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If you sell or have sold or otherwise transferred all of your Existing Carphone Shares, please send this document, together with any accompanying documents (**but not the personalised Carphone Form of Proxy**), as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward delivery to the purchaser or the transferee. However, such documents should not be forwarded, distributed or transmitted (in whole or in part) in, into or from any jurisdiction in which such act would constitute a violation of the relevant laws of such jurisdiction. If you have sold or otherwise transferred part only of your holding of Existing Carphone Shares, please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

A prospectus relating to Dixons Carphone, the Merger and Admission, prepared in accordance with the Prospectus Rules has been published and is available on Carphone's website at www.cpwplc.com. Alternatively, Carphone Shareholders may, subject to applicable securities laws, request a copy of the Dixons Carphone Prospectus by telephoning 0871 384 2089 (from within the UK) or +44 (0)121 415 7047 (from outside of the UK) between 8.30 a.m. and 5.30 p.m., Monday to Friday (excluding public holidays). Calls to 0871 384 2089 will be charged at 8 pence per minute (excluding VAT) plus network extras. Calls to +44 (0)121 415 7047 from outside of the UK will be charged at applicable international rates. Different charges may apply to calls made from mobile telephones.

This document should be read in conjunction with the Dixons Carphone Prospectus and the information incorporated by reference from the Dixons Carphone Prospectus.

Carphone Warehouse Group plc **(proposed to be renamed Dixons Carphone plc)**

⋮ CARPHONE WAREHOUSE **⋮ GROUP PLC**

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

Recommended all-share merger of Carphone Warehouse Group plc and Dixons Retail plc by means of a scheme of arrangement of Dixons Retail plc under Part 26 of the Companies Act 2006

and

Notice of General Meeting of the Company

Your attention is drawn to the letter from the Chairman of the Company which is set out in Part I of this document and which contains the unanimous recommendation of the Carphone Directors that you vote in favour of the Resolutions to be proposed at the Carphone General Meeting referred to below. Please read the whole of this document and, in particular, the risks and other factors that should be considered set out in Part II of this document. You should not rely solely on the information included or summarised in this document.

Notice of the Carphone General Meeting to be held at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB at 11.00 a.m. on 17 July 2014 is set out at the end of this document. The Carphone Form of Proxy for the Carphone General Meeting accompanies this document. To be valid, the Carphone Form of Proxy should be completed, signed and returned in accordance with the instructions printed on it so as to be received by the Registrars, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, as soon as possible and in any event by 11.00 a.m. on 15 July 2014. If you hold Existing Carphone Shares in CREST, you may appoint a proxy by completing and transmitting a

CREST Proxy Instruction to the Registrars, Equiniti (under CREST participant ID RA19), so that it is received by 11.00 a.m. on 15 July 2014. If you would like to submit your proxy vote electronically, you can do so by visiting www.sharevote.co.uk. You will need to enter the Voting ID, Task ID and Shareholder Reference Number printed on the Carphone Form of Proxy and follow the online instructions. The deadline for receipt of electronic proxies is 11.00 a.m. on 15 July 2014. Completion and return of the Carphone Form of Proxy will not preclude Carphone Shareholders from attending and voting in person at the Carphone General Meeting, should they so wish.

Application will be made to the FCA for the New Dixons Carphone Shares, to be issued pursuant to the Merger, to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Dixons Carphone Shares to be admitted to trading on its main market for listed securities. It is expected that, subject to the satisfaction of certain conditions, including the sanction of the Scheme by the Court, the New Carphone Dixons Shares will be issued, Admission will become effective and dealings in the New Dixons Carphone Shares will commence on 7 August 2014. The New Dixons Carphone Shares will, when issued, rank *pari passu* in all respects with the Existing Carphone Shares. No application has been made for the New Dixons Carphone Shares to be admitted to listing or dealt with on any other exchange.

Carphone Shareholders should only rely on the information contained in this document and the Dixons Carphone Prospectus. No person has been authorised to give any information or make any representations other than those contained or incorporated in this document and, if given or made, such information or representations must not be relied upon as having been so authorised by Carphone, the Carphone Directors or the Joint Sponsors. In particular, the contents of Carphone's website do not form part of this document and Carphone Shareholders should not rely on them. Without prejudice to any legal or regulatory obligation on Carphone 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 Carphone 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 Merger. 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 New Dixons Carphone Shares have not been, and will not be, registered under the US Securities Act, or with any securities regulatory authority of any state or any other jurisdiction of the United States. Accordingly, the New Dixons Carphone Shares may not be offered, sold or otherwise transferred, directly or indirectly, in or into the United States absent registration under the US Securities Act or an exemption therefrom. The New Dixons Carphone Shares to be issued to existing Dixons Shareholders pursuant to the Scheme are expected to be issued in reliance upon an exemption from the registration requirements of the US Securities Act afforded by Section 3(a)(10) thereof. Dixons Shareholders (whether or not US persons) who are or will be affiliates (within the meaning of the US Securities Act) of Dixons or Carphone prior to, or of Dixons Carphone after, the Effective Date will be subject to certain US transfer restrictions relating to the new Dixons Carphone Shares received pursuant to the Scheme.

None of the securities referred to in this document have been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of this document. Any representation to the contrary is a criminal offence in the United States.

The New Dixons Carphone Shares have not been, and will not be, registered under the applicable securities laws of any jurisdiction outside of the United Kingdom. Accordingly, the New Dixons Carphone 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. Carphone Shareholders outside the United Kingdom are required by Carphone

to inform themselves about and observe any restrictions on the offer, sale or transfer of the New Dixons Carphone Shares.

The distribution of this document and any accompanying documents and the allotment and issue of the New Dixons Carphone 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 or the Joint Sponsors to obtain any approval, authorisation or exemption to permit the allotment or issue of the New Dixons Carphone Shares or the possession or distribution of this document (or any other publicity material relating to the New Dixons Carphone Shares) in any jurisdiction other than the United Kingdom.

Deutsche Bank AG is authorised under German Banking Law (competent authority: BaFIN – Federal Financial Supervisory Authority). Deutsche Bank AG, London Branch is further authorised in the United Kingdom by the Prudential Regulation Authority and is subject to limited regulation by the FCA and the Prudential Regulation Authority. Deutsche Bank is acting for Carphone and no-one else in connection with the Merger and will not regard any other person (whether or not a recipient of this document) as its client in relation to the Merger and will not be responsible to anyone other than Carphone for providing the protections afforded to its clients nor for the giving of advice in relation to the Merger or any other matter or arrangement referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Deutsche Bank by the FSMA or the regulatory regime established thereunder, Deutsche Bank 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, the Carphone Shares, the Merger or Admission. Deutsche Bank, 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.

UBS Limited, which is authorised in the United Kingdom by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority, is acting for Carphone and no-one else in connection with the Merger and will not regard any other person (whether or not a recipient of this document) as its client in relation to the Merger and will not be responsible to anyone other than Carphone for providing the protections afforded to its clients nor for the giving of advice in relation to the Merger or any other matter or arrangement referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on UBS by the FSMA or the regulatory regime established thereunder, UBS 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, the Carphone Shares, the Merger or Admission. UBS, 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.

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RELEVANT DOCUMENTATION

A prospectus in connection with the issue of the New Dixons Carphone Shares will be published by Carphone on or around the date of this document on Carphone's website (www.cpwplc.com) and contains information regarding, among other things, the reasons for the Merger, further details concerning Carphone, Dixons, historical financial information, the Carphone Directors, the Proposed Directors and the New Dixons Carphone Shares. The Dixons Carphone Prospectus is available for inspection in accordance with paragraph 3 of Part VI (Additional Information) of this document. Paragraph 3 of Part VI (Additional Information) of this document sets out the various sections of the Dixons Carphone Prospectus which are incorporated by reference into this document.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	Time and/or date^{1, 2}
Publication of this document	26 June 2014
Latest time for receipt of Carphone Form of Proxy/CREST Proxy instructions for the Carphone General Meeting	11.00 a.m. on 15 July 2014 ³
Court Meeting	10.00 a.m. on 17 July 2014
Dixons General Meeting	10.15 a.m. on 17 July 2014 ⁴
Carphone General Meeting	11.00 a.m. on 17 July 2014
<i>The following dates are subject to change (please see note 5 below)</i>	
Scheme Sanction Hearing to sanction the Scheme and date of the Scheme Court Order	4 August 2014
Filing of Scheme Court Order	4 August 2014
Last day of dealings in, and for registration of transfers of, and disablement in CREST of, Dixons Shares	5 August 2014 ⁶
Scheme Record Time	6.00 p.m. on 5 August 2014
Suspension of Dixons Shares from the Official List and from trading on the London Stock Exchange's main market for listed securities	By 8.00 a.m. on 6 August 2014
Reduction Hearing to confirm the Capital Reduction	6 August 2014
Filing of Reduction Court Order	6 August 2014
Effective Date	6 August 2014
Delisting of Dixons Shares	By no later than 8.00 a.m. on 7 August 2014
Issue of New Dixons Carphone Shares	By no later than 8.00 a.m. on 7 August 2014
Admission and commencement of dealings in New Dixons Carphone Shares	8.00 a.m. on 7 August 2014
CREST accounts credited	By 8.00 a.m. on 7 August 2014
Despatch of definitive share certificates, where applicable	By 20 August 2014
Long Stop Date	31 December 2014

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 Dixons. Any changes will be announced via a Regulatory Information Service.
3. The Carphone Form of Proxy for the Carphone General Meeting must be returned by no later than 11.00 a.m. on 15 July 2014 (or in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting) to be valid.
4. To commence at 10.15 a.m. or, if later, immediately after the conclusion or adjournment of the Court Meeting.
5. These times and dates are indicative only and will depend, among other things, on the date upon which the Court sanctions the Scheme and confirms the associated Capital Reduction and the date on which the Conditions set out in the Scheme Document are satisfied or (if capable of waiver) waived. If any of the expected dates change, Dixons and/or Carphone will, unless the Panel otherwise consents, give notice of the change by issuing an announcement through a Regulatory Information Service.
6. Dixons Shares released, transferred or issued under the Dixons Share Schemes may be registered after this date.

INDICATIVE MERGER STATISTICS

Number of Existing Carphone Shares	576,067,769
Number of New Dixons Carphone Shares to be issued pursuant to the Merger ⁽¹⁾	up to 576,067,769
Number of Dixons Carphone Shares in issue immediately following Admission ⁽¹⁾	up to 1,152,135,538
New Dixons Carphone Shares as a percentage of the Enlarged Issued Share Capital ⁽¹⁾	50%
ISIN	GB00B4Y7R145
SEDOL	B4Y7R14

Notes:

(1) Based on the maximum expected number of Dixons Shares in issue as at the Effective Date, being 3,716,566,252 following settlement of those options and awards over Dixons Shares which will vest as a result of the Merger.

FORWARD-LOOKING STATEMENTS

Certain statements contained or incorporated in this document (including the information incorporated by reference into this document from the Dixons Carphone Prospectus) 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. Carphone Shareholders 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, Dixons and/or the Combined 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 Carphone, Dixons and/or the Combined Group’s present and future business strategies and the environment in which Carphone, Dixons and/or the Combined 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, the Carphone Directors, the Proposed Directors and the Joint Sponsors expressly disclaim 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 expectations with regard thereto or any change in information, events, conditions or circumstances on which any such statement is based.

