requirements; these funds are not available to offset other Best Buy Europe borrowings.

The Group's principal CGUs are its joint venture investments and freehold properties, which are tested annually for impairment or more frequently if there are indications that they might be impaired. Best Buy Europe tests for impairment and allocates its goodwill to CGUs generally based on geographical location.

The recoverable amounts of the CGUs are determined from value in use calculations or fair market value as appropriate. The Group and its joint ventures prepare cash flow forecasts derived from the most recent financial budgets approved by management for the next four or five years and extrapolate cash flows in perpetuity based on a growth rate of 1.3% to 4.6% (2011: 1.3% to 4.6%). The pre-tax rates used to discount the forecast cash flows range between 6.5% and 11.8% (2011: 6.5% and 12.9%).

The key assumptions for the value in use calculations are those in relation to the discount rates, growth rates and expected changes to selling prices and direct costs, all of which are based on historical patterns and expectations of future market developments. Management estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

The Group recognised an impairment charge of £0.8m in relation to one of its freehold properties. Otherwise the directors do not consider that there are any other CGUs in the wholly-owned Group where a realistic change to one of the key assumptions on which the value in use calculations are based would result in the CGU's recoverable amount falling below its carrying value.

Within net assets of Best Buy Europe is goodwill of £214.0m (2011: £226.0m). The directors of Best Buy Europe consider that France and Germany are the only CGUs for which a reasonably possible change during the next year in key assumptions would cause the recoverable amounts of the CGUs to which the goodwill is allocated to fall below their carrying amounts.

At 31 March 2012, the recoverable amount exceeded the carrying value by £18m in France, incorporating a long-term growth rate of 1.8% and a pre-tax discount rate of 9.3% as key assumptions. If the pre-tax discount rate increased above 11.7% or forecast EBITDA reduced by more than 10%, the recoverable amount in France would fall below its carrying amount.

At 31 March 2012, the recoverable amount exceeded the carrying value by £29m in Germany, incorporating a long-term growth rate of 1.5% and a pre-tax discount rate of 8.5% as key assumptions. If the pre-tax discount rate increased above 11.5% or forecast EBITDA reduced by more than 20%, the recoverable amount in Germany would fall below its carrying amount.

14 Trade and other receivables

	2012 £m	2011 £m
Other receivables	**21.3**	6.5
	21.3	6.5

Other receivables include loans of £4.0m (2011: £5.2m) to members of senior management relating to the TalkTalk VES, and at 31 March 2011 also the Best Buy Europe VES (see note 5). In certain circumstances these loans would be repayable within one year and for this reason they are included within current assets. In certain other circumstances they would become repayable in more than one year.

Other receivables at 31 March 2012 also include amounts due from Best Buy Europe in relation to the shares gifted to senior Best Buy Europe executives, as detailed in note 4, which were settled in April 2012.

The Group's trade and other receivables are all not yet due, are entirely denominated in UK Sterling and are expected to be fully recoverable.

15 Trade and other payables

	2012 £m	2011 £m
Other payables	**1.5**	8.4
Accruals and deferred income	**8.6**	7.8
	10.1	16.2

16 Cash and cash equivalents

Cash and cash equivalents comprise:

	2012 £m	2011 £m
Short-term bank deposits and money market funds	**102.7**	120.6
	102.7	120.6

Cash and cash equivalents include bank deposits with maturities of up to six months, which are available on demand.

Securities and guarantees
No facilities are secured over Group assets. The Group has provided guarantees to third party suppliers of Virgin Mobile France, alongside the other shareholders of the business. The Group's maximum potential exposure on these guarantees is £19.8m (2011: £21.0m).

Functional currency
All of the Group's material subsidiaries prepared accounts in UK Sterling. The businesses that had a material effect on the Group's joint venture investments prepared accounts in UK Sterling, Euro and US Dollar.

£50m revolving credit facility
At 31 March 2011, the Group had a committed RCF which was due to mature in July 2012. The facility remained undrawn throughout both periods, and was cancelled in August 2011 following the cancellation of the Company's formal financing obligations to Best Buy Europe (see note 13a).

