This document comprises a prospectus relating to Carphone Warehouse and has been prepared in accordance with the Prospectus Rules and approved by the FCA under the FSMA. This document has been made available to the public in accordance with the Prospectus Rules.

Carphone Warehouse and the Directors whose names appear on page 189, accept responsibility for the information contained in this document. To the best of the knowledge of Carphone Warehouse and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

Investors should read the whole of this document carefully. In particular, investors should take account of the section entitled Risk Factors on pages 18 to 25 of this document for a discussion of the risks which might affect the value of an investment in Carphone Warehouse.

Carphone Warehouse Group plc

(Incorporated in England and Wales under the Companies Act 2006 with registered number 07105905)

Admission to the standard listing segment of the Official List and to trading on the London Stock Exchange of the Enlarged Issued Share Capital

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Application will be made to the FCA for all of the Ordinary Shares, issued and to be issued pursuant to the Acquisition, to be admitted to the standard listing segment of the Official List and to the London Stock Exchange for the Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence at 8.00 a.m. on 25 June 2013. Because the Acquisition is classified as a reverse takeover under the Listing Rules, upon Completion the listing on the Official List, and trading on the main market of the London Stock Exchange, of the Existing Ordinary Shares will be cancelled, and application will be made for the immediate readmission of the Existing Ordinary Shares and admission of the Consideration Shares to the standard listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. The Consideration Shares will rank *pari passu* in all respects with the Existing Ordinary Shares. No application has been made for the Ordinary Shares to be admitted to listing or dealt with on any other exchange.

Investors should only rely on the information contained in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised by Carphone Warehouse, the Directors or Credit Suisse. No representation or warranty, express or implied, is made by Credit Suisse as to the accuracy or completeness of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by Credit Suisse as to the past, present or future. In particular, the contents of Carphone Warehouse's website do not form part of this document and investors should not rely on them. Without prejudice to any legal or regulatory obligation on Carphone Warehouse to publish a supplementary prospectus pursuant to section 87G of the FSMA and Prospectus Rule 3.4, neither the delivery of this document nor Admission shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group taken as a whole since the date of this document or that the information in it is correct as of any time after the date of this document.

Persons into whose possession this document comes should inform themselves about and observe any applicable restrictions and legal, exchange control or regulatory requirements in relation to the distribution of this document and the Acquisition. Any failure to comply with such restrictions or requirements may constitute a violation of the securities laws of any such jurisdiction. The contents of this document should not be construed as legal, business or tax advice.

The Ordinary Shares have not been, and will not be, registered under the Securities Act, or with any securities regulatory authority of any state or any other jurisdiction of the United States or under the applicable securities laws of any jurisdiction outside the United Kingdom. Accordingly, the Ordinary Shares may not be offered, sold or otherwise transferred, directly or indirectly, in or into any such jurisdiction or for the account or benefit of citizens or residents of any such jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of such jurisdiction. Investors outside the United Kingdom are required by Carphone Warehouse to inform themselves about and observe any restrictions on the offer, sale or transfer of Ordinary Shares.

The distribution of this document and any accompanying documents and the allotment and issue of Ordinary Shares in jurisdictions other than the United Kingdom may be restricted by law. Persons outside the United Kingdom into whose possession this document and any accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of the relevant jurisdiction. No action has been taken by Carphone Warehouse or Credit Suisse to obtain any approval, authorisation or exemption to permit the allotment or issue of Ordinary Shares or the possession or distribution of this document (or any other publicity material relating to the Ordinary Shares) in any jurisdiction other than the United Kingdom.

Credit Suisse, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority, is acting for Carphone Warehouse and no-one else in connection with the Acquisition and will not regard any other person (whether or not a recipient of this document) as its client in relation to the Acquisition and will not be responsible to anyone other than Carphone Warehouse for providing the protections afforded to its clients nor for the giving of advice in relation to the Acquisition or any other matter or arrangement referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Credit Suisse by the FSMA or the regulatory regime established thereunder, Credit Suisse accepts no responsibility whatsoever for the contents of this document, including its accuracy, completeness or for any other statement made or purported to be made by it, or on its behalf, in connection with Carphone Warehouse, the Ordinary Shares, the Acquisition or Admission. Credit Suisse, its subsidiaries, branches and affiliates accordingly disclaim all and any duty, liability and responsibility whether arising in tort, contract or otherwise (save as referred to above) in respect of this document or any such statement or otherwise.

Table of Contents

SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of the words "not applicable".

Section A – Introduction and warnings

Element

A.1	**Warning to investors**	This summary should be read as an introduction to this document. Any decision to invest in the Ordinary Shares should be based on consideration of this document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in the Ordinary Shares.
A.2	**Subsequent resale or final placement of securities by financial intermediaries**	*Not applicable: The Company is not engaging any financial intermediaries for subsequent resale or final placement of the Ordinary Shares after publication of this document.*

Section B – Issuer

Element

B.1	**Legal and commercial name**	The Company's legal name is Carphone Warehouse Group Public Limited Company.
B.2	**Domicile / legal form / legislation / country of incorporation**	The Company is domiciled in England and Wales. The Company was incorporated and registered in England and Wales on 15 December 2009 with registered number 07105905 as a public company limited by shares. The principal legislation under which the Company operates is the Act and regulations made thereunder.
B.3	**Current operations and principal activities and markets**	The Group currently holds a 50 per cent. interest in New BBED. Following Completion, the Group will own a 100 per cent. interest in New BBED. CPW Europe, New BBED Group's continuing business, is one of the largest independent telecommunications retailers in Europe, operating 2,377 stores as at 31 March 2013 in eight European countries, principally under the Carphone Warehouse and Phone House brands, together with a well-developed online proposition. CPW Europe specialises in mobile handsets, tablets and other connected devices, combining hardware with

connections to service providers to create subsidised propositions. The business has highly-trained consultants who provide specialist and independent advice in areas of product and service complexity, and offers ongoing customer support beyond the point of sale, including a comprehensive range of insurance and technical support services.

The Group also holds a 46 per cent. interest in Virgin Mobile France, which is the fifth largest mobile operator in France with approximately 1.7 million customers, operating as an MVNO predominantly under the Virgin Mobile brand. Virgin Group also has a 46 per cent. interest in Virgin Mobile France. The remaining interests are held by Financom S.A.S. and members of senior management of Virgin Mobile France.

The Group also had three freehold properties with an aggregate book value of £26.7 million, cash balances with a value of £116.9 million and loans receivable from Virgin Mobile France of £20.5 million as at 31 March 2013, in each case as extracted without material adjustment from the unaudited management accounts of the Group for the month ended 31 March 2013.

The Company announced on 30 April 2013 that it had conditionally agreed to acquire the 50 per cent. of New BBED that the Company does not already own from Best Buy for a net consideration of £471 million. Completion is conditional upon:

(a) the FCA having acknowledged that the application for the admission of the Enlarged Issued Share Capital to the Official List has been approved and the London Stock Exchange having acknowledged that the Enlarged Issued Share Capital will be admitted to trading on its main market for listed securities; and

(b) the Autorité de la concurrence in France having declared that the Acquisition will not substantially lessen competition, or the time limit for the Ministry of Economy in France requesting that the Autorité de la concurrence open a Phase II review having expired without any such request having been made, or the Autorité de la concurrence having issued a comfort letter declaring that the Acquisition falls outside of the scope of review.

The gross consideration payable by the Group in connection with the Acquisition is £500 million. However, payments due to the Group from the Best Buy Group of approximately £29 million in respect of the prepayment or termination of the Group's other interests with the Best Buy Group pursuant to the terms of the Termination Agreement will be offset against the gross consideration with the net consideration therefore being £471 million.

The net consideration for the Acquisition will be satisfied as follows:

- £341 million payable in cash on Completion, funded through the net proceeds of the Placing and a new £250 million four-year amortising sterling term loan facility;
- £80 million by the issue to the Best Buy Group on Admission of the Consideration Shares at 190 pence per share, representing approximately 7.5 per cent. of the Enlarged Issued Share Capital; and
- £50 million of Deferred Consideration, which bears interest at 2.5 per cent. per annum, payable to the Best Buy Group in two equal instalments of £25 million each in cash on the first and second anniversaries of Completion.

<table>
<tr><td>B.4a</td><td>Significant recent trends affecting the Group and its industry</td><td>
CPW Europe has benefitted from the rapid development of smartphones, tablets and other connected devices, which use mobile and other networks to connect to the internet. Increasing choice, and product and service complexity, is supported well by CPW Europe's proposition of expert, impartial advice. Product innovation is expected to continue and further growth in the smartphone and tablet categories is anticipated over the next five years.
CPW Europe is also affected by the performance of MNOs, from whom significant revenues are derived. Regulatory intervention, weakened consumer spending and competition have combined to put downward pressure on ARPUs in recent years. The MNOs in CPW Europe's markets are investing to develop 4G services, which are expected to become a much more significant part of the market in coming years. In the US and elsewhere, MNOs have applied a premium for higher quality 4G services, and for higher levels of data usage, and it is anticipated that MNOs in Western Europe may seek to adopt a similar approach in order to stimulate ARPU.
Virgin Mobile France is affected by ARPUs in the French market, which has seen particularly intense competition in the last two years, and which has witnessed a decline of approximately 15 per cent. in mobile service revenues during this period. Further downward pressure is anticipated although, as in other markets, the development of 4G services may provide an opportunity for mobile operators to counter some of this pressure.
</td></tr>
<tr><td>B.5</td><td>Description of the Group</td><td>The Company is the ultimate holding company of the Group.</td></tr>
<tr><td>B.6</td><td>Major shareholders</td><td>
As at 5 June 2013 (being the latest practicable date prior to the publication of this document), insofar as is known to the Company, the following persons are interested directly or indirectly in three per cent. or more of the voting rights in respect of the issued ordinary share capital of the Company:
<table>
<tr><th>Name</th><th>Number of Ordinary Shares</th><th>Percentage of issued Ordinary Shares</th></tr>
<tr><td>C Dunstone</td><td>135,083,481</td><td>25.98</td></tr>
<tr><td>D P J Ross</td><td>56,388,699</td><td>10.84</td></tr>
<tr><td>BlackRock Investment Management (UK) Limited</td><td>51,403,163</td><td>9.89</td></tr>
<tr><td>M&G Investment Management Limited</td><td>41,731,619</td><td>8.03</td></tr>
<tr><td>Invesco Asset Management</td><td>18,376,910</td><td>3.53</td></tr>
<tr><td>Newton Investment Management Ltd</td><td>16,159,923</td><td>3.11</td></tr>
<tr><td>Odey Asset Management LLP</td><td>15,966,659</td><td>3.07</td></tr>
</table>
As at 5 June 2013 (being the latest practicable date prior to the publication of this document), the Company was not aware of any person or persons who directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
All of the Ordinary Shares have the same voting rights.
</td></tr>
</table>

B.7	Selected historical key financial information	FINANCIAL INFORMATION FOR THE GROUP

Summarised Consolidated Income Statement

	(Unaudited)		(Audited)		
	Six months ended 30 September 2012 £m	Six months ended 30 September 2011 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Headline results					
Revenue	5.4	2.8	6.4	5.6	5.5
Operating expenses	(3.3)	(3.0)	(5.4)	(8.7)	(6.0)
Share of results of joint ventures	5.3	5.5	54.4	55.5	30.0
Profit before investment income, interest and taxation	7.4	5.3	55.4	52.4	29.5
Net interest and investment income (expense)	1.2	1.3	2.9	3.9	(1.6)
Profit before taxation	8.6	6.6	58.3	56.3	27.9
Taxation	(1.2)	(0.7)	(0.6)	(1.6)	0.4
Profit after taxation	7.4	5.9	57.7	54.7	28.3
Statutory results					
Headline profit after taxation	7.4	5.9	57.7	54.7	28.3
Non-Headline items	(0.3)	(1.3)	704.8	10.9	190.5
Profit after taxation	7.1	4.6	762.5	65.6	218.8

Summarised Consolidated Balance Sheet

	(Unaudited)		(Audited)		
	As at 30 September 2012 £m	As at 30 September 2011 £m	As at 31 March 2012 £m	As at 31 March 2011 £m	As at 31 March 2010 £m
Non-current assets	597.9	650.7	603.0	661.5	608.6
Current assets	83.3	103.4	124.0	127.1	105.6
Total assets	681.2	754.1	727.0	788.6	714.2
Total liabilities	(20.8)	(26.8)	(19.0)	(30.6)	(23.7)
Net assets	660.4	727.3	708.0	758.0	690.5
Total equity	660.4	727.3	708.0	758.0	690.5

Summarised Consolidated Cash Flow Statement

	(Unaudited)		(Audited)		
	Six months ended 30 September 2012 £m	Six months ended 30 September 2011 £m	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Net cash flows from operating activities	22.4	(2.8)	(12.3)	4.4	2.5
Cash flows from investing activities	3.2	8.4	825.5	16.8	152.5
Cash flows from financing activities	(47.3)	(29.1)	(831.1)	(0.6)	(55.0)
Net increase in cash and cash equivalents	(21.7)	(23.5)	(17.9)	20.6	100.0
Cash and cash equivalents at the end of the period	81.0	97.1	102.7	120.6	100.0

FINANCIAL INFORMATION FOR THE NEW BBED GROUP

Summarised Consolidated Income Statement

	(Unaudited)		(Audited)		
	26 weeks ended 29 September 2012 £m	26 weeks ended 1 October 2011 £m	52 weeks ended 31 March 2012 £m	52 weeks ended 2 April 2011 £m	52 weeks ended 3 April 2010 £m
Results before Exceptional Items					
Revenue	1,660	1,538	3,313	3,505	3,529
EBITDA	51	60	213	206	197
Profit before interest and taxation	11	17	128	123	105
Profit before taxation	8	11	120	119	98
Profit for the period from continuing operations	6	8	99	95	76
Loss for the period from discontinued operations	—	(34)	(53)	(45)	(15)
Profit (loss) for the financial period	6	(26)	46	50	61
Statutory results					
Profit (loss) before Exceptional Items	6	(26)	46	50	61
Exceptional Items	—	—	(155)	—	—
Profit (loss) after Exceptional Items	6	(26)	(109)	50	61

Summarised Consolidated Balance Sheet

	(Unaudited)		(Audited)		
	As at 29 September 2012 £m	As at 1 October 2011 £m	As at 31 March 2012 £m	As at 2 April 2011 £m	As at 3 April 2010 £m
Non-current assets	682	636	662	662	677
Current assets	1,174	1,197	1,159	1,117	1,095
Total assets	1,856	1,833	1,821	1,779	1,772
Current liabilities	(821)	(773)	(783)	(809)	(900)
Non-current liabilities	(206)	(129)	(202)	(32)	(60)
Total liabilities	(1,027)	(902)	(985)	(841)	(960)
Net assets	829	931	836	938	812
Total equity	829	931	836	938	812

		Summarised Consolidated Cash Flow Statement

	(Unaudited)		(Audited)		
	26 weeks ended 29 September 2012 £m	26 weeks ended 1 October 2011 £m	52 weeks ended 31 March 2012 £m	52 weeks ended 2 April 2011 £m	52 weeks ended 3 April 2010 £m
Net cash flows from operating activities	(74)	(130)	(101)	80	139
Cash flows from investing activities	(35)	(40)	(88)	(91)	(81)
Cash flows from financing activities	(5)	121	208	(16)	(129)
Net (decrease) increase in cash and cash equivalents	(114)	(49)	19	(27)	(71)
Cash and cash equivalents at the end of the period	52	101	164	146	175

The following significant change to the financial and trading position of the Group occurred during these periods:

- In the year ended 31 March 2012, the Group disposed of its interest in Best Buy Mobile, for an initial consideration of £813 million, as a result of which the Group's rights to the profit share from Best Buy Mobile ceased from October 2011. Distributions of £813 million to Shareholders in relation to the Best Buy Mobile Disposal were made in February and April 2012.

There has been no significant change in the financial or trading position of the Group since 30 September 2012, being the end of the period for which the Group's last unaudited consolidated interim financial information was published.

There has been no significant change in the financial or trading position of the New BBED Group during the periods covered by the financial information, or since 29 September 2012.

B.8	**Selected key *pro forma* financial information**	The unaudited consolidated *pro forma* statement of net assets of the Group has been prepared in a manner consistent with the accounting policies adopted by the Group in preparing the historical financial information for the six months ended 30 September 2012, on the basis set out in the notes below and in accordance with Annex II to the Prospectus Directive Regulation. The unaudited consolidated *pro forma* statement of net assets of the Carphone Warehouse Group has been prepared to illustrate the effect on the net assets of the Group of the Acquisition and the Placing as if they had taken place as at 30 September 2012. The unaudited consolidated *pro forma* statement of net assets has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results.

		Adjustments				
	Group net assets at 30 September 2012(1) £m	New BBED Group net assets at 29 September 2012(2) £m	Placing(3) £m	Net Considera-tion(4) £m	Acquisition accounting adjust-ments(5) £m	*Pro forma* net assets of the Group £m
Non-current assets						
Goodwill	—	205			171	376
Other intangible assets	—	130				130
Property, plant and equipment	66	130				196
Interests in joint ventures	531	—			(517)	14
Deferred tax assets	1	24				25
Trade and other receivables	—	193				193
	598	682	—	—	(346)	934
Current assets						
Stock	—	310				310
Trade and other receivables	2	812				814
Cash and cash equivalents	81	52	103	(91)	(19)	126
	83	1,174	103	(91)	(19)	1,250
Total assets	681	1,856	103	(91)	(365)	2,184
Current liabilities						
Trade and other payables	(11)	(728)		(29)		(768)
Corporation tax liabilities	(1)	(49)				(50)
Finance lease obligations	—	(2)				(2)
Provisions	(9)	(42)				(51)
	(21)	(821)	—	(29)	—	(871)
Non-current liabilities						
Trade and other payables	—	(14)		(50)		(64)
Loans and other borrowings	—	(190)		(250)		(440)
Finance lease obligations	—	(2)				(2)
	—	(206)	—	(300)	—	(506)
Total liabilities	(21)	(1,027)	—	(329)	—	(1,377)
Net assets	660	829	103	(420)	(365)	807

Notes:

1. The net assets of the Group have been extracted without material adjustment from the unaudited interim financial information of the Group for the six months ended 30 September 2012.
2. The net assets of the New BBED Group have been extracted without material adjustment from the unaudited interim financial information of the New BBED Group for the 26 weeks ended 29 September 2012.
3. The Placing of 47,228,179 new Ordinary Shares, raised proceeds of £103 million, net of costs and expenses, which were received by the Group on 3 May 2013.
4. Net Consideration for the Acquisition is £471 million, comprising gross Consideration of £500 million offset by payments due to the Group from the Best Buy Group of approximately £29 million in respect of the prepayment or termination of the Group's other interests with the Best Buy Group pursuant to the terms of the Termination Agreement, which has been recognised as deferred income in trade and other payables.

   Net Consideration will be satisfied as follows:

   (a) £341 million payable in cash on Completion, funded through a new £250 million four-year amortising sterling term loan facility and £91 million of proceeds from the Placing.

   (b) £80 million by the issue to the Best Buy Group on Admission of the Consideration Shares, being 42,105,263 new Ordinary Shares, at 190 pence per Ordinary Share.

   (c) £50 million of Deferred Consideration, which bears interest at 2.5 per cent. per annum, payable to the Best Buy Group in two equal instalments of £25 million each in cash on the first and second anniversaries of Completion.

		The *pro forma* statement of consolidated net assets does not reflect any potential cash inflows or outflows on the disposal of the Consideration Shares on behalf of the Best Buy Group, given that any such cash flows cannot be predicted.

5. Acquisition accounting adjustments are as follows:

(a) The unaudited consolidated *pro forma* statement of net assets has been prepared on the basis that the Acquisition will be treated as an acquisition of the New BBED Group by the Carphone Warehouse Group in accordance with IFRS 3 'Business Combinations'. The unaudited consolidated *pro forma* statement of net assets does not reflect fair value adjustments to the acquired assets and liabilities of the New BBED Group as the fair value measurement of these items will be performed subsequent to the Acquisition. Such fair value adjustments may be material, although they will have no effect on the Group's net assets. For the purposes of the unaudited consolidated *pro forma* statement of net assets, the excess consideration over the book value of the net assets acquired has been attributed to goodwill.The preliminary goodwill arising has been calculated as follows:

	£m
Gross Consideration	500
Plus: Fair value of the Group's existing joint venture investment in the New BBED Group	500
Less: Book value of net assets of the New BBED Group at 29 September 2012	(829)
Goodwill recognised	171

Consistent with the principles of IFRS, the fair value of the Group's existing 50 per cent. investment in the New BBED Group has been assumed to be equal to the gross Consideration of £500 million to be paid by Carphone Warehouse to acquire the 50 per cent. of the New BBED Group currently owned by Best Buy.

(b) Following the Acquisition, the Group will control the New BBED Group and will therefore consolidate its net assets rather than continuing to recognise its share of the New BBED Group's net assets as a joint venture investment. The existing 50 per cent. investment in the New BBED Group, which had a carrying value of £517 million at 30 September 2012, will therefore be derecognised.

(c) Transaction costs of approximately £11 million and cash costs of approximately £8 million associated with employee incentive schemes of the New BBED Group are expected to be incurred as a result of the Acquisition and have been deducted from cash and cash equivalents in this unaudited consolidated *pro forma* statement of net assets.

6. No adjustment has been made to reflect the trading results of the Group since 30 September 2012 or the New BBED Group since 29 September 2012.

7. Had the Acquisition, related financing and the Placing completed on 1 April 2011, being the first day of the latest financial year for which Group financial statements have been published, the effect would have been to increase the Headline earnings of the Group.

8. The anticipated impact on the Group's *pro forma* net funds (debt) of the Acquisition and the Placing is summarised from the unaudited consolidated *pro forma* statement of net assets as follows:

		Adjustments				
	Group funds at 30 September 2012 £m	**New BBED Group funds (debt) at 29 September 2012 £m**	**Placing £m**	**Net Considera-tion £m**	**Acquisition accounting adjust-ments £m**	***Pro forma* funds (debt) of the Group £m**
Cash and cash equivalents	81	52	103	(91)	(19)	126
Current liabilities – finance lease obligations	—	(2)	—	—	—	(2)
Non-current liabilities – loans and other borrowings	—	(190)	—	(250)	—	(440)
Non-current liabilities – finance lease obligations	—	(2)	—	—	—	(2)
Net funds (debt)	81	(142)	103	(341)	(19)	(318)

B.9	**Profit forecast or estimate**	The Group's annual report for the year ended 31 March 2012 provided a guidance range for Headline EPS for the year to 31 March 2013 of 11.5 pence to 13.0 pence. The most material part of the Group's earnings is derived from the Group's interest in CPW Europe. A guidance range for CPW Europe Headline EBIT for the year to 31 March 2013 was provided in the same document at £130 million to £150 million. The Group's interim management statement published on 24 January 2013 narrowed this guidance range to £135 million to £145 million.

		The Group's unaudited interim results statement for the six months ended 30 September 2012 published on 14 November 2012 highlighted that non-Headline charges were expected within CPW Europe in the second half of the year to 31 March 2013 in relation to restructuring activities, estimated on a pre-tax basis at £20 million to £25 million for cash costs and £5 million to £10 million for non-cash asset write-downs. The Group's trading update dated 30 April 2013 noted that additional non-Headline non-cash asset write-downs of between £80 million and £90 million were also expected within CPW Europe in the year to 31 March 2013 in relation to its French operations. The profit estimate is unaudited.
B.10	**Audit report on the historical financial information – qualifications**	*Not applicable. There are no qualifications included in any audit report on the historical financial information included in this document.*
B.11	**Insufficient working capital**	*Not applicable. The Group has sufficient working capital for its present requirements.*

Section C – Securities

Element

C.1	**Type and class of securities being admitted to trading**	Ordinary shares in the capital of the Company, including the Consideration Shares to be issued pursuant to the Acquisition. When admitted to trading, the Ordinary Shares will be registered with ISIN GB00B4Y7R145 and SEDOL number B4Y7R14.
C.2	**Currency of the securities issue**	The Ordinary Shares are denominated in sterling.
C.3	**Number of issued and fully paid Ordinary Shares and par value**	As at the date of this document there are 519,982,722 Ordinary Shares in issue (all of which are fully paid). The Ordinary Shares have a par value of 0.1 pence each.
C.4	**Rights attached to the Ordinary Shares**	The Ordinary Shares rank equally for voting purposes. On a show of hands, each Shareholder has one vote and on a poll each Shareholder has one vote for every Ordinary Share held. Each Ordinary Share ranks equally for any dividend declared or any distributions made on a winding up of the Company. Each Ordinary Share ranks equally in the right to receive a relative proportion of shares in the case of a capitalisation of reserves.
C.5	**Restrictions on transfer**	The Ordinary Shares are freely transferable and there are no restrictions on transfer in the UK.

C.6	**Application for admission to trading on regulated market**	The Existing Ordinary Shares are currently admitted to trading on the London Stock Exchange's main market for listed securities. Application will be made for the Existing Ordinary Shares to be readmitted to, and for the Consideration Shares to be admitted to, trading on the London Stock Exchange's main market for listed securities. The London Stock Exchange's main market is a regulated market.
C.7	**Dividend policy**	The Group intends to maintain its existing progressive dividend policy, generally with a minimum of three times cover based on Headline earnings. In view of the Group's requirement to fund the Deferred Consideration payable pursuant to the Acquisition, the Directors will reserve the Group's position as to the form of dividend payments over the two years from Completion between cash and scrip.

Section D – Risks

Element

D.1	**Key information on key risks relating to the Company or its industry**	**Key risks related to the Group** ● Increased competition in key markets may materially and adversely impact the Group's businesses' performance and financial condition. There is already a high level of competition in the markets in which the Group's businesses operate. This level of competition may increase, which may further limit the future ability of CPW Europe and Virgin Mobile France to maintain their respective market share and revenue levels. The evolution of the internet as a sales channel and changes in consumer behaviour may adversely impact the financial position of the retail business within CPW Europe if customers choose to spend more online. ● General economic conditions and/or a decline in consumer discretionary spending may materially and adversely impact sales and/or gross margins. CPW Europe and Virgin Mobile France sell some products and services that consumers tend to view as conveniences rather than necessities. As a result, these businesses are more sensitive to changes in general economic conditions that impact consumer spending than some other consumer businesses. The current uncertain economic outlook, particularly in the United Kingdom and other European economies, could materially and adversely affect consumer spending habits and the operating results of the Group's businesses. ● CPW Europe and Virgin Mobile France are exposed to the distribution and other strategies of MNOs and product manufacturers. CPW Europe and Virgin Mobile France depend upon the availability, quality and cost of products and services, which exposes each of them to price, quality and supply variations. These businesses are reliant upon selling products and services of MNOs and other manufacturers and suppliers. The termination of any of these arrangements, whether through a change in distribution strategy of the MNOs or otherwise, could materially impact the revenues generated by these businesses. ● Virgin Mobile France operates a mobile virtual network that is dependent primarily upon Orange and SFR to deliver the underlying mobile network service. The termination of these arrangements by Orange or SFR or Virgin Mobile France for whatever reason could materially and adversely affect delivery and/or the performance of Virgin Mobile France's business.

- Carphone Warehouse does not exercise overall control over Virgin Mobile France or currently over CPW Europe and the Global Connect Business and therefore relies on the co-operation of its joint venture partners. A material breakdown in the relationship between Carphone Warehouse and Best Buy or the Virgin Group could lead to an inability of CPW Europe, Virgin Mobile France or the Global Connect Business to make and implement decisions. Such a breakdown in relations could have a material adverse effect on the growth, business and financial results of CPW Europe, Virgin Mobile France or the Global Connect Business and, consequently, the Group. On Completion, the Group will exercise overall control over CPW Europe and the Global Connect Business will be subject to the Termination Agreement.
- CPW Europe's business in the UK is authorised by the FCA to sell certain types of insurance products and similar authorisations and/or regulations and regulators apply in other territories. Any non-compliance or regulatory changes could have a material and adverse effect on CPW Europe's ability to sell insurance products and/or the pricing of and cover provided by such products. This could therefore materially and adversely affect the revenues and earnings that CPW Europe presently derives from such products, and consequently the financial performance of the business.
- The Group's businesses' growth strategy may include expansion via new business ventures, strategic alliances and acquisitions. Assessing a potential growth opportunity involves extensive due diligence; however, the amount of information the Group's businesses can obtain may be limited and the Group's businesses can give no assurance that new business ventures, strategic alliances and acquisitions will positively affect their financial performance or will perform as planned. Acquisitions may divert the Group's businesses' capital and management's attention from other business issues and opportunities. The Group's businesses may not be able successfully to assimilate or integrate companies that they may acquire, including their personnel, financial systems, distribution, operations and general operating procedures.

Risks relating to the Acquisition

- Shareholder approval for the Acquisition is being sought at the General Meeting and certain conditions precedent must be satisfied before the Acquisition can complete. If the Resolution is not passed and the conditions precedent are not satisfied the Acquisition will not complete and Carphone Warehouse will not take control of New BBED although it will remain a 50 per cent. shareholder in New BBED. As a result, the Group would not derive the anticipated benefits associated with the Acquisition, including potential earnings enhancement, simplified decision-making and a simplified investment case.
- There can be no guarantee that the Group will realise any or all of the anticipated benefits of the Acquisition, either in a timely manner or at all. If that happens, and the Group incurs significant costs, this could have a material adverse impact on the results of the Group.
- The Geek Squad brand will be used by CPW Europe under the Geek Squad Licence Agreement and any breach of this agreement could cause restrictions on the use of the Geek Squad brand, and in turn result in an adverse effect on CPW Europe's, and therefore the Group's, profitability.

		• If on the first anniversary of Completion the value to the Best Buy Group of any Consideration Shares sold and of those still held is in aggregate more than £64 million but less than £80 million, the Company will be obliged to compensate the Best Buy Group for the amount of such difference but only up to the amount of dividends waived by the Best Buy Group on the Consideration Shares. If the aggregate value is less than £64 million then the Company will be obliged to compensate the Best Buy Group for the full amount of such shortfall through a combination of cash and, if over £10 million, at the Company's discretion, Ordinary Shares.
D.3	**Key information on key risks relating to the Ordinary Shares**	• Carphone Warehouse has, and after Admission will continue to have, a standard listing pursuant to Chapter 14 of the Listing Rules which affords Shareholders a lower level of protection than a premium listing. Carphone Warehouse has already put in place procedures to enable it to comply on a voluntary basis with the provisions of Chapters 7 to 13 of the Listing Rules notwithstanding that (with the exception of certain provisions of Chapter 9) they only apply to companies which obtain a premium listing on the Official List. The UK Listing Authority will not have the authority to monitor (and will not monitor) Carphone Warehouse's voluntary compliance with any of the Listing Rules with which Carphone Warehouse has indicated above that it intends to comply.

Section E – Offer

Element

E.1	**Total net proceeds and estimated total expenses**	The total costs and expenses relating to the issue of this document and the Circular and to the negotiation, preparation and implementation of the Acquisition are estimated to amount to approximately £11 million. Cash costs of approximately £8 million associated with employee incentive schemes of the New BBED Group are expected to be incurred as a result of the Acquisition. There is no offer of the Company's securities so there are no net proceeds.
E.2a	**Reasons for the offer, use of, estimated net amount of the proceeds**	*Not applicable. There is no offer of the Company's securities.*
E.3	**Terms and conditions of the offer**	*Not applicable. There is no offer of the Company's securities.*

E.4	**Material interests**	Immediately following Admission, the following will be interested directly or indirectly in three per cent. or more of the voting rights in respect of the issued ordinary share capital of the Company: **Name** — **Percentage of issued Ordinary Shares immediately following Admission** C Dunstone — 24.03 D P J Ross — 10.03 BlackRock Investment Management (UK) Limited — 9.15 Best Buy — 7.49 M&G Investment Management Limited — 7.42 Invesco Asset Management — 3.27 There are no conflicting interests that are material to the Admission.
E.5	**Selling shareholders and lock-up agreements**	There is no offer of the Company's securities and there are no selling shareholders. The Consideration Shares will be subject to a lock-in period of 12 months from the date of Completion (the **''Lock-in Period''**) during which members of the Best Buy Group may not dispose of any interest in the Consideration Shares. Each of Best Buy, Best Buy Distributions and Best Buy UK Holdings has also agreed (subject to certain exceptions) to waive any rights to dividends payable on the Consideration Shares held by them during the Lock-in Period (**''Waived Dividends''**). Carphone Warehouse will have the right during the Lock-in Period to place the Consideration Shares on behalf of members of the Best Buy Group at a price not less than the issue price (**''Original Value''**), should the Company determine that there is sufficient demand in the market. If the aggregate of the proceeds from any sale of the Consideration Shares during the Lock-in Period and the value at the end of such period of any Consideration Shares still held by members of the Best Buy Group (**''Total Value''**) is greater than the Original Value then Carphone Warehouse will retain the amount by which the Total Value exceeds the Original Value. In turn, Carphone Warehouse has an obligation to compensate Best Buy UK Holdings if such Total Value is less than 80 per cent. of the Original Value (**''Minimum Value''**) by an amount equal to the difference between the Total Value and the Minimum Value. If the Total Value is greater than the Minimum Value but less than the Original Value then the Company has to compensate Best Buy UK Holdings for the amount of such difference but only up to the amount of the Waived Dividends. If the Total Value is less than the Minimum Value, any compensation up to £10 million will be paid in cash with any additional compensation being satisfied as the Company may decide in cash and/ or by the issue of further shares in the Company based on the share price at that time. Any Consideration Shares and any compensation shares held by members of the Best Buy Group in the 12 months following the end of the Lock-in Period may be sold as the Best Buy Group decides, subject to an orderly market obligation.

E.6	**Dilution**	Following the issue of the 42,105,263 Consideration Shares pursuant to the Acquisition, the Existing Ordinary Shares will represent 92.5 per cent. of the total issued Ordinary Shares immediately following Admission.
E.7	**Estimated expenses charged to investor**	*Not applicable. There is no offer of the Company's securities.*

RISK FACTORS

Investing in and holding the Ordinary Shares involves financial risk. Prior to investing in the Ordinary Shares, investors should carefully consider all of the information contained in this document, paying particular attention to the risks factors set out below. Investors should note that the risk factors set out below do not purport to be a complete list or explanation of all risk factors which may affect Carphone Warehouse, the Ordinary Shares or the Acquisition. Additional risks and uncertainties not currently known to Carphone Warehouse or which Carphone Warehouse currently deems immaterial may arise or become material in the future. The occurrence of any of these risks may have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects and/or the price of the Ordinary Shares to the detriment of Carphone Warehouse and/or the Shareholders and investors could lose all of their investment. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information contained in this document and their personal circumstances.

You should consult a legal adviser, an independent financial adviser duly authorised under the FSMA or a tax adviser for legal, financial or tax advice.

PART A: RISKS RELATING TO THE GROUP

1. External risks

The Group is subject to a number of external risks. The Group defines external risks as those that stem from factors that are mainly outside its control. These risks often arise from the nature of the Group's businesses and the industries in which they operate.

1.1 *Legal, regulatory, political and societal risks*

The Group's businesses are at risk from significant and rapid change in the legal systems, regulatory controls, and customs and practices in the countries in which they and/or their suppliers operate

These changes affect a wide range of areas including: supplier pricing; infrastructure investment; product liability; distribution and sale of products to customers; property rights and planning laws; the ability to transfer funds and assets externally; employment practices, including trade unions; data protection; environment; health and safety issues including those in respect of mobile communication products; the selling of insurance and similar products governed by the FCA or similar authorities in other countries; and accounting, taxation and stock exchange regulation. Accordingly, changes to, or violation of, these systems, controls or practices could increase the Group's administrative or regulatory compliance costs, restrict its operations, require other sanctions and have material and adverse impacts on the reputation, performance and financial condition of the Group. There can be no assurance that the Group's businesses will be able to comply with any new regulations or law to which they might become subject.

Political developments and changes within and outside the UK in society, including increased scrutiny of the Group's businesses or their industry or their suppliers in the countries in which they operate, for example within and outside the UK by lobby groups or the media, may result in or increase the rate of material legal and regulatory change and changes to customs and practices that could have a material adverse effect on the Group's businesses.

The Group may decide to appeal and/or challenge any changes to laws or regulations that may be material to its businesses and this may increase costs and/or distract management time from day-to-day business matters.

Where relevant, the Group's businesses anticipate being compliant with the procedures and processes proposed by the payment card industry within the required time period agreed with the acquiring banks although there is an inherent risk that full compliance may not be achieved on time. This could have a material adverse influence on the performance and financial condition of the Group's businesses.

1.2 ***Business continuity and incident management***

The Group's businesses are at risk from disruption of key systems and assets on which they depend

The functioning of the IT systems (some of which are outsourced to third parties' control) within the Group's businesses could be disrupted for reasons either within or beyond their control, including but not limited to: accidental damage; disruption to the supply of utilities or services; extreme weather events; safety issues; systems failure; workforce actions; or environmental contamination. There is a risk that such disruption may materially and adversely affect the Group's businesses' ability to sell products or services to customers and therefore materially and adversely affect their reputation, performance or financial condition.

1.3 ***Competition***

Increased competition in key markets may materially and adversely impact the Group's businesses' performance and financial condition

There is already a high level of competition in the markets in which the Group's businesses operate. This level of competition may increase, which may further limit the future ability of CPW Europe and Virgin Mobile France to maintain their respective market share and revenue levels. CPW Europe or Virgin Mobile France may be unable to compete effectively if their competitors' resources are applied to: change areas of focus; reduce prices; increase capital investment and marketing; or sell new products on an exclusive basis. This may result in increased pricing pressure from competitors.

The Group's businesses also compete in marketplaces in which some operators have fewer resources or are under financial pressure. Operators in such a position may behave unpredictably or erratically and undercut the market or run loss-leading offers on products and services to improve their position in the short-term. This may have an adverse impact on sales and margins within CPW Europe and Virgin Mobile France.

The evolution of the internet as a sales channel and changes in consumer behaviour may adversely impact the financial position of the retail business within CPW Europe if customers choose to spend more online.

1.4 ***Consumer demand***

General economic conditions and/or a decline in consumer discretionary spending may materially and adversely impact sales and/or gross margins

CPW Europe and Virgin Mobile France sell some products and services that consumers tend to view as conveniences rather than necessities. As a result, these businesses are more sensitive to changes in general economic conditions that impact consumer spending than some other consumer businesses. Economic conditions and other factors including consumer confidence, employment levels, prevailing interest rates, tax rates, consumer debt levels, as well as fuel and energy costs and the availability of consumer credit could reduce consumer spending or change consumer purchasing habits. The current uncertain economic outlook, particularly in the United Kingdom and other European economies, could materially and adversely affect consumer spending habits and the operating results of the Group's businesses.

CPW Europe and Virgin Mobile France have products appealing to a wide range of consumers. However, CPW Europe and/or Virgin Mobile France may be unable to respond successfully or at a reasonable cost to rapid changes in consumer demand or consumer preferences and tastes that may materially and adversely affect the performances of such businesses.

Due to the nature of the markets in which CPW Europe and Virgin Mobile France operate, they may experience seasonal fluctuations in trading conditions. Any poor performance in peak trading seasons may have a material effect on the financial results of these businesses.

The domestic and international political situation also affects consumer confidence. The outcomes of political elections and the threat or outbreak of terrorism or other hostilities in the countries in which the Group operates could lead to a decrease in consumer spending. Any of these events and factors could cause a decrease in sales or an increase in inventory markdowns or certain operating expenses, which could materially and adversely affect the Group's businesses' results of operation.

The commercial property market has an uncertain outlook, such that the valuations of the Group's property assets cannot be guaranteed or be expected to increase. The current tenants of these properties are companies within the TalkTalk Group and there is no guarantee that future tenants of equivalent standing will be available should the current tenants vacate the properties when the current leases expire. This may have a material adverse effect on the value of the relevant properties.

1.5 ***Dependence on suppliers and customers***

CPW Europe and Virgin Mobile France are exposed to the distribution and other strategies of MNOs and product manufacturers

CPW Europe and Virgin Mobile France depend upon the availability, quality and cost of products and services, which exposes each of them to price, quality and supply variations. These businesses are reliant upon selling products and services of MNOs and other manufacturers and suppliers. The termination of any of these arrangements, whether through a change in distribution strategy of the MNOs or otherwise, could materially impact the revenues generated by these businesses. Suitable alternative products or services from MNOs may not be available on commercially reasonable terms or may not be available at all. Also, the terms available from MNOs may become materially different in the future and this may have an adverse impact on the financial position of the Group's businesses.

Virgin Mobile France operates a mobile virtual network that is dependent primarily upon Orange and SFR to deliver the underlying mobile network service. The termination of these arrangements by Orange or SFR or Virgin Mobile France for whatever reason could materially and adversely affect delivery and/or the performance of Virgin Mobile France's business. Suitable alternative services from other MNOs may not be available on similar or alternative reasonable commercial terms or may not be available at all.

2. **Internal risks**

Internal risks are those arising from factors primarily within the control of the Group or its businesses, including those that result from the corporate structure of the Group and its businesses and the way each carries on its business.

2.1 ***Control of joint ventures and material breakdown in relationship between shareholders***

Carphone Warehouse does not exercise overall control over Virgin Mobile France or currently over CPW Europe and the Global Connect Business and therefore relies on the co-operation of its joint venture partners

The Group's principal businesses and investments include CPW Europe, Virgin Mobile France and the Global Connect Business, each of which is a joint venture over which the Group does not exercise overall control.

Material decisions cannot be taken without the consent of the relevant joint venture partners such that the Group depends, in part, upon the continued co-operation between Carphone Warehouse and its relevant joint venture partner in reaching decisions at board and shareholder level within the relevant joint venture. A material breakdown in the relationship between Carphone Warehouse and Best Buy or the Virgin Group could lead to an inability of CPW Europe, Virgin Mobile France or the Global Connect Business to make and implement decisions. Such a breakdown in relations could have a material adverse effect on the growth, business and financial results of CPW Europe, Virgin Mobile France or the Global Connect Business and, consequently, the Group. On Completion, the Group will exercise overall control over CPW Europe and the Global Connect Business will be subject to the Termination Agreement.

2.2 ***Management of joint ventures***

Carphone Warehouse relies on information to be disseminated by senior management of Virgin Mobile France and currently CPW Europe and the Global Connect Business

The Group relies on the senior management of CPW Europe, Virgin Mobile France and the Global Connect Business to inform the Company's senior management of material risks as and when they arise and how such risks are being dealt with on a day-to-day basis. The Group may therefore be unable to react quickly enough, if at all, to any particular risk that could have a material adverse effect on the Group's businesses. On Completion, the Group will exercise overall control over CPW Europe and the Global Connect Business will be subject to the Termination Agreement.

2.3 ***IT***

The Group's businesses depend on key software applications and hardware, some of which are supplied by third parties, for the provision of services

Any disruption caused by failings in key software applications, of underlying equipment or of communication networks could delay or otherwise affect the Group's businesses' ability to take and fulfil orders; to provide customer support; to monitor stock levels; or otherwise impact on the Group's businesses' day-to-day decision-making and have a material and adverse effect on business continuity and the performance of the Group's businesses.

2.4 ***Outsourcing***

CPW Europe and Virgin Mobile France have a number of outsourcing arrangements and are at risk of third parties not delivering on their contractual agreements

CPW Europe and Virgin Mobile France have outsourcing arrangements with a number of third parties, notably in respect of IT, customer service, finance and human resources operations. CPW Europe and Virgin Mobile France are therefore at risk from failures by these third parties to perform their contractual commitments, which may materially and adversely impact the reputation, performance and financial position of the Group.

2.5 ***Employees***

The Group's businesses depend on the continued contribution of its executive officers and employees, both individually and as a group

While the Group's businesses review their people policies on a regular basis and invest significant resources in training and development and recognising and encouraging individuals with high potential, there can be no guarantee that they will be able to attract, develop and retain these individuals at an appropriate cost and ensure that the capabilities of the Group's employees meet its business needs. Any failure to do so may impact on the performance of the Group's businesses.

There is a risk that certain senior personnel critical to the running of the Group's businesses could leave the Group. This could have a negative impact on the Group's businesses' ability to maintain relationships with customers, employees, suppliers and others with whom it has business dealings, with negative consequences for its continued performance and growth.

2.6 ***FCA compliance***

Non-compliance with applicable financial regulations could have a material impact on the Group

CPW Europe's business in the UK is authorised by the FCA to sell certain types of insurance products and similar authorisations and/or regulations and regulators apply in other territories. CPW Europe intends that all of its businesses should remain compliant with such regulations although compliance cannot be guaranteed. Any non-compliance or regulatory changes could have a material and adverse effect on CPW Europe's ability to sell insurance products and/or the pricing of and cover provided by such products. This could therefore materially and adversely affect the revenues and earnings that CPW Europe presently derives from such products, and consequently the financial performance of the business.

2.7 ***Future growth of CPW Europe***

CPW Europe's growth strategy includes expanding its retail and distribution businesses

CPW Europe's future growth is dependent, in part, on the ability to build, buy or lease new stores. CPW Europe competes with other retailers and businesses for suitable locations for stores. Local land use, local zoning issues, environmental regulations and other regulations applicable to the types of stores it desires to construct may affect its ability to find suitable locations and also influence the cost of building, buying or leasing stores. CPW Europe may also have difficulty negotiating real estate purchase agreements or leases on acceptable terms. Failure to manage these and other similar factors effectively will affect its ability to build, buy or lease new stores which may have a material adverse effect on future profitability.

CPW Europe may seek to expand its business in existing markets in order to attain a greater overall market share. Stores typically draw customers from their local areas and, as a consequence, a new store may draw customers away from nearby existing stores and may cause customer traffic and comparable store sales performances to decline at those existing stores.

CPW Europe may also open stores in new markets. The risks associated with entering a new market include difficulties in attracting customers due to a lack of customer familiarity with the brand, lack of familiarity with local customer preferences and seasonal differences in the market. In addition, entry into new markets may bring CPW Europe into competition with new competitors or with existing competitors with a large, established market presence. CPW Europe cannot ensure that new stores will be profitably deployed and, as a result, its future profitability may be materially and adversely affected.

CPW Europe may seek to pursue partnerships with established retailers in existing and new markets, to exploit its specialist skills to help develop a connected product and service proposition with retailers which lack these specialist skills. CPW Europe may not be able to achieve such partnerships, and if it does, they may not be successful.

CPW Europe may seek to leverage its expertise and systems capabilities to provide managed services to third parties. CPW Europe may not be successful in finding customers for such services, and if it does find customers, it may not be successful in delivering such services on a profitable basis.

3. Execution risks

Execution risks arise from the implementation of the strategies of the Group's businesses and their change and restructuring programmes which aim to enhance long-term shareholder value.

3.1 *Growth strategy*

Failure in pursuit or execution of new business ventures, strategic alliances and acquisitions could have a material adverse impact on the Group's businesses

The Group's businesses' growth strategy may include expansion via new business ventures, strategic alliances and acquisitions. Assessing a potential growth opportunity involves extensive due diligence; however, the amount of information the Group's businesses can obtain may be limited and the Group's businesses can give no assurance that new business ventures, strategic alliances and acquisitions will positively affect their financial performance or will perform as planned.

Integrating new stores and concepts can be a difficult task. Cultural differences in some markets into which the Group's businesses may expand or into which the Group's businesses introduce new retail concepts may result in customers in those markets being less receptive than anticipated. Acquisitions may divert the Group's businesses' capital and management's attention from other business issues and opportunities. The Group's businesses may not be able successfully to assimilate or integrate companies that they may acquire, including their personnel, financial systems, distribution, operations and general operating procedures. The Group's businesses may also encounter challenges in achieving appropriate internal control over financial reporting in connection with the integration of an acquired company. If the Group's businesses fail to assimilate or integrate acquired companies successfully, their business and operating results could suffer materially.

3.2 *Phone House France*

Effecting an orderly exit from the French retail market may involve material cash costs

On 30 April 2013, the Group announced that in light of continuing challenges in respect of the consumer environment and mobile market in France, CPW Europe intended to pursue an orderly exit from the French retail market. It is expected that this exit will be achieved through store disposals and some store closures, following due process, and aiming to minimise the impact of the exit on CPW Europe's employees. While CPW Europe aims to minimise the costs of this programme, the exit process may involve material cash costs, particularly if it is unable to effect store disposals in an efficient way, and/or if it encounters factors that cause delays in the exit process.

4. **Financial risks**

4.1 ***Market risks***

The Group's businesses are exposed to market risks such as interest rate rises, fluctuations in foreign currency and default by counterparties.

The main financial risks facing the Group's businesses are fluctuations in foreign currency (particularly the Euro), interest rate risk and default by counterparties. Any of these financial risks may have a material adverse impact on the performance and financial condition of the Group.

The continued uncertainty regarding the world economy and, in particular, the economy in Europe and the stability of the Euro may have a material adverse effect on the Group's business and operating results.

4.2 ***Virgin Mobile France dividends***

Ability to extract profits from Virgin Mobile France may be restricted.

When all shareholder loans have been repaid in full, it may be possible for Virgin Mobile France to pay dividends to shareholders. However, there is no guarantee that Virgin Mobile France will achieve the level of profitability necessary for this to happen or that its shareholders will agree that dividends should be declared or paid.

PART B: RISKS RELATING TO THE ORDINARY SHARES

1. **Standard listing**

Carphone Warehouse has, and after Admission will continue to have, a standard listing pursuant to Chapter 14 of the Listing Rules which affords shareholders a lower level of protection than a premium listing

Application will be made for the Ordinary Shares to be admitted to listing on the Official List pursuant to Chapter 14 of the Listing Rules which sets out the requirements for standard listings. The standard listing regime provides shareholders with a lower level of regulatory protection than that afforded to shareholders in companies with a premium listing on the Official List. Carphone Warehouse has already put in place procedures to enable it to comply on a voluntary basis with the provisions of Chapters 7 to 13 of the Listing Rules notwithstanding that (with the exception of certain provisions of Chapter 9) they only apply to companies which obtain a premium listing on the Official List. Carphone Warehouse is not, however, formally subject to such Listing Rules and will not be required to comply with them by the UK Listing Authority.

The UK Listing Authority will not have the authority to monitor (and will not monitor) Carphone Warehouse's voluntary compliance with any of the Listing Rules with which Carphone Warehouse has indicated above that it intends to comply on a voluntary basis, nor to impose sanctions in respect of any breach of such requirements by Carphone Warehouse.

2. **Ordinary Share price could be volatile**

The price of the Ordinary Shares may be volatile and may be affected by a number of factors, some of which are beyond the Group's control, which could cause the value of an investment in the Ordinary Shares to decline

The price of the Ordinary Shares could be subject to significant fluctuations because of the volatility of the stock market in general and a variety of other factors, some of which are beyond the Group's control, including the other risks relating to an investment in Carphone Warehouse described in this section. As Carphone Warehouse will have a standard listing pursuant to Chapter 14 of the Listing Rules (as set out at paragraph 1 above) it will not be eligible for FTSE Index inclusion.

3. **Major shareholders**

The sale of Ordinary Shares by substantial Shareholders could depress the price of Ordinary Shares

As at the date of this document, Sir Charles Dunstone is interested in 25.98 per cent.; David Ross is interested in 10.84 per cent.; BlackRock Investment Management (UK) Limited is interested in 9.89 per cent.; M&G Investment Management Limited is interested in 8.03 per cent.; Invesco Asset Management is interested in 3.53 per cent.; Newton Investment Management Ltd is interested in 3.11 per cent.; and Odey Asset Management Limited is interested in 3.07 per cent. of the issued Ordinary Shares and, following Admission, will be interested in 24.03 per cent.; 10.03 per cent.; 9.15 per cent.; 7.42 per cent.; 3.27 per cent.; 2.87 per cent. and 2.84 per cent. of the issued Ordinary Shares respectively. Best Buy will also be interested in 7.49 per cent. of the issued Ordinary Shares following Admission. Subsequent sales by any of them (or any other substantial Shareholders) of a substantial number of Ordinary Shares may significantly reduce the price of Ordinary Shares. Also, any perceived view that any such Shareholder might sell substantial numbers of Ordinary Shares could depress the price of Ordinary Shares for an unknown period of time.

4. Tax risk

Any change in current tax law or practice could adversely affect holders of Ordinary Shares

Statements in this document concerning the taxation of holders of Ordinary Shares are based on current UK tax law and published HMRC practice as at the date of this document, either of which is subject to change, possibly with retrospective effect.

The taxation of an investment in Ordinary Shares depends on the individual circumstances of Shareholders and the summary of the UK taxation treatment of an investment in the Ordinary Shares set out in Part X of this document is intended as a general guide only. It does not address the specific tax position of every investor and only deals with rules of UK taxation of general application. Therefore, any investors who are in any doubt as to their tax position regarding the Ordinary Shares and any investors subject to tax in a jurisdiction other than the UK should consult their own independent tax advisers.

5. Risk for overseas shareholders

Holders of Ordinary Shares in the United States and other overseas jurisdictions may not be able to participate in future equity offerings of Carphone Warehouse

The Act provides for pre-emption rights to be granted to Shareholders, unless such rights are disapplied by shareholder resolution. However, US shareholders may not be entitled to exercise these rights unless the rights, and the Ordinary Shares issued pursuant to such rights, are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. Carphone Warehouse has no current intention to seek such registration and would evaluate, at the time of any rights issue, whether the offer would qualify for an exemption, as well as the indirect benefits to Carphone Warehouse of enabling US shareholders to exercise rights and any other factors it considers to be appropriate at the time, prior to making a decision on whether to utilise an exemption, if available, from the registration requirements of the Securities Act. Similar issues may arise in relation to other overseas jurisdictions.

PART C: RISKS RELATING TO THE ACQUISITION

1. The Acquisition may not complete

Certain conditions precedent must be satisfied before the Acquisition can complete

Shareholder approval for the Acquisition is being sought at the General Meeting and Completion is conditional upon:

- the FCA having acknowledged that the application for the admission of the Enlarged Issued Share Capital to the Official List has been approved and the London Stock Exchange having acknowledged that the Enlarged Issued Share Capital will be admitted to trading on its main market for listed securities; and
- the Autorité de la concurrence in France having declared that the Acquisition will not substantially lessen competition, or the time limit for the Ministry of Economy in France requesting that the Autorité de la concurrence open a Phase II review having expired without any such request having been made, or the Autorité de la concurrence having issued a comfort letter declaring that the Acquisition falls outside of the scope of review.

If the Resolution is not passed and the conditions precedent are not satisfied the Acquisition will not complete and Carphone Warehouse will not take control of New BBED although it will remain a 50 per cent. shareholder in New BBED. As a result, the Group would not derive the anticipated benefits associated with the Acquisition, including potential earnings enhancement, simplified decision-making and a simplified investment case.

2. **Anticipated benefits of the Acquisition**

The Acquisition may fail to realise anticipated benefits

There can be no guarantee that the Group will realise any or all of the anticipated benefits of the Acquisition described in Part I, either in a timely manner or at all. If that happens, and the Group incurs significant costs, this could have a material adverse impact on the results of the Group.

3. **Geek Squad Licence Agreement**

The Geek Squad brand will be used by CPW Europe under the Geek Squad Licence Agreement and any breach of this agreement could cause restrictions on the use of the Geek Squad brand, and in turn result in an adverse effect on CPW Europe's, and therefore the Group's, profitability.

4. **Disposal of Consideration Shares**

If on the first anniversary of Completion the value to the Best Buy Group of any Consideration Shares sold and of those still held is in aggregate more than £64 million but less than £80 million, the Company will be obliged to compensate the Best Buy Group for the amount of such difference but only up to the amount of dividends waived by the Best Buy Group on the Consideration Shares. If the aggregate value is less than £64 million then the Company will be obliged to compensate the Best Buy Group for the full amount of such shortfall through a combination of cash and, if over £10 million, at the Company's discretion, Ordinary Shares.

CONSEQUENCES OF A STANDARD LISTING

As at the date of this document, Carphone Warehouse has a standard Listing pursuant to Chapter 14 of the Listing Rules. Because the Acquisition is classified as a reverse takeover under the Listing Rules, upon Completion the Company's current standard listing of the Existing Ordinary Shares will be cancelled. Application will be made for the Existing Ordinary Shares to be immediately readmitted, and for the Consideration Shares to be admitted, to the Official List pursuant to Chapter 14 of the Listing Rules which sets out the requirements for standard listings. Carphone Warehouse intends to comply with the Listing Principles set out in Chapter 7 of the Listing Rules, notwithstanding that they only apply to companies which obtain a premium listing on the Official List. Carphone Warehouse will not, however, be formally subject to such Listing Principles and will not be required to comply with them by the UK Listing Authority.

In addition, as a company with a standard listing, Carphone Warehouse will not be required to comply with the provisions of, amongst other things:

- Chapter 8 of the Listing Rules regarding the appointment of a listing sponsor to guide the company in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters. Carphone Warehouse has not appointed and does not intend to appoint such a sponsor in connection with the Acquisition or Admission;
- Chapter 10 of the Listing Rules relating to significant transactions. Nonetheless, Carphone Warehouse has adopted a significant transactions policy consistent with the provisions of Chapter 10 of the Listing Rules, under which any transaction which the Board determines would be a transaction within the meaning of Chapter 10 of the Listing Rules will require Shareholder approval prior to being implemented where a relevant percentage ratio (within the meaning of the Listing Rules) is more than 25 per cent. Carphone Warehouse will be in a position to comply voluntarily with Chapter 10 of the Listing Rules by virtue of its representation on the board of New BBED and Virgin Mobile France and its power of veto over material transactions entered into by these entities. Through this board representation and other reporting channels, Carphone Warehouse will be in receipt of information relating to New BBED and Virgin Mobile France in a timely manner, enabling it to meet its disclosure obligations under Chapter 10. Through its power of veto over material transactions, Carphone Warehouse will be in a position to require that completion of any transaction by New BBED or Virgin Mobile France which would constitute a class 1 transaction (within the meaning of the Listing Rules), shall be conditional on the prior approval of Shareholders;
- Chapter 11 of the Listing Rules regarding related party transactions. Nonetheless, Carphone Warehouse has adopted a related party transactions policy consistent with the provisions of Chapter 11 of the Listing Rules;
- Chapter 12 of the Listing Rules regarding purchases by Carphone Warehouse of Ordinary Shares. Nonetheless, shareholder authority is required in order for a company to buy back its shares under English law and Carphone Warehouse will adopt a policy consistent with the provisions of Listing Rules 12.4.1, 12.4.2 and 12.4.2A, whereby: (i) unless a tender offer is made to all holders of Ordinary Shares, the maximum price to be paid per Ordinary Share pursuant to any such purchase must not be more than the higher of: (a) 105 per cent. of the average of the middle market quotations for a Ordinary Share taken from the London Stock Exchange's main market for listed securities for the five business days before the purchase is made; and (b) the higher of the price of the last independent trade and the highest current independent bid at the time of purchase; (ii) any purchase by Carphone Warehouse of 15 per cent. or more of the Ordinary Shares (excluding Ordinary Shares held in treasury) pursuant to a general authority by Shareholders will be effected by way of a tender offer to all Shareholders; and (iii) any purchase by Carphone Warehouse of 15 per cent. or more of the Ordinary Shares will only be effected otherwise than by way of a tender offer if the full terms of the share buy-back have been specifically approved by Shareholders; and
- Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to shareholders. However, Carphone Warehouse intends to comply with the provisions of Chapter 13 of the Listing Rules on a voluntary basis.

Following Admission it is Carphone Warehouse's intention to explore with the UK Listing Authority the possibility of transitioning from a standard listing to a premium listing on the Official List at an appropriate point in the future, subject to meeting the eligibility criteria. If such a transition were possible (and there can be no guarantee that it would be) and Carphone Warehouse moved to a premium listing, the various Listing Rules highlighted above as rules with which Carphone Warehouse is not required to comply would become mandatory.

It should be noted that the UK Listing Authority will not have the authority to monitor (and will not monitor) Carphone Warehouse's voluntary compliance with any of the Listing Rules with which Carphone Warehouse has indicated above that it intends to comply on a voluntary basis, nor to impose sanctions in respect of any breach of such requirements by Carphone Warehouse.

PRESENTATION OF INFORMATION

1. General

Investors should only rely on the information contained in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised by Carphone Warehouse, the Directors or Credit Suisse. No representation or warranty, express or implied, is made by Credit Suisse as to the accuracy or completeness of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by Credit Suisse as to the past, present or future. Without prejudice to any legal or regulatory obligation on Carphone Warehouse to publish a supplementary prospectus pursuant to section 87G of the FSMA and Prospectus Rule 3.4, neither the delivery of this document nor Admission shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group taken as a whole since the date of this document or that the information in it is correct as of any time after the date of this document.

The Company will update the information provided in this document by means of a supplement hereto if a significant new factor, material mistake or inaccuracy arises or is noted relating to the information included in this document. Any supplementary prospectus will be subject to approval by the FCA and will be made public in accordance with the Prospectus Rules.

Carphone Warehouse will comply with its obligation to publish supplementary prospectuses containing further updated information required by law or by any regulatory authority but assumes no further obligation to publish additional information.

The contents of this document are not to be construed as legal, financial or tax advice. Each prospective investor should consult a legal adviser, an independent financial adviser duly authorised under the FSMA or a tax adviser for legal, financial or tax advice in relation to any investment in or holding of Ordinary Shares. Each prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold shares under applicable legal investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

Investing in and holding the Ordinary Shares involves financial risk. Prior to investing in the Ordinary Shares, investors should carefully consider all of the information contained in this document, paying particular attention to the section entitled Risk Factors on pages 18 to 25 of this document. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information contained in this document and their personal circumstances.

Credit Suisse and its affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to the Company, for which they would have received customary fees. Credit Suisse and its affiliates may provide such services to the Company and any of their affiliates in the future.

2. Presentation of financial information

The consolidated historical financial information of the Group and the New BBED Group included in Part VII of this document has been prepared in accordance with IFRS. The significant accounting policies are set out within note 1 of the Group's consolidated historical financial information in Section A of Part VII of this document and note 1 of the New BBED Group's consolidated historical financial information in Section D of Part VII of this document.

3. Rounding

Percentages and certain amounts included in this document have been rounded for ease of presentation. Accordingly, figures shown as totals in certain tables may not be the precise sum of the figures that precede them.

4. Currencies

Unless otherwise indicated in this document, all references to:

- "sterling", "£" or "pence" are to the lawful currency of the UK;
- "US dollars", "dollars", "US$" or "cents" are to the lawful currency of the United States;

- "Euro" or "€" are to the lawful currency of the European Union (as adopted by certain Member States);
- "Swedish Krona" is to the lawful currency of Sweden; and
- "Swiss Franc" is to the lawful currency of Switzerland.

Unless otherwise indicated, the financial information contained in this document has been expressed in sterling. The Group presents its financial statements in sterling.

5. **Forward-looking statements**

Certain statements contained in this document, including those in the sections headed "Summary", "Risk Factors", "Information on the Group"; "Information on CPW Europe"; "Operating and Financial Review of the Group" and "Operating and Financial Review of the New BBED Group" constitute "forward-looking statements". In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "projects", "aims", "plans", "predicts", "prepares", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Investors should specifically consider the factors identified in this document, which could cause actual results to differ before making an investment decision. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of Carphone Warehouse, and/or the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which Carphone Warehouse, and/or the Group will operate in the future. Such risks, uncertainties and other factors are set out more fully in the section of this document headed "Risk Factors". These forward-looking statements speak only as at the date of this document. Except as required by the FCA, the London Stock Exchange or applicable law (including as may be required by the UKLA Rules), Carphone Warehouse expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in Carphone Warehouse's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The statements above relating to forward-looking statements should not be construed as a qualification on the opinion of the Carphone Warehouse as to working capital set out in paragraph 8 of Part XII of this document.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future or are beyond the Group's control. Forward-looking statements are not guarantees of future performance. The Company's actual results of operations, financial condition and the development of the business sector in which the Group operates may differ materially from those suggested by the forward-looking statements contained in this document including, but not limited to, UK domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, currency changes, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which the Group and its affiliates operate. In addition, even if the Company's actual results of operations, financial condition and the development of the business sector in which the Group operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Prospective investors are advised to read, in particular, the following parts of this document for a more complete discussion of the factors that could affect the Group's future performance and the industry in which the Group operates: the section entitled Risk Factors on pages 18 to 25 of this document, Part II (Information on the Group), Part III (Information on CPW Europe), Part IV (Operating and Financial Review of the Group), Part IV (Operating and Financial Review of the New BBED Group) and Part VII (Historical Consolidated Financial Information relating to the Group). In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur.