Important factors that could cause actual results, performance or achievements of Carphone, Dixons or the Combined Group to differ materially from the expectations of Carphone, Dixons or the Combined Group, as applicable, include, among other things, general business and economic conditions globally, industry trends, competition, changes in government and other regulations, including in relation to the environment, health and safety and taxation, labour relations and work stoppages, changes in political and economic stability, disruptions in business operations due to reorganisation activities (whether or not Carphone combines with Dixons), interest rate and currency fluctuations, the failure to satisfy any conditions for the Merger (including approvals or clearances from regulatory and other agencies and bodies) on a timely basis or at all, the inability of the Combined Group to realise successfully any anticipated synergy benefits when the Merger is implemented, the inability of the Combined Group to integrate successfully Carphone’s and Dixons’ operations when the Merger is implemented, or the Combined Group incurring and/or experiencing unanticipated costs and/or delays or difficulties relating to the Merger when the Merger is implemented. Such forward-looking statements should therefore be construed in light of such factors.

The statements above relating to forward-looking statements should not be construed as a qualification on the opinion of Carphone as to working capital available to the Combined Group set out in paragraph 5 of Part VI 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 Carphone’s, Dixons’ and/or the Combined Group’s control. Forward-looking statements are not guarantees of future performance. Carphone’s, Dixons’ and the Combined Group’s actual results of operations, financial condition and the development of the business sector in which Carphone, Dixons and/or the Combined 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 Carphone, Dixons and/or the Combined Group and its affiliates operate. In addition, even if Carphone’s, Dixons’ or the Combined Group’s actual results of operations, financial condition and the development of the business sector in which Carphone, Dixons or the Combined Group operates are consistent with the forward-looking statements contained in this document (including the information incorporated

by reference into this document from the Dixons Carphone Prospectus), those results or developments may not be indicative of results or developments in subsequent periods.

Carphone Shareholders are advised to read, in particular, the following parts of the Dixons Carphone Prospectus for a more complete discussion of the factors that could affect Carphone's, Dixons' or the Combined Group's future performance and the industry in which Carphone, Dixons or the Combined Group operates: Part II (Information on the Carphone Group), Part III (Information on the Dixons Group), Part IV (Operating and Financial Review of the Carphone Group), Part V (Operating and Financial Review of the Dixons Group) and Part VII (Historical Consolidated Financial Information relating to the Carphone Group) of the Dixons Carphone Prospectus, as well as Part II (Risk Factors) and Part III (Historical Consolidated Financial Information relating to the Dixons Group) of this document. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur.

CARPHONE DIRECTORS, PROPOSED DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Carphone Directors	Sir Charles Dunstone (<i>Chairman</i>) Roger Taylor (<i>Deputy Chairman</i>) Andrew Harrison (<i>Chief Executive Officer</i>) Nigel Langstaff (<i>Chief Financial Officer</i>) ⁽¹⁾ John Allwood (<i>Non-executive Director and Senior Independent Director</i>) ⁽¹⁾ John Gildersleeve (<i>Non-executive Director</i>) Baroness Morgan of Huyton (<i>Non-executive Director</i>) Gerry Murphy (<i>Non-executive Director</i>) all of whose business address is at 1 Portal Way, London W3 6RS
Proposed Directors ⁽²⁾	John Allan CBE Sebastian James Humphrey Singer Katie Bickerstaffe Graham Stapleton Tim How Jock Lennox Andrea Gisle Joosen all of whose business address will, following the Merger becoming Effective, be at 1 Portal Way, London W3 6RS
Company Secretary	Tim Morris
Registered and Head Office	1 Portal Way, London W3 6RS
Lead Financial Adviser and Joint Sponsor	Deutsche Bank AG Winchester House 1 Great Winchester Street London EC2N 2DB
Joint Financial Adviser and Joint Sponsor	UBS Limited 1 Finsbury Avenue London EC2M 2PP
Legal advisers to the Company	Osborne Clarke One London Wall London EC2Y 5EB
Legal advisers to the Joint Sponsors	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

Notes:

(1) *Nigel Langstaff and John Allwood will retire as Carphone Directors with effect from the Effective Date.*

(2) *The Proposed Directors will become directors of the Company with effect from the Effective Date.*

PART I

LETTER FROM THE CHAIRMAN OF THE COMPANY

⋮ **CARPHONE WAREHOUSE** ⋮ **GROUP PLC**

Directors:

Sir Charles Dunstone (*Chairman*)
Roger Taylor (*Deputy Chairman*)
Andrew Harrison (*Chief Executive Officer*)
Nigel Langstaff (*Chief Financial Officer*)
John Gildersleeve (*Non-executive Director*)
John Allwood (*Non-executive Director*)
Baroness Morgan of Huyton (*Non-executive Director*)
Gerry Murphy (*Non-executive Director*)

Registered and Head Office:

Carphone Warehouse Group plc
One Portal Way
London
W3 6RS

26 June 2014

To Carphone Shareholders and, for information only, to persons with information rights

Dear Carphone Shareholder,

**RECOMMENDED ALL-SHARE MERGER OF CARPHONE WAREHOUSE GROUP PLC
AND
DIXONS RETAIL PLC BY MEANS OF A SCHEME OF ARRANGEMENT OF DIXONS RETAIL PLC
UNDER PART 26 OF THE COMPANIES ACT 2006
AND
NOTICE OF GENERAL MEETING OF THE COMPANY**

1. Introduction

On 15 May 2014, the boards of Carphone and Dixons announced that they had agreed the terms of a recommended all-share merger of Carphone and Dixons.

The terms of the Merger will provide Dixons Shareholders with 0.155 of a New Dixons Carphone Share in exchange for each Dixons Share held.

The Merger will be effected by way of a Court-sanctioned scheme of arrangement of Dixons under Part 26 of the Act pursuant to which Carphone will acquire the entire issued and to be issued ordinary share capital of Dixons. It is proposed that the Combined Group will be called "Dixons Carphone plc". Subject to the satisfaction or, where applicable, waiver of the Conditions, it is expected that the Merger will become Effective on 6 August 2014.

Owing to its size, the Merger constitutes a "reverse takeover" for the purposes of the Listing Rules and therefore requires the approval of Carphone Shareholders. Accordingly, the Carphone General Meeting has been convened for 11.00 a.m. London time on 17 July 2014 at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB. Carphone Shareholders will be asked, among other things, to approve the Merger itself and the allotment of Carphone Shares in connection with the Merger. An explanation of the Resolutions to be proposed at the Carphone General Meeting is set out in paragraph 21 below.

The Carphone Directors consider the Merger and the Resolutions to be in the best interests of Carphone and Carphone Shareholders as a whole and unanimously recommend that Carphone Shareholders vote in favour of the Resolutions, as the Carphone Directors who hold or are beneficially entitled to Carphone Shares have irrevocably undertaken to do in respect of their own beneficial holdings of Carphone Shares. The Merger has also been unanimously recommended by the Dixons Directors.

I am writing to give you further details of the Merger, including the background to and reasons for it, to explain why the Carphone Board considers it to be in the best interests of Carphone and Carphone Shareholders as a whole and to seek your approval of the Resolutions. The Dixons Carphone Prospectus prepared in accordance with the Prospectus Rules, which contains further

details of the issue of the New Dixons Carphone Shares, will be published on or around the date of this document on the Company's website (www.cpwplc.com).

2. Summary of the terms of the Merger

The Merger will result in each of Dixons' and Carphone's shareholders holding, in aggregate, 50 per cent. of Dixons Carphone on a fully diluted basis taking into account existing share options and award schemes for both companies. Under the terms of the Merger, and subject to the Conditions and certain further terms, if the Scheme becomes Effective Dixons Shareholders will receive:

0.155 of a New Dixons Carphone Share in exchange for each Dixons Share

The Scheme and the Conditions relating to the Merger are summarised at paragraph 12 below.

3. Background to, and reasons for, the Merger

The consumer electronics and mobile phone retail landscapes have evolved significantly over the last few years. In particular, the growth of smartphones, tablets and speed of internet access both in and out of the home, together with an increasing number of connected devices, are altering the way people live their lives, communicate and use technology. This creates a significant new opportunity for retailers to provide a broader range of products, connectivity, services and solutions to customers.

The Carphone Directors and the Dixons Directors believe that the winners within this evolving landscape will need to combine:

- a broad range of products and connectivity solutions;
- expert product knowledge backed up by independent, trusted advice;
- a full range of support services;
- multi-channel capabilities; and
- a competitive pricing model.

The directors of both Dixons and Carphone believe therefore that combining these two already strong businesses, with industry-leading management teams, will provide the opportunity to create a new retailer for the new digital age. This is underpinned by four principal drivers:

(a) *The markets in which Carphone and Dixons operate are converging*

Technology developments, in particular, hardware innovation, internet connectivity speeds, content evolution and cloud-based storage, have been advancing rapidly. This has been particularly prevalent following the advent of the smartphone and has been supported by increasing consumer adoption rates. This has led to greater convergence of both smart connected devices and the wider markets in which both Dixons and Carphone operate. These trends are the key building blocks for the so-called 'Internet of Things', extending connectivity of devices, systems and services so that they interact with themselves, with users and with their environment – creating significant new service opportunities as customers seek help and support in the connected world.

In light of the convergence of their respective markets, Carphone and Dixons have become highly complementary businesses. Carphone is one of Europe's largest independent retailers of mobile phones, which are central to how this technology will operate and be controlled, and Dixons is one of Europe's largest retailers of electrical goods with a product range which includes many of the devices that make up the Internet of Things. The Carphone Board and the Dixons Board both believe that the current market propositions, together with a comprehensive service and support infrastructure, create the opportunity both for a compelling end-to-end proposition and for developing a long-term relationship with the Combined Group's customers.

(b) *The Combined Group will have improved scale and reach*

The improved scale and reach in Dixons Carphone's multi-channel offerings are expected to benefit customers, suppliers and network operators alike.

The increased scale from combining Dixons and Carphone will enable the Combined Group to invest more efficiently in systems, employees and training in order to have better conversations with customers about their needs in a multi-channel world. These conversations

are increasingly viewed as a critical differentiator not only by customers but also by suppliers seeking to communicate their new technologies effectively, and the Merger is expected to enhance further the Combined Group's relevance to its suppliers and network partners.

The complementary store footprint in the UK will also enable the Combined Group to offer customers increased points of presence for services such as Click&Collect or Pay&Collect.

(c) ***Significant synergies arise from the Merger***

The boards of Carphone and Dixons believe that the Merger will deliver significant value to their shareholders through a combination of enhanced commercial opportunities as well as operating efficiencies. The Carphone Board and the Dixons Board both believe that synergies arising from the Merger will be at least £80 million and expect these to be delivered in full in the financial year 2017/18.

In addition to these recurring synergies, further significant additional value from growth opportunities is expected, as outlined under "Synergies and integration" in paragraph 7 below.

(d) ***The Merger will provide a stronger platform to create global opportunities for growth through the provision of services to consumers and businesses***

Carphone and Dixons have already taken steps to develop their services platform and believe that the Merger will enhance opportunities to develop this further for consumers and businesses. Carphone has already established contracts with "blue chip" businesses such as Aviva, British Gas and Royal Bank of Scotland to provide services and support, and has opened 33 Samsung stores in seven countries and established a partnership with the Media Saturn Group in the Netherlands. Dixons has started to provide services such as delivering white goods on behalf of suppliers sold by third parties and is exploring the possibilities for utilising its sourcing operations in Hong Kong for the benefit of other electrical retailers internationally.

The Carphone Board and the Dixons Board both believe that the Merger will enable the Combined Group to leverage the strong platforms, capabilities, experiences and skills of both businesses to offer corporate and end-user customers a significantly enhanced and broader range of profitable services.

4. Information relating to Carphone

Over the last 25 years, Carphone's experienced management team has grown the business to become one of the largest independent telecommunications retailers in Europe, operating over 2,000 stores across seven European countries, supported by a well-developed online proposition. Carphone employs highly-trained consultants who provide specialist and independent advice across the products and services that Carphone offers, fostering long-standing relationships with customers beyond the initial sale. Carphone also benefits from strong relationships with the major Western European network operators and suppliers and its management team has a proven track record of establishing and growing successful businesses and driving value in partnerships.