17 Financial risk management and derivative financial instruments

The book value and fair value of the Group's financial assets, liabilities and derivative financial instruments, excluding the Group's loans and other borrowings, is as follows:

	2012 £m	2011 £m
Cash and cash equivalents	**102.7**	120.6
Loans to Virgin Mobile France (see note 13)	**24.3**	35.7
Trade and other receivables	**21.3**	6.5
Trade and other payables	**(10.1)**	(16.2)

Fair values have been arrived at by discounting future cash flows, assuming no early redemption, or by revaluing forward currency contracts to year-end market rates or rates as appropriate to the instrument.

Financial risk management policies

The Group's activities expose it to certain financial risks including market risk (such as foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's treasury function, which operates under approved treasury policies, uses certain financial instruments to mitigate potentially adverse effects on the Group's financial performance from these risks. These financial instruments may consist of bank loans and deposits, spot and forward foreign exchange contracts, and foreign exchange swaps. Other products, such as interest rate swaps and currency options, may also be used depending on the risks to be covered. The Group does not trade or speculate in any financial instruments.

Foreign exchange risk

Translational risk and net investment hedges

The Group uses forward currency contracts to hedge balance sheet assets and liabilities. Translational currency risk, primarily arising on funding of Virgin Mobile France, is hedged using foreign exchange swaps. In May 2010 the Group discontinued net investment hedging in order to avoid exposure to potential cash volatility on the associated hedges.

The Group's foreign exchange position is calculated daily and any positions are closed out unless the exposure is immaterial. The translation risk on converting overseas currency profits or losses is not hedged and such profits or losses are converted into UK Sterling at average exchange rates throughout the year. This gives the Group a direct exposure to the Euro in respect of Virgin Mobile France. As explained in note 16, while Best Buy Europe reports in UK Sterling, its results were materially affected by the Euro and US Dollar. Best Buy Europe may hedge a proportion of its non-Sterling earnings to provide certainty of their value.

At 31 March 2012, the total notional principal amount of outstanding currency contracts was £24.3m (2011: £35.8m).

Currency loans and foreign exchange contracts are sensitive to movements in foreign exchange rates. This sensitivity can be analysed in comparison to year-end rates (assuming all other variables remain constant) where a 10% movement in the UK Sterling / Euro exchange rate would have no impact on the income statement or equity (2011: no impact). Changes in the value of currency loans would not be expected to have an impact on the income statement, as they are matched by the value of foreign exchange contracts, assuming the hedges remain fully effective.

Best Buy Europe's policies for translational risk are consistent with those of the Group. Virgin Mobile France has limited translational risk exposures as its operations are based solely in France.

Transactional risk and cash flow hedges

The Group is exposed to limited cross-border transactional commitments but, where significant, these are hedged at inception using forward currency contracts. At 31 March 2012 and 31 March 2011 the Group held no material cash flow hedges.

Best Buy Europe's operations were exposed to foreign currency transactional risks, primarily through the Best Buy Mobile profit share arrangement and purchases of stock. Best Buy Europe uses foreign exchange contracts to mitigate against foreign currency fluctuations arising on these transactions.

17 Financial risk management and derivative financial instruments continued

Interest rate risk
The Group's interest rate risk arises primarily on cash, cash equivalents and loans to joint ventures, all of which are at floating rates of interest and which therefore expose the Group to cash flow interest rate risk. These floating rates are linked to LIBOR and other interest rate bases as appropriate to the instrument and currency. Future cash flows arising from these financial instruments depend on interest periods agreed at the time of rollover. Group policy permits the use of long-term interest rate derivatives in managing the risks associated with movements in interest rates although the Group holds none of these products at present.

Cash and borrowings, as well as some foreign exchange products, are sensitive to movements in interest rates. This sensitivity can be analysed through calculating the effect on the income statement of a 1% movement in the interest rate in relation to cash, cash equivalents and loans to joint ventures. This analysis has been prepared on the assumption that the year-end positions prevail throughout the year, and therefore may not be representative of fluctuations in levels of deposits and borrowings. A 1% movement in the interest rate would result in a £1.0m (2011: £1.2m) movement in profit before taxation.