The forward-looking statements contained in this document speak only as of the date of this document. The Company, the Directors and Credit Suisse expressly disclaim any obligations or undertaking to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable law, the Prospectus Rules, the Listing Rules or the Disclosure and Transparency Rules.

6. **Market, economic and industry data**

This document contains information regarding the Group's business and the industry in which it operates and competes, which the Company has obtained from various third party sources. Where information contained in this document originates from a third party source, it is identified where it appears in this document together with the name of its source. Such third party information has been accurately reproduced and, so far as Carphone Warehouse is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Company has obtained the third party data in this document from industry studies, forecasts, reports, surveys and other publications published or conducted by:

- Strategy Analytics;
- La Voix du Client;
- ARCEP;
- Ipsos ASI; and
- Cisco.

7. **No incorporation of website information**

The contents of Carphone Warehouse's website do not form part of this document and investors should not rely on them.

8. **US securities law considerations**

The Ordinary Shares have not been, and will not be, registered under the Securities Act, or with any securities regulatory authority of any state or any other jurisdiction of the United States or under the applicable securities laws of any jurisdiction outside the United Kingdom. Accordingly, the Ordinary Shares may not be offered, sold or otherwise transferred, directly or indirectly, in or into any such jurisdiction or for the account or benefit of citizens or residents of any such jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of such jurisdiction. Investors outside the United Kingdom are required by Carphone Warehouse to inform themselves about and observe any restrictions on the offer, sale or transfer of Ordinary Shares.

STATISTICS

Number of Existing Ordinary Shares	519,982,722
Number of Consideration Shares to be issued pursuant to the Acquisition	42,105,263
Number of Ordinary Shares in issue immediately following Admission	562,087,985
Consideration Shares as a percentage of the Enlarged Issued Share Capital	7.5 per cent.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2013[1, 2]
Publication of this document and the Circular	6 June
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 20 June
General Meeting	10.00 a.m. on 24 June
Completion	24 June
Cancellation of admission of Existing Ordinary Shares	By 8.00 a.m. on 25 June
Admission and dealings in the Ordinary Shares commence	8.00 a.m. on 25 June

Notes:
1. All references in this document to times are to London time.
2. Each of the above dates is subject to change at the absolute discretion of the Company and Credit Suisse. Any changes will be announced via a Regulatory Information Service.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Sir Charles Dunstone Roger Taylor Nigel Langstaff John Gildersleeve John Allwood Baroness Morgan of Huyton
Company secretary	Tim Morris
Registered office	1 Portal Way London W3 6RS
Financial adviser	Credit Suisse Securities (Europe) Limited One Cabot Square London E14 4QJ
Legal advisers to the Company	Osborne Clarke One London Wall London EC2Y 5EB
Legal advisers to Credit Suisse	Clifford Chance LLP 10 Upper Bank Street London E14 5JJ
Auditors and Reporting Accountants	Deloitte LLP 2 New Street Square London EC4A 3BZ
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA

PART I

INFORMATION ON THE ACQUISITION

The Company announced on 30 April 2013 that it had conditionally agreed to acquire the 50 per cent. of New BBED that the Company does not already own from Best Buy for a net consideration of £471 million. Completion is conditional upon:

(a) the FCA having acknowledged that the application for the admission of the Enlarged Issued Share Capital to the Official List has been approved and the London Stock Exchange having acknowledged that the Enlarged Issued Share Capital will be admitted to trading on its main market for listed securities; and

(b) the Autorité de la concurrence in France having declared that the Acquisition will not substantially lessen competition, or the time limit for the Ministry of Economy in France requesting that the Autorité de la concurrence open a Phase II review having expired without any such request having been made, or the Autorité de la concurrence having issued a comfort letter declaring that the Acquisition falls outside of the scope of review.

The Acquisition is proposed to be effected through the cancellation of the shares held by Best Buy Distributions and Best Buy UK Holdings in the capital of New BBED through a capital reduction in accordance with section 642 of the Act and otherwise pursuant to the terms of the Implementation Agreement, further details of which are set out in paragraph 6.1 of Part XII of this document.

The gross consideration payable by the Group in connection with the Acquisition is £500 million. However, payments due to the Group from the Best Buy Group of approximately £29 million in respect of the prepayment or termination of the Group's other interests with the Best Buy Group pursuant to the terms of the Termination Agreement will be offset against the gross consideration with the net consideration therefore being £471 million. Further details of the Termination Agreement are set out in paragraph 6.2 of Part XII of this document.

The net consideration for the Acquisition will be satisfied as follows:

- £341 million payable in cash on Completion, funded through the net proceeds of the Placing and a new £250 million four-year amortising sterling term loan facility (further details of which are set out in paragraph 6.5 of Part XII of this document);
- £80 million by the issue to the Best Buy Group on Admission of the Consideration Shares at 190 pence per share, representing approximately 7.5 per cent. of the Enlarged Issued Share Capital; and
- £50 million of Deferred Consideration, which bears interest at 2.5 per cent. per annum, payable to the Best Buy Group in two equal instalments of £25 million each in cash on the first and second anniversaries of Completion.

The Consideration Shares will be subject to a lock-in period of 12 months from the date of Completion (the "**Lock-in Period**") during which members of the Best Buy Group may not dispose of any interest in the Consideration Shares. Each of Best Buy, Best Buy Distributions and Best Buy UK Holdings has also agreed (subject to certain exceptions) to waive any rights to dividends payable on the Consideration Shares held by them during the Lock-in Period ("**Waived Dividends**").

Carphone Warehouse will have the right during the Lock-in Period to place the Consideration Shares on behalf of members of the Best Buy Group at a price not less than the issue price ("**Original Value**"), should the Company determine that there is sufficient demand in the market. If the aggregate of the proceeds from any sale of the Consideration Shares during the Lock-in Period and the value at the end of such period of any Consideration Shares still held by members of the Best Buy Group ("**Total Value**") is greater than the Original Value then Carphone Warehouse will retain the amount by which the Total Value exceeds the Original Value. In turn, Carphone Warehouse has an obligation to compensate Best Buy UK Holdings if such Total Value is less than 80 per cent. of the Original Value ("**Minimum Value**") by an amount equal to the difference between the Total Value and the Minimum Value. If the Total Value is greater than the Minimum Value but less than the Original Value then the Company has to compensate Best Buy UK Holdings for the amount of such difference but only up to the amount of the Waived Dividends. If the Total Value is less than the Minimum Value, any compensation up to £10 million will be paid in cash with any additional compensation being satisfied as the Company may decide in cash and/or by the issue of further shares in the Company based on the share price at that time. Any Consideration Shares and any compensation shares held by members of the Best Buy Group in the 12 months following the end of the Lock-in Period may be sold as the Best Buy Group decides, subject to an orderly market obligation.

Following the issue of the 42,105,263 Consideration Shares pursuant to the Acquisition, the Existing Ordinary Shares will represent 92.5 per cent. of the total issued Ordinary Shares immediately following Admission.

As part of the Acquisition, CPW Europe will enter into the Geek Squad Licence Agreement with Best Buy under which CPW Europe will have the exclusive right (subject to certain rights of Best Buy) to continue using the Geek Squad brand across its existing European markets, including the UK. A summary of the key terms of the Geek Squad Licence Agreement is set out in paragraph 6.3 of Part XII of this document.

Completion will result in Carphone Warehouse owning 100 per cent. of New BBED, which the Directors believe will bring the following benefits:

- a simplified ownership structure, making day-to-day management easier, the strategic decision-making process more streamlined and the ability to better leverage CPW Europe's asset base and know-how;
- full ownership of growth opportunities across Europe and other potential markets;
- a simplified investment case and full consolidation of CPW Europe into the Carphone Warehouse Group;
- a greater financial profile;
- the opportunity for significant value creation over the medium term; and
- the potential for Carphone Warehouse to achieve admission to the premium segment of the Official List, subject to FCA approval, and inclusion in the FTSE UK Index series.

The Directors expect the Acquisition to be earnings enhancing in the current financial year.

As the Acquisition constitutes a reverse takeover under the Listing Rules, the London Stock Exchange will cancel trading in the Existing Ordinary Shares on the main market for listed securities, and the FCA will cancel the listing of the Existing Ordinary Shares on the standard listing segment of the Official List by 8.00 a.m. on 25 June 2013.

Application will be made to the FCA and to the London Stock Exchange for the Existing Ordinary Shares to be readmitted, and for the Consideration Shares to be admitted, to trading on the London Stock Exchange's main market for listed securities and to listing on the standard listing segment of the Official List. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. on 25 June 2013.

PART II

INFORMATION ON THE GROUP

Investors should read all of this document and not just rely on key or summarised information in this Part II. This Part II contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of such risks and uncertainties. Investors should read the paragraph of this document headed "Forward-looking statements" on page 29 and the section headed "Risk factors" on pages 18 to 25 (inclusive) for a discussion of risks and uncertainties related to these statements.

1. **The Group**

1.1 ***Business description***

The Group currently holds a 50 per cent. interest in New BBED. Following Completion, the Group will own a 100 per cent. interest in New BBED.

CPW Europe, the New BBED Group's continuing business, is one of the largest independent telecommunications retailers in Europe, operating 2,377 stores in eight European countries as at 31 March 2013, principally under the Carphone Warehouse and Phone House brands, together with a well-developed online proposition. CPW Europe specialises in mobile handsets, tablets and other connected devices, combining hardware with connections to service providers to create subsidised propositions. The business has highly-trained consultants who provide specialist and independent advice in areas of product and service complexity, and offers ongoing customer support beyond the point of sale, including a comprehensive range of insurance and technical support services. Until Completion, the Best Buy Group will have a 50 per cent. interest in CPW Europe.

In addition to the European joint venture with the Best Buy Group, Carphone Warehouse also has a 20 per cent. profit share agreement with the Best Buy Group, partnering with local Best Buy Group operations in China and Mexico.

The Group also holds a 46 per cent. interest in Virgin Mobile France, which is the fifth largest mobile operator in France with approximately 1.7 million customers, operating as an MVNO predominantly under the Virgin Mobile brand. The Virgin Group also has a 46 per cent. interest in Virgin Mobile France. The remaining interests in Virgin Mobile France are held by Financom S.A.S. and members of senior management of Virgin Mobile France.

Carphone Warehouse does not exercise overall control over these businesses at board or shareholder level, although in respect of both CPW Europe and Virgin Mobile France, its consent is required for decisions which materially impact the strategic direction of the respective businesses. Carphone Warehouse is actively involved in the strategic direction and the day-to-day management of these businesses through regular participation in operational meetings as well as board representation. Following Completion, the Group will exercise overall control over CPW Europe.

The Group also has other assets, including two freehold properties and cash. The Group disposed of two of its freehold properties in Acton, London, for cash proceeds of £40.5 million in March 2013 for 1 Portal Way and £10.5 million in April 2013 for 5 Portal Way. Following these disposals, the Group's two remaining properties are located in Preston, Lancashire, and Irlam, Manchester, with an aggregate book value of £16.2 million as at 31 March 2013 (as extracted without material adjustment from the unaudited management accounts of the Group for the month ended 31 March 2013). Carphone Warehouse also has cash balances with a value of £116.9 million and loans receivable from Virgin Mobile France with a value of £20.5 million, in each case as at 31 March 2013 (as extracted without material adjustment from the unaudited management accounts of the Group for the month ended 31 March 2013).

1.2 ***Strategy***

The management team of Carphone Warehouse has a demonstrated track record of establishing and growing successful businesses. It intends to apply its extensive experience and industry relationships to help its business investments deliver on their strategic goals and to build value for Shareholders.

The principal strategic ambitions of Carphone Warehouse's joint ventures are as follows:

CPW Europe

- provide outstanding value and service across a broad range of connected devices;
- help consumers simplify complex areas of technology;
- enhance multi-channel platforms to improve customer choice;
- leverage global scale to build strategic relationships with key suppliers and partners;
- replicate the success of Best Buy Mobile in the US by partnering with retailers in target markets; and
- leverage expertise and system capabilities to provide managed services to third parties.

For more information on CPW Europe's strategy, please refer to paragraph 1.2 of Part III of this document.

Virgin Mobile France

For an overview of this business, please refer to paragraph 3 below.

The primary strategic goals for Virgin Mobile France are to:

- attract high value postpay customers through innovative propositions and the development of its own distribution channels; and
- continue the migration of customers onto the Full MNVO platform, providing operating and strategic flexibility for the business.

1.3 ***Key strengths***

Sir Charles Dunstone and Roger Taylor have been instrumental in growing and developing the business with the help of an experienced management team, many of whom have held long-standing management positions within the Group. The management team has been critical to building Carphone Warehouse's track record of profitable growth (both organic and through successful integration of acquisitions) and of innovation in retail and telecommunications. The management team is actively involved in the ongoing management of the Group's principal investments through strategic and day-to-day operational input as well as board representation. The Board believes that the key strengths of the underlying investments are:

CPW Europe

- an experienced management team, with long-standing industry relationships;
- one of the largest independent European telecommunications retailers with strong relationships with major Western European network operators;
- core specialist capabilities, processes and systems create opportunities for partnerships to grow the business;
- a portfolio of strong retail brands;
- a customer-centric retail proposition, with a demonstrated track record of high quality service;
- a strong track record of innovation; and
- a beneficiary of leading global purchasing economies of scale, with strong relationships with major global manufacturers.

For more information on CPW Europe's key strengths, please refer to paragraph 1.3 of Part III of this document.

Virgin Mobile France

- an experienced management team, with long-standing mobile and telecommunications industry experience;
- the largest MVNO in France, with approximately 1.7 million customers; almost 80 per cent. postpay customers;
- a strong brand awareness in France;
- a wide distribution network across France; and
- a Full MVNO infrastructure providing strategic and operating flexibility.

1.4 *History of the Group*

Prior to 2010, the Group was part of the Old Carphone Warehouse Group. In March 2010, the UK fixed line telecommunications division of Old Carphone Warehouse was demerged to TalkTalk. Both Carphone Warehouse and TalkTalk were separately admitted to listing on the Official List and to trading on the London Stock Exchange. The history of the Group's principal investments is as follows:

(a) *History of the Best Buy Europe Group*

The Old Carphone Warehouse Group was founded in 1989 by Sir Charles Dunstone, as a UK mobile phone retailer. In the following eight years, the business grew organically and opened its first branches elsewhere in Western Europe in 1996. From 1998, the business supplemented this organic growth with a series of acquisitions both in the UK and Western Europe and as at 31 March 2013 it had a portfolio of 2,377 stores across eight European countries, of which 2,037 are own stores and 340 are franchised stores.

In November 2006, the Old Carphone Warehouse Group entered into a partnership with Best Buy to launch Best Buy Mobile, an independent mobile phone retail format for the US market.

Best Buy Mobile repositioned Best Buy's mobile phone retailing operations in the US by replicating the retail model developed by CPW Europe. The venture drew on CPW Europe's experience of network and supplier relationships to develop an independent proposition in the US market, supported by highly-trained consultants, specialist systems and processes, and the same focus on customer service. The venture was a phenomenal success, delivering transformational market share gains for Best Buy, and providing it with a market-leading position among independent mobile phone retailers. Best Buy Mobile also delivered very material incremental earnings for both Best Buy, and through its profit share arrangements, for the Best Buy Europe Group.

The two businesses also worked together to launch the Geek Squad in the UK in March 2007. The Geek Squad is a key component of CPW Europe's retail service proposition, providing 24-hour technology support and repair services, as well as insurance to customers.

In June 2008, Best Buy acquired 50 per cent. of the Old Carphone Warehouse Group's mobile phone retail and distribution business for £1.088 billion, and the business was renamed the "Best Buy Europe Group".

In April 2010, the Best Buy Europe Group launched Best Buy UK, a Best Buy branded 'Big Box' store format in the UK. Although these stores delivered positive customer satisfaction scores, they did not have the national reach to achieve scale and brand economies. This, together with the lack of visibility of an acceptable rate of return, led to closure of this business in January 2012.

The Group took the opportunity to realise value for its Shareholders in January 2012 and disposed of its interests in Best Buy Mobile for a total consideration of £838 million, of which £25 million was payable in consultancy fees.

(b) *History of Virgin Mobile France*

Virgin Mobile France was launched as a joint venture in April 2006, between the Old Carphone Warehouse Group, the Virgin Group and certain members of management. The venture was built on the Old Carphone Warehouse Group's experience and commercial relationships in the French telecommunications market and used innovative and differentiated propositions to drive rapid organic growth in the market.

On 14 December 2009, Virgin Mobile France completed the acquisition of Tele2, consolidating its status as the largest MVNO in France. Virgin Mobile France is now the fifth largest mobile operator in France with approximately 1.7 million subscribers.

(c) *History of other assets*

Following the Demerger in March 2010, the Group retained four freehold properties, which had been acquired for use within the Old Carphone Warehouse Group, cash of £100 million and a number of other minor investments. Since then, the Group has sold two of the freehold properties.

1.5 ***Intellectual property of Carphone Warehouse***

The principal intellectual property on which the Group depends includes the brands Carphone Warehouse, Phone House and Geek Squad.

2. CPW Europe

Detailed information about CPW Europe is set out in Part III of this document.

3. Virgin Mobile France

3.1 ***Business description***

Virgin Mobile France operates as a joint venture between the Group (46 per cent.), the Virgin Group (46 per cent.) and Financom S.A.S., which together with members of senior management, holds the remaining interests in the business. Virgin Mobile France is an MVNO, which means it does not have its own network infrastructure, and pays wholesale fees to MNOs for the use of their infrastructure. Virgin Mobile France has built strong relationships with the two largest MNOs in France, Orange and SFR, utilising the networks' infrastructure through various capacity and wholesale agreements.

Since 2011-12, the business has invested in the development of a Full MVNO infrastructure. This infrastructure enables the business to benefit from termination revenues and from revenues from international roaming and other services. While the infrastructure has required capital investment, it facilitates improved operating margins, and provides greater operating flexibility. It also provides Virgin Mobile France with control of the customer SIM, which allows for increased strategic flexibility.

The business is primarily focused on the postpay segment, which is higher value than the prepay segment. As at 31 March 2013, postpay customers represented almost 80 per cent. of its total subscriber base. The Virgin Mobile brand is well established in France and has a reputation for innovative and differentiated propositions, supported by high quality customer service. The business has a broad distribution network, including 43 Virgin Mobile branded stores, principally operating through franchise arrangements, and well-developed online and call centre platforms.

3.2 ***Strategy***

The primary strategic goals for Virgin Mobile France are to:

(a) *Attract high value postpay customers through innovative propositions and the development of its own distribution channels*

The French mobile market is expected to remain highly competitive, and Virgin Mobile France will continue to seek to develop differentiated product offerings to attract customers. The business' opportunity to recruit customers is enhanced by a growing network of Virgin Mobile branded stores.

(b) *Continue the migration of customers onto the Full MNVO platform, providing operating and strategic flexibility for the business*

Virgin Mobile France will continue to migrate customers to the Full MVNO platform, enhancing the strategic value of the business. As at 31 March 2013, approximately 50 per cent. of the customer base were Full MVNO customers.

3.3 ***Key strengths***

(a) *Experienced management team, with long-standing mobile and telecommunications industry experience*

Virgin Mobile France has an experienced management team, led by Geoffroy Roux de Bezieux as chairman, together with Pascal Rialland as chief executive officer since 2010. Geoffroy has a wealth of experience in the French mobile market, having founded The Phone House in France in 1996. Geoffroy was also previously a director of Old Carphone Warehouse. Pascal joined Virgin Mobile France in 2010 having previously worked at SAP, SFR and Xerox. Several other members of the management team also have considerable experience within the mobile market in France.

(b) *Largest MVNO in France, with 1.7 million customers; almost 80 per cent. postpay customers*

Virgin Mobile France is the largest MVNO and fifth largest mobile operator in France, with approximately 1.7 million customers. Its scale and high levels of customer satisfaction have enabled it to forge a strong commercial partnership with Orange and SFR, which provide the network infrastructure for the business.

(c) *Strong brand awareness in France*

The Virgin Mobile brand has developed a reputation in France for innovation and excellent customer service, with 86 per cent. of customers "satisfied", 87 per cent. indicating that "customer care is equivalent to or better than previous network" (postpay customer survey performed by La Voix du Client, during January 2013). According to a brand awareness campaign conducted by Ipsos during 2012, the Virgin Mobile brand had 91 per cent. prompted awareness in the French market.

(d) *Wide distribution network across France*

Virgin Mobile France has a wide distribution network in France, including over 2,000 third party handset sales points (within hypermarkets and specialist stores) and approximately 37,000 distribution points for pay-as-you-go vouchers. As at 31 March 2013, it had 43 Virgin Mobile branded stand-alone stores, split between 13 own stores and 30 franchise stores.

(e) *Full MVNO infrastructure providing strategic and operating flexibility*

Virgin Mobile France's investment in the Full MVNO infrastructure provides important financial benefits, which represent a significant competitive advantage over many other MVNOs within the French market, together with the operational and strategic flexibility outlined above.

3.4 *Board and management structure*

The board of Virgin Mobile France comprises five directors, with two shareholder representatives from Carphone Warehouse, two from the Virgin Group, and one from Financom S.A.S. The management team is led by Geoffroy Roux de Bezieux and Pascal Rialland.

Geoffroy Roux de Bezieux – chairman

Geoffroy is the chairman of Virgin Mobile France. He founded the Phone House business in France in 1996 and subsequently became chief operating officer of European distribution for Old Carphone Warehouse and was a member of the Old Carphone Warehouse board from 2000 to 2006. Geoffroy serves as a non-executive director at Parrot and PSA Peugeot Citroen. He was also president of the Croissance Plus association from 2005 to 2008.

Pascal Rialland – chief executive officer

Pascal joined Virgin Mobile France as chief executive officer in March 2010. Prior to this, he held various executive positions, including chief executive officer of SAP for France & North Africa and chief executive officer of the SFR 'Business to Business' division. He also worked for Xerox Corporation in the US and France. He also currently serves as a director for Innelec Multimedia.

3.5 *Competitive landscape*

(a) *Overview*

The French mobile telecommunications market is the third largest in Western Europe in terms of service revenue, behind the UK and Germany. It has approximately 73 million subscribers. In the years prior to 2012, the French market was dominated by three MNOs, Orange, SFR, and Bouygues Telecom, and was relatively less competitive than other European markets. It also had a number of relatively small MVNOs, with Virgin Mobile France being the largest of these. The French government and the regulator, ARCEP, implemented a number of initiatives designed to encourage competition, such as reducing contract exit costs for subscribers in June 2008 and imposing reductions to wholesale termination rates for the three MNOs in December 2008.

ARCEP has further encouraged competition by aiding the development of MVNOs, including a requirement for MNOs to host MVNOs and allow access to their networks. There are currently more than twenty MVNOs, mostly using the networks of Orange and SFR. The leading MVNO brands include Virgin Mobile France, NRJ Mobile (NRJ Mobile, Crédit Mutuel Mobile, CIC Mobile) and Coriolis (Coriolis Mobile, Saint-Hubert Mobile).

During 2009, the French government and ARCEP tendered a fourth 3G spectrum licence for which the only applicant was Iliad. Iliad launched as the fourth MNO in January 2012 using the Free Mobile brand, with low cost, SIM-only propositions. These offers have helped Iliad gain over five million subscribers in less than a year, albeit with a large proportion of low-value, low-end users. Iliad's mobile business provides retention benefits for its established fixed broadband business. Iliad is required to develop its own network infrastructure and to provide network coverage to 75 per cent. of the French population by 2015, and 90 per cent. by 2018. To date, most of its services have been supported by a roaming agreement with Orange, which has enabled it to delay the deployment of its own network.

(b) *Customer ARPU*

In addition to regulated price reductions faced by all European MNOs, the French network operators have experienced downward pressure on customer ARPUs as a result of increased competition, particularly in the SIM-only segment. As a result, total mobile service revenues declined by approximately 15 per cent. between 2010 and 2012 (Company estimates based on ARCEP quarterly reports). Continued competition is likely to cause continued revenue erosion over time.

(c) *4G LTE*

4G or LTE network services are expected to drive mobile data traffic. All four MNOs are currently testing 4G services in some areas, but availability of commercial 4G services is limited. However, Bouygues Telecom has recently been granted permission to reuse its 1800 MHz spectrum for 4G services and is targeting 40 per cent. 4G coverage by October 2013.

4G is reportedly five times faster than 3G. As 4G technology and 4G enabled devices become more widely adopted, the user experience is expected to improve and consumption of mobile data is likely to increase, to accommodate users' changing needs. This has been the experience in countries where 4G has already been widely adopted, such as the US and Japan. According to a recent mobile data traffic forecast update from Cisco, 4G connections represent less than one per cent. of mobile connections today, but account for approximately 14 per cent. of global mobile data traffic.

3.6 ***Ongoing relationship between Carphone Warehouse and the Virgin Group***

For further information please see the summary of the Virgin Mobile France joint venture agreement in paragraph 6.24 of Part XII of this document.

3.7 ***IT***

Virgin Mobile France's in-house information and technology infrastructure supports sales, rating, billing, customer relationship management and back office operations. The business' Full MVNO infrastructure is managed by third party service providers.

3.8 ***About the Virgin Group***

The Virgin Group is a global organisation active in a range of sectors, including media and telecoms, transport and tourism, financial services and health and wellness.

4. **Other assets**

Other assets include cash of £116.9 million and loans receivable from Virgin Mobile France of £20.5 million, as at 31 March 2013 (in each case as extracted without material adjustment from the unaudited management accounts of the Group for the month ended 31 March 2013), as well as the following freehold properties in the UK:

- Tulketh Mill, Preston, Lancashire (120,000 square feet) is let to the TalkTalk Group as a customer contact centre, on normal commercial terms under a lease that expires in 2025. The site also includes a number of retail units, which are let to a number of third parties on normal commercial terms under leases that expire on a range of dates.
- Northbank House, Irlam, Manchester (45,000 square feet) is used by the TalkTalk Group as its networks and technology headquarters; the property is let to the TalkTalk Group on normal commercial terms under a lease that expires in 2025.
- The Group's freehold property at 5 Portal Way, Acton, London, was sold for cash proceeds of £10.5 million in April 2013; these proceeds were not included in the Group's cash balance at 31 March 2013.

As at 31 March 2013, these properties had an aggregate book value of £26.7 million, as extracted without material adjustment from the unaudited management accounts of the Group for the month ended 31 March 2013.

PART III

INFORMATION ON CPW EUROPE

Investors should read all of this document and not just rely on key or summarised information in this Part III. This Part III contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of such risks and uncertainties. Investors should read the paragraph of this document headed "Forward-looking statements" on page 29 and the section headed "Risk factors" on pages 18 to 25 (inclusive) for a discussion of risks and uncertainties related to these statements.

1. CPW Europe

1.1 *Business description*

CPW Europe, the New BBED Group's continuing business, is one of the largest independent telecommunications retailers in Europe, operating 2,377 stores in eight European countries as at 31 March 2013, principally under the Carphone Warehouse and Phone House brands, together with a well-developed online proposition. CPW Europe specialises in mobile handsets, tablets and other connected devices, combining hardware with connections to service providers to create subsidised propositions. The business has highly-trained consultants who provide specialist and independent advice in areas of product and service complexity, and offers ongoing customer support beyond the point of sale, including a comprehensive range of insurance and technical support services. Until Completion, the Best Buy Group will have a 50 per cent. interest in CPW Europe.

(a) *Sales channels*

In the UK and the Republic of Ireland, CPW Europe trades under the Carphone Warehouse brand and elsewhere primarily trades as Phone House.

As at 31 March 2013, CPW Europe had a portfolio of 2,377 stores, spread across eight European countries as follows:

United Kingdom
Own stores: 785

Republic of Ireland
Own stores: 82

Spain
Own stores: 382
Franchise stores: 153

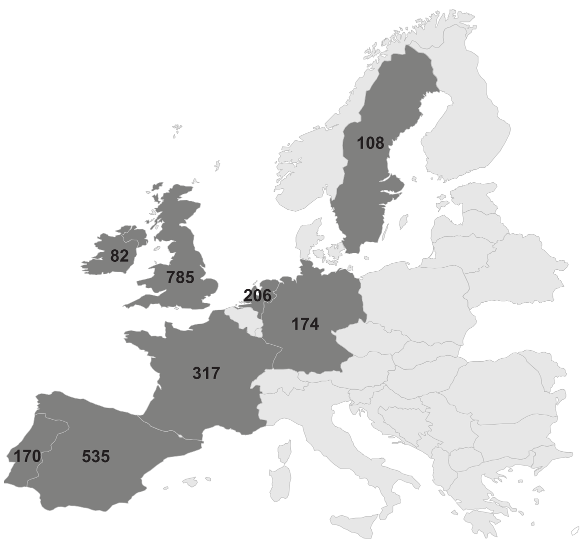
Netherlands
Own stores: 141
Franchise stores: 65

France*
Own stores: 245
Franchise stores: 72

Portugal
Own stores: 167
Franchise stores: 3

Germany
Own stores: 138
Franchise stores: 36

Sweden
Own stores: 97
Franchise stores: 11



* CPW Europe has announced its intention to pursue an orderly exit from the French retail market, following due process.

CPW Europe's retail stores are generally positioned on high streets, in shopping centres, and in retail parks. CPW Europe's stores typically have an average selling space of around 650 square feet. Within the overall portfolio, CPW Europe has 2,037 of its own stores. In certain mainland European markets, these stores are supplemented by franchise stores, of which there were 340 as at 31 March 2013. These stores provide the same consumer proposition and generally operate on the same sales and back office systems as own stores, but are typically in secondary locations and the lease is held by the franchisee.

In recent years, CPW Europe has developed a slightly larger store format offering a broader range of wireless devices and in many locations, an in-store Geek Squad service, which has provided high levels of customer satisfaction and good financial returns. Labelled as the ''Wireless World'' format, many of the features of this format have been rolled out across much of the estate.

Within its own store estate, CPW Europe has 19 stores-within-a-store, providing a specialist connected products and services proposition on behalf of retailers with larger store formats, who enjoy significant footfall but who lack expertise in this field. This concept proved to be particularly successful in the US with Best Buy Mobile, and may provide CPW Europe with an opportunity to develop additional scale in a number of European markets.

CPW Europe has well-developed websites in all its markets. Revenues from CPW Europe's websites remain a relatively small proportion of total revenue, typically ranging between 10 and 15 per cent. Customers continue to value the advice available within CPW Europe stores, given the complexity of the technology available to customers, and the opportunity to obtain technical support through the business' ''Walk Out Working'' service. In the UK and the Netherlands, the Carphone Warehouse and Phone House brands are supplemented by specialist online brands such as E2Save.com, mobiles.co.uk and Typhone.nl.

In addition to supporting sales activity, CPW Europe's websites provide an important marketing tool, enabling customers to undertake their own research, even if they ultimately choose another channel for the final purchase. CPW Europe's UK website alone receives an average of around 4.5 million hits per month. Retail and online channels are supported by a transactional mobile site, providing further choice for customers. In the UK, CPW Europe is active across social media platforms such as Facebook and Twitter, which provide meaningful ways to engage with existing and potential customers. In November 2009, CPW Europe launched ''Eye Openers'', available on YouTube, which features videos from CPW Europe experts giving useful tips and advice on a range of devices. ''Eye Openers'' has established itself as a technology advice channel, with over 10.7 million video views as of early April 2013.

(b) *Products and services*

A significant proportion of CPW Europe's revenue is derived from MNOs and other service providers, for delivering new customers and renewals. The business generally receives a share of future customer revenues, and/or commissions, which are typically used to subsidise the sales values of a range of connected devices.

Hardware includes a range of connected devices such as feature phones, smartphones and tablets along with accessories to enhance and support this hardware. At selected stores CPW Europe also sells ''app-cessories'', which are smartphone/tablet accessories that work specifically with mobile applications. Alongside a full range of postpay, prepay and mobile broadband connections from MNOs, the business also offers services from fixed broadband, landline and TV providers.

CPW Europe also offers a range of insurance and assurance products to protect customers from loss, damage or theft of their mobile phone and other devices. In most markets, this product also includes ''24/7'' technical support from the Geek Squad, providing advanced product knowledge and expertise.

The primary service offering provided by the Geek Squad is as follows:

- Technology support – includes device set-up, data back-up and data transfer services;
- Insurance – CPW Europe's insurance proposition benefits from its large retail estate, and the business continuously seeks to improve the quality of its customer service, with a 48-hour replacement service in several markets and claims acceptance rates typically over 90 per cent.; and

- Repairs – CPW Europe runs the largest in-house mobile phone repair facility in the UK, and has well-developed processes for managing repairs of handsets and other devices across its mainland European markets.

(c) *Expert consultants*

A core differentiating feature of CPW Europe's retail proposition is the provision of expert and impartial advice on connected devices, network connections and tariffs, and ancillary products and services. Consultants are compensated through incentive plans based on store performance and customer recommendation scores rather than commission on sales. This is intended to focus each consultant on the long-term position of the business rather than short-term personal earnings.

In addition to the Geek Squad offering, the business has a number of free services available for customers, such as ''Walk Out Working'', which provides an introductory overview for the customer, helping them to download applications or set up their email accounts.

(d) *IT and operating systems*

Over many years, the CPW Europe business has developed sophisticated IT systems and operating processes to help customers navigate through the extensive range of network package plans and other options, and to facilitate rapid transactions. It has also evolved bespoke customer relationship management tools which enable services such as upgrade reminders, data storage tools and tariff checks. These specialist tools, together with the expertise of CPW Europe employees, were fundamental to the success of Best Buy Mobile in the US, and as outlined below, it is hoped that these assets can be exploited through other partnerships and service provision arrangements with third parties.

(e) *Other*

CPW Europe also generates significant revenues from the sale of mobile handsets and other products to other retailers, distributors and wholesalers. Its largest operation is in Germany, where the Mobile World Distribution business shares the benefits of its network commercial terms with other businesses (thereby increasing handset scale for CPW Europe), and provides support services to a number of retailers. Similar services are also provided by CPW Europe's UK business.

1.2 ***Strategy***

(a) *Provide outstanding value and service across a broad range of connected devices*

CPW Europe aims to construct innovative propositions and to find new ways to subsidise expensive products, continuing to develop its 'bundled' propositions, packaging mobile handsets with tablets and other devices, supported by a wide range of accessories and services. The business plans to maintain its strong customer service ethos, and to continue to evolve its service proposition to support this.

(b) *Help consumers simplify complex areas of technology*

In response to consumer demand for technological advice, CPW Europe plans to continue to invest in the ongoing training of its expert consultants, and to focus on in-store set-up through the ''Walk Out Working'' programme. CPW Europe expects to continue to use Geek Squad agents as a differentiator within the market, both in store and through its ''24/7'' technical phone and home support. CPW Europe intends to maintain the high quality of its ''Wireless World'' store format and continue to enhance this format in response to changes in technology and consumer demand and to ensure that the retail channel remains a valuable point of differentiation.

(c) *Enhance multi-channel platforms to improve customer choice*

CPW Europe is committed to developing its online channels to support its retail outlets, providing as much choice as possible for consumers. It intends to continue to enhance its m-commerce site, driving transactional site traffic and improving conversion, and to remain active through social media platforms, evolving the way it operates to make even better use of this opportunity to interact with customers and engage with potential customers.

(d) *Leverage global scale to build strategic relationships with key suppliers and partners*

CPW Europe has a long-held strategy of using improved commercial terms to reinvest in the customer proposition. CPW Europe intends to continue to leverage scale to drive differentiation from competitors and obtain exclusive products from key suppliers. This in turn aims to drive further growth, and to enable strengthened relationships with key suppliers and network partners.

(e) *Replicate the success of Best Buy Mobile in the US by partnering with retailers in target markets*

CPW Europe's experience in the US market with Best Buy Mobile highlighted the potential for value creation through leveraging its specialist skills to help develop a connected product and service proposition in partnership with a retailer that has significant footfall but lacks these specialist skills. CPW Europe aims to replicate such arrangements with other retailers, both in Europe, particularly in markets in which CPW Europe currently lacks scale, and in other parts of the world.

(f) *Leverage expertise and systems capabilities to provide managed services to third parties*

CPW Europe considers that there is an opportunity to leverage its specialist IT systems, operating processes, customer relationship management tools and employee expertise to support third parties in developing and managing their operations. CPW Europe already provides managed services for third parties in relation to mobile phone insurance and IT solutions, and is active in exploring further opportunities both within its existing markets and elsewhere in the world.

1.3 ***Key strengths***

(a) *Experienced management team, with long-standing industry relationships*

Beyond the expertise and experience of Sir Charles Dunstone, Roger Taylor and others within Carphone Warehouse, CPW Europe's own management team has been instrumental in growing and developing the business in recent years. Andrew Harrison, chief executive officer of CPW Europe, has been with the Carphone Warehouse business for more than 17 years and is head of an experienced management team.

(b) One of the largest independent European telecommunications retailers with strong relationships with major Western European network operators

Over 20 years, CPW Europe has grown to become one of the leading independent European retailers of mobile phones and other connected devices, with 2,377 stores across eight European countries as at 31 March 2013. Through scale, CPW Europe has developed strong relationships with major network operators and equipment manufacturers in its markets. The business works very closely to align its interests with the interests of the network operators, by encouraging ongoing mutually beneficial commercial terms.

(c) Core specialist capabilities, processes and systems create opportunities for partnerships to grow the business

An area of increasing focus for CPW Europe is to leverage its core expertise and systems to provide managed services to third parties. Delivering CPW Europe's proposition is complex, involving connectivity with networks, customer relationship management, IT and insurance. The sharing of core systems and operating processes, as well as expertise in insurance, customer management and administration, contributed to the success of Best Buy Mobile in the US and highlighted the opportunity to use this expertise to help third parties to realise significant incremental value. CPW Europe is working on similar opportunities of this nature both within and outside Europe.

(d) Portfolio of strong retail brands

In the UK and Republic of Ireland, CPW Europe operates under the Carphone Warehouse brand, which was created when the business was formed in 1989. As a mobile phone retailer, this brand scores spontaneous awareness in the range of 51 to 56 per cent. and prompted awareness of over 96 per cent. In the rest of Europe, CPW Europe operates under the Phone House brand, which scores prompted awareness in most countries of over 90 per cent.

(e) *Customer-centric retail proposition, with a demonstrated track record of high quality service*

CPW Europe runs a customer-centric model, based on its provision of high quality independent advice to the consumer. This focus on customer service (in particular the provision of independent advice on devices and tariffs) and technology support has become increasingly important in recent years, with the proliferation of smartphones, tablets and other sophisticated connected devices with complex operating systems, requiring a greater degree of technical support. CPW Europe has a long history of customer service and retail awards. Over the last year it has received awards from Retail Week for 'Training Solution of the Year' and received a five star rating from Defaqto for its Geek Squad service. It was recently awarded the 'Best Large High Street Retailer' award by Mobile News, which is judged solely on statistics from mystery shoppers.

(f) *Strong track record of innovation*

CPW Europe has been at the forefront of product and service innovation, introducing fashion orientated mobiles, including branded and colour handsets, launching the subsidisation of laptops in the European market in 2008 and of tablets in more recent years, as well as introducing service propositions such as express repair centres and back-up facilities for mobile phone contacts. Over the past two years, CPW Europe has been focused on innovative measures that continue to support and build on a trusted brand for consumers, such as ''Walk out Working'', which provides an introductory overview for the customer, helping them to download applications or set up their email accounts.

(g) *Beneficiary of leading global purchasing economies of scale, with strong relationships with major global manufacturers*

CPW Europe benefits from significant purchasing economies of scale, based on its status in Western Europe and its ability to leverage its buying power with international suppliers to secure attractive deals with manufacturers and logistics operators.

1.4 ***Management structure***

CPW Europe has its own experienced management team, led by Andrew Harrison, chief executive officer, who has been with the Carphone Warehouse business since 1995 and who is supported by the experience and relationships of Sir Charles Dunstone, Roger Taylor and other members of Carphone Warehouse management.

Rob Bacon – chief operating officer, Global Connect Business

Rob joined the business in 2003 as the UK human resources director. In 2006 he moved to the US to lead the set-up and structuring of human resources for Best Buy Mobile. Returning to the UK in 2008 his focus has been as chief operating officer of the Global Connect Business, managing partnership relationships and developing growth opportunities outside of current CPW Europe markets.

Paul Davis – chief financial officer, UK/Republic of Ireland

Paul joined the business in 2006 and is chief financial officer for the UK and Republic of Ireland. Previous roles within the business include group connectivity director, responsible for network relationships, group commercial finance director and UK finance director. Prior to this, Paul worked at Vodafone for eleven years.

Andrew Harrison – chief executive officer

Andrew joined the business in 1995 after spending two years working for a management consultancy business. In October 1998, he became UK commercial director, responsible for MNO relationships, customer proposition, development of the telecoms services division and new business development. He has been instrumental in helping to grow the business and was a member of the board of Old Carphone Warehouse from 2006 to the formation of the joint venture with Best Buy in 2008.

John Hunter – group services director

John joined the business in 2002 and has been group services director since 2012. He is responsible for the Group's insurance, repairs and technology support businesses, many of which operate under the Geek Squad brand. He is also responsible for developing new business relationships with partners looking to leverage CPW Europe's services expertise. Prior to this, John held various roles including UK financial controller and UK services director.

Simon Post – group operations director

Simon joined the business as chief technology officer in 2005, having previously worked at BskyB as group IT and strategy director and prior to that as a partner at Arthur Andersen, with responsibilities for global e-business and advanced technology teams. He became group operations director in 2009, and is also responsible for developing opportunities for the business to leverage its specialist IT systems, operating processes and customer relationship management tools to support third parties in developing and managing their operations.

Marcus Roy – group finance director

Marcus joined the business in 2003 and is responsible for the central finance function and those of CPW Europe's subsidiaries in mainland Europe. He has previously held a number of senior finance roles across the business including finance director of group operations and finance director of Best Buy Mobile. Prior to joining Carphone Warehouse, Marcus trained as a chartered accountant at Deloitte.

Tim Scrivener – chief executive officer, group insurance business

Tim joined the business in 2004 to lead its insurance underwriting, policy design and consultancy business, and has been instrumental in developing its third party insurance proposition. He previously spent 20 years with Domestic & General Group plc, where he was a board member for 13 years, and was chief executive officer from 1998 to 2003.

Graham Stapleton – chief commercial officer

Graham joined the business in 2005 having previously worked for Kingfisher and Marks and Spencer. He is chief commercial officer of CPW Europe. He has contributed to the growth of CPW Europe through the development of a customer-led strategy and a focus on strategic partner relationships with both network operators and hardware manufacturers.

Bert van Dam – managing director, Northern Europe

Bert joined the business in 2007, having previously worked at KPN in the Netherlands for several years, ending his time there as managing director of consumer internet. He has played a key role in driving the Phone House to become the market-leading independent in the Netherlands, as well as transforming the Phone House in Germany from a service provider business to a leading handset distributor. He was instrumental in the launch of the store-within-a-store trials with Media Markt Saturn in the Netherlands during 2012.

Guillaume van Gaver – managing director, Southern Europe

Guillaume has been working in the telecommunications sector for 17 years, with senior experience in marketing, sales and customer service. He has been head of the Phone House in France since 2011 and has been instrumental in the strategic review of this business. Prior to this he was marketing director for Everything Everywhere, chief commercial officer for Mobinil in Egypt, has held several positions with France Telecom Group, as well as a role at Arianespace in Washington DC.

Lynne Weedal – group human resources director

Lynne joined the business in 2007 as group human resources director. She is responsible for all aspects of human resources, internal communication and strategic planning. She has led on significant people change initiatives, helping the business to improve employee engagement and retention and to achieve The Sunday Times "Best Companies To Work For" status in 2011. Prior to CPW Europe, Lynne worked at a number of blue chip organisations including Tesco, Whitbread and Bupa.

1.5 ***Competitive landscape***

(a) *European mobile handset market*

After a period of decline in handset sales during 2008 caused by a combination of market saturation, the macroeconomic environment and a lack of new products in the mid-tier segment, the market saw a period of significant growth in 2009 and 2010, primarily driven by the development and rapid adoption of smartphone technology. The handset market has been broadly flat since then, although modest market growth is predicted through to 2017, with smartphone technology expected to stimulate demand, particularly as MNOs develop their 4G/LTE platforms to provide enhanced services.

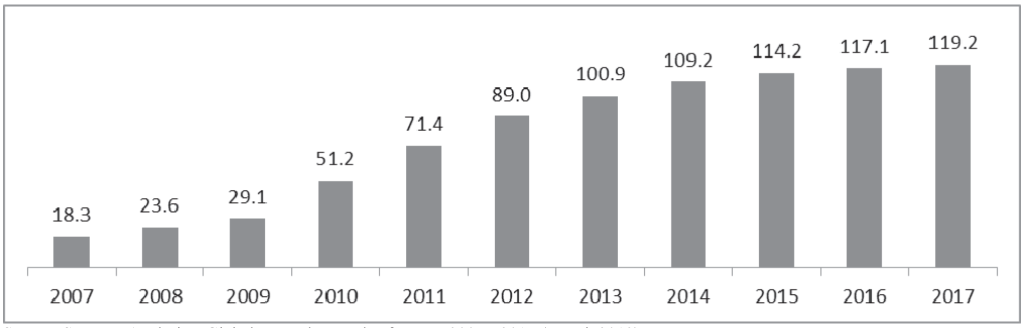
Western Europe handset sales (millions of units)[1]

Source: Strategy Analytics, Global handset sales forecast 2007 - 2017 (March 2013)

(b) *Smartphones and tablets*

The development of smartphone technology has seen the entrance to the handset market of new manufacturers and operating system providers, creating intense competition in a relatively short period of time. With the rapid development of technology and device innovation, there is scope for new challengers to emerge, providing an ongoing opportunity for CPW Europe to provide independent advice and device support. Furthermore, manufacturers are broadening their smartphone range by bringing ever more affordable devices to the market, allowing greater smartphone penetration especially within the low-end postpay and prepay categories.

Western Europe smartphone sales (millions of units)[2]



Source: Strategy Analytics, Global smartphone sales forecast 2007 - 2017 (March 2013)

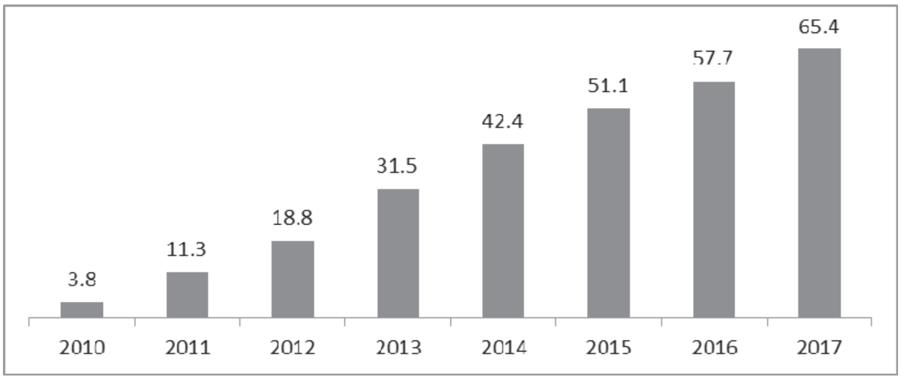
The first tablet was launched in 2010. Similar to smartphones, there has been rapid adoption of these devices as manufacturers continue to develop ever more sophisticated products at ever more affordable prices. Western European tablet shipments are expected to reach 83 million units by 2017.

Initially the market was dominated by a single premium device, but increasing competition from other manufacturers has contributed to the growth seen in 2011 and 2012. Further growth is predicted for 2013 and beyond. Most tablets are currently sold for use on wi-fi networks only. Such tablets can also be "tethered", enabling them to share the internet connection of another device such as a smartphone, but cannot use mobile networks independently. The development of 4G services is expected to support significantly improved download speeds on mobile networks and to increase the proportion of tablets that are both wi-fi and 4G enabled.

1 For the eight Western European markets in which CPW Europe operates: France, Germany, the Republic of Ireland, Netherlands, Portugal, Spain, Sweden and the UK.

2 For the eight Western European markets in which CPW Europe operates: France, Germany, the Republic of Ireland, Netherlands, Portugal, Spain, Sweden and the UK.

Western Europe tablet shipments (millions of units)[3]



Source: Strategy Analytics, Global branded tablet shipments forecast 2010 - 2017 (March 2013)

Growth in smartphones and tablets has increased the demand for service and technical support offerings as consumers seek to understand and make best use of advanced functionality and become increasingly reliant on assistance with software applications and device synchronisation.

CPW Europe's close relationship with MNOs and manufacturers of both smartphones and tablets, together with its expertise in helping customers to navigate the range of choices available to them, position it well to take advantage of the development of this market.

(c) *Distribution channels*

Mobile handsets and other connected devices are sold through a range of retail channels, including specialists such as CPW Europe, consumer electronics retailers, and generalists, including supermarkets and hypermarkets. Generalists are typically more focused on prepay handsets, which ordinarily involve a less complex transaction process and require lower levels of customer support. Alongside these retailers, MNOs typically have significant networks of branded stores, which sell only the products and services of the relevant MNO. Such stores may be managed and controlled directly by an MNO, or may operate under franchise or dealership arrangements. CPW Europe offers impartial advice on products and services from a broad range of MNOs and other service providers, enabling differentiation from these single MNO stores.

These retailers and network operators generally have a combination of stores, online channels and in some cases call centres. Being a leading specialist, CPW Europe's online channels are used to enable customer research as well as to provide alternative purchasing options. There are also some retailers which operate only through online channels.

(d) *4G LTE*

Western Europe has yet to adopt 4G technology widely and most consumers continue to use 3G enabled mobile handsets, with 4G penetration in Western Europe estimated to be one per cent. at the end of 2012. The growth of smartphones and increased data usage has put significant pressure on 3G networks. MNOs are investing heavily in developing 4G networks, to provide extra capacity and an improved service for their customers.

4G is reportedly five times faster than 3G. As 4G technology and 4G enabled devices become more widely adopted, the user experience is expected to improve and consumption of mobile data is likely to increase, to accommodate users' changing needs. This has been the experience in countries where 4G has already been widely adopted, such as the US and Japan. According to a recent mobile data traffic forecast update from Cisco, 4G connections represent less than one per cent. of mobile connections today, but account for 14 per cent. of global mobile data traffic.

3 For the eight Western European markets in which CPW Europe operates: France, Germany, the Republic of Ireland, Netherlands, Portugal, Spain, Sweden and the UK.

To benefit from 4G services, customers need 4G enabled devices. As 4G network coverage improves in Western Europe, there is incentive for customer to upgrade their services, which may stimulate the handset replacement cycle, creating greater opportunities for mobile retailers, including CPW Europe.

(e) *Regulatory pressure*

Western European MNOs have been subject to significant regulatory intervention in recent years, particularly on charges to terminate calls from other network operators and on international roaming charges, causing downward pressure on MNO ARPUs. Alongside this, the consumer environment has been challenging, causing reduced consumer spending and intensifying price competition among the MNOs. In the US and elsewhere, MNOs have applied premiums to 4G tariffs, reflecting the higher quality service being provided, as well as using tiered data packages to match charges to the level of data consumption. It is anticipated that MNOs in Western Europe may seek to adopt a similar approach in order to stimulate ARPU.

1.6 ***IT and infrastructure***

CPW Europe utilises systems that have been developed internally over a number of years to support its sales and inventory management, customer relationship management and insurance business.

These systems have been designed to meet the specific needs of the business, providing features such as automated credit-checks and network connectivity, navigation through mobile tariff packages and serialised inventory management.

1.7 ***Regulatory***

CPW Europe is subject to specific regulation in respect of its insurance business and the selling of insurance. A number of CPW Europe's subsidiaries undertake insurance activities across Europe, including:

- New Technology Insurance Limited ("**NTI**"), which is based in the Republic of Ireland. NTI is a licensed underwriter and is regulated by the Central Bank of Ireland, the financial regulator in the Republic of Ireland. NTI underwrites some of CPW Europe's mobile insurance policies under freedom of services provisions, with other policies underwritten by third parties;
- MTIS Limited is a licensed insurance intermediary, and is also based in the Republic of Ireland and regulated by the Central Bank of Ireland;
- Carphone Warehouse Limited (Ireland) is a mobile phone retailer in the Republic of Ireland. Its retail business in the Republic of Ireland is regulated by the Central Bank of Ireland as an insurance intermediary in relation to the sale of insurance products through its distribution channels; and
- Carphone Warehouse Limited (UK) is regulated as an insurance intermediary in the UK by the FCA in respect of the insurance products it sells through its distribution channels.

1.8 ***About Best Buy***

Best Buy is a multinational retailer of consumer electronics, computing and mobile phone products, entertainment products, appliances and related services. Its operates retail stores, call centres and online retail operations under a variety of brand names such as Best Buy, Best Buy Mobile, Five Star, Future Shop, Geek Squad, Magnolia Audio Video and Pacific Sales.

PART IV

OPERATING AND FINANCIAL REVIEW OF THE GROUP

The operating and financial review of the Group should be read in conjunction with the Group's audited historical consolidated financial information for the three financial years ended 31 March 2012, 31 March 2011 and 31 March 2010 and unaudited interim financial information for the six months ended 30 September 2012 and 30 September 2011 which is contained in Sections A and B of Part VII of this document.

Unless otherwise indicated, the selected financial information included in this Part IV has been extracted without material adjustment from the Group's audited historical consolidated financial information and the Group's unaudited interim financial information contained in Part VII of this document.

1. Overview

The Group principally comprises a 50 per cent. interest in CPW Europe, a 46 per cent. interest in Virgin Mobile France, and other investments, including freehold properties and cash. Following Completion, the Group will hold a 100 per cent. interest in CPW Europe.

CPW Europe is the continuing business of the New BBED Group, further details of which are set out in Part III of this document. The results of the New BBED Group also include the results of Best Buy UK. The Best Buy UK business was closed in January 2012 and is treated as a discontinued operation in the results of the New BBED Group.

The Best Buy Europe Group as presented in this Operating and Financial Review, and as included within the results of the Group, reflects the combined results of the New BBED Group and Best Buy Mobile. Best Buy Mobile was part of the Best Buy Europe Group until January 2012, when the Group disposed of its interest in this business through the Best Buy Mobile Disposal. The results of Best Buy Mobile are presented within non-Headline results of the Best Buy Europe Group and the Group in order to provide visibility of the continuing business in the Headline results of the respective businesses.

The consolidated financial information of the New BBED Group has been prepared with the objective of presenting the results, net assets and cash flows of the New BBED Group in the form that arose following the Best Buy Mobile Disposal, as if it had been a stand-alone group throughout the entire reported financial periods. Best Buy Mobile does not form part of the New BBED Group since the company which received the Best Buy Europe Group's share of profits from Best Buy Mobile does not form part of the New BBED Group.

The results of the New BBED Group as presented in Part V of this document are identical to the results of the Best Buy Europe Group with the exception of the results of Best Buy Mobile, as explained above, and other minor differences. A reconciliation of the results of the Best Buy Europe Group to the results of the New BBED Group is provided in paragraphs 6.1(b) and 6.2(b) of this Part IV.

Further information on the Group is set out in Part II of this document.

2. Current trading and prospects

CPW Europe (50 per cent. joint venture)

For the quarter ended 31 March 2013, CPW Europe's UK business continued the momentum of the quarter ended 31 December 2012, with strong connections growth and like-for-like revenue growth of 15 per cent. The business continued to invest in the proposition and grew its market share in both the postpay and prepay segments; it also maintained the significant tablet sales growth seen in the third quarter, as the business gained further authority in this product category.

In mainland Europe, excluding France, CPW Europe enjoyed positive like-for-like revenue growth, whilst France itself continued to be particularly challenging. Nevertheless with a solid performance across other European markets, total CPW Europe connections growth was 9.7 per cent. and like-for-like revenue growth was 6.5 per cent. for the quarter. In France, CPW Europe has completed its strategic review and has decided to pursue an orderly exit by means of store disposals and some store closures, in conjunction with due process. In the meantime, its stores will continue to trade with a key priority being to minimise the impact on its people. The Group had previously indicated that restructuring activity in the second half of the year to 31 March 2013, including activity in France, was expected to result in non-Headline pre-tax cash costs of £20-25 million and non-cash asset write-downs of £5-10 million. In light of the situation in France, a further non-cash impairment charge of approximately £80-90 million, relating to goodwill and fixed assets, will be included as a non-Headline item in the financial year ended 31 March 2013.

Virgin Mobile France (46 per cent. joint venture)

Despite continued intense competition, Virgin Mobile France produced year-on-year revenue growth of 4.2 per cent. for the financial year ended 31 March 2013. As expected, revenue for the quarter ended 31 March 2013 declined, by 9.7 per cent., with inbound revenue recorded for the first time in the comparative period. The postpay base was down by 52,000 customers for the quarter; however, Virgin Mobile France reported postpay net additions of 11,000 for the full year. The Full MVNO base continues to grow strongly with approximately 50 per cent. of customers on this platform as at 31 March 2013. There remains further benefit to come from this migration, as it reaches progressively across the customer base.

Carphone Warehouse

The Group sold one of its freehold properties during the quarter ended 31 March 2013 for proceeds of £40.5 million. A second freehold property has been sold since 31 March 2013 for £10.5 million, proceeds from which were not included in the year end cash balance. Both properties are located in Acton, London.

3. Dividend policy

The Group intends to maintain its existing progressive dividend policy, generally with a minimum of three times cover based on Headline earnings. In view of the Group's requirement to fund the Deferred Consideration payable pursuant to the Acquisition, the Directors will reserve the Group's position as to the form of dividend payments over the two years from Completion between cash and scrip.

4. Principal factors affecting the Group's operating results

The following factors, in addition to general economic and market conditions, government policy and regulation, have had and are likely to continue to have a material effect on the Group's results. In addition, investors should read the section of this document headed "Risk Factors" and Part II of this document.

4.1 *Factors affecting the Group*

(a) *Income and cash flows from joint ventures*

The earnings of the Group are materially affected by the results of its joint venture investments, the Best Buy Europe Group and Virgin Mobile France. These joint ventures also affect the cash flows of the Group, in the form of loan requirements or repayments and dividends. The earnings and cash flows of the Best Buy Europe Group and Virgin Mobile France therefore have a direct impact on the Group. The factors that influence these investments are described in paragraphs 4.2 and 4.3 below. In addition to the factors noted in relation to the New BBED Group, the results of Best Buy Mobile prior to the Best Buy Mobile Disposal were influenced by economic and market conditions in the United States, together with the rate of exchange between the US dollar and sterling.

(b) *Property market and tenants*

Rental income from the Group's freehold properties is currently a source of revenue for the Group. Along with consultancy income from Best Buy relating to the Best Buy Mobile Disposal and interest income, this rental income offsets some of the operating costs of the business. If existing tenants breach covenants on the leases (including, but not limited to, rental payments) or the Group has difficulty securing new tenants, this could affect the results of the business.

(c) *Interest rates*

The Group has substantial cash resources on which it earns interest at rates available in the market. The Group also has a loan receivable from Virgin Mobile France on which it receives interest at a margin above LIBOR. Any change in the interest rates available on cash deposits or in LIBOR will affect the results of the Group.

4.2 ***Factors affecting the Best Buy Europe Group***

Factors affecting the Best Buy Europe Group are the same as those affecting the New BBED Group as described in paragraph 4 of Part V of this document.

4.3 ***Factors affecting Virgin Mobile France***

(a) *Consumer spending*

Virgin Mobile France's results are affected by the level of consumer spending in France. Consumer spending can be volatile due to factors such as: changes in interest rates and utility costs; consumer confidence; and risk appetite (in particular, attitudes to borrowing which in turn are sensitive to the rate of growth in the housing market). Consumer confidence over recent years has been depressed by macroeconomic factors including the banking crisis and instability in the Eurozone.

(b) *Mobile network competition*

The level of competition between MNOs affects demand for Virgin Mobile France's services and, in turn, the revenues generated and subscriber acquisition costs incurred. The Virgin Mobile France product offering is focused on innovation with customer-centric differentiated tariffs aimed at particular segments of the French market. The behaviour of the network operators and MVNOs in France will affect the level of differentiation offered by Virgin Mobile France. This will affect both the customer base, and therefore revenue, and subscriber acquisition costs as the handset subsidy required to attract customers will vary depending on the alternative deals available to customers from other operators. Since 2012, the mobile market in France has been highly competitive, putting downward pressure on industry ARPUs, a trend which is expected to continue.

(c) *Supplier pricing*

Virgin Mobile France utilises the network infrastructure of Orange and SFR and pays wholesale rates for voice and SMS traffic and data capacity. The pricing of these services affects the gross profit earned.

(d) *Data consumption*

Virgin Mobile France purchases capacity from Orange and SFR in order to provide data services to its customers. The level of data consumed by customers affects the amount of capacity Virgin Mobile France needs to buy from its network partners and therefore the gross profit earned. Data consumption has increased substantially over recent years as the proliferation of smartphones has resulted in more customers having access to the internet, email and other applications on their phones.

(e) *Pricing*

The results of Virgin Mobile France are affected by the pricing of tariffs offered to customers. The pricing relative to other operators will affect the demand for services whilst the level of pricing will affect the margins made by Virgin Mobile France. As noted above, the competitive market since 2012 has put downward pressure on the pricing of tariffs offered to customers in the market.

(f) *Distribution*

Virgin Mobile France is dependent on its network of retail distributors to recruit new customers. Virgin Mobile France typically pays commission to distributors for each customer acquired. The results of Virgin Mobile France will be affected by the volume and quality of customers acquired and by the level of commission paid to distributors.

5. **Basis of preparation of the financial information and explanation of line items**

On 26 March 2010, the Demerger became effective, resulting in the formation of the Group and the TalkTalk Group. The financial information for the financial year ended 31 March 2010 has been prepared with the objective of presenting the results, net assets and cash flows of the Group in the form that arose on completion of the Demerger, as if it had been a stand-alone group during the entire year. While the Board believes that the financial information set out in the consolidated financial information is an appropriate presentation for the period prior to the Demerger, this financial information is not necessarily indicative of the financial results that might have occurred had the Group been an independently financed and managed public entity during that period.

5.1 ***Financial information***

The Group's consolidated financial information presents the unaudited results for the six months ended 30 September 2012 and 30 September 2011 and the audited results for the financial years ended 31 March 2012, 31 March 2011 and 31 March 2010.

Full details of the basis of preparation of the financial information are set out in Part VII of this document. The principal entities included within the financial information are shown in notes 12 and 13 to the consolidated financial information set out in Section A of Part VII of this document.

5.2 ***Accounting policies and other principles applicable to the financial information***

The principal accounting policies and other principles applied in the preparation of the financial information are set out in note 1 of Section A of the financial information set out in Part VII of this document. These policies have been consistently applied to all periods presented. The financial information has been prepared on the basis of IFRS. These standards include subsequent amendments and related interpretations issued and adopted by the International Accounting Standards Board that have been endorsed by the European Commission.