Carphone has recently created its Connected World Services business, which aims to leverage the specialist skills, operating processes and technology of the business to provide services to third parties looking to develop their own connected solutions. Carphone is already offering managed services to a number of businesses in Europe and is actively exploring further growth opportunities.

Carphone Shares are traded on the London Stock Exchange and Carphone is a member of the FTSE 250 index.

5. Information relating to Dixons

Dixons is one of the leading specialist electrical multi-channel retailing and services companies in Europe. It has expertise in selling electricals and provides a broad range of products to its customers across consumer electricals, computing and domestic appliances, complemented by related services and accessories. Dixons provides this through a multi-channel offering, online and in engaging and exciting store environments, with 944 stores in 13 countries¹. It provides product support services as well as added value services, such as Knowhow, Showhow, fault&fix, flexible

¹ As at 30 April 2014. Includes the Electroworld operations in the Czech Republic and Slovakia, the agreed disposal of which was announced on 19 May 2014. 13 countries in total includes Dixons Travel stores in Italy and Belgium which are operated from the United Kingdom, franchise stores in Iceland which are operated from the Nordics division and franchise stores in Cyprus which are operated from Greece.

delivery options, installation and repair services to its customers. Dixons also undertakes business to business sales and services. Over the last seven years, Dixons has been significantly streamlined to focus on its core markets and has transformed its business by improving store environments, its online offer and product ranges as well as the expertise of its employees. It has established a strong business model enabling it to offer sustainable competitive pricing in a multi-channel world. These improvements have been reflected in record levels of customer satisfaction scores being recorded in mystery shops and customer exit surveys.

Dixons Shares are traded on the London Stock Exchange and Dixons is a member of the FTSE 250 index.

Historical consolidated financial information relating to the Dixons Group is set out in Part III of this document. Carphone Shareholders should read the whole of this document, and the information incorporated by reference into it, and not rely solely on the summary financial information contained within it.

For the financial year ended 30 April 2014, the Dixons Group's total underlying² revenues were £7,217.6 million, it made an underlying profit before tax of £166.2 million and it had gross assets of £2,515.1 million.

6. Strategy of the Combined Group

The Merger will enable Dixons Carphone to provide customers with an integrated offering across a broad range of technology, connectivity and services beyond the point of sale, enhancing the lifetime value of the Combined Group's customers and improving the offering to existing and new service partners. The Carphone Board and the Dixons Board both believe that this will provide the opportunity to increase the value of the core combined retail operation, the Combined Group's service proposition and its business capability.

The directors of Carphone and Dixons believe that, in addition to the strategy of delivering the synergies identified in paragraph 7, there are three significant additional growth opportunities that have been identified and will be central to the overall strategy of the Combined Group:

(a) ***Generating incremental value by providing a seamless multi-channel offering throughout the retail operation, across a comprehensive range of products and connectivity services to benefit customers and business partners***

The directors of Carphone and Dixons believe that they have the opportunity to create enhanced revenue opportunities, in addition to developing an integrated mobile retailing proposition, from an improved customer offering across multiple electrical categories, enabled by a true multi-channel approach, including a wider and more convenient combined footprint for customers. In the UK, Ireland and the Nordics customers will be able to shop in store, online or using a combination of both through Click&Collect or Pay&Collect through the Combined Group's extensive store network.

In store, the Combined Group will cross-fertilise existing technologies and capabilities from Dixons and Carphone to allow simplified and improved customer journeys for multiple connected products, enabling the Combined Group's business partners to see their products and services presented to customers in a compelling manner enhanced by the customer's interaction with Dixons Carphone's highly trained staff.

The Carphone Board and the Dixons Board believe that the incremental capabilities and improved offerings coupled with ever-increasing data speeds and a broadening range of connected electrical devices will enhance revenue streams for the Combined Group and its business partners, suppliers and network operators alike.

(b) ***Driving significant revenue growth through incremental service offerings whilst providing customers with a best in class and comprehensive service proposition both in store and beyond the point of sale***

The Carphone Board and the Dixons Board believe that by building on the respective businesses' well-established service offerings of Geek Squad and Knowhow, the Combined Group will be well placed to extend Dixons Carphone's existing service offering even further

² Underlying figures exclude the trading results of businesses exited, amortisation of acquired intangibles, net restructuring and business impairment charges and other one off, non-recurring items, profits/losses on sale of investments or businesses, net interest on defined benefit pension schemes, net fair value remeasurements of financial instruments and, where applicable, discontinued operations.

across the entire range of connected and electricals products. Through an end-to-end service proposition including product set-up, delivery, ongoing peace of mind product support and insurance, as well as repairs, accessories and recycling, the Combined Group can extend the relationship with customers to provide them with the full service offering they may need anytime, anywhere and drive significant incremental lifetime value opportunities and recurring revenue streams for the Combined Group.

(c) ***Delivering substantial value enhancement by leveraging existing capabilities and providing Connected World Services to global business partners***

The Combined Group will aim to leverage its core systems, services and product expertise for the benefit of both third party customers and suppliers.

Carphone and Dixons have a shared vision for the future opportunity that exists to exploit their respective expertise in building additional services revenue streams. The Combined Group's focus will be on both existing and new markets. Although this business is relatively small, the Carphone Board and the Dixons Board believe that this can evolve on a global basis, with relatively low capital expenditure, and drive four additional revenue streams over time:

(i) *Connected retailing*

Dixons Carphone intends to offer a full range of propositions for multi-channel retailing for connected products and services. Opportunities include specific consultancy services such as sales processes, store design and customer fulfilment and loyalty, all the way through to full scale partnerships for retailers, networks and manufacturers.

(ii) *Services and support*

The Carphone Board and the Dixons Board intend to deliver technical support solutions for connected devices using existing logistics infrastructure, insurance expertise (including administration and claims management), repairs, after-sales and technical support capabilities.

(iii) *Multi-channel platform*

The Combined Group intends to provide its technology platforms and managed services to support complex transactions, connections to service providers and customer relationship management. For example, the Combined Group intends to be able to offer an end-to-end turn-key software and training solution for partner retailers who wish to navigate the complexities of hardware and networks and deliver a comprehensive mobile and connectivity offer for their customers.

(iv) *Global partnerships*

Opportunities will include leveraging the Combined Group's scale and commercial relationships, enabling partner retailers not only to source hardware, own brand consumer electrical products and accessories but also to provide network operator services.

The Carphone Board and the Dixons Board believe that the relationships, resources and combined skills of Dixons Carphone will enable the development of a much stronger business platform than were each company to pursue this strategy individually.

7. Synergies and integration

The Carphone Directors and the Dixons Directors, having reviewed and analysed the potential benefits of the Merger, based on their experience of operating in the consumer electrical and mobile retail sectors, and taking into account the factors they can influence, believe that the Combined Group will be able to achieve integrated mobile retailing and procurement synergies, together with cost savings, of at least £80 million on a recurring basis, which are expected to be delivered in full in the financial year 2017/18. These estimated synergies reflect both the beneficial elements and relevant costs of achieving them. The boards of Carphone and Dixons expect Dixons Carphone to deliver these synergies progressively, achieving almost half of them in the financial year 2015/16.

Approximately half of the identified synergies are expected to come from integrated mobile retailing and procurement savings. Integrated mobile retailing synergies arise in the UK, Ireland and the Nordics, and relate to the creation of an integrated mobile offering in Dixons shops, to promote a

seamless customer journey across all technology categories, underpinned by the use of Carphone's expertise in mobile. It is expected that the deployment of an integrated mobile offering will commence as soon as is practicable after Completion, with a progressive roll-out, which is expected to be largely completed by the end of the financial year 2016/17. Alongside the integrated mobile retailing programme, it is expected that the Combined Group's scale will enable procurement benefits, across a number of cost categories, which are again expected to be delivered progressively.

The remainder of the identified synergies relate primarily to the integration and rationalisation of certain operational and support functions across the UK and the Nordics. These synergies comprise the elimination of duplication across such functions, and the integration of head offices and removal of duplicated rent and other infrastructure costs. These synergies are expected to be delivered progressively through periods to the end of the financial year 2016/17.

In addition to these quantified synergies, the Carphone Directors and the Dixons Directors believe that further value will be created through additional growth opportunities including:

- (a) enhanced revenue opportunities from an improved customer offering across electrical, mobiles and connectivity, enabled by a true multi-channel approach, including a wider and more convenient combined footprint for customers;
- (b) developing a world class service proposition for customers; and
- (c) enhancement of the existing Connected World Services opportunities for both existing and new business partners around the globe.

It is expected that there will be significant job creation through the rollout of the Dixons Carphone integrated retail offering, resulting in an increase of approximately four per cent. of the Combined Group's full-time equivalent employees. This is expected to be substantially complete by the end of 2016. This increase will be partially offset as a result of the rationalisation of certain operational and support functions resulting, in these functions, in a decrease of approximately two per cent. of the Combined Group's full-time equivalent employees. Any changes related to the rationalisation are unlikely to take effect prior to 2015 and are anticipated to be implemented gradually over the three years after Completion. Taken together with the job creation opportunities, it is expected there will be a net increase of approximately two per cent. of the Combined Group's full-time equivalent employees as a result of the Merger. The integration of the businesses will clearly require some roles to change but, with more new roles being created than those that are lost, it is hoped that there will be opportunities for many of the people involved. Specific roles have not yet been identified, outcomes will depend on integration planning and will, of course, be subject to consultation with the Combined Group's employees.

The realisation of the identified synergies is expected to result in one-off exceptional costs of approximately £55 – 60 million, principally in relation to the rationalisation of certain operational and support functions where there is duplication, in the UK and Nordics regions. It is expected that such costs will largely be incurred by the end of the financial year 2015/16. Incremental capital expenditure of approximately £60 – 70 million is also expected during the period to the end of the financial year 2017/18, principally resulting from the creation of an integrated retail offering in Dixons shops, together with implementation of common IT platforms across parts of the Carphone and Dixons businesses. Aside from these identified integration costs and the planned incremental capital expenditure, no material dis-synergies are expected in connection with the Merger. The identified synergies will accrue as a direct result of the Merger and would not be achieved on a standalone basis.

Carphone and Dixons are establishing a full integration team, bringing together the best relevant capabilities of both businesses, to ensure that the synergies of the Merger are maximised. The Carphone Board and the Dixons Board are confident that the integration of Carphone and Dixons can be achieved without undue disruption to the underlying operations of either business.

As at the date of this document, an integration plan is being developed. As soon as practicable following the Effective Date, the Combined Group will aim to have fully validated its initial synergy assumptions, agreed the target operating model of the Combined Group and completed the detailed integration plan across the Combined Group's business. The integration plan, once finalised, will set out the scope of the integration process and quantified objectives, proposed organisation structures and processes to be reviewed and subsequently implemented, together with an overall integration programme and stakeholder communication and consultation timetable.

Finalisation of the integration plan will be subject to engagement with appropriate stakeholders, including employee representative bodies.

These statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. For the purposes of Rule 28 of the Code, these statements of estimated cost savings and synergies are the responsibility of the Carphone Directors, in Carphone's capacity as offeror under the terms of the Merger. The Carphone Directors confirm that there have been no material changes to these statements which were set out in Appendix IV of the Announcement and which remain valid and are also incorporated in Part V of this document. Deloitte LLP and Deutsche Bank have also confirmed to Carphone that the reports they produced in connection with these statements, which are also incorporated in Part V of this document, continue to apply.

These statements are not intended as a profit forecast and should not be interpreted as such.