Liquidity risk
The Group manages its exposure to liquidity risk by regularly reviewing the long-term and short-term cash flow projections for the business against the resources available to it. Regular reports are made to the Audit Committee assessing the adequacy of these resources and reports are routinely circulated to senior management showing the Group's net funds. Headroom is assessed based on historical experience as well as by assessing current business risks, including foreign exchange movements.

Credit risk
The Group's exposure to credit risk is regularly monitored and the Group's policy updated as appropriate. Deposits and foreign exchange transactions are spread amongst a number of institutions, all of which have credit ratings appropriate to the Group's policies and exposures.

Embedded derivatives
No contracts with embedded derivatives have been identified and accordingly no such derivatives have been accounted for separately.

18 Provisions

	2012 £m	2011 £m
Opening balance	**13.2**	13.6
Released in the year	**(4.3)**	(0.4)
Closing balance	**8.9**	13.2

Provisions relate principally to warranties provided in relation to the Best Buy Europe Joint Venture Transaction.

19 Share capital

	2012 million	2011 million	**2012 £m**	2011 £m
Allotted, called-up and fully paid ordinary shares of 0.1p each	**472.8**	457.1	**0.5**	0.5
B shares – redeemable preference shares of 172p each	**19.2**	—	**32.9**	—
Deferred shares of 0.01p each	**129.7**	—	**—**	—

20 Reserves and accumulated profits

2012	Share capital £m	Share premium reserve £m	Accumulated profits £m	Translation reserve £m	Demerger reserve £m	Capital redemption reserve £m	Total £m
At the beginning of the year	**0.5**	**754.0**	**741.7**	**12.0**	**(750.2)**	**—**	**758.0**
Net profit for the year	**—**	**—**	**762.5**	**—**	**—**	**—**	**762.5**
Currency translation	**—**	**—**	**—**	**(11.9)**	**—**	**—**	**(11.9)**
Issue of shares	**589.8**	**(584.0)**	**—**	**—**	**—**	**—**	**5.8**
Redemption of shares	**(556.9)**	**—**	**(556.9)**	**—**	**—**	**556.9**	**(556.9)**
Equity dividends	**—**	**—**	**(253.6)**	**—**	**—**	**—**	**(253.6)**
Net purchase of own shares	**—**	**—**	**(16.0)**	**—**	**—**	**—**	**(16.0)**
Tax on items recognised directly in reserves	**—**	**—**	**(0.2)**	**—**	**—**	**—**	**(0.2)**
Share of other reserve movements of joint ventures	**—**	**—**	**0.7**	**—**	**—**	**—**	**0.7**
Net movements in relation to share schemes	**—**	**—**	**19.6**	**—**	**—**	**—**	**19.6**
At the end of the year	**33.4**	**170.0**	**697.8**	**0.1**	**(750.2)**	**556.9**	**708.0**

On 30 January 2012 under the B/C Share Scheme, 342.9m B shares and 129.7m C shares were allotted to shareholders through the capitalisation of £589.8m of the share premium reserve. On 31 January 2012 the Company redeemed 323.8m B shares for 172p per share, being £556.9m in total, and a dividend was declared on each C share of 172p, totalling £223.0m. Following the declaration of dividends on the C shares, these shares became deferred shares which carry no rights to participate in the profits of the Company or a return of capital. The remaining 19.2m B shares were redeemed by the Company on 10 April 2012 for 172p per share, being £32.9m. The B shares, C shares and deferred shares have no rights to attend or vote at a general meeting of the Company.

Net purchase of own shares reflects the purchase of 9.0m shares in the Company for gross consideration of £28.1m offset by £11.7m cash compensation paid by Best Buy Europe in April 2012 in relation to the shares gifted to senior Best Buy Europe executives, as detailed in note 4, and £0.4m received in option costs on the exercise of non-nil priced share option exercises.

On 20 January 2012, the Company issued 15.7m ordinary shares to participants in the Best Buy Europe VES, as described in note 5.