5.3 ***Explanation of line items in the income statement of the Group***

(a) *Headline results*

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

(b) *Revenue*

Revenue is stated net of VAT and other sales-related taxes and predominantly represents rental income on freehold properties and consultancy income.

(c) *Operating expenses*

Operating expenses consist primarily of salaries, bonuses, share-based payments and other employee benefits and all related taxes. Operating expenses also include the depreciation of property, plant and equipment and other costs incurred in the running of the business, such as professional fees. Operating expenses may also be affected by the resolution of previous uncertainties which result in the reversal of items previously recognised as liabilities.

(d) *Share of results of joint ventures*

Share of results of joint ventures comprises the Group's share of the post-tax profits or losses of the Best Buy Europe Group and Virgin Mobile France.

(e) *Net interest income (expense) and investment income*

Prior to the formation of the Group following the Demerger in March 2010, net interest expense represents interest payable on the loans used to fund the purchase and construction of freehold properties.

In periods after the Demerger, net interest and investment income reflects interest on cash and loans to Virgin Mobile France, facility fees from the Best Buy Europe Group and income from minority investments.

(f) *Taxation*

Taxation represents the corporation tax charge or credit for the period.

(g) *Non-Headline items*

Non-Headline items are items that are excluded from Headline results, as detailed in paragraph 5.3(a).

5.4 ***Explanation of line items in the income statement of the Best Buy Europe Group***

Best Buy Mobile operating profit (post-tax) represents the Group's share of the post-tax profits of Best Buy Mobile. The Group disposed of its interest in Best Buy Mobile in January 2012, and its results are excluded from Headline earnings to provide visibility of the results of the continuing business.

An explanation of other line items in the income statement of the Best Buy Europe Group can be found in paragraph 5.3 of Part V of this document.

5.5 ***Explanation of line items in the income statement of Virgin Mobile France***

(a) *Revenue*

Revenue is stated net of VAT and other sales-related taxes and consists primarily of access and usage charges from the Virgin Mobile France customer base and mobile termination revenue received from network operators. Contributions made by customers and network operators towards the cost of a handset are excluded from revenue in this analysis and are instead netted off against subscriber acquisition costs.

(b) *Headline EBITDA*

Headline EBITDA comprises revenue less the following costs:

(i) access and usage charges for the Orange and SFR network infrastructure;

(ii) mobile termination fees paid to network operators;

(iii) wages, salaries, commissions, bonuses and the cost of other employee benefits and all related taxes;

(iv) billing, bad debt and customer service costs and other costs incurred in managing customers;

(v) sales and other costs incurred in supporting and running the business;

(vi) regulatory charges and taxes other than corporation tax;

(vii) subscriber acquisition costs; and

(viii) marketing costs.

(c) *Depreciation and amortisation*

Depreciation and amortisation represents:

(i) depreciation of leasehold improvements, fixtures and fittings and IT hardware in head offices, stores and customer contact centre sites; and

(ii) amortisation of IT software.

(d) *Net interest expense*

Net interest expense represents interest payable on shareholder loans and on third party borrowing.

(e) *Taxation*

Taxation represents the corporation tax charge or credit for the period.

(f) *Gain on reduction of percentage share ownership*

Gain on reduction of percentage share ownership reflects the reduction in the Group's share of the net liabilities of Virgin Mobile France.

(g) *Group share of amortisation of acquisition intangibles*

Amortisation of acquisition intangibles reflects the amortisation of intangible assets recognised in relation to the acquisition of Tele2 in 2009.

6. **Results of operations**

Set out below is a review of the Group's results for the six months ended 30 September 2012 and 30 September 2011 and the financial years ended 31 March 2012, 31 March 2011 and 31 March 2010.

6.1 ***Comparison of the six months ended 30 September 2012 and 30 September 2011***

(a) *The Group*

	Six months ended 30 September 2012 £m	Six months ended 30 September 2011 £m
Headline results		
Revenue	5.4	2.8
Operating expenses	(3.3)	(3.0)
Share of results of joint ventures		
– Best Buy Europe Group	3.0	3.5
– Virgin Mobile France	2.3	2.0
EBIT	7.4	5.3
Net interest and investment income	1.2	1.3
Taxation	(1.2)	(0.7)
Net profit for the period	7.4	5.9
Statutory results		
Headline net profit for the period	7.4	5.9
Non-Headline items:		
Share of results of the Best Buy Europe Group	—	(0.4)
Share of results of Virgin Mobile France	(0.3)	(0.9)
Net profit for the period	7.1	4.6

(i) *Overview*

Headline EBIT increased by £2.1 million year-on-year, to £7.4 million, predominantly reflecting consultancy income from Best Buy which was not earned in the comparative period.

The Best Buy Europe Group delivered substantial market share gains in its core postpay segment; however, the prepay market suffered a substantial deterioration year-on-year and the Group's share of the Best Buy Europe Group's results decreased by £0.5 million year-on-year.

Virgin Mobile France grew constant-currency revenue and its postpay customer base during the period despite intense competition. The Group's share of Virgin Mobile France results increased by £0.3 million year-on-year, predominantly reflecting a lower interest charge within the joint venture following loan repayments over the previous 18 months.

(ii) *Revenue*

Revenue for the six months ended 30 September 2012 was £5.4 million (2011: £2.8 million) with the increase reflecting consultancy income associated with the Best Buy Mobile Disposal which was not earned in the comparative period.

(iii) *Operating expenses*

Operating expenses for the six months ended 30 September 2012 were £3.3 million (2011: £3.0 million) with the increase primarily reflecting incremental investment in business development.

(iv) *Share of results of the Best Buy Europe Group*

The Group's share of post-tax profits from the Best Buy Europe Group was £3.0 million in the six months ended 30 September 2012 (2011: £3.5 million). Further details on these results are provided in paragraph 6.1(b).

(v) *Share of results of Virgin Mobile France*

The Group's share of post-tax profits from Virgin Mobile France was £2.3 million in the six months ended 30 September 2012 (2011: £2.0 million). These results are analysed in more detail in paragraph 6.1(c).

(vi) *Net interest and investment income*

Net interest and investment income for the six months ended 30 September 2012 decreased to £1.2 million (2011: £1.3 million) principally reflecting a reduction in loans to Virgin Mobile France.

(vii) *Taxation*

A tax charge of £1.2 million arose on Headline earnings in the six months ended 30 September 2012 (2011: £0.7 million) increasing in line with pre-tax profitability from wholly-owned operations.

(viii) *Share of non-Headline results of the Best Buy Europe Group*

The non-Headline results of the Best Buy Europe Group for the six months ended 30 September 2011 reflect the net results of the Best Buy Europe Group's discontinued operations, Best Buy UK and Best Buy Mobile, which are explained in more detail in paragraph 6.1(b).

(ix) *Share of non-Headline results of Virgin Mobile France*

The non-Headline results of Virgin Mobile France reflect the amortisation of acquisition intangibles arising on the acquisition of Tele2 in December 2009.

(b) *The Best Buy Europe Group*

	Six months ended 30 September 2012 £m	**Six months ended 30 September 2011 £m**
Headline results		
Revenue	1,660.0	1,537.6
Cost of sales	(1,241.9)	(1,093.2)
Gross margin	418.1	444.4
Gross margin %	*25.2%*	*28.9%*
Operating expenses excluding depreciation and amortisation	(365.6)	(381.2)
EBITDA *	52.5	63.2
Depreciation and amortisation	(40.0)	(43.2)
EBIT	12.5	20.0
EBIT %	*0.8%*	*1.3%*
Net interest expense	(4.7)	(10.0)
Profit before taxation	7.8	10.0
Taxation	(1.7)	(2.9)
Net profit for the period	6.1	7.1
Net profit attributable to the Group	3.0	3.5
Statutory results		
Headline net profit for the period	6.1	7.1
Best Buy Mobile operating profit (post-tax)	—	33.3
Best Buy UK operating loss (post-tax)	—	(34.2)
Net profit for the period	6.1	6.2
Net profit attributable to the Group	3.0	3.1

* 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 has a value of £4.4 million in the six months ended 30 September 2012 (2011: £4.5 million) and is treated as interest income in the Best Buy Europe Group's statutory results. Headline EBITDA also includes a post-tax loss of £1.7 million (2011: nil) in relation to the Best Buy Europe Group's share of the trading losses of an associate.

The results of the Best Buy Europe Group as presented above are, except as noted below, identical to the results presented and analysed for the New BBED Group in Part V of this document. In order to avoid unnecessary repetition this analysis is not repeated here.

Reconciliation of the results of the New BBED Group to the results of the Best Buy Europe Group

	Six months ended 30 September 2012	Six months ended 30 September 2011
	£m	£m
Statutory net profit (loss) for the period – New BBED Group	6	(26)
Best Buy Mobile operating profit (post-tax) (1)	—	33
Difference in foreign exchange (2)	—	(1)
Statutory net profit for the period – Best Buy Europe Group *	6	6

*Profit after tax of the Best Buy Europe Group as reflected in the results of the Group

(1) The consolidated financial information of the New BBED Group has been prepared with the objective of presenting the results, net assets and cash flows of the New BBED Group in the form that arose following the Best Buy Mobile Disposal, as if it had been a stand-alone group throughout the entire reported financial periods. Best Buy Mobile does not form part of the New BBED Group since the company which received the Best Buy Europe Group's share of profits from Best Buy Mobile does not form part of the New BBED Group. Post-tax profits from Best Buy Mobile in the six months ended 30 September 2012 were nil (2011: £33 million) following the Best Buy Mobile Disposal.

(2) In 2008, Old Carphone Warehouse transferred the companies and assets of its retail and distribution business to a new holding company so as to form the Best Buy Europe Group. This group reorganisation resulted in certain adjustments to the Best Buy Europe Group's translation reserve which are not relevant to and which are therefore not included in the consolidated results of the Group. In the year ended 31 March 2012, the Best Buy Europe Group disposed of a subsidiary, as a result of which the associated part of the Best Buy Europe Group's translation reserve was recycled to the income statement. In consequence of the adjustments described above, the amount recycled from the Best Buy Europe Group's translation reserves within the Group's consolidated results was £1 million lower than that recorded by the New BBED Group.

The Group presents its annual report rounded to the nearest one hundred thousand pounds whilst the New BBED Group prepares its financial statements rounded to the nearest one million pounds. This has resulted in minor rounding differences between individual line items within the New BBED Group's financial information and those of the Best Buy Europe Group within the Group's financial information.

The Group has a financial year end of 31 March each year and reports interim results for the six months ended 30 September each year. The New BBED Group reports to a retail calendar whereby its year-end date is normally the Saturday closest to 31 March and its period end for interim results is the Saturday 26 weeks after the start of the year. As such, the New BBED Group results for the six months ended 30 September 2012 cover the 26 weeks ended 29 September 2012 and the results for the six months ended 30 September 2011 cover the 26 weeks ended 1 October 2011. Since the Group consolidates the results of the Best Buy Europe Group using the Best Buy Europe Group's retail calendar for each period, this does not represent a difference between the results of the Best Buy Europe Group within the Group's financial information and the results of the New BBED Group.

(c) *Virgin Mobile France*

	Six months ended 30 September 2012 £m	Six months ended 30 September 2011 £m
Headline results		
Revenue *	191.7	193.0
EBITDA	11.5	9.8
EBITDA %	*6.0%*	*5.1%*
Depreciation and amortisation	(3.4)	(1.8)
EBIT	8.1	8.0
EBIT %	*4.2%*	*4.1%*
Net interest expense	(0.8)	(1.5)
Profit before taxation	7.3	6.5
Taxation	(2.6)	(2.2)
Net profit for the period	4.7	4.3
Net profit attributable to the Group before change in percentage ownership	2.2	2.0
Gain on reduction of percentage share ownership	0.1	—
Net profit attributable to the Group	2.3	2.0
Statutory results		
Headline net profit attributable to the Group	2.3	2.0
Group share of amortisation of acquisition intangibles (post-tax)	(0.3)	(0.9)
Net profit attributable to the Group	2.0	1.1

* 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. See note 6 to Section B of Part VII of this document for further details.

(i) *Overview*

Virgin Mobile France grew constant-currency revenue and its postpay customer base year-on-year despite intense competition. The business continued to transfer customers to its Full MVNO infrastructure with over 300,000 customers on this platform at 30 September 2012. Headline EBIT was broadly flat year-on-year at £8.1 million (2011: £8.0 million) reflecting the benefits of moving customers onto the Full MVNO infrastructure offset by increased depreciation and amortisation charges on the infrastructure itself.

(ii) *Revenue*

Virgin Mobile France revenue for the six months ended 30 September 2012 was broadly flat year-on-year on an actual currency basis at £191.7 million (2011: £193.0 million) reflecting underlying revenue growth offset by a weakening of the Euro year-on-year. Revenue at a constant currency was up by 9.2 per cent., driven by continued growth in the postpay base and by mobile termination revenue, which was earned for the first time towards the end of the previous year. These factors helped to offset the effects of downward pressure on outbound ARPU caused by a highly competitive market.

(iii) *Headline EBITDA*

Headline EBITDA for the six months ended 30 September 2012 was £11.5 million (2011: £9.8 million) with the increase year-on-year reflecting the benefits of moving customers onto the Full MVNO infrastructure.

(iv) *Depreciation and amortisation*

Depreciation and amortisation for the six months ended 30 September 2012 was £3.4 million (2011: £1.8 million) reflecting the impact of the investment in the Full MVNO infrastructure.

(v) *Net interest expense*

Interest decreased year-on-year to £0.8 million for the six months ended 30 September 2012 (2011: £1.5 million), reflecting lower average debt following loan repayments over the previous 18 months.

(vi) *Taxation*

The tax charge for the six months ended 30 September 2012 increased to £2.6 million (2011: £2.2 million) reflecting the higher level of earnings described above and a higher rate of tax of 36.1 per cent. (2011: 34.4 per cent.) reflecting the rate temporarily applicable in France.

(vii) *Gain on reduction of percentage share ownership*

Gain on reduction of percentage share ownership reflects the reduction in the Group's share of net liabilities of Virgin Mobile France following the exercise of share options by management of Virgin Mobile France. The Group's share of Virgin Mobile France reduced from 46.6 per cent. at 31 March 2012 to 46.3 per cent. at 30 September 2012.

(viii) *Group share of amortisation of acquisition intangibles*

Virgin Mobile France recorded amortisation on acquisition intangibles arising on the acquisition of Tele2, of which the Group's post-tax share in the six months ended 30 September 2012 was £0.3 million (2011: £0.9 million). This charge is excluded from Headline results to avoid distortion of underlying performance.

6.2 ***Comparison of the financial years ended 31 March 2012, 31 March 2011 and 31 March 2010***

(a) *The Group*

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Headline results			
Revenue	6.4	5.6	5.5
Operating expenses	(5.4)	(8.7)	(6.0)
Share of results of joint ventures			
– Best Buy Europe Group	48.3	47.3	38.2
– Virgin Mobile France	6.1	8.2	(8.2)
EBIT	55.4	52.4	29.5
Net interest income (expense) and investment income	2.9	3.9	(1.6)
Taxation	(0.6)	(1.6)	0.4
Net profit for the year	57.7	54.7	28.3
Statutory results			
Headline net profit for the year	57.7	54.7	28.3
Non-Headline items:			
Investment income	813.0	—	182.0
Share of results of the Best Buy Europe Group	(87.2)	13.1	9.1
Share of results of Virgin Mobile France	(1.3)	(2.2)	(0.6)
Operating expenses	(20.6)	—	—
Taxation	0.9	—	—
Net profit for the year	762.5	65.6	218.8

(i) *Overview*

Headline EBIT increased from £29.5 million in the financial year ended 31 March 2010 to £52.4 million in the financial year ended 31 March 2011 and £55.4 million in the financial year ended 31 March 2012 reflecting a strong product cycle in the postpay segment and the benefit of new commercial terms for the Best Buy Europe Group and a transformation in the profitability of Virgin Mobile France.

(ii) *Revenue*

Revenue in the financial years ended 31 March 2010 and 31 March 2011 was broadly flat year-on-year reflecting a consistent level of rental income. Revenue increased in the financial year ended 31 March 2012 reflecting consultancy income associated with the Best Buy Mobile Disposal which was earned for the first time during the year.

(iii) *Operating expenses*

Operating expenses in the financial year ended 31 March 2011 were £8.7 million (2010: £6.0 million) with the increase reflecting the impact of the Demerger. Operating expenses decreased in the financial year ended 31 March 2012 reflecting the resolution of various uncertainties during the year.

(iv) *Share of results of the Best Buy Europe Group*

The Group's share of post-tax profits from the Best Buy Europe Group was £48.3 million in the financial year ended 31 March 2012 (2011: £47.3 million; 2010: £38.2 million). Further details on these results are provided in paragraph 6.2(b).

(v) *Share of results of Virgin Mobile France*

The Group's share of post-tax profits from Virgin Mobile France was £6.1 million in the financial year ended 31 March 2012 (2011: £8.2 million; 2010: loss of £8.2 million). These results are analysed in more detail in paragraph 6.2(c).

(vi) *Net interest income (expense) and investment income*

Net interest expense in the financial year ended 31 March 2010 was £1.6 million reflecting interest payable on loans to fund the purchase and construction of freehold properties.

Net interest and investment income in the financial year ended 31 March 2011 was £3.9 million reflecting interest on cash and on loans to Virgin Mobile France, facility fees from the Best Buy Europe Group and income from minority investments.

Net interest and investment income in the financial year ended 31 March 2012 reduced to £2.9 million with the decrease principally reflecting a reduction in loans to Virgin Mobile France and a reduction in shareholder facilities provided to the Best Buy Europe Group during the year.

(vii) *Taxation*

A tax credit of £0.4 million arose on Headline earnings in the financial year ended 31 March 2010 reflecting net pre-tax losses from wholly-owned operations.

A tax charge of £1.6 million arose on Headline earnings in the financial year ended 31 March 2011 reflecting increased interest income and a proportion of disallowable costs within operating expenses.

A tax charge of £0.6 million arose on Headline earnings in the financial year ended 31 March 2012 reflecting an increase in allowable costs within operating expenses.

(viii) *Non-Headline investment income*

Non-Headline investment income in the financial year ended 31 March 2010 reflects dividend income of £182.0 million received in relation to the Demerger.

Non-Headline investment income in the financial year ended 31 March 2012 reflects the initial consideration of £813.0 million from the Best Buy Mobile Disposal.

(ix) *Share of non-Headline results of the Best Buy Europe Group*

The non-Headline results of the Best Buy Europe Group reflect the results of discontinued operations and, for the financial year ended 31 March 2012, also exceptional costs incurred by the joint venture. Further details on these items are provided in paragraph 6.2(b).

(x) *Share of non-Headline results of Virgin Mobile France*

The non-Headline results of Virgin Mobile France reflect the amortisation of acquisition intangibles arising on the acquisition of Tele2 in December 2009.

(xi) *Non-Headline operating expenses*

Non-Headline operating expenses in the financial year ended 31 March 2012 arose from the Best Buy Mobile Disposal and relate principally to the award of shares to Best Buy Europe Group employees, together with the crystallisation of value on certain of the Group's incentive schemes. Total charges relating to incentive schemes were £17.5 million. Professional fees of £3.1 million were also incurred in relation to the disposal.

(xii) *Non-Headline taxation*

A tax credit of £0.9 million arose on the non-Headline operating expenses described above.

(b) *The Best Buy Europe Group*

	Year ended 31 March 2012 £m	**Year ended 31 March 2011 £m**	**Year ended 31 March 2010 £m**
Headline results			
Revenue	3,313.1	3,504.8	3,528.8
Cost of sales	(2,365.7)	(2,508.8)	(2,491.7)
Gross margin	947.4	996.0	1,037.1
Gross margin %	*28.6%*	*28.4%*	*29.4%*
Operating expenses excluding depreciation and amortisation	(727.8)	(776.9)	(830.8)
EBITDA *	219.6	219.1	206.3
Depreciation and amortisation	(84.6)	(84.5)	(91.9)
EBIT	135.0	134.6	114.4
EBIT %	*4.1%*	*3.8%*	*3.2%*
Net interest expense **	(16.4)	(15.2)	(16.3)
Profit before taxation	118.6	119.4	98.1
Taxation	(22.0)	(24.8)	(21.8)
Net profit for the year	96.6	94.6	76.3
Net profit attributable to the Group	48.3	47.3	38.2
Statutory results			
Headline net profit for the year	96.6	94.6	76.3
Best Buy Mobile operating profit (post-tax)	33.3	70.5	33.4
Best Buy UK operating loss (post-tax)	(53.0)	(44.3)	(15.1)
Exceptional Items (post-tax)	(154.8)	—	—
Net profit (loss) for the year	(77.9)	120.8	94.6
Net profit (loss) attributable to the Group	(38.9)	60.4	47.3

* 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 has a value of £8.0 million in the year ended 31 March 2012 (2011: £11.0 million; 2010: £8.0 million) and is treated as interest income in the Best Buy Europe Group's statutory results.

** Net interest expense for the year ended 31 March 2012 includes a post-tax loss of £2.9 million in relation to the New BBED Group's share of the start-up losses of an associate. There were no such charges in earlier years.

Overview

The results of the Best Buy Europe Group as presented above are, except as noted below, identical to the results presented and analysed for the New BBED Group in Part V of this document. In order to avoid unnecessary repetition, this analysis is not repeated here.

Reconciliation of the results of the New BBED Group to the results of the Best Buy Europe Group

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Statutory net profit (loss) for the year – New BBED Group	(109)	50	61
Best Buy Mobile operating profit (post-tax) [(1)]	33	71	33
Difference in foreign exchange [(2)]	(1)	—	—
Difference in rounding [(3)]	(1)	—	1
Statutory net profit (loss) for the year – Best Buy Europe Group *	(78)	121	95

*Profit after tax of the Best Buy Europe Group as reflected in the results of the Group

(1) The consolidated financial information of the New BBED Group has been prepared with the objective of presenting the results, net assets and cash flows of the New BBED Group in the form that arose following the Best Buy Mobile Disposal, as if it had been a stand-alone group throughout the entire reported financial periods. Best Buy Mobile does not form part of the New BBED Group since the company which received the Best Buy Europe Group's share of profits from Best Buy Mobile does not form part of the New BBED Group. Post-tax profits from Best Buy Mobile in the financial year ended 31 March 2011 increased to £71 million (2010: £33 million) reflecting connections growth of 28.2 per cent. year-on-year and increasing benefits of scale. Post-tax profits from Best Buy Mobile in the financial year ended 31 March 2012 were £33 million reflecting cessation of the profit share from Best Buy Mobile from October 2011 following the Best Buy Mobile Disposal.

(2) In 2008, Old Carphone Warehouse transferred the companies and assets of its retail and distribution business to a new holding company so as to form the Best Buy Europe Group. This group reorganisation resulted in certain adjustments to the Best Buy Europe Group's translation reserve which are not relevant to and which are therefore not included in the consolidated results of the Group. In the year ended 31 March 2012, the Best Buy Europe Group disposed of a subsidiary, as a result of which the associated part of the Best Buy Europe Group's translation reserve was recycled to the income statement. In consequence of the adjustments described above, the amount recycled from the Best Buy Europe Group's translation reserves within the Group's consolidated results was £1 million lower than that recorded by the New BBED Group.

(3) The Group presents its annual report rounded to the nearest one hundred thousand pounds whilst the the New BBED Group prepares its financial statements rounded to the nearest one million pounds. This has resulted in minor rounding differences. In addition to the net overall rounding differences noted in the reconciliation above, various other minor rounding differences exist between individual line items within the New BBED Group's financial information and those of the Best Buy Europe Group within the Group's financial information.

The Group has a financial year end of 31 March each year. The New BBED Group reports to a retail calendar, whereby its year-end date is normally the Saturday closest to 31 March. As such, the New BBED Group's results for the year ended 31 March

2012 cover the 52 weeks ended 31 March 2012, the results for the year ended 31 March 2011 cover the 52 weeks ended 2 April 2011 and the results for the year ended 31 March 2010 cover the 52 weeks ended 3 April 2010. Since the Group consolidates the results of the Best Buy Europe Group using the Best Buy Europe Group's retail calendar for each period, this does not represent a difference between the results of the Best Buy Europe Group within the Group's financial information and the results of the New BBED Group.

(c) *Virgin Mobile France*

	Year ended 31 March 2012 £m	**Year ended 31 March 2011 £m**	**Year ended 31 March 2010 £m**
Headline results			
Revenue*	390.2	328.4	232.8
EBITDA*	25.7	24.3	(19.3)
EBITDA %	*6.6%*	*7.4%*	*(8.3%)*
Depreciation and amortisation	(4.2)	(3.7)	(2.9)
EBIT	21.5	20.6	(22.2)
EBIT %	*5.5%*	*6.3%*	*(9.5%)*
Net interest expense	(2.5)	(2.9)	(1.5)
Profit (loss) before taxation	19.0	17.7	(23.7)
Taxation	(6.7)	(0.7)	5.1
Net profit (loss) for the year	12.3	17.0	(18.6)
Net profit (loss) attributable to the Group before change in percentage ownership	5.8	8.0	(9.0)
Gain on reduction of percentage share ownership	0.3	0.2	0.8
Net profit (loss) attributable to the Group	6.1	8.2	(8.2)
Statutory results			
Headline net profit (loss) attributable to the Group	6.1	8.2	(8.2)
Group share of amortisation of acquisition intangibles (post-tax)	(1.3)	(2.2)	(0.6)
Net profit (loss) attributable to the Group	4.8	6.0	(8.8)

* 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 for network capacity is recognised as a cost of sales within Headline EBITDA but in amortisation in the joint venture's statutory accounts. See note 13 to Section A of Part VII of this document for further details.

(i) *Overview*

Virgin Mobile France delivered substantial customer growth in the financial year ended 31 March 2011, adding over 200,000 customers to take the closing base to 1.92 million customers. Whilst the total customer base at the end of the financial year ended 31 March 2012 was flat year-on-year at 1.92 million customers, the quality of the base improved substantially with the postpay base increasing by 7.6 per cent. year-on-year to 1.34 million as the business benefited from good availability of exciting smartphones and an array of competitive offers.

(ii) *Revenue*

In the financial year ended 31 March 2011, revenue increased by 41.1 per cent. year-on-year to £328.4 million (2010: £232.8 million). This revenue growth reflects the organic base growth noted above, the acquisition of Tele2 in December 2009 and a weakening of the Euro year-on-year. Revenue growth at a constant currency was 47.0 per cent., with organic growth on the same basis before the impact of Tele2 of 29.0 per cent.

In the financial year ended 31 March 2012, Virgin Mobile France revenue increased by 18.8 per cent. year-on-year to £390.2 million reflecting a higher customer base during the year, the improvement in the quality of customers on the base noted above and the first impact of mobile termination revenue towards the end of the year. Revenue growth at a constant currency was 17.5 per cent.

(iii) *Headline EBITDA*

Virgin Mobile France saw a transformation in its profitability in the financial year ended 31 March 2011, reflecting the additional scale achieved through the acquisition of Tele2. Headline EBITDA moved from a loss of £19.3 million in the financial year ended 31 March 2010 to a profit of £24.3 million in the financial year ended 31 March 2011.

Headline EBITDA in the financial year ended 31 March 2012 was £25.7 million. The business produced a Headline EBITDA margin of 6.6 per cent. (2011: 7.4 per cent.) with the decrease year-on-year reflecting increased investment in higher value postpay customers.

(iv) *Depreciation and amortisation*

Depreciation and amortisation in the financial year ended 31 March 2012 was £4.2 million (2011: £3.7 million; 2010: £2.9 million) with the increase over time reflecting investment in IT systems and a programme to bring billing operations in-house.

(v) *Net interest expense*

Net interest expense increased to £2.9 million in the financial year ended 31 March 2011 (2010: £1.5 million) reflecting the additional debt associated with the Tele2 acquisition. Interest decreased to £2.5 million in the financial year ended 31 March 2012 reflecting lower average debt as the business repaid shareholder loans during the year.

(vi) *Taxation*

A tax rate of 34.4 per cent. was assumed in the financial years ended 31 March 2010 and 31 March 2011, in line with the rate applicable in France at the time.

The tax charge for the financial year ended 31 March 2011 was partly offset by a credit of £5.9 million in relation to brought forward tax losses reflecting the assumption that these losses would be utilised in France rather than the UK, attracting relief at 34.4 per cent. rather than the rate in the UK.

The tax charge of £6.7 million for the financial year ended 31 March 2012 reflects the rate temporarily applicable in France of 36.1 per cent. although the impact of the increase in rate is partly reduced by the utilisation of brought forward losses.

(vii) *Gain on reduction of percentage share ownership*

Gain on reduction of percentage share ownership reflects the reduction in the Group's share of net liabilities of Virgin Mobile France following the sale and issue of shares to management. The Group's share of Virgin Mobile France at 31 March 2012 was 46.6 per cent. (2011: 47.1 per cent.; 2010: 47.5 per cent.; 2009: 48.5 per cent.).

(viii) *Group share of amortisation of acquisition intangibles*

Virgin Mobile France recorded amortisation on acquisition intangibles arising on the acquisition of Tele2, of which the Group's post-tax share in the financial year ended 31 March 2012 was £1.3 million (2011: £2.2 million; 2010: £0.6 million). This charge is excluded from Headline results to avoid distortion of underlying performance.

7. Liquidity and capital resources

7.1 *Comparison of the six months ended 30 September 2012 and 30 September 2011*

(a) *The Group*

	Six months ended 30 September 2012 £m	Six months ended 30 September 2011 £m
Net cash flows from operating activities	22.4	(2.8)
Net receipts from joint ventures	2.1	7.4
Net interest and investment income	1.2	1.3
Distributions to shareholders	(48.3)	(22.7)
Net purchase of own shares	—	(7.0)
Other	0.9	0.3
Movement in net funds	(21.7)	(23.5)
Opening net funds	102.7	120.6
Closing net funds	81.0	97.1

The Group's net funds decreased by £21.7 million in the six months ended 30 September 2012 (2011: £23.5 million).

Net cash flows from operating activities were an inflow of £22.4 million (2011: outflow of £2.8 million) reflecting the settlement of receivables, primarily from the Best Buy Europe Group.

Net receipts from joint ventures in the six months ended 30 September 2012 were £2.1 million (2011: £7.4 million) reflecting loan repayments from Virgin Mobile France.

Distributions to shareholders for the six months ended 30 September 2012 reflect the final dividend for the financial year ended 31 March 2012 and the redemption of B shares through the deferred capital option of the B/C Share Scheme. Distributions to shareholders for the six months ended 30 September 2011 reflect the final dividend for the financial year ended 31 March 2011.

Other cash flows reflect the settlement of financial instruments and capital expenditure.

(b) *Joint ventures – the Best Buy Europe Group*

	Six months ended 30 September 2012 £m	Six months ended 30 September 2011 £m
Headline EBITDA	52.5	63.2
Working capital	(91.1)	(134.7)
Capital expenditure	(36.7)	(44.2)
Operating free cash flow	(75.3)	(115.7)
Best Buy Mobile	—	45.0
Best Buy UK	(22.2)	(45.4)
Other	(14.2)	(15.6)
Movement in net funds	(111.7)	(131.7)
Opening net funds (debt)	(29.4)	131.7
Closing net funds (debt)	(141.1)	—

The results of the Best Buy Europe Group as presented above are, except for minor rounding differences and as noted below, identical to the results presented and analysed for the New BBED Group in Part V of this document. In order to avoid unnecessary repetition this analysis is not repeated here.

New BBED Group Headline EBITDA is £1 million higher than the Best Buy Europe Group Headline EBITDA within the results of the Group for the six months ended 30 September 2011 due to foreign exchange reserve differences as explained in paragraph 6.1(b) of this Part IV.

The New BBED Group's results treat cash flows from Best Buy Mobile as movements through the reconstruction reserve, as explained in the introduction to Part VII of this document.

As explained further in paragraph 6.1(b) of this Part IV, the Group has a financial year end of 31 March each year and reports interim results for the six months ended 30 September each year. The New BBED Group reports to a retail calendar whereby its year-end date is normally the Saturday closest to 31 March and its period end for interim results is the Saturday 26 weeks after the start of the year. Since the Group consolidates the results of the Best Buy Europe Group using the Best Buy Europe Group's retail calendar for each period, this does not represent a difference between the results of the Best Buy Europe Group within the Group's financial information and the results of the New BBED Group.

(c) *Joint ventures – Virgin Mobile France*

	Six months ended 30 September 2012 £m	**Six months ended 30 September 2011 £m**
Headline EBITDA	11.5	9.8
Working capital	8.7	7.2
Capital expenditure	(12.2)	(5.9)
Operating free cash flow	8.0	11.1
Other	(1.7)	0.2
Movement in net debt	6.3	11.3
Opening net debt	(40.4)	(63.6)
Closing net debt	(34.1)	(52.3)

Headline EBITDA increased from £9.8 million in the six months ended 30 September 2011 to £11.5 million in the six months ended 30 September 2012 for the reasons described in paragraph 6.1(c)(iii) of this Part IV. The business recorded a working capital inflow in the six months ended 30 September 2012 of £8.7 million (2011: £7.2 million) reflecting timing differences around the end of the period. Capital expenditure increased year-on-year to £12.2 million in the six months ended 30 September 2012 (2011: £5.9 million) reflecting expenditure relating to the Full MVNO deferred from the previous year.

Other cash flows reflect interest and tax payments and the impact of foreign exchange.

7.2 ***Comparison of the financial years ended 31 March 2012, 31 March 2011 and 31 March 2010***

(a) *The Group*

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Net cash flows from operating activities	(12.3)	4.4	2.5
Net receipts from (investment in) joint ventures	9.9	14.6	(32.4)
Net interest and investment income	815.9	3.9	180.4
Distributions to shareholders	(810.5)	—	—
Net purchase of own shares	(27.7)	(2.7)	—
Other	6.8	0.4	(50.5)
Movement in net funds	(17.9)	20.6	100.0
Opening net funds	120.6	100.0	—
Closing net funds	102.7	120.6	100.0

The Group's net funds reduced by £17.9 million in the financial year ended 31 March 2012 (2011: increase of £20.6 million; 2010: increase of £100.0 million).

There was a net cash outflow from operating activities of £12.3 million in the financial year ended 31 March 2012 (2011: inflow of £4.4 million; 2010: inflow of £2.5 million) reflecting exceptional cash costs of £7.2 million associated with the Best Buy Mobile Disposal and some timing differences at the year end.

Net receipts from joint ventures in the financial years ended 31 March 2012 and 31 March 2011 reflect loan repayments from Virgin Mobile France. Net investment in joint ventures for the year ended 31 March 2010 reflects advances made to Virgin Mobile France to fund the acquisition of Tele2.

Net interest and investment income for the financial year ended 31 March 2012 includes the initial consideration of £813.0 million from the Best Buy Mobile Disposal. Net interest and investment income for the financial year ended 31 March 2010 includes dividends of £182.0 million relating to the Demerger.

Distributions to shareholders for the financial year ended 31 March 2012 reflect the final dividend for the financial year ended 31 March 2011 of £22.7 million, the interim dividend for the financial year ended 31 March 2012 of £7.9 million and returns to Shareholders through the B/C Share Scheme of £779.9 million. The Group did not pay a dividend in either of the preceding periods.

Other cash inflows in the financial year ended 31 March 2012 predominantly reflect the repayment of loans to management associated with the CPW VES. Other cash flows in the financial year ended 31 March 2010 reflect intercompany funding arrangements prior to the Demerger and movements in the demerger reserve, and arise because the Group did not exist in its current form for the whole of that year.

(b) *Joint ventures – the Best Buy Europe Group*

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Headline EBITDA	219.6	219.1	206.3
Working capital	(170.8)	(35.0)	(27.1)
Capital expenditure	(88.3)	(69.4)	(53.9)
Operating free cash flow	(39.5)	114.7	125.3
Best Buy Mobile	45.0	97.9	46.4
Best Buy UK	(124.5)	(78.0)	(44.0)
Other	(42.1)	(60.3)	(23.3)
Movement in net funds	(161.1)	74.3	104.4
Opening net funds (debt)	131.7	57.4	(47.0)
Closing net funds (debt)	(29.4)	131.7	57.4

The results of the Best Buy Europe Group as presented above are, except for minor rounding differences and as noted below, identical to the results presented and analysed for the New BBED Group in Part V of this document. In order to avoid unnecessary repetition this analysis is not repeated here.

The New BBED Group's Headline EBITDA is £1 million higher than the Best Buy Europe Group's Headline EBITDA within the results of the Group for the financial year ended 31 March 2012 due to foreign exchange reserve differences as explained in paragraph 6.2(b) of this Part IV.

The New BBED Group's results treat cash flows from Best Buy Mobile as movements through the reconstruction reserve, as explained in the introduction to Part VII of this document.

As explained further in paragraph 6.2(b) of this Part IV, the Group has a financial year end of 31 March each year. The New BBED Group reports to a retail calendar, whereby its year-end date is normally the Saturday closest to 31 March. Since the Group consolidates the results of the Best Buy Europe Group using the Best Buy Europe Group's retail calendar for each period, this does not represent a difference between the results of the Best Buy Europe Group within the Group's financial information and the results of the New BBED Group.

(c) *Joint ventures – Virgin Mobile France*

	Year ended 31 March 2012 £m	Year ended 31 March 2011 £m	Year ended 31 March 2010 £m
Headline EBITDA	25.7	24.3	(19.3)
Working capital	8.9	2.6	2.9
Capital expenditure	(12.5)	(6.8)	(3.7)
Operating free cash flow	22.1	20.1	(20.1)
Other	1.1	4.5	(39.4)
Movement in net debt	23.2	24.6	(59.5)
Opening net debt	(63.6)	(88.2)	(28.7)
Closing net debt	(40.4)	(63.6)	(88.2)

The significant year-on-year uplift in Headline EBITDA for the financial year ended 31 March 2011 as described in paragraph 6.2(c)(iii) of this Part IV translated into strong operating free cash flow. The working capital inflow was broadly flat year-on-year at £2.6 million (2010: £2.9 million). Capital expenditure increased year-on-year, with spend of £6.8 million in the financial year ended 31 March 2011 against £3.7 million in the financial year ended 31 March 2010, principally relating to a programme to bring billing operations in-house.

Other cash inflows in the financial year ended 31 March 2011 included £6.7 million in relation to the finalisation of the Tele2 purchase price. Other cash flows in the financial year ended 31 March 2010 reflect an outflow of £45.2 million in relation to Tele2, partially offset by an increase of £5.6 million in share capital.

Headline EBITDA increased to £25.7 million in the financial year ended 31 March 2012 as described in paragraph 6.2(c)(iii) of this Part IV. Capital expenditure increased to £12.5 million reflecting investment in the Full MVNO infrastructure. The working capital inflow of £8.9 million reflected some one-off items. Other cash flows reflect interest paid and the impact of foreign exchange.

8. Contractual obligations and commitments at 30 September 2012

The Group had no contractual obligations or commitments at 30 September 2012, other than those funding obligations and guarantees described in paragraph 11 below.

9. Treasury

Given the nature of its operations, the treasury requirements of the Group are limited, with policies primarily being focused on managing counterparty risk on the investment of cash. Policies are also in place in relation to foreign exchange, dealing with the Group's limited transactional foreign exchange exposures, and translational exposures, such as non-sterling loans to joint ventures, which are routinely hedged.

10. Critical accounting estimates and assumptions

Estimates and assumptions used in the preparation of the financial information 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 on results. The principal balances in the financial information where changes in estimates and assumptions may have a material impact are as follows:

10.1 *The Group*

(a) *Recoverable amount of non-current assets*

The non-current assets held by the Group 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.

(b) *Provisions and other liabilities*

The Group's provisions and other liabilities 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.

10.2 *The Best Buy Europe Group*

Critical accounting estimates and assumptions for the Best Buy Europe Group are the same as those for the New BBED Group, and are explained in paragraph 10 of Part V of this document.

10.3 ***Virgin Mobile France***

(a) *Trade and other receivables*

Provisions for irrecoverable receivables are based on the best available information in relation to specific issues, but are unavoidably dependent on future events. Such assumptions are based on extensive historical evidence, and provision is made for the risk of potential changes in customer behaviour, but they are nevertheless inherently uncertain.

(b) *Deferred taxation*

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

11. **Funding arrangements**

Carphone Warehouse currently has no committed debt facilities. In order to fund part of the cash element of the Consideration, the Company has secured commitment from a number of its core relationship banks for the Term Debt, a new £250 million sterling term loan facility, which is conditional on Completion. This facility matures in April 2017, and has amortisation of £25 million and £50 million respectively on the second and third anniversaries of Completion.

Interest on the Term Debt is at margins over LIBOR. The actual margin depends on the level of fixed charges cover (based on interest and operating lease expenditure) in the most recent accounting period.

The Term Debt has covenants limiting the ratio of net debt to EBITDA and requiring a minimum level of fixed charges cover.

New BBED has a £400 million RCF, which is used to cover seasonal working capital and other funding requirements, together with various uncommitted facilities, as described in paragraph 11 of Part V of this document.

The RCF currently matures in July 2015 but, subject to Completion, a new £400 million RCF will be advanced, maturing on 29 April 2017, and will allow, amongst other things, Carphone Warehouse to be the main borrower.

It is also intended that the cash management arrangements of both groups be merged to provide additional efficiency by offsetting cash surpluses against borrowings and thus minimising interest costs.

As at 30 April 2013, the Group held cash of £129.7 million, mostly as money market and other deposits, with no borrowings at that date, as extracted without material adjustment from the unaudited management accounts of the Group for the month ended 30 April 2013.

These resources are available to cover the main funding requirements of the Group and are held in a wide range of financial institutions and funds, each subject to minimum credit ratings, to minimise counterparty credit exposure.

The Group raised net proceeds of £103.2 million from the Placing; these proceeds, which were received on 3 May 2013, are intended to be used to fund part of the Initial Consideration.

Virgin Mobile France is funded principally by equity and shareholder loans, which are provided *pro rata* by the shareholders, and which bear interest at arm's length rates. As at 30 April 2013, outstanding loans from the Group to Virgin Mobile France totalled £18.4 million, as extracted without material adjustment from the unaudited management accounts of the Group for the month ended 30 April 2013.

Virgin Mobile France also has uncommitted overdraft facilities, which are used for cash management purposes.

Virgin Mobile France also has a third party financing arrangement to provide funding in respect of capital expenditure. The arrangement was agreed in April 2013 and provides up to €25 million of funding over a three year term.

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 £1.2 million.

PART V

OPERATING AND FINANCIAL REVIEW OF THE NEW BBED GROUP

The operating and financial review of the New BBED Group should be read in conjunction with the New BBED Group's audited historical consolidated financial information for the three 52 week periods ended 31 March 2012, 2 April 2011 and 3 April 2010 and unaudited interim financial information for the 26 weeks ended 29 September 2012 and 1 October 2011, which is contained in Sections D and E of Part VII of this document.

Unless otherwise indicated, the selected financial information included in this Part V has been extracted without material adjustment from the New BBED Group's audited historical consolidated financial information and the New BBED Group's unaudited interim financial information contained in Part VII of this document.

1. **Overview**

CPW Europe is the continuing business of the New BBED Group. The results of the New BBED Group also include the results of Best Buy UK. The Best Buy UK business was closed in January 2012 and is treated as a discontinued operation in the results of the New BBED Group.

The Best Buy Europe Group, as presented in Part IV of this document, reflects the combined results of the New BBED Group and Best Buy Mobile. The consolidated financial information of the New BBED Group has been prepared with the objective of presenting the results, net assets and cash flows of the New BBED Group in the form that arose following the Best Buy Mobile Disposal, as if it had been a stand-alone group throughout the entire reported financial periods. Best Buy Mobile does not form part of the New BBED Group since the company which received the Best Buy Europe Group's share of profits from Best Buy Mobile does not form part of the New BBED Group.

The results of the New BBED Group as presented in this Part V are identical to the results of the Best Buy Europe Group as presented in Part IV of this document with the exception of the results of Best Buy Mobile, as explained above, and other minor differences. A reconciliation of the results of the Best Buy Europe Group to the results of the New BBED Group is provided in paragraphs 6.1(b) and 6.2(b) of Part IV of this document.

CPW Europe is one of the largest independent telecommunications retailers in Europe, operating 2,377 stores as at 31 March 2013 in eight European countries, principally under the Carphone Warehouse and Phone House brands, together with a well-developed online proposition. CPW Europe specialises in mobile handsets, tablets and other connected devices, combining hardware with connections to service providers to create subsidised propositions. The business has highly-trained consultants who provide specialist and independent advice in areas of product and service complexity, and offers ongoing customer support beyond the point of sale, including a comprehensive range of insurance and technical support services.

Further information on CPW Europe is set out in Part III of this document.

2. **Current trading and prospects**

For the 13 weeks ended 30 March 2013, CPW Europe's UK business continued the momentum of the 13 weeks ended 29 December 2012, with strong connections growth and like-for-like revenue growth of 15 per cent. The business continued to invest in the proposition and grew its market share in both the postpay and prepay segments; it also maintained the significant tablet sales growth seen in the third quarter, as the business gained further authority in this product category.

In mainland Europe, excluding France, CPW Europe enjoyed positive like-for-like revenue growth, whilst France itself continued to be particularly challenging. Nevertheless with a solid performance across other European markets, total CPW Europe connections growth was 9.7 per cent. and like-for-like revenue growth was 6.5 per cent. for the quarter. In France, CPW Europe has completed its strategic review and has decided to pursue an orderly exit by means of store disposals and some store closures, in conjunction with due process. In the meantime, its stores will continue to trade with a key priority being to minimise the impact on its people. CPW Europe had previously indicated that restructuring activity in the second half of the year to 30 March 2013, including activity in France, was expected to result in exceptional pre-tax cash costs of £20-25 million and non-cash asset write-downs of £5-10 million. In light of the situation in France, a further non-cash impairment charge of approximately £80-90 million, relating to goodwill and fixed assets, will be included as an Exceptional Item in the 52 weeks ended 30 March 2013.

3. **Dividend policy**

The current dividend policy of New BBED provides for an annual dividend covered 2.5 times by earnings, subject to certain conditions in relation to the availability of funds to cover such dividends. Following Completion, the Group will exercise overall control over the New BBED Group and will therefore be able to control dividend flows from New BBED.

4. **Principal factors affecting the New BBED Group's operating results**

The following factors, in addition to general economic and market conditions, government policy and regulation, have had and are likely to continue to have a material effect on the New BBED Group's results. In addition, investors should read the section of this document headed ''Risk Factors'' and Part III of this document.

(a) *Consumer spending*

The New BBED Group's results are affected by the level of consumer spending, particularly in Europe. Consumer spending can be volatile due to factors such as: changes in interest rates and utility costs; consumer confidence; and risk appetite (in particular, attitudes to borrowing which in turn are sensitive to the rate of growth in the housing market). Consumer confidence over recent years has been depressed by macroeconomic factors including the banking crisis and instability in the Eurozone.

(b) *Mobile network competition*

Demand for new mobile connections and handsets is affected by the consumer propositions offered by the MNOs. Competition between the MNOs tends to lead to improvements in the customer proposition and, in turn, to stimulate demand; conversely, any reduction in competition will tend to do the opposite.

(c) *ARPU*

The revenue earned by the New BBED Group from MNOs is typically based at least in part on the level of customer spend with the MNOs. The ARPU generated by MNOs therefore affects the results of the New BBED Group. In recent years MNOs in Europe have reported a downward trend on ARPU reflecting regulatory changes, a challenging consumer environment, and competition between the networks to attract and retain customers.

(d) *New products*

Demand for new mobile connections and handsets and for other connected products is affected by the availability and quality of new products.

(e) *Competition*

The New BBED Group operates in highly competitive markets and the offers available to customers from competitors affects the results of the New BBED Group. The New BBED Group's margins may be eroded if the New BBED Group seeks to reduce prices in order to remain competitive. If the New BBED Group seeks to maintain margins it may experience a reduction in demand if competitors offer a more compelling proposition.

(f) *Seasonality*

The New BBED Group sources additional volumes of merchandise and hires additional employees for peak trading periods. The New BBED Group increases stock levels in anticipation of peak trading periods and these increased stockholdings require careful management to avoid obsolescence. Retail demand in Europe is highest during the Christmas period and is subject to consumer preferences, perception and/or spending during this period.

(g) *Store openings and closures*

The New BBED Group's results are affected by the rate of introduction of new stores and closure of existing stores. The number of stores affects sales and associated costs. As at 31 March 2013, the New BBED Group operated 2,377 stores in eight European countries. The New BBED Group has announced its intention to exit the French retail market, by means of store disposals and some store closures. This exit process may involve material cash costs, the extent of which will depend on the willingness of potential acquirers to take on the New BBED Group's stores in France, the speed with which the process is undertaken, the extent of support from its commercial partners, and other factors.

(h) *Other sales channels*

The New BBED Group's results are also affected by the level of sales through online channels and the level of sales achieved by its dealer and wholesale businesses.

(i) *Suppliers*

The New BBED Group is affected by the availability of merchandise from product manufacturers. As noted above, demand for new products is important to the New BBED Group and the supply of the most popular products needs to be secured to allow the New BBED Group to maximise sales opportunities.

(j) *Inflation*

Inflation affects the New BBED Group by generating upward pressure on: wage costs; rental costs; rates; utility costs; and the costs of other goods and services that the New BBED Group purchases which are not for resale.

(k) *Working capital*

Over recent years the New BBED Group has agreed new commercial terms with network operators allowing the business to take a greater share of ongoing customer spend in exchange for reduced upfront commissions. The New BBED Group seeks prepayments from network operators to compensate for the cash impact of this. The ability of the New BBED Group to continue to secure these prepayments will affect the working capital position of the New BBED Group. The impact on working capital of network operator agreements is a central part of ongoing commercial negotiations.

(l) *Tax*

The effective tax rate and level of tax payments is affected by the profitability of each market in which the New BBED Group operates, the prevailing tax rate and legislation in each jurisdiction and by losses arising in territories where no relief is anticipated.

(m) *Currency*

The business has profits, cash flows and assets denominated in sterling, Euros, Swedish Krona and Swiss Francs. A significant proportion of the New BBED Group's revenue arises in currencies other than sterling. Fluctuations in exchange rates may therefore have a material effect on the results of the New BBED Group.

5. Basis of preparation of the financial information and explanation of line items

5.1 *Financial information*

The New BBED Group's consolidated financial information presents the unaudited results for the 26 weeks ended 29 September 2012 and 1 October 2011 and the audited results for the 52 weeks ended 31 March 2012, 2 April 2011 and 3 April 2010.

The consolidated financial information of the New BBED Group has been prepared with the objective of presenting the results, net assets and cash flows of the New BBED Group in the form that arose following the Best Buy Mobile Disposal, as if it had been a stand-alone group throughout the entire reported financial periods. Best Buy Mobile does not form part of the New BBED Group since the company which received the Best Buy Europe Group's share of profits from Best Buy Mobile does not form part of the New BBED Group. A reconciliation of the results of the Best Buy Europe Group to the results of the New BBED Group is provided in paragraphs 6.1(b) and 6.2(b) of Part IV of this document.

Full details of the basis of preparation of the financial information are set out in Section D of Part VII of this document. The principal entities included within the financial information are shown in note 12 to the consolidated financial information set out in Section D of Part VII of this document.

5.2 ***Accounting policies and other principles applicable to the financial information***

The principal accounting policies and other principles applied in the preparation of the financial information are set out in note 1 of Section D of the financial information set out in Part VII of this document. These policies have been consistently applied to all periods presented. The financial information has been prepared on the basis of IFRS. These standards include subsequent amendments and related interpretations issued and adopted by the International Accounting Standards Board that have been endorsed by the European Commission.

5.3 ***Explanation of line items in the income statement of the New BBED Group***

(a) *Headline results*

Headline results are stated before the results of discontinued operations and any Exceptional Items that are considered to be one-off and so material that they require separate disclosure to avoid distortion of underlying performance.

(b) *Revenue*

Revenue is stated net of VAT and other sales-related taxes and primarily comprises:

- revenue from the sale of mobile phones and other products to consumers;
- commission receivable on sales (including share of customer airtime spend, customer spend bonuses and volume bonuses) net of any provision for promotional offers and network operator performance penalties;
- the New BBED Group's share of premiums on insurance policies sold by the New BBED Group;
- revenue derived from the provision of mobile and other network services;
- revenue from the sale of mobile phones and other products to dealers and distributors; and
- revenue on the provision of IT services.

(c) *Cost of sales*

Cost of sales includes:

- the cost of goods sold, net of rebates;
- insurance claims on policies sold by the New BBED Group;
- marketing costs; and
- the cost of stock write-downs, product returns and warranty costs.

(d) *Operating expenses excluding depreciation and amortisation*

Operating expenses excluding depreciation and amortisation primarily consist of:

- wages, salaries, commissions, bonuses and other employee benefits and all related taxes;
- charges for share-based payments;
- rent, property taxes and other property-related costs;
- distribution costs; and
- other costs incurred in the running of the business.

(e) *Depreciation and amortisation*

Depreciation and amortisation represents:

- depreciation of leasehold improvements, fixtures and fittings and IT hardware in stores and across head offices and customer contact centre sites; and
- amortisation of IT software and lease incentives or key money.

(f) *Net interest expense*

Net interest expense includes interest payable on loans and other facilities and the amortisation of arrangement fees on such facilities.

(g) *Taxation*

Taxation represents the corporation tax charge or credit for the period.

(h) *Best Buy UK operating loss (post-tax)*

Best Buy UK operating losses (post-tax) reflects the operating losses from the New BBED Group's Best Buy UK 'Big Box' and online business. As a result of the closure of this business, which was completed in January 2012, these results have been excluded from Headline results in order to provide visibility of the continuing business.

(i) *Exceptional Items*

Exceptional Items are items that are both material and one-off in nature, and are presented separately to avoid distortion of underlying performance.

6. Results of operations

6.1 *Comparison of the 26 weeks ended 29 September 2012 and 1 October 2011*

	26 weeks ended 29 September 2012 £m	26 weeks ended 1 October 2011 £m
Headline results		
Revenue	1,660	1,538
Cost of sales	(1,242)	(1,093)
Gross margin	418	445
Gross margin %	*25.2%*	*28.9%*
Operating expenses excluding depreciation and amortisation	(365)	(381)
EBITDA *	53	64
Depreciation and amortisation	(40)	(43)
EBIT	13	21
EBIT %	*0.8%*	*1.4%*
Net interest expense	(5)	(10)
Profit before taxation	8	11
Taxation	(2)	(3)
Net profit for the period	6	8
Statutory results		
Headline net profit for the period	6	8
Best Buy UK operating loss (post-tax)	—	(34)
Net profit (loss) for the period	6	(26)

* 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 has a value of £4 million in the 26 weeks ended 29 September 2012 (2011: £4 million) and is treated as interest income in the New BBED Group's statutory results. Headline EBITDA also includes a post-tax loss of £2 million in the 26 weeks ended 29 September 2012 (2011: nil) in relation to the New BBED Group's share of the trading losses of an associate.

(a) *Overview*

The mobile market was affected in the period ended 29 September 2012 by reduced prepay volumes, following regulatory cuts to mobile termination rates during the previous year. This affected overall volumes and earnings. Against this, the New BBED Group delivered a substantial increase in market share in its core postpay segment. Volume gains were driven by investment in the proposition and this supports the New BBED Group's strategy of long-term value creation through increasing scale. Headline EBIT was £13 million for the 26 weeks ended 29 September 2012 (2011: £21 million).

(b) *Revenue*

The New BBED Group generated revenues of £1,660 million in the 26 weeks ended 29 September 2012, an increase of 8.0 per cent. year-on-year (2011: £1,538 million). This growth was principally driven by the New BBED Group's dealer business, which helped to offset an adverse movement on foreign exchange and the absence of revenues from Phone House Belgium, which was sold in the second half of the previous year.

Revenues also benefited from like-for-like growth of 1.6 per cent., driven primarily by significant postpay growth in the UK business. Increasingly attractive consumer propositions drove year-on-year growth in high-end smartphones, resulting in higher revenue per connection. Alongside this, the UK business' successful 'Smart Deal' promotions drove volume in the low-tier postpay segment.

(c) *Cost of sales and gross margin*

The New BBED Group's gross margin percentage in the 26 weeks ended 29 September 2012 decreased by 3.7 per cent. year-on-year to 25.2 per cent. (2011: 28.9 per cent.). The majority of this reduction reflects the increased low margin dealer activity noted above, with gross margins on the core business down by approximately 1.8 per cent. This principally reflected a year-on-year increase in the proportion of high value smartphones, which have a lower gross margin percentage than lower value postpay, and a continuation of the pressure on gross margins in this category seen in the second half of the previous year.

(d) *Operating expenses excluding depreciation and amortisation*

Operating expenses excluding depreciation and amortisation decreased by 4.1 per cent. year-on-year to £365 million in the 26 weeks ended 29 September 2012 (2011: £381 million) largely reflecting the effects of a weaker Euro and the absence of operating expenses from Phone House Belgium.

(e) *Depreciation and amortisation*

Depreciation and amortisation reduced to £40 million in the 26 weeks ended 29 September 2012 (2011: £43 million) reflecting lower levels of capital expenditure in the financial years ended 2 April 2011 and 3 April 2010.

(f) *Net interest expense*

The interest charge for the 26 weeks ended 29 September 2012 was £5 million (2011: £10 million). The prior period includes the write-off of facility fees relating to a receivables financing arrangement, which was replaced by a new RCF in July 2011. The reduction in the underlying interest charge year-on-year largely reflects lower margins payable under the new facility, together with lower underlying interest rates.

(g) *Taxation*

The New BBED Group had an effective tax rate on Headline earnings of 21.5 per cent. in the 26 weeks ended 29 September 2012 (2011: 25.4 per cent.).

(h) *Best Buy UK operating loss*

Prior to the closure of the Best Buy UK business, the New BBED Group recorded post-tax operating losses from Best Buy UK of £34 million in the 26 weeks ended 1 October 2011. These losses have been excluded from Headline results in order to provide visibility of the performance of the continuing business.

6.2 ***Comparison of the 52 weeks ended 31 March 2012, 2 April 2011 and 3 April 2010***

	52 weeks ended 31 March 2012 £m	52 weeks ended 2 April 2011 £m	52 weeks ended 3 April 2010 £m
Headline results			
Revenue	3,313	3,505	3,529
Cost of sales	(2,365)	(2,509)	(2,492)
Gross margin	948	996	1,037
Gross margin %	*28.6%*	*28.4%*	*29.4%*
Operating expenses excluding depreciation and amortisation	(727)	(779)	(832)
EBITDA *	221	217	205
Depreciation and amortisation	(85)	(83)	(92)
EBIT	136	134	113
EBIT %	*4.1%*	*3.8%*	*3.2%*
Net interest expense **	(16)	(15)	(15)
Profit before taxation	120	119	98
Taxation	(21)	(24)	(22)
Net profit for the year	99	95	76
Statutory results			
Headline net profit for the year	99	95	76
Best Buy UK operating loss (post-tax)	(53)	(45)	(15)
Exceptional Items (post-tax)	(155)	—	—
Net profit (loss) for the year	(109)	50	61

* 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 has a value of £8 million in the 52 weeks ended 31 March 2012 (2011: £11 million; 2010: £8 million) and is treated as interest income in the New BBED Group's statutory results.

** Net interest expense for the year ended 31 March 2012 includes a post-tax loss of £3 million in relation to the New BBED Group's share of the start-up losses of an associate. There were no such charges in earlier years.

(a) *Overview*

The periods ended 2 April 2011 and 31 March 2012 benefited from an exciting product cycle in the postpay segment and from margin initiatives and new commercial terms. Against this, the shift from 18 month to 24 month contracts in the UK from mid-2009 onwards reduced the number of upgrades available in the market. Additionally, the prepay market suffered from low consumer confidence and, in the 52 weeks ended 31 March 2012, a reduction in subsidies following regulatory cuts to mobile termination rates.

(b) *Revenue*

Revenue reduced to £3,505 million in the 52 weeks ended 2 April 2011 (2010: £3,529 million), a decrease of 0.7 per cent., reflecting like-for-like revenue growth of 0.9 per cent. offset by the weakening of the Euro year-on-year. A decrease in revenues of approximately £100 million from the New BBED Group's German service provider business was more than offset by an increase in revenues from the dealer business in Germany.

Revenue decreased to £3,313 million in the 52 weeks ended 31 March 2012 reflecting a further reduction in revenue of approximately £100 million from the German service provider business and a like-for-like revenue decline of 4.6 per cent., reflecting structural changes in certain markets as explained below.

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.

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 per cent. 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.

(c) *Cost of sales and gross margin*

The gross margin percentage reduced by 1.0 per cent. in the 52 weeks ended 2 April 2011 to 28.4 per cent. (2010: 29.4 per cent.) reflecting the increase in low margin dealer revenues described above, the impact of which was partly offset by a strengthening of margins in the core business.

The gross margin percentage increased by 0.2 per cent. in the 52 weeks ended 31 March 2012 to 28.6 per cent. as the impact of market headwinds was offset by improved commercial terms.

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 under which the New BBED Group receives a more significant share of customer spend after the initial contract term.

(d) *Operating expenses excluding depreciation and amortisation*

Operating expenses excluding depreciation and amortisation reduced by £53 million in the 52 weeks ended 2 April 2011 reflecting reduced operating costs in the German service provider business, the benefits of a restructuring programme which took place in the 52 weeks ended 3 April 2010 and the weakening of the Euro.

Operating expenses reduced by a further £52 million in the 52 weeks ended 31 March 2012 reflecting further reductions in costs relating to the service provider business in Germany and ongoing cost reduction initiatives. Operating expenses were partly offset by the impact of the gain on disposal of Phone House Belgium, which was sold during the year.

(e) *Depreciation and amortisation*

Depreciation and amortisation reduced to £83 million in the 52 weeks ended 2 April 2011 (2010: £92 million) reflecting reduced capital expenditure in the years to 2 April 2011 and 3 April 2010.

Depreciation and amortisation remained broadly flat in the 52 weeks ended 31 March 2012 at £85 million.

(f) *Net interest expense*

During the 52 weeks ended 31 March 2012, the New BBED Group refinanced its debt facilities, which were due to expire in the calendar year 2012, with a new RCF of £400 million which matures in July 2015. The costs of the new RCF are significantly lower than the previous debt facility. The interest charge in the 52 weeks ended 31 March 2012 was £16 million (2011: £15 million; 2010: £15 million) as the lower margin paid on the new RCF was offset by the write-off of fees from the previous facility.

(g) *Taxation*

The effective tax rate on Headline earnings reduced from 22.2 per cent. in the 52 weeks ended 3 April 2010 to 20.8 per cent. in the 52 weeks ended 2 April 2011 with the decrease reflecting the anticipated utilisation of tax losses that had not previously been recognised.

The effective tax rate on Headline earnings reduced further in the 52 weeks ended 31 March 2012 to 18.3 per cent. reflecting the reduction in the UK rate from 28 per cent. to 26 per cent. and the resolution of various historical tax issues during the year.

(h) *Best Buy UK operating loss*

Prior to the closure of the Best Buy UK business, the New BBED Group recorded post-tax operating losses from Best Buy UK of £53 million in the 52 weeks ended 31 March 2012 (2011: £45 million; 2010: £15 million). These losses have been excluded from Headline results in order to provide visibility of the performance of the continuing business.

(i) *Exceptional Items*

In the 52 weeks ended 31 March 2012, the New BBED Group incurred cash costs of £28 million in connection with the Best Buy Mobile Disposal. These costs relate principally to the replacement of existing New BBED Group incentive schemes, and the award of 7 million shares in Carphone Warehouse to executives of the New BBED Group 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 restrictions to 2014 provided under the previous schemes. The New BBED Group agreed to pay £12 million to the Group in relation to these shares, and incurred further cash costs of £15 million in relation to employment taxes and other compensation that resulted from the transaction. The New BBED Group also incurred fees of £1 million in relation to the disposal. A tax credit of £7 million was recognised in respect of these charges. This was offset by the derecognition of £13 million of deferred tax assets which were expected to be irrecoverable as a result of the Best Buy Mobile Disposal.