8. Current trading and prospects

(a) *The Carphone Group*

CPW

Like-for-like revenue growth in the quarter ended 29 March 2014 was 2.3 per cent, maintaining the momentum seen during the Christmas quarter, despite strong comparatives. Overall connections were down 10.1 per cent, reflecting continued weakness in the prepay market (down an estimated 20-25 per cent). However, sustained focus on higher-value postpay connections led to further UK market share gains in this category.

In Europe, the focus remained on replicating the UK's operational excellence across other markets and increasing relevance and scale through partnerships. In the Netherlands, good progress was made with the roll-out of the store-in-a-store format in partnership with Media-Markt Saturn. Discussions continue with Metro Group in Germany, with store openings anticipated over the coming months, and with other potential partners across other territories.

Across the Carphone Group, further momentum has been gained in driving data-rich 4G services, seeing significantly higher levels of data take-up compared to the prior period and continuing to see a pricing differential for these additional data services.

In the Connected World Services business, the Carphone Group has now opened 33 Samsung stores in seven countries. The Carphone Group has been building an exciting pipeline of potential partners during the quarter ended 29 March 2014 and expects to make further announcements in due course.

Virgin Mobile France (46 per cent. joint venture)

Continued competitive activity in the French market resulted in the postpay base of 1.3 million customers being marginally down (net loss of 17,000 postpay customers in the quarter ended 29 March 2014) with revenue down in the same period as anticipated (-8.6 per cent.). Virgin Mobile France remains focused on improving the quality of its base, continuing to make good progress with the Full MVNO migration, with 77 per cent. of customers on the Full MVNO platform as at 29 March 2014 and substantially more by value. Virgin Mobile France launched a new 4G proposition in April 2014 with both SFR and Bouygues Telecom, the business' third network partner, providing opportunities to access new parts of the market.

On 16 May 2014, Carphone announced that the shareholders of Virgin Mobile France had entered into an exclusivity agreement in respect of the proposed sale of 100 per cent. of Virgin Mobile France to Numericable Group for an enterprise value of Euro 325 million. During the exclusivity period the parties have carried out the necessary consultations with employee work councils, with the transaction also being subject to the approval of the French Competition Authority.

(b) **The Dixons Group**

As Dixons announced in its preliminary audited results for the financial year ended 30 April 2014, published on 26 June 2014, the Dixons Group has had another year of significant progress. The Dixons Group's underlying total sales were up 3 per cent. to £7.22 billion in the full financial year ended 30 April 2014 (financial year ended 30 April 2013 (the "**Financial Year 2012/13**"): £7.03 billion).

Underlying pre-tax profit grew by 10 per cent. to £166.2 million (Financial Year 2012/13: £151.0 million). This represents an increase of 76 per cent. when compared with the underlying profit before tax of £94.5 million for the Financial Year 2012/13 as originally reported on 20 June 2013. The Dixons Group's gross margins were down 0.2 per cent. in the year, improving in the second half. The Dixons Group has made substantial progress against its strategic objectives having exited non-core markets, enabling the Dixons Group to focus on those markets where it has leadership positions. The Dixons Group's online sales increased by 16 per cent. to £1 billion. Return on capital employed was 16.3 per cent. (Financial Year 2012/13: 14.9 per cent.). The Dixons Group has continued to reduce costs, completing the two year £90 million cost reduction initiative during the year. In spite of headwinds and the costs associated with the disposals, the Dixons Group again managed to generate positive cash flow resulting in an increase of net cash to £70.9 million. Total profit before tax was £132.9 million (Financial Year 2012/13: profit of £86.6 million), after non-underlying items of £33.3 million, which predominantly comprise restructuring charges and pension interest costs. The Dixons Group incurred post-tax non-underlying charges of £186.0 million, relating mainly to disposals of non-core operations.

Underlying diluted earnings per share was 3.0 pence (Financial Year 2012/13: 2.6 pence). Underlying profit before interest and tax was £202.8 million (Financial Year 2012/13: £186.4 million). Basic loss per share including discontinued operations was 1.9 pence (Financial Year 2012/13: 4.5 pence). Each of the divisions has performed well in its markets, as well as continuing to deliver further improvements to the already strong customer service levels.

The UK & Ireland division delivered a strong performance across the year with significant growth in profitability and a 3.4 per cent. return on sales. Total sales in the division were up 3 per cent. to £4,148.6 million (Financial Year 2012/13: £4,014.5 million) and like-for-like sales were up 5 per cent. Underlying operating profits increased 24 per cent. to £141.0 million (Financial Year 2012/13: £113.3 million).

The Elkjøp group in the Nordics continues to perform strongly and had another very satisfactory year. Sales grew by 3 per cent. at constant exchange rates, while in sterling, underlying sales grew by 2 per cent. to £2,789.8 million (Financial Year 2012/13: £2,733.3 million). Like-for-like sales were up 2 per cent. Underlying operating profits were £116.9 million (Financial Year 2012/13: £125.4 million).

Total sales in Kotsovolos in Greece were down 3 per cent. at constant exchange rates and flat in sterling at £279.2 million (Financial Year 2012/13: £278.8 million), with like-for-like sales down 9 per cent., largely as a result of the weak economic environments being experienced in Greece coupled with a mild summer and the digital switchover benefit in the prior year. Underlying operating loss was £10.5 million (Financial Year 2012/13: loss of £11.0 million).

The new financial year has started well, with an uplift in TV sales driven by the World Cup, and the Dixons Directors believe that there are some early signs of a consumer recovery, most notably in the UK.

(c) **The Combined Group**

The Carphone Directors and the Proposed Directors are confident in the prospects of the Combined Group.

9. Management, employees and head office location

The Dixons Carphone Board will be drawn equally from the boards of both companies and will comprise 14 directors, including nine Non-executive Directors.

As from Completion, Sir Charles Dunstone, Chairman of Carphone, will become the Chairman of Dixons Carphone. Roger Taylor, Deputy Chairman of Carphone, and John Allan, Chairman of Dixons, will become Co-Deputy Chairmen and John Allan will also become Senior Independent

Director; Sebastian James, CEO of Dixons, will become CEO; Andrew Harrison, CEO of Carphone, will become Deputy CEO; Humphrey Singer, CFO of Dixons, will become CFO; Katie Bickerstaffe, CEO of UK & Ireland Dixons, and Graham Stapleton, CEO of UK & Ireland Carphone, will join the Dixons Carphone Board as Executive Directors and retain their current responsibilities. In addition, the Dixons Carphone Board will comprise six other Non-executive Directors. John Gildersleeve, Baroness Morgan of Huyton and Gerry Murphy will be the Non-executive Directors appointed from Carphone. Tim How, Jock Lennox and Andrea Gisle Joosen will be the Non-executive Directors appointed from Dixons.

Nigel Langstaff and John Allwood will step down from the Carphone Board upon the Scheme becoming Effective. Each of the Carphone Directors stepping down from the Carphone Board is fully supportive of the rationale for the Merger and of its terms and conditions.

Dharmash Mistry and Prof. Dr. Utho Creusen will step down from the Dixons Board upon the Scheme becoming Effective and will not join the Dixons Carphone Board. Each of the Dixons Directors who will not join the Dixons Carphone Board is fully supportive of the rationale for the Merger and of its terms and conditions.

The boards of Carphone and Dixons recognise that in order to achieve the expected benefits of the Merger, operational and administrative restructuring will be required following Completion.

The Combined Group will in due course consolidate its head office functions within one principal location. Dixons and Carphone are currently working on assessing the solution which best suits the future business needs of the Combined Group.

Carphone has given assurances that, following Completion, the existing employment rights of Dixons' and Carphone's employees will be fully safeguarded.

10. Financial and accounting considerations

The Carphone financial year ends on or around 31 March and the Dixons financial year ends on 30 April. Dixons Carphone will look at the merits of adopting each of these year ends but its current intention is to adopt an end of April year end.

For accounting purposes, it is expected that Dixons will be consolidated into Carphone's balance sheet. A fair value exercise in respect of Dixons' assets and liabilities will be conducted following Completion, resulting in Dixons' assets and liabilities being included at fair value on the Combined Group's balance sheet. Intangible assets arising will include goodwill and brands.

11. Dividends and dividend policy

Dixons Carphone intends to adopt a dividend policy in line with Carphone's current dividend policy of 3.0x dividend cover based on Headline earnings. The exchange ratio of the Merger has been determined on the basis that no dividend will be payable by either of Carphone or Dixons prior to Completion, other than an ordinary course Carphone final dividend of 4 pence per Carphone Share in respect of the financial year ended 29 March 2014.

12. Structure of the Merger

The Merger will be implemented by way of a Court-sanctioned scheme of arrangement between Dixons and the Dixons Shareholders, under Part 26 of the Act, under which Carphone will acquire all of the shares in Dixons.

The purpose of the Scheme is to provide for Carphone to become the holder of the entire issued and to be issued ordinary share capital of Dixons. This is to be achieved by the cancellation of the Dixons Shares held by Dixons Shareholders and the application of the reserve arising from such cancellation in paying up in full such number of new Dixons Shares as is equal to the number of Dixons Shares cancelled, and issuing the same to Carphone in consideration for which Dixons Shareholders will receive consideration on the basis set out in paragraph 2 above.

The Merger is subject to the Conditions and certain further terms and will only become Effective if, among other things, the following events occur on or before 31 December 2014 or such later date as Carphone and Dixons may agree and (if required) the Court and the Panel may allow:

- (a) a resolution to approve the Scheme being passed by a majority in number of the Dixons Shareholders who are present and voting at the Court Meeting, either in person or by proxy, representing 75 per cent. or more in value of the Dixons Shares voted by those Dixons Shareholders;

- (b) the special resolutions necessary to implement the Scheme and to approve the related Capital Reduction being passed by the requisite majority of Dixons Shareholders at the Dixons General Meeting;
- (c) the Scheme being sanctioned (with or without modification, on terms agreed by Carphone and Dixons) and the related Capital Reduction being confirmed by the Court;
- (d) a copy of each of the Court Orders (together with the Statement of Capital) being delivered to the Registrar of Companies and, if so ordered by the Court, the Reduction Court Order being registered by the Registrar of Companies, together with the Statement of Capital;
- (e) relevant anti-trust clearances being received on terms satisfactory to Carphone and Dixons (acting reasonably);
- (f) the resolution to be proposed at the Carphone General Meeting to approve, effect and implement the Merger and to grant authority to the Carphone Directors to allot the New Dixons Carphone Shares, being passed by the requisite majority of Carphone Shareholders (but, for the avoidance of doubt, not the other resolutions to be proposed at the Carphone General Meeting which shall not be conditions to the Merger); and
- (g) the UK Listing Authority having acknowledged to Carphone or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New Dixons Carphone Shares to listing on the premium segment of the Official List has been approved and (subject to satisfaction of any conditions to which such approval is expressed) will become effective as soon as a dealing notice has been issued by the UK Listing Authority and such conditions have been satisfied and the London Stock Exchange having acknowledged to Carphone or its agent (and such acknowledgement not having been withdrawn) that the New Dixons Carphone Shares will be admitted to trading on the London Stock Exchange's main market for listed securities.

On 25 June 2014, the European Commission confirmed that it had unconditionally cleared the Merger following its Phase I review.

Upon the Scheme becoming Effective, it will be binding on all Dixons Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Dixons General Meeting (and if they attended and voted, whether or not they voted in favour), and share certificates in respect of Dixons Shares will cease to be valid and entitlements to Dixons Shares held within the CREST system will be cancelled.

Dixons Shares will be acquired by Carphone pursuant to the Scheme fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching thereto, including voting rights and the rights to receive and retain in full all dividends and other distributions declared, made or paid on or after the Effective Date, save where the record date for such dividend or other distribution falls prior to the Effective Date or otherwise where Carphone and Dixons agree.