2011	Share capital £m	Share premium reserve £m	Accumulated profits £m	Translation reserve £m	Demerger reserve £m	Capital redemption reserve £m	Total £m
At the beginning of the year	0.5	754.0	675.1	12.1	(751.2)	—	690.5
Net profit for the year	—	—	65.6	—	—	—	65.6
Currency translation	—	—	—	(0.1)	—	—	(0.1)
Net purchase of own shares	—	—	(2.7)	—	—	—	(2.7)
Tax on items recognised directly in reserves	—	—	1.0	—	—	—	1.0
Share of other reserve movements of joint ventures	—	—	1.5	—	—	—	1.5
Net movements in relation to share schemes	—	—	1.2	—	—	—	1.2
Movements in demerger reserve	—	—	—	—	1.0	—	1.0
At the end of the year	0.5	754.0	741.7	12.0	(750.2)	—	758.0

21 Analysis of changes in Group funding

2012	**Opening £m**	**Cash flows £m**	**Closing £m**
Cash and cash equivalents	**120.6**	**(17.9)**	**102.7**

2011	Opening £m	Cash flows £m	Closing £m
Cash and cash equivalents	100.0	20.6	120.6

22 Related party transactions

During the year, the Group had the following disclosable transactions with its joint ventures (see also note 13):

	2012		2011	
	Best Buy Europe £m	**Virgin Mobile France £m**	Best Buy Europe £m	Virgin Mobile France £m
Revenue for services provided	**3.1**	**—**	3.1	—
Net interest and other finance income	**0.3**	**1.2**	1.0	1.6
Loans owed to the Group	**—**	**24.3**	—	35.7
Other amounts owed to the Group	**15.4**	**—**	0.2	0.1
Other amounts owed by the Group	**—**	**—**	(1.2)	—

Revenue for services provided relates to investment property rental income.

Amounts owed to the Group by Best Buy Europe at 31 March 2012 primarily reflect amounts due in relation to shares gifted to senior Best Buy Europe executives as detailed in note 4, which were settled in April 2012.

FIVE YEAR RECORD (UNAUDITED)

Headline results

	2012 £m	Restated 2011 £m	Restated 2010 £m	Restated 2009 £m	Restated 2008 £m
a) Group					
Revenue	**6.4**	5.6	5.5	5.1	5.0
Share of results of CPW Europe	**48.3**	47.3	38.2	28.3	67.0
Share of results of Virgin Mobile France	**6.1**	8.2	(8.2)	(8.4)	(6.0)
Other	**(3.1)**	(6.4)	(7.2)	(7.0)	(8.0)
Net profit	**57.7**	54.7	28.3	18.0	58.0
Earnings per share					
– Basic	**12.6p**	12.1p	6.3p	4.0p	12.8p
– Diluted	**12.1p**	11.6p	6.2p	3.9p	12.4p
b) CPW Europe					
Revenue	**3,313.1**	3,504.8	3,528.8	3,562.6	3,091.0
EBITDA	**219.6**	219.1	206.3	184.5	211.0
EBIT	**135.0**	134.6	114.4	97.2	145.0
Interest	**(16.4)**	(15.2)	(16.3)	(11.9)	3.0
Taxation	**(22.0)**	(24.8)	(21.8)	(28.7)	(14.0)
Profit after taxation	**96.6**	94.6	76.3	56.6	134.0
c) Virgin Mobile France					
Revenue	**390.2**	328.4	232.8	138.9	87.0
EBITDA	**25.7**	24.3	(19.3)	(20.2)	(16.0)
EBIT	**21.5**	20.6	(22.2)	(22.7)	(17.0)
Interest	**(2.5)**	(2.9)	(1.5)	(1.4)	(1.0)
Taxation	**(6.7)**	(0.7)	5.1	6.7	6.0
Profit (loss) after taxation	**12.3**	17.0	(18.6)	(17.4)	(12.0)

The financial results for the periods prior to the Demerger have been prepared on the basis that the structure of the Group at Demerger had been in place for the duration of all periods reported.

Headline results for previous periods have been restated to exclude the results of businesses which have been discontinued by the Group's joint ventures.