Also during the 52 weeks ended 31 March 2012, the New BBED Group closed its Best Buy UK business. Total closure costs of £147 million were booked, against which a tax credit of £26 million was recognised. Closure costs comprise £46 million of non-cash asset write-downs, £57 million in relation to property leases, £10 million in relation to redundancies and other employee-related costs, and other costs of £34 million, primarily reflecting stock write-downs and contract exit costs.

These items have been excluded from Headline results in order to provide visibility of the performance of the continuing business.

7. Liquidity and capital resources

7.1 *Comparison of the 26 weeks ended 29 September 2012 and 1 October 2011*

	26 weeks ended 29 September 2012 £m	26 weeks ended 1 October 2011 £m
Headline EBITDA	53	64
Working capital	(91)	(136)
Capital expenditure	(37)	(44)
Operating free cash flow	(75)	(116)
Best Buy UK*	(22)	(45)
Movements through the reconstruction reserve	—	45
Other	(15)	(16)
Movement in net funds	(112)	(132)
Opening net funds (debt)	(29)	132
Closing net funds (debt)	(141)	—

* Cash flows associated with Best Buy UK reflect EBITDA, capital expenditure and business exit costs.

Headline EBITDA for the 26 weeks ended 29 September 2012 reduced year-on-year to £53 million (2011: £64 million) for the reasons described in paragraph 6.1 of this Part V.

The business saw the usual seasonal working capital outflow in both periods. The absorption of working capital was £91 million in the 26 weeks ended 29 September 2012, down from £136 million in the 26 weeks ended 1 October 2011, reflecting the first impact of newly negotiated payment structures with the network operators.

Capital expenditure reduced to £37 million in the 26 weeks ended 29 September 2012 (2011: £44 million) principally reflecting fewer store openings during the period.

Cash outflows associated with Best Buy UK were £22 million in the 26 weeks ended 29 September 2012, predominantly reflecting property exit costs, the charge for which was booked during the 52 weeks ended 31 March 2012.

Movements through the reconstruction reserve in the 26 weeks ended 1 October 2011 reflect pre-tax income received by the Best Buy Europe Group from Best Buy Mobile. Since Best Buy Mobile does not form part of the New BBED Group the cash inflow is presented as a movement through the reconstruction reserve.

Other cash flows reflect interest and tax payments, and, in the 26 weeks ended 29 September 2012, the settlement of incentive plans associated with the Best Buy Mobile Disposal, the cost of which was booked during the 52 weeks ended 31 March 2012.

At 29 September 2012, the New BBED Group had net debt of £141 million, up from £29 million at the start of the period, reflecting the cash flows described above.

7.2 *Comparison of the 52 weeks ended 31 March 2012, 2 April 2011 and 3 April 2010*

	52 weeks ended 31 March 2012 £m	52 weeks ended 2 April 2011 £m	52 weeks ended 3 April 2010 £m
Headline EBITDA	221	217	205
Working capital	(172)	(35)	(28)
Capital expenditure	(88)	(69)	(53)
Operating free cash flow	(39)	113	124
Best Buy UK*	(125)	(78)	(44)
Movements through the reconstruction reserve	45	99	47
Other	(41)	(60)	(23)
Movement in net funds	(160)	74	104
Opening net funds (debt)	131	57	(47)
Closing net funds (debt)	(29)	131	57

* Cash flows associated with Best Buy UK reflect EBITDA, capital expenditure and business exit costs.

Headline EBITDA for the 52 weeks ended 31 March 2012 was £221 million (2011: £217 million; 2010: £205 million) as described in paragraph 6.2 above.

The New BBED Group experienced a working capital outflow of £35 million in the 52 weeks ended 2 April 2011 (2010: £28 million) with the increase predominantly reflecting an increase in stock. The working capital outflow in the 52 weeks ended 31 March 2012 increased to £172 million. 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 were addressed in subsequent contractual agreements. The working capital absorption also reflects moving to direct supply arrangements on some key handsets.

Capital expenditure increased to £69 million in the 52 weeks ended 2 April 2011 (2010: £53 million) principally due to additional investment in the store portfolio. Capital expenditure in the 52 weeks ended 31 March 2012 was £88 million reflecting substantial additional investment in the store portfolio and increased investment in IT platforms. These items were offset by proceeds of £16 million from the sale of Phone House Belgium.

Total cash investment in Best Buy UK was up from £44 million in the 52 weeks ended 3 April 2010 to £78 million in the 52 weeks ended 2 April 2011 reflecting EBITDA losses of £60 million (2010: £21 million) and capital expenditure of £18 million (2010: £23 million). Total cash costs associated with Best Buy UK in the 52 weeks ended 31 March 2012 were £125 million, reflecting EBITDA losses of £70 million, capital expenditure of £5 million and closure costs incurred in the year of £50 million. Best Buy UK capital expenditure related to new store openings, net of landlord contributions, and IT and online platforms.

Movements through the reconstruction reserve predominantly reflect pre-tax income received by the Best Buy Europe Group from Best Buy Mobile. Since Best Buy Mobile does not form part of the New BBED Group the cash inflows are presented as movements through the reconstruction reserve.

The business paid corporation tax of £44 million in the 52 weeks ended 2 April 2011 (2010: £24 million) reflecting the growth in pre-tax earnings in the 52 weeks ended 2 April 2011 and 3 April 2010. Tax payments made in the 52 weeks ended 31 March 2012 were £13 million, principally reflecting lower tax payments in the UK due to the closure costs of Best Buy UK and lower profits from Best Buy Mobile. Whilst Best Buy Mobile is not included in the New BBED Group the New BBED Group does reflect tax payments made on profits earned from Best Buy Mobile.

The principal other component of other cash flows in the 52 weeks ended 2 April 2011 is interest expense, which was offset in the 52 weeks ended 3 April 2010 by foreign exchange gains. Other cash flows in the 52 weeks ended 31 March 2012 also reflect facility fees associated with the £400 million RCF. Exceptional cash costs of £10 million are included within other cash flows in the 52 weeks ended 31 March 2012 relating to the Best Buy Mobile Disposal, principally in relation to incentive schemes.

At 31 March 2012, net debt within the New BBED Group was £29 million (2011: net funds of £131 million; 2010: net funds of £57 million), reflecting the cash flows described above.

8. Contractual obligations and commitments at 31 March 2013

The New BBED Group had the following commitments as at 31 March 2013 (as extracted without material adjustment from the unaudited management information of the New BBED Group for the month ended 31 March 2013):

Finance lease obligations

	£m
Less than one year	2
Between one and five years	1
	3

Operating lease obligations

	£m
Less than one year	116
Between one and five years	324
More than five years	142
	582

The New BBED Group had no capital commitments at 31 March 2013.

9. **Treasury**

New BBED's treasury function has responsibility for cash management, banking and bank relationships, funding and liquidity management, and management of foreign exchange and interest rate exposures. Each of these areas is covered by documented policies. Funding requirements and headroom are reviewed regularly against cashflow forecasts and budgets. There are limited exposures to foreign exchange risk, primarily arising on the import of goods for resale, and material current and future foreign exchange exposures are hedged as they arise. Inter-company funding of non-sterling subsidiaries is fully hedged to avoid translational exposures. Although permitted, there are currently no long-term derivative products in place to manage interest rate risk, and the New BBED Group does not speculate in such instruments.

10. **Critical accounting estimates and assumptions**

(a) *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.

(b) *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.

(c) *Revenue recognition*

Commission receivable within the New BBED Group 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 nevertheless 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.

(d) *Current taxation*

The complex nature of tax legislation across the tax jurisdictions in which the New BBED Group operates necessitates the use of many estimates and assumptions, where the outcome may differ from that assumed.

(e) *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.

(f) *Provisions*

The New BBED 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. Sales provisions are based on historical patterns: of redemption for promotions, product return rates for returns and warranties, and penalty rates from network operators. The New BBED Group has extensive data in all areas; however, if the historical patterns on which the provisions are based change significantly in the future, results may be materially impacted.

11. **Funding arrangements**

The New BBED Group has a £400 million RCF, which is used to cover seasonal working capital and other funding requirements. The RCF currently matures in July 2015. Interest on this facility, which can be drawn in sterling or Euros, is at margins over LIBOR or EURIBOR. The actual margin depends on the level of fixed charges cover (based on interest and operating lease expenditure) in the most recent accounting period. A non-utilisation fee is payable in respect of amounts available but undrawn under this facility. The RCF has covenants limiting the ratio of net debt to EBITDA and requiring a minimum level of fixed charges cover.

Agreement has been reached with a number of the Group's core relationship banks to advance a new £400 million RCF which will mature on 29 April 2017 and is conditional on Completion.

The New BBED Group also has various local overdrafts and other uncommitted facilities, to assist with cash management efficiency, together with limited funding through finance leases.

The New BBED Group holds cash in its insurance business in order to cover regulatory requirements; these funds are not available to offset other New BBED Group borrowings.

At 4 May 2013, the New BBED Group had borrowings of £209 million on the £400 million RCF or on overdrafts or other uncommitted facilities (as extracted without material adjustment from the unaudited management accounts of the New BBED Group for the month ended 4 May 2013). At the same date, the New BBED Group had cash balances of £67 million, of which £28 million was held to cover regulatory reserve requirements in its insurance business (in each case, as extracted without material adjustment from the unaudited management accounts of the New BBED Group for the month ended 4 May 2013). In addition, £3 million was outstanding at 4 May 2013 in respect of finance leases (as extracted without material adjustment from the unaudited management accounts of the New BBED Group for the month ended 4 May 2013).

PART VI

CAPITALISATION AND INDEBTEDNESS

The following tables show the unaudited capitalisation of the Carphone Warehouse Group as at 30 September 2012 and the unaudited consolidated indebtedness of the Group as at 31 March 2013. The following tables do not reflect the effect of the Acquisition, the Placing or the new £250 million four-year amortising sterling term loan facility on the Group's capitalisation and indebtedness.

The following table sets out the Group's capitalisation and indebtedness as at 30 September 2012:

Capital and reserves[1, 3, 6]	**£m**
Share capital	0.5
Share premium reserve	170.0
Translation reserve	(7.1)
Demerger reserve	(750.2)
Total capitalisation and indebtedness	(586.8)

The following table sets out the Group's net indebtedness as at 31 March 2013:[2, 4]

Current assets	**£m**
Cash[5]	66.9
Cash equivalents	50.0
Net liquidity	116.9

Notes:

1. The figures for the Group's capital and reserves have been extracted without material adjustment from the unaudited financial information of the Group for the six months ended 30 September 2012 as set out in Section B of Part VII of this document.
2. The figures for the Group's net indebtedness have been extracted without material adjustment from the Group's unaudited 31 March 2013 management accounts.
3. Capital and reserves do not include the profit and loss reserve, which was £1,247.2 million at 30 September 2012.
4. The Group had no loans or other borrowings at 31 March 2013.
5. The increase in cash and cash equivalents since 30 September 2012 primarily reflects the sale of freehold property.
6. The Placing raised net proceeds of £103 million, which were received on 3 May 2013. The Placing did not have a material effect on the capital and reserves presented in the table above.

PART VII

HISTORICAL CONSOLIDATED FINANCIAL INFORMATION RELATING TO THE GROUP

Basis of financial information

Following Completion, the Group will own 100 per cent. of the ordinary share capital of New BBED and will consolidate the results and net assets of the New BBED Group.

Sections A and B set out the audited consolidated financial information of the Group for the financial years ended 31 March 2012, 31 March 2011 and 31 March 2010 and the unaudited interim financial information for the six months ended 30 September 2012 and 30 September 2011. Full details of the basis of preparation of the financial information of the Group are provided in note 1 of Section A to the financial information for the Group for the years ended 31 March 2012, 31 March 2011 and 31 March 2010.

Sections D and E set out the audited consolidated financial information of the New BBED Group for the financial years ended 31 March 2012, 2 April 2011 and 3 April 2010 and the unaudited interim financial information for the 26 weeks ended 29 September 2012 and 1 October 2011. Full details of the basis of preparation of the financial information of the New BBED Group are provided in note 1 of Section D to the financial information for the New BBED Group for the years ended 31 March 2012, 2 April 2011 and 3 April 2010.

The Group and the New BBED Group apply consistent accounting policies. The presentation of the consolidated financial information differs between the Group and the New BBED Group in respect of Best Buy Mobile. The results of Best Buy Mobile are included within the results of the Best Buy Europe Group, as reflected in the consolidated financial information of the Group. The Best Buy Mobile Disposal resulted in the disposal of the Best Buy Europe Group's interests in Best Buy Mobile and New BBED became the parent of Best Buy Europe. As a result, the New BBED Group comprises CPW Europe and the discontinued Best Buy UK operations. The consolidated financial information of the New BBED Group has been prepared with the objective of presenting the results, net assets and cash flows of the New BBED Group in the form that arose on completion of the Best Buy Mobile Disposal, as if it had been a stand-alone group during all reported accounting periods. The consolidated financial information has been prepared by aggregating the financial accounts of the companies and assets that comprised the New BBED Group following the Best Buy Mobile Disposal. Certain companies forming part of the New BBED Group received income associated with Best Buy Mobile which they would not have received had the New BBED Group been a separate, stand-alone group during this time. Any such income and associated tax expense has been excluded from the income statement and recognised in equity described as "movements in the reconstruction reserve" The cash flows associated with the income have been reflected in the cash flow statement within "cash flows reflected in the reconstruction reserve".

The consolidated financial information contained in this Part VII does not constitute statutory accounts within the meaning of section 434 of the Act.

SECTION A: HISTORICAL CONSOLIDATED FINANCIAL INFORMATION FOR THE GROUP FOR THE FINANCIAL YEARS ENDED 31 MARCH 2012, 31 MARCH 2011 AND 31 MARCH 2010

Consolidated Income Statement
For the years ended 31 March 2012, 31 March 2011 and 31 March 2010

	Notes	Headline 2012 £m	Non-Headline* 2012 £m	Statutory 2012 £m	Headline 2011 £m	Non-Headline* 2011 £m	Statutory 2011 £m	Headline 2010 £m	Non-Headline* 2010 £m	Statutory 2010 £m
Revenue	2	6.4	—	6.4	5.6	—	5.6	5.5	—	5.5
Cost of sales		—	—	—	—	—	—	—	—	—
Gross profit		6.4	—	6.4	5.6	—	5.6	5.5	—	5.5
Operating expenses	4	(5.4)	(20.6)	(26.0)	(8.7)	—	(8.7)	(6.0)	—	(6.0)
Share of results of joint ventures	2,4,13	54.4	(88.5)	(34.1)	55.5	10.9	66.4	30.0	8.5	38.5
Profit (loss) before investment income, interest and taxation	3	55.4	(109.1)	(53.7)	52.4	10.9	63.3	29.5	8.5	38.0
Interest expense	6	(0.2)	—	(0.2)	(0.6)	—	(0.6)	(5.3)	—	(5.3)
Interest income	6	2.9	—	2.9	3.9	—	3.9	3.7	—	3.7
Investment income	4,6	0.2	813.0	813.2	0.6	—	0.6	—	182.0	182.0
Profit before taxation		58.3	703.9	762.2	56.3	10.9	67.2	27.9	190.5	218.4
Taxation	4,7	(0.6)	0.9	0.3	(1.6)	—	(1.6)	0.4	—	0.4
Net profit for the year		57.7	704.8	762.5	54.7	10.9	65.6	28.3	190.5	218.8
Earnings per share										
Basic	10	12.6p		167.0p	12.1p		14.5p	6.3p		48.7p
Diluted	10	12.1p		159.6p	11.6p		13.9p	6.2p		47.8p

* 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.

Consolidated Statement of Comprehensive Income
For the years ended 31 March 2012, 31 March 2011 and 31 March 2010

	2012 £m	2011 £m	2010 £m
Net profit for the year	762.5	65.6	218.8
Currency translation	(11.9)	(0.1)	4.2
Total recognised income and expenses for the year	750.6	65.5	223.0

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

Consolidated Statement of Changes in Equity
For the years ended 31 March 2012, 31 March 2011 and 31 March 2010

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

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

2010	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	—	—	457.8	7.9	(51.8)	—	413.9
Total recognised income and expenses for the year	—	—	218.8	4.2	—	—	223.0
Issue of share capital	0.5	754.0	—	—	(754.5)	—	—
Net movement in relation to share schemes	—	—	(1.5)	—	—	—	(1.5)
Movements in demerger reserve	—	—	—	—	55.1	—	55.1
At the end of the year	0.5	754.0	675.1	12.1	(751.2)	—	690.5

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

Consolidated Balance Sheet
As at 31 March 2012, 31 March 2011 and 31 March 2010

	Notes	2012 £m	2011 £m	2010 £m
Non-current assets				
Property, plant and equipment	11	66.1	67.8	65.9
Non-current asset investments	12	0.1	0.1	0.1
Interests in joint ventures	13	535.5	592.2	541.8
Deferred tax assets	7	1.3	1.4	0.8
		603.0	661.5	608.6
Current assets				
Trade and other receivables	14	21.3	6.5	5.6
Cash and cash equivalents	16	102.7	120.6	100.0
		124.0	127.1	105.6
Total assets		727.0	788.6	714.2
Current liabilities				
Trade and other payables	15	(10.1)	(16.2)	(10.1)
Corporation tax liabilities		—	(1.2)	—
Provisions	18	(8.9)	(13.2)	(13.6)
Total liabilities		(19.0)	(30.6)	(23.7)
Net assets		708.0	758.0	690.5
Equity				
Share capital	19,20	33.4	0.5	0.5
Share premium reserve	20	170.0	754.0	754.0
Accumulated profits	20	697.8	741.7	675.1
Translation reserve	20	0.1	12.0	12.1
Demerger reserve	20	(750.2)	(750.2)	(751.2)
Capital redemption reserve	20	556.9	—	—
Funds attributable to equity shareholders		708.0	758.0	690.5

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

Consolidated Cash Flow Statement
For the years ended 31 March 2012, 31 March 2011 and 31 March 2010

	2012 £m	2011 £m	2010 £m
Operating activities			
(Loss) profit before investment income, interest and taxation	(53.7)	63.3	38.0
Adjustments for non-cash items:			
Share-based payments	14.9	1.9	2.4
Non-cash movements on joint ventures	34.1	(66.4)	(38.5)
Depreciation	1.0	0.8	0.7
Impairment of property, plant and equipment and non-current asset investments	0.8	—	0.1
Operating cash flows before movements in working capital	(2.9)	(0.4)	2.7
(Increase) decrease in trade and other receivables	(4.2)	0.2	(0.6)
Increase in trade and other payables	—	5.0	3.0
Decrease in provisions	(4.3)	(0.4)	(2.6)
Cash flows from operating activities	(11.4)	4.4	2.5
Taxation paid	(0.9)	—	—
Net cash flows from operating activities	(12.3)	4.4	2.5
Investing activities			
Investment income received	813.2	0.6	182.0
Interest received	2.9	3.9	3.7
Acquisition of property, plant and equipment	(0.5)	(2.3)	(0.8)
Net receipts from (investment in) joint ventures	9.9	14.6	(32.4)
Cash flows from investing activities	825.5	16.8	152.5
Financing activities			
Interest paid	(0.2)	(0.6)	(5.3)
Settlement of financial instrument	1.5	2.7	—
Net purchase of own shares	(27.7)	(2.7)	—
Equity dividends paid	(253.6)	—	—
Shares redeemed	(556.9)	—	—
Repayment of VES loans	5.8	—	—
Movement on loans from the TalkTalk Group	—	—	(397.4)
Movement on loans to Best Buy Europe	—	—	293.3
Cash flows relating to movements in the demerger reserve	—	—	54.4
Cash flows from financing activities	(831.1)	(0.6)	(55.0)
Net (decrease) increase in cash and cash equivalents	(17.9)	20.6	100.0
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	100.0

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

1 Notes to the financial information

a) *Basis of preparation*

The Company is incorporated in England and Wales. The financial information of the Group has 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 information has been presented in 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 information 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 £102.7 million (2011: £120.6 million; 2010: £100.0 million).

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 information.

Prior year comparatives – businesses discontinued by the Group's joint ventures

Headline results in comparative years have been restated to exclude the results of businesses which have been discontinued by the Group's joint ventures.

Prior year comparatives – year ended 31 March 2010

On 26 March 2010, the Demerger became effective, resulting in the formation of the Group and the TalkTalk Group. Following the Demerger, the Group comprised investments in two joint ventures, Best Buy Europe Group and Virgin Mobile France, and various other investments, including freehold properties.

The financial information for the year to 31 March 2010 has been prepared with the objective of presenting the results, net assets and cash flows of the Group in the form that arose on completion of the Demerger, as if it had been a stand-alone group during the entire year.

The financial information has been prepared by aggregating the financial accounts of the companies and assets that comprised the Group following the Demerger. Any assets and liabilities held within the consolidation of the Old Carphone Warehouse Group that relate to the Group have been reflected in this financial information, as though they had always formed part of the Group. The principles of IAS 27 'Consolidated and Separate Financial Statements' and SIC 12 'Consolidation – Special Purpose Entities' have been applied in determining the companies and assets to be combined and the principles to be followed.

Certain operating expenses relating to the operations of the Group arose in companies that did not form part of the Group on completion of the Demerger. Included within such costs are certain central operating expenses that were borne during the year ended 31 March 2010 by the Old Carphone Warehouse, which formed part of the TalkTalk Group following the Demerger. A proportion of these costs has been allocated to the Group using a basis of allocation consistent with the nature of the cost. These allocations do not necessarily reflect the results that the Group might have had if it had been a separate, stand-alone group during this time.

Additionally, as the Group did not exist in its current structure until the Demerger, certain cash flows that relate to the operations of the Group actually arose in companies that formed part of TalkTalk Group following the Demerger. As such cash flows are not reflected in the companies that comprise the Group, they are reflected within "cash flows relating to movements in the demerger reserve" in the cash flow statement.

During the year ended 31 March 2010, Old Carphone Warehouse provided funding to various companies within the Group. This financial information reflects the historical loans and deposits within the Group, adjusted where necessary for transactions required to form the Group.

Adjustments have also been made to present the funding of the Group's joint ventures as though it had been made via the Company, to reflect the ongoing structure of their funding, although the funding was in fact provided directly by Old Carphone Warehouse. Where such adjustments have been made, interest income and expense has been adjusted for the interest on joint venture loans so as to recognise this in the Group.

Following the Demerger, shareholders of Old Carphone Warehouse received two shares in TalkTalk and one share in the Company for every two shares in Old Carphone Warehouse. As the Group received no compensation for the issue of these shares, the recognition of the share capital and share premium has been offset by an entry in the demerger reserve.

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 information reflects the Group's results for the year from 1 April 2011 to 31 March 2012 and comparative information for the years from 1 April 2010 to 31 March 2011 and 1 April 2009 to 31 March 2010. 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 and its results for the year ended 31 March 2010 cover the 52 weeks ended 3 April 2010.

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, except as described above in relation to accounting for the Demerger. Intercompany transactions and balances between subsidiaries are eliminated on consolidation.

In accordance with Abstract 38 'Accounting for ESOP Trusts' issued by the Urgent Issues Task Force, 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 information 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.

The principal exchange rates against sterling used in this financial information are as follows:

		Average				**Closing**
	2012	**2011**	**2010**	**2012**	**2011**	**2010**
Euro	1.16	1.17	1.13	1.20	1.13	1.12
US dollar	1.60	1.56	1.60	1.60	1.60	1.52

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.

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 information 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.

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 cent. per annum
Short leasehold costs:	10 per cent. per annum or the lease term if less
Network equipment and computer hardware:	12.5-50 per cent. per annum
Fixtures and fittings:	20-25 per cent. per annum
Motor vehicles:	25 per cent. 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.

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 information 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 information 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 £17.0 million. Total ongoing revenues receivable within Best Buy Europe are £474.0 million (2011: £335.0 million; 2010: £394.0 million).

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.

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 Group (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	Best Buy Europe Group (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.

2010	Best Buy Europe Group (see note 13) £m	Virgin Mobile France (see note 13) £m	Wholly owned operations £m	Total £m
Revenue	—	—	5.5	5.5
Headline EBIT before share of results of joint ventures	—	—	(0.5)	(0.5)
Share of Headline results of joint ventures (post-tax)	38.2	(8.2)	—	30.0
Headline EBIT	38.2	(8.2)	(0.5)	29.5
Share of results of discontinued businesses within joint ventures (post-tax) *	9.1	—	—	9.1
Share of amortisation of joint venture acquisition intangibles (post-tax) *	—	(0.6)	—	(0.6)
Statutory EBIT (segment results)	47.3	(8.8)	(0.5)	38.0
Assets	512.6	29.2	172.4	714.2
Liabilities	—	—	(23.7)	(23.7)
Net assets	512.6	29.2	148.7	690.5

* 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	2010 £m
Investment property rental income	(5.6)	(5.6)	(5.5)
Depreciation of property, plant and equipment	1.0	0.8	0.7
Impairment of property, plant and equipment	0.8	—	—
Impairment of non-current asset investments	—	—	0.1
Share-based payments	14.9	1.9	2.4
Other employee costs	5.2	4.7	3.2

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 four categories: Best Buy Mobile Disposal, Best Buy UK closure, Virgin Mobile France amortisation and Demerger and are analysed as follows:

	Notes	2012 £m	2011 £m	2010 £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	16.7
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)	(7.6)
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)	(0.6)
		(88.5)	10.9	8.5
Investment income				
Best Buy Mobile Disposal				
Consideration from Best Buy Mobile Disposal	vii)	813.0	—	—
Demerger				
Dividends relating to the Demerger	viii)	—	—	182.0
		813.0	—	182.0
Taxation				
Best Buy Mobile Disposal				
Tax credit on costs associated with the Best Buy Mobile Disposal	ix)	0.9	—	—
		0.9	—	—
		704.8	10.9	190.5

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

	2012 £m	2011 £m	2010 £m
Best Buy Mobile			
EBIT	45.0	97.9	46.4
Tax	(11.7)	(27.4)	(13.0)
	33.3	70.5	33.4
Best Buy UK			
EBIT	(72.5)	(62.2)	(21.0)
Tax	19.5	17.9	5.9
	(53.0)	(44.3)	(15.1)
Group share	(9.8)	13.1	9.1

Exceptional Items within joint ventures are further analysed as follows:

	2012 £m	2011 £m	2010 £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 ended 31 Match 2012 the Group disposed of its interest in Best Buy Mobile for an initial consideration of £813.0 million. In addition a further £25.0 million 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 the Best Buy Europe Group.

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

 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 7.0 million shares to senior Best Buy Europe executives. This gift resulted in a non-cash accounting charge of £11.4 million and employer taxes of £1.6 million for the Group as the Best Buy Europe Group agreed to pay cash compensation of £11.7 million 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 £2.5 million and non-cash accounting charges of £2.0 million.

 Professional fees of £3.1 million 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 £26.7 million and non-cash accounting charges of £0.7 million within the Best Buy Europe Group, including the compensation to the Group described above.

 The Best Buy Europe Group also incurred fees of £1.0 million in relation to the transaction.

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

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

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

Best Buy UK closure

During the year ended 31 March 2012 the Best Buy Europe Group 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 £146.8 million have been recognised, against which a tax credit of £25.9 million 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 in December 2009.

Demerger

viii) During the year ended 31 March 2010, as part of the Demerger, the Group received dividends of £182.0 million from Old Carphone Warehouse. These dividends do not reflect the ongoing operations of the Group and have therefore been disclosed separately.

5 Employee costs

Compensation earned by key management, comprising the Directors and senior executives (and an allocation of the compensation of Old Carphone Warehouse's directors and executives in the year ended 31 March 2010), was as follows:

	2012 £m	2011 £m	2010 £m
Salaries and fees	1.5	1.4	1.0
Performance bonuses	0.9	1.5	1.3
Share-based payments	14.5	1.7	2.4
	16.9	4.6	4.7

At 31 March 2011 the Group had made loans in relation to the CPW VES, TalkTalk VES and a share gift made in December 2008 totalling £10.2 million (2010: £7.9 million) to key management of which £7.3 million (2010: £5.6 million) related to Directors. Loans of £0.3 million 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 £6.3 million in relation to the CPW VES were repaid. At 31 March 2012, loans of £4.0 million remain in respect of the TalkTalk VES (£2.9 million to Directors). Interest is charged on the loans at market rates and interest of £0.4 million (2011: £0.5 million; 2010: nil) 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 £0.7 million made to key management.

a) Value enhancement schemes

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

The CPW VES allowed participants to invest at market value in shares which enabled them to share in up to 2.24 per cent. of any increase in the value of the Best Buy Europe Group 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 per cent. 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 £5.8 million 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 15.7 million 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 CPW VES, but is based on the value of the TalkTalk Group, with the obligation to acquire the relevant shares lying with the TalkTalk Group. As with the CPW 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 per cent. 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

During the periods covered by the consolidated financial information a number of options were held over the Company's shares by employees and former employees of the Group, the Old Carphone Warehouse Group and the 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 £2.5 million 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:

	Number million	2012 WAEP £	Number million	2011 WAEP £	Number million	2010 WAEP £
Outstanding at the beginning of the year	6.1	0.70	14.3	0.49	19.6	0.38
Granted during the year	—	—	0.7	0.77	1.4	1.35
Lapsed during the year	—	—	(3.6)	—	(2.1)	0.60
Exercised during the year	(6.1)	0.70	(5.3)	0.64	(4.6)	0.25
Outstanding at the end of the year	—	—	6.1	0.70	14.3	0.49
Exercisable at the end of the year	—	—	4.0	0.47	5.7	0.43

The options exercised during the year were exercised at a weighted average market price of £3.29 (2011: £2.57; 2010: £1.61).

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 the Best Buy Europe Group (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 7.0 million shares in the Company to senior executives of the Best Buy Europe Group. The Best Buy Europe Group has provided cash compensation of approximately £11.7 million 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 Group 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 per cent. 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 Participation Plan 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) Share gift

In December 2008, 1.8 million shares were gifted by Old Carphone Warehouse's ESOT to certain senior employees within Old Carphone Warehouse, of which 0.4 million related to employees of the Group. The shares were restricted until 30 June 2010 based on various internal performance conditions, principally in relation to earnings and cash generation. The performance conditions were met and as such the shares become unrestricted during the year ended 31 March 2011.

e) Fair value models

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 CPW 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.

f) 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 £14.9 million (2011: £1.9 million; 2010: £2.4 million) in respect of equity settled share-based payments, which is offset by an entry through reserves. As detailed in note 4, the charge in the year ended 31 March 2012 relates principally to a gift of shares to Best Buy Europe executives (£11.4 million) and the accelerated vesting of other incentive schemes (£2.0 million). As explained above, there were circumstances in which part of the loans advanced to CPW 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 £4.7 million (2011: debit of £0.7 million; 2010: debit of £3.9 million).

g) Employee Share Ownership Trust

The Group has an ESOT which held 0.2 million shares in the Company at 31 March 2012 (2011: 2.9 million; 2010: 5.2 million) for the benefit of the employees of the Group. The maximum number of shares held by the Group's ESOT during the year was 10.3 million in November 2011 which represented 2.3 per cent. 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 £0.3 million (2011: £10.4 million; 2010: £8.3 million).

6 Interest income, interest expense and investment income

Interest income is analysed as follows:

	2012 £m	2011 £m	2010 £m
Interest on cash and cash equivalents	1.0	0.8	—
Interest and other finance income from joint ventures	1.5	2.6	3.7
Other interest income	0.4	0.5	—
	2.9	3.9	3.7

Interest expense is analysed as follows:

	2012 £m	2011 £m	2010 £m
Interest on loans from the TalkTalk Group	—	—	5.3
Other interest expense	0.2	0.6	—
	0.2	0.6	5.3

Investment income is analysed as follows:

	2012 £m	2011 £m	2010 £m
Consideration from the Best Buy Mobile Disposal	813.0	—	—
Dividends relating to the Demerger	—	—	182.0
Income from minority investments	0.2	0.6	—
	813.2	0.6	182.0

The Group received initial consideration of £813.0 million 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 £813.0 million. The amount of the dividend received was US$1,303.4 million which was exchanged for £813.0 million on 26 January 2012.

During the year ended 31 March 2010, as part of the Demerger, the Group received dividends of £182.0 million from Old Carphone Warehouse.

7 Taxation

The tax (credit) charge comprises:

	2012 £m	2011 £m	2010 £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	(0.6)
Adjustments in respect of prior years	0.1	0.2	0.2
	(0.8)	0.4	(0.4)
Total tax (credit) charge	(0.3)	1.6	(0.4)

The principal differences between the tax (credit) charge and the amount calculated by applying the standard rate of UK corporation tax of 26 per cent. (2011: 28 per cent.; 2010: 28 per cent.) to the profit before taxation are as follows:

	2012 £m	2011 £m	2010 £m
Profit before taxation	762.2	67.2	218.4
Profit before taxation at 26% (2011: 28%, 2010: 28%)	198.2	18.8	61.2
Adjustments in respect of prior years	(0.1)	0.2	0.2
Items attracting no tax relief or liability	(198.4)	(17.4)	(61.8)
Total tax (credit) charge	(0.3)	1.6	(0.4)

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.

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

	2012 £m	2011 £m	2010 £m
Opening balance	1.4	0.8	0.2
Credit (charge) to the income statement	0.8	(0.4)	0.4
Movements through accumulated profits	(1.1)	1.0	—
Current year tax losses carried forward	0.2	—	—
Movements through the demerger reserve	—	—	0.2
Deferred tax assets	1.3	1.4	0.8

On 21 March 2012 the government announced the reduction of the UK corporation tax rate from 26 per cent. to 24 per cent. with effect from April 2012 and then to 22 per cent. 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	2010 £m
Final dividend for the year ended 31 March 2011 of 5.0 pence per ordinary share	22.7	—	—
Interim dividend for the year ended 31 March 2012 of 1.75 pence per ordinary share	7.9	—	—
Dividend of 172 pence per C share through the B/C Share Scheme	223.0	—	—
Redemption of 172 pence 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:

	£m
Final dividend for the year ended 31 March 2012 of 3.25 pence per ordinary share	15.4
Redemption of 172 pence 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 this financial information. 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 5g).

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	Profit 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 discontinued businesses within 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.

2010	Profit before investment income, interest and taxation £m	Profit before taxation £m	Net profit for the year £m
Headline results	29.5	27.9	28.3
Share of results of discontinued businesses within joint ventures (post-tax) *	9.1	9.1	9.1
Share of amortisation of joint venture acquisition intangibles (post-tax) *	(0.6)	(0.6)	(0.6)
Group Exceptional Items *	—	182.0	182.0
Statutory results	38.0	218.4	218.8

* 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	2011	2010
Headline earnings (£m)	57.7	54.7	28.3
Statutory earnings (£m)	762.5	65.6	218.8
Weighted average number of shares (millions):			
Average shares in issue	460.1	457.1	457.1
Less average holding by Group ESOT (see note 5)	(3.5)	(4.4)	(7.8)
For basic earnings per share	456.6	452.7	449.3
Dilutive effect of share options and other incentive schemes	21.1	18.4	8.4
For diluted earnings per share	477.7	471.1	457.7

Basic earnings per share	**2012**	**2011**	**2010**
Headline	12.6p	12.1p	6.3p
Statutory	167.0p	14.5p	48.7p

Diluted pence per share	**2012**	**2011**	**2010**
Headline	12.1p	11.6p	6.2p
Statutory	159.6p	13.9p	47.8p

As detailed in note 5, prior to the Demerger, Old Carphone Warehouse introduced the CPW VES to provide incentives to the Group's senior management. The CPW VES enabled participants to share in any increase in the value of the Best Buy Europe Group 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 CPW VES shares were exchanged for 15.7 million shares in the Company in January 2012, from which time the CPW VES was no longer dilutive.

11 Property, plant and equipment

	2012 £m	2011 £m	2010 £m
Opening balance	67.8	65.9	65.8
Additions	0.1	2.7	0.8
Impairment	(0.8)	—	—
Depreciation	(1.0)	(0.8)	(0.7)
Closing balance	66.1	67.8	65.9
Cost	72.3	72.2	69.5
Accumulated depreciation	(6.2)	(4.4)	(3.6)
Net carrying amount	66.1	67.8	65.9

Property, plant and equipment held by the Group is principally investment property. The fair value of the investment property at 31 March 2012 was £74.1 million (2011: £73.7 million; 2010: £72.5 million). 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	2010 £m
Within one year	5.5	4.9	4.9
In two to five years	22.1	21.6	21.0
After five years	40.0	44.1	49.6
	67.6	70.6	75.5

12 Non-current asset investments

	2012 £m	2011 £m	2010 £m
Non-current asset investments	0.1	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 and give the Group an effective holding of 100 per cent. 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	2010 interest
Best Buy Europe Group	Retail, distribution, insurance, telecoms services	England and Wales	50.0%	50.0%	50.0%
Virgin Mobile France	MVNO	England and Wales	46.6%	47.1%	47.5%

The Group's interest in Virgin Mobile France reduced from 47.1 per cent. to 46.6 per cent. during the year ended 31 March 2012 and from 47.5 per cent. to 47.1 per cent. during the year ended 31 March 2011 following the sale of shares to and the exercise of share options by 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 per cent. 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 Group	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 Group	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

2010	Net assets (liabilities) £m	Goodwill £m	Loans £m	Total £m
Opening balance	339.5	108.5	21.7	469.7
Additions	2.6	—	—	2.6
Loans provided (net)	—	—	29.8	29.8
Share of results	38.5	—	—	38.5
Foreign exchange	4.1	(2.2)	(0.7)	1.2
Closing balance	384.7	106.3	50.8	541.8
Best Buy Europe Group	406.3	106.3	—	512.6
Virgin Mobile France	(21.6)	—	50.8	29.2
Closing balance	384.7	106.3	50.8	541.8

At 31 March 2011, Best Buy Europe had a £350 million receivables financing arrangement provided by a number of banks. This facility was supplemented by an RCF of £125 million 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 £50 million each.

In July 2011, Best Buy Europe secured a new £400 million 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.

b) Analysis of profits and losses

The Group's share of the results of its joint ventures is as follows:

Best Buy Europe Group	2012 £m	2011 £m	2010 £m
Revenue	3,313.1	3,504.8	3,528.8
Headline EBITDA *	219.6	219.1	206.3
Depreciation and amortisation	(84.6)	(84.5)	(91.9)
Headline EBIT	135.0	134.6	114.4
Net interest expense	(16.4)	(15.2)	(16.3)
Taxation on Headline results	(22.0)	(24.8)	(21.8)
Headline profit after taxation	96.6	94.6	76.3
Group share of Headline profit after taxation	48.3	47.3	38.2
Group share of operating results of discontinued businesses (post-tax) (see note 4)	(9.8)	13.1	9.1
Group share of Exceptional Items (post-tax) (see note 4)	(77.4)	—	—
Group share of (loss) profit after taxation	(38.9)	60.4	47.3

* 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 £8.0 million in the year ended 31 March 2012 (2011: £11.0 million; 2010: £8.0 million) and is treated as interest income in the joint venture's statutory results.

Virgin Mobile France	2012 £m	2011 £m	2010 £m
Revenue *	390.2	328.4	232.8
Headline EBITDA **	25.7	24.3	(19.3)
Depreciation and amortisation	(4.2)	(3.7)	(2.9)
Headline EBIT	21.5	20.6	(22.2)
Net interest expense	(2.5)	(2.9)	(1.5)
Taxation on Headline results	(6.7)	(0.7)	5.1
Headline profit (loss) after taxation	12.3	17.0	(18.6)
Group share of Headline profit (loss) after taxation before change in share ownership	5.8	8.0	(9.0)
Gain on reduction of percentage share ownership	0.3	0.2	0.8
Group share of Headline profit (loss) after taxation	6.1	8.2	(8.2)
Group share of amortisation of acquisition intangibles (post-tax)	(1.3)	(2.2)	(0.6)
Group share of profit (loss) after taxation	4.8	6.0	(8.8)

* 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 £71.0 million in the year ended 31 March 2012 (2011: £55.1 million; 2010: £41.6 million), are netted off against acquisition costs within Headline EBITDA. Reported revenue on a statutory basis for the year ended 31 March 2012 is £461.2 million (2011: £383.5 million; £274.4 million).

** Virgin Mobile France has commitments in place to purchase an agreed amount of wholesale capacity 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 £4.2 million in the year ended 31 March 2012 (2011: nil; 2010: nil) and is treated as amortisation in the joint venture's statutory results.

Total Group share	2012 £m	2011 £m	2010 £m
Headline	54.4	55.5	30.0
Statutory	(34.1)	66.4	38.5

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

Best Buy Europe Group	2012 £m	2011 £m	2010 £m
Non-current assets	662.4	661.7	677.4
Cash and overdrafts (net)	165.3	146.8	175.3
Other borrowings	(194.7)	(15.1)	(117.9)
Other assets and liabilities (net)	203.2	144.5	77.7
Net assets	836.2	937.9	812.5
Group share of net assets	418.1	468.9	406.3

Virgin Mobile France	2012 £m	2011 £m	2010 £m
Non-current assets	127.4	95.1	100.8
Cash and overdrafts (net)	10.1	10.7	17.4
Loans from the Group	(24.3)	(35.7)	(50.8)
Other borrowings	(26.2)	(38.6)	(54.8)
Other assets and liabilities (net)	(107.9)	(64.0)	(58.0)
Net liabilities	(20.9)	(32.5)	(45.4)
Group share of net liabilities	(9.8)	(15.3)	(21.6)
Total Group share			
Total Group share of net assets and liabilities of joint ventures	408.3	453.6	384.7

There are no material contingent liabilities in relation to the Group's joint ventures. The Best Buy Europe Group had no capital commitments at 31 March 2012 (2011: £4.0 million; 2010: £11.0 million). Virgin Mobile France had no capital commitments at the end of any of the reported periods.

Within the cash and overdrafts of the Best Buy Europe Group, £37.0 million (2011: £45.0 million; 2010: £65.0 million) is held by its insurance business to cover regulatory reserve requirements; these funds are not available to offset other Best Buy Europe Group 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. The Best Buy Europe Group 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 per cent. to 4.6 per cent. (2011: 1.3 per cent. to 4.6 per cent.; 2010: 0 per cent. to 2.3 per cent.). The pre-tax rates used to discount the forecast cash flows range between 6.5 per cent. and 11.8 per cent. (2011: 6.5 per cent. and 12.9 per cent.; 2010: 6.5 per cent. to 11.7 per cent.).

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 £0.8 million 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 the net assets of the Best Buy Europe Group is goodwill of £214.0 million (2011: £226.0 million; 2010: £226.0 million). The Directors 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 £18 million in France, incorporating a long-term growth rate of 1.8 per cent. and a pre-tax discount rate of 9.3 per cent. as key assumptions. If the pre-tax discount rate increased above 11.7 per cent. or forecast EBITDA reduced by more than 10 per cent., the recoverable amount in France would fall below its carrying amount.

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

At 31 March 2011 and 31 March 2010, the Directors did not consider that there were any CGUs where a reasonably possible change to one of the key assumptions on which the value in use calculations are based would result in that CGU's recoverable amount to fall below its carrying value.

14 Trade and other receivables

	2012 £m	2011 £m	2010 £m
Other receivables	21.3	6.5	5.6
	21.3	6.5	5.6

Other receivables include loans of £4.0 million (2011: £5.2 million; 2010: £3.6 million) to members of senior management relating to the TalkTalk VES, and at 31 March 2011 also the CPW 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 the Best Buy Europe Group in relation to the shares gifted to senior Best Buy Europe Group 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 sterling and are expected to be fully recoverable.

15 Trade and other payables

	2012 £m	2011 £m	2010 £m
Other payables	1.5	8.4	6.5
Accruals and deferred income	8.6	7.8	3.6
	10.1	**16.2**	**10.1**

16 Cash and cash equivalents, loans and other borrowings

Cash and cash equivalents comprise:

	2012 £m	2011 £m	2010 £m
Short-term bank deposits and money market funds	102.7	120.6	100.0
	102.7	120.6	100.0

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 £19.8 million (2011: £21.0 million; 2010: nil).

Functional currency

All of the Group's material subsidiaries prepared accounts in sterling. The businesses that had a material effect on the Group's joint venture investments prepared accounts in sterling, Euro and US dollar.

£50 million revolving credit facility

At 31 March 2011 and 31 March 2010, the Group had a committed RCF which was due to mature in July 2012. The facility remained undrawn throughout all 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	2010 £m
Cash and cash equivalents	102.7	120.6	100.0
Loans to Virgin Mobile France (see note 13)	24.3	35.7	50.8
Trade and other receivables	21.3	6.5	5.6
Trade and other payables	(10.1)	(16.2)	(10.1)

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 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 the Best Buy Europe Group reports in 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 £24.3 million (2011: £35.8 million; 2010: £109.5 million) none of which (2011: nil; 2010: £60.3 million) was held in relation to net investment hedges.

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 per cent. movement in the sterling / Euro exchange rate would have no impact on the income statement or equity (2011: no impact; 2010: £6.0 million movement in equity). 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. During the reported periods the Group held no material cash flow hedges.

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

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 per cent. 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 per cent. movement in the interest rate would result in a £1.0 million (2011: £1.2 million; 2010: £1.0 million) 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	2010 £m
Opening balance	13.2	13.6	16.2
Charge in income statement	—	—	0.1
Released in the year	(4.3)	(0.4)	(2.7)
Closing balance	8.9	13.2	13.6

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

19 Share capital

	2012 million	2011 million	2010 million	2012 £m	2011 £m	2010 £m
Allotted, called-up and fully paid ordinary shares of 0.1 pence each	472.8	457.1	457.1	0.5	0.5	0.5
B shares – redeemable preference shares of 172 pence each	19.2	—	—	32.9	—	—
Deferred shares of 0.01 pence 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 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

On 30 January 2012 under the B/C Share Scheme, 342.9 million B shares and 129.7 million C shares were allotted to shareholders through the capitalisation of £589.8 million of the share premium reserve. On 31 January 2012 the Company redeemed 323.8 million B shares for 172 pence per share, being £556.9 million in total, and a dividend was declared on each C share of 172 pence, totalling £223.0 million. 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 19.2 million B shares were redeemed by the Company on 10 April 2012 for 172 pence per share, being £32.9 million. 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 9.0 million shares in the Company for gross consideration of £28.1 million offset by £11.7 million cash compensation paid by the Best Buy Europe Group in April 2012 in relation to the shares gifted to senior Best Buy Europe Group executives, as detailed in note 4, and £0.4 million received in option costs on the exercise of non-nil priced share option exercises.

On 20 January 2012, the Company issued 15.7 million ordinary shares to participants in the CPW 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 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

2010	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	—	—	457.8	7.9	(51.8)	—	413.9
Net profit for the year	—	—	218.8	—	—	—	218.8
Currency translation	—	—	—	4.2	—	—	4.2
Issue of share capital	0.5	754.0	—	—	(754.5)	—	—
Net movement in relation to share schemes	—	—	(1.5)	—	—	—	(1.5)
Movements in demerger reserve	—	—	—	—	55.1	—	55.1
At the end of the year	0.5	754.0	675.1	12.1	(751.2)	—	690.5

21 Related party transactions

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

	Best Buy Europe Group 2012 £m	Virgin Mobile France 2012 £m	Best Buy Europe Group 2011 £m	Virgin Mobile France 2011 £m	Best Buy Europe Group 2010 £m	Virgin Mobile France 2010 £m
Revenue for services provided	3.1	—	3.1	—	3.8	—
Net interest income and other finance income	0.3	1.2	1.0	1.6	2.6	1.1
Loans owed to the Group	—	24.3	—	35.7	—	50.8
Other amounts owed to the Group	15.4	—	0.2	0.1	1.9	—
Other amounts owed by the Group	—	—	(1.2)	—	—	—

Revenue for services provided relates to investment property rental income.

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

SECTION B: HISTORICAL UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012 AND 30 SEPTEMBER 2011

Condensed Consolidated Income Statement
For the six months ended 30 September 2012 and 30 September 2011

	Notes	Headline 2012 £m	Non-Headline* 2012 £m	Statutory 2012 £m	Headline 2011 £m	Non-Headline* 2011 £m	Statutory 2011 £m
Revenue	2	5.4	—	5.4	2.8	—	2.8
Cost of sales		—	—	—	—	—	—
Gross profit		5.4	—	5.4	2.8	—	2.8
Operating expenses		(3.3)	—	(3.3)	(3.0)	—	(3.0)
Share of results of joint ventures	2,6	5.3	(0.3)	5.0	5.5	(1.3)	4.2
Profit before interest, investment income and taxation		7.4	(0.3)	7.1	5.3	(1.3)	4.0
Interest income		1.0	—	1.0	1.4	—	1.4
Interest expense		—	—	—	(0.2)	—	(0.2)
Investment income		0.2	—	0.2	0.1	—	0.1
Profit before taxation		8.6	(0.3)	8.3	6.6	(1.3)	5.3
Taxation		(1.2)	—	(1.2)	(0.7)	—	(0.7)
Net profit for the period		7.4	(0.3)	7.1	5.9	(1.3)	4.6
Earnings per share							
Basic	5	1.6p		1.5p	1.3p		1.0p
Diluted	5	1.5p		1.5p	1.2p		1.0p

* Non-Headline items comprise the results of businesses which have been discontinued by the Group's joint ventures, and amortisation of acquisition intangibles. 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 4.

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 September 2012 and 30 September 2011

	2012 £m	2011 £m
Net profit for the period	7.1	4.6
Currency translation	(7.2)	(6.6)
Total recognised income and expenses for the period	(0.1)	(2.0)

Condensed Consolidated Statement of Changes In Equity
For the six months ended 30 September 2012 and 30 September 2011

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 period	33.4	170.0	697.8	0.1	(750.2)	556.9	708.0
Total recognised income and expenses for the period	—	—	7.1	(7.2)	—	—	(0.1)
Redemption of shares	(32.9)	—	(32.9)	—	—	32.9	(32.9)
Equity dividends	—	—	(15.4)	—	—	—	(15.4)
Capital reduction	—	—	589.8	—	—	(589.8)	—
Share of other reserve movements of joint ventures	—	—	0.8	—	—	—	0.8
At the end of the period	0.5	170.0	1,247.2	(7.1)	(750.2)	—	660.4

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 period	0.5	754.0	741.7	12.0	(750.2)	—	758.0
Total recognised income and expenses for the period	—	—	4.6	(6.6)	—	—	(2.0)
Equity dividends	—	—	(22.7)	—	—	—	(22.7)
Net purchase of own shares	—	—	(7.0)	—	—	—	(7.0)
Tax on items recognised directly in reserves	—	—	(0.2)	—	—	—	(0.2)
Share of other reserve movements of joint ventures	—	—	0.5	—	—	—	0.5
Net movement in relation to share schemes	—	—	0.7	—	—	—	0.7
At the end of the period	0.5	754.0	717.6	5.4	(750.2)	—	727.3

Condensed Consolidated Balance Sheet
As at 30 September 2012 and 30 September 2011

	Notes	2012 £m	2011 £m
Non-current assets			
Property, plant and equipment		65.6	67.4
Non-current asset investments		0.1	0.1
Interests in joint ventures	6	531.0	582.1
Deferred tax assets		1.2	1.1
		597.9	650.7
Current assets			
Trade and other receivables		2.3	6.3
Cash and cash equivalents		81.0	97.1
		83.3	103.4
Total assets		681.2	754.1
Current liabilities			
Trade and other payables		(10.8)	(13.5)
Corporation tax liabilities		(1.1)	(1.8)
Provisions		(8.9)	(11.5)
Total liabilities		(20.8)	(26.8)
Net assets		660.4	727.3
Equity			
Share capital		0.5	0.5
Share premium reserve		170.0	754.0
Accumulated profits		1,247.2	717.6
Translation reserve		(7.1)	5.4
Demerger reserve		(750.2)	(750.2)
Funds attributable to equity shareholders		660.4	727.3

Condensed Consolidated Cash Flow Statement
For the six months ended 30 September 2012 and 30 September 2011

	2012 £m	2011 £m
Operating activities		
Profit before interest, investment income and taxation	7.1	4.0
Adjustments for non-cash items:		
Share-based payments	—	0.7
Non-cash movements on joint ventures	(5.0)	(4.2)
Depreciation	0.6	0.5
Operating cash flows before movements in working capital	2.7	1.0
Decrease in trade and other receivables	19.0	0.2
Increase (decrease) in trade and other payables	0.7	(2.3)
Decrease in provisions	—	(1.7)
Net cash flows from operating activities	22.4	(2.8)
Investing activities		
Investment income received	0.2	0.1
Interest received	1.0	1.4
Acquisition of property, plant and equipment	(0.1)	(0.5)
Net receipts from joint ventures	2.1	7.4
Cash flows from investing activities	3.2	8.4
Financing activities		
Settlement of financial instruments	1.0	0.8
Net purchase of own shares	—	(7.0)
Equity dividends paid	(15.4)	(22.7)
Shares redeemed	(32.9)	—
Interest paid	—	(0.2)
Cash flows from financing activities	(47.3)	(29.1)
Net decrease in cash and cash equivalents	(21.7)	(23.5)
Cash and cash equivalents at the start of the period	102.7	120.6
Cash and cash equivalents at the end of the period	81.0	97.1

Notes to the condensed financial information

1 Accounting policies and basis of preparation

The interim condensed financial information for the six months ended 30 September 2012 and 30 September 2011 has been prepared on a going concern basis using the basis of preparation, accounting policies and methods of computation set out in note 1 of Section A of this Part VII. Where note 1 of Section A states that a standard or interpretation will be adopted by the Group in the year ended 31 March 2013, such standards and interpretations have duly been adopted in the period ended 30 September 2012. The condensed financial information included in this half year report has been prepared in accordance with IAS 34 'Interim Financial Reporting'.

The financial information for the six months ended 30 September 2012 and 30 September 2011 has not been subject to audit or review by the Group's auditors.

Going concern

At 30 September 2012 the Group had cash and cash equivalents of £81.0 million (2011: £97.1 million).

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 Group has 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 information.

2 Segmental reporting

Segmental results are analysed as follows:

2012	Best Buy Europe Group (see note 6) £m	Virgin Mobile France (see note 6) £m	Wholly-owned operations £m	Total £m
Revenue	—	—	5.4	5.4
Headline EBIT before share of results of joint ventures	—	—	2.1	2.1
Share of Headline results of joint ventures (post-tax)	3.0	2.3	—	5.3
Headline EBIT	3.0	2.3	2.1	7.4
Share of amortisation of joint venture acquisition intangibles (post-tax)	—	(0.3)	—	(0.3)
Statutory EBIT (segment results)	3.0	2.0	2.1	7.1
Assets	517.2	13.8	150.2	681.2
Liabilities	—	—	(20.8)	(20.8)
Net assets	517.2	13.8	129.4	660.4

2011	Best Buy Europe Group (see note 6) £m	Virgin Mobile France (see note 6) £m	Wholly-owned operations £m	Total £m
Revenue	—	—	2.8	2.8
Headline EBIT before share of results of joint ventures	—	—	(0.2)	(0.2)
Share of Headline results of joint ventures (post-tax)	3.5	2.0	—	5.5
Headline EBIT	3.5	2.0	(0.2)	5.3
Share of operating results of discontinued businesses within joint ventures (post-tax)	(0.4)	—	—	(0.4)
Share of amortisation of joint venture acquisition intangibles (post-tax)	—	(0.9)	—	(0.9)
Statutory EBIT (segment results)	3.1	1.1	(0.2)	4.0
Assets	568.3	13.8	172.0	754.1
Liabilities	—	—	(26.8)	(26.8)
Net assets	568.3	13.8	145.2	727.3

3 Equity dividends

The following dividends and distributions were paid during the period:

	2012 £m	2011 £m
Final dividend for the year ended 31 March 2011 of 5.0 pence per ordinary share	—	22.7
Redemption of 172 pence per B share through the B/C Share Scheme	32.9	—
Final dividend for the year ended 31 March 2012 of 3.25 pence per ordinary share	15.4	—
	48.3	22.7

The interim dividend for the year ending 31 March 2013 is 1.75 pence per share at an expected cost of £8.3 million.

4 Reconciliation of Headline results to statutory results

2012	Profit before interest, investment income and taxation £m	Profit before taxation £m	Net profit for the period £m
Headline results	7.4	8.6	7.4
Share of amortisation of joint venture acquisition intangibles (post-tax)	(0.3)	(0.3)	(0.3)
Statutory results	7.1	8.3	7.1

2011	Profit before interest, investment income and taxation £m	Profit before taxation £m	Net profit for the period £m
Headline results	5.3	6.6	5.9
Share of operating results of discontinued businesses within joint ventures (post-tax)	(0.4)	(0.4)	(0.4)
Share of amortisation of joint venture acquisition intangibles (post-tax)	(0.9)	(0.9)	(0.9)
Statutory results	4.0	5.3	4.6

Headline results are shown before Exceptional Items, the results of businesses which have been discontinued by the Group's joint ventures, and amortisation of acquisition intangibles. Headline information is provided because the Directors consider that it provides assistance in understanding underlying performance.

5 Earnings per share

	2012	2011
Headline earnings (£m)	7.4	5.9
Statutory earnings (£m)	7.1	4.6
Weighted average number of shares (millions)		
Average shares in issue	472.8	457.1
Less average holding by Group ESOT	(0.2)	(3.1)
For basic earnings per share	472.6	454.0
Dilutive effect of share options and other incentive schemes	6.7	27.1
For diluted earnings per share	479.3	481.1
Basic earnings per share		
Headline	1.6 pence	1.3 pence
Statutory	1.5 pence	1.0 pence
Diluted earnings per share		
Headline	1.5 pence	1.2 pence
Statutory	1.5 pence	1.0 pence

Dilution in prior periods relates to incentive schemes which vested in the prior year.

Dilution in the current period relates to an incentive scheme for senior Best Buy Europe Group employees, the Group's obligations for which are expected to be met using the Company's shares. Under the scheme, participants have the opportunity to share in earnings in excess of minimum growth targets, against the year ended 31 March 2009.

A minimum value of the pool was agreed in the year ended 31 March 2012, in recognition of the value that had already accrued in the scheme in relation to Best Buy Mobile, which was disposed of in January 2012. The dilution reflected in the current period relates to this minimum value.

The incentive scheme has a performance period to March 2015 and vests during 2015. The scheme is not yet considered to be dilutive beyond the minimum pool value, since incremental relevant earnings to date do not exceed the total return required over the performance period. However, based on relevant earnings in the three years ended 31 March 2012 and the minimum rate of return over the same period, the additional dilution that would have arisen if the scheme had vested at that date would have been 3.1 million shares.

6 Interests in joint ventures

Interests in joint ventures are as follows:

Business	Principal activities	2012	2011
Best Buy Europe Group	Retail, distribution, insurance, telecoms services	50.0%	50.0%
Virgin Mobile France	MVNO	46.3%	47.1%

The Group's interest in Virgin Mobile France reduced from 46.6 per cent. to 46.3 per cent. during the period, following the exercise of share options by management of Virgin Mobile France. In addition to share options, management hold warrants that give them the right to acquire new shares at a price based on the value of existing shareholder funding and an additional amount which increases with the quantity of shares being acquired. The maximum potential dilution to the Group's stake if all existing share options and warrants were exercised is approximately 5.5 per cent., although the value of this dilution would be partially offset by cash inflows in relation to the proceeds on exercise.

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	408.3	102.9	24.3	535.5
Share of results	5.0	—	—	5.0
Loans repaid (net)	—	—	(2.1)	(2.1)
Share of other reserve movements	0.8	—	—	0.8
Foreign exchange	(7.2)	—	(1.0)	(8.2)
Closing balance	406.9	102.9	21.2	531.0
Best Buy Europe Group	414.3	102.9	—	517.2
Virgin Mobile France	(7.4)	—	21.2	13.8
Closing balance	406.9	102.9	21.2	531.0

2011	Net assets (liabilities) £m	Goodwill £m	Loans £m	Total £m
Opening balance	453.6	102.9	35.7	592.2
Share of results	4.2	—	—	4.2
Loans repaid (net)	—	—	(7.4)	(7.4)
Share of other reserve movements	0.5	—	—	0.5
Foreign exchange	(6.6)	—	(0.8)	(7.4)
Closing balance	451.7	102.9	27.5	582.1
Best Buy Europe Group	465.4	102.9	—	568.3
Virgin Mobile France	(13.7)	—	27.5	13.8
Closing balance	451.7	102.9	27.5	582.1

At the start of the prior period, Best Buy Europe had a £350 million receivables financing arrangement provided by a number of banks. This facility was supplemented by a revolving credit facility of £125 million provided equally by the Company and Best Buy, and letters of support through which both companies were committed to providing further funding to a maximum of £50 million each.

In July 2011, Best Buy Europe secured a new £400 million revolving credit facility from its core bank group. This facility matures in July 2015. Following this refinancing, the receivables financing arrangement, the shareholder revolving credit facility 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.

b) Analysis of profits and losses

The Group's share of the results of its joint ventures is as follows:

Best Buy Europe Group

	2012 £m	2011 £m
Revenue	1,660.0	1,537.6
Headline EBITDA *	52.5	63.2
Depreciation and amortisation	(40.0)	(43.2)
Headline EBIT	12.5	20.0
Net interest expense	(4.7)	(10.0)
Taxation on Headline results	(1.7)	(2.9)
Headline profit after taxation	6.1	7.1
Group share of Headline profit after taxation	3.0	3.5
Group share of operating results of discontinued businesses (post-tax)	—	(0.4)
Group share of Exceptional Items (post-tax)	—	—
Group share of profit after taxation	3.0	3.1

* 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 has a value of £4.4 million in the six months ended 30 September 2012 (2011: £4.5 million) and is treated as interest income in the Best Buy Europe Group's statutory results.

Virgin Mobile France	2012 £m	2011 £m
Revenue *	191.7	193.0
Headline EBITDA **	11.5	9.8
Depreciation and amortisation	(3.4)	(1.8)
Headline EBIT	8.1	8.0
Net interest expense	(0.8)	(1.5)
Taxation on Headline results	(2.6)	(2.2)
Headline profit after taxation	4.7	4.3
Group share of Headline profit after taxation before change in share ownership	2.2	2.0
Gain on reduction of percentage share ownership	0.1	—
Group share of Headline profit after taxation	2.3	2.0
Group share of amortisation of acquisition intangibles (post-tax)	(0.3)	(0.9)
Group share of profit after taxation	2.0	1.1

* 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 had a value of £29.8 million in the six months ended 30 September 2012 (2011: £29.9 million), are netted off against acquisition costs within Headline EBITDA. Reported revenue on a statutory basis for the six months ended 30 September 2012 is £221.5 million (2011: £222.9 million).

** Virgin Mobile France have commitments in place to purchase an agreed amount of wholesale capacity 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 £8.1 million in the period ended 30 September 2012 (2011: nil) and is treated as amortisation in the joint venture's statutory results.

Total Group share	2012 £m	2011 £m
Headline	5.3	5.5
Statutory	5.0	4.2

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 Group	2012 £m	2011 £m
Non-current assets	682.2	635.4
Cash and overdrafts (net)	52.4	101.6
Other borrowings	(193.5)	(101.6)
Other assets and liabilities (net)	287.6	295.5
Net assets	828.7	930.9
Group share of net assets	414.3	465.4

Virgin Mobile France

	2012 £m	2011 £m
Non-current assets	114.8	92.6
Cash and overdrafts (net)	9.9	4.9
Loans from the Group	(21.2)	(27.5)
Other borrowings	(22.8)	(29.7)
Other assets and liabilities (net)	(96.6)	(69.3)
Net liabilities	(15.9)	(29.0)
Group share of net liabilities	(7.4)	(13.7)

Total Group share

	2012 £m	2011 £m
Total Group share of net assets and liabilities of joint ventures	406.9	451.7

7 Related party transactions

During the period, the Group had the following disclosable transactions and balances with its joint ventures:

	Best Buy Europe Group 2012 £m	Virgin Mobile France 2012 £m	Best Buy Europe Group 2011 £m	Virgin Mobile France 2011 £m
Revenue for services provided	1.8	—	1.6	—
Net interest and other finance income	—	0.4	0.3	0.7
Loans owed to the Group	—	21.2	—	27.5
Other amounts owed to the Group	0.4	—	0.1	0.1
Other amounts owed by the Group	(0.4)	(0.1)	(0.2)	—

Revenue for services provided relates to investment property rental income.