The New Dixons Carphone Shares issued to Dixons Shareholders pursuant to the Scheme will be issued credited as fully paid and will rank *pari passu* in all respects with existing Carphone Shares, including the right to receive dividends and other distributions declared, made or paid on Carphone Shares by reference to a record date falling after the Effective Date. The New Dixons Carphone Shares will be issued in registered form and will trade under the same ISIN number as the Existing Carphone Shares.

Fractions of New Dixons Carphone Shares will not be allotted or issued pursuant to the Merger and fractional entitlements will be rounded down to the nearest whole number of New Dixons Carphone Shares. Dixons Shareholders who hold six or fewer Dixons Shares will have their Dixons Shares cancelled, but will not receive any New Dixons Carphone Shares (or any other consideration) pursuant to the Scheme unless they increase their holding of Dixons Shares prior to the Scheme Record Time.

If the Scheme does not become Effective on or before 31 December 2014 (or such later date as Carphone and Dixons may agree and (if required) the Court and the Panel may allow), it will lapse and the Merger will not proceed.

13. Employee share schemes

(a) Carphone Share Schemes

Outstanding options and awards under the Carphone 2010 Share Scheme, the CPW SAYE Scheme and the CPWG Share Plan will not vest as a result of the Merger. The awards under the Carphone 2010 Share Scheme and the CPW SAYE Scheme will continue on the same terms as prior to the Merger and the awards under the CPWG Share Plan will continue on similar terms subject to any necessary adjustment to take into account the Merger including, without limitation, the impact of New Dixons Carphone Shares being issued pursuant to the Merger and the potential growth in the Combined Group.

At the Carphone General Meeting, approval will be sought from Carphone Shareholders to proposed amendments to the Carphone 2010 Share Scheme and the CPWG Share Plan, details of which are described below.

The Carphone Group adopted the Carphone 2010 Share Scheme, the principal provisions of which are set out in paragraph 10.1 of Part XI of the Dixons Carphone Prospectus, on 24 February 2010. At a general meeting of the Company held on 24 June 2013, Carphone Shareholders approved the extension of the life of the Carphone 2010 Share Scheme so that it currently expires on the tenth anniversary of that general meeting. At the Carphone General Meeting, Carphone Shareholders will be asked to authorise an extension of the life of the Carphone 2010 Share Scheme so that it expires on the tenth anniversary of the Carphone General Meeting. The full text of the resolution relating to the Carphone 2010 Share Scheme is set out in the Notice of Carphone General Meeting at the end of this document.

At the Carphone General Meeting, Carphone Shareholders will be asked to authorise amendments to the rules of the CPWG Share Plan in order to give the remuneration committee of Dixons Carphone the ability to amend any of the terms of awards made under that plan to existing participants and grant new awards under the CPWG Share Plan following the Merger becoming Effective to employees of the Combined Group including those currently employed by the Dixons Group, in each case in accordance with the rules of the CPWG Share Plan and to take into account the Merger including, without limitation, the impact of New Dixons Carphone Shares being issued pursuant to the Merger and the potential growth in the Combined Group. The full text of the resolution relating to the CPWG Share Plan is set out in the Notice of Carphone General Meeting at the end of this document.

The full text of the amended rules of the Carphone 2010 Share Scheme and the CPWG Share Plan will be available for inspection, from the date of this document until the close of the Carphone General Meeting, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB.

(b) Dixons Share Schemes

Letters are being sent to the participants in the Dixons Share Schemes explaining the effect of the Scheme on their share options and awards.

All Dixons Shares issued or transferred on the exercise of options or vesting of awards under the Dixons Share Schemes before the Scheme Record Time will be subject to the terms of the Scheme. The Scheme will not extend to Dixons Shares issued after the Scheme Record Time. It is proposed to amend the articles of association of Dixons at the Dixons General Meeting to provide that, if the Scheme becomes Effective, any Dixons Share issued or transferred after the Scheme Record Time will be automatically transferred to Dixons Carphone in consideration for the issue or transfer of Dixons Carphone Shares on the same terms as for holders of Dixons Shares before the Scheme Record Time.

Outstanding Dixons ESOP options and Dixons PSP awards which are not already exercisable or vested will vest immediately on the sanction of the Scheme by the Court to the extent that performance conditions are satisfied and, where applicable, subject to the participant entering into a lock-in commitment. Dixons PSP awards made in 2013 will be pro-rated by 50 per cent. Outstanding Dixons RRP awards will also vest on the sanction of the Scheme by the Court. Dixons ESOP options which are already vested will be able to participate in the Scheme. Any outstanding Dixons ESOP options will lapse no later than six months after the sanction of the Scheme by the Court.

Carphone will offer Dixons Sharesave participants the opportunity to rollover the options granted in 2011, 2012 and 2013, enabling them to exercise their options in full over Dixons Carphone Shares at the maturity date free of income tax for UK participants, adjusted as appropriate. Any Dixons Sharesave options which are not rolled over and are not exercised will lapse no later than six months after the sanction of the Scheme by the Court.

The maximum number of Dixons Shares that will be exchanged for Dixons Carphone Shares will be 3,716,566,252 Dixons Shares following settlement of those options and awards over Dixons Shares which will vest as a result of the Merger. It is expected that new Dixons Shares will be issued to satisfy the vesting of awards and exercise of options up to the maximum number of 3,716,566,252 Dixons Shares. Further entitlements to receive Dixons Shares as a result of the vesting of awards and exercise of options will be satisfied by the acquisition of Dixons Shares in the market by the trustee of Dixons' employee benefit trust and/or in cash, or as otherwise agreed with Carphone.

14. Irrevocable undertakings

In aggregate, Carphone and Dixons have received irrevocable undertakings from:

- those of the Dixons Directors and certain members of their families who hold or are beneficially entitled to Dixons Shares to vote in favour of the Scheme at the Court Meeting and the resolutions to be proposed at the Dixons General Meeting, in respect of an aggregate of 2,149,695 Dixons Shares, representing, in aggregate, approximately 0.06 per cent. of Dixons' ordinary share capital in issue on 25 June 2014 (being the latest practicable date prior to the publication of this document); and
- those of the Carphone Directors and certain members of their families who hold or are beneficially entitled to Carphone Shares to vote in favour of the resolutions to be proposed at the Carphone General Meeting to approve the Merger and related matters, in respect of an aggregate of 153,679,774 Carphone Shares, representing, in aggregate, approximately 26.7 per cent. of Carphone's ordinary share capital in issue on 25 June 2014 (being the latest practicable date prior to the publication of this document).

15. Lock-in commitments

Each of the proposed members of the Dixons Carphone Board has given a binding undertaking not to dispose of any of his or her beneficial holdings in shares of Dixons Carphone (or any interest therein), which he or she holds on Admission or subsequently acquires during the lock-in period, subject to limited exceptions. Certain other Carphone Group and Dixons Group senior executives have given similar commitments. All of the proposed members of the Dixons Carphone Board have given this undertaking for a period of 24 months following Completion, with the exception of Katie Bickerstaffe and Graham Stapleton who have given this undertaking for a period of 12 months, in line with undertakings received from other senior executives.

16. Offer related arrangements

Carphone and Dixons have entered into a mutual confidentiality agreement dated 30 January 2014 pursuant to which each of Carphone and Dixons has undertaken to keep certain information relating to the Merger and the other party confidential and not to disclose it to third parties (other than to permitted disclosees) unless required by law or regulation. These confidentiality obligations will remain in force until Completion.

17. De-listing of Dixons

Prior to the Scheme becoming Effective, applications will be made to the UK Listing Authority for the cancellation of the listing of the Dixons Shares on the Official List and to the London Stock Exchange for the cancellation of trading of the Dixons Shares on the London Stock Exchange's main market for listed securities, in each case to take effect on or shortly after the Effective Date.

On the Effective Date, Dixons will become a wholly-owned subsidiary of Carphone and share certificates in respect of Dixons Shares will cease to be valid and entitlements to Dixons Shares held within the CREST system will be cancelled.

18. Listing, dealings and settlement of the New Dixons Carphone Shares

Applications will be made to the UK Listing Authority for the New Dixons Carphone Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Dixons Carphone Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings for normal settlement in the New Dixons Carphone Shares will commence on the London Stock Exchange at 8.00 a.m. on 7 August 2014.

19. Dilution

Subject to the Merger becoming Effective, it is expected that up to 576,067,769 New Dixons Carphone Shares will be issued. This will result in Carphone's issued share capital increasing by approximately 100 per cent. If the Merger becomes Effective, Carphone Shareholders will suffer an immediate dilution as a result of the Merger following which they will hold approximately 50 per cent. of the Enlarged Issued Share Capital.

20. Risk factors

Carphone Shareholders should consider fully and carefully the risk factors associated with the Combined Group and the Merger. Your attention is drawn to the risk factors set out in Part II (Risk Factors) of this document.

21. Carphone General Meeting and the Resolutions

As described in paragraph 12 above, Completion is conditional upon Carphone Shareholders' approval of the Merger Resolution being obtained at the Carphone General Meeting. The Notice of Carphone General Meeting to be held at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB at 11.00 a.m. on 17 July 2014 is set out at the end of this document. The purpose of the meeting is to approve the Resolutions.

The full text of the Merger Resolution and other matters is set out in the Notice of Carphone General Meeting at the end of this document. In the event that the Merger Resolution is not passed, the Merger will not proceed. Resolution 2 and the Share Scheme Resolutions are conditional upon the passing of the Merger Resolution and Admission.

The implementation of the Merger is conditional upon the passing of the Merger Resolution only.

Resolution 1 – Approval of the Merger

The Merger Resolution, which will be proposed as an ordinary resolution, proposes that:

- (a) the Merger be approved and the Carphone Directors be authorised to implement the Merger; and
- (b) the Carphone Directors be authorised to allot the New Dixons Carphone Shares in connection with the Merger up to an aggregate nominal amount of £576,067.77 (representing, in aggregate, 576,067,769 New Dixons Carphone Shares).

The authority represents approximately 100 per cent. of the total issued ordinary share capital of Carphone as at 25 June 2014. If the resolution is passed, this authority will expire on the Long Stop Date and is in addition to any subsisting authorities to allot shares in Carphone. As at 25 June 2014, Carphone held no treasury shares.

Resolution 2 – Increase in directors' fees

Article 95 of the Company's articles of association limits the amount of fees payable to the Carphone Directors for their services as directors (but not, for the avoidance of doubt, as employees of the Carphone Group) to £500,000 in aggregate each year. As a consequence of the Merger, the number of directors on the Dixons Carphone Board will increase from eight to 14, of which nine will be Non-executive Directors. Accordingly, it will be necessary to increase the current limit on the aggregate level of annual fees payable in order to accommodate the increased number of directors.

Resolution 2, which will be proposed as an ordinary resolution, proposes to increase the limit on the aggregate level of annual fees payable to directors for their services as directors to £2,000,000.

Resolution 3 – Amendments to the Carphone 2010 Share Scheme

Resolution 3, which will be proposed as an ordinary resolution, seeks authorisation of an extension of the life of the Carphone 2010 Share Scheme so that it expires on the tenth anniversary of the Carphone General Meeting and of any amendments to the rules of the Carphone 2010 Share Scheme as may be necessary to effect the extension.

Resolution 4 – Amendments to the CPWG Share Plan

Resolution 4, which will be proposed as an ordinary resolution, seeks authorisation of amendments to the rules of the CPWG Share Plan in order to give the remuneration committee of Dixons Carphone the ability to amend any of the terms of awards made under that plan to existing participants and grant new awards under the CPWG Share Plan following the Merger becoming Effective to employees of the Combined Group, including those currently employed by the Dixons Group, in each case in accordance with the rules of the CPWG Share Plan and to take into account the Merger including, without limitation, the impact of New Dixons Carphone Shares being issued pursuant to the Merger and the potential growth in the Combined Group, in order to ensure that awards are consistently aligned to incentivise and reward participants for increasing shareholder value in the years following the Merger becoming Effective.