COMPANY BALANCE SHEET
AS AT 31 MARCH 2012 AND 31 MARCH 2011

	Notes	**2012 £m**	2011 £m
Fixed assets			
Investments	4	**749.9**	750.4
Current assets			
Cash and cash equivalents		**161.0**	163.5
Debtors: due within one year	5	**46.4**	46.2
		207.4	209.7
Creditors: amounts falling due within one year	6	**(12.8)**	(10.9)
Net current assets		**194.6**	198.8
Total assets less current liabilities		**944.5**	949.2
Provisions	7	**(8.9)**	(13.2)
Net assets		**935.6**	936.0
Equity			
Share capital	9	**33.4**	0.5
Share premium reserve	9	**170.0**	754.0
Profit and loss account	9	**175.3**	181.5
Capital redemption reserve	9	**556.9**	—
Total capital employed		**935.6**	936.0

The accompanying notes are an integral part of this Company Balance Sheet.

The financial statements on pages 80 to 84 were approved by the Board on 13 June 2012 and signed on its behalf by:

Roger Taylor
Chief Executive Officer

Nigel Langstaff
Chief Financial Officer

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Accounting policies

a) Basis of preparation

The Company is incorporated in the United Kingdom. The financial statements have been prepared on a going concern basis (see note 1 to the Group financial statements) and in accordance with applicable United Kingdom accounting standards under the historical cost convention, as modified by FRS 26 'Financial Instruments: Measurement'.

The Group's financial statements for the period ended 31 March 2012 contain a consolidated cash flow statement. Consequently, the Company has applied the exemption in FRS 1 'Cash Flow Statements' not to present its own cash flow statement.

The Company was incorporated on 17 December 2009 and the comparative information in these financial statements reflects the period from this date to 31 March 2010.

The following principal accounting policies have been applied consistently throughout both periods.

b) Investments

Investments held in subsidiaries and joint ventures are recognised at cost, being the fair value of consideration, acquisition charges associated with the investment and capital contributions by way of share-based payments, less any provision for permanent diminution in value.

Investments where the Company does not have control or significant influence are treated as available-for-sale and recorded at fair value. Changes in fair value, together with any related deferred taxation, are taken directly to reserves, and recycled to the profit and loss account when the investment is sold or is determined to be impaired.

c) Share-based payments

Equity settled share-based payments are measured at fair value at the date of grant and expensed over the vesting period, based on an estimate of the number of shares that will eventually vest.

Fair value is measured by use of a Binomial model for share-based payments with internal performance criteria (such as EPS targets) and a Monte Carlo model for those with external performance criteria (such as TSR targets).

For schemes with internal performance criteria, the number of options expected to vest is recalculated at each balance sheet date, based on expectations of performance against target and of leavers prior to vesting. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in reserves.

For schemes with external performance criteria, the number of options expected to vest is adjusted only for expectations of leavers prior to vesting. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in reserves.

If a share-based payment scheme is cancelled, any remaining part of the fair value of the scheme is expensed through the profit and loss account. If a share-based payment scheme is forfeited, no further expense is recognised and any charges previously recognised through the profit and loss account are reversed.

Share-based payment charges are also recognised on loans that are provided to employees to settle personal tax liabilities; the cost of such loans is expensed on grant.

Charges also arise on loans that are provided to employees to fund the purchase of shares in the Group as part of long-term incentive plans, to the extent to which the loans are not, in certain circumstances, repayable; the cost of the relevant part of such loans is expensed over the course of the relevant incentive plans.

d) Dividends

Dividends receivable from the Company's subsidiaries are recognised only when they are approved by shareholders.

Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which they are approved by the Company's shareholders. Interim and other dividends are recognised in the period in which they are paid.

e) Foreign currency translation

Material transactions in foreign currencies are hedged using forward purchases or sales of the relevant currencies and are recognised in the financial statements at the exchange rates thus obtained. Unhedged transactions are recorded at the exchange rate on the date of the transaction. Material monetary assets and liabilities denominated in foreign currencies are hedged, mainly using forward foreign exchange contracts to create matching liabilities and assets, and are retranslated at each balance sheet date. Hedge accounting as defined by FRS 26 has been applied in the period.

f) Loans and other borrowings

Bank fees and legal costs associated with the securing of external financing are capitalised and amortised over the term of the relevant facility. All other borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

g) Provisions

Provisions are recognised when a legal or constructive obligation exists as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted where the time value of money is considered to be material.