SECTION C: REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL CONSOLIDATED FINANCIAL INFORMATION SET OUT IN SECTION A OF PART VII OF THIS DOCUMENT

Deloitte.

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

The Board of Directors
on behalf of Carphone Warehouse Group plc
1 Portal Way
London
W3 6RS

6 June 2013

Dear Sirs

Carphone Warehouse Group plc

We report on the financial information for the three years ended 31 March 2012 set out in Section A of Part VII of the prospectus relating to the acquisition of New BBED Limited dated 6 June 2013 of Carphone Warehouse Group plc (the "**Company**" and, together with its subsidiaries, the "**Group**") (the "**Prospectus**"). This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 1 of Section A of the financial information. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the "**Prospectus Directive Regulation**") and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**").

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Group as at 31 March 2010, 31 March 2011 and 31 March 2012 and of its profits, cash flows and changes in equity for the years ended 31 March 2010, 31 March 2011 and 31 March 2012 in accordance with IFRS.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP
Chartered Accountants

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SECTION D: HISTORICAL CONSOLIDATED FINANCIAL INFORMATION FOR THE NEW BBED GROUP FOR THE 52 WEEKS ENDED 31 MARCH 2012, 2 APRIL 2011 AND 3 APRIL 2010

Consolidated Income Statement
For the 52 weeks ended 31 March 2012, 2 April 2011 and 3 April 2010

	Notes	Before Exceptional Items 2012 £m	Exceptional Items* 2012 £m	Statutory 2012 £m	Total 2011 £m	Total 2010 £m
Continuing operations						
Revenue		3,313	—	3,313	3,505	3,529
Cost of sales		(2,365)	—	(2,365)	(2,509)	(2,492)
Gross profit		948	—	948	996	1,037
Net operating expenses excluding amortisation and depreciation	2	(735)	(27)	(762)	(790)	(840)
EBITDA		213	(27)	186	206	197
Depreciation		(42)	—	(42)	(41)	(51)
Amortisation		(43)	—	(43)	(42)	(41)
Profit (loss) before interest and taxation		128	(27)	101	123	105
Finance expense	6	(14)	(1)	(15)	(15)	(16)
Finance income	6	9	—	9	11	9
Share of results of associates	13	(3)	—	(3)	—	—
Profit (loss) before taxation		120	(28)	92	119	98
Taxation	7	(21)	(6)	(27)	(24)	(22)
Profit (loss) for the period from continuing operations		99	(34)	65	95	76
Loss for the period from discontinued operations	3	(53)	(121)	(174)	(45)	(15)
Profit (loss) for the financial period		46	(155)	(109)	50	61

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

* Refer to note 4. There were no Exceptional Items in the periods ended 2 April 2011 and 3 April 2010.

Consolidated Statement of Comprehensive Income
For the 52 weeks ended 31 March 2012, 2 April 2011 and 3 April 2010

	2012 £m	2011 £m	2010 £m
(Loss) profit for the financial period	(109)	50	61
Gains on hedges of net investments taken to equity	—	—	21
Exchange differences on translation of foreign operations	(17)	(2)	(13)
Cash flow hedges			
- Unrealised gains arising during the period	—	11	—
- Less: re-classification adjustments for gains included in profit	(3)	(8)	(1)
Tax relating to cash flow hedges recorded through comprehensive income	1	(1)	—
Tax in respect of share options	—	4	—
Other comprehensive (loss) income for the financial period	(19)	4	7
Total comprehensive (loss) income for the financial period	(128)	54	68

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

Consolidated Statement of Changes in Equity
For the 52 weeks ended 31 March 2012, 2 April 2011 and 3 April 2010

2012	Share capital £m	Merger reserve £m	Recon-struction reserve £m	Translation reserve £m	Accumu-lated profits £m	Total £m
Opening balance	—	—	590	56	292	938
Loss for the financial period	—	—	—	—	(109)	(109)
Other comprehensive loss for the financial period	—	—	—	(17)	(2)	(19)
Total comprehensive loss for the financial period	—	—	—	(17)	(111)	(128)
Issue of share capital	3	501	(504)	—	—	—
Credit to equity for equity-settled share-based payments	—	—	—	—	1	1
Translation reserve recycled to income statement	—	—	—	(8)	—	(8)
Movements in the reconstruction reserve	—	—	33	—	—	33
Closing balance	3	501	119	31	182	836

2011	Share capital £m	Merger reserve £m	Recon-struction reserve £m	Translation reserve £m	Accumu-lated profits £m	Total £m
Opening balance	—	—	518	58	236	812
Profit for the financial period	—	—	—	—	50	50
Other comprehensive income for the financial period	—	—	—	(2)	6	4
Total comprehensive (loss) income for the financial period	—	—	—	(2)	56	54
Movements in the reconstruction reserve	—	—	72	—	—	72
Closing balance	—	—	590	56	292	938

2010	Share capital £m	Merger reserve £m	Recon-struction reserve £m	Translation reserve £m	Accumu-lated profits £m	Total £m
Opening balance	—	—	484	50	176	710
Profit for the financial period	—	—	—	—	61	61
Other comprehensive income (loss) for the financial period	—	—	—	8	(1)	7
Total comprehensive income for the financial period	—	—	—	8	60	68
Movements in the reconstruction reserve	—	—	34	—	—	34
Closing balance	—	—	518	58	236	812

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

Consolidated Balance Sheet
As at 31 March 2012, 2 April 2011 and 3 April 2010

	Notes	2012 £m	2011 £m	2010 £m
Non-current assets				
Goodwill	9	214	226	226
Other intangible assets	10	135	164	163
Property, plant and equipment	11	145	165	160
Interest in associate	13	1	—	—
Deferred tax assets	7	24	17	10
Trade and other receivables	15	143	90	118
		662	662	677
Current assets				
Stock	14	273	282	209
Trade and other receivables	15	721	688	711
Cash and cash equivalents	17	165	147	175
		1,159	1,117	1,095
Total assets		1,821	1,779	1,772
Current liabilities				
Trade and other payables	16	(666)	(701)	(720)
Current tax liabilities		(46)	(60)	(54)
Loans and other borrowings	17	(1)	(11)	(72)
Finance lease obligations	18	(2)	—	—
Provisions	20	(68)	(37)	(54)
		(783)	(809)	(900)
Non-current liabilities				
Trade and other payables	16	(10)	(26)	—
Loans and other borrowings	17	(189)	(5)	(46)
Finance lease obligations	18	(3)	—	—
Deferred tax liabilities	7	—	(1)	(14)
		(202)	(32)	(60)
Total liabilities		(985)	(841)	(960)
Net assets		836	938	812
Equity				
Share capital	21,22	3	—	—
Merger reserve	22	501	—	—
Reconstruction reserve	22	119	590	518
Translation reserve	22	31	56	58
Accumulated profits	22	182	292	236
Funds attributable to equity shareholders		836	938	812

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

Consolidated Cash Flow Statement
For the 52 weeks ended 31 March 2012, 2 April 2011 and 3 April 2010

	Notes	2012 £m	2011 £m	2010 £m
Operating activities				
Profit before interest and taxation – continuing operations		101	123	105
Loss before interest and taxation – discontinued operations		(220)	(62)	(21)
Total (loss) profit before interest and taxation		(119)	61	84
Adjustments for non-cash items:				
Depreciation		45	44	51
Amortisation		43	42	41
Impairment of non-current assets		67	—	2
(Profit) loss on disposal of non-current assets and subsidiaries		(4)	2	3
Share-based payment charge		1	—	—
Other non-cash (gains) losses		—	(4)	2
Operating cash flows before movements in working capital		33	145	183
(Increase) decrease in trade and other receivables		(121)	52	(36)
(Increase) decrease in stock		(8)	(72)	9
(Decrease) increase in trade and other payables		(25)	14	30
Increase (decrease) in provisions		33	(15)	(23)
Cash flows from operating activities		(88)	124	163
Taxation paid		(13)	(44)	(24)
Net cash flows from operating activities		(101)	80	139
Investing activities				
Interest received		9	11	8
Proceeds from sale of non-current assets and subsidiaries	12	16	2	2
Acquisition of subsidiaries, net of cash acquired	12	—	(4)	(5)
Amounts loaned to associate		(4)	(1)	—
Acquisition of intangible assets		(43)	(53)	(50)
Acquisition of property, plant and equipment		(66)	(46)	(36)
Cash flows from investing activities		(88)	(91)	(81)
Financing activities				
Drawdown (repayment) of borrowings		177	(103)	(152)
Facility arrangement fees paid		(3)	—	(10)
Interest paid		(11)	(12)	(14)
Cash flows reflected in the reconstruction reserve		45	99	47
Cash flows from financing activities		208	(16)	(129)
Increase (decrease) in cash and cash equivalents		19	(27)	(71)
Cash and cash equivalents at the start of the period		146	175	246
Effect of exchange rate fluctuations		(1)	(2)	—
Cash and cash equivalents at the end of the period		164	146	175
Cash and cash equivalents for the purposes of this statement comprise:				
Cash and cash equivalents	17	165	147	175
Bank overdrafts	17	(1)	(1)	—
		164	146	175

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

Notes to the financial information

For the 52 weeks ended 31 March 2012, 2 April 2011 and 3 April 2010

1 Accounting policies

a) *Description of the business*

New BBED was incorporated in England and Wales on 30 November 2011. On 23 January 2012, New CPWM, a company incorporated in England and Wales, transferred Best Buy Europe along with its subsidiaries and associates to New BBED to form the New BBED Group. In return, New BBED issued share capital to the shareholders of Best Buy Europe, Carphone Warehouse and Best Buy, in equal proportion to their shareholding in New CPWM, being 50 per cent. each.

b) *Basis of preparation*

This historical financial information has been prepared on a going concern basis in accordance with the requirements of the Prospectus Directive Regulation, IFRS and this basis of preparation. The financial information has been presented in 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 19 includes the New BBED Group's objectives, policies and processes for managing its exposures to liquidity risk.

The directors of New BBED, in their consideration of going concern, have reviewed the New BBED Group's future cash forecasts and revenue projections, which they believe are based on prudent market data, and past experience. The directors of New BBED are of the opinion that the New BBED Group's forecasts and projections, which both reflect the current uncertain economic outlook and take account of reasonably possible changes in trading performance, show that the New BBED Group should be able to operate within its current facilities and comply with its banking covenants for the foreseeable future. In arriving at their conclusion that the New BBED Group has adequate financial resources, the directors of New BBED were mindful that the New BBED Group has a robust policy towards liquidity and cash flow management and that it is financed through facilities, excluding overdrafts repayable on demand, totalling a maximum of £400 million (2011: £475 million; 2010: £475 million) committed to July 2015. The New BBED Group's operations are financed by these committed facilities (further described in note 17), retained profits and equity.

Funding of subsidiaries, both in the United Kingdom and elsewhere, is arranged centrally with an emphasis on tight cash control and efficient cash management. All cross-border funding is provided on an arm's length basis and currency risk is hedged using foreign exchange swaps, forward exchange contracts or currency borrowings, as appropriate, at all times.

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

c) *Basis of consolidation*

The New BBED Group reports to a retail calendar, whereby its year-end date is normally the Saturday closest to 31 March. As such the financial information incorporates the results of the New BBED Group for the 52 weeks to 31 March 2012 with comparative periods being the 52 weeks ended 2 April 2011 and 52 weeks ended 3 April 2010. The results of subsidiaries acquired or sold during the periods reported are included from or to the date on which control passed, except as described below in relation to periods before 23 January 2012. Intercompany transactions and balances are eliminated on consolidation. Where necessary, adjustments are made to the financial information of subsidiaries, joint ventures and associates to bring accounting policies used into line with those used by the New BBED Group.

Periods prior to 23 January 2012

The consolidated financial information of the New BBED Group has been prepared with the objective of presenting the results, net assets and cash flows of the New BBED Group in the form that arose on 23 January 2012, as if it had been a stand-alone group throughout the entire reported financial periods. Accordingly, the following principles have been applied in the preparation of this financial information:

- Assets and liabilities have been recorded at the carrying value at which they were held prior to transfer; and
- Results for the businesses that together form the New BBED Group have been aggregated as though that structure had existed throughout the current and prior periods.

The financial information has been prepared by aggregating the financial accounts of the companies and assets that comprised the New BBED Group following 23 January 2012. The principles of IAS 27 'Consolidated and Separate Financial Statements' and SIC 12 'Consolidation – Special Purpose Entities' have been applied in determining the companies and assets to be combined.

Certain companies forming part of the New BBED Group received income associated with Best Buy Mobile, in which the Best Buy Europe Group previously had a profit share arrangement. These companies would not have received this income had the New BBED Group been a separate, stand-alone group during this time. Any such income and associated tax expense has been excluded from the income statement of the New BBED Group and recognised in equity described as "movements in the reconstruction reserve". The cash inflows associated with this income have been reflected in the cash flow statement within "cash flows reflected in the reconstruction reserve".

d) Foreign currency translation and financial instruments

The individual financial statements of each New BBED Group company are maintained in the currency of the primary economic environment in which it operates (its "functional currency"). For the purpose of the financial information, the results and financial position of each New BBED Group company are translated to sterling which is the functional currency of New BBED and the presentation currency for the financial information.

On consolidation, the results of overseas operations are translated into sterling at the average foreign exchange rates for the period, and their balance sheets are translated at the rates prevailing at the balance sheet date. Goodwill is held in the currency of the operations to which it relates. Exchange differences arising on the translation of opening net assets, goodwill and results of overseas operations are recognised in the translation reserve.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency ("foreign currencies") are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, material monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date with the corresponding exchange difference recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the income statement in the period in which they arise except where the New BBED Group designates financial instruments held for the purpose of hedging the foreign currency exposures that result from material transactions undertaken in foreign currencies as cash flow hedges, hedge accounting as defined by IAS 39 'Financial Instruments: Recognition and Measurement' is applied. The effective portion of changes in the fair value of financial instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement.

In the event that a foreign operation is disposed of, 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.

The principal exchange rates against sterling used in this financial information are as follows:

	Average 2012	Closing 2012	Average 2011	Closing 2011	Average 2010	Closing 2010
Euro	1.16	1.20	1.17	1.13	1.13	1.12
Swedish Krona	10.47	10.60	10.85	10.14	11.65	10.92
Swiss Franc	1.40	1.44	1.56	1.49	1.69	1.60
US dollar	1.60	1.60	1.56	1.60	1.60	1.52

e) Revenue

Revenue is stated net of VAT and other sales-related taxes. The following accounting policies are applied to the New BBED Group's revenue streams:

- Revenue arising on the sale of mobile and other products and services is recognised when the relevant products or services are provided to the customer;
- Revenue generated from the provision of mobile network services is recognised as it is earned over the period for which the services are provided;
- Commission receivable on sales, being commission which is contractually committed, and for which there are no on-going 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 on-going revenue (share of customers airtime spend and customer revenue and retention bonuses) to the extent that it can be reliably measured and there are no on-going service obligations – see 'Use of critical accounting estimates and assumptions' in note 1w);
- Volume bonuses receivable from network operators are recognised as the conditions on which they are expected to be earned are met. Volume bonuses received from suppliers of products are recognised as an offset to product cost as the conditions on which they are earned are 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;
- All other revenue is recognised when the relevant goods or services are provided; and
- 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. The unwinding of the discount is recognised within finance income.

f) 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 the estimate of the number of shares that will eventually vest.

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 option holders leaving prior to vesting. The movement in the 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 option holders leaving 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 equity.

g) *Pensions*

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

h) *Dividends*

Dividend income is recognised when payment has been received. Dividends paid are recognised in the period in which they are approved by the New BBED Group's shareholders.

i) *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 on a straight-line basis over the period of the lease.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

j) *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 at 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 equity.

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

k) *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. Any impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary undertaking, 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, the asset is expected to 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 period 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 the shorter of ten years or the lease term.

l) Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all property, plant and equipment 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:

Short leasehold costs	10 per cent. per annum or the lease term if less
Computer hardware	20-50 per cent. per annum
Fixtures and fittings	20-25 per cent. per annum
Motor vehicles	25 per cent. per annum

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

m) Recoverable amount of non-current assets

At each reporting date, an assessment is made of whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, a formal estimate is made 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 or depreciation 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognised immediately in the income statement.

n) Investments

All investments are initially recognised at cost, being the fair value of the consideration given plus any transaction costs associated with the acquisition.

The New BBED Group's 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 equity, and recycled to the income statement when the investment is sold or determined to be impaired.

o) Interests in associates

Interests in associates are accounted for using the equity method. The consolidated income statement includes the New BBED Group's share of the post-tax profits or losses and attributable taxation of the associates based on their financial statements for the period. In the consolidated balance sheet, the New BBED Group's interests in associates are shown as a non-current asset, representing the New BBED Group's gross investment in the share capital of the associates, and loans advanced to it by the New BBED Group, together with any goodwill associated with the investment, plus or minus the New BBED Group's share of profits or losses arising.

p) 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 1e), 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.

q) Cash and cash equivalents

Cash and cash equivalents represent cash in hand and at bank and short-term, highly liquid investments that are readily convertible to known amounts of cash.

r) Loans, other borrowings and borrowing costs

Loans and other borrowings represent bank overdrafts and borrowing facilities. Bank fees associated with the securing of external financing are capitalised and amortised over the term of the relevant facility. Borrowing costs attributable to 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.

s) Provisions

Provisions are recognised when the New BBED Group has a legal or constructive obligation as a result of past events, 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.

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 period.

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.

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.

Other

Other provisions relate to dilapidations and similar property costs, 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.

t) Business combinations

The cost of the acquisition of subsidiaries is measured as the fair values of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets, liabilities and contingent liabilities assumed in the business combination are recognised at their fair value at the acquisition date.

u) ***Discontinued operations***

A discontinued operation is a separate major line of business or geographic area of operations that has either been disposed of, has been abandoned or meets the criteria for classification as held for sale. The comparative income statement is restated to show the operation as discontinued from the start of the comparative period.

v) ***Exceptional Items***

Exceptional Items are those items that the directors of New BBED consider should be separately disclosed by virtue of their size or incidence to enable a full understanding of the New BBED Group's financial performance. In the period ended 31 March 2012 Exceptional Items have arisen as a consequence of the closure of the Best Buy UK business and the Best Buy Mobile Disposal.

w) ***Use of critical accounting estimates and assumptions***

Estimates and assumptions used in the preparation of the financial information 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 in the financial information. The principal balances in the financial information 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 assets. Refer to notes 9, 10, 11, 13 and 15 for details of the New BBED Group's non-current assets.

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 nevertheless inherently uncertain. Refer to note 15 for details of the New BBED Group's trade and other receivables.

Recognition of on-going revenue

Commission receivable within the New BBED Group 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 are nonetheless inherently uncertain. Changes in estimates may be made where, for example, more reliable information is available and any such changes are reported through the income statement. Changes of estimates, recognised as an increase to revenue during the period ended 31 March 2012, in relation to commission receivable after the initial contract term for sales originating in previous periods totalled £17 million. Total ongoing revenue receivables in trade and other receivables are £474 million (2011: £335 million; 2010: £394 million).

Current taxation

The complex nature of tax legislation across the tax jurisdictions in which the New BBED Group operates necessitates the use of many estimates and assumptions, where the outcome may differ from that assumed. Current tax payables are £46 million (2011: £60 million; 2010: £54 million).

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. Refer to note 7 for details of the deferred tax assets and liabilities.

Provisions

The New BBED Group's reorganisation 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.

Sales provisions are based on historical patterns of redemption of promotions, product return rates for returns and warranties, and penalty rates from network operators. The New BBED Group has extensive data in all areas; however, if the historical patterns on which the provisions are based change significantly in the future, the financial information may be materially impacted.

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. Refer to note 20 for details of the New BBED Group's provisions.

x) New and Revised Accounting Standards

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

The following standards, amendments and interpretations which have not been applied by the New BBED Group were in issue but are not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 1 (amended)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
IFRS 7 (amended)	Disclosures – Transfers of Financial Assets
IFRS 9	Financial Instruments
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair value measurement
IAS 1 (amended)	Presentation of Items of Other Comprehensive Income
IAS 12 (amended)	Deferred Tax: Recovery of Underlying Assets
IAS 19 (revised)	Employee Benefits
IAS 27 (revised)	Separate Financial Statements
IAS 28 (revised)	Investments in Associates and Joint Ventures

The directors of New BBED do not expect that the adoption of these standards, amendments and interpretations will have a material impact on the financial information of the New BBED Group in future periods. The new standards most likely to be relevant to the New BBED Group are as follows:

– IFRS 9 will affect the classification and measurement financial instruments; and

– IFRS 13 will affect the measurement of fair value for certain assets and liabilities as well as associated disclosures.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

2 Profit (loss) before interest and taxation

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

	2012 £m	2011 £m	2010 £m
Depreciation of property, plant and equipment – continuing operations (see note 11)	42	41	51
Depreciation of property, plant and equipment – discontinued operations (see note 11)	3	3	—
Amortisation of intangible fixed assets (see note 10)	43	42	41
Impairment of non-current assets	67	—	2
Loss on disposal of property, plant and equipment and intangible assets	4	2	3
Profit on disposal of subsidiary (see note 12b)	(8)	—	—
Amounts written off stock	57	38	36
Cost of goods sold	2,201	2,267	2,047
Impairment of trade receivables (see note 15)	1	15	10
Net foreign exchange gains	(1)	(1)	(2)
Reclassification of translation reserve to income statement on disposal of subsidiary	(8)	—	—
Share-based payments (see note 5)	1	—	—
Other employee costs (see note 5)	475	476	472
Rentals under operating leases – property			
– Fixed rent expense	136	141	137
– Variable rent expense	3	1	1
– Rent income	(2)	(5)	(4)
Auditor remuneration	2	1	1

Amortisation includes £11 million (2011: £11 million; 2010: £13 million) of amortisation of internally developed software.

Analysis of operating expenses – continuing operations:

	2012 £m	2011 £m	2010 £m
Operating expenses excluding amortisation and depreciation	762	790	840
Depreciation	42	41	51
Amortisation	43	42	41
	847	873	932

3 Discontinued operations

Best Buy UK

On 7 November 2011 the New BBED Group announced the closure of its Best Buy UK business. The last Best Buy UK store was closed on 14 January 2012 and the business has been classified as a discontinued operation. Comparatives have been restated accordingly. The results of the discontinued operation, which have been included in the consolidated income statement, were as follows.

	Before Exceptional Items 2012 £m	Exceptional Items 2012 £m	Statutory 2012 £m	Total 2011 £m	Total 2010 £m
Revenue	90	—	90	67	—
Cost of sales	(94)	—	(94)	(73)	—
Gross margin	(4)	—	(4)	(6)	—
Operating expenses excluding depreciation and amortisation	(66)	(147)	(213)	(54)	(21)
EBITDA	(70)	(147)	(217)	(60)	(21)
Depreciation and amortisation	(3)	—	(3)	(2)	—
Loss before tax	(73)	(147)	(220)	(62)	(21)
Tax	20	26	46	17	6
Loss after tax	(53)	(121)	(174)	(45)	(15)

During the period the New BBED Group's operating cash outflow attributed to Best Buy UK was £120 million (2011: £53 million; 2010: £21 million). Best Buy UK spent £5 million (2011: £18 million; 2010: £23 million) on investing activities.

4 Exceptional Items

	2012 £m
a) Continuing operations	
Administration expenses	(27)
Interest	(1)
Loss before tax	(28)
Tax credit on above continuing items	7
Impact of restructuring on German tax assets and liabilities	(13)
Loss for period from continuing operations	(34)
b) Discontinued operations	
Non-current asset impairment (net of write-back of landlord contributions)	(46)
Lease exit costs	(57)
Impairment of stock	(7)
Staff costs	(10)
Contract exit costs	(25)
Professional fees	(2)
Loss before tax	(147)
Tax credit on above	26
Loss for period from discontinued operations	(121)

As explained in note 1, prior to the Best Buy Mobile Disposal certain companies forming part of the New BBED Group received income associated with Best Buy Mobile, which has been recognised in equity. Administration expenses include costs which arose in certain companies forming part of the New BBED Group due to the Best Buy Mobile Disposal. These include changes to the New BBED Group's long-term and short-term incentive plans of £6 million and the cost of an executive share gift of £21 million (see note 5). In addition, companies forming part of the New BBED Group incurred bank facility costs associated with the disposal of £1 million. Tax losses were also extinguished as a result of the reorganisation associated with the transfer of Best Buy Europe to New BBED resulting in £13 million of tax assets being deemed irrecoverable.

Best Buy UK ceased trading in January 2012 which resulted in an exceptional closure cost of £147 million and related tax credit of £26 million.

5 Employee costs

The aggregate remuneration of employees of the New BBED Group (including executive directors) recognised in the income statement comprised:

	2012 £m	2011 £m	2010 £m
Wage, salaries and performance bonuses	405	406	401
Social security costs	65	65	67
Other pension costs	5	5	4
	475	476	472
Share-based payments	1	—	—
	476	476	472

In addition to the costs recognised in the income statement, employee costs of £3 million (2011: £4 million; 2010: £10 million) were capitalised in the period in relation to internally developed software.

Compensation earned by key management, comprising the executive management team, was as follows:

	2012 £m	2011 £m	2010 £m
Salaries, fees and compensation for loss of office	3.3	3.9	1.9
Performance bonuses	16.2	2.9	4.2
Social security costs	2.3	1.6	0.2
Contributions to defined contributions schemes	0.2	0.1	—
Share-based payments	0.9	—	—
	22.9	8.5	6.3

The average number of employees included within the definition of key management is 11 (2011: 13; 2010: 8).

Carphone Warehouse gifted 7 million shares to certain members of the New BBED Group's senior management team during the period ended 31 March 2012. Certain recipients of the share gifts also received a cash bonus from the New BBED Group to discharge the associated taxes. The total cost to the New BBED Group of both of these elements was £21.4 million comprising £11.7 million in respect of the cost of the shares and £9.7 million in respect of the cash bonuses and associated employer social security. The element of this amount relating to the executive management team has been included within the performance bonuses figure above.

Value enhancement scheme

The Best Buy Europe Group had a long-term incentive scheme which was heavily geared towards the performance of Best Buy UK and Best Buy Mobile. Following the transfer of Best Buy Europe to New BBED and the closure of Best Buy UK, an agreement was reached with the New BBED Group's ultimate shareholders to cancel the existing scheme and create the Best Buy Europe LTIP to incentivise employees.

The Best Buy Europe LTIP comprises share awards in respect of New BBED shares which are subject to performance conditions measured over the period from 5 April 2009 to 31 March 2015. Subject to the performance targets being reached over the performance period, in September 2015 participants will be required to sell these shares which will be purchased by the New BBED Group's ultimate shareholders (Carphone Warehouse and Best Buy) in equal proportions, in exchange for cash or shares. At the vesting date, the shares will be valued based on specified performance measures. However, if a participant leaves the New BBED Group before the vesting date, the shares must be transferred for zero value.

The fair value of the share awards granted has been determined to be £10.9 million and the New BBED Group has accordingly recognised a charge of £0.6 million in respect of the Best Buy Europe LTIP, relating to the period since board approval in January 2012. The New BBED Group has also recognised the cost of the cancelled scheme in full resulting in an accelerated charge of £0.7 million which has been classified within Exceptional Items. The cost of the previous scheme in the period ended 2 April 2011 was £0.3 million (2010: nil).

6 Finance expense and finance income

Finance expense is analysed as follows:

	2012 £m	2011 £m	2010 £m
Interest on overdrafts and loans	9	10	11
Exceptional bank facility costs (see note 4)	1	—	—
Interest on loans from related parties	1	2	3
Amortisation of capitalised loan arrangement fees	4	3	2
	15	15	16

Finance income is analysed as follows:

	2012 £m	2011 £m	2010 £m
Interest on cash and cash equivalents	1	—	1
Unwinding of discount on trade receivables	8	11	8
	9	11	9

7 Taxation

The tax charge comprises:

	Before Exceptional Items 2012 £m	Exceptional Items 2012 £m	Statutory 2012 £m	Total 2011 £m	Total 2010 £m
Current tax:					
UK corporation tax	27	(6)	21	17	(3)
Overseas tax	7	(2)	5	18	26
	34	(8)	26	35	23
Adjustments in respect of prior periods:					
UK corporation tax	1	4	5	6	(11)
Overseas tax	(9)	(3)	(12)	1	(1)
	(8)	1	(7)	7	(12)
Total current tax	26	(7)	19	42	11
Deferred tax:					
Origination and reversal of temporary differences	(8)	13	5	(2)	4
Adjustments in respect of prior periods	3	—	3	(16)	7
Total deferred tax	(5)	13	8	(18)	11
Total tax charge	21	6	27	24	22

The principal differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax of 26 per cent. (2011: 28 per cent.; 2010: 28 per cent.) to profit before taxation are as follows:

	Before Exceptional Items 2012 £m	Exceptional Items 2012 £m	Statutory 2012 £m	Total 2011 £m	Total 2010 £m
Profit before taxation	120	(28)	92	119	98
Taxation at 26% (2011: 28%; 2010: 28%)	31	(7)	24	33	28
Items attracting no tax relief or liability	(3)	(1)	(4)	7	7
Income taxed at lower rates	(6)	—	(6)	(13)	(14)
Adjustments in respect of prior periods	(5)	1	(4)	(9)	(5)
Other temporary differences not recognised or subsequently recognised in deferred tax	2	—	2	5	6
Change in tax rate	1	—	1	—	—
Other foreign tax	1	—	1	1	—
Exceptional write-off of tax assets and liabilities	—	13	13	—	—
Total tax charge	21	6	27	24	22

Tax on items recognised directly in reserves is as follows:

	Before Exceptional Items 2012 £m	Exceptional Items 2012 £m	Statutory 2012 £m	Total 2011 £m	Total 2010 £m
Credit to equity in respect of current tax	—	—	—	2	2
Credit (debit) to equity in respect of deferred tax	1	—	1	1	(2)
	1	—	1	3	—

Items recognised directly in equity are primarily in respect of the tax treatment on exercise of shares and share options previously granted to employees of the New BBED Group by Carphone Warehouse and the treatment of gains on cash flow hedges recognised within equity.

The major deferred tax assets and liabilities recognised by the New BBED Group and movements thereon are as follows:

2012	Temporary differences on capitalised costs £m	Tax losses £m	Other temporary differences £m	Total £m
Opening balance	(4)	14	6	16
Credit (charge) to income statement	21	2	(2)	21
Exceptional derecognition of tax losses (see note 4)	—	(13)	—	(13)
Credit to other comprehensive income	—	—	1	1
Exchange differences	—	—	(1)	(1)
Closing balance	17	3	4	24
Deferred tax assets	17	3	4	24
Deferred tax liabilities	—	—	—	—
At 31 March 2012	17	3	4	24

2011	Temporary differences on capitalised costs £m	Tax losses £m	Other temporary differences £m	Total £m
Opening balance	(5)	5	(4)	(4)
Credit to income statement	1	8	9	18
Credit to other comprehensive income	—	—	1	1
Exchange differences	—	1	—	1
Closing balance	(4)	14	6	16
Deferred tax assets	(4)	14	7	17
Deferred tax liabilities	—	—	(1)	(1)
At 2 April 2011	(4)	14	6	16

2010	Temporary differences on capitalised costs £m	Tax losses £m	Other temporary differences £m	Total £m
Opening balance	3	7	—	10
Charge to income statement	(7)	(2)	(2)	(11)
Charge to other comprehensive income	—	—	(2)	(2)
Exchange differences	(1)	—	—	(1)
Closing balance	(5)	5	(4)	(4)
Deferred tax assets	4	5	1	10
Deferred tax liabilities	(9)	—	(5)	(14)
At 3 April 2010	(5)	5	(4)	(4)

In the March 2011 Budget it was announced that the UK statutory rate of corporation tax would decrease from 26 per cent. to 25 per cent. from 1 April 2012. On 5 July 2011 the relevant legislation was substantively enacted. A further 1 per cent. reduction in the UK statutory rate of corporation tax applicable from 1 April 2012 was announced in the March 2012 Budget, reducing the rate from 25 per cent. to 24 per cent. On 29 March 2012 the relevant legislation for the additional 1 per cent. was substantively enacted. Accordingly the UK tax assets and liabilities recognised at 31 March 2012 take account of these changes. Further reductions of 1 per cent. each year until the rate reaches 22 per cent. from 1 April 2014 have also been announced but deferred tax has not been recognised at these rates as they had not been substantively enacted at the balance sheet date.

No deferred tax assets and liabilities have been offset in the period except where there is a legal right to do so in the relevant jurisdictions.

At 31 March 2012, the New BBED Group had unused tax losses of £76 million (2011: £147 million; 2010: £126 million) available for offset against future taxable profits. A deferred tax asset of £3 million (2011: £14 million; 2010: £5 million) has been recognised in respect of £11 million (2011: £45 million; 2010: £22 million) of such losses. The level of deferred tax asset recognised is based upon management projections of available profits against which the losses may be recovered, in the foreseeable future.

During the accounting period, certain of the New BBED Group's subsidiaries made tax losses which the New BBED Group recognised for deferred tax purposes on the basis that management projections indicated that there would be sufficient available profits against which these losses would be recovered in the foreseeable future.

When New BBED became the parent of Best Buy Europe (see note 1), the German tax code's "change of control" provisions were triggered and it was necessary to write off the majority of the German deferred tax asset, both brought forward and arising in the current period, resulting in an exceptional tax charge of £13 million (see note 4).

No deferred tax asset has been recognised in respect of the remaining tax losses of £65 million (2011: £102 million; 2010: £104 million) as there is insufficient evidence that there will be suitable taxable profits in the foreseeable future against which these losses could be recovered. Included within the New BBED Group's tax losses are amounts of £26 million (2011: £28 million; 2010: £24 million) that will expire between 2013 and 2019. All other losses may be carried forward indefinitely.

8 Equity dividends

New BBED did not propose or pay dividends during any of the reported periods.

9 Goodwill

	2012 £m	2011 £m	2010 £m
Opening balance	226	226	233
Foreign exchange	(10)	—	(7)
Derecognised on disposal of subsidiary	(2)	—	—
Closing balance	214	226	226
Cost	218	230	230
Accumulated goodwill expense	(4)	(4)	(4)
Net carrying amount	214	226	226

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs for that are expected to benefit from that business combination, which are generally based on geographical location. The carrying amount of goodwill by geographical location is as follows:

	2012	2011	2010
	£m	£m	£m
UK	12	12	12
France	67	71	72
Germany	38	40	41
Spain	35	37	38
Other	62	66	63
Total goodwill	214	226	226

The New BBED Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The New BBED Group prepares cash flow forecasts, derived from the most recent financial budgets approved by management for the next five years, and extrapolates cash flows in perpetuity based on a country-specific growth rate ranging from 1.3 per cent. to 4.6 per cent. (2011: 1.3 per cent. to 4.6 per cent.; 2010: zero to 2.3 per cent.). This rate does not exceed the average long-term growth rate for the relevant markets. The pre-tax rates used to discount the forecast cash flows were market specific and in the range 8.5 per cent. to 11.8 per cent. (2011: 9.8 per cent. to 12.9 per cent.; 2010: 8.6 per cent. to 11.7 per cent.).

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

France and Germany were 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 £18 million in France, incorporating a long-term growth rate of 1.8 per cent. and a pre-tax discount rate of 9.3 per cent. as key assumptions. If the pre-tax discount rate increased above 11.7 per cent. or forecast EBITDA reduced by more than 10 percent, the recoverable amount in France would fall below its carrying amount.

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

10 Other intangible assets

Other intangible assets are analysed as follows:

2012	Software and licences £m	Key money £m	Total £m
Opening balance	133	31	164
Additions	45	2	47
Disposals	—	(3)	(3)
Impairments	(37)	—	(37)
Reclassifications	—	9	9
Amortisation	(40)	(3)	(43)
Foreign exchange	—	(2)	(2)
Closing balance	101	34	135
Cost	302	65	367
Accumulated amortisation	(201)	(31)	(232)
Net carrying amount	101	34	135

2011	Software and licences £m	Key money £m	Total £m
Opening balance	125	38	163
Additions	46	1	47
Disposals	(1)	(2)	(3)
Amortisation	(37)	(5)	(42)
Foreign exchange	—	(1)	(1)
Closing balance	133	31	164
Cost	305	59	364
Accumulated amortisation	(172)	(28)	(200)
Net carrying amount	133	31	164

2010	Software and licences £m	Key money £m	Total £m
Opening balance	115	43	158
Additions	48	2	50
Disposals	(2)	(1)	(3)
Amortisation	(36)	(5)	(41)
Foreign exchange	—	(1)	(1)
Closing balance	125	38	163
Cost	261	64	325
Accumulated amortisation	(136)	(26)	(162)
Net carrying amount	125	38	163

Software and licences include assets with a cost of £8 million (2011: £13 million; 2010: £34 million) on which amortisation has not been charged as the assets have not yet been brought into use. Internally developed software with a net book value of £19 million (2011: £31 million; 2010: £39 million) is included within software and licences.

11 Property, plant and equipment

2012	Short leasehold costs £m	Computer hardware £m	Fixtures and fittings £m	Motor vehicles £m	Total £m
Opening balance	76	23	66	—	165
Additions	16	22	36	—	74
Disposals	(3)	(1)	(2)	—	(6)
Impairments	(16)	(4)	(10)	—	(30)
Reclassification	(7)	—	(2)	—	(9)
Depreciation	(11)	(11)	(23)	—	(45)
Foreign exchange	(1)	(1)	(2)	—	(4)
Closing balance	54	28	63	—	145
Cost	123	144	248	3	518
Accumulated depreciation	(69)	(116)	(185)	(3)	(373)
Net carrying amount	54	28	63	—	145

2011	Short leasehold costs £m	Computer hardware £m	Fixtures and fittings £m	Motor vehicles £m	Total £m
Opening balance	66	21	72	1	160
Additions	20	11	20	—	51
Disposals	—	—	(1)	—	(1)
Depreciation	(9)	(9)	(25)	(1)	(44)
Foreign exchange	(1)	—	—	—	(1)
Closing balance	76	23	66	—	165
Cost	144	137	253	3	537
Accumulated depreciation	(68)	(114)	(187)	(3)	(372)
Closing	76	23	66	—	165

2010	Short leasehold costs £m	Computer hardware £m	Fixtures and fittings £m	Motor vehicles £m	Total £m
Opening balance	60	34	87	1	182
Additions	15	8	13	—	36
Disposals	—	(2)	—	—	(2)
Depreciation	(8)	(17)	(26)	—	(51)
Impairment	—	(1)	—	—	(1)
Foreign exchange	(1)	(1)	(2)	—	(4)
Closing balance	66	21	72	1	160
Cost	123	127	237	3	490
Accumulated depreciation	(57)	(106)	(165)	(2)	(330)
Net carrying amount	66	21	72	1	160

The net book value of assets held under finance leases was £5 million (2011: nil; 2010: nil).

12 Non-current asset investments

a) *Principal New BBED Group investments*

The New BBED Group has investments in the following subsidiary undertakings, which principally affected the profits or losses or net assets of the New BBED Group. All holdings are in equity share capital and give the New BBED Group an effective holding of 100 per cent. on consolidation.

Name	Country of incorporation or registration	Nature of business
The Carphone Warehouse Limited	England and Wales	Distribution
The Phone House SAS	France	Distribution
The Phone House Spain S.L.U	Spain	Distribution
The Phone House Deutschland GmbH	Germany	Distribution
The Phone House Holdings (UK) Limited	England and Wales	Holding company

b) *Disposals*

During the period ended 31 March 2012 the New BBED Group disposed of the trade and assets of the Belgian business for a gross cash consideration of £18 million, resulting in the disposal of £2 million of goodwill. The carrying value of net assets at disposal was £10 million (including £2 million of cash) resulting in a profit on sale of £8 million recognised within net operating expenses. In addition the New BBED Group recognised a receivable of £2 million reflecting the value of insurance commitments relating to the disposal, recognised within net operating expenses. The results of the Belgian business, during the period from the signing of the agreement in March 2011 and the completion in December 2011 were adversely impacted by the reduction in the levels of support from certain network operators, partially offsetting the gain on disposal.

c) *Acquisitions*

There were no acquisitions in the current financial period. The New BBED Group made no cash payments (2011: £4 million; 2010: £5 million) in respect of deferred consideration arrangements, previously held as a liability, relating to acquisitions made in earlier periods.

13 Interest in associate

The New BBED Group has an investment in Mobile Money Network Limited, a provider of mobile payment services incorporated in England and Wales. The New BBED Group's investment provides it with a 47.5 per cent. (2011: 40 per cent.; 2010: nil) shareholding in Mobile Money Network Limited.

The New BBED Group has provided a loan to Mobile Money Network Limited of £4.7 million (2011: £0.6 million; 2010: nil) on which interest is receivable at a rate of LIBOR plus three per cent. (see note 26). The New BBED Group's share of Mobile Money Network Limited losses was £3 million (2011: £0.4 million; 2010: nil) reducing the carrying value of the loan and investment in the Consolidated Balance Sheet. The carrying value of the investment held in the balance sheet at 31 March 2012 was £1.3 million (2011: £0.2 million; 2010: nil).

14 Stock

	2012 £m	2011 £m	2010 £m
Finished goods and goods for resale	273	282	209

The difference between the balance sheet value of stock and its replacement cost is not material.

15 Trade and other receivables

Current	2012 £m	2011 £m	2010 £m
Trade receivables	681	649	669
Less provision for impairment	(22)	(26)	(34)
Trade receivables net of provision for impairment	659	623	635
Other receivables, prepayments and accrued income	62	65	76
	721	688	711
Non-current			
Trade receivables	143	89	118
Other receivables	—	1	—
	143	90	118
Trade and other receivables	864	778	829

The average credit period taken on trade receivables, calculated by reference to the amount owed at the period end as a proportion of total revenue in the period was 75 days (2011: 63 days; 2010: 69 days).

Non-current receivable are the long-term element of capitalised on-going revenue.

Trade and other receivables are discounted using discount rates which reflect relevant costs of financing when the receivable is recognised where the time value of money is considered material.

The New BBED Group's gross trade receivables are denominated in the following currencies:

	2012 £m	2011 £m	2010 £m
Sterling	545	435	520
Euro	232	248	226
US dollar	27	39	27
Other	20	16	14
	824	738	787

The ageing of gross trade receivables is as follows:

	2012 £m	2011 £m	2010 £m
Not yet due	578	515	634
0 to 2 months	158	146	78
2 to 4 months	29	31	39
Over 4 months	59	46	36
	824	738	787

The ageing of provisions for impairment of trade receivables is as follows:

	2012 £m	2011 £m	2010 £m
Not yet due	(2)	(4)	—
0 to 2 months	(2)	(2)	(3)
2 to 4 months	(3)	(2)	(14)
Over 4 months	(15)	(18)	(17)
	(22)	(26)	(34)

Movements in provisions for impairment of trade receivables are as follows:

	2012 £m	2011 £m	2010 £m
Opening balance	(26)	(34)	(42)
Charge to the income statement	(1)	(15)	(10)
Receivables written off as irrecoverable	4	23	17
Foreign exchange	1	—	1
Closing balance	(22)	(26)	(34)

At 31 March 2012, trade receivables of £226 million (2011: £201 million; 2010: £119 million) were past due but not impaired. The New BBED Group has made provision based on historical rates of recoverability and all un-provided amounts are considered to be recoverable. The ageing analysis of these trade receivables is as follows:

	2012 £m	2011 £m	2010 £m
0 to 2 months	156	144	75
2 to 4 months	26	29	25
Over 4 months	44	28	19
	226	201	119

The directors of New BBED consider that the carrying amount of trade and other receivables approximates to their fair value.

16 Trade and other payables

	2012	2011	2010
Current:	**£m**	**£m**	**£m**
Trade payables	369	354	355
Other taxes and social security costs	90	104	108
Other payables	43	37	45
Accruals and deferred income	164	206	212
	666	701	720
Non-current:			
Accruals and deferred income	10	26	—
Trade and other payables	676	727	720

The average credit period taken on trade payables, calculated by reference to the amounts owed at the period end as a proportion of the amounts invoiced by suppliers in the period, adjusted to take account of the timing of acquisitions, was 37 days (2011: 36 days; 2010: 38 days).

Non-current amounts relate to inducements from landlords in respect of property leases.

The New BBED Group's trade and other payables are denominated in the following currencies:

	2012 £m	2011 £m	2010 £m
Sterling	409	391	447
Euro	221	279	241
Other	46	57	32
	676	727	720

The directors of New BBED consider that the carrying amount of trade and other payables approximates to their fair value.

17 Cash and cash equivalents, loans and other borrowings

Cash and cash equivalents comprise:

	2012 £m	2011 £m	2010 £m
Cash at bank and in hand	116	28	49
Short-term bank deposits and money market liquidity funds	49	119	126
	165	147	175

All cash and cash equivalents are available on demand. The effective average interest rate on bank deposits, money market liquidity funds and deposits was 0.7 per cent. (2011: 0.6 per cent.; 2010: 0.3 per cent.). Within cash and cash equivalents, £37 million (2011: £45 million; 2010: £65 million) is held by the New BBED Group's insurance business to cover regulatory reserve requirements. As such, these funds are not available to offset against other New BBED Group borrowings. The directors of New BBED consider that the carrying amount of these assets approximates to their fair value.

Loans and other borrowings and finance lease obligations comprise:

	2012 £m	2011 £m	2010 £m
Current:			
Bank overdrafts	1	1	—
Borrowings	—	10	72
Finance leases (see note 18)	2	—	—
	3	11	72
Non-current:			
Borrowings	189	5	46
Finance leases (see note 18)	3	—	—
	192	5	46
Loans and borrowings	195	16	118

Details of the borrowing facilities of the New BBED Group are set out below.

Bank overdrafts

During all the periods covered by the financial information, the New BBED Group had a sterling overdraft facility of £10 million and a Euro overdraft facility of €15 million. Interest is charged at a margin of 1 per cent. over UK base rate and a margin of 2 per cent. over EONIA on the respective facilities.

Revolving credit facility

During the period, the New BBED Group arranged a new four-year £400 million multi-currency revolving credit facility, which matures in July 2015. The facility was provided by six relationship banks and the borrowers are New BBED, Best Buy Europe, The Carphone Warehouse Ltd and Ise-Net Solutions Ltd with the last two of these companies also being guarantors to the facility. The interest rate payable in respect of drawings under this facility is at a margin over LIBOR for the relevant currency and the appropriate period. The actual margin applicable to any drawing depends on the fixed charges (interest and operating lease expenditure) cover ratio calculated in respect of the most recent period. A non-utilisation fee is payable in respect of amounts available but undrawn under this facility. Covenants are included in this facility that limit the ratio of net debt to EBITDA, interest cover and fixed charges cover. The New BBED Group was in compliance with these covenants throughout the period.

Receivables financing agreement

The New BBED Group cancelled its receivable financing facility during the 52 weeks ended 31 March 2012 repaying all monies due under the facility. The New BBED Group recognised the amortisation of the remaining capitalised arrangement fees on this facility.

Weighted average interest rate

The weighted average interest rate on bank overdrafts and borrowings over the period was 2.6 per cent. (2011: 3.8 per cent.; 2010: 3.6 per cent.).

Currency of borrowings

The borrowings outstanding on the revolving credit facility at 31 March 2012 were denominated in sterling (£97 million) and Euro (£92 million). The borrowings outstanding on the receivables financing facility at 2 April 2011 and 3 April 2010 were all denominated in sterling.

Functional currency

The functional currency of individual companies within the New BBED Group varies with the territory in which they operate. The currencies in which subsidiary companies prepare their accounts are: sterling, Euro, Swiss Franc and Swedish Krona.

18 Obligations under finance leases

	Minimum lease payments 2012 £m	Interest 2012 £m	Principal 2012 £m
Less than one year	2	—	2
Between one and five years	3	—	3
	5	—	5

The fair value of the New BBED Group's finance lease obligations approximate to their carrying value. The implicit interest rate is 6.1 per cent. There were no material finance leases in the periods ended 2 April 2011 and 4 April 2010.

19 Financial risk management and derivative financial instruments

The book values and fair values of the New BBED Group's financial assets and liabilities are as follows:

	Book value 2012 £m	Fair value 2012 £m	Book value 2011 £m	Fair value 2011 £m	Book value 2010 £m	Fair value 2010 £m
Cash and cash equivalents	165	165	147	147	175	175
Trade and other receivables	824	824	736	736	783	783
Trade and other payables	(655)	(655)	(649)	(649)	(670)	(670)
Bank overdrafts	(1)	(1)	(1)	(1)	—	—
Finance lease	(5)	(5)	—	—	—	—
Borrowings	(189)	(189)	(15)	(15)	(118)	(118)

Trade and other receivables and trade and other payables in the table above exclude non-financial assets of £40 million (2011: £42 million; 2010: £46 million) and non-financial liabilities of £21 million (2011: £78 million; 2010: £50 million).

Included within the above analysis is nil (2011: £7 million; 2010: £2 million) of derivative financial assets within trade and other receivables and nil (2011: £1 million; 2010: £2 million) of derivative financial liabilities within trade and other payables, of which nil (2011: £5 million; 2010: £2 million) of assets and nil (2011: nil; 2010: £1 million) of liabilities are designated as cash flow hedges. The remainder are recorded at fair value through the profit and loss. These are considered to be tier 2 instruments within the IFRS 7 valuation hierarchy. All other financial assets and liabilities are held at amortised cost.

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes) (tier 1 instruments).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments (tier 2 instruments).
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts (tier 3 instruments).

Financial risk management policies

The New BBED Group's activities expose it to a variety of financial risks including market risk (such as foreign exchange risk and interest rate risk, credit risk and liquidity risk). The New BBED Group treasury function uses certain financial instruments to mitigate potentially adverse effects on the New BBED Group's financial performance from these risks. These financial instruments primarily consist of bank loans and deposits, spot and forward foreign exchange contracts, and foreign exchange swaps.

Foreign exchange risk

The New BBED Group undertakes certain transactions that are denominated in foreign currencies and as a consequence has exposures to exchange rate fluctuations. These exposures primarily arise from stock purchases. The currencies in which the New BBED Group's main exposures arise are Euro. The New BBED Group uses forward foreign exchange contracts to mitigate some of these exposures.

The translation risk on consolidating overseas results is not hedged and these have been converted into sterling at average exchange rates through the period.

The New BBED Group's net cash foreign exchange position is calculated daily and any positions are closed out immediately unless the exposure is immaterial.

At 31 March 2012, the total notional principal amount of outstanding currency contracts was £53 million (2011: £288 million; 2010: £284 million), of which nil (2011: £189 million; 2010: £224 million) are designated as cash flow hedges. Of the remainder nil (2011: £39 million; 2010: £23 million) represent currency contracts used to hedge against foreign exchange exposure of expected future cash flows, but are not designated as cash flow hedges. The other £53 million (2011: £60 million; 2010: £37 million) of the outstanding currency contracts are held for cash management purposes.

The fair value gains and losses associated with those currency contracts designated as cash flow hedges are initially recorded in equity and are transferred to the income statement when the transactions occur. Hedge accounting is not applied to the remainder of the outstanding currency contracts and so gains or losses are recognised directly in the income statement. All outstanding currency contracts will mature within the next month (2011: next two financial years; 2010: next four financial years).

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

Foreign exchange contracts, currency loans and deposits are sensitive to movements in foreign exchange rates. This sensitivity can be analysed in comparison to period-end rates (assuming all other variables remain constant) as follows:

	Income statement movement 2012 £m	Other comprehensive income movement 2012 £m	Income statement movement 2011 £m	Other comprehensive income movement 2011 £m	Income statement movement 2010 £m	Other comprehensive income movement 2010 £m
10% movement in the sterling/ Euro exchange rate	1	(13)	(9)	1	2	8
10% movement in the sterling/ US dollar exchange rate	—	(1)	—	13	—	8
10% movement in the sterling/ Swedish Krona exchange rate	—	—	—	1	—	—
10% movement in the sterling/ Swiss Franc exchange rate	—	(1)	(1)	—	—	—

The currency profile of borrowings follows the currency of the external loans (see note 17).

Interest rate risk

The New BBED Group's interest rate risk arises primarily on cash and cash equivalents and loans and other borrowings all of which are at floating rates of interest and thus expose the New BBED 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 the future LIBOR curve.

The sensitivity of cash and cash equivalents, loans and other borrowings and derivative financial instruments to movements in interest rates has been analysed below by calculating the effect on the income statement and equity of 1 per cent. movements in the interest rate for the currencies in which most New BBED Group cash and cash equivalents, loans and other borrowings are denominated and on which the valuation of most derivative financial instruments is based. This hypothetical analysis has been prepared on the assumption that the period-end positions prevail throughout the period, and therefore may not be representative of fluctuations in actual levels of cash and cash equivalents, loans and other borrowings.

	Income statement movement 2012 £m	Other comprehensive income movement 2012 £m	Income statement movement 2011 £m	Other comprehensive income movement 2011 £m	Income statement movement 2010 £m	Other comprehensive income movement 2010 £m
1% movement in the sterling interest rate	—	—	1	(1)	—	(3)
1% movement in the US dollar interest rate	—	—	—	2	—	—
1% movement in the Euro interest rate	(1)	(1)	(1)	(1)	—	1

Credit risk

The New BBED Group's exposure to credit risk is monitored regularly. Debt, investments, foreign exchange and derivative transactions are all spread amongst a number of banks, all of which have short-term or long-term credit ratings appropriate to the New BBED Group's policies and exposures. The investments made by the New BBED Group's insurance companies are reviewed regularly by the appropriate boards and judged against existing investment policies and counterparty credit risk policies.

Trade receivables primarily comprise balances due from network operators and balances due from individual mobile customers. Network operators are generally major multi-national enterprises with whom the New BBED Group has well established relationships and are consequently not considered to add significantly to the New BBED Group's credit risk exposure. The New BBED Group does not hold any collateral or other credit enhancements in respect of the credit risk associated with trade receivables. Provision is made for any receivables that are considered to be irrecoverable.

Liquidity risk

The New BBED Group manages its exposure to liquidity risk by regularly reviewing the long-term and short-term cash flow projections for the business against facilities and other resources available to it. Headroom is assessed based on historical experience as well as by assessing current business risks, including foreign exchange movements.

The table below analyses the New BBED Group's financial assets and liabilities into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted cash flows assuming the interest rates remain constant and that borrowings are paid in full in the year of maturity.

2012	<1 year £m	1-2 years £m	2-3 years £m	>3 years £m	Total £m
Borrowings	(4)	(4)	(4)	(189)	(201)
Finance lease	(2)	(3)	—	—	(5)
Derivative financial instruments – payable	(81)	—	—	—	(81)
Derivative financial instruments – receivable	81	—	—	—	81
Trade and other payables	(655)	—	—	—	(655)

2011	<1 year £m	1-2 years £m	2-3 years £m	>3 years £m	Total £m
Borrowings	(16)	(10)	—	—	(26)
Derivative financial instruments – payable	(193)	(89)	—	—	(282)
Derivative financial instruments – receivable	198	92	—	—	290
Trade and other payables	(649)	—	—	—	(649)

2010	<1 year £m	1-2 years £m	2-3 years £m	>3 years £m	Total £m
Borrowings	(77)	(52)	—	—	(129)
Derivative financial instruments – payable	(149)	(83)	(52)	—	(284)
Derivative financial instruments – receivable	149	83	52	—	284
Trade and other payables	(670)	—	—	—	(670)

20 Provisions

2012	Insurance £m	Reorganisation £m	Sales £m	Other £m	Total £m
Opening balance	4	11	15	7	37
Charge to income statement	(4)	99	28	3	126
Utilised in the period	—	(52)	(34)	(3)	(89)
Released in the period	—	(4)	—	(2)	(6)
Closing balance	—	54	9	5	68

2011	Insurance £m	Reorganisation £m	Sales £m	Other £m	Total £m
Opening balance	5	24	16	9	54
Charge to income statement	18	—	27	1	46
Utilised in the period	(19)	(12)	(28)	(3)	(62)
Released in the period	—	(1)	—	—	(1)
Closing balance	4	11	15	7	37

2010	Insurance £m	Reorganisation £m	Sales £m	Other £m	Total £m
Opening balance	7	33	31	5	76
Charge to income statement	24	6	36	4	70
Utilised in the period	(26)	(15)	(51)	—	(92)
Closing balance	5	24	16	9	54

Provisions are categorised as follows:

Insurance

Insurance provisions represent the anticipated costs of all policyholder claims notified but not settled and claims incurred but not reported at the balance sheet date. Following a restructuring of insurance arrangements during the period the majority of insurance policies previously insured by the New BBED Group were placed with a third party underwriter and accordingly the insurance provision has decreased.

Reorganisation

Reorganisation provisions relate to the Best Buy UK business closure, on-going group restructuring and store closure programmes. The reorganisation and redundancy provisions are expected to be utilised within one year, with store closure provisions being fully utilised over remaining lease periods.

Sales

Sales provisions relate to ''cash-back'' and similar promotions, product warranties, product returns, and network operator performance penalties. Sales provisions are expected to be used within one year.

Other

Other provisions relate to dilapidations and similar property costs, unresolved tax issues and legal disputes, and costs associated with onerous contracts.

21 Share capital

	2012 million	2012 £m	2011 million	2011 £m	2011 million	2011 £m
Allotted, called-up and fully paid						
Ordinary shares of £0.01 each	309	3	—	—	—	—
Deferred shares of £0.01 each	—	—	—	—	—	—

New BBED was incorporated in England and Wales on 30 November 2011. On 23 January 2012, New CPWM, a company incorporated in England and Wales, transferred Best Buy Europe along with its subsidiaries and associates to New BBED. In return, New BBED issued 309 million ordinary shares to the shareholders of New CPWM, Carphone Warehouse and Best Buy in equal proportion to their shareholding in New CPWM, being 50 per cent. each.

22 Reserves and accumulated profits

2012	Share capital £m	Merger reserve £m	Recon- struction reserve £m	Translation reserve £m	Accumulated profits £m	Total £m
Opening balance	—	—	590	56	292	938
Loss for the financial period	—	—	—	—	(109)	(109)
Currency translation	—	—	—	(17)	—	(17)
Cash flow hedges	—	—	—	—	(3)	(3)
Tax in respect of cash flow hedges	—	—	—	—	1	1
Issue of share capital	3	501	(504)	—	—	—
Credit to equity for equity-settled share-based payments	—	—	—	—	1	1
Translation reserve recycled to income statement	—	—	—	(8)	—	(8)
Movements in the reconstruction reserve	—	—	33	—	—	33
Closing balance	3	501	119	31	182	836

2011	Share capital £m	Merger reserve £m	Recon- struction reserve £m	Translation reserve £m	Accumulated profits £m	Total £m
Opening balance	—	—	518	58	236	812
Profit for the financial period	—	—	—	—	50	50
Currency translation	—	—	—	(2)	—	(2)
Cash flow hedges	—	—	—	—	3	3
Tax in respect of cash flow hedges	—	—	—	—	(1)	(1)
Tax in respect of share options	—	—	—	—	4	4
Movements in the reconstruction reserve	—	—	72	—	—	72
Closing balance	—	—	590	56	292	938

2010	Share capital £m	Merger reserve £m	Recon- struction reserve £m	Translation reserve £m	Accumulated profits £m	Total £m
Opening balance	—	—	484	50	176	710
Profit for the financial period	—	—	—	—	61	61
Currency translation	—	—	—	8	—	8
Cash flow hedges	—	—	—	—	(1)	(1)
Movements in the reconstruction reserve	—	—	34	—	—	34
Closing balance	—	—	518	58	236	812

23 Commitments under operating leases

The New BBED Group leases retail units and offices under non-cancellable operating leases. The leases have varying terms, purchase options, escalation clauses and renewal rights. The New BBED Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012 £m	2011 £m	2010 £m
Within one year	114	126	112
In two to five years	354	372	331
After five years	204	234	220
	672	732	663

The New BBED Group has some leases that include revenue related rental payments that are contingent on store performance. The analysis above includes only the minimum rental commitment.

24 Capital and other commitments

	2012 £m	2011 £m	2010 £m
Expenditure contracted, but not provided for in the financial information	—	4	11

25 Pension arrangements

The New BBED Group provides various defined contribution pension schemes for the benefit of a significant number of its employees, the cost of which for the period was £5 million (2011: £5 million; 2010: £4 million).

26 Related party transactions

The New BBED Group had the following disclosable transactions with related parties.

2012	Mobile Money Network £m	Virgin Mobile France £m	Carphone Warehouse Group £m	Best Buy Group £m
Income for services provided	—	10	—	1
Purchase of stock	—	(10)	—	—
Expenses for services received	—	—	(3)	(1)

2011	Mobile Money Network £m	Virgin Mobile France £m	Carphone Warehouse Group £m	Best Buy Group £m
Income for services provided	—	12	—	1
Purchase of stock	—	(7)	—	—
Expenses for services received	—	—	(3)	—
Interest expense on loans payable	—	—	(1)	(1)

2010	Mobile Money Network £m	Virgin Mobile France £m	Carphone Warehouse Group £m	Best Buy Group £m
Income for services provided	—	15	—	—
Expenses for services received	—	(7)	(4)	—
Interest expense on loans payable	—	—	(3)	—

All products and services were provided at market rates.

As described in note 1, certain companies forming part of the New BBED Group received income from the Best Buy Group in relation to Best Buy Mobile. This income had a value of £45 million in the period ended 31 March 2012 (2011: £98 million; 2010: £47 million) and has been excluded from the income statement and recognised in equity as "movements in the reconstruction reserve".

The New BBED Group has provided Mobile Money Network Limited, an associate, with a loan on which interest is receivable at a rate of LIBOR plus three per cent. (refer to note 13). One of the directors of New BBED is a member of an entity which owns a five per cent. share in Mobile Money Network Limited. During the period the New BBED Group purchased 7.5 per cent. of the interest in Money Mobile Network Limited from this entity for consideration of £7,500.

Income from the Best Buy Group is in respect of seconded staff. Amounts recharged from the Group include recharges in respect of shared-service functions and occupancy costs. Income from Virgin Mobile France relates primarily to sales commissions.

At the end of the period, the New BBED Group had the following balances outstanding with related parties:

2012	Mobile Money Network £m	Virgin Mobile France £m	Carphone Warehouse Group £m	Best Buy Group £m
Trade and other receivables	—	—	—	1
Trade and other payables	—	—	(15)	—
Loans receivable	5	—	—	—

2011	Mobile Money Network £m	Virgin Mobile France £m	Carphone Warehouse Group £m	Best Buy Group £m
Trade and other receivables	—	—	1	39
Trade and other payables	—	—	—	—
Loans receivable	1	—	—	—

2010	Mobile Money Network £m	Virgin Mobile France £m	Carphone Warehouse Group £m	Best Buy Group £m
Trade and other receivables	—	1	—	28
Trade and other payables	—	(2)	(2)	(5)

The New BBED Group procured services from a company controlled by a relative of a member of the key management team totalling nil (2011: £0.8 million; 2010: £0.2 million) during the period, with nil (2011: nil; 2010: nil) owed by the New BBED Group to this company at 31 March 2012.