22. Action to be taken

You will find accompanying this document a personalised Carphone Form of Proxy for use at the Carphone General Meeting or at any adjournment thereof. You are requested to complete and sign the Carphone Form of Proxy whether or not you propose to attend the Carphone General Meeting in person in accordance with the instructions printed on it and return it as soon as possible, but in any event so as to be received no later than 11.00 a.m. on 15 July 2014, by the Registrars, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

CREST members may also choose to utilise the CREST electronic proxy appointment service in accordance with the procedures set out in the Notice of Carphone General Meeting at the end of this document. The lodging of the Carphone Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting at the Carphone General Meeting in person if you so wish.

If you would like to submit your proxy vote electronically, you can do so by visiting www.sharevote.co.uk. You will need to enter the Voting ID, Task ID and Shareholder Reference Number printed on the Carphone Form of Proxy and follow the online instructions. The deadline for receipt of electronic proxies is 11.00 a.m. on 15 July 2014.

23. Further information

Your attention is drawn to the further information set out in Parts II to VII of this document.

24. Recommendation

The Carphone Directors, who have been so advised by Deutsche Bank, consider the Merger to be in the interests of Carphone Shareholders. In providing its advice, Deutsche Bank has taken into account the commercial assessments of the Carphone Directors.

The Carphone Board also considers the Merger and each of the Resolutions to be in the best interests of the Company and the Carphone Shareholders as a whole. Accordingly, the Carphone Board unanimously recommends that Carphone Shareholders vote in favour of the Resolutions to be proposed at the Carphone General Meeting, as they intend to do in relation to their own individual holdings which amount in total to 153,679,774 Existing Carphone Shares, representing approximately 26.7 per cent. of the Existing Carphone Shares as at 25 June 2014, being the latest practicable date prior to the publication of this document.

Yours sincerely,

Sir Charles Dunstone
Chairman

PART II

RISK FACTORS

Carphone Shareholders should consider the following risks and uncertainties together with all of the other information set out in this document prior to making any decision as to whether or not to vote in favour of the Resolutions.

The risks described below are all of the material risk factors related to the Merger, material new risk factors to the Carphone Group or the Dixons Group as a result of the Merger, or existing material risk factors to the Carphone Group or the Dixons Group which will be impacted by the Merger.

The risks described below are based on information known at the date of this document, but may not be the only risks to which the Carphone Group, the Dixons Group or, following the Effective Date, the Combined Group is or might be exposed. Additional risks and uncertainties, which are currently unknown to Carphone or that Carphone does not currently consider to be material, may materially affect the business of the Carphone Group, the Dixons Group and/or the Combined Group and could have material adverse effects on the business, financial condition, results of operations and prospects of the Carphone Group, the Dixons Group and/or the Combined Group. If any of the risks were to occur, the business, financial condition, results of operations and prospects of the Carphone Group, the Dixons Group and/or the Combined Group could be materially adversely affected and the value of Carphone Shares could decline and shareholders could lose all or part of the value of their investment in Carphone Shares.

Carphone Shareholders should read this document as a whole and not rely solely on the information in this section.

PART A: MATERIAL RISKS RELATING TO THE MERGER

The completion of the Merger is subject to the satisfaction (or waiver, where applicable) of a number of conditions

The completion of the Merger is subject to the satisfaction (or waiver, where applicable) of a number of conditions on or before 31 December 2014 or such later date as Carphone and Dixons agree (with, if required, the consent of the Panel and the Court), including:

- (a) approval of the Scheme and related resolutions by Dixons Shareholders at the Court Meeting and the Dixons General Meeting;
- (b) approval of the Merger by Carphone Shareholders at the Carphone General Meeting;
- (c) relevant anti-trust clearances;
- (d) sanction of the Scheme and confirmation of the Reduction of Capital by the Court; and
- (e) Admission becoming effective.

There is no guarantee that these (or any other) Conditions will be satisfied (or waived, if applicable). Failure to satisfy any of the Conditions may result in the Merger not being completed.

Even if a material adverse change to Dixons' business or prospects was to occur, in certain circumstances, Carphone may not be able to invoke the Conditions and terminate the Merger, which could reduce the value of Carphone Shares

Completion of the Merger is subject to a number of Conditions, including that there is no material adverse change affecting Dixons before the Scheme is sanctioned by the Court. Under the Code, and except for certain antitrust clearance and Scheme-related conditions, Carphone may invoke a condition to the Merger to cause the Merger not to proceed only if the Panel is satisfied that the circumstances giving rise to that condition not being satisfied are of material significance to Carphone in the context of the Merger.

If a material adverse change affecting Dixons were to occur and the Panel did not allow Carphone to invoke a condition to cause the Merger not to proceed, the market price of Carphone Shares or the Combined Group's results of operations, financial condition and/or prospects may be materially adversely affected.

The Combined Group may fail to realise the business growth opportunities, margin benefits and other synergies anticipated from, or may incur unanticipated costs associated with, the Merger

Carphone believes that the Merger is justified in part by the business growth opportunities, margin benefits and other synergies it expects to achieve by combining its operations with Dixons. However, these expected business growth opportunities, margin benefits and other synergies may not materialise and other assumptions upon which the terms of the Merger were determined may prove to be incorrect.

The Combined Group may also face challenges with the following: redeploying resources in different areas of operations to improve efficiency; minimising the diversion of management attention from ongoing business concerns; and addressing possible differences between Carphone's business culture, processes, controls, procedures and systems and those of Dixons. Additionally, the Merger might affect the relationship that Carphone and/or Dixons have with suppliers and business partners, and affect business performance and/or potential growth opportunities.

Under any of these circumstances, the business growth opportunities, margin benefits and other synergies anticipated by Carphone and Dixons to result from the Merger may not be achieved as expected, or at all, or may be delayed materially. To the extent that the Combined Group incurs higher integration costs or achieves lower margin benefits than expected, its and the Combined Group's results of operations, financial condition and/or prospects, and the price of New Dixons Carphone Shares, may be adversely affected.

The Combined Group's future prospects will, in part, be dependent on its ability to integrate the Carphone Group and the Dixons Group effectively, including the successful integration and motivation of certain Carphone and Dixons key employees and IT and operational systems

The Combined Group's future prospects may, in part, be dependent upon the Combined Group's ability to integrate the Carphone Group and the Dixons Group successfully and any other businesses that it may acquire in the future without material disruption to the existing business including as a result of the integration of IT and operational systems. The performance of the Combined Group in the future will, amongst other things, also depend on the successful integration and motivation of key employees from both the Carphone Group and the Dixons Group. It is possible that failure to retain certain individuals during the integration period will affect the ability to integrate the Carphone Group and the Dixons Group successfully into the Combined Group and could have a material adverse effect on the Combined Group's results of operations, financial conditions and/or prospects.

Carphone Shareholders and Dixons Shareholders will own a smaller percentage of the Combined Group than they currently own of Carphone and Dixons, respectively

After the Merger becomes Effective, Carphone Shareholders and Dixons Shareholders will own a smaller percentage of the Combined Group than they currently own of Carphone and Dixons, respectively. Based on the number of Dixons Shares in issue as at the close of business on 25 June 2014 (being the latest practicable date prior to the publication of this document) and assuming that: (i) all vested share options under the Dixons Share Schemes are exercised in full and the resulting Dixons Shares are exchanged for New Dixons Carphone Shares under the Merger, and; (ii) there are no other issues of Dixons Shares or Carphone Shares (including under the Carphone Share Schemes) between 25 June 2014 (being the latest practicable date prior to the publication of this document) and the Effective Date, Carphone Shareholders and former Dixons Shareholders will own approximately 50 per cent. and approximately 50 per cent. respectively of the outstanding shares of the Combined Group. As a consequence, the number of voting rights which can be exercised and the influence which may be exerted by shareholders in respect of the Combined Group will be reduced.

Risks of executing the Merger could cause the market price of New Dixons Carphone Shares to decline

The market price of New Dixons Carphone Shares may decline as a result of the Merger, among other reasons, if:

- (a) the integration of Dixons' business with Carphone's business is delayed or unsuccessful;

- (b) the Combined Group does not achieve the expected benefits of the Merger as rapidly or to the extent anticipated by analysts or investors or at all;
- (c) the effect of the Merger on Dixons Carphone's financial results is not consistent with the expectations of analysts or investors; or
- (d) Carphone Shareholders or former Dixons Shareholders sell a significant number of New Dixons Carphone Shares after completion of the Merger.

PART B: MATERIAL NEW RISKS TO THE CARPHONE GROUP OR THE DIXONS GROUP AS A RESULT OF THE MERGER

The Dixons Group has funding risks relating to its UK defined benefit pension scheme. These risks would apply to the Combined Group in the event of the Merger

The principal pension scheme operated by the Dixons Group is the DSG Retirement and Employee Security Scheme, which provides both defined benefit and money purchase benefits. The defined benefit section was closed to new entrants on 1 September 2002 and to future accrual for existing members on 30 April 2010.

The scheme is subject to risks that the value of its assets (which move in line with markets) may not fully cover the amount of its defined benefit liabilities (which are affected by changes in life expectancy, inflation and the discount factor used by the scheme actuary to calculate the present value of future benefit payments), potentially requiring the Dixons Group to recognise an increased funding deficit on its balance sheet.

The last triennial actuarial valuation of the scheme was carried out as at 31 March 2010 and showed a funding deficit of £239 million. A 'recovery plan' based on this valuation was agreed between Dixons and the scheme trustee to make good this deficit by paying additional contributions which commenced in the financial year ended 30 April 2011 with contributions of £12 million, rising to £20 million in the financial year ended 30 April 2013 and the financial year ended 30 April 2014. Contributions will rise to £25 million in the financial year ending 30 April 2015 and will then rise approximately annually thereafter to £35 million by the financial year ending 30 April 2021.

A valuation as at 31 March 2013 is currently underway and its results are expected in the first half of the financial year ending 30 April 2015. This valuation could show a further deficit, which may require the Dixons Group to contribute additional amounts to the scheme. In addition, actions by the UK Pensions Regulator or the scheme trustee, or changes to existing pension law, could result in additional funding obligations, which could have a material adverse effect on the overall financial position of the Dixons Group, and in the event of the Merger, the Combined Group.

The Dixons Group and (albeit to a lesser extent) the Carphone Group businesses are highly seasonal, with significant dependence on the revenue and operating profit generated during the third financial quarter (the Christmas trading period)

The Dixons Group's business, and to a lesser extent, the Carphone Group's business, is highly seasonal, with a substantial proportion of its revenue and operating profit generated during its third financial quarter, which includes the Christmas and New Year season. In connection with this peak trading season, the Dixons Group increases advertising spend, hires additional staff and sources additional products. Procurement of stock for this period is done well in advance and must anticipate trends in consumer preferences and the level of likely demand for products in this period to avoid an excess or a shortage of stock. As a result of this seasonality, results during any interim financial period cannot be used as an accurate indicator of the annual results.

In respect of the Dixons Group, secondary seasonal peaks can occur in regional markets, notably in Greece, where hot summer periods encourage sales of air conditioning units and cooler summers may limit sales of these types of products.

These factors could have an adverse effect on the financial performance or results of operations of the Carphone Group or the Dixons Group where applicable and in the event of the Merger, of the Combined Group.

PART C: EXISTING MATERIAL RISKS TO THE CARPHONE GROUP OR THE DIXONS GROUP WHICH WILL BE IMPACTED BY THE MERGER

The Carphone Group and the Dixons Group are, and in the event of the Merger, the Combined Group will be, dependent on their senior management and skilled employees

The Carphone Group and the Dixons Group are dependent on their senior management teams to operate their businesses and execute strategies respectively.