2 Profit and loss account

In accordance with the exemption permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented separately. The profit recognised for the year to 31 March 2012 was £789.6m (2011: £176.2m). Information regarding the audit fees for the Group is provided in note 3 to the Group financial statements.

3 Equity dividends and other distributions

The following dividends and distributions were paid during the year:

	2012 £m	2011 £m
Final dividend for the year ended 31 March 2011 of 5.0p per ordinary share	**22.7**	—
Interim dividend for the year ended 31 March 2012 of 1.75p per ordinary share	**7.9**	—
Dividend of 172p per C share through the B/C Share Scheme	**223.0**	—
Redemption of 172p per B share through the B/C Share Scheme	**556.9**	—
	810.5	—

The following distributions are committed or proposed but had not been effected at 31 March 2012:

	2012 £m
Final dividend for the year ended 31 March 2012 of 3.25p per ordinary share	**15.4**
Redemption of 172p per B share through the B/C Share Scheme	**32.9**

The proposed final dividend for the year ended 31 March 2012 is subject to shareholders' approval at the forthcoming annual general meeting and has not been included as a liability in these financial statements. The expected cost of this dividend reflects the fact that the Group's ESOT has agreed to waive its rights to receive dividends (see note 5f to the Group financial statements).

The redemption of B shares that had not been effected at 31 March 2012 is in respect of shares where an election was made for the deferred capital option under the B/C Share Scheme and was effected in April 2012.

4 Fixed asset investments

	2012 £m	2011 £m
Opening balance	**750.4**	—
Additions	**87.0**	2,298.9
Disposals	**(0.6)**	(986.9)
Impairments	**(86.9)**	(559.1)
Foreign exchange	**—**	(2.5)
Closing balance	**749.9**	750.4
Cost	**838.4**	752.0
Accumulated impairments	**(88.5)**	(1.6)
Net carrying amount	**749.9**	750.4

Fixed asset investments comprise investments in subsidiary undertakings, joint venture investments and other minority investments. Details of the Company's investments in material subsidiary undertakings are provided in note 12 to the Group financial statements.

Additions during the year ended 31 March 2012 primarily reflect the transfer of part of the Group's interest in Best Buy Europe from CPW Retail Holdings Limited to the Company. CPW Retail Holdings Limited subsequently paid a dividend to the Company resulting in the impairment of the Company's investment in that company.

Disposals for the year ended 31 March 2012 reflect the sale of shares in Virgin Mobile France to management of that business.

Overview Business review Governance **Financial statements**

5 Debtors: due within one year

	2012 £m	2011 £m
Amounts owed by Group undertakings	**15.8**	7.5
Loans to joint ventures	**24.3**	35.7
Deferred tax asset	**1.1**	1.4
Other debtors	**5.2**	1.6
	46.4	46.2

Amounts owed by Group undertakings are repayable within 12 months of the balance sheet date.

Other debtors include loans of £4.0m (2011: nil) to members of senior management relating to the TalkTalk VES. In certain circumstances these loans would be repayable within one year and for this reason they are included within current assets. In certain other circumstances they would be repayable in more than one year.

6 Creditors: amounts falling due within one year

	2012 £m	2011 £m
Amounts owed to Group undertakings	**0.9**	1.2
Other creditors	**0.9**	2.4
Accruals and deferred income	**11.0**	7.3
	12.8	10.9

7 Provisions

	2012 £m	2011 £m
Opening balance	**13.2**	—
Transferred from Old Carphone Warehouse	**—**	13.5
Charge to the profit and loss account	**—**	0.1
Released in the period	**(4.3)**	(0.4)
Closing balance	**8.9**	13.2

Provisions relate principally to warranties provided in relation to the Best Buy Europe Joint Venture Transaction.