Amounts owed by the New BBED Group to the Group at 31 March 2012 reflect payments for share gifts (see note 5) which were settled in April 2012.

27 Parent undertaking

Since 23 January 2012 the ultimate parent companies, owning equally 50 per cent. of the issued share capital of New BBED, are Best Buy, which consolidates the results of the New BBED Group as a subsidiary and is the largest and smallest group to consolidate the results of the New BBED Group, and Carphone Warehouse. Copies of the consolidated financial statements of Best Buy are available at www.bestbuy.com. The financial statements of Carphone Warehouse are available from Companies House, Crown Way, Maindy, Cardiff, CF143U and at www.cpwplc.com.

SECTION E: HISTORICAL UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NEW BBED GROUP FOR THE 26 WEEKS ENDED 29 SEPTEMBER 2012 AND 1 OCTOBER 2011

Condensed Consolidated Income Statement

For the 26 weeks ended 29 September 2012 and 1 October 2011

	Notes	2012 £m	2011 £m
Continuing operations			
Revenue		1,660	1,538
Cost of sales		(1,242)	(1,093)
Gross profit		418	445
Net operating expenses excluding amortisation and depreciation		(367)	(385)
EBITDA		51	60
Depreciation		(20)	(21)
Amortisation		(20)	(22)
Profit before interest and taxation		11	17
Finance expense		(5)	(10)
Finance income		4	4
Share of results of associates		(2)	—
Profit before taxation		8	11
Taxation	3	(2)	(3)
Profit for the period from continuing operations		6	8
Loss for the period from discontinued operations	2	—	(34)
Profit (loss) for the financial period		6	(26)

Consolidated Statement of Comprehensive Income

For the 26 weeks ended 29 September 2012 and 1 October 2011

	2012 £m	2011 £m
Profit (loss) profit for the financial period	6	(26)
Exchange differences on translation of foreign operations	(15)	(7)
Cash flow hedges: re-classification adjustments for gains included in profit	—	(3)
Tax relating to cash flow hedges recorded through comprehensive income	—	1
Other comprehensive loss for the financial period	(15)	(9)
Total comprehensive loss for the financial period	(9)	(35)

Condensed Consolidated Statement of Changes in Equity

For the 26 weeks ended 29 September 2012 and 1 October 2011

2012	Share capital £m	Merger reserve £m	Recon-struction reserve £m	Translation reserve £m	Accumulated profits £m	Total £m
Opening balance	3	501	119	31	182	836
Profit for the financial period	—	—	—	—	6	6
Other comprehensive loss for the financial period	—	—	—	(15)	—	(15)
Total comprehensive loss for the financial period	—	—	—	(15)	6	(9)
Credit to equity for equity-settled share-based payments	—	—	—	—	2	2
Closing balance	3	501	119	16	190	829

2011	Share capital £m	Merger reserve £m	Recon-struction reserve £m	Translation reserve £m	Accumulated profits £m	Total £m
Opening balance	—	—	590	56	292	938
Loss for the financial period	—	—	—	—	(26)	(26)
Other comprehensive loss for the financial period	—	—	—	(7)	(2)	(9)
Total comprehensive loss for the financial period	—	—	—	(7)	(28)	(35)
Translation reserve recycled to income statement	—	—	—	(5)	—	(5)
Movements in the reconstruction reserve	—	—	33	—	—	33
Closing balance	—	—	623	44	264	931

Condensed Consolidated Balance Sheet

As at 29 September 2012 and 1 October 2011

	2012 £m	2011 £m
Non-current assets		
Goodwill	205	222
Other intangible assets	130	154
Property, plant and equipment	130	169
Deferred tax assets	24	17
Trade and other receivables	193	74
	682	636
Current assets		
Stock	310	301
Trade and other receivables	812	795
Cash and cash equivalents	52	101
	1,174	1,197
Total assets	1,856	1,833
Current liabilities		
Trade and other payables	(728)	(690)
Current tax liabilities	(49)	(51)
Finance lease obligations	(2)	(2)
Provisions	(42)	(30)
	(821)	(773)
Non-current liabilities		
Trade and other payables	(14)	(29)
Loans and other borrowings	(190)	(96)
Finance lease obligations	(2)	(4)
	(206)	(129)
Total liabilities	(1,027)	(902)
Net assets	829	931
Equity		
Share capital	3	—
Merger reserve	501	—
Reconstruction reserve	119	623
Translation reserve	16	44
Accumulated profits	190	264
Funds attributable to equity shareholders	829	931

Condensed Consolidated Cash Flow Statement

For the 26 weeks ended 29 September 2012 and 1 October 2011

	2012 £m	2011 £m
Operating activities		
Profit before interest and taxation – continuing operations	11	17
Loss before interest and taxation – discontinued operations	—	(47)
Total profit (loss) before interest and taxation	11	(30)
Adjustments for non-cash items:		
Depreciation	20	24
Amortisation	20	22
Loss on disposal of non-current assets and subsidiaries	1	1
Share-based payment charge	1	—
Other non-cash gains	—	(2)
Operating cash flows before movements in working capital	53	15
Increase in trade and other receivables	(150)	(110)
Increase in stock	(42)	(23)
Increase in trade and other payables	90	6
Decrease in provisions	(25)	(7)
Cash flows from operating activities	(74)	(119)
Taxation paid	—	(11)
Net cash flows from operating activities	(74)	(130)
Investing activities		
Interest received	4	4
Proceeds from sale of property, plant and equipment	—	2
Amounts loaned to associate	(2)	(2)
Acquisition of intangible assets	(20)	(13)
Acquisition of property, plant and equipment	(17)	(31)
Cash flows from investing activities	(35)	(40)
Financing activities		
Drawdown of borrowings	—	84
Facility arrangement fees paid	—	(3)
Interest paid	(5)	(5)
Cash flows reflected in the reconstruction reserve	—	45
Cash flows from financing activities	(5)	121
Decrease in cash and cash equivalents	(114)	(49)
Cash and cash equivalents at the start of the period	164	146
Effect of exchange rate fluctuations	2	4
Cash and cash equivalents at the end of the period	52	101
Cash and cash equivalents for the purposes of this statement comprise:		
Cash and cash equivalents	52	101
	52	101

Notes to the condensed financial information

For the 26 weeks ended 29 September 2012 and 1 October 2011

1 Accounting policies

The interim condensed financial information for the 26 weeks ended 29 September 2012 and 1 October 2011 has been prepared on a going concern basis using the basis of preparation, accounting policies and methods of computation set out in note 1 of Section D of this Part VII. Where note 1 of Section D states that a standard or interpretation will be adopted by the New BBED Group in the year ended 31 March 2012, such standards and interpretations have duly been adopted in the period ended 29 September 2012. The condensed financial information included in this half year report has been prepared in accordance with IAS 34 'Interim Financial Reporting'.

The financial information for the 26 weeks ended 29 September 2012 and 1 October 2011 has not been subject to audit or review by the New BBED Group's auditors.

Going concern

The directors of New BBED, in their consideration of going concern, have reviewed the New BBED Group's future cash forecasts and revenue projections, which they believe are based on prudent market data, and past experience. The directors of New BBED are of the opinion that the New BBED Group's forecasts and projections, which both reflect the current uncertain economic outlook and take account of reasonably possible changes in trading performance, show that the New BBED Group should be able to operate within its current facilities and comply with its banking covenants for the foreseeable future. In arriving at their conclusion that the New BBED Group has adequate financial resources, the directors of New BBED were mindful that the New BBED Group has a robust policy towards liquidity and cash flow management and that it is financed through facilities, excluding overdrafts repayable on demand, totalling a maximum of £400 million (2011: £400 million) committed to July 2015. The New BBED Group's operations are financed by these committed facilities, retained profits and equity.

Funding of subsidiaries, both in the United Kingdom and elsewhere, is arranged centrally with an emphasis on tight cash control and efficient cash management. All cross-border funding is provided on an arm's length basis and currency risk is hedged using foreign exchange swaps, forward exchange contracts or currency borrowings, as appropriate, at all times.

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

2 Discontinued operations

On 7 November 2011 the New BBED Group announced the closure of its Best Buy UK business. The last Best Buy UK store was closed on 14 January 2012 and the business has been classified as a discontinued operation. Comparatives have been restated accordingly. The results of the discontinued operation, which have been included in the consolidated income statement, were as follows:

	2011 £m
Revenue	49
Cost of sales	(52)
Gross margin	(3)
Operating expenses excluding depreciation and amortisation	(41)
EBITDA	(44)
Depreciation and amortisation	(3)
Loss before tax	(47)
Tax	13
Loss after tax	(34)

During the period ended 1 October 2011 the New BBED Group's operating cash outflow attributed to Best Buy UK was £44 million and Best Buy UK spent £1 million on investing activities. During the period ended 29 September 2012, the New BBED Group incurred cash costs of £22 million in relation to lease exits and other closure costs.

3 Taxation

Tax on continuing operations for the period is charged at 21.5 per cent. (2011: 25.4 per cent.) representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the period.

4 Equity dividends

The New BBED Group did not propose or pay dividends during either of the reported periods.

5 Related party transactions

The New BBED Group had the following disclosable transactions with related parties.

	Mobile Money Network 2012 £m	Virgin Mobile France 2012 £m	Carphone Warehouse Group 2012 £m	Best Buy Group 2012 £m	Mobile Money Network 2011 £m	Virgin Mobile France 2011 £m	Carphone Warehouse Group 2011 £m	Best Buy Group 2011 £m
Income for services provided	—	7	—	—	—	5	—	—
Purchase of stock	—	(4)	—	—	—	(4)	—	—
Expenses for services received	—	—	(2)	—	—	—	(2)	—

All products and services were provided at market rates.

Certain companies forming part of the New BBED Group received income associated with Best Buy Mobile from the Best Buy Group in the period ended 1 October 2011 of £45 million. This income has been excluded from the income statement and recognised in equity described as "movements in the reconstruction reserve".

The New BBED Group has provided Mobile Money Network Limited, an associate, with a loan on which interest is receivable at a rate of LIBOR plus three per cent. (refer to note 13).

Income from the Best Buy Group is in respect of seconded staff. Amounts recharged from the Carphone Warehouse Group include recharges in respect of shared-service functions and occupancy costs. Income from Virgin Mobile France relates primarily to sales commissions.

At the end of the period, the New BBED Group had the following balances outstanding with related parties:

	Mobile Money Network 2012 £m	Virgin Mobile France 2012 £m	Carphone Warehouse Group 2012 £m	Best Buy Group 2012 £m	Mobile Money Network 2011 £m	Virgin Mobile France 2011 £m	Carphone Warehouse Group 2011 £m	Best Buy Group 2011 £m
Trade and other receivables	—	—	—	—	—	1	—	44
Trade and other payables	—	(1)	—	—	—	(1)	—	(1)
Loans receivable	7	—	—	—	2	—	—	—

SECTION F: REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL CONSOLIDATED FINANCIAL INFORMATION SET OUT IN SECTION D OF PART VII OF THIS DOCUMENT

Deloitte.

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

The Board of Directors
on behalf of Carphone Warehouse Group plc
1 Portal Way
London
W3 6RS

6 June 2013

Dear Sirs

New BBED Limited (''Target'' and, with its subsidiaries, the ''Target Group'')

We report on the financial information for the three years ended 31 March 2012 set out in Section D of Part VII of the prospectus relating to the acquisition of Target dated 6 June 2013 of Carphone Warehouse Group plc (the ''**Company**'' and, together with its subsidiaries, the ''**Group**'') (the ''**Prospectus**''). This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 1 of Section D of the financial information. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the ''**Prospectus Directive Regulation**'') and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union (''**IFRS**'').

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Target Group as at 3 April 2010, 2 April 2011 and 31 March 2012 and of its profits, cash flows and changes in equity for the 52 weeks ended 3 April 2010, 2 April 2011 and 31 March 2012 in accordance with IFRS.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP
Chartered Accountants

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PART VIII

PROFIT ESTIMATE

1. **Profit estimate for the Group**

The Group's annual report for the year ended 31 March 2012 provided a guidance range for Headline EPS for the year to 31 March 2013 of 11.5 pence to 13.0 pence.

The most material part of the Group's earnings is derived from the Group's interest in CPW Europe. A guidance range for CPW Europe Headline EBIT for the year to 31 March 2013 was provided in the same document at £130 million to £150 million. The Group's interim management statement published on 24 January 2013 narrowed this guidance range to £135 million to £145 million.

The Group's unaudited interim results statement for the six months ended 30 September 2012 published on 14 November 2012 highlighted that non-Headline charges were expected within CPW Europe in the second half of the year to 31 March 2013 in relation to restructuring activities, estimated on a pre-tax basis at £20 million to £25 million for cash costs and £5 million to £10 million for non-cash asset write-downs.

The Group's trading update dated 30 April 2013 noted that additional non-Headline non-cash asset write-downs of between £80 million and £90 million were also expected within CPW Europe in the year to 31 March 2013 in relation to its French operations.

The profit estimate as stated above (the **"Profit Estimate"**) is correct as at the date of publication of this document and is supported by latest available internal estimates. The basis of preparation and assumptions underlying the Profit Estimate are set out below.

2. **Basis of preparation**

The Profit Estimate is unaudited and has been prepared on a basis consistent with the accounting policies adopted by the Group in the financial information set out in Part VII of this document which are based on IFRS and which will be applicable for the year ended 31 March 2013.

3. **Reporting Accountants' report in respect of the Profit Estimate for the Group for the year ending 31 March 2013**

Deloitte.

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

The Board of Directors
on behalf of Carphone Warehouse Group plc
1 Portal Way
London
W3 6RS

6 June 2013

Dear Sirs

Carphone Warehouse Group plc

We report on the profit estimate comprising (i) an estimate of Headline earnings per share of Carphone Warehouse Group plc ("the **Company**") and its subsidiaries (together "**the Group**"); (ii) an estimate of Headline earnings before interest and tax for the continuing business of New BBED Limited (the "**CPW Europe business**") for the year ended 31 March 2013; and (iii) an estimate of non-Headline charges for the CPW Europe business (the "**Profit Estimate**"). The Profit Estimate, and the basis on which it is prepared, is set out on page 179 of the prospectus relating to the acquisition of New BBED Limited ("the **Prospectus**") issued by the Company dated 6 June 2013. This report is required by Annex I item 13.2 of Commission Regulation (EC) No 809/2004 (the "**Prospectus Directive Regulation**") and is given for the purpose of complying with that rule and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "**Directors**") to prepare the Profit Estimate in accordance with the requirements of the Prospectus Directive Regulation. In preparing the Profit Estimate, the Directors are responsible for correcting errors that they have identified which may have arisen in unaudited financial results and unaudited management accounts used at the basis of preparation for the Profit Estimate.

It is our responsibility to form an opinion as required by the Prospectus Directive Regulation as to the proper compilation of the Profit Estimate and to report that opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of Preparation of the Profit Estimate

The Profit Estimate has been prepared on the basis stated on page 179 of the Prospectus and is based on the unaudited management accounts for the 12 months to 31 March 2013. The Profit Estimate is required to be presented on a basis consistent with the accounting policies of the Group.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included evaluating the basis on which the historical financial information for the 12 months to 31 March 2013 has been prepared and considering whether the Profit Estimate has been accurately computed using that information and consistent with the accounting policies of the Group.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Profit Estimate has been properly compiled on the basis stated.

However, the Profit Estimate has not been audited. The actual results reported may be affected by required revisions to accounting estimates due to changes in circumstances or the impact of unforeseen events and we can express no opinion as to whether the actual results achieved will correspond to those shown in the Profit Estimate and differences may be material.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Profit Estimate has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Group.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP
Chartered Accountants

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PART IX

UNAUDITED PRO FORMA FINANCIAL INFORMATION

SECTION A: UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited consolidated *pro forma* statement of net assets of the Group has been prepared in a manner consistent with the accounting policies adopted by the Group in preparing the historical financial information for the six months ended 30 September 2012 as set out in Section B of Part VII of this document, on the basis set out in the notes below and in accordance with Annex II to the Prospectus Directive Regulation.

The unaudited consolidated *pro forma* statement of net assets of the Group has been prepared to illustrate the effect on the net assets of the Group of the Acquisition and the Placing as if they had taken place as at 30 September 2012. The unaudited consolidated *pro forma* statement of net assets has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results.

		Adjustments				
	Group net assets at 30 September 2012[1] £m	**New BBED Group net assets at 29 September 2012[2] £m**	**Placing[3] £m**	**Net Consideration[4] £m**	**Acquisition accounting adjustments[5] £m**	***Pro forma* net assets of the Group £m**
Non-current assets						
Goodwill	—	205			171	376
Other intangible assets	—	130				130
Property, plant and equipment	66	130				196
Interests in joint ventures	531	—			(517)	14
Deferred tax assets	1	24				25
Trade and other receivables	—	193				193
	598	682	—	—	(346)	934
Current assets						
Stock	—	310				310
Trade and other receivables	2	812				814
Cash and cash equivalents	81	52	103	(91)	(19)	126
	83	1,174	103	(91)	(19)	1,250
Total assets	681	1,856	103	(91)	(365)	2,184
Current liabilities						
Trade and other payables	(11)	(728)		(29)		(768)
Corporation tax liabilities	(1)	(49)				(50)
Finance lease obligations	—	(2)				(2)
Provisions	(9)	(42)				(51)
	(21)	(821)	—	(29)	—	(871)
Non-current liabilities						
Trade and other payables	—	(14)		(50)		(64)
Loans and other borrowings	—	(190)		(250)		(440)
Finance lease obligations	—	(2)				(2)
	—	(206)	—	(300)	—	(506)
Total liabilities	(21)	(1,027)	—	(329)	—	(1,377)
Net assets	660	829	103	(420)	(365)	807

Notes:

1. The net assets of the Group have been extracted without material adjustment from the unaudited interim financial information of the Group for the six months ended 30 September 2012 as set out in Section B of Part VII of this document.
2. The net assets of the New BBED Group have been extracted without material adjustment from the unaudited interim financial information of the New BBED Group for the 26 weeks ended 29 September 2012 as set out in Section E of Part VII of this document.

3. The Placing of 47,228,179 new Ordinary Shares raised proceeds of £103 million, net of costs and expenses, which were received by the Group on 3 May 2013.
4. Net Consideration for the Acquisition is £471 million, comprising gross Consideration of £500 million offset by payments due to the Group from the Best Buy Group of approximately £29 million in respect of the prepayment or termination of the Group's other interests with the Best Buy Group pursuant to the terms of the Termination Agreement, which has been recognised as deferred income in trade and other payables.

   Net Consideration will be satisfied as follows:

   (a) £341 million payable in cash on Completion, funded through a new £250 million four-year amortising sterling term loan facility and £91 million of proceeds from the Placing.
   (b) £80 million by the issue to the Best Buy Group on Admission of the Consideration Shares, being 42,105,263 new Ordinary Shares, at 190 pence per Ordinary Share.
   (c) £50 million of Deferred Consideration, which bears interest at 2.5 per cent. per annum, payable to the Best Buy Group in two equal instalments of £25 million each in cash on the first and second anniversaries of Completion.

   The *pro forma* statement of consolidated net assets does not reflect any potential cash inflows or outflows on the disposal of the Consideration Shares on behalf of the Best Buy Group, given that any such cash flows cannot be predicted.
5. Acquisition accounting adjustments are as follows:

   (a) The unaudited consolidated *pro forma* statement of net assets has been prepared on the basis that the Acquisition will be treated as an acquisition of the New BBED Group by the Carphone Warehouse Group in accordance with IFRS 3 'Business Combinations'. The unaudited consolidated *pro forma* statement of net assets does not reflect fair value adjustments to the acquired assets and liabilities of the New BBED Group as the fair value measurement of these items will be performed subsequent to the Acquisition. Such fair value adjustments may be material, although they will have no effect on the Group's net assets. For the purposes of the unaudited consolidated *pro forma* statement of net assets, the excess consideration over the book value of the net assets acquired has been attributed to goodwill. The preliminary goodwill arising has been calculated as follows:

	£m
Gross Consideration	500
Plus: Fair value of the Group's existing joint venture investment in the New BBED Group	500
Less: Book value of net assets of the New BBED Group at 29 September 2012	(829)
Goodwill recognised	171

   Consistent with the principles of IFRS, the fair value of the Group's existing 50 per cent. investment in the New BBED Group has been assumed to be equal to the gross Consideration of £500 million to be paid by Carphone Warehouse to acquire the 50 per cent. of the New BBED Group currently owned by Best Buy.

   (b) Following the Acquisition, the Group will control the New BBED Group and will therefore consolidate its net assets rather than continuing to recognise its share of the New BBED Group's net assets as a joint venture investment. The existing 50 per cent. investment in the New BBED Group, which had a carrying value of £517 million at 30 September 2012, will therefore be derecognised.
   (c) Transaction costs of approximately £11 million and cash costs of approximately £8 million associated with employee incentive schemes of the New BBED Group are expected to be incurred as a result of the Acquisition and have been deducted from cash and cash equivalents in this unaudited consolidated *pro forma* statement of net assets.
6. No adjustment has been made to reflect the trading results of the Group since 30 September 2012 or the New BBED Group since 29 September 2012.
7. Had the Acquisition, related financing and the Placing completed on 1 April 2011, being the first day of the latest financial year for which Group financial statements have been published, the effect would have been to increase the Headline earnings of the Group.
8. The anticipated impact on the Group's *pro forma* net funds (debt) of the Acquisition and the Placing is summarised from the unaudited consolidated *pro forma* statement of net assets as follows:

		Adjustments				
	Group funds at 30 September 2012 £m	**New BBED Group funds (debt) at 29 September 2012 £m**	**Placing £m**	**Net Consideration £m**	**Acquisition accounting adjustments £m**	***Pro forma* funds (debt) of the Group £m**
Cash and cash equivalents	81	52	103	(91)	(19)	126
Current liabilities – finance lease obligations	—	(2)	—	—	—	(2)
Non-current liabilities – loans and other borrowings	—	(190)	—	(250)	—	(440)
Non-current liabilities – finance lease obligations	—	(2)	—	—	—	(2)
Net funds (debt)	81	(142)	103	(341)	(19)	(318)

SECTION B: REPORTING ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

Deloitte.

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

The Board of Directors
on behalf of Carphone Warehouse Group plc
1 Portal Way
London
W3 6RS

6 June 2013

Dear Sirs

Carphone Warehouse Group plc (the "Company")

We report on the *pro forma* financial information (the "**Pro forma financial information**") set out in Part IX of the prospectus dated 6 June 2013 (the "**Prospectus**"), which has been prepared on the basis described in notes 1 to 8 of Section A of Part IX of the Prospectus, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in preparing the financial statements for the period ended 31 March 2013. This report is required by Annex I item 20.2 of Commission Regulation (EC) No 809/2004 (the "**Prospectus Directive Regulation**") and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "**Directors**") to prepare the Pro forma financial information in accordance with Annex I item 20.2 and Annex II items 1 to 6 of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, in accordance with Annex I item 20.2 of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

(a) the Pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP
Chartered Accountants

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PART X

UNITED KINGDOM TAXATION CONSIDERATIONS

General

The following comments do not constitute tax advice and are intended only as a guide to current United Kingdom law and HMRC's published practice (which are both subject to change at any time, possibly with retrospective effect). They relate only to certain limited aspects of the United Kingdom taxation treatment of Shareholders and are intended to apply only to Shareholders who are resident in the United Kingdom for United Kingdom tax purposes and who are and will be the absolute beneficial owners of their Ordinary Shares and who hold, and will hold, them as investments (and not as securities to be realised in the course of a trade). They may not apply to certain Shareholders, such as dealers in securities, insurance companies and collective investment schemes, Shareholders who are exempt from taxation and Shareholders who have (or are deemed to have) acquired their Ordinary Shares by virtue of an office or employment. Such persons may be subject to special rules. The position may be different for future transactions and may alter between the date of this document and the implementation of the Acquisition and Placing.

Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the United Kingdom should consult an appropriate professional adviser.

Dividend Income

General

There is no United Kingdom withholding tax on dividend paid by the Company.

Individual Shareholders within the charge to United Kingdom income tax

When the Company pays a dividend to a Shareholder who is an individual resident (for tax purposes) in the United Kingdom, the Shareholder will be entitled to a tax credit equal to one-ninth of the dividend received. The dividend received plus the related tax credit (the **''gross dividend''**) will be part of the Shareholder's total income for United Kingdom income tax purposes and will, generally, be regarded as the top slice of that income. However, in calculating the Shareholder's liability to income tax in respect of the gross dividend, the tax credit (which equates to 10 per cent. of the gross dividend) is set off against the tax chargeable on the gross dividend.

Basic rate taxpayers

In the case of a Shareholder who is liable to income tax at the basic rate only, the Shareholder will be subject to tax on the gross dividend at the rate of 10 per cent. The tax credit will, in consequence, satisfy in full the Shareholder's liability to income tax on the gross dividend.

Higher rate taxpayers

To the extent that, after taking into account the Shareholder's other taxable income, the gross dividend falls above the threshold for the higher rate of income tax but below the threshold for the additional rate of income tax, the Shareholder will be subject to tax on the gross dividend at the rate of 32.5 per cent. This means that the tax credit will satisfy only part of the Shareholder's liability to income tax on the gross dividend, so that to that extent the Shareholder will have to account for income tax equal to 22.5 per cent. of the gross dividend (which equates to 25 per cent. of the dividend received). For example, assuming the entire gross dividend falls above the higher rate threshold and below the additional rate threshold, a dividend of £90 from the Company would represent a gross dividend of £100 (after the addition of the tax credit of £10) and the Shareholder would be required to account for income tax of £22.50 on the dividend, being £32.50 (i.e. 32.5 per cent. of £100) less £10 (the amount of the tax credit).

Additional rate taxpayers

To the extent that, after taking into account the Shareholder's other taxable income, the gross dividend falls above the threshold for the additional rate of income tax, the Shareholder will be subject to tax on the gross dividend at the rate of 37.5 per cent. This means that the tax credit will satisfy only part of the Shareholder's liability to income tax on the gross dividend, so that to that extent the Shareholder will have to account for income tax equal to 27.5 per cent. of the gross dividend (which equates to approximately 30.6 per cent. of the dividend received). For example, assuming the entire gross dividend falls above the additional rate threshold, a dividend of £90 from the Company would represent a gross dividend of £100 (after the addition of the tax credit of £10) and the Shareholder would be required to account for income tax of £27.50 on the dividend, being £37.50 (i.e. 37.5 per cent. of £100) less £10 (the amount of the tax credit).

Corporate Shareholders within the charge to United Kingdom corporation tax

Shareholders within the charge to United Kingdom corporation tax which are "small companies" (for the purposes of United Kingdom taxation of dividends) should not generally expect to be subject to tax on dividends from the Company.

Other Shareholders within the charge to United Kingdom corporation tax will not be subject to tax on dividends from the Company so long as the dividends fall within an exempt class and certain conditions are met. In general, dividends paid to a United Kingdom corporate shareholder holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital in respect of which the dividend is paid) is an example of a dividend that falls within an exempt class. Shareholders will need to ensure that they satisfy the requirements of any exempt class before treating any dividend as exempt, and seek appropriate professional advice where necessary.

No payment of tax credit

A Shareholder (whether an individual or a company) who is not liable to tax on dividends from the Company will not be entitled to claim payment of the tax credit in respect of those dividends.

Non-residents

The right of a Shareholder who is not resident (for tax purposes) in the United Kingdom to a tax credit in respect of a dividend and to claim payment from HMRC of any part of that tax credit will depend on the existence and terms of any double tax treaty between the United Kingdom and the country in which the Shareholder is resident for tax purposes. A Shareholder resident outside the United Kingdom (for tax purposes) may also be subject to foreign taxation on dividend income under local law. Shareholders who are not resident in the United Kingdom (for tax purposes) should consult their own tax adviser concerning their tax liabilities on dividends received from the Company.

Taxation of chargeable gains

Any future disposal of the Ordinary Shares should be treated as a disposal of those shares for United Kingdom tax purposes. This may, subject to the Shareholder's individual circumstances and any available exemption or relief, give rise to a chargeable gain (or allowable loss) for the purposes of capital gains tax.

The amount of capital gains tax, if any, payable by a Shareholder (on any disposal of Ordinary Shares) who is an individual will depend on his or her own personal tax position. No tax will be payable on any gain realised if the amount of the net chargeable gains realised by a Shareholder, when aggregated with other net gains realised by that Shareholder in the year of assessment (and after taking account of allowable losses), does not exceed the annual exemption (£10,900 for 2013/2014). Broadly, any gains in excess of this amount will be taxed at a rate of 18 per cent. for a taxpayer paying tax at the basic rate and 28 per cent. for a taxpayer paying tax at a rate above the basic rate of income tax. Where the gains of a basic rate taxpayer subject to capital gains tax exceed the unused part of his or her basic rate band, that excess is subject to tax at the 28 per cent. rate.

Individual Shareholders who are not resident in the United Kingdom will not be subject to United Kingdom capital gains tax in respect of gains arising on disposals of Ordinary Shares. However, a Shareholder who has previously been resident or ordinarily resident in the United Kingdom may in some cases be subject to United Kingdom tax on capital gains in respect of a disposal of Ordinary Shares in the event that they re-establish residence in the United Kingdom.

A corporate shareholder is normally taxable on all of its chargeable gains, subject to any reliefs and exemptions. Corporate Shareholders should be entitled to indexation allowance up to the date the chargeable gain is realised.

A Shareholder which is a company not resident in the United Kingdom for tax purposes will have no liability to United Kingdom tax on chargeable gains in respect of a disposal of Ordinary Shares, though may be subject to foreign tax on the capital gain under local law.

Stamp duty and stamp duty reserve tax (''SDRT'')

The statements below are intended as a general guide to the current position. They do not apply to certain intermediaries who are not liable to stamp duty or SDRT or to persons connected with depositary arrangements or clearance services who may be liable at higher rates.

Any agreement to sell Ordinary Shares will normally give rise to a liability on the purchaser to SDRT, at the rate of 0.5 per cent. of the actual consideration paid. If an instrument of transfer of the Ordinary Shares is subsequently produced it will generally be subject to stamp duty at the rate of 0.5 per cent. of the actual consideration paid (rounded up to the nearest £5). When such stamp duty is paid, the SDRT charge will be cancelled and any SDRT already paid will be refunded. Stamp duty and SDRT are generally the liability of the purchaser.

Where Ordinary Shares are held in uncertificated form within CREST, a transfer of shares through CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the value of the consideration given. Special rules apply in connection with clearance services.

The statements above are general in character and are intended only as a general guide to certain aspects of current law and HMRC. They apply to the beneficial owners of Ordinary Shares who are resident in the United Kingdom for tax purposes and who hold shares as investments and may not apply to certain classes of tax payers (such as dealers in securities). Prospective subscribers for or purchasers of Ordinary Shares, and, in particular, those who are subject to taxation in a jurisdiction other than in the United Kingdom, are strongly advised to consult their own professional advisers.

PART XI

DIRECTORS, RESPONSIBLE PERSONS, CORPORATE GOVERNANCE AND EMPLOYEES

1. **Responsibility**

The Directors, whose names appear at paragraph 2.1 below, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

2. **Directors**

2.1 The following table sets out information relating to each of the Directors as at the date of this document:

Name	**Position**
Sir Charles Dunstone	Chairman
Roger Taylor	Chief Executive Officer
Nigel Langstaff	Chief Financial Officer
John Gildersleeve	Non-executive Deputy Chairman and Senior Independent Director
John Allwood	Non-executive Director
Baroness Morgan of Huyton	Non-executive Director

2.2 The business address of the Directors is 1 Portal Way, London W3 6RS.

2.3 Set out below are the business experience and principal business activities performed outside of Carphone Warehouse by the Directors, as well as the dates of their initial appointment as Directors.

Sir Charles Dunstone is the founder of Carphone Warehouse and has been Chairman of Carphone Warehouse since 28 January 2010. He was chief executive officer of Old Carphone Warehouse from 1989 to 2010 where he led the growth of Old Carphone Warehouse both before and after its flotation on the London Stock Exchange in 2000 to become one of Europe's largest independent telecommunications retailers. Sir Charles was also appointed chairman of TalkTalk in 2010. He was a non-executive director of The Daily Mail and General Trust Plc from 2001 until 2012 and a non-executive director of Independent Media Distribution Plc (now Independent Media Distribution Limited) from 2002 until 2011. Sir Charles has been chairman of the Prince's Trust since 2009 and a member of its Council since 2000.

Roger Taylor is Chief Executive Officer of Carphone Warehouse and has been in his current role since 28 January 2010. He was chief financial officer of Old Carphone Warehouse from 2000 to 2010 where he played a key role in the growth of Old Carphone Warehouse across Europe and the construction and completion of the successful transactions with Best Buy. He is responsible for new business development, strategic initiatives and investor relations at Carphone Warehouse. He is also a director of Virgin Mobile France and was non-executive deputy chairman of TalkTalk from 2010 until 2012.

Nigel Langstaff has been Chief Financial Officer of Carphone Warehouse since 28 January 2010, with responsibility for the Group's finance functions. He previously held roles within Old Carphone Warehouse from 1997 to 2010, including UK finance director and group finance director. Prior to 1997, he spent four years with Arthur Andersen. Nigel has considerable experience and in-depth knowledge of all of the Group's businesses and has played a key role in the growth of Carphone Warehouse to date. He is also a director of Virgin Mobile France.

John Gildersleeve joined the Board as Non-executive Deputy Chairman on 28 January 2010. He was a member of the board of Old Carphone Warehouse from 2000 to 2010 and was non-executive chairman between 2005 and 2010. He was appointed as a non-executive director of The British Land Company PLC in September 2008 and became chairman in January 2013. He has been a non-executive director of TalkTalk since January 2010 and was previously an executive director of Tesco plc until he retired in February 2004.

John Allwood joined the board as a Non-executive Director on 28 January 2010. He is also a non-executive director of TalkTalk and chairman of Romanes Media Group Limited. He has spent his career in the telecoms and media sectors in a number of senior positions including chief executive of Orange UK and chief executive and finance director of Mirror Group plc. He is a governor of Exeter University.

Baroness Morgan of Huyton joined the board as a Non-executive Director on 28 January 2010. She was a non-executive director of Old Carphone Warehouse from 2005 to 2010. From 2001 to 2005, she was director of government relations at 10 Downing Street. Prior to this, Baroness Morgan 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 adviser 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.

3. **Directors' interests**

3.1 The direct and indirect interests (all of which are beneficial) of the Directors in Ordinary Shares as at 5 June 2013 (being the latest practicable date prior to the publication of this document) and as expected to subsist immediately following Admission are set out in the following table:

	Interests in Ordinary Shares as at 5 June 2013		**Interests in Ordinary Shares immediately following Admission**	
Director	**Number of voting rights in respect of Ordinary Shares**	**Percentage of issued share capital**	**Number of voting rights in respect of Ordinary Shares**	**Percentage of issued share capital**
Sir Charles Dunstone	135,083,481	25.98	135,083,481	24.03
Roger Taylor	9,808,554	1.89	9,808,554	1.75
Nigel Langstaff	3,654,180	0.70	3,654,180	0.65
John Gildersleeve	123,000	0.02	123,000	0.02
John Allwood	10,000	0.002	10,000	0.002
Baroness Morgan of Huyton	991	0.0002	991	0.0002

3.2 Taken together, the combined percentage interest of the Directors in voting rights in respect of the issued ordinary share capital of Carphone Warehouse as at 5 June 2013 (being the latest practicable date prior to the publication of this document) was approximately 28.59 per cent.

3.3 Taken together, the combined percentage interest of the Directors in voting rights in respect of the issued ordinary share capital of Carphone Warehouse immediately following Admission will be approximately 26.45 per cent.

3.4 The Directors have no interests in the shares of the Company's subsidiaries.

3.5 The Directors held no options over the Ordinary Shares as at 5 June 2013 (being the latest practicable date prior to the publication of this document).

3.6 Save as disclosed in this paragraph 3, no Director nor their immediate families, nor any person connected with any Director within the meaning of section 252 of the Act has any interests (beneficial or non-beneficial) in the share capital of Carphone Warehouse or any of its subsidiaries.

3.7 Save as disclosed above and in paragraph 4 of Part XII of this document, no other person involved in the Admission has an interest which is material to the Admission.

4. **Directors' remuneration and pensions**

4.1 ***Remuneration***

The remuneration (excluding pension contributions) of the Directors for the year ended 31 March 2012 is set out in the table below:

Director	Basic salary/ fees £000	Bonus £000	Benefits in kind £000	Total £000
Sir Charles Dunstone	240	–	1	**241**
Roger Taylor	440	–	12	**452**
Nigel Langstaff	275	138	161	**574**
John Gildersleeve	79	–	–	**79**
John Allwood	62	–	–	**62**
Baroness Morgan of Huyton	55	–	–	**55**

Notes:

1. Roger Taylor waived his bonus of £220,000 for the financial year ended 31 March 2012 and instead chose for it to be paid directly to charity.
2. The benefits in kind 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.

4.2 ***Pensions***

The payments made by the Group to pension schemes on behalf of Executive Directors (in their capacity as Directors and employees) for the financial year ended 31 March 2012 are set out in the table below:

Director	Pension contribution £000
Roger Taylor	22
Nigel Langstaff	14

5. **Directors' terms of appointment and remuneration**

5.1 ***Executive Directors' service agreements***

The Company has entered into the following service agreements with the Executive Directors:

Director	Date of agreement	Notice period
Sir Charles Dunstone	28 January 2010	12 months
Roger Taylor	28 January 2010	6 months
Nigel Langstaff	28 January 2010	6 months

Sir Charles Dunstone is employed as Chairman pursuant to the terms of a service agreement with Carphone Warehouse dated 28 January 2010, the terms of which took effect on 29 March 2010. Under the terms of the agreement, Sir Charles is paid a basic annual salary of £240,000 and is eligible to receive a discretionary annual bonus based on both individual and Group performance. By a letter dated 26 May 2011, Sir Charles waived his contractual entitlement to receive an annual discretionary bonus in respect of the financial year ended 31 March 2011 and any subsequent financial periods unless he notifies the Company otherwise prior to approval of any such bonus by the Remuneration Committee. In addition, he is entitled to contributions towards private medical insurance subscriptions and a pension scheme contribution of five per cent. of his basic annual salary. Sir Charles' appointment is terminable by either party on not less than 12 months' written notice. Sir Charles is subject to certain non-competition and non-solicitation covenants for a period of 12 months following the termination of his employment. The agreement is governed by English law.

Roger Taylor is employed as Chief Executive Officer pursuant to the terms of a service agreement with Carphone Warehouse dated 28 January 2010, the terms of which took effect on 29 March 2010. Under the terms of the agreement, Roger is paid a basic annual salary of £440,000 and is eligible to receive a discretionary annual bonus based on both individual and Group performance. In addition, he is entitled to contributions towards a health insurance scheme, life assurance cover, payment of private medical insurance subscriptions and a pension scheme contribution of five per cent. of his basic annual salary. Roger is also entitled to a monthly car allowance. Roger's appointment is terminable by either party on not less than six months' written notice. Roger is subject to certain non-competition and non-solicitation covenants for a period of 12 months following the termination of his employment. The agreement is governed by English law.

Nigel Langstaff is employed as Chief Financial Officer pursuant to the terms of a service agreement with Carphone Warehouse dated 28 January 2010, the terms of which took effect on 29 March 2010. Under the terms of the agreement, Nigel is paid a basic annual salary of £275,000 and is eligible to receive a discretionary annual bonus based on both individual and Group performance. In addition, he is entitled to contributions towards a health insurance scheme, life assurance cover, payment of private medical insurance subscriptions and a pension scheme contribution of five per cent. of his basic annual salary. Nigel is also entitled to a monthly car allowance. Nigel's appointment is terminable by either party on not less than six months' written notice. Nigel is subject to certain non-competition and non-solicitation covenants for a period of 12 months following the termination of his employment. The agreement is governed by English law.

5.2 ***Non-executive Directors' letters of appointment***

John Gildersleeve serves as a Non-Executive Deputy Chairman of Carphone Warehouse for an annual fee of £78,000 pursuant to the terms of a letter of engagement with Carphone Warehouse dated 28 January 2010. This appointment can be terminated by either party on three months' notice and will terminate automatically if John is removed from office by a resolution of the Shareholders or is not re-elected to office.

John Allwood serves as a Non-Executive Director for an annual fee of £62,000 pursuant to the terms of a letter of engagement with Carphone Warehouse dated 28 January 2010. This appointment can be terminated by either party on three months' notice and will terminate automatically if John is removed from office by a resolution of Shareholders or is not re-elected to office.

Baroness Morgan of Huyton serves as a Non-Executive Director for an annual fee of £56,000 pursuant to the terms of a letter of engagement with Carphone Warehouse dated 28 January 2010. This appointment can be terminated by either party on three months' notice and will terminate automatically if she is removed from office by a resolution of Shareholders or is not re-elected to office.

6. Corporate Governance

6.1 ***Corporate governance overview***

Carphone Warehouse is committed to, and recognises the value and importance of, high standards of corporate governance. As at the date of this document, Carphone Warehouse is required to comply with and, save as disclosed in this paragraph 6, complies with the Corporate Governance Code. With effect from Admission, save as disclosed in this paragraph 6, Carphone Warehouse will continue to comply with the Corporate Governance Code.

6.2 ***The Board of Carphone Warehouse***

The Board comprises three Executive Directors and three Non-executive Directors. Sir Charles Dunstone is the Chairman and John Gildersleeve is Non-executive Deputy Chairman. John Gildersleeve is the Senior Independent Non-executive Director. Roger Taylor is the Chief Executive Officer and Nigel Langstaff is the Chief Financial Officer. John Allwood and Baroness Morgan are Non-executive Directors.

Sir Charles Dunstone is not considered to be independent in his appointment as Chairman primarily because of the size of his shareholding in Carphone Warehouse and because he was previously chief executive officer of Old Carphone Warehouse. In this regard, the Board is not compliant with the Corporate Governance Code. However, the Board believes that the appointment benefits the Group given that Sir Charles Dunstone is the founder of Carphone Warehouse and his knowledge of the Group's businesses is important to the future development of Carphone Warehouse. There is also a clear division of responsibilities between the Chairman and the Chief Executive Officer. In accordance with the Corporate

Governance Code, Carphone Warehouse consulted major shareholders in Carphone Warehouse prior to Sir Charles Dunstone's appointment as Chairman and such appointment received unanimous support.

All of the Non-executive Directors are considered to be independent. Although John Gildersleeve was a non-executive director of Old Carphone Warehouse for more than nine years, the Board does not believe this affects his independence given that he satisfies all of the other tests of independence set out in the Corporate Governance Code and that Carphone Warehouse is a company completely separate from Old Carphone Warehouse.

Therefore, more than half of the Board excluding the Chairman are independent Non-executive Directors in compliance with the Corporate Governance Code. The Board believes that this provides further balance within the board composition to support Sir Charles Dunstone being Chairman. Carphone Warehouse may appoint additional independent non-executive directors in the future.

6.3 ***Board meetings***

The Board meets formally at least six times a year, with additional meetings as required. 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 out to non-attending Directors and that, where possible, any comments they have are received beforehand, so that they can be expressed at the meeting.

There is a clear and documented division of responsibilities between the roles of the chairman and the chief executive officer. There are also documented schedules of matters reserved to the Board and matters delegated to committees of the Board. Such reserved matters include decisions on strategic and policy issues, the approval of published financial statements and major acquisitions and disposals, authority levels for expenditure, treasury and risk management policies.

6.4 ***Board committees***

There are three key Board committees: audit, remuneration and nomination. The committees are provided with sufficient resources via the company secretary and, where necessary, have direct access to independent professional advisers to undertake their duties.

Audit Committee

The Audit Committee comprises the following independent Non-executive Directors: John Gildersleeve, Baroness Morgan and John Allwood. John Allwood acts as chairman.

All of the committee members have extensive commercial experience. The Audit Committee meets at least three times a year.

The chairman of the Audit Committee updates the Board on any significant issues that may have arisen at the Audit Committee meeting following each Audit Committee meeting.

A representative of the external auditors and the Chief Financial Officer normally attend Audit Committee meetings. Other Directors and senior management may also attend these meetings by invitation of the committee. The external and internal auditors have direct access to the Audit Committee during formal meetings and time is set aside for them to have private discussions with the Audit Committee in the absence of any Executive Directors at least once a year.

The terms of reference under which the Audit Committee operates set out the following key duties of the Audit Committee:

- monitor the integrity of the financial statements of Carphone Warehouse and any formal announcements relating to Carphone Warehouse's financial performance, reviewing significant financial reporting judgements contained in them;
- review Carphone Warehouse's internal financial controls and, unless expressly addressed by a separate risk committee of the Board composed of independent Directors, or by the Board itself, to review Carphone Warehouse's internal control and risk management systems and approve the appointment or termination of appointment of the head of internal audit;
- monitor and review the effectiveness of Carphone Warehouse's internal audit function;

- make recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, for the Board to put to the Shareholders for their approval in general meeting;
- review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- develop and implement policies on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- consider the major findings of internal investigations and management's response;
- consider other topics, as defined by the Board; and
- refer matters to the Board which, in its opinion, should be addressed at a meeting of the Board.

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.

The terms of reference also state that the Audit Committee should review arrangements by which employees of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Remuneration Committee

The Remuneration Committee comprises the following independent non-executive Directors: John Gildersleeve, Baroness Morgan and John Allwood. John Gildersleeve acts as chairman.

The Remuneration Committee meets at least twice a year. Other Directors, the company secretary, representatives from the human resources teams, and advisers attend by invitation only.

The terms of reference under which the Remuneration Committee operates state that the Remuneration Committee is authorised by the Board to:

- investigate the remuneration paid to the directors and senior management of other companies of a similar size in a comparable industry sector in the UK and the relative performance of such companies;
- obtain information on the remuneration of any employee of the Group;
- seek advice from the company secretary and the in-house legal and human resources departments and to obtain legal, human resources and other independent professional advice;
- secure the attendance of any person with relevant experience and expertise at committee meetings if it considers this appropriate;
- determine remuneration packages, including salaries, pensions, bonuses, share options or other long-term incentive arrangements and all other terms and conditions of service and termination payments of executive board directors within the Group and the chairman of Carphone Warehouse;
- recommend and monitor the level and structure of remuneration including pensions and compensation payments for senior management;
- approve any new contract of employment of any statutory director of Carphone Warehouse and any new contract of employment within the Group where the total remuneration and benefits payable to the employee in respect of salary, including bonuses, would exceed £500,000 (or its equivalent) per annum or the gross amount of compensation (ignoring mitigating or any other factors reducing the amount payable) on termination of any such contract would exceed £500,000 (or its equivalent);

- approve any contract of employment within the Group which has an original fixed term of two years or more taking into account any period of notice required to terminate such contract;
- approve any contract of employment within the Group requiring more than 12 months' notice to determine;
- approve the confirmation of the employment of the Executive Directors beyond the normal retirement age of 65;
- act as the sole body instructed and authorised to exercise any power or discretion vested in the Board under any share option or bonus or incentive schemes of whatever nature established for the benefit of employees of the Group;
- agree the policy for authorising claims for expenses from the chief executive and chairman of Carphone Warehouse;
- be aware of and advise on any major changes in employee benefits structures throughout the Carphone Warehouse Group;
- be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Remuneration Committee;
- report the frequency of, and attendance by members at, Remuneration Committee meetings in Carphone Warehouse's annual reports;
- make available the Remuneration Committee's terms of reference in accordance with the Corporate Governance Code, review the same and, where necessary, update them annually;
- produce each year a remuneration report, including pensions, on behalf of Carphone Warehouse; and
- review and/or determine other matters that may be delegated by the Board to the Remuneration Committee from time to time.

Nomination Committee

The Nomination Committee comprises the following Directors: John Gildersleeve and Baroness Morgan. Baroness Morgan acts as chairman.

The Nomination Committee meets as and when required to discuss succession planning and consider appropriate appointments to the Board and not less than twice a year. The Nomination Committee is responsible for succession planning at Board level, overseeing the selection and appointment of Directors, regularly reviewing the structure, size and composition of the Board and making its recommendations to the Board. It assists in evaluating the commitments of individual Directors and the balance of skills, knowledge and experience on the Board.

The key duties of the Nomination Committee set out in its terms of reference are to:

- carry out a formal selection process of candidates and then propose to the Board and make recommendations regarding appointments to the Board;
- be responsible for identifying and nominating, for the approval of the Board, candidates to fill vacancies as and when they arise;
- evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment;
- review annually the time required from a Non-executive Director and assess whether the Non-executive Director is spending enough time to fulfil his or her duties;
- consider candidates from a wide range of backgrounds;
- give full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing Carphone Warehouse;
- regularly review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes;

- keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- make a statement in the annual report about its activities; the process used for appointments and to explain if external advice or open advertising has not been used; the membership of the Nomination Committee, number of Nomination Committee meetings and attendance over the course of the year;
- make available its terms of reference, explaining clearly its role and the authority delegated to it by the Board; and
- ensure that on appointment to the Board, non-executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.

6.5 ***Risk management and internal control***

Carphone Warehouse 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 programme is designed to support management's decision-making and to improve the reliability of business performance.

6.6 ***Model Code***

Carphone Warehouse has established and, following Admission, intends to continue to comply with, a code of securities dealing equivalent to the Model Code incorporated into the Listing Rules. The code applies to the Directors and relevant employees of the Group.

7. **Directors' confirmations**

7.1 John Allwood was a director of The Dunfermline Press Limited, a company incorporated and registered Scotland, at the time the company's bankers appointed receivers on 18 April 2012.

7.2 On 10 September 2012, Carphone Warehouse, the sole shareholder of The Phone House Resources Limited ("**TPHR**"), a company incorporated in the Isle of Man, resolved that TPHR be wound up by way of a member's voluntary winding up under the Isle of Man Companies Act 1931 and that a liquidator be appointed for the purposes of such winding up. The net proceeds of the liquidation were paid to the Company and TPHR was dissolved on 11 February 2013. At the time of the liquidation, Nigel Langstaff was a director of TPHR.

7.3 On 10 September 2012, Carphone Warehouse, the sole shareholder of Storm Tide Limited ("**Storm Tide**"), a company incorporated in the Isle of Man, resolved that Storm Tide be wound up by way of a member's voluntary winding up under the Isle of Man Companies Act 1931 and that a liquidator be appointed for the purposes of such winding up. The net proceeds of the liquidation were paid to the Company and Storm Tide was dissolved on 11 February 2013. At the time of the liquidation, Nigel Langstaff was a director of Storm Tide.

7.4 On 15 March 2012, Carphone Warehouse, the sole shareholder of Telecoms Insurance Services SA ("**TIS**"), a company incorporated in Switzerland, resolved that TIS be wound up by way of a member's voluntary winding up under Swiss law and that a liquidator be appointed for the purposes of such winding up. TIS is currently in liquidation and the net proceeds of the liquidation will be paid to the Company. At the time of entering liquidation, Nigel Langstaff was a director of TIS.

7.5 Save as disclosed in this paragraph 7, none of the Directors has, during the five years prior to the date of this document, been:

(a) convicted in relation to a fraudulent offence;

(b) associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body or of senior manager of any company;

(c) subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies); or

(d) disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any company.

8. Conflicts of interest

8.1 There are no actual or potential conflicts of interests between any Director's duties to Carphone Warehouse and the private interests and/or other duties he/she may also have.

8.2 No Director was selected to be a director of Carphone Warehouse pursuant to any arrangement or understanding with any major customer, supplier or other person having a business connection with the Group.

8.3 Under the terms of the CPW VES, Roger Taylor and Nigel Langstaff are restricted from disposing of any interest in certain Ordinary Shares awarded to them under the CPW VES until June 2015. These restrictions apply in relation to 8,399,725 Ordinary Shares held by Roger Taylor and in relation to 2,951,679 Ordinary Shares held by Nigel Langstaff.

8.4 Save as disclosed in this paragraph 8, no other restrictions have been agreed by any Director on the disposal within a certain period of time of his holding in Carphone Warehouse securities.

8.5 There are no family relationships between any of the Directors.

9. Directorships and partnerships

Save as set out below, the Directors have not held any directorships of any company, other than those companies in the Group which are subsidiaries, or been a partner in a partnership at any time in the five years prior to the date of this document:

Director	Current directorships/partnerships	Former directorships/ partnerships
Sir Charles Dunstone	Acre 1132 Limited Allied Developments Limited Box Park Limited Carphone Warehouse Clareville Capital Partners LLP Five Guys JV Limited Freston Road Management LLP Freston Road Ventures LLP Freston Ventures Limited The Fulwood Academy Jensen International Automotive Limited Student Castle Investments LLP TalkTalk TalkTalk Group Limited Youview TV Ltd	Antika Retail Limited Bank of Scotland plc Best Buy Europe The Carphone Warehouse Limited The Carphone Warehouse Services Limited The Carphone Warehouse UK Limited Cellcom Limited Clareville Capital Partners LLP Core Telecommunications Limited CPW Mobile Limited CPW UK Group Limited Daily Mail and General Trust plc Evergreen Services Holdings Limited Fresh Telecom Limited GEAB The Phone House AB GEAB Teleshop AB GEAB Telekonsult AB GMS (Parking) Limited Halifax Limited HBOS plc IMD Media Limited Independent Media Distribution Limited ISE-NET Solutions Limited Macintosh Village Car Park (Management) Limited Martin Dawes Switched Services Limited Mobile Money Network Limited Mviva Limited Old Opal Telecom plc Old Carphone Warehouse Opal Telecommunications plc Opal Telecom Limited The Phone House Holdings (UK) Limited Prince's Trust Trading Limited Royal Parks Foundation SC Adam Street Limited SC Adam Street Management Limited SC Great Marlborough Street Limited SC Great Marlborough Street Management Limited SC Leman Street Limited SC Melbourne Street Limited SC Melbourne Street Management Limited SC Park Place Limited

Director	Current directorships/partnerships	Former directorships/ partnerships
		SC Park Place Management Limited SC Upper School Limited Shemara Refit LLP Student Castle Limited Talk Mobile Limited TalkTalk Communications Limited Teletext Holdings Limited
Roger Taylor	Augusta 64 LLP Carphone Warehouse Freston Road Ventures LLP Freston Ventures Limited Omer Telecom Limited SC Hope Street Limited SC Jesmond Road West Limited SC Jesmond Road West Management Limited SC Walmgate Limited SC Walmgate Management Limited	Awardmodel Limited Best Buy Europe The Carphone Warehouse Limited The Carphone Warehouse Services Limited The Carphone Warehouse UK Limited Cellcom Limited Core Telecommunications Limited CPW Brands Limited CPW Broadband Services (Ireland) Limited CPW Mobile Limited CPW Network Services Limited Fresh Telecom Limited GMS (Parking) Limited HSCCPW Limited The Kellan Group plc Macintosh Village Car Park (Management) Limited Martin Dawes Switched Services Limited Mviva Limited Old Carphone Warehouse Old Opal Telecom plc Onetel Limited Onetel Telecommunications Limited Opal Telecom Limited Opal Telecommunications plc Papertimes Limited The Phone House Holdings (UK) Limited The Phone Warehouse Spain SLU TalkTalk TalkTalk Communications Limited TalkTalk Group Limited TalkTalk Telecom Limited Telco Holdings Limited Telecoms Factoring Limited SC Adam Street Limited SC Adam Street Management Limited SC Great Marlborough Street Limited SC Great Marlborough Street Management Limited SC Leman Street Limited SC Melbourne Street Limited SC Melbourne Street Management Limited SC Park Place Limited SC Park Place Management Limited SC Upper School Limited Student Castle Investments LLP Student Castle Limited Wireless Internet Portfolio B.V.
Nigel Langstaff	Carphone Warehouse CPW GC Holdings B.V. Lotuschart Limited MTIS Limited Omer Telecom Limited SRPE Fund One LLP	Awardmodel Limited The Carphone Warehouse Limited CPWGCO 1 Limited CPW Network Services Limited Evergreen Services Holdings Limited New BBED Limited New CPWM Limited New Technology Insurance Onetel Limited Onetel Telecommunications Limited Ratebuster Limited Rednet Limited Technikos LLP

Director	Current directorships/partnerships	Former directorships/ partnerships
		Telcia Limited Telco Global Distribution Limited Telco Global Limited Telco Global Networks Limited Telco Holdings Limited Telecom Facilities Management Limited Telecoms Insurance Services SA Wavetech Limited
John Gildersleeve	The British Land Company plc Carphone Warehouse EPocket Software 1 LLP EPocket Software 2 LLP TalkTalk Tower No 4 LLP Yukon Consulting Limited	EMI Group Limited EMI Group Senior Executive Pension Scheme Trustee Limited EMI Group Senior Executive Pension Trust Limited Figleaves Global Trading Limited Gallaher Group Limited Markerpost Limited Old Carphone Warehouse Runway London Limited Tower No 5 LLP Tower No 7 LLP UKFS 6 LLP WM.Low & Company plc
John Allwood	A. Romanes & Son Limited Berkshire Media Group Limited Border Weeklies Limited Carphone Warehouse Clyde & Forth Press Limited Cook Paton Limited Craig M Jeffrey Limited D & J Croal Limited Firth FM Holdings Limited Frank Lawrance (Slough Observer) Limited M.A.D. Publishing Limited Orr, Pollock & Company Limited Paton Cook Limited The Pepper Foundation Romanes Media Group Limited Romanes Media Limited Romanes Media Group EBT Limited TalkTalk Ulster News Group Limited West Independent Newspapers Limited William Trimble Limited Your Radio FM Limited	Berlingske Media A/S The Dunfermline Press Limited GPC Manchester Limited Industry in Education Limited Koninklijke Wegener N.V. Mecom Finance Limited Mecom Group Plc Paper Purchase and Management Limited Telegraph Media Group Limited West Ferry Printers Limited
Baroness Morgan of Huyton	Carphone Warehouse Future Leaders Charitable Trust Limited The Mayor's Fund for London	Old Carphone Warehouse Southern Cross Healthcare Group plc

10. Employees

10.1 The average number of staff employed by the Group, including the employees of its joint venture businesses, for the three financial years ended 31 March 2012, 31 March 2011, and 31 March 2010 is set out below:

	Carphone Warehouse Group	Best Buy Europe Group		Virgin Mobile France	
Financial year ended	Administration	Administration	Sales and customer management	Administration	Sales and marketing
31 March 2012	18	2,480	11,428	99	146
31 March 2011	18	2,862	13,127	99	102
31 March 2010	19	2,792	12,548	111	89

10.2 As at 31 March 2013, the Group had 22 employees, all of whom were employed in administration and located in the United Kingdom. CPW Europe had approximately 13,000 employees as at 31 March 2013, of whom approximately 46 per cent. were located in the United Kingdom and 54 per cent. were located overseas. Approximately 15 per cent. of CPW Europe's employees were employed in administration, with the remainder employed in sales and customer management. As at 31 March 2013, Virgin Mobile France had approximately 200 employees (excluding shareholder representatives on the board of Virgin Mobile France), all of whom were located in France. Approximately 50 per cent. of Virgin Mobile France employees are employed in administration, with the remainder employed in sales and marketing. Temporary employees do not represent a significant proportion of employees in any of these businesses.

11. Share Schemes

Carphone Warehouse currently operates the Participation Plan and the Carphone Warehouse Share Scheme as long-term incentive schemes for executive directors and senior managers of the Group's businesses.

At the General Meeting, Shareholder approval will be sought to proposed amendments to the Participation Plan and the Carphone Warehouse Share Scheme, details of which are described below.

Details of the principal features of the Participation Plan and the Carphone Warehouse Share Scheme are set out in paragraphs 11.1 and 11.2.

Subject to the approval of Shareholders, the Company proposes to adopt two further long-term incentive schemes, the CPW SAYE Scheme and the CPWG Share Plan. Details of the principal features of these new schemes are set out in paragraphs 11.3 and 11.4.

11.1 *The Participation Plan*

The principal features of the Participation Plan are outlined below.

(a) *General*

The Best Buy Europe LTIP was introduced in 2010 to provide long-term incentives to employees of the Best Buy Europe Group. Under the Best Buy Europe LTIP, participants receive options over A shares in New BBED and each of Best Buy and the Company has an obligation to acquire such A shares at a value based on earnings over the vesting period.

In order to align the interests of participants with those of the Company, the value of the A shares is assessed at defined points during the vesting period, and nil-priced options in Ordinary Shares are granted to participants to match this value, so that participants benefit from growth in the market capitalisation of the Company during the vesting period.

The Participation Plan was introduced in 2011 to put this intention into effect and to allow the Company to grant these options. The Participation Plan operates in tandem with the Best Buy Europe LTIP.

The Participation Plan is not an approved share scheme for UK tax purposes.

(b) *Operation*

The Board (or a duly authorised committee of the Board) is responsible for granting options under and administering the Participation Plan.

The aggregate number of Ordinary Shares offered to employees under the Participation Plan is determined by reference to two factors: the value of 50 per cent. of the value of awards under the Best Buy Europe LTIP and the average price of an Ordinary Share over defined periods.

The value of the awards under the Best Buy Europe LTIP is based on the Headline EBIT of CPW Europe, together with the net interest charge of the Best Buy Europe Group (together, the "**Relevant Earnings**"). The Relevant Earnings must exceed a threshold based on achieving a minimum growth on the earnings for the year ended 31 March 2009. Participants are able to share in any Relevant Earnings over and above this threshold (the "**Pool**"). 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 the profit share for Best Buy Mobile.

The Company has obligations in respect of 50 per cent. of the Pool. In October 2012, 50 per cent. of the minimum value of the Pool was converted into nil-priced options over Ordinary Shares based on the average price of an Ordinary Share during April and May 2012.

The cumulative value of the Pool is reassessed annually from June 2012 to June 2015 and any incremental value is converted into nil-priced options over Ordinary Shares, ordinarily based on the average price of an Ordinary Share over the previous financial year.

None of the options granted under the Participation Plan shall ordinarily vest before June 2015.

(c) *Eligibility*

Any employee (including an executive director) of the Best Buy Europe Group who is also a participant in the Best Buy Europe LTIP will be eligible to participate in the Participation Plan at the discretion of the Board.

(d) *Grant of options*

Options may be granted within the period of 42 days following the date on which the value of the Best Buy Europe LTIP is assessed.

Options may be granted over newly issued shares, treasury shares and shares purchased in the market in conjunction with or otherwise held by an employee benefit trust.

No payment is required for the grant of an option. Options are not transferable (other than on the death of a participant) without the consent of the Board. Options are not pensionable.

(e) *Limits on the issue of Ordinary Shares*

The Participation Plan is subject to the following overall limit on the number of new Ordinary Shares which may be subscribed: in any 10 year period, not more than 10 per cent. of the issued ordinary share capital of the Company from time to time may be issued or issuable pursuant to rights acquired under the Participation Plan and any employee share plans adopted by the Company.

For the purposes of these limits, options or other rights to acquire shares which lapse or have been released, or options or awards which were granted prior to the Company's admission to trading on the London Stock Exchange's main market in 2010 do not count. However, shares subscribed by the trustees of an employee benefit trust to satisfy rights granted under any employee share plans adopted by the Company and shares transferred from treasury do count towards these limits. Where, instead of paying the exercise price, an option exercise is satisfied by the number of shares representing the growth in value of a share between the exercise price and the market value at the date of exercise, only the number of shares actually issued shall count towards these limits.

(f) *Exercise of options*

Options granted over newly issued shares are granted with an exercise price equal to the shares' nominal value. No payment is required on exercise of an option over shares purchased in the market or treasury shares.

Subject to the participant discharging any relevant tax liability, for awards made up to 2015 an option will normally be exercisable between 2015 and the tenth anniversary of its grant, subject to the continued employment of the participant.

(g) *Performance conditions*

It is not intended that the future exercise of options granted under the terms of the Participation Plan will be subject to any further performance condition above and beyond those already satisfied pursuant to the Best Buy Europe LTIP.