Both Carphone and Dixons have decentralised management structures with many high-level management responsibilities devolved to regional or country management respectively.

If members of senior management depart, both groups may not be able to find effective replacements in a timely manner, or at all, and business may be disrupted. In addition, the loss of key members of senior management to competitors could have a material adverse effect on the Carphone Group's, the Dixons Group's and/or the Combined Group's competitive position respectively.

The Carphone Group and the Dixons Group also face the challenge of attracting, developing and retaining the right calibre of staff while controlling labour costs. The turnover rate in the retail industry is relatively high, and individuals of the required quality to fill positions may be in short supply in some areas. The Carphone Group's and the Dixons Group's ability to support their strategic priorities may be limited by their abilities to employ, train, motivate and retain sufficient skilled personnel respectively. The failure of the Carphone Group and the Dixons Group and in the event of the Merger, the Combined Group to recruit and retain senior management and skilled employees could adversely impact sales performance, increase wage costs, and adversely affect the Carphone Group's and the Dixons Group's business, results of operations and financial conditions respectively.

The Carphone Group, the Dixons Group, and in the event of the Merger, the Combined Group could be exposed to fluctuations in foreign currency

The Carphone Group's principal translation currency exposure is to the Euro. The Dixons Group's principal translation currency exposures are to the Norwegian Krone, the Swedish Krona and the Euro. The Dixons Group, and to a lesser extent, the Carphone Group, are also subject to certain transactional currency exposures, principally to the US Dollar and the Euro as a result of purchases of products from Asia which are denominated in US Dollars and purchases from Europe which are denominated in Euro. In addition, the revaluation of the assets and liabilities of overseas subsidiaries at the balance sheet date results in the recognition of foreign exchange translation gains or losses in equity. Changes in the relevant exchange rates between pounds sterling and the other currencies to which either group is exposed, which have been volatile recently due to the global financial downturn, have affected and will continue to affect the value of assets and liabilities denominated in currencies other than pounds sterling and the cost of goods purchased, each of which could have an adverse effect on results of operations respectively.

Although it is the policy of both groups to reduce their currency exposures through the use of hedging instruments such as forward exchange contracts, there can be no assurance that such hedging arrangements will be effective or that all such currency exposure will be hedged.

The above mentioned currency risks and continued uncertainty regarding the world economy and, in particular, the economy in Europe may have a material adverse effect on the Carphone Group's, the Dixons Group's, and in the event of the Merger, the Combined Group's businesses and operating results.

PART III

HISTORICAL CONSOLIDATED FINANCIAL INFORMATION RELATING TO THE DIXONS GROUP

In this Part III, unless otherwise stated, references to the “company” are references to Dixons, references to the “Group” are references to the Dixons Group and references to the “Directors” or the “Board of Directors” are references to the Dixons Directors and the Dixons Board, respectively.

Basis of financial information

The following tables set out audited consolidated financial information of the Dixons Group for the financial years ended 30 April 2014 (the “**2013/14 Financial Year**”), 30 April 2013 (the “**2012/13 Financial Year**”) and the 52 weeks ended 28 April 2012 (the “**2011/12 Financial Year**”). Full details of the basis of preparation of the financial information of the Dixons Group are provided in note 1 of the financial information for the Dixons Group for the 2013/14 Financial Year. The financial information for the 2013/14 Financial Year, the 2012/13 Financial Year and the 2011/12 Financial Year set out in this Part III has been extracted without material adjustment from the audited accounts of the Dixons Group for each respective financial year and have been prepared in accordance with IFRS. Deloitte LLP of 2 New Street Square, London EC4A 3BZ, chartered accountants regulated by the ICAEW, has issued unqualified audit opinions on the consolidated financial statements of the Dixons Group included in the Annual Report and Accounts of the Dixons Group for the 2013/14 Financial Year (which will be published in due course), the 2012/13 Financial Year and the 2011/12 Financial Year.

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

The Carphone Directors confirm that no material adjustment needs to be made to the financial information of Dixons for the financial years ended 30 April 2014, 30 April 2013 and 52 weeks ended 28 April 2012 to achieve consistency with Carphone’s accounting policies for the financial year ended 29 March 2014 as Dixons’ accounting policies under which this financial information was prepared are consistent with Carphone’s accounting policies and there are no material differences between the policies used by Dixons and the policies to be adopted by the Combined Group following the Merger becoming Effective.

SECTION A
HISTORICAL CONSOLIDATED FINANCIAL INFORMATION RELATING TO
THE DIXONS GROUP FOR THE FINANCIAL YEAR ENDED 30 APRIL 2014

Independent Auditor's Report

Opinion on financial statements of Dixons Retail plc.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 April 2014 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income and expense, the consolidated and company balance sheets, the consolidated and company cash flow statements, the consolidated and company statement of changes in equity and the related notes 1 to 32 and C1 to C17. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the group financial statements, in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, the Group has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Going concern

As required by the Listing Rules we have reviewed the directors' statement contained within the statutory information section of the directors' report that the Group is a going concern. We confirm that we have:

- concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

- **Revenue recognition:** We have identified revenue from customer support agreements (CSAs) as significant. In accounting for revenue from CSAs, the revenue is spread to reflect the expected claims under the agreements and there are key judgements inherent to the spreading methodology applied.

We assessed the assumptions applied in the spread factors with reference to actual historical levels of claims and we have challenged the appropriateness of these factors to determine whether there is a solid basis for the assumptions used. We have tested the integrity of the revenue spreading model and the inputs into the model through recalculation.

- **Accounting for disposals:** The accounting treatment of disposals is significant to the accounts following the disposals of the PIXmania, Unieuro, and Turkish ElectroWorld businesses which have taken place during the year.

We have recomputed the loss on disposal recognised with reference to the relevant agreements and other third party information. We have assessed the judgements made in calculating the loss on disposal, including in relation to provisions and warranties, with reference to historical performance and other available information, and we have assessed the presentation of the results as discontinued operations.

SECTION A
HISTORICAL CONSOLIDATED FINANCIAL INFORMATION RELATING TO
THE DIXONS GROUP FOR THE FINANCIAL YEAR ENDED 30 APRIL 2014

- **Non-underlying items:** The Group has recorded non-underlying income and expenditure in respect of one-off items and transactions that are outside of the normal course of trading. The presentation and consistency of these items is a key judgement.

We reviewed the nature of non-underlying items and challenged management's judgements in this area. We assessed whether the non-underlying items are in line with the Group's accounting policy and that it has been applied consistently with previous accounting periods, including whether the reversal of any items originally recognised as non-underlying are appropriately classified as non-underlying items. We agreed the quantification of the non-underlying items to supporting documentation. We also assessed whether the disclosures within the financial statements provide sufficient detail for the reader to understand the nature of these items.

- **Inventory provisioning:** Inventory is a significant balance for the Group and there are a number of judgement areas including obsolescence and shrinkage provisioning.

We have performed testing of the controls around the inventory business cycle and have attended a sample of inventory counts at a number of stores and distribution centres across the Group which enables us to assess Management's processes for monitoring stock. We performed audit tests to assess whether inventory is valued at the lower of cost and net realisable value. We reviewed, recalculated and assessed the inventory ageing and provisioning for reasonableness, including challenging the appropriateness of provisioning with reference to both historical and post year end performance and a review of the provision as a percentage of gross stock year on year. We have also considered the impact of range changes and other specific known areas of over-stock on the required provision calculation.

- **Defined benefit pension assumptions:** The defined benefit pension liability is a significant balance with inherent judgements. As a result we have identified as a significant risk the review of actuarial valuations used in respect of the defined benefit scheme and the assessment of the appropriateness of the assumptions used with the key assumptions being the discount rate, inflation assumptions and mortality assumptions.

We have worked with pensions specialists to assess the appropriateness of the assumptions underlying the valuation of the pension deficit by reviewing the actuarial report and challenging each of the assumptions by comparison to available market data. We have confirmed the year end pension asset values to third party confirmations and checked the integrity of those confirmations by agreeing a sample back to independent data. We assessed the independence and competence of management's actuary.

The Audit Committee's consideration of these risks is set out on in the section entitled Key matters considered during the year of the Audit Committee's report.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £8 million, which is below 5% of underlying profit before tax. We use underlying profit before tax to provide a stable basis for materiality that reflects the focus of the users of the financial statements and is the primary key performance indicator used by management and the directors. This excludes the effect of separately disclosed non-underlying items, as these can be volatile, and in the opinion of the directors, provides a more comparable measure with similar organisations and is consistent with the profit measure most relevant to analysts and investors.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.3 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

SECTION A
HISTORICAL CONSOLIDATED FINANCIAL INFORMATION RELATING TO
THE DIXONS GROUP FOR THE FINANCIAL YEAR ENDED 30 APRIL 2014

An overview of the scope of our audit

Our group audit scope was focused on the audit work in the three key segments of the UK & Ireland, Nordics, and Greece. The key components in each of these locations were all subject to full audit, which represented 100% of the Group's net assets, revenues and profit before tax. Our audit work at each location was executed at levels of materiality applicable to each individual entity which were lower than group materiality. Our Group audit scope was determined by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. These components were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. We also tested the consolidation process.

The group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the group audit team visits each of the locations where the group audit scope was focused at least once a year and attended closing meetings in the UK, Greece and Norway in 2014. In years when we do not visit a significant component we will include the component audit team in our team briefing, discuss their risk assessment, and review documentation of the findings from their work.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses

SECTION A
HISTORICAL CONSOLIDATED FINANCIAL INFORMATION RELATING TO
THE DIXONS GROUP FOR THE FINANCIAL YEAR ENDED 30 APRIL 2014

those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

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

Scope of the audit of the financial statements

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

Nicola Mitchell FCA

(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
25 June 2014

SECTION A
HISTORICAL CONSOLIDATED FINANCIAL INFORMATION RELATING TO
THE DIXONS GROUP FOR THE FINANCIAL YEAR ENDED 30 APRIL 2014

Consolidated Income Statement

	Note	Year ended 30 April 2014			Year ended 30 April 2013 [†] Restated		
		Underlying* £million	Non- underlying* £million	Total £million	Underlying* £million	Non- underlying* £million	Total £million
Continuing operations							
Revenue	2,3	7,217.6	0.1	7,217.7	7,026.6	82.6	7,109.2
Operating profit	2,3	202.8	(13.5)	189.3	186.4	(35.8)	150.6
Loss on sale of business		—	—	—	—	(9.6)	(9.6)
Finance income		2.9	—	2.9	7.2	3.3	10.5
Finance costs		(39.5)	(19.8)	(59.3)	(42.6)	(22.3)	(64.9)
Net finance costs	5	(36.6)	(19.8)	(56.4)	(35.4)	(19.0)	(54.4)
Profit before tax		166.2	(33.3)	132.9	151.0	(64.4)	86.6
Income tax expense	7	(50.5)	5.4	(45.1)	(54.0)	10.3	(43.7)
Profit after tax – continuing operations		115.7	(27.9)	87.8	97.0	(54.1)	42.9
Loss after tax – discontinued operations	27	—	(158.1)	(158.1)	—	(215.3)	(215.3)
Profit / (loss) after tax for the year		<u>115.7</u>	<u>(186.0)</u>	<u>(70.3)</u>	<u>97.0</u>	<u>(269.4)</u>	<u>(172.4)</u>
Attributable to:							
Continuing operations							
Equity shareholders of the parent company		115.7	(27.9)	87.8	97.1	(54.1)	43.0
Non-controlling interests		—	—	—	(0.1)	—	(0.1)
Discontinued operations							
Equity shareholders of the parent company		—	(157.3)	(157.3)	—	(205.5)	(205.5)
Non-controlling interests		—	(0.8)	(0.8)	—	(9.8)	(9.8)
		<u>115.7</u>	<u>(186.0)</u>	<u>(70.3)</u>	<u>97.0</u>	<u>(269.4)</u>	<u>(172.4)</u>
Loss / earnings per share (pence)	8						
Basic – total				(1.9)p			(4.5)p
Diluted – total				(1.9)p			(4.5)p
Basic – continuing operations				2.4p			1.2p
Diluted – continuing operations				2.3p			1.2p
Underlying earnings per share (pence)	1,8						
Basic – continuing operations		3.2p			2.7p		
Diluted – continuing operations		3.0p			2.6p		

* Underlying figures exclude the trading results of businesses exited, amortisation of acquired intangibles, net restructuring and business impairment charges and other one off, non-recurring items, profits / losses on sale of businesses, net interest on defined benefit pension schemes, net fair value remeasurements of financial instruments and, where applicable, discontinued operations. Such excluded items are described as 'Non-underlying'. Further information on these items is shown in notes 1, 2, 3, 4, 5, 7 and 27.