8 Financial instruments

The Company has applied the exemption under FRS 25 'Financial Instruments: Presentation' not to disclose details of financial instruments held by the Company. Full disclosure of the Group's financial instruments under FRS 29 (IFRS 7) 'Financial Instruments: Disclosures' and IAS 39 'Financial Instruments: Recognition and Measurement' is provided in note 17 to the Group financial statements.

The Company has provided guarantees to third party suppliers of Virgin Mobile France, alongside the other shareholders of the business. The Company's maximum potential exposure on these guarantees is £19.8m (2011: £21.0m).

9 Share capital, reserves and accumulated profits

	2012 million	2011 million	2012 £m	2011 £m
Allotted, called-up and fully paid ordinary shares of 0.1p each	**472.8**	457.1	**0.5**	0.5
B shares – redeemable preference shares of 172p each	**19.2**	—	**32.9**	—
Deferred shares of 0.01p each	**129.7**	—	**—**	—

2012	**Share capital £m**	**Share premium reserve £m**	**Profit and loss account £m**	**Capital redemption reserve £m**	**Total £m**
Opening balance	**0.5**	**754.0**	**181.5**	**—**	**936.0**
Retained profit for the year	**—**	**—**	**789.6**	**—**	**789.6**
Issue of shares	**589.8**	**(584.0)**	**—**	**—**	**5.8**
Redemption of shares	**(556.9)**	**—**	**(556.9)**	**556.9**	**(556.9)**
Equity dividends	**—**	**—**	**(253.6)**	**—**	**(253.6)**
Tax on items recognised directly in reserves	**—**	**—**	**(0.2)**	**—**	**(0.2)**
Net cost of share-based payments	**—**	**—**	**14.9**	**—**	**14.9**
At 31 March 2012	**33.4**	**170.0**	**175.3**	**556.9**	**935.6**

2011	Share capital £m	Share premium reserve £m	Profit and loss account £m	Demerger reserve £m	Total £m
On incorporation	—	—	—	—	—
Retained profit for the period	—	—	176.2	—	176.2
Tax on items recognised directly in reserves	—	—	1.0	—	1.0
Net cost of share-based payments	—	—	4.3	—	4.3
Insertion as holding company of Old Carphone Warehouse Group	—	—	—	1,741.4	1,741.4
Capitalisation of demerger reserve	1.4	1,740.0	—	(1,741.4)	—
Demerger of TalkTalk Group	(0.9)	(986.0)	—	—	(986.9)
At 31 March 2011	0.5	754.0	181.5	—	936.0

Note 20 to the Group financial statements provides further details of the issue and redemption of shares.

For details of the Company's equity dividends and special distributions see note 3.

10 Related party transactions

The Company has taken advantage of the exemption under FRS 8 'Related Party Disclosures' not to provide details of related party transactions with other Group companies, as the Company's financial statements are presented together with the consolidated Group financial statements.

During the year, the Company had the following disclosable transactions and balances with its joint ventures and other related parties:

	2012		2011		
	Best Buy Europe £m	**Virgin Mobile France £m**	TalkTalk Group £m	Best Buy Europe £m	Virgin Mobile France £m
Net interest and other finance income	**0.3**	**1.2**	—	1.0	1.6
Loans owed to the Company	**—**	**24.3**	—	—	35.7
Other amounts owed to the Company	**0.4**	**—**	0.1	0.2	0.1
Other amounts owed by the Company	**—**	**—**	—	(1.2)	—

GLOSSARY AND DEFINITIONS

The following definitions apply throughout this annual report unless the context otherwise requires:

ACQUISITION INTANGIBLES	Acquired intangible assets such as customer bases, brands and other intangible assets acquired through a business combination capitalised separately from goodwill.
ARPU	Average revenue per user.
B/C SHARE SCHEME	The scheme used to return the initial proceeds from the Best Buy Mobile Disposal to shareholders.
BEST BUY	Best Buy Co., Inc. (incorporated in the United States) and its subsidiaries and interests in joint ventures and associates.
BEST BUY EUROPE	Best Buy Europe Distributions and its subsidiaries and interests in joint ventures and associates.
BEST BUY EUROPE DISTRIBUTIONS	Best Buy Europe Distributions Limited (incorporated in England and Wales) which is a subsidiary of New BBED.
BEST BUY EUROPE JOINT VENTURE TRANSACTION	Old Carphone Warehouse's disposal of a 50% interest in its mobile retail and distribution business (Best Buy Europe), including its economic interests in Best Buy Mobile, in June 2008.
BEST BUY MOBILE	Best Buy's retail operations in respect of mobile phones and other connected devices in which Best Buy Europe had a profit share arrangement.
BEST BUY MOBILE DISPOSAL	The disposal of the Group's interest in Best Buy Mobile to Best Buy.
BEST BUY UK	Best Buy Europe's Best Buy branded 'Big Box' stores and online business.
BOARD	The Board of directors of the Company.
CGU	Cash generating unit.
COMPANY	Carphone Warehouse Group plc (incorporated in England and Wales).
CPW EUROPE	Best Buy Europe's core continuing operations.
DEMERGER	The demerger of Old Carphone Warehouse into the Group and TalkTalk Group, effective on 26 March 2010.
DIVIDEND COVER	Reflects how many times dividends declared are covered by the net profit of the Group. It is calculated as basic EPS divided by dividends declared in the financial year.
EARNINGS	Profit or loss after taxation, unless the context otherwise requires.
EBIT	Earnings before investment income, interest and taxation.
EBITDA	Earnings before investment income, interest, taxation, depreciation and amortisation.
EPS	Earnings per share (basic unless otherwise indicated).
ESOT	Employee share ownership trust.
GROUP	The Company, its subsidiaries, interests in joint ventures and other investments.
HEADLINE RESULTS	Results before non-Headline results. The phrases "Headline earnings", "Headline EBIT", "Headline EBITDA" and "Headline EPS" should be interpreted in the same way. The Headline results of the Group's joint ventures also include certain reclassifications, as detailed in note 13 to the Group financial statements, to aid understanding of underlying performance.
IFRS	International Financial Reporting Standards as adopted by the European Union.
MNO	Mobile network operator.
MTR	Mobile termination rates.
MVNO	Mobile virtual network operator.
NEW BBED	New BBED Limited (incorporated in England and Wales) owned jointly by the Group and Best Buy.
NON-HEADLINE RESULTS	Items which have been excluded from Headline results to avoid distortion of underlying performance. Comprises exceptional items which are considered to be one-off and so material that they require separate disclosure to avoid distortion of underlying performance, the results of businesses which have been discontinued by joint ventures, and amortisation of acquisition intangibles.
OLD CARPHONE WAREHOUSE	TalkTalk Telecom Holdings Limited (formerly "The Carphone Warehouse Group PLC") (incorporated in England and Wales).
OLD CARPHONE WAREHOUSE GROUP	Old Carphone Warehouse and its subsidiaries and interests in joint ventures prior to the Demerger.
PAT	Profit after taxation.
PBT	Profit before taxation.
ROCE	Return on capital employed. Net profit as a percentage of capital employed, calculated using Headline earnings and with capital employed defined as average equity and average non-current debt. Averages are calculated based on the opening and closing positions for the relevant year.
RCF	Revolving credit facility.
TALKTALK GROUP	TalkTalk Telecom Group PLC and its subsidiaries and other investments.
TSR	Total shareholder return.
UK GAAP	United Kingdom Accounting Standards and applicable law.
VES	Value enhancement scheme.
VIRGIN MOBILE FRANCE	Omer Telecom Limited (incorporated in England and Wales) and its subsidiaries, operating an MVNO in France as a joint venture between the Company, Bluebottle UK Limited and Financom S.A.S.

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CARPHONE WAREHOUSE
GROUP PLC

Carphone Warehouse Group plc
1 Portal Way
London W3 6RS
United Kingdom

Telephone: +44 (0)20 8617 6002
Email: ir@cpwplc.com
Registered no. 07105905

www.cpwplc.com