(h) *Leavers*

If a participant leaves employment with the Group or the Best Buy Europe Group by reason of death, injury, disability, redundancy or retirement, options that have already vested on the date of cessation of employment can be exercised, in the event of death, within 12 months, and in all other circumstances, within six months following the date of cessation of employment.

If a participant leaves employment with the Group or the Best Buy Europe Group by reason of death, injury, disability, redundancy, retirement or the sale of the business for which he/she works to a third party, the Board may determine that any unvested options will vest and become exercisable on the original vesting date, depending on the time which has elapsed between the grant of that award and the date of leaving.

In determining the proportion of an award which vests, in both cases, the Board may take into account such other factors, including the performance of the Group and the conduct of the participant, as it deems relevant. Any options that have so vested can be exercised, in the event of death, within a period of 12 months, and in all other circumstances, within six months from the day on which the options vest.

If a participant ceases to be an employee of the Group or the Best Buy Europe Group for any other reason, his/her options will normally lapse unless and to the extent that the Board decides otherwise.

(i) *Change of control*

In the event of a takeover, reconstruction or winding up of the Company, a proportion of an option will vest and become exercisable, depending on the time which has elapsed between the grant of that option and the date of change of control. Again, in determining the proportion of an option which vests, the Board may take into account such other factors, including the performance of the Group and the conduct of the participant, as it deems relevant.

Alternatively, options may (or, if the Board so determines, shall) be exchanged for new, equivalent options where appropriate. In this case any performance conditions will continue unless the Board determines otherwise.

(j) *Rights attaching to Ordinary Shares*

Ordinary Shares allotted or transferred under the Participation Plan will rank equally with all other Ordinary Shares for the time being in issue (except for rights attaching to such shares by reference to a record date prior to the exercise of the option). The Company will apply for any new Ordinary Shares allotted under the Participation Plan to be admitted to listing on the Official List and to trading on the main market of the London Stock Exchange.

The Board may also satisfy options in cash provided the participant receives the same economic value as would have been provided by an option over shares.

(k) *Variation of capital*

In the event of any variation of share capital, demerger or other corporate event the Board may make such adjustments as it considers appropriate to the number of shares subject to options.

(l) *Alterations to the Participation Plan*

The Participation Plan may at any time be altered by the Board in any respect. However, any alterations to the advantage of participants to the rules governing eligibility, terms of exercise and adjustment of options must be approved in advance by the Shareholders in a general meeting unless the alteration or addition is minor in nature and made to benefit the administration of the Participation Plan, to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or the Group or Best Buy Europe Group companies.

(n) *Authority to allot*

At a general meeting of the Company on 20 January 2012, the Company sought authority to allot new Ordinary Shares with an aggregate nominal value of £20,000 in relation to the Participation Plan. The Company may seek further authorities to allot additional new Ordinary Shares in the future in respect of the Participation Plan.

(o) *Amendments to be proposed at the General Meeting*

Following Completion, it is proposed that:

- all outstanding awards made under the Best Buy Europe LTIP be accelerated;
- the options granted under the Participation Plan in October 2012 in respect of 50 per cent. of the agreed minimum value of the Pool are accelerated such that these options vest with effect from the date of the General Meeting;
- the value of the Pool up to 31 March 2013 be assessed and any incremental value over and above the amount in respect of which awards have been made under the Participation Plan will be satisfied in Ordinary Shares. The number of Ordinary Shares will be calculated as follows:
  - for 50 per cent. of the value accruing in respect of periods to 31 March 2012, at the average price of an Ordinary Share during April and May 2012;
  - for 50 per cent. of the value accruing in respect of the year ended 31 March 2013, at the average price of an Ordinary Share over the 12 months to 31 March 2013;
  - for the remaining value, at a price of £2.40 per Ordinary Share.

At the General Meeting Shareholders will be asked to authorise:

- the Directors to make an award of Ordinary Shares (the "**Share Award**") in full and final satisfaction of awards made under the Best Buy Europe LTIP;
- the Directors to allot new Ordinary Shares up to an aggregate nominal amount of £16,300 for the purposes of the Share Award; and
- the Directors to make such amendments to options granted under the rules of the Participation Plan as may be necessary to bring forward the vesting date of the options to the date of the General Meeting.

11.2 *The Carphone Warehouse Share Scheme*

The principal features of the Carphone Warehouse Share Scheme are outlined below.

(a) *General*

The Carphone Warehouse Share Scheme is a reward mechanism for employees of the Group's businesses.

The Carphone Warehouse Share Scheme is divided into two parts: the main plan rules are unapproved for UK tax purposes and have a greater degree of flexibility than options granted under the addendum, entitled the "UK Approved Addendum", which has been designed to qualify for approval by HMRC under the CSOP Code of the Income Tax (Earnings & Pensions) Act 2003.

The UK Approved Addendum is intended to enable options to be granted to UK taxpayers in a tax efficient manner. The terms of options granted under the UK Approved Addendum are broadly identical to the terms of options granted under the main part of the Carphone Warehouse Share Scheme except to the extent necessary to obtain or maintain HMRC approval or as set out below.

(b) *Operation*

The Board (or a duly authorised committee of the Board, which with regard to Executive Directors shall be the Remuneration Committee) is responsible for granting options to and administering the Carphone Warehouse Share Scheme.

The Carphone Warehouse Share Scheme is discretionary and only operates in those years that the Board determines. Currently, it is expected that options will be granted annually.

(c) *Eligibility*

Any employee or executive director of the Group is eligible to participate in the Carphone Warehouse Share Scheme at the discretion of the Board. In order to be eligible for options granted under the UK Approved Addendum, executive directors additionally have to work a minimum of 25 hours per week for the Group.

(d) *Grant of options*

Options may normally only be granted in the 42 days following the announcement by Carphone Warehouse of its results for any period, or following a change in the legislation relating to share option plans or where there are circumstances considered by the Board to be exceptional. Options may also be granted outside these periods in connection with the commencement of an eligible employee's employment if this is appropriate.

However, at all times, the grant of options is subject to the terms of the Model Code for transactions in securities by directors.

No options may be granted later than 10 years after the approval of the Carphone Warehouse Share Scheme by Shareholders.

Options may be granted over newly issued shares, treasury shares and shares purchased in the market in conjunction with or otherwise held by an employee benefit trust.

The Board may determine that the number of shares subject to an option shall, at exercise, increase by such number of shares as could have been acquired by reinvesting the dividends which would otherwise have been received on those shares during the vesting period.

No payment is required for the grant of an option. Options are not transferable (other than on the death of a participant) without the consent of the Board. Options are not pensionable.

(e) *Individual limits*

No employee may be granted options under the Carphone Warehouse Share Scheme in any financial year over shares worth more than 200 per cent. of base salary, unless the Board determines that exceptional circumstances exist which justify exceeding this limit, in which case options shall not exceed 300 per cent. of base salary.

In applying this limit no account will be taken of shares representing notional reinvestment of dividends on options or shares which have been awarded to ensure that a participant is not financially disadvantaged if he agrees to satisfy the Group's social security liability in relation to his option.

Options granted under the UK Approved Addendum are subject to a statutory limit such that no employee may at any one time hold subsisting options over shares worth more than £30,000 (calculated by reference to the market value of shares at the relevant date of grant) granted under the UK Approved Addendum or any other HMRC approved company share option plan established by a Group company or a company associated with a Group company.

(f) *Option exercise price*

Options may be nil cost options if the Board so determines. If, however, an exercise price is payable, the price per share on the exercise of an option will not be less than the higher of:

- where Ordinary Shares are listed on a recognised stock exchange, the closing middle market quotation for a share for the dealing day immediately preceding the date the option is to be granted or, if the Board so determines, the average of such quotations for the three dealing days (or such other number of dealing days as the Board decides) immediately preceding the date the option is to be granted; or
- where Ordinary Shares are not so listed, a price agreed in advance with HMRC to be their market value; or
- where shares are to be subscribed, their nominal value.

(g) *Limits on the issue of shares*

The Carphone Warehouse Share Scheme is subject to the following overall limit on the number of new Ordinary Shares which may be subscribed: in any 10 year period not more than 10 per cent. of the issued ordinary share capital of Carphone Warehouse from time to time may be issued or issuable pursuant to rights acquired under the Carphone Warehouse Share Scheme and any other employees' share plans adopted by Carphone Warehouse.

For the purposes of these limits, options or other rights to acquire shares which lapse or have been released, or options or awards which were granted prior to the Company's admission to trading on the London Stock Exchange's main market in 2010 do not count. However, shares subscribed by the trustees of an employee benefit trust to satisfy rights granted under any employees' share plans adopted by Carphone Warehouse and shares transferred from treasury do count towards these limits. Where instead of paying the exercise price, an option exercise is satisfied by the number of shares representing the growth in value of a share between the exercise price and the market value at the date of exercise, only the number of shares actually issued shall count towards these limits.

(h) *Exercise of options*

Subject to the participant discharging any relevant tax liability, an option will normally be exercisable between the third and tenth anniversary of its grant provided that any specified performance condition has been satisfied.

(i) *Performance conditions*

For the initial grant of options under the Carphone Warehouse Share Scheme to employees, the exercise of the options was subject to continuing employment and may also have been subject to performance conditions.

If the Remuneration Committee considers it to be appropriate to extend participation in the Carphone Warehouse Share Scheme to the Directors, options granted to the Directors would be subject to performance conditions. Prior to granting any options to the Directors, Carphone Warehouse would consult with major shareholders as to the form of the performance measures to be used and would fully disclose the performance measures adopted in the Directors' remuneration report.

The Board will regularly review any performance conditions for future option grants to ensure they are appropriate for Carphone Warehouse and the prevailing recruitment market. The conditions may be varied in certain circumstances following the grant of an option so as to achieve their original purpose, taking account of the interests of the shareholders of Carphone Warehouse, but not so as to make their achievement any more or less difficult to satisfy.

(j) *Leavers*

If a participant leaves employment of the Group by reason of death, injury, disability, redundancy, retirement or the sale of the business for which he works to a third party, options that have already vested on the date of cessation of employment can be exercised, in the event of death, within 12 months, and in all other circumstances, within six months following the date of cessation of employment.

If a participant leaves employment of the Group by reason of death, injury, disability, redundancy, retirement or the sale of the business for which he works to a third party, a proportion of any unvested options will vest and become exercisable depending on the time which has elapsed between the grant of that option and the date of leaving and the extent to which performance conditions have been satisfied. Alternatively, the Board may determine that any unvested options will vest and become exercisable on original vesting date, depending on the time which has elapsed between the grant of that award and the date of leaving and the extent to which performance conditions have been satisfied at the vesting date.

In determining the proportion of an award which vests, in both cases, the Board may take into account such other factors, including the performance of Carphone Warehouse and the conduct of the participant as it deems relevant. Any options that have so vested can be exercised, in the event of death, within a period of 12 months, and in all other circumstances, within six months from the day on which the options vest.

If a participant ceases to be an employee of the Group for any other reason, his option will normally lapse unless and to the extent that the Board decides otherwise.

(k) *Change of control*

In the event of a takeover, reconstruction or winding up of Carphone Warehouse, a proportion of an option will vest and become exercisable depending on the time which has elapsed between the grant of that option and the change of control and the extent to which any performance conditions have been satisfied at that date. Again, in determining the proportion of an option which vests, the Board may take into account such other factors, including the performance of Carphone Warehouse and the conduct of the participant as it deems relevant.

Alternatively, options may (or, if the Board so determines, shall) be exchanged for new equivalent options where appropriate. In this case any performance conditions will continue unless the Board determines otherwise.

(l) *Rights attaching to shares*

Shares allotted or transferred under the Carphone Warehouse Share Scheme will rank equally with all other Ordinary Shares for the time being in issue (except for rights attaching to such shares by reference to a record date prior to the exercise of the option). Carphone Warehouse will apply for any new shares allotted under the Carphone Warehouse Share Scheme to be admitted to listing on the Official List and to trading on the main market of the London Stock Exchange.

The Board may also satisfy options in cash provided the participant receives the same economic value as would have been provided by an option over shares.

Alternatively, the Board may determine that instead of paying any exercise price payable, an exercise of an option is satisfied by the number of shares representing the growth in value of a share between the exercise price and the market value of a share at exercise.

(m) *Variation of capital*

In the event of any variation of share capital, demerger or other corporate event the Board may make such adjustments as it considers appropriate to the number of shares subject to options and the price payable on the exercise of options. In the case of options granted under the UK Approved Addendum, such adjustments will only be made to the extent permitted by HMRC.

(n) *Alterations to the Carphone Warehouse Share Scheme*

The Carphone Warehouse Share Scheme may at any time be altered by the Board in any respect. However, any alterations to the advantage of participants to the rules governing eligibility, limits on participation and the number of new shares available under the Carphone Warehouse Share Scheme, terms of exercise and adjustment of options must be approved in advance by Shareholders in general meeting unless the alteration or addition is minor in nature and made to benefit the administration of the Carphone Warehouse Share Scheme, to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or Group companies.

Any amendment to a key feature of the Carphone Warehouse Share Scheme which affects options granted under the UK Approved Addendum will require HMRC approval before it can take effect.

(o) *Overseas employees*

The Board may grant options to overseas employees on different terms so as to take account of relevant overseas tax, securities or exchange control laws provided that the options are not overall more favourable than the terms of options granted to other employees.

(p) *Amendments to be proposed at the General Meeting*

The Group adopted the Carphone Warehouse Share Scheme on 24 February 2010. Currently, the Carphone Warehouse Share Scheme expires on the tenth anniversary of its adoption by the Company. At the General Meeting Shareholders will be asked to authorise an extension of the life of the Carphone Warehouse Share Scheme so that it expires on the tenth anniversary of the General Meeting.

11.3 ***The CPW SAYE Scheme***

The principal features of the CPW SAYE Scheme are outlined below.

(a) *General*

The CPW SAYE Scheme is a Save-As-You-Earn share option scheme, designed to be approved by HMRC in accordance with the SAYE Code of the Income Tax (Earnings & Pensions) Act 2003.

(b) *Administration*

The CPW SAYE Scheme shall be administered by the Board or a duly authorised committee of the Board. The Board has the power to make or vary the regulations for the administration and operation of the CPW SAYE Scheme as long as these are consistent with the rules of the CPW SAYE Scheme. The decision of the Board as to any matter, question or dispute arising from the CPW SAYE Scheme shall be final and conclusive and binding on Carphone Warehouse and participants.

(c) *Eligibility*

All UK executive directors and employees of Carphone Warehouse and participating companies within the Group will be eligible to participate in the CPW SAYE Scheme, so long as they have been employed for a qualifying period (which will be determined by the Board and will not be a period longer than five years).

(d) *The savings contract*

To participate in the CPW SAYE Scheme, an eligible employee must enter into a Save-As-You-Earn contract (also known as a savings contract) with an appropriate savings carrier approved by Carphone Warehouse, thereby agreeing to make monthly contributions of between £5 and £250 for a specified period of three or five years. The Board has discretion to determine which of the savings contracts will be available in respect of any invitation to apply for options.

A bonus is normally payable after the expiration of the period, based on a multiple of the monthly contributions made by participants. However, since August 2012 no bonuses have been payable on the maturity of savings contracts. Applications to participate in the CPW SAYE Scheme may be scaled down by the Board, in accordance with procedures laid down in the rules of the CPW SAYE Scheme, if applications exceed the number of Ordinary Shares available for the grant of options. Such scaling down may include reducing the level of bonuses, reducing monthly contributions above a certain level *pro rata*, or reducing the length of savings contracts.

(e) *Option price*

Options granted to acquire Ordinary Shares under the CPW SAYE Scheme will have an option price determined by the Board, which will be not less than the higher of:

(i) 80 per cent. of the middle market quotation for such Ordinary Shares as derived from the daily official list of the London Stock Exchange for the dealing day (or, if so determined by the Board the average of such quotations for the three dealing days) immediately preceding the date on which invitations to apply for options are issued to employees; and

(ii) where Ordinary Shares are to be subscribed, their nominal value.

(f) *Grant of options*

The number of Ordinary Shares over which options may be granted must, as nearly as possible, be equal to, but not in excess of, that number of Ordinary Shares which may be purchased out of the repayment proceeds (including, where the Board so allows, any bonus) of the relevant savings contract, at the option price. Options may be granted within the 42 days following the date on which HMRC grant formal approval for the

CPW SAYE Scheme. Thereafter, options may normally only be granted in the 42 days following the announcement by Carphone Warehouse of its results for any period, or following a change in the SAYE Code of Income Tax (Earnings & Pensions) Act 2003 or where there are circumstances considered by the Remuneration Committee to be exceptional. No options may be granted later than 10 years after the approval of the CPW SAYE Scheme by Shareholders. No payment will be required for the grant of an option. Options are not transferable (other than to a personal representative on the death of a participant). Options will not be pensionable.

(g) *Limits on the issue of shares*

In any 10 year period, not more than 10 per cent. of the issued ordinary share capital of Carphone Warehouse from time to time may be issued or issuable pursuant to rights acquired under the CPW SAYE Scheme and any other employees' share scheme adopted by Carphone Warehouse. For the purposes of this limit, options or other rights to acquire shares which lapse or have been released do not count. However, shares subscribed for by the trustees of an employee benefit trust to satisfy rights granted under any employees' share scheme adopted by Carphone Warehouse and shares transferred from treasury do count towards this limit.

(h) *Exercise of options*

Options will only normally be exercisable for the period of six months commencing on the third or fifth anniversary (as the case may be) of the starting date of the related savings contract and, if not exercised by the end of that period, the option will lapse. Earlier exercise may, however, be permitted in specified circumstances, including termination of employment as a result of death, injury, disability, redundancy, retirement or the sale of the subsidiary or business for which the participant works or in the event of a takeover of Carphone Warehouse.

(j) *Rights attaching to Ordinary Shares*

All Ordinary Shares allotted or transferred under the CPW SAYE Scheme will rank equally with all other Ordinary Shares for the time being in issue (save as regards any rights attaching to such shares by reference to a record date prior to the date of allotment or transfer) and Carphone Warehouse will apply for any new Ordinary Shares issued under the CPW SAYE Scheme to be admitted to listing on the Official List and to trading on the main market of the London Stock Exchange.

(k) *Takeover of Carphone Warehouse*

In the event of a takeover, reconstruction or winding up of Carphone Warehouse, options may be exercised within six months of the change of control. Alternatively, options may be exchanged for new equivalent options, where appropriate.

(l) *Variation of capital*

In the event of any rights or capitalisation issue, subdivision, consolidation, reduction or other variation of share capital, the Board may make (subject to receiving prior approval of HMRC) such adjustments as it considers appropriate to the number of Ordinary Shares under option and/or the price payable on the exercise of options.

(m) *Alterations to the CPW SAYE Scheme*

The Board may alter the provisions of the CPW SAYE Scheme in any respect (subject to the approval, where necessary, of HMRC) provided that the prior approval of Shareholders in general meeting is obtained for alterations or additions to the advantage of participants to provisions relating to eligibility, limits on participation and the number of new shares available under the CPW SAYE Scheme, terms of exercise and adjustment of options. The requirement to obtain the prior approval of Shareholders will not, however, apply in relation to any alteration or addition which is minor in nature and made to benefit the administration of the CPW SAYE Scheme, to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Carphone Warehouse, any of its subsidiaries or for participants.

(n) *Overseas employees*

The Board may establish further employee share plans based on the terms of the CPW SAYE Scheme to grant awards to overseas employees on different terms so as to take account of relevant overseas tax, securities or exchange control laws provided that the awards are not overall more favourable than the terms of options granted to other employees.

11.4 ***The CPWG Share Plan***

The principal features of the CPWG Share Plan are outlined below.

(a) *General*

It is proposed to introduce the CPWG Share Plan as an alternative reward mechanism for employees of the Group who will not participate in the Carphone Warehouse Share Scheme. It is the intention of the Remuneration Committee that, generally, in any one year participants may only receive an award under the CPWG Share Plan and no other schemes other than a SAYE scheme which is open to all UK based employees of the Group. The CPWG Share Plan is designed to enable participants to share in the incremental value of the Best Buy Europe Group's businesses in excess of an opening valuation as determined by the Remuneration Committee at the time the awards are made.

Each award will entitle a participant to hold a fixed number of a separate class of shares in subsidiary companies that hold the Company's interests in the Best Buy Europe Group's businesses ("**Participation Shares**"). The Participation Shares will initially be acquired by participants at market value and such participants will be offered a loan from their employer within the Group at a commercial rate of interest. Participants will then use all of the loan to pay the Company or its relevant subsidiary for all of the Participation Shares such that no participant will personally receive the cash amount of such loan.

The vesting of awards will be subject to continued employment and the satisfaction of performance conditions and/or other specified events as determined by the Remuneration Committee. When the awards vest the Participation Shares will have a value equal to the corresponding percentage they represent of the incremental value (if any) of the Best Buy Europe Group's businesses at the time of vesting in excess of the applicable opening valuation and shall then be purchased by the Company for cash and/or by the issue (or transfer) of ordinary shares in the capital of the Company. Any loan made to the participants to acquire Participation Shares will be required to be repaid at that time. If the market value of the Participation Shares is less than the amount of the outstanding loan (and any accrued interest) then the participant may be required to repay such proportion of the loan as the Remuneration Committee determines.

(b) *Eligibility*

Any Executive Director or employee of the Company and any of its subsidiaries may be invited to participate in the CPWG Share Plan. However, it is intended that the main participants will be the Executive Directors and other senior employees of the Group.

(c) *Grant of awards*

Awards under the CPWG Share Plan may only be granted within the period of 42 days following:

- the adoption of the CPWG Share Plan by the Company;
- the announcement by the Company of its preliminary or interim results or the results for any other financial period; or
- any day on which the Remuneration Committee determines that exceptional circumstances exist which justify the grant of awards.

No awards may be made more than 10 years after the adoption of the CPWG Share Plan. Benefits under the CPWG Share Plan will not be pensionable. Awards may not be transferred (other than on death) without the prior written agreement of the Remuneration Committee and if transferred will remain subject to the main conditions of the original award unless the Remuneration Committee determines otherwise. No other consideration other than participants paying market value for the Participation Shares will be required for the grant of an award.

(d) *Level of award*

The level of award granted to each individual will be determined by the Remuneration Committee and as advised by the external advisors to the Remuneration Committee within generally accepted market parameters recognising different levels of awards for performance including exceptional performance.

(e) *Vesting of awards*

Awards will vest subject to achievement of performance conditions set at the time of grant with vesting extending over a period of time that will normally amount to between three and five years as the Remuneration Committee determines unless the early vesting provisions apply.

The Remuneration Committee will determine an opening valuation of the Best Buy Europe Group's businesses. It will also decide at what regular intervals the performance conditions will be measured and what percentage of awards should vest on such dates.

The performance conditions will be based on the incremental value of the Best Buy Europe Group's businesses in excess of the opening valuation and beyond an annual rate of return as determined by the Remuneration Committee on the amount of invested capital from time to time in the Best Buy Europe Group's businesses which will be charged from the date on which any award is made, and other performance conditions as may be determined by the Remuneration Committee. It is expected that the rate of return applicable to the first awards under the CPWG Share Plan shall not be less than seven per cent. Each of the performance conditions will also be underpinned by TSR measures to be determined by the Remuneration Committee.

(f) *Early vesting provisions*

An unvested award will normally lapse if the participant ceases to be an employee of the Group. However, if a participant ceases to be employed in such circumstances as the Remuneration Committee determines the rules allow the awards to continue in accordance with the vesting provisions.

In such circumstances, the Remuneration Committee may also determine at its absolute discretion the extent to which awards may vest early having regard to the length of time the awards have been held and the extent to which the performance targets have been satisfied. There may also be other circumstances, for instance change of control or material sale of assets, where the Remuneration Committee may determine that awards may vest early or be based on such value as determined by the Remuneration Committee at that time.

Alternatively, if appropriate awards may be released (to the extent not lapsed) in consideration for new awards which are equivalent to the original awards but over shares in the new companies. All participants will be entitled to participate in any return of capital to Shareholders made other than normal interim and final dividends.

(g) *Plan limits*

On vesting the purchase of Participation Shares by the Company in return for Ordinary Shares may be satisfied by the issue of new Ordinary Shares or the transfer of existing Ordinary Shares.

No award may be granted under the CPWG Share Plan if it would cause the number of Ordinary Shares that may be issued or issuable pursuant to options and awards granted in the preceding 10 years under any share scheme established by the Company, to exceed 10 per cent. of the issued ordinary share capital of the Company. If the awards are to be satisfied in cash and/or out of existing Ordinary Shares in issue the percentage limit stated above will not apply. Alternatively, awards may also be satisfied by the transfer of treasury shares in which case the percentage limits in the current Association of British Insurers guidelines apply.

(h) *Adjustments to awards*

In the event of any rights issue or capitalisation, subdivision, consolidation or other variation of share capital or other exceptional event, the Remuneration Committee may make such adjustments to the awards, as they consider appropriate.

(i) *Rights attaching to shares*

The Participation Shares will carry no voting rights or rights to interim and annual dividends and their value on sale or liquidation is based on the satisfaction of the performance conditions. Generally, the Participation Shares do not offer any advantage over the rights and/or benefits attaching to Ordinary Shares held by Shareholders. The Remuneration Committee will have the flexibility at grant to determine whether a participant will be entitled to receive any other rights in connection with the Participation Shares.

(j) *Alterations to the CPWG Share Plan*

The Remuneration Committee cannot alter the provisions of the CPWG Share Plan to the material advantage of current participants or eligible participants without the prior approval of the Company in general meeting unless such alterations are minor and are to benefit the administration of the CPWG Share Plan, to take account of changes in legislation or to obtain or maintain a favourable taxation, exchange control or regulatory treatment of the Company or a relevant Group company, current participant or eligible participant or where failing to make such alteration would result in a current participant or eligible participant being materially disadvantaged given the purpose for the introduction of the CPWG Share Plan.

The Remuneration Committee may also establish separate but commercially similar plans or appendices to the CPWG Share Plan for the purpose of granting awards to eligible participants who are employed by non-UK companies or who are or may become primarily liable to tax outside the United Kingdom.

(k) *Termination*

The CPWG Share Plan will terminate on the tenth anniversary of its approval by Shareholders or such earlier time as the Remuneration Committee may determine but the rights of existing participants will not be affected. Once terminated no further awards will be granted.

PART XII

ADDITIONAL INFORMATION

1. The Company

1.1 Carphone Warehouse was incorporated and registered in England and Wales on 15 December 2009 with registered number 07105905 as a public company limited by shares with the name New Carphone Warehouse PLC. On 25 March 2010, the name of the Company was changed to Carphone Warehouse Group Public Limited Company.

1.2 The principal legislation under which the Company operates, and pursuant to which the Ordinary Shares have been, and the Consideration Shares will be, created, is the Act and regulations made thereunder.

1.3 The Company is domiciled in England and Wales and its registered and head office is 1 Portal Way, London W3 6RS (telephone number: +44 20 8617 6002).

1.4 The auditors of Carphone Warehouse are, and have been throughout the period covered by the financial information in this document, Deloitte LLP. Deloitte LLP is a member firm of the Institute of Chartered Accountants in England and Wales.

2. Share Capital

2.1 *Share capital summary*

(a) On 15 December 2009, the Company was incorporated with an issued share capital of £50,000.001 made up as follows:

Class of shares	Issued Number	Issued Amount	
Ordinary Shares	1	£0.001	Fully paid
Redeemable preference shares of £50,000	1	£50,000	Paid up as to £12,500

(b) On 25 March 2010, the Company issued 457,054,121 Ordinary Shares, 914,108,245 B ordinary shares of 0.1 pence each and 1 deferred share of 0.1 pence each, after which the issued share capital of the Company was made up as follows:

Class of shares	Issued Number	Issued Amount	
Ordinary Shares	457,054,122	£457,054.12	Fully paid
B ordinary shares of 0.1 pence	914,108,245	£914,108.25	Fully paid
Deferred shares of 0.1 pence	1	£0.001	Fully paid
Redeemable preference shares of £50,000	1	£50,000	Paid up as to £12,500

(c) Following a reduction of capital on 26 March 2010, the issued share capital of the Company was reduced by the cancellation of all of the issued B ordinary shares of 0.1 pence each and the issued deferred share of 0.1 pence and was made up as follows:

Class of shares	Issued Number	Issued Amount	
Ordinary Shares	457,054,122	£457,054.12	Fully paid
Redeemable preference shares of £50,000	1	£50,000	Paid up as to £12,500

(d) On 13 December 2010, one redeemable preference share of £50,000 was redeemed after which the issued share capital of the Company was made up as follows:

Class of shares	Issued Number	Issued Amount	
Ordinary Shares	457,054,122	£457,054.12	Fully paid

(e) On 20 January 2012, the Company issued 15,700,421 Ordinary Shares, after which the issued share capital of the Company was made up as follows:

	Issued		
Class of shares	**Number**	**Amount**	
Ordinary Shares	472,754,543	£472,754.54	Fully paid

(f) On 30 January 2012, the Company issued 342,914,034 B redeemable preference shares of 172 pence each and 129,671,384 C irredeemable preference shares of 0.01 pence each, after which the issued share capital of the Company was made up as follows:

	Issued		
Class of shares	**Number**	**Amount**	
Ordinary Shares	472,754,543	£472,754.54	Fully paid
B redeemable preference shares of 172 pence	342,914,034	£589,812,138.48	Fully paid
C irredeemable preference shares of 0.01 pence	129,671,384	£12,967.14	Fully paid

(g) On 31 January 2012, all of the issued C irredeemable preference shares of 0.01 pence each were reclassified as deferred shares of 0.01 pence each in accordance with the Carphone Warehouse Articles and 323,767,468 B redeemable preference shares of 172 pence each were redeemed, after which the issued share capital of the Company was made up as follows:

	Issued		
Class of shares	**Number**	**Amount**	
Ordinary Shares	472,754,543	£472,754.54	Fully paid
B redeemable preference shares of 172 pence	19,146,566	£1,914.66	Fully paid
Deferred shares of 0.01 pence	129,671,384	£12,967.14	Fully paid

(h) On 10 April 2012, 19,146,566 B redeemable preference shares of 172 pence each were redeemed, after which the issued share capital of the Company was made up as follows:

	Issued		
Class of shares	**Number**	**Amount**	
Ordinary Shares	472,754,543	£472,754.54	Fully paid
Deferred shares of 0.01 pence	129,671,384	£12,967.14	Fully paid

(i) Following a reduction of capital on 11 July 2012, the issued share capital of the Company was reduced by the cancellation of all of the issued deferred shares of 0.01 pence each and was made up as follows:

	Issued		
Class of shares	**Number**	**Amount**	
Ordinary Shares	472,754,543	£472,754.54	Fully paid

(j) As at 30 September 2012, being the latest date to which unaudited interim financial information has been prepared, the issued share capital of the Company was made up as follows:

	Issued		
Class of shares	**Number**	**Amount**	
Ordinary Shares	472,754,543	£472,754.54	Fully paid

(k) On 3 May 2013, the Company issued 47,228,179 Ordinary Shares, after which the issued share capital of the Company was made up as follows:

	Issued		
Class of shares	**Number**	**Amount**	
Ordinary Shares	519,982,722	£519,982.72	Fully paid

(l) The issued share capital of the Company as at the date of publication of this document is made up as follows:

	Issued		
Class of shares	**Number**	**Amount**	
Ordinary Shares	519,982,722	£519,982.72	Fully paid

(m) The issued share capital of the Company as it is expected to be after the issue of the Consideration Shares and immediately following Admission will be made up as follows:

	Issued		
Class of shares	**Number**	**Amount**	
Ordinary Shares	562,087,985	£562,087.99	Fully paid

(n) Carphone Warehouse has granted share options in the Company under the Participation Plan to satisfy its obligations under the Best Buy Europe LTIP. The Best Buy Europe LTIP allows participants to share in earnings in excess of minimum growth targets, against the financial year ended 31 March 2009. A minimum value of the pool was agreed during the financial year ended 31 March 2012, in recognition of the value that had already accrued in the scheme in relation to Best Buy Mobile.

During the year ended 31 March 2013, the Company issued 6.9 million nil priced share options under the Participation Plan. These share options are not ordinarily exercisable until June 2015. As at 5 June 2013 (being the latest practicable date prior to the publication of this document) 5.4 million of these nil priced share options were outstanding. Further share options are due to be granted in respect of value that has accrued in the scheme to 31 March 2013.

(o) The Ordinary Shares are in registered form and capable of being held in uncertificated form. The International Securities Identification Number (ISIN) for the Ordinary Shares is GB00B4Y7R145 and the Stock Exchange Daily Official List (SEDOL) number for the Ordinary Shares is B4Y7R14.

(p) The Company does not have in issue any securities not representing share capital and there are no outstanding debentures, convertible securities, exchangeable securities or securities with warrants issued or proposed to be issued by the Company.

2.2 ***Existing Shareholder authorities***

(a) Pursuant to the Act, with effect from 1 October 2009, the concept of authorised share capital was abolished and accordingly there is no limit on the maximum amount of shares that may be allotted by the Company.

(b) Pursuant to a special resolution of the Company dated 27 July 2012 and subject to and in accordance with the Carphone Warehouse Articles, the Directors are generally and unconditionally authorised pursuant to section 551 of the Act to allot shares (as defined in section 540 of the Act) and grant rights to subscribe for or to convert any security into shares in the Company (such shares and rights to subscribe for or to convert any security into shares being **"relevant securities"**):

(i) up to an aggregate nominal amount of £157,584.84;

(ii) comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £315,169.69 (after deducting from such limit any relevant securities allotted under paragraph 2.2(b)(i) above) in connection with an offer by way of a rights issue:

(A) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(B) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,

and so that the Directors may make such exclusions or other arrangements as they consider expedient in relation to fractional entitlements, record dates, legal or practical problems under the law of, or the requirements of any relevant regulatory body or stock exchange in, any territory, or any matter whatsoever, which authorities shall expire at the date falling 15 months after the passing of such resolution or, if sooner, at the conclusion of the Company's annual general meeting in 2013 and provided that the

Directors may, at any time before such authority expires, make offers, agreements or other arrangements which would or might require such securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer, agreement or other arrangement as if such authority had not expired.

(c) Pursuant to a special resolution of the Company dated 27 July 2012, the Directors are generally and unconditionally empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560(1) of the Act) pursuant to the authority conferred by paragraph 2.2(b) as if section 561(1) of the Act did not apply to any such allotment, such power being limited to:

(i) the allotment of equity securities in connection with a rights issue in favour of the holders of Ordinary Shares where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them, but including, in connection with such an issue, the making of such arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or problems under the laws of any territory or the requirements of any regulatory body or any stock exchange; and

(ii) the allotment (other than pursuant to the powers conferred pursuant to paragraph 2.2(c)(i)) of equity securities up to an aggregate nominal amount equal to £23,637 being approximately five per cent. of the aggregate nominal amount of the issued share capital of the Company as at 31 March 2012 and shall expire on the date falling 15 months after the passing of such resolution or, if sooner, at the conclusion of the Company's annual general meeting in 2013 save that the Directors may, at any time before such expiry, make offers, agreements or other arrangements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer, agreement or other arrangements as if the power conferred had not expired.

(d) The provisions of section 561 of the Act (to the extent not disapplied pursuant to section 570 of the Act) confer on Shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in section 560(1) of the Act) which are, or are to be, paid up in cash and apply to the authorised but unissued equity share capital of the Company. These provisions have been disapplied to the extent referred to in paragraph 2.2(c) above.

(e) Pursuant to a special resolution of the Company dated 27 July 2012, the Carphone Warehouse Articles and section 701 of the Act, the Company is unconditionally and generally authorised for the purposes of section 693 of the Act to make market purchases (as defined in section 693(4) of the Act) of Ordinary Shares provided that:

(i) the maximum aggregate number of shares authorised to be purchased is 47,275,454;

(ii) the minimum price which may be paid is the 0.1 pence nominal value of each share;

(iii) the maximum price (exclusive of expenses) which may be paid for such shares is an amount no more than five per cent. above the average of the middle market quotations of the Ordinary Shares derived from the daily official list of the London Stock Exchange for the five business days immediately before the day on which the purchase is made;

(iv) such authority shall expire on the date falling 15 months after the passing of the resolution or, if sooner, at the conclusion of the Company's annual general meeting in 2013; and

(v) the Company may make a contract or contracts to purchase Ordinary Shares under such authority prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

3. **Summary of the Carphone Warehouse Articles**

The Carphone Warehouse Articles, which were adopted pursuant to a special resolution of Carphone Warehouse passed on 20 January 2012, contain, amongst other things, provisions to the following effect:

(a) *Objects*

Section 31 of the Act provides that the objects of a company are unrestricted unless any restrictions are set out in its articles. There are no such restrictions in the Carphone Warehouse Articles and the objects of Carphone Warehouse are therefore unrestricted.

(b) *Rights attaching to Ordinary Shares*

(i) *Voting rights*

(A) Subject to the provisions of the Act and of the Carphone Warehouse Articles and to any rights or restrictions as to voting attached to any class of shares, at any general meeting on a show of hands, every member who (being an individual) is present in person has one vote. On a vote on a show of hands, a proxy appointed by one member has one vote. On a vote on a show of hands, a proxy appointed by more than one member has one vote, if instructed to vote in the same way by all those members and is entitled to one vote for and one vote against, if instructed to vote in different ways by those members.

(B) On a poll, every member present in person or by proxy has one vote for each share of which he is the holder. A member of Carphone Warehouse shall not be entitled, in respect of any share held by him, to vote (either personally or by proxy) at any general meeting of Carphone Warehouse unless all amounts payable by him in respect of that share in Carphone Warehouse have been paid or credited as having been paid.

(ii) *Joint holders*

In the case of joint holders of shares, only the vote of the senior holder who votes (and any proxies duly authorised by him) may be counted. For this purpose, the senior holder of a share shall be determined by the order in which the names of the joint holders stand in the register of members.

(iii) *Dividends*

Subject to the provisions of the Act and of the Carphone Warehouse Articles and to any special rights attaching to any shares, Carphone Warehouse may by ordinary resolution declare that out of profits available for distribution dividends be paid to members of the Company according to their respective rights and interests in the profits of the Company. However, no such dividends shall exceed the amount recommended by the Board.

Except as otherwise provided by the Carphone Warehouse Articles or by the rights attached to shares, all dividends shall be apportioned and paid *pro rata* according to the amounts paid up or credited as paid up (otherwise than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid.

Interim dividends may be paid provided that they appear to the Board to be justified by the profits available for distribution and the financial position of Carphone Warehouse.

Unless otherwise provided by the rights attached to any share, no dividends in respect of a share shall bear interest.

The Company in general meeting may, on the recommendation of the Board, by ordinary resolution direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular, of fully paid shares or debentures of any other company.

The Board may, with the prior authority of an ordinary resolution of Carphone Warehouse and provided the Company has sufficient undistributed profits or reserves to give effect to it, offer the holders of ordinary shares the right to elect to receive ordinary shares credited as fully paid in whole or in part instead of cash in respect of all or part of any dividend specified by the ordinary resolution. Any dividend unclaimed after a period of 12 years from the date on which the dividend became due for payment shall (if the Board so resolves) be forfeited and shall revert to Carphone Warehouse.

(c) *Transfer of shares*

Save in the case of shares which have become participating securities for the purposes of the CREST Regulations, title to which may be transferred by means of a relevant system such as CREST without a written instrument, all transfers of shares must be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. The instrument of transfer shall be executed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The Board may, in its absolute discretion, refuse to register any transfer of certificated shares unless it is:

(i) in respect of a share which is fully paid up;

(ii) in respect of a share on which Carphone Warehouse has no lien;

(iii) in respect of only one class of share;

(iv) in favour of a single transferee or not more than four joint transferees;

(v) duly stamped (if required); and

(vi) delivered for registration to the registered office of the Company (or such other place as the Board may from time to time determine) accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so,

provided that the Board may not exercise such discretion in such a way as to prevent dealing from taking place on an open and proper basis.

The Board may, in its absolute discretion, refuse to register the transfer of an uncertificated share which is in favour of more than four persons jointly or in any other circumstances permitted by the CREST Regulations (subject to any relevant requirements of any recognised stock exchange(s) to which the shares are admitted).

If the Board refuses to register a transfer it must, within two months after the date on which the transfer was lodged with Carphone Warehouse, send notice of the refusal to the transferee together with its reasons for refusal.

There exist no provisions in the Carphone Warehouse Articles that would delay, defer or prevent a change in control of the Company.

The Ordinary Shares issued are, and the Consideration Shares to be issued will be, in registered form. Title to the Ordinary Shares in issue or to be issued may be transferred by means of a relevant system such as CREST.

(d) *Disclosure of interests in shares*

The provisions of rule 5 of the Disclosure and Transparency Rules govern the circumstances in which a person may be required to disclose his interests in the share capital of Carphone Warehouse. Amongst other things, this requires a person who is interested in three per cent. or more of the voting rights in respect of Carphone Warehouse's issued ordinary share capital to notify his interest to Carphone Warehouse (and above that level, any change in such interest equal to one per cent. or more). In addition, the Code contains further provisions pursuant to which a person may be required to disclose his interests in the share capital of Carphone Warehouse.

Pursuant to the Carphone Warehouse Articles, if a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 793 of the Act and has failed in relation to any shares (the **''default shares''**) to give Carphone Warehouse the information thereby required within the prescribed period from the date of the notice, or, in purported compliance with such notice, has made a statement which is false or inadequate in a material particular, then the Board may, at least 14 days after service of the notice, serve on the holder of such default shares a notice (**"disenfranchisement notice"**) pursuant to which, the following sanctions shall apply:

(i) the member shall not be entitled in respect of the default shares to be present or to vote (either in person or by proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

(ii) where the default shares represent at least 0.25 per cent. in nominal value of their class:

(A) any dividend or other money payable in respect of the shares shall be withheld by Carphone Warehouse which shall not have any obligation to pay interest on it and the member shall not be entitled to elect in the case of a scrip dividend to receive shares instead of that dividend; and

(B) subject, in the case of uncertificated shares to the CREST Regulations no transfer, other than an approved transfer, of any shares held by the member shall be registered unless:

– the member is not himself in default as regards supplying the information required; and

– the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares which are the subject of the transfer.

The above sanctions shall also apply to any shares in Carphone Warehouse issued in respect of the default shares (whether on capitalisation, a rights issue or otherwise).

(e) *Distribution of assets on liquidation*

On a winding-up of Carphone Warehouse, the surplus assets remaining after payment of all creditors shall be divided among the members in proportion to the capital which, at the commencement of the winding up, is paid up on their respective shares or the liquidator may, with the sanction of a special resolution of the Company (and any other sanction required by law), divide among the members in specie the whole or any part of the assets of the Company in such manner as shall be determined by the liquidator.

(f) *Changes in share capital*

Carphone Warehouse may alter its share capital as follows:

(i) it may by ordinary resolution consolidate and divide all or any of its share capital into shares of larger amounts, cancel any shares which have not been taken or agreed to be taken by any person and sub-divide its shares or any of them into shares of smaller amounts;

(ii) subject to any consent required by law and to any rights for the time being attached to any shares, it may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or other undistributable reserve in any manner; and

(iii) subject to the provisions of the Act and to any rights for the time being attached to any shares it may with the sanction of a special resolution enter into any contract for the purchase of its own shares.

(g) *Variation of rights*

Subject to the provisions of the Act and of the Carphone Warehouse Articles, if at any time the share capital of the Company is divided into shares of different classes, any of the rights attached to any share or class of share in Carphone Warehouse may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated in such manner (if any) as may be provided by those rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class duly convened and held as provided in the Carphone Warehouse Articles (but not otherwise) and may be so varied or abrogated whilst Carphone

Warehouse is a going concern or while Carphone Warehouse is or is about to be in liquidation. The quorum for such separate general meeting of the holders of the shares of the class shall be not less than two persons present holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the relevant class (excluding any shares of that class held as treasury shares).

(h) *General Meetings*

Subject to the provisions of the Act, an annual general meeting is required to be held every year at such time and place as may be determined by the Board. The Board may convene any other general meeting whenever it thinks fit. General meetings may also be convened on the requisition of members in accordance with the Act.

Pursuant to the Act, 21 clear days' notice of every annual general meeting and 14 clear days' notice of every other general meeting is required to be given (unless, at the relevant time, either of the conditions set out in sub-section 307A(2) and sub-section 307A(3) of the Act have not been met by Carphone Warehouse, in which case at least 21 clear days' notice will be required).

The accidental omission to give notice of general meeting or, in cases where it is intended that it be sent out with the notice, an instrument of proxy, or to give notice of a resolution intended to be moved at a general meeting to, or the non-receipt of any of them by, any person(s) entitled to receive the same shall not invalidate the proceeding at that meeting and shall be disregarded for the purpose of determining whether the notice of the meeting, instrument of proxy or resolution were duly given.

No business shall be transacted at any general meeting unless the requisite quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the choice or appointment of a chairman which shall not be treated as part of the business of the meeting. Subject to the provisions of the Carphone Warehouse Articles, two persons entitled to attend and vote on the business to be transacted, each being a member present in person or a proxy for a member constitutes a quorum.

With the consent of any meeting at which a quorum is present the chairman may adjourn the meeting. Notice of adjournment or of the business to be transacted at the adjourned meeting is not required unless the meeting is adjourned for 14 days or more. No business may be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.

With the consent of any general meeting at which a quorum is present the chairman may, and shall if so directed by the meeting, adjourn the meeting from time to time (or indefinitely) and from place to place as he shall determine. The chairman may, without consent of the meeting, interrupt or adjourn any general meeting if he is of the opinion that it has become necessary to do so in order to secure the proper and orderly conduct of the meeting or to give all persons entitled to do so a reasonable opportunity of speaking and voting at the meeting or to ensure that the business of the meeting is otherwise properly disposed of.

Notice of adjournment or of the business to be transacted at the adjourned meeting is not required unless the meeting is adjourned for 14 days or more, in which case at least 7 clear days' notice is required. No business shall be dealt with at any adjourned meeting, the general nature of which was not stated in the notice of the original meeting.

(i) *Board authorisation of conflicts*

Subject to and in accordance with the Act and the provisions of the Carphone Warehouse Articles, the Board may authorise any matter or situation in which a Director has, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the Company. Any such authorisation shall be effective only if:

(i) any requirement as to the quorum at any meeting of the Directors at which the matter is considered is met without counting either the conflicted Director or any other interested Director;

(ii) the matter or situation was agreed to and any relevant resolution was passed without counting the votes of the conflicted Director and without counting the votes of any other interested Director; and

(iii) the conflicted Director has disclosed in writing all material particulars of the matter, office, employment or position which relates to the matter or situation which is the subject of the conflict or possible conflict.

(j) *Directors' interests in contracts*

Provided permitted by the Act and provided that he has disclosed to the Board the nature and extent of his interest in accordance with the Carphone Warehouse Articles, a Director, notwithstanding his office:

(i) may be party to or otherwise interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested;

(ii) may hold any other office or position of profit under the Company (except that of auditor of the Company or of any subsidiary of the Company) and may act by himself or through his firm in a professional capacity for the Company;

(iii) may be a member of or a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by or promoting the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and

(iv) shall not, by reason of his office, be liable to account to the Company for any dividend, profit, remuneration, superannuation payment or other benefit which he derives from any such office, employment, contract, arrangement, transaction or proposal or from any interest in any such body corporate and no such contract, arrangement, transaction or proposal shall be avoided on the grounds of any Director having any such interest or receiving any such dividend, profit, remuneration, payment or benefit.

(k) *Directors' ability to vote and count for quorum*

Save as provided below, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or any committee of the Board in respect of any transaction or arrangement with Carphone Warehouse in which he has an interest which may reasonably be regarded as likely to give rise to a conflict of interest. A Director shall be entitled to vote (and be counted in the quorum) (subject to the terms of any authorisation given to that Director by the Board) in respect of any resolution at such meeting if the resolution relates to one of the following matters:

(i) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of Carphone Warehouse or any of its subsidiary undertakings;

(ii) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of Carphone Warehouse or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;

(iii) where Carphone Warehouse or any of its subsidiary undertakings is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;

(iv) relating to another company in which he and any persons connected with him do not to his knowledge hold an interest in shares representing one per cent. or more of either any class of the equity share capital, or the voting rights, in such company;

(v) relating to an arrangement for the benefit of the employees of Carphone Warehouse or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;

(vi) concerning insurance which Carphone Warehouse proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors;

(vii) the funding of expenditure by one or more Directors in defending proceedings against them or doing anything to enable such Directors to avoid incurring such expenditure provided that such funding is consistent with, or no more beneficial than the provisions of the Carphone Warehouse Articles and is permitted pursuant to the provisions of the relevant legislation; or

(viii) the giving of an indemnity or indemnities in favour of one or more Directors which is/are consistent with, or no more beneficial than any such indemnity provided pursuant to the Carphone Warehouse Articles (and provided such indemnities are permitted pursuant to the relevant legislation).

A Director may not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment as the holder of any office or place of profit with Carphone Warehouse or any company in which Carphone Warehouse is interested (including fixing or varying the terms of such appointment or its termination).

Where proposals are under consideration concerning the appointments (including fixing or varying the terms of the appointment) of two or more Directors to offices or places of profit with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each Director. In each case, each such Director (if not otherwise debarred from voting) is entitled to vote (and be counted in the quorum) in respect of each resolution except that resolution concerning his own appointment.

(l) *Directors*

The aggregate fees which the Directors (other than alternate directors) shall be entitled to receive for their services in the office of director shall not exceed £500,000 per annum, or such other sum as may from time to time be determined by an ordinary resolution of Carphone Warehouse. Such sum (unless otherwise directed by the resolution of Carphone Warehouse by which it is approved) shall be divided among the Directors in such proportions and in such manner as the Board may determine or, in default of such determination, equally (save where any Director has held office for less than the whole of the relevant period in respect of which the fees are paid).

All of the Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as directors. If by arrangement with the Board any Director performs any special duties or services outside his ordinary duties as a Director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration which may be by a lump sum or by way of salary, commission, participation in profits or otherwise as the Board may determine.

(m) *Pensions and benefits*

The Board may exercise all the powers of Carphone Warehouse to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (by insurance or otherwise) for any person who is or who has at any time been a Director or any director of a subsidiary company of Carphone Warehouse or allied to or associated with Carphone Warehouse or any such subsidiary or predecessor in business of Carphone Warehouse or any such subsidiary (and for any member of his family including a spouse or former spouse or civil partner or former civil partner or any person who is or was dependent on him). For this purpose the Board may establish, maintain, subscribe and contribute to any scheme, institution, club, trust or fund and pay premiums.

(n) *Indemnification of Directors*

Subject to, and to the fullest extent permitted by, law, every Director and every director of any associated company, former Director, alternate Director, secretary or other officer of the Company (other than an auditor) shall be fully indemnified out of the assets of the Company against all or any part of any costs, charges, losses, damages and liabilities incurred by him in relation to anything done, omitted or alleged to have been done by him in the actual or purported execution or discharge of his duties or exercise of his powers in relation to the Company or in connection with the Company's activities as trustee of any occupational pension scheme, subject to the exclusions set out in the Carphone Warehouse Articles.

(o) *Borrowing powers*

Subject to the provisions of the relevant legislation and to the provisions set out in the Carphone Warehouse Articles, the Board may exercise all the powers of Carphone Warehouse to borrow money to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present or future) and uncalled capital, or any part or parts thereof and, subject to the provisions of the relevant legislation, to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of Carphone Warehouse or any third party. The aggregate amount for the time being outstanding in respect of monies borrowed by Carphone Warehouse and its subsidiary undertakings and for the time being owing to persons outside Carphone Warehouse and its subsidiary undertakings shall not at any time, without the previous sanction of an ordinary resolution of Carphone Warehouse, exceed a sum equal to five times the aggregate of:

(i) the amount paid up on the issued share capital of Carphone Warehouse; and

(ii) the total of the capital and revenue reserves of the Group (including any share premium account, capital redemption reserve and credit balance on the profit and loss account) in each case, whether or not such amounts are available for distribution, all as shown in the relevant balance sheet of the Group but after certain adjustments as set out in the Carphone Warehouse Articles.

4. **Major Shareholders**

4.1 In addition to the interests of the Directors set out in Part XI of this document, as at 5 June 2013 (being the latest practicable date prior to the publication of this document), insofar as it is known to the Company, the following persons are, or will at Admission be, interested directly or indirectly in three per cent. or more of the voting rights in respect of the issued ordinary share capital of the Company based on the assumption that the holdings of such persons in Carphone Warehouse as at 5 June 2013 do not change, 42,105,263 Consideration Shares are issued in connection with the Acquisition and that no other issues of Ordinary Shares occur between the date of this document and Admission:

	As at the date of this document		Immediately following Admission	
Name	**Number of Ordinary Shares**	**Percentage of issued Ordinary Shares**	**Number of Ordinary Shares**	**Percentage of issued Ordinary Shares**
D P J Ross	56,388,699	10.84	56,388,699	10.03
BlackRock Investment Management (UK) Limited	51,403,163	9.89	51,403,163	9.15
Best Buy	0	0	42,105,263	7.49
M&G Investment Management Limited	41,731,619	8.03	41,731,619	7.42
Invesco Asset Management	18,376,910	3.53	18,376,910	3.27
Newton Investment Management Ltd	16,159,923	3.11	16,159,923	2.87
Odey Asset Management LLP	15,966,659	3.07	15,966,659	2.84

4.2 Save as disclosed above, the Directors are not aware of any person who is interested directly or indirectly in three per cent. or more of the existing issued share capital of the Company.

4.3 As at 5 June 2013 (being the latest practicable date prior to the publication of this document), the Company was not aware of any person or persons who directly or indirectly, jointly or severally, exercise or could exercise control over the Company, nor is it aware of any arrangements the operation of which may result in a change in control of the Company.

4.4 The Company's share capital consists of one class of ordinary shares with equal voting rights (subject to the Carphone Warehouse Articles). None of the Company's major shareholders has or will have different voting rights attached to the shares they hold in the Company.

5. **Related party transactions**

5.1 Save as disclosed in the financial information set out in the related party note to the financial information of the Carphone Warehouse Group for the financial years ended 31 March 2012, 31 March 2011 and 31 March 2010, in the related party note to the financial information of the Carphone Warehouse Group for the six months ended 30 September 2012, in the related party note to the financial information of the New BBED Group for the 52 weeks ended 31 March 2012, 2 April 2011 and 3 April 2010 and in the related party note to the financial information of the New BBED Group for the 26 weeks ended 29 September 2012 which are set out in Part VII of this document, and save as set out in paragraph 5.2 of this Part XII, the Group has entered into no related party transactions of the kind set out in the Standards adopted according to Regulation (EC) No 1606/2002 during the financial years ended 31 March 2012, 31 March 2011 and 31 March 2010 or during the period between 1 April 2012 and 5 June 2013 (being the latest practicable date prior to the publication of this document).

5.2 Between 1 October 2012 and 5 June 2013 (being the latest practicable date prior to the publication of this document) the Group has been party to the following transactions with related parties:

	New BBED Group £m	**Virgin Mobile Group £m**
Revenue for services provided	1.8	—
Net interest and other finance income	—	0.5

Revenue for services provided relates to investment property rental income.

6. **Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by Carphone Warehouse or another member of the Group (i) within the two years immediately preceding the date of this document and are or may be material to the Group or (ii) which contain provisions under which any member of the Group has an obligation or entitlement which is or may be material to the Group as at the date of this document.

6.1 ***Implementation Agreement***

Best Buy Distributions, Best Buy UK Holdings, Best Buy, New BBED and the Company entered into the Implementation Agreement on 29 April 2013. The Implementation Agreement provides for the detailed implementation of the Acquisition.

Best Buy Distributions and Best Buy UK Holdings have agreed to the capital reduction and cancellation of all of the ordinary shares and deferred shares they hold in New BBED, being in total 50 per cent. of the issued share capital of New BBED. In consideration of the disposal by Best Buy Distributions and Best Buy UK Holdings of their shares in New BBED pursuant to the capital reduction, New BBED has agreed to pay the Initial Consideration and the Deferred Consideration to Best Buy Distributions and Best Buy UK Holdings and procure that Carphone Warehouse issues the Consideration Shares to Best Buy UK Holdings such that following Completion Carphone Warehouse will hold 100 per cent. of the shares in New BBED.

Completion is conditional on:

(a) the FCA having acknowledged that the application for the admission of the Enlarged Issued Share Capital to the Official List has been approved and the London Stock Exchange having acknowledged that the Enlarged Issued Share Capital will be admitted to trading on its main market for listed securities; and

(b) the Autorité de la concurrence in France having declared that the Acquisition will not substantially lessen competition, or the time limit for the Ministry of Economy in France requesting that the Autorité de la concurrence open a Phase II review having expired without any such request having been made, or the Autorité de la concurrence having issued a comfort letter declaring that the Acquisition falls outside of the scope of review.

Pursuant to the Implementation Agreement, the gross consideration payable by the Group in connection with the Acquisition is £500 million. However, payments to the Group from the Best Buy Group of approximately £29 million in respect of the prepayment or termination of the Group's other interests with the Best Buy Group pursuant to the terms of the Termination Agreement will be offset against the gross consideration with the net consideration therefore being £471 million.

The net consideration for the Acquisition will be satisfied as follows:

- £341 million payable in cash on Completion, funded through the net proceeds of the Placing and a new £250 million four-year amortising sterling term loan facility;
- £80 million by the issue to the Best Buy Group on Admission of the Consideration Shares at 190 pence per share, representing approximately 7.5 per cent. of the Enlarged Issued Share Capital; and
- £50 million of Deferred Consideration, which bears interest at 2.5 per cent. per annum, payable to the Best Buy Group in two equal instalments of £25 million each in cash on the first and second anniversaries of Completion.

Under the terms of the Implementation Agreement, each of Best Buy Distributions and Best Buy UK Holdings has undertaken to the Company (subject to certain exceptions including disposals by way of acceptance of a takeover offer for the entire issued share capital of the Company) not to dispose of the Consideration Shares held by each of them at any time during the period of 12 months from the date of Completion (the **"Lock-in Period"**). Each of Best Buy, Best Buy Distributions and Best Buy UK Holdings has also agreed (subject to certain exceptions) to waive any rights to dividends payable on the Consideration Shares held by them during the Lock-in Period (**"Waived Dividends"**).

The Implementation Agreement also includes provisions giving Carphone Warehouse the right during the Lock-in Period to place the Consideration Shares on behalf of members of the Best Buy Group at a price not less than the issue price (**"Original Value"**), should the Company determine that there is sufficient demand in the market. If the aggregate of the proceeds from any sale of the Consideration Shares during the Lock-in Period and the value at the end of such period of any Consideration Shares still held by members of the Best Buy Group (**"Total Value"**) is greater than the Original Value then Carphone Warehouse will retain the amount by which the Total Value exceeds the Original Value. In turn, Carphone Warehouse has an obligation to compensate Best Buy UK Holdings if such Total Value is less than 80 per cent. of the Original Value (**"Minimum Value"**) by an amount equal to the difference between the Total Value and the Minimum Value. If the Total Value is greater than the Minimum Value but less than the Original Value then the Company has to compensate Best Buy UK Holdings for the amount of such difference but only up to the amount of the Waived Dividends. If the Total Value is less than the Minimum Value, any compensation up to £10 million will be paid in cash with any additional compensation being satisfied as the Company may decide in cash and/or by the issue of further shares in the Company based on the share price at that time.

Furthermore, each of Best Buy Distributions and Best Buy UK Holdings has also agreed that any Consideration Shares and any compensation shares held by members of the Best Buy Group in the 12 months following the end of the Lock-in Period may be sold as the Best Buy Group decides, subject to an orderly market obligation.

The Implementation Agreement also includes restrictive covenants which, subject to certain exceptions, restrict the Best Buy Group from carrying on a business in certain specified jurisdictions which competes with the business of the Group. There are also mutual undertakings not to solicit employees away from one another.

The Implementation Agreement contains warranties from Best Buy, Best Buy Distributions and Best Buy UK Holdings in favour of the Company and from the Company in favour of Best Buy Distributions and Best Buy UK Holdings in relation to, amongst other things, capacity and insolvency.

The Implementation Agreement is governed by English law and is subject to the exclusive jurisdiction of the English courts.

6.2 ***Termination Agreement***

Under the terms of the Implementation Agreement, Carphone Warehouse, Best Buy, Best Buy Distributions, CPW Retail, Best Buy Europe and New BBED, amongst others, have agreed to enter into the Termination Agreement at Completion.

Pursuant to the Termination Agreement, the parties to it have agreed the terms on which a number of agreements entered into between them in connection with their past and current global business relationships (including the Heads of Terms, the Option Agreement, the Global Connect Agreement, the Best Buy Consultancy Agreement, the New BBED Shareholders' Agreement, the Consortium Relief Agreement and the Best Buy Agreement) should be terminated, amended or both, in each case with effect from Completion.

The parties have agreed the amendments to the Best Buy Consultancy Agreement and the New BBED Shareholders' Agreement in consideration for the payment by the Best Buy Group to the Group of approximately £29 million in respect of the prepayment or termination of the Group's interests with the Best Buy Group.

The Termination Agreement is governed by English law and is subject to the exclusive jurisdiction of the English courts.

6.3 *Geek Squad Licence Agreement*

Upon Completion Best Buy International Finance Sarl, Best Buy Enterprise Services, Inc, Best Buy, New BBED and the Company will enter into the Geek Squad Licence Agreement in relation to the Geek Squad brand.

Under the terms of the Geek Squad Licence Agreement the Group is granted an exclusive licence to use the Geek Squad brand in the Territory (as defined below) together with Belgium and Luxembourg in more limited circumstances.

The use of the Geek Squad brand is only subject to the payment of a royalty after an initial 10 year period. The royalty is subject to a minimum but capped at a maximum amount each year.

The Geek Squad Licence Agreement is subject to certain termination rights including upon a change of control of New BBED or the Company.

After three years from Completion the Best Buy Group is permitted to use the Geek Squad brand in France, Germany, the Netherlands, Portugal, the Republic of Ireland, Spain, Sweden and the UK (the "**Territory**") as part of any consumer electronics business operated by the Best Buy Group in the Territory. Upon a change of control any restrictions on the use of the Geek Squad brand by the Best Buy Group fall away.

The Geek Squad Licence Agreement can be terminated on notice on a per country basis where certain revenue targets for Geek Squad services are not achieved.

There is a prescribed period before any termination of the Geek Squad Licence Agreement upon a change of control of New BBED or the Company is effective with a further run off period to phase out use of the Geek Squad brand. Any termination for change of control is subject to Best Buy International Finance Sarl paying a fee to New BBED equal to the value of the Geek Squad business of the Group.

The Geek Squad Licence Agreement is governed by English law and is subject to the exclusive jurisdiction of the English courts.

6.4 *Revolving credit facility agreement*

Best Buy Europe and the Borrowers (as defined below) have had made available to them a £400,000,000 multi-currency revolving credit facility pursuant to a facility agreement dated 27 July 2011 and as amended and restated on 14 December 2011 and 29 May 2013 and made between, amongst others, (1) New BBED, Best Buy Europe, The Carphone Warehouse Limited and ISe-Net Solutions Limited (the "**Borrowers**") and (2) the Original Lenders (as therein defined), including Barclays Bank PLC, HSBC Bank PLC and The Royal Bank of Scotland plc (the "**Existing RCF**"), for the purpose of refinancing their existing facilities in full and for the general corporate purposes of the Borrowers. The rate of interest payable on borrowings is the aggregate of the applicable margin (ranging from 1.20 per cent. to 1.85 per cent. per annum, depending on compliance with one of the financial covenants), LIBOR (or EURIBOR in relation to any loan denominated in euro) and any mandatory cost as determined under the terms of the Existing RCF. A commitment fee, arrangement fee, documentation agency fee and utilisation fee are also payable under the terms of the Existing RCF. The Existing RCF contains certain customary representations, undertakings and events of default and is secured by cross guarantees granted by certain Borrowers. The Existing

RCF is due to mature on 27 July 2015, but will be amended, restated and extended under the terms of a new facility agreement to be entered into on Completion and as summarised in paragraph 6.5 below.

6.5 ***New revolving credit facility and term loan agreement***

Under the terms of a new facility agreement to be entered into on or around Completion between, amongst others, (1) the Company, (2) the Original Lenders, being Barclays Bank PLC, BNP Paribas Fortis S.A/N.V and The Royal Bank of Scotland plc, (the "**New Facility Agreement**") the existing £400,000,000 multi-currency revolving credit facility (summarised in paragraph 6.4 above) will be replaced with a new multi-currency credit facility which will be essentially on the same terms as the existing revolving credit facility but will, amongst other things, be made available to the Company as the main borrower and will mature on 29 April 2017 (the "**New RCF**"). In addition, under the terms of the New Facility Agreement, the Company will also have made available to it a £250,000,000 four-year amortising term loan maturing on 29 April 2017 (the "**Term Loan**" with the New RCF and the Term Loan together being the "**New Facilities**"). The New RCF is to be made available for the purposes of the refinancing in full of the Existing RCF (as defined in paragraph 6.4 above), payment of fees in connection with the New Facilities and the general corporate purposes of the Group. The Term Loan is to be made available for the purpose of discharging the consideration in connection with the Acquisition and any transaction costs in connection with the Acquisition and the Term Loan amortises to £225 million in year two and to £175 million in year three. The New Facilities will be fully underwritten by the Original Lenders and will be syndicated. The rate of interest payable on borrowings is the aggregate of the applicable margin (ranging from 1.50 per cent. to 2.25 per cent. per annum in relation to the New RCF and 1.75 per cent. to 2.50 per cent. in relation to the Term Loan, depending on compliance with one of the financial covenants) and LIBOR (or EURIBOR in relation to any loan advanced under the New RCF denominated in euro). Under the terms of the New Facility Agreement, a ticking fee, an arrangement fee, an underwriting fee and an agency fee will be payable in relation to the New Facilities together with a commitment fee and utilisation fee, being payable in relation to the New RCF. The New Facility Agreement contains certain customary representations, undertakings and events of default and the New Facilities will be secured by cross guarantees granted by certain members of the Group.

6.6 ***Placing Agreement***

Under the terms of the Placing Agreement, the Joint Bookrunners agreed severally, subject to certain conditions, to act as agents for the Company and to use reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. To the extent that any subscribers procured by the Joint Bookrunners failed to subscribe for any or all of the Placing Shares for which they had agreed to subscribe at the Placing Price, the Joint Bookrunners agreed, on the terms and subject to the conditions set out in the Placing Agreement, to subscribe for such Placing Shares at the Placing Price.

The Placing was conducted by way of an accelerated bookbuilding process and raised approximately £105 million (before expenses) through the issue of 47,228,179 Placing Shares at the Placing Price to subscribers procured by the Joint Bookrunners. The consideration for the allotment of the Placing Shares to the subscribers procured by the Joint Bookrunners was the transfer by Deutsche Bank (acting in its capacity as a subscriber for redeemable preference shares and ordinary shares in NewCo) to the Company of such shares in NewCo in accordance with the terms and conditions set out in the Subscription and Transfer Agreement.

The Placing Agreement was conditional upon, amongst other things, the admission of the Placing Shares to listing on the standard segment of the Official List and to trading on the London Stock Exchange's main market for listed securities occurring on or before 8.00 a.m. on 3 May 2013 (or such later date as the Company and the Joint Bookrunners may have agreed, being not later than 5.00 p.m. on 31 July 2013). The Placing Agreement contains warranties from the Company in favour of the Joint Bookrunners in relation to, amongst other things, the accuracy of the information contained in certain documents issued by the Company in connection with the Placing and other matters relating to the Group and its business. In addition, the Company agreed to indemnify the Joint Bookrunners in respect of certain liabilities each may incur in respect of the Placing. The Joint Bookrunners had the right to terminate the Placing Agreement in certain circumstances prior to admission, in particular, in the event of a material breach of the warranties or a force majeure event.

Additionally, the Company agreed to pay the properly incurred costs and expenses of the Joint Bookrunners in connection with the Placing (including any applicable VAT).

6.7 ***Put and Call Option Agreement and Subscription and Transfer Agreement***

In connection with the Placing, the Company, NewCo and Deutsche Bank entered into a Put and Call Option Agreement and a Subscription and Transfer Agreement each dated 30 April 2013, in respect of the subscription and transfer of ordinary shares and redeemable preference shares in NewCo. Under the terms of the Put and Call Option Agreement the Company and Deutsche Bank agreed to subscribe for and acquire ordinary shares in NewCo and enter into put and call options in respect of the ordinary shares in Newco acquired by Deutsche Bank that were exercisable in the event the Placing did not proceed.

Under the Subscription and Transfer Agreement, Deutsche Bank agreed to subscribe for redeemable preference shares in Newco to an aggregate value equal to the net proceeds of the Placing. Subject to and conditional upon, amongst other things, the Placing Agreement having become unconditional, the Company agreed to allot and issue the Placing Shares (in accordance with the terms of the Placing Agreement) to subscribers procured by the Joint Bookrunners in consideration for Deutsche Bank transferring its holdings of redeemable preference shares and ordinary shares in NewCo to the Company.

Accordingly, instead of receiving cash as consideration for the issue of the Placing Shares, at the conclusion of the Placing, the Company owned the entire issued ordinary and redeemable preference share capital of NewCo whose only assets were its cash reserves, which represented an amount equivalent to the net proceeds of the Placing. The Company was able to utilise this amount equivalent to the net proceeds of the Placing by exercising its right of redemption over the redeemable preference shares it held in Newco.

The Put and Call Option Agreement and the Subscription and Transfer Agreement each contain warranties from the Company and NewCo in favour of Deutsche Bank in relation to, amongst other things, the capacity of NewCo and the Company and the share capital of NewCo.

6.8 ***Heads of Terms***

Best Buy and Carphone Warehouse entered into the Heads of Terms on 6 November 2011. The Heads of Terms set out the framework for the following:

(a) the Best Buy Mobile Disposal;

(b) certain corporate governance matters relating to the conduct of the Best Buy Europe Group (details of which are included in the Global Connect Governance Paper);

(c) the Global Connect Arrangements; and

(d) the Options.

The Heads of Terms are expressed to be legally binding and are governed by English law.

Under the terms of the Termination Agreement, the Heads of Terms will terminate upon Completion.

6.9 ***Best Buy Implementation Agreement***

Best Buy and Carphone Warehouse entered into the Best Buy Implementation Agreement on 12 December 2011. The Best Buy Implementation Agreement provides for the detailed implementation of the Best Buy Mobile Disposal. The Best Buy Implementation Agreement also addresses the relationship between Carphone Warehouse and Best Buy in the period between completion of the preparatory steps of the reorganisation which took place prior to completion of the Best Buy Mobile Disposal (at which time the Best Buy Shareholders' Agreement fell away) and signature of the New BBED Shareholders' Agreement at the time of completion of the Best Buy Mobile Disposal.

The Best Buy Implementation Agreement is governed by English law and is subject to the exclusive jurisdiction of the English courts.

6.10 ***Option Agreement***

Following completion of the Best Buy Mobile Disposal, the Company and Best Buy entered into the Option Agreement granting each other certain put and call options in respect of their respective interests in New BBED and the Global Connect Businesses.

Pursuant to the Option Agreement, each of Best Buy and the Company undertakes to the other that it will not sell, mortgage or otherwise dispose of any interest in the securities the subject of any of the options under the Option Agreement until completion of the relevant option except as may be permitted pursuant to the New BBED Shareholders' Agreement or the Global Connect Agreement.

The Option Agreement contains other customary provisions for an option agreement, including in respect of any reorganisation of shares the subject of an option, a prohibition on assignment except intra-group, further assurance, time of the essence, invalidity, releases and waivers, counterparts, remedies, third party rights, confidentiality, costs and expenses and notices.

The Option Agreement terminates in respect of the option in question when that option has been exercised and completed.

Once one party to the Option Agreement has acquired pursuant to the relevant option the other party's interests in New BBED or any other Global Connect Business, any other option in respect of any other interest of the other party in the business the subject of the exercised and completed option shall no longer be capable of being exercised and the provisions relating to the exercise and completion of such other option(s) shall be terminated.

The Option Agreement is governed by English law and subject to the exclusive jurisdiction of the English courts.

Under the terms of the Termination Agreement, the Option Agreement will terminate upon Completion.

6.11 ***Global Connect Agreement***

Under the Heads of Terms, the Company and Best Buy agreed to enter into the Global Connect Agreement in respect of the Global Connect Businesses in any territory outside of Europe, Canada and the United States (the "**Global Connect Territories**").

In China and Mexico, the parties agreed to operate the Global Connect Business through existing Best Buy distribution channels in those territories. Best Buy agreed to pay the Company 20 per cent. of incremental EVA in each of those countries. The Company's entitlement in China started from 1 January 2012 and in Mexico from the date the first Global Connect Business commences trading in that country. The starting EVA for Mexico is zero. The starting EVA for China was based on the actual performance of the current mobile business in that country over the 12 months to 31 December 2011. The Company is entitled to verify the starting EVA for China within 12 months after the end of the first accounting year of the Global Connect Business in China, with an agreed process for verification and the resolution of any disagreements. Best Buy will provide all capital to the Global Connect Businesses in China and Mexico and will be entitled to receive a fixed rate of interest on such capital as part of the calculation of incremental EVA.

The Global Connect Agreement provides that in the Global Connect Territories other than China and Mexico, Best Buy and Carphone Warehouse will have an equal 50 per cent. share of the expenses and fees.

The governance of the Global Connect Business across all of the Global Connect Territories will be subject to the management and oversight of the Global Connect Board. The Global Connect Board consists of a voting member from each of the Company and Best Buy, together with other non-voting members from time to time.

The Global Connect Agreement includes an escalation procedure to assist in resolving any deadlock or other disputes that may arise between the Company and Best Buy.

The Global Connect Agreement also includes the detailed mechanics to calculate incremental EVA and restrictive covenants, both during the carrying on of the Global Connect Business and for three years following any party ceasing to be involved with such business.

The Global Connect Agreement is governed by the laws of the State of New York and is subject to the exclusive jurisdiction of the courts of the State of New York.

Under the terms of the Termination Agreement, the Global Connect Agreement will terminate upon Completion although, subject to certain amendments set out in the Termination Agreement, each party to the Global Connect Agreement will retain certain rights or claims that may exist thereunder as at the date of such termination.

6.12 ***New Tax Sharing and Indemnity Deed***

Best Buy, Carphone Warehouse and New BBED entered into the New Tax Sharing and Indemnity Deed on 23 January 2012. The purpose of the deed is to protect the Group, the New BBED Group and the Best Buy Group against secondary tax liabilities that could be assessed on companies within those groups if a previously connected company does not pay its tax. In addition, the deed gives protection to the Best Buy Group for any tax arising outside the ordinary course of business in companies in the New CPWM Group whilst they were members of the Best Buy Europe Group and any tax arising as a result of the Best Buy Mobile Disposal. In accordance with this the parties agreed the following:

(a) Best Buy undertakes that no act will be carried out or to procure that no act is carried out which will create a degrouping charge for tax purposes which could be assessed on a member of the New BBED Group;

(b) Best Buy covenants to pay any secondary tax liabilities that arise in the New BBED Group or in the Group as a consequence of a failure by any member of the Best Buy Group to pay tax;

(c) New BBED covenants to pay any secondary tax liabilities that arise in the Best Buy Group, the New CPWM Group or the Group as a consequence of a failure of any member of the New BBED Group to pay tax;

(d) New BBED covenants to pay any tax liabilities arising in the New CPWM Group which arise during any periods up to 30 September 2011 save for those provided in the accounts for the year ended 31 March 2011 or those arising in the ordinary course of business of the relevant company; and

(e) New BBED covenants to pay any tax liabilities arising in the New CPWM Group which arise as a result of the Best Buy Mobile Disposal up to an agreed financial cap. Additionally, the parties agree obligations in respect of tax compliance (including group relief).

6.13 ***Best Buy Consultancy Agreement***

The Company has agreed that it will provide certain consultancy services to Best Buy in respect of the Best Buy Mobile Business in return for a fee of £5 million a year for five years with effect from completion of the Best Buy Mobile Disposal. The fee is paid quarterly in arrears. The services to be provided by the Company to Best Buy include, amongst others:

(a) attendance by Sir Charles Dunstone at certain meetings each year with the chief executive officer of Best Buy to discuss New BBED shareholder matters and the Global Connect Business strategy;

(b) Sir Charles Dunstone providing advice and assistance to the Global Connect Board (including in respect of contacting such MNOs as the Global Connect Board shall reasonably request); and

(c) Sir Charles Dunstone providing advice and assistance to the Global Connect Board and the Global Connect Businesses from time to time.

Best Buy shall provide the Company with a remedy period of 14 days if the Company fails to perform any of the above services for any reason and, if such failure continues, Best Buy's sole remedy against Carphone Warehouse or Sir Charles Dunstone will be a pro-rata reduction in the annual fee and material non-performance will permit Best Buy to terminate all future payments.

The parties have agreed not to disclose any confidential information provided by one to the other.

Under the terms of the Termination Agreement, the Best Buy Consultancy Agreement will terminate upon Completion in consideration for the payment by Best Buy to CPW Consultancy of £20 million, representing a payment of £10 million per annum for each year of the Best Buy Consultancy Agreement that remains following Completion. Subject to certain amendments set out in the Termination Agreement each party to the Best Buy Consultancy Agreement will retain certain rights or claims that may exist thereunder as at the date of such termination.

6.14 ***New BBED Shareholders' Agreement***

The New BBED Shareholders' Agreement was entered into following completion of the Best Buy Mobile Disposal and sets out matters governing the parties' respective interests in the New BBED Group and the management and provision of finance to the New BBED Group.

Under the terms of the New BBED Shareholders' Agreement, each of Best Buy and Carphone Warehouse agrees to guarantee the performance by the Group (in the case of Carphone Warehouse and which, for the purposes of the New BBED Shareholders' Agreement, excludes the New BBED Group) or Best Buy Distributions (in the case of Best Buy) of its obligations under the New BBED Shareholders' Agreement and to indemnify each other and the New BBED Group for all losses which they, or the New BBED Group, may suffer from any failure to perform such obligations.

Each of the parties agrees that the New BBED Group will be financed out of cashflow and its own bank facilities and that the shareholders of New BBED will only be required to make loans or letters of support to the New BBED Group if they both decide to do so.

Save for certain reserved matters, the business and affairs of the Best Buy Europe Group is managed by the shareholders, the board and the management team of the New BBED Group. The board comprises a minimum of two directors, including a chief executive officer and a chief financial officer. Each of Best Buy Distributions and Carphone Warehouse retains the right to appoint up to two directors each. The chairman of New BBED does not have a casting vote. The board's decisions are made by simple majority vote. The consent of the Best Buy Group as a shareholder are required in respect of setting the compensation levels of the chief executive officer, the chief financial officer and chief operating officer, together with the appointment of such officers, and approving the New BBED Group's capital expenditure and budget. The board of New BBED is also subject to the powers and authorities of the Global Connect Board under the provisions of the Global Connect Governance Paper in areas such as remuneration matters.

Certain matters are also reserved for and require the prior consent of both Best Buy Distributions and Carphone Warehouse as shareholders in New BBED. These include, amongst other things, modifications to the share capital of New BBED, related party transactions and any material decisions relating to any sale of shares in New BBED by either shareholder. The New BBED Shareholders' Agreement contains provisions governing how a deadlock is resolved where a serious issue has arisen or there has been a breakdown in relations of the board that will materially affect the day-to-day operations or the long-term development of the business. While a deadlock exists, and in the event that a deadlock remains unresolved, the management and operation of the New BBED Group shall continue in a manner consistent with the situation prior to the deadlock. The failure to resolve a deadlock will not give rise to the liquidation of the New BBED Group. New BBED will also have a defined dividend policy, as stated in the New BBED Shareholders' Agreement.

Each of Best Buy and the Group is restricted in certain of its activities while it remains a shareholder in New BBED. These restrictive covenants include an undertaking not to be involved in any business competing with the business of the New BBED Group (subject to certain exceptions).

Neither Carphone Warehouse nor Best Buy Distributions may transfer any of its shareholding in New BBED unless:

(a) the transfer falls under the provisions of the Option Agreement;

(b) the transferring party obtains the consent of the other shareholder; or

(c) such transfer falls within a limited number of permitted transfers (including to the other shareholder in limited circumstances and for internal reorganisation or tax purposes) provided in the New BBED Shareholders' Agreement.

The New BBED Shareholders' Agreement will terminate upon the occurrence of any of the following events:

(a) Best Buy Distributions or Carphone Warehouse (or their transferees) acquiring all of the shares in New BBED;

(b) the making of an order or passing of a resolution for the winding up of New BBED (except on a restructure for reasonable business or tax reasons); or

(c) by agreement of Best Buy and Carphone Warehouse (or their transferees).

The New BBED Shareholders' Agreement is governed by English law. The parties agree to submit to a dispute resolution procedure and the forums set out therein to the exclusion of the jurisdiction of any other forum.

Under the terms of the Termination Agreement, the New BBED Shareholders' Agreement will terminate upon Completion although, subject to certain amendments set out in the Termination Agreement, each party to the New BBED Shareholders' Agreement will retain certain rights or claims that may exist thereunder as at the date of such termination.

6.15 ***Demerger Agreement***

Old Carphone Warehouse, Carphone Warehouse and TalkTalk entered into the demerger agreement on 24 March 2010 in relation to the implementation of the Demerger (the **"Demerger Agreement"**). Carphone Warehouse gave certain warranties to TalkTalk in respect of its title to, and that there were no encumbrances over, the shares in Old Carphone Warehouse received by TalkTalk. Carphone Warehouse also agreed to indemnify the TalkTalk Group against any amounts paid by any member of the TalkTalk Group after completion of the Demerger in respect of any liability incurred by any member of the Group which related directly or indirectly to the business of the Group prior to such completion. TalkTalk agreed similarly to indemnify the Group in respect of liabilities relating to the business of the TalkTalk Group prior to such completion.

Carphone Warehouse agreed that if, following the Demerger, any assets beneficially owned by any member of the TalkTalk Group remained legally owned by any member of the Group, Carphone Warehouse would transfer, or procure to be transferred, such assets to the relevant member of the TalkTalk Group for a consideration to be agreed between the parties (save to the extent that the value of such assets had been accounted for in calculating the value of the TalkTalk Group) and, pending such transfer, agreed, so far as legally possible, to hold such assets on trust for the relevant member of the TalkTalk Group. TalkTalk agreed similarly in relation to any assets beneficially owned by any member of the Group but which remained legally owned by any member of the TalkTalk Group following the Demerger.

The Demerger Agreement contained provisions in respect of any agreements or contractual arrangements between either the Group or the TalkTalk Group and third parties in relation to matters exclusively affecting the business of the other's group which remained wholly or partly unperformed. The parties agreed to use all reasonable endeavours to procure the novation of such agreements or arrangements on terms to be agreed with the relevant third party and the Demerger Agreement contained provisions relating to the treatment of such agreements or arrangements pending such novation.

Carphone Warehouse and TalkTalk agreed to take such actions as necessary to establish separate borrowing arrangements with effect from completion of the Demerger and that all indebtedness, guarantees, securities and all other encumbrances between the Group and the TalkTalk Group would be eliminated in so far as they related to each other.

Other matters governed by the Demerger Agreement include, amongst others, access to financial and other records and information, confidentiality and resolution of disputes between the parties relating to the Demerger Agreement.

6.16 ***Tax Sharing and Indemnification Agreement***

Old Carphone Warehouse, TalkTalk and Carphone Warehouse entered into the Tax Sharing and Indemnification Agreement that sets forth the rights and obligations of each of the Group and the TalkTalk Group with respect to taxes, including the computation and apportionment of tax liabilities relating to taxable periods before and after the Demerger and the responsibility for payment of those tax liabilities (including any subsequent adjustments to such tax liabilities). In general, under the terms of the Tax Sharing and Indemnification Agreement, the

Group and the TalkTalk Group will each be responsible for taxes imposed on their respective businesses for all taxable periods, whether ending on, before or after the date of the Demerger. There are also some specific allocations of tax liabilities between the Group and the TalkTalk Group for certain specific circumstances.

Notwithstanding these tax indemnification obligations of Carphone Warehouse, if the treatment of these transactions as reported were successfully challenged by a taxing authority, TalkTalk generally would be required under applicable tax law to pay the resulting tax liabilities in the event that either (i) Carphone Warehouse were to default on its obligations to TalkTalk, or (ii) TalkTalk breached a covenant or failed, for example, to file tax returns, co-operate or contest tax matters as required by the Tax Sharing and Indemnification Agreement, which breach or failure caused such tax liabilities. Thus, if a taxing authority successfully challenges the treatment of one or more of the transactions forming part of the Demerger-related proposals, and Carphone Warehouse is not required to indemnify TalkTalk, the resulting tax liability could be for significant amounts and could have a material adverse effect on TalkTalk's results of operations, cash flows and financial condition. The same comments apply to the indemnification obligations of TalkTalk and the effect on Carphone Warehouse in the circumstances set out above.

Furthermore, the Tax Sharing and Indemnification Agreement sets out the rights of the parties in respect of the preparation and filing of tax returns, the control of audits or other tax proceedings and assistance and co-operation in respect of tax matters, in each case, for taxable periods ending on or before or that otherwise include the date of the Demerger.

6.17 ***Joint Sponsors' Agreement***

Old Carphone Warehouse, TalkTalk and Carphone Warehouse entered into a joint sponsors' agreement with Credit Suisse and UBS on 29 January 2010 (the **''Joint Sponsors' Agreement''**) pursuant to which:

(a) Old Carphone Warehouse appointed Credit Suisse and UBS as joint sponsors in connection with the publication by Old Carphone Warehouse of a circular relating to the Demerger;

(b) TalkTalk appointed Credit Suisse and UBS as joint sponsors in connection with its admission to listing on the Official List and to trading on the London Stock Exchange's, main market for listed securities; and

(c) Carphone Warehouse appointed Credit Suisse and UBS as joint financial advisers in connection with its admission to listing on the Official List and to trading on the London Stock Exchange's, main market for listed securities.

The Joint Sponsors' Agreement contains, amongst other things, certain warranties and undertakings given by Old Carphone Warehouse, TalkTalk and Carphone Warehouse to Credit Suisse and UBS which are customary for an agreement of this nature. Old Carphone Warehouse, TalkTalk and Carphone Warehouse also gave certain customary indemnities to Credit Suisse and UBS. The obligations of each of Credit Suisse and UBS under the Joint Sponsors' Agreement are conditional upon the satisfaction or waiver of certain conditions, including the accuracy of the warranties referred to above.

The fees of Credit Suisse in connection with the Joint Sponsors' Agreement were a financial advisory fee of £0.25 million, a sponsor's fee of £1.5 million and a discretionary fee of £0.25 million. The fees of UBS in connection with the Joint Sponsors' Agreement were a completion fee of £1.5 million and a discretionary fee of £0.375 million.

6.18 ***Deed of Novation and Assignment***

The deed of novation and assignment dated 28 January 2010 is an agreement between Old Carphone Warehouse, CPW Retail, Best Buy, Best Buy Distributions, Carphone Warehouse and Best Buy Europe which relates, amongst other things, to the Best Buy Agreement and the Consortium Relief Agreement (the **''Novated Agreements''**) (the **''Deed of Novation and Assignment''**). Under the Deed of Novation and Assignment, with effect from the date on which the shares in Best Buy Europe held by Old Carphone Warehouse were transferred to Carphone Warehouse (the **''Transfer Date''**), Old Carphone Warehouse transferred and Carphone Warehouse assumed all of Old Carphone Warehouse's rights, obligations and liabilities under the Novated Agreements as if Carphone Warehouse was an original party to the Novated Agreements in place of Old Carphone Warehouse. This included obligations where the circumstances or events giving rise to such obligations arose or occurred prior to the Transfer Date. Under the terms of the Deed of Novation and Assignment, from the Transfer Date, each of Best Buy, Best Buy Distributions, CPW Retail and Best Buy Europe released Old Carphone Warehouse from its obligations under each of the Novated Agreements and from any claims they had against Old Carphone Warehouse pursuant to each of the Novated Agreements and accept the liability of Carphone Warehouse in lieu of the liability of Old Carphone Warehouse. Carphone Warehouse will indemnify Old Carphone Warehouse for any loss or costs suffered in connection with each of the Novated Agreements. Save as amended by the Deed of Novation and Assignment and the Termination Agreement, each of the Novated Agreements remains in full force and effect. The Deed of Novation and Assignment is governed by English law.

6.19 ***Deed of Covenant***

The deed of covenant dated 28 January 2010 is an agreement between Carphone Warehouse, Best Buy Distributions, Best Buy Europe and TalkTalk which relates to certain protective covenants provided by Carphone Warehouse, Best Buy Distributions and Best Buy Europe on the one hand, and TalkTalk on the other hand (the **''Deed of Covenant''**) and which became effective on 26 March 2010. Under the Deed of Covenant, each of Carphone Warehouse, Best Buy Distributions and Best Buy Europe undertakes to TalkTalk to comply with (and to procure that their affiliates comply with) certain restrictions in relation to the solicitation of employees and material customers and suppliers and certain non-compete issues for a period of two years from 26 March 2010. TalkTalk also gives similar undertakings to Carphone Warehouse, Best Buy Distributions and Best Buy Europe. The Deed of Covenant is governed by English law.

6.20 ***Best Buy Shareholders' Agreement***

The Best Buy Shareholders' Agreement sets out matters governing the parties' respective interests in the Best Buy Europe Group and the management and provision of finance to the Best Buy Europe Group prior to completion of the Best Buy Mobile Disposal.

Under the terms of the Best Buy Shareholders' Agreement, each of Best Buy and Carphone Warehouse agreed to guarantee the performance by the Group (as then constituted and, for this purpose, excluding the Best Buy Europe Group) (in the case of Old Carphone Warehouse) or Best Buy Distributions (in the case of Best Buy) of their respective obligations under the Best Buy Shareholders' Agreement and to indemnify each other and the Best Buy Europe Group for all losses which they, or the Best Buy Europe Group, may suffer from any failure to perform such obligations.

Save for certain reserved matters, the business and affairs of the Best Buy Europe Group are managed by the board and the management team of Best Buy Europe. The board comprises a minimum of six directors, three of whom are appointed by Best Buy Distributions and three of whom are appointed by Carphone Warehouse. The initial chairman was appointed from one of and by the directors appointed by Best Buy Distributions. The chairman does not have a casting vote. The business and affairs of the Best Buy Europe Group are managed by the board of Best Buy Europe and by an operational management team consisting of a chief executive officer, a chief financial officer and a chief operating officer. The board's decisions are made by simple majority vote, save in respect of certain reserved matters, where all of the directors appointed by Best Buy must vote in favour. These matters include setting the compensation levels of the chief executive officer, the chief financial officer and chief operating officer and approving the Best Buy Europe Group's capital expenditure and budget.

Certain matters are also reserved for and require the prior consent of both Best Buy Distributions and Carphone Warehouse as shareholders in Best Buy Europe. These include, amongst other things, modifications to the share capital of Best Buy Europe, related party transactions and any material decisions relating to an exit. The Best Buy Shareholders' Agreement contains provisions governing how a deadlock is resolved where a serious issue has arisen or there has been a breakdown in relations of the board that will materially affect the day-to-day operations or the long-term development of the business. While a deadlock exists, and in the event that a deadlock remains unresolved, the management and operation of the Best Buy Europe Group shall continue in a manner consistent with the situation prior to the deadlock. The failure to resolve a deadlock will not give rise to the liquidation of the Best Buy Europe Group.

Each of the Best Buy Group and the Group (excluding, for this purpose, the Best Buy Europe Group) is restricted in certain of their activities while they remain a shareholder in Best Buy Europe. These restrictive covenants include an undertaking not to be involved in any business competing with the business of the Best Buy Europe Group (subject to certain exceptions).

Neither Carphone Warehouse nor Best Buy Distributions may transfer any of its shareholding in Best Buy Europe unless it obtains the consent of the other shareholder or such transfer falls within a limited number of permitted transfers (including to the other shareholder in limited circumstances and for internal reorganisation or tax purposes).

Pursuant to the amendment agreement to the Best Buy Shareholders' Agreement dated 28 January 2010, the parties agreed that Old Carphone Warehouse was permitted to transfer the shares it held in Best Buy Europe to Carphone Warehouse. Carphone Warehouse agreed to become a party to the Best Buy Shareholders' Agreement and to take the benefit of all of the rights of, and to assume all of the obligations of, Old Carphone Warehouse under the Best Buy Shareholders' Agreement and all references in the agreement to Old Carphone Warehouse were deemed to be references to Carphone Warehouse. Each of Best Buy, Best Buy Distributions and CPW Retail on the one hand, and Old Carphone Warehouse on the other hand, agreed to release each other from all obligations and liabilities under the Best Buy Shareholders' Agreement and waive any claims against the other in respect of Old Carphone Warehouse being a shareholder of Best Buy Europe. Carphone Warehouse agreed to indemnify Old Carphone Warehouse in respect of any claim which any of the other parties may bring in respect of Old Carphone Warehouse being a shareholder of Best Buy Europe or party to the Best Buy Shareholders' Agreement.

The Best Buy Shareholders' Agreement is governed by English law. The parties agreed to submit to a dispute resolution procedure and the forums set out therein to the exclusion of the jurisdiction of any other forum.

The Best Buy Shareholders' Agreement terminated upon the New BBED Shareholders' Agreement coming into force although each party to it retained any rights or claims that may exist thereunder as at the date of such termination.

6.21 ***Consortium Relief Agreement***

The Consortium Relief Agreement dated 30 June 2008 was entered into between Old Carphone Warehouse, Best Buy Distributions and Best Buy Europe. The Consortium Relief Agreement was novated from Old Carphone Warehouse to Carphone Warehouse on 28 January 2010 pursuant to the Deed of Novation and Assignment. The agreement relates to the off-set of trading losses or other amounts eligible for tax reliefs between the Best Buy Europe Group and its shareholders. Under the terms of the Consortium Relief Agreement, Carphone Warehouse and Best Buy Distributions are entitled to offset trading losses and transfer tax reliefs to or from the Best Buy Europe Group in proportion to their shareholdings in Best Buy Europe in consideration for an amount to be agreed, and in default of agreement an amount equal to the amount of losses or reliefs surrendered, multiplied by the corporation tax rate for the relevant period.

The Consortium Relief Agreement contains certain indemnities given by both Carphone Warehouse and Best Buy, to indemnify each other and the Best Buy Europe Group against a liability to tax or interest under paragraph 75A of Schedule 18 to the Finance Act 1998 as a result of their, or a member of their group's, failure to pay any tax due or for a breach of certain provisions of the Consortium Relief Agreement.

Best Buy agrees unconditionally and irrevocably to guarantee the performance by Best Buy Distributions of its obligations under the Consortium Relief Agreement and to indemnify Carphone Warehouse and the Best Buy Europe Group against all reasonable losses, damages, costs and expenses which they, or the Best Buy Europe Group, may suffer through or arising from any failure to perform such obligations. The Consortium Relief Agreement is governed by English law.

On 25 January 2012, the parties to the Consortium Relief Agreement and New BBED entered into a deed of amendment and adherence whereby New BBED adhered to the Consortium Relief Agreement and agreed to take over and be bound by the previous obligations of Best Buy Europe. Additionally, where there is an obligation under the Consortium Relief Agreement to procure the acts of companies that leave the Best Buy Europe Group and become members of the New CPWM Group, Best Buy Distributions agrees to procure that these acts are carried out and indemnifies New BBED and Carphone Warehouse against any liabilities arising from any failure to carry out such acts.

Under the terms of the Termination Agreement, the Consortium Relief Agreement will terminate upon Completion although each party to it will retain certain rights or claims that may exist thereunder as at the date of such termination.

6.22 ***Best Buy Mobile Agreement***

The Best Buy Mobile Agreement, entered into on 30 June 2008, is an amendment and restatement of a previous agreement between Best Buy Stores, LP, Old Carphone Warehouse and CPW Mobile.

The previous agreement governed the provision of know-how to Best Buy Stores, LP by CPW Mobile in respect of the marketing and sale of mobile products and accessories, as well as associated services (including, without limitation, airtime from network operators) within stand-alone stores, stores within stores and other distribution channels (including, without limitation, internet and direct sale processes) owned and operated directly or indirectly by Best Buy.

The Best Buy Mobile Agreement amends the royalties of the previous arrangements between Best Buy Stores, LP and CPW Mobile.

The Best Buy Mobile profit share provides the Company, through its interest in Best Buy Europe, with a share of incremental EVA from the Best Buy Mobile Business above a defined threshold. The initial threshold was based on the earnings of Best Buy Mobile when the venture was launched; this threshold is adjusted for new 'Big Box' stores. Best Buy Mobile is funded by Best Buy, for which Best Buy makes a capital charge which is deducted from the profit share. There is no profit share below the minimum threshold; beyond the minimum threshold, there is a ratchet mechanism whereby the level of profit share increases in steps from 20 per cent. to 50 per cent. above defined levels of incremental EVA. The incremental EVA generated by Best Buy Mobile exceeded the 50 per cent. threshold in the six months ended 30 September 2011 and in the years ended 31 March 2011 and 31 March 2010.

6.23 ***Best Buy Agreement***

The Best Buy agreement dated 7 May 2008 (and amended by an amendment agreement dated 30 June 2008) was entered into between Old Carphone Warehouse, CPW Retail, Best Buy and Best Buy Distributions (the **''Best Buy Agreement''**). The agreement provided for the acquisition by Best Buy Distributions of 50 per cent. of the issued ordinary share capital of Best Buy Europe from Old Carphone Warehouse. The price payable was calculated as £1,052 million after adjustments in relation to debt at completion.

The Best Buy Agreement was novated from Old Carphone Warehouse to Carphone Warehouse on 28 January 2010 pursuant to the Deed of Novation and Assignment. The agreement contained a tax covenant which remains in force. The aggregate liability of Carphone Warehouse in respect of all claims under the agreement (including under the tax covenant) is limited to £1,087.5 million.

The Best Buy Agreement is governed by English law and is subject to the exclusive jurisdiction of the English courts.

Under the terms of the Termination Agreement, the Best Buy Agreement will terminate upon Completion although each party to it will retain certain rights or claims that may exist thereunder as at the date of such termination.

6.24 ***Virgin JV Agreement***

The Virgin JV Agreement is an agreement dated 31 March 2006 between Bluebottle, Virgin Group Investments Limited (**"VGIL"**), Old Carphone Warehouse, CPW Limited, certain management of Virgin Mobile France (**"Management"**), Omer Telecom Limited (**"Omer UK"**) and Omer Telecom S.A.S., as amended and restated on 24 October 2008 and 10 December 2009 (the **"Virgin JV Agreement"**).

The Virgin JV Agreement relates to a joint venture for the establishment and operation of an MVNO in France. Under the terms of the Virgin JV Agreement, CPW Limited and Bluebottle each originally held 48.5 per cent. of Omer UK and Management held the remaining three per cent. On 13 June 2008, CPW Limited transferred its entire shareholding in Omer UK to Old Carphone Warehouse. On 24 October 2008, Management transferred its entire shareholding in Omer UK to Financom S.A.S. On 10 December 2009, Financom S.A.S. subscribed for 709,491 new shares in Omer UK, following which Old Carphone Warehouse and Bluebottle each held 47.5 per cent. of Omer UK and Financom S.A.S. held five per cent. The joint venture business trades primarily under the name "Virgin Mobile", through a French branch of Omer UK and Omer Mobile S.A.S.

The Virgin JV Agreement contains certain restrictions, pre-emption rights and compulsory triggers relating to transfers of shares in Omer UK by Bluebottle, Old Carphone Warehouse and Financom S.A.S. and restrictive covenants given by the shareholders including undertakings not to solicit customers, suppliers and employees away from Omer UK.

The Virgin JV Agreement also sets out certain matters which require majority or unanimous shareholder approval.

The Virgin JV Agreement contains non-tax warranties given by Old Carphone Warehouse and Management in favour of VGIL, Bluebottle and Omer UK and tax indemnities given by Old Carphone Warehouse in favour of Omer UK, which was a subsidiary of Old Carphone Warehouse prior to the Virgin JV Agreement.

The Virgin JV Agreement is governed by English law. The parties agreed to submit to the dispute resolution procedure set out in the agreement and the forums set out therein (which includes the English courts) to the exclusion of the jurisdiction of any other forum.

In March 2010, Old Carphone Warehouse transferred its entire shareholding in Omer UK to Carphone Warehouse and Carphone Warehouse assumed the rights and obligations of Old Carphone Warehouse under the Virgin JV Agreement.

Since that date, new shares have been issued to the management of Virgin Mobile France, such that at 31 March 2011, the Company's shareholding in Omer UK had reduced to 47.1 per cent., in line with that of Bluebottle.

In October 2011, the Company and Bluebottle each sold 174,378 shares to Financom S.A.S, and as a result, the shareholding of the Company and Bluebottle has reduced to 46.6 per cent. each.

As at the date of this document, the Company and Bluebottle each hold a 46.3 per cent. shareholding in Omer UK, following the sale of shares to, and the exercise of share options by, management of Virgin Mobile France.

7. Significant subsidiaries

The Company is the principal operating and holding company of the Group. The principal subsidiaries and subsidiary undertakings of the Company are as follows:

Name	**Registration number**	**Status**	**Proportion of share capital held (%) (Note 1)**	**Country of incorporation**
CPW Acton One Limited	102513C	Live	100	Isle of Man
CPW Acton Five Limited	05738735	Active	100	England and Wales
CPW Tulketh Mill Limited	06585719	Active	100	England and Wales
CPW Irlam Limited	05825842	Active	100	England and Wales
CPW Consultancy	07881879	Active	100	England and Wales

Note 1: The proportion of voting power held is the same as the proportion of share capital held.

Interests in joint ventures and associates are as follows:

Name	Registration number	Status	Proportion of share capital held (%) (Note 1)	Country of incorporation
New BBED	07866062	Active	50	England and Wales
Virgin Mobile France	05721373	Active	46.3	England and Wales

Note 1: The proportion of voting power held is the same as the proportion of share capital held.

8. **Working capital**

In the opinion of the Company the working capital available to the Group is sufficient for the Group's present requirements, that is for at least the next 12 months following the date of this document.

9. **Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering at least the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability.

10. **Sources and bases of selected financial information**

10.1 In this document unless otherwise stated:

(a) financial information relating to the Carphone Warehouse Group has been extracted (without material adjustment) from the historical financial information set out in Sections A and B of Part VII of this document for the years ended 31 March 2012, 31 March 2011 and 31 March 2010 and for the six months ended 30 September 2012 and 30 September 2011 which were prepared in accordance with IFRS; and

(b) financial information relating to the New BBED Group has been extracted (without material adjustment) from the historical financial information set out in Sections D and E of Part VII of this document for the 52 weeks ended 31 March 2012, 2 April 2011 and 3 April 2010 and for the 26 weeks ended 29 September 2012 and 1 October 2011 which were prepared in accordance with IFRS.

10.2 Where information contained in this document originates from a third party source, it is identified where it appears in this document together with the name of its source. Such third party information has been accurately reproduced and, so far as Carphone Warehouse is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

11. **Significant change**

There has been no significant change in the financial or trading position of the Group since 30 September 2012, being the end of the period for which the Group's last unaudited consolidated interim financial information was published.

12. **Consent**

12.1 Credit Suisse, whose address is One Cabot Square, London E14 4QJ, has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

12.2 Deloitte LLP, whose address is 2 New Street Square, London EC4A 3BZ, has given and has not withdrawn its written consent to the inclusion in this document of its accountants' reports in Part VII (Historical Consolidated Financial Information relating to the Group), its report on the profit estimate in Part VIII (Profit Estimate) and its report on the *pro forma* in Part IX (Unaudited *Pro Forma* Financial Information) in the form and context in which they appear and has authorised the content of those parts of this document for the purposes of Prospectus Rule 5.5.3R(2)(f).

13. **Property, plant and equipment**

Aside from the assets listed below, there is no existing or planned tangible fixed asset which is material to the Group.

Tenure – freehold

The Group owns the following freehold properties:

Location	Registered proprietor
Northbank House, Siemens Road, Irlam, Manchester M44 5BL	CPW Irlam Limited
Tulketh Mill, Balcarres Road, Preston, Lancashire PR2 2AA	CPW Tulketh Mill Limited

Tenure – leasehold

The Group has its headquarters within the following premises, the head tenant of which is a member of the New BBED Group:

Location	Tenant	Rent	Term
One Portal Way, London W3 6RS	Carphone Warehouse Limited	£3.6 million p.a. £4.2 million p.a.	26/03/2012 to 25/03/2017 26/03/2017 to 01/02/2023

The Group is not aware of any environmental issues that may affect the Group's utilisation of tangible fixed assets.

14. **Costs and expenses**

The total costs and expenses relating to the issue of this document and the Circular and to the negotiation, preparation and implementation of the Acquisition are estimated to amount to approximately £11 million. Cash costs of approximately £8 million associated with employee incentive schemes of the New BBED Group are expected to be incurred as a result of the Acquisition.

15. **General**

15.1 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.

15.2 Save as disclosed in this document, the Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year.

15.3 Save as disclosed in this document, there are no investments in progress and there are no future investments on which the Directors have already made firm commitments which are significant to the Group.

15.4 Save as disclosed in this document, the Directors believe that the Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.

15.5 The Company is and, following Admission, will continue to be subject to the provisions of the Code, including the rules regarding mandatory takeover offers set out in the Code. Under Rule 9 of the Code, when (i) a person acquires shares which, when taken together with shares already held by him or persons acting in concert with him (as defined in the Code), carry 30 per cent. per cent. or more of the voting rights of a company subject to the Code or (ii) any person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights of a company subject to the Code, and such person, or any person acting in concert with him, acquires additional shares which increases his percentage of the voting rights in the company, then, in either case, that person, together with the persons acting in concert with him, is normally required to make a general offer in cash, at the highest price paid by him or any person acting in concert with him for shares in the company within the preceding 12 months, for all of the remaining equity share capital of the company.

15.6 The Ordinary Shares will also be subject to the compulsory acquisition procedures set out in sections 979 to 991 of the Act. Under section 979 of the Act, where an offeror makes a takeover offer and has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90 per cent. of the shares to which the offer relates and, in a case where the shares to which the offer relates are voting shares, not less than 90 per cent. of the voting rights carried by those shares, that offeror is entitled to compulsorily acquire the shares of any holder who has not acquired the offer on the terms of the offer.

15.7 Since 31 March 2012, there has been no takeover offer (within the meaning of Part 28 of the Act) for any Ordinary Shares.

16. **Documents on display**

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following Admission at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB:

(a) the memorandum and articles of association of the Company;

(b) the audited consolidated financial information of the Group for the three financial years ended 31 March 2012, 31 March 2011 and 31 March 2010 and unaudited interim financial information for the six months ended 30 September 2012 and 30 September 2011;

(c) the audited consolidated financial information of the New BBED Group for the three financial years ended 31 March 2012, 2 April 2011 and 3 April 2010 and unaudited interim financial information for the 26 weeks ended 29 September 2012 and 1 October 2011;

(d) the reports from Deloitte LLP to the Company on the historical financial information relating to the Group and the New BBED Group set out in Part VII of this document;

(e) the report from Deloitte LLP to the Company on the Profit Estimate set out in Part VIII of this document;

(f) the report from Deloitte LLP to the Company on the unaudited *pro forma* financial information set out in Part IX of this document;

(g) the Circular;

(h) the CPWG Share Plan and the CPW SAYE Scheme;

(i) the Carphone Warehouse Share Scheme and the Participation Plan, incorporating the proposed amendments;

(j) the Implementation Agreement;

(k) the Termination Agreement; and

(l) this document.

Dated: 6 June 2013

PART XIII

DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

"3G"	third generation wireless telephony technology
"4G"	fourth generation wireless telephony technology
"Acquisition"	the proposed cancellation of the 50 per cent. stake in New BBED held by Best Buy Distributions and Best Buy UK Holdings through a capital reduction in accordance with section 642 of the Act pursuant to the terms of the Implementation Agreement resulting in the Company being the sole shareholder of New BBED
"acquisition intangibles"	acquired intangible assets such as customer bases, brands and other intangible assets acquired through a business combination, capitalised separately from goodwill
"Act"	the Companies Act 2006 (as amended)
"Admission"	the readmission of the Existing Ordinary Shares, and admission of the Consideration Shares, to listing on the standard segment of the Official List and to trading on the London Stock Exchange's main market for listed securities in accordance with the Listing Rules and the Admission and Disclosure Standards respectively and references to Admission becoming "effective" shall be construed accordingly
"Admission and Disclosure Standards"	the requirements contained in the publication "Admission and Disclosure Standards" (as amended from time to time) published by the London Stock Exchange containing, amongst other things, the requirements to be observed by companies seeking admission to trading on the London Stock Exchange's main market for listed securities
"ARCEP"	Autorité de Régulation des Communications Électroniques et des Postes, an independent French agency in charge of regulating telecommunications in France
"ARPU"	average revenue per user
"Audit Committee"	the audit committee of Carphone Warehouse
"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 state of Minnesota), whose registered office is at 7001 Penn Avenue, South Richfield, MN 55423, United States of America
"Best Buy Call Options"	certain call options, each exercisable in accordance with the Option Agreement, giving Best Buy the right to buy the Company's interests in New BBED and the Global Connect Businesses at certain times
"Best Buy Consultancy Agreement"	the consultancy agreement entered into on 25 January 2012 between CPW Consultancy and Best Buy in relation to the provision by the Group of consultancy services, principally in respect of the Best Buy Mobile business
"Best Buy Distributions"	Best Buy Distributions Limited (incorporated in England and Wales under the Companies Act 1985 with registered number 06576708), whose registered office is at 100 New Bridge Street, London EC4V 6JA

"Best Buy Europe"	Best Buy Europe Distributions Limited (incorporated in England and Wales under the Companies Act 1985 with registered number 06534088), a subsidiary of New BBED, whose registered office is at 1 Portal Way, London W3 6RS
"Best Buy Europe Group"	Best Buy Europe and its subsidiaries and interests in joint ventures and associates from time to time
"Best Buy Europe Joint Venture Transaction"	Old Carphone Warehouse's disposal of a 50 per cent. interest in its retail and distribution business (Best Buy Europe Group), including its economic interests in Best Buy Mobile, in June 2008
"Best Buy Europe LTIP"	the Best Buy Europe Long Term Incentive Plan 2010
"Best Buy Group"	Best Buy and any parent company and any subsidiary or joint venture undertakings of Best Buy, or such companies, from time to time, and, where the context so permits, each of them
"Best Buy Implementation Agreement"	the implementation agreement dated 12 December 2011 between Best Buy and Carphone Warehouse
"Best Buy Mobile"	Best Buy's retail operations in the United States and Canada in respect of mobile phones and other connected devices in which the Best Buy Europe Group had a profit share arrangement
"Best Buy Mobile Agreement"	the amended and restated agreement dated 30 June 2008 between Best Buy Stores, LP, Old Carphone Warehouse and CPW Mobile
"Best Buy Mobile Disposal"	the disposal of the Group's interest in Best Buy Mobile to Best Buy in January 2012
"Best Buy Shareholders' Agreement"	the shareholders' agreement dated 30 June 2008 and made between Old Carphone Warehouse, CPW Retail, Best Buy and Best Buy Distributions in relation to the operation of the Best Buy Europe Group, as amended by an amendment agreement dated 28 January 2010 and made between Old Carphone Warehouse, CPW Retail, Best Buy, Best Buy Distributions and Carphone Warehouse
"Best Buy UK"	Best Buy Europe's Best Buy branded 'Big Box' stores and online business focusing on a broad range of consumer electronics, which was launched in the UK in April 2010 and closed in January 2012
"Best Buy UK Holdings"	Best Buy UK Holdings LP (registered in England and Wales with registered number LP015378), whose registered office is at 1 Portal Way, London W3 6RS, acting by its general partner, New CPWM Limited
"Bluebottle"	Bluebottle UK Limited (incorporated in England and Wales under the Companies Act 1985 with registered number 3744190), whose registered office is at The School House, 50 Brook Green, London W6 7RR
"Board" or "Directors"	the board of directors of the Company whose names are set out on page 189 of this document and "Director" means any member of the Board
"business day"	any day (excluding Saturdays, Sundays and public holidays) on which banks are generally open for business in the City of London
"Carphone Warehouse" or the "Company"	Carphone Warehouse Group Public Limited Company (incorporated in England and Wales under the Act with registered number 07105905), whose registered office is at 1 Portal Way, London W3 6RS
"Carphone Warehouse Articles"	the articles of association of Carphone Warehouse
"Carphone Warehouse Share Scheme"	the Carphone Warehouse Group plc 2010 Share Scheme, as described in paragraph 11.2 of Part XI of this document

"certificated" or in "certificated form"	where a share or other security is not in uncertificated form (that is, not in CREST)
"CGU"	cash generating unit
"Circular"	the circular sent by Carphone Warehouse to Shareholders dated the same date as this document, containing details of the Acquisition
"Code"	the City Code on Takeovers and Mergers
"Completion"	the completion of the Acquisition and the issuance and allotment of the Consideration Shares in accordance with the terms of the Implementation Agreement
"Consideration"	the aggregate consideration payable by the Company to Best Buy Distributions and Best Buy UK Holdings as consideration for the Acquisition, comprising the Initial Consideration, the Consideration Shares and the Deferred Consideration
"Consideration Shares"	the 42,105,263 new Ordinary Shares to be issued by the Company to the Best Buy Group at a price of 190 pence per Ordinary Share pursuant to the terms of the Implementation Agreement
"Consortium Relief Agreement"	the agreement entered into on 30 June 2008 between Old Carphone Warehouse, CPW Retail, Best Buy Europe and Best Buy Distributions in relation to consortium tax relief, as amended on 25 January 2012 following completion of the Best Buy Mobile Disposal
"Corporate Governance Code"	the UK Corporate Governance Code published by the Financial Reporting Council in September 2012
"CPW Consultancy"	CPW Consultancy Limited (incorporated in England and Wales under the Act with registered number 7881879), whose registered office is at 1 Portal Way, London W3 6RS
"CPW Europe"	the continuing business of the New BBED Group, excluding the discontinued Best Buy UK business and Best Buy Mobile, principally being the sale and provision of mobile and other wireless technology and services
"CPWG Share Plan"	the Carphone Warehouse Group plc 2013 Share Plan, as described in paragraph 11.4 of Part XI of this document
"CPW Retail"	CPW Retail Holdings Limited (incorporated in England and Wales under the Act with registered number 6585729), whose registered office is at 1 Portal Way, London W3 6RS
"CPW SAYE Scheme"	the Carphone Warehouse Group plc Savings Related Share Option Scheme, as described in paragraph 11.3 of Part XI of this document
"CPW VES"	the Carphone Warehouse Best Buy Europe Value Enhancement Scheme
"Credit Suisse"	Credit Suisse Securities (Europe) Limited (incorporated in England and Wales under the Companies Act 1948 with registered number 891554), whose registered office is One Cabot Square, London E14 4QJ
"CREST"	the relevant system (as defined in the CREST Regulations) of which Euroclear is the Operator (as defined in the CREST Regulations)
"CREST Manual"	the CREST Manual referred to in agreements entered into by Euroclear
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)

"Deferred Consideration"	£50 million payable in cash by the Company to Best Buy Distributions and Best Buy UK Holdings in equal instalments of £25 million each on the first and second anniversary of Completion, which bears interest at 2.5 per cent. per annum
"Demerger"	the demerger of the UK fixed line telecommunications division of Old Carphone Warehouse to TalkTalk Telecom Group PLC which became effective on 26 March 2010
"Deutsche Bank"	Deutsche Bank AG, London Branch of Winchester House, 1 Great Winchester Street, London EC2N 2DB
"Disclosure and Transparency Rules"	the disclosure rules and transparency rules made by the FCA pursuant to section 73A of FSMA
"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
"EEA State"	a member state of the European Economic Area
"Enlarged Issued Share Capital"	the issued share capital of Carphone Warehouse at Admission, as enlarged by the issue of the Consideration Shares
"EONIA"	the Euro Overnight Index Average
"EPS"	earnings per share (basic unless otherwise indicated)
"Equiniti" or "Registrars"	Equiniti Limited (incorporated in England and Wales under the Act with registered number 06226088), whose registered office is Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
"ESOT"	employee share ownership trust
"EURIBOR"	the Euro Interbank Offered Rate
"Euroclear"	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales
"EVA"	economic value added
"Exceptional Items"	items which are considered to be one-off and so material that they require separate disclosure to avoid distortion of underlying performance
"Executive Directors"	Sir Charles Dunstone, Roger Taylor and Nigel Langstaff
"Existing Ordinary Shares"	the Ordinary Shares in issue as at the date of this document
"FCA"	the UK Financial Conduct Authority
"Form of Proxy"	the form of proxy for use at the General Meeting which accompanies the Circular
"FSMA"	the Financial Services and Markets Act 2000
"Full MVNO"	form of MVNO which provides fuller control of network services, including ownership of the customer SIM and home location register
"Geek Squad Licence Agreement"	the licence agreement relating to the Geek Squad brand proposed to be entered into on Completion between Best Buy International Finance Sarl, Best Buy Enterprise Services, Inc, Best Buy, New BBED and the Company
"General Meeting"	the general meeting of Carphone Warehouse, to be held at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB at 10.00 a.m. on 24 June 2013, notice of which is set out at the end of the Circular, and any adjournment of such meeting
"Global Connect Agreement"	the agreement entered into on 26 January 2012 between Carphone Warehouse and Best Buy in connection with the Global Connect Businesses

"Global Connect Arrangements"	the arrangements between Carphone Warehouse and Best Buy in respect of the conduct of the Global Connect Businesses, as set out in the Global Connect Agreement
"Global Connect Board"	the non-statutory board responsible for the governance of the Global Connect Business in accordance with the Global Connect Governance Paper
"Global Connect Business" or "Global Connect Businesses"	the businesses which the Company and Best Buy deploy and carry out in territories other than those in which the Best Buy Europe Group carries on business and the United States and Canada pursuant to the terms of the Global Connect Agreement, including the sale and/or connection of communication products to MNOs and fixed line networks, including mobile handsets, connected tablets, tethered products and associated accessories
"Global Connect Governance Paper"	the agreed form paper which sets out the rules for the governance of the Global Connect Business
"Group" or "Carphone Warehouse Group"	the Company and any parent company and any subsidiary or joint venture undertakings of Carphone Warehouse, or such companies, from time to time and, where the context so permits, each of them (and which shall include a 100 per cent. interest in New BBED from Completion)
"Headline Results"	results before the amortisation of acquisition intangibles and goodwill expense, before Exceptional Items and before the results of businesses which have been discontinued by joint ventures. The Headline EBIT and EBITDA of the Best Buy Europe Group includes the unwinding of discounts for the time value of money on network commissions receivable, which is included as interest income in its statutory results. The Headline revenue of Virgin Mobile France excludes contributions towards subscriber acquisition costs from network operators and customers, which is instead netted off against acquisition costs within EBITDA. The phrases "Headline earnings", "Headline EPS", "Headline EBIT", "Headline EBITDA" and "Headline revenue" should be interpreted in the same way
"Heads of Terms"	the binding heads of terms dated 6 November 2011 between Carphone Warehouse and Best Buy
"HMRC"	Her Majesty's Revenue & Customs
"IAS"	International Accounting Standards
"IFRS"	International Financial Reporting Standards as adopted by the European Union
"Implementation Agreement"	the implementation agreement entered into on 29 April 2013 between the Company, Best Buy, Best Buy Distributions, Best Buy UK Holdings and New BBED relating to the implementation of the Acquisition, described in paragraph 6.1 of Part XII of this document
"Initial Consideration"	the sum of £341 million payable in cash by the Company to Best Buy Distributions and Best Buy UK Holdings as the initial consideration for the Acquisition
"IT"	information technology
"Joint Bookrunners"	Deutsche Bank and UBS
"LIBOR"	the London Interbank Offered Rate
"Listing Rules"	the listing rules made by the FCA pursuant to section 73A of the FSMA
"London Stock Exchange"	London Stock Exchange plc
"LTE"	long-term evolution

"LTIP"	long-term incentive plan
"MNO"	mobile network operator
"Model Code"	the model code on directors' dealings in securities set out in Chapter 9 of the Listing Rules
"MVNO"	mobile virtual network operator
"New BBED"	New BBED Limited (incorporated in England and Wales under the Act with registered number 7866062), whose registered office is at 1 Portal Way, London W3 6RS
"New BBED Group"	New BBED and its subsidiaries and interests in joint ventures and associates, from time to time, which includes CPW Europe and the discontinued Best Buy UK business but excludes Best Buy Mobile
"New BBED Shareholders' Agreement"	the amended and restated shareholders' agreement entered into on 25 January 2012 and made between Carphone Warehouse, Best Buy and Best Buy Distributions relating to the operation of the New BBED Group
"NewCo"	Paddington Funding Limited (incorporated in Jersey with registered number 112833), whose registered office is at 22 Greenville Street, St Helier, Jersey JE4 8PX, which is a subsidiary of the Company and was incorporated in connection with the Placing
"New CPWM"	New CPWM Limited (incorporated in England and Wales under the Act with registered number 7866069), whose registered office is at 1 Portal Way, London W3 6RS
"New CPWM Group"	New CPWM and its subsidiaries from time to time
"New Tax Sharing and Indemnity Deed"	the tax sharing and indemnity deed entered into on 23 January 2012 following completion of the Best Buy Mobile Disposal between Carphone Warehouse, Best Buy and New BBED
"Nomination Committee"	the nomination committee of Carphone Warehouse
"Non-executive Directors"	John Gildersleeve, John Allwood and Baroness Morgan of Huyton
"Notice of General Meeting"	the notice of the General Meeting which is set out at the end of the Circular
"Official List"	the official list maintained by the FCA
"Old Carphone Warehouse"	TalkTalk Telecom Holdings Limited (formerly The Carphone Warehouse Group PLC) (incorporated in England and Wales under the Companies Act 1985 with registered number 03253714), whose registered office is at 11 Evesham Street, London W11 4AR
"Old Carphone Warehouse Group"	Old Carphone Warehouse and its subsidiaries and interests in joint ventures prior to the Demerger
"Option Agreement"	the option agreement entered into on 25 January 2012 between the Company and Best Buy following completion of the Best Buy Mobile Disposal granting each of them various put and call options in respect of their respective interests in New BBED and the Global Connect Businesses
"Options"	the put and call options set out in the Option Agreement, including the Best Buy Call Options
"Ordinary Shares"	the ordinary shares of 0.1 pence each in the capital of Carphone Warehouse

"Participation Plan"	the Carphone Warehouse Group plc Participation Plan 2011, as described in paragraph 11.1 of Part XI of this document
"PBT"	profit before taxation
"Placing"	the placing of the Placing Shares with existing and other investors by the Joint Bookrunners as agents for and on behalf of the Company pursuant to the terms of the Placing Agreement which completed on 3 May 2013
"Placing Agreement"	the conditional placing agreement entered into on 30 April 2013 between the Company and the Joint Bookrunners relating to the Placing
"Placing Price"	222 pence per Placing Share
"Placing Shares"	47,228,179 new Ordinary Shares allotted and issued by the Company pursuant to the Placing
"premium listing"	a listing by the FCA by virtue of which a company is subject to the full requirements of the Listing Rules
"Prospectus Rules"	the prospectus rules made by the FCA pursuant to section 73A of the FSMA
"Put and Call Option Agreement"	the agreement dated 30 April 2013 between the Company, NewCo and Deutsche Bank regarding, amongst other things, the subscription by Deutsche Bank for ordinary shares in the capital of NewCo subject to the terms and conditions set out therein
"RCF"	revolving credit facility
"Regulatory Information Service"	any channel recognised as a channel for the dissemination of regulatory information by listed companies as defined in the Listing Rules
"Remuneration Committee"	the remuneration committee of Carphone Warehouse
"Reporting Accountants"	Deloitte LLP of 2 New Street Square, London EC4A 3BZ
"Resolution"	the ordinary resolution numbered (1) and relating to the Acquisition to be proposed at the General Meeting, as set out in the Notice of General Meeting
"SDRT"	stamp duty reserve tax
"Securities Act"	the United States Securities Act 1933, as amended, and the rules and regulations promulgated under such Act
"Shareholders"	holders of Ordinary Shares
"Share Schemes"	together the Participation Plan, the Carphone Warehouse Share Scheme, the CPW SAYE Scheme and the CPWG Share Plan
"SIC"	interpretations of the Standing Interpretations Committee
"SIM"	subscriber identity module
"standard listing"	a listing by the FCA of equity securities of a company which is not a premium listing and is therefore not required to comply with the provisions of Chapters 7, 8, 10, 11, 12 or 13 of the Listing Rules or certain provisions of Chapter 9 of the Listing Rules
"Subscription and Transfer Agreement"	the share subscription and transfer agreement dated 30 April 2013 between the Company, NewCo and Deutsche Bank providing, amongst other things, for the transfer to the Company by Deutsche Bank of redeemable preference shares and ordinary shares in the capital of NewCo
"TalkTalk"	TalkTalk Telecom Group PLC (incorporated in England and Wales under the Act with registered number 07105891), whose registered office is at 11 Evesham Street, London W11 4AR
"TalkTalk Group"	TalkTalk and its subsidiaries and other investments from time to time

"Tax Sharing and Indemnification Agreement"	the tax sharing and indemnification agreement entered into on 24 March 2010 between Old Carphone Warehouse, Carphone Warehouse and TalkTalk
"Tele2"	Tele2 Mobile S.A.S., the French operations of Tele2 AB, which were acquired by Virgin Mobile France in 2009
"Term Debt"	the amortising sterling term loan facility for £250 million, to be advanced on or around Completion and maturing on 29 April 2017, as described in paragraph 6.5 of Part XII of this document
"Termination Agreement"	the amendment and termination agreement proposed to be entered into on Completion between, amongst others, Carphone Warehouse, Best Buy, Best Buy Distributions, CPW Retail, Best Buy Europe and New BBED
"TSR"	total shareholder return
"UBS"	UBS Limited (incorporated in England and Wales under the Companies Act 1985 with registered number 2035362), whose registered office is at 1 Finsbury Avenue, London EC2M 2PP
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK GAAP"	United Kingdom Accounting Standards and applicable law
"UK Listing Authority" or "UKLA"	the FCA acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
"UKLA Rules"	together, the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules
"uncertificated" or in "uncertificated form"	in respect of a share or other security, where that share or other security is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
"US" or "United States"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction
"VAT"	any value added tax imposed under directive 2006/11 2/EC, the Value Added Tax Act 1994 and/or any primary or secondary legislation supplemental to either of them and/or any equivalent tax in any other jurisdiction
"VES"	value enhancement scheme
"Virgin Group"	Virgin Group Investments Limited and any parent company and any subsidiary or joint venture undertakings of Virgin Group Investments Limited, or such companies, from time to time and, where the context so permits, each of them
"Virgin Mobile France"	the joint venture operating an MVNO in France between, amongst others, Bluebottle, Carphone Warehouse and Financom S.A.S., operated by the French branch of Omer Telecom Limited and by Omer Mobile S.A.S.
"wi-fi"	trademark of the Wi-Fi Alliance often used as a general term for wireless networking technology that uses radio waves to provide wireless high-speed internet and network connections

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

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