Businesses exited comprise businesses which have either been sold or closed. Certain businesses meet the criteria of discontinued operations as stipulated by IFRS 5 and are disclosed as such, whereas the remainder do not. Accordingly, despite all of the business exits having similar characteristics, the disclosures within non-underlying items differ across these businesses. Further information is shown in notes 2, 4 and 27.

† Results for the year ended 30 April 2013 have been restated for the impact of the amendment to IAS 19 'Employee Benefits', which is described further in note 1. Underlying figures for the year ended 30 April 2013 have been re-presented to exclude the trading results of businesses exited for which the decisions were made or executed in 2013/14.

SECTION A
HISTORICAL CONSOLIDATED FINANCIAL INFORMATION RELATING TO
THE DIXONS GROUP FOR THE FINANCIAL YEAR ENDED 30 APRIL 2014

Consolidated Statement of Comprehensive Income and Expense

		Year ended 30 April 2014	Year ended 30 April 2013 Restated
	Note	£million	£million
Loss for the year		(70.3)	(172.4)
<i>Items that may be reclassified to the income statement in subsequent years</i>			
Cash flow hedges	22		
Fair value remeasurement (losses) / gains		10.5	(12.7)
(Gains)/losses transferred to carrying amount of inventories		(15.1)	5.4
Losses transferred to income statement (within cost of sales)		10.1	3.4
Net investment hedges	22		
Fair value remeasurement gains		—	0.9
Reclassification on disposal of overseas subsidiaries		64.7	—
Available for sale investments			
Fair value remeasurement gains		0.1	0.4
Income tax effects		(1.5)	0.8
Currency translation movements		(135.7)	32.5
		<u>(66.9)</u>	<u>30.7</u>
<i>Items that will not be reclassified to the income statement in subsequent years:</i>			
Actuarial gains/(losses) on defined benefit pension schemes			
– UK	21	3.6	(151.5)
– Overseas		0.4	1.6
Deferred tax on actuarial gains/(losses) on defined benefit pension schemes		(13.8)	31.6
Currency translation movements		0.4	(0.6)
		<u>(9.4)</u>	<u>(118.9)</u>
Other comprehensive expense for the year (taken to equity)		<u>(76.3)</u>	<u>(88.2)</u>
Total comprehensive expense for the year		<u>(146.6)</u>	<u>(260.6)</u>
Attributable to:			
Equity shareholders of the parent company		(145.8)	(250.4)
Non-controlling interests		(0.8)	(10.2)
		<u>(146.6)</u>	<u>(260.6)</u>

SECTION A
HISTORICAL CONSOLIDATED FINANCIAL INFORMATION RELATING TO
THE DIXONS GROUP FOR THE FINANCIAL YEAR ENDED 30 APRIL 2014

Consolidated Balance Sheet

	Note	30 April 2014 £million	30 April 2013 £million
Non-current assets			
Goodwill	9	607.4	704.2
Intangible assets	10	50.9	66.4
Property, plant & equipment	11	330.5	434.0
Investments in associates	12	0.5	0.5
Trade and other receivables	14	13.6	20.6
Deferred tax assets	7	121.2	150.9
		1,124.1	1,376.6
Current assets			
Inventories	13	684.4	895.4
Trade and other receivables	14	267.1	304.5
Income tax receivable		6.1	5.4
Short term investments	15	1.4	2.4
Cash and cash equivalents	16	401.2	405.3
		1,360.2	1,613.0
Assets held for sale	27	30.8	15.1
		2,515.1	3,004.7
Current liabilities			
Bank overdrafts	17	—	(17.7)
Borrowings	17	—	(4.5)
Obligations under finance leases	18	(2.0)	(2.0)
Trade and other payables	19	(1,382.4)	(1,667.7)
Income tax payable		(51.4)	(70.4)
Provisions	20	(24.1)	(36.8)
		(1,459.9)	(1,799.1)
		(99.7)	(186.1)
Non-current liabilities			
Borrowings	17	(246.9)	(245.4)
Obligations under finance leases	18	(91.6)	(96.0)
Retirement benefit obligations	21	(401.8)	(409.1)
Other payables	19	(239.1)	(262.5)
Deferred tax liabilities	7	(15.1)	(11.3)
Provisions	20	(16.1)	(26.1)
		(1,010.6)	(1,050.4)
Liabilities directly associated with assets classified as held for sale	27	(31.2)	(7.9)
		(2,501.7)	(2,857.4)
Net assets		13.4	147.3
Capital and reserves			
Called up share capital	23	91.5	90.7
Share premium account		179.3	172.7
Other reserves	23	(450.6)	(520.9)
Retained earnings		192.6	405.6
Equity attributable to equity holders of the parent company		12.8	148.1
Equity non-controlling interests		0.6	(0.8)
Total equity		13.4	147.3

The financial statements were approved by the directors on 25 June 2014 and signed on their behalf by:

Sebastian James
Group Chief Executive

Humphrey Singer
Group Finance Director

SECTION A
HISTORICAL CONSOLIDATED FINANCIAL INFORMATION RELATING TO
THE DIXONS GROUP FOR THE FINANCIAL YEAR ENDED 30 APRIL 2014

Consolidated Cash Flow Statement

	Note	Year ended 30 April 2014 £million	Year ended 30 April 2013 Re- presented £million
Operating activities – continuing operations			
Cash generated from operations	* 26	367.0	406.9
Special contributions to defined benefit pension scheme	21	(20.0)	(20.0)
Income tax paid	*	(49.0)	(19.9)
Net cash flows from operating activities		298.0	367.0
Investing activities – continuing operations			
Purchase of property, plant & equipment and other intangibles	*	(79.7)	(75.9)
Purchase of subsidiaries		(0.1)	(0.2)
Sale of business		—	3.4
Interest received	*	4.3	16.8
Decrease in short term investments		1.1	5.3
Dividend received from associate		—	0.4
Net cash flows from investing activities		(74.4)	(50.2)
Financing activities – continuing operations			
Issue of ordinary share capital		7.4	3.6
Purchase of own shares		—	(0.3)
Capital element of finance lease payments		(1.8)	(2.1)
Interest element of finance lease payments	*	(5.8)	(6.0)
Decrease in borrowings due within one year		—	(160.0)
Increase in borrowings due after more than one year		—	97.1
Interest paid	*	(36.3)	(114.1)
Net cash flows from financing activities		(36.5)	(181.8)
Increase / (decrease) in cash and cash equivalents			
Continuing operations	(i)	187.1	135.0
Discontinued operations	27	(163.9)	(57.7)
		23.2	77.3
Reconciliation to items disclosed on the balance sheet			
Cash and cash equivalents		401.2	405.3
Bank overdrafts		—	(17.7)
Cash and cash equivalents included in assets held for sale		8.8	—
		410.0	387.6
Cash and cash equivalents at beginning of year	(i) 26	387.6	301.0
Currency translation differences		(0.8)	9.3
Cash and cash equivalents at end of year	(i) 26	410.0	387.6
Free Cash Flow	(ii)	200.5	207.8

(i) For the purposes of this cash flow statement, cash and cash equivalents comprise those items disclosed as 'cash and cash equivalents' on the face of the balance sheet, less overdrafts, which are classified within current liabilities on the face of the balance sheet plus cash and cash equivalents included within assets held for sale on the face of the balance sheet.

(ii) Free Cash Flow comprises those items marked * and comprises cash generated from / (utilised by) continuing operations before special pension contributions, less net finance expense, less income tax paid and net capital expenditure. The directors consider that 'Free Cash Flow' provides additional useful information to shareholders in respect of cash generation and is consistent with how business performance is measured internally.

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HISTORICAL CONSOLIDATED FINANCIAL INFORMATION RELATING TO
THE DIXONS GROUP FOR THE FINANCIAL YEAR ENDED 30 APRIL 2014

Consolidated Statement of Change in Equity

	Share capital £million	Share premium £million	Other reserves £million	Retained earnings £million	Sub-total £million	Non- controlling interests £million	Total equity £million
At 29 April 2012	90.3	169.5	(521.0)	652.6	391.4	12.6	404.0
Loss for the year	—	—	—	(172.4)	(172.4)	—	(172.4)
Other comprehensive income and expense recognised directly in equity	—	—	(1.9)	(76.1)	(78.0)	(10.2)	(88.2)
Total comprehensive income and expense for the year	—	—	(1.9)	(248.5)	(250.4)	(10.2)	(260.6)
Reduction in non-controlling interests	—	—	—	(2.0)	(2.0)	(6.1)	(8.1)
Non-controlling interests – increase in capital	—	—	—	—	—	2.9	2.9
Ordinary shares issued	0.4	3.2	—	—	3.6	—	3.6
Investment in own shares	—	—	(0.3)	—	(0.3)	—	(0.3)
Transfer	—	—	2.3	(2.3)	—	—	—
Share-based payments (including any related tax)	—	—	—	5.8	5.8	—	5.8
At 30 April 2013	90.7	172.7	(520.9)	405.6	148.1	(0.8)	147.3
Loss for the year	—	—	—	(70.3)	(70.3)	—	(70.3)
Other comprehensive income and expense recognised directly in equity	—	—	70.3	(145.8)	(75.5)	(0.8)	(76.3)
Total comprehensive income and expense for the year	—	—	70.3	(216.1)	(145.8)	(0.8)	(146.6)
Reduction in non-controlling interests	—	—	—	(2.7)	(2.7)	2.2	(0.5)
Ordinary shares issued	0.8	6.6	—	—	7.4	—	7.4
Share-based payments (including any related tax)	—	—	—	5.8	5.8	—	5.8
At 30 April 2014	91.5	179.3	(450.6)	192.6	12.8	0.6	13.4

At 30 April 2014, non-controlling interests (minority interests) comprise shareholdings in Dixons South-East Europe A.E.V.E. (Kotsovolos).

On 27 June 2013 the Group acquired the remaining 40% of Electro World İç ve Dış Ticaret A.Ş (Electroworld Turkey) for TL 2 (£1) in cash, bringing its stake in EW Turkey to 100%. The Group subsequently sold this business on 31 October 2013. On 7 August 2013 the Group acquired the remaining 0.8% of PIXmania S.A.S. (PIXmania) for €0.6 million (£0.5 million) in cash, bringing its stake in PIXmania to 100%. The Group subsequently also sold PIXmania on 31 December 2013. Both disposals are described further in note 27.

Notes to the Consolidated Financial Statements

1 Accounting policies

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, IFRS issued by the International Accounting Standards Board and those parts of the Companies Act 2006 applicable to those companies reporting under IFRS. In considering the going concern basis for preparing the financial statements, the directors have considered the Company's objectives and strategy, the risks and uncertainties to achieving the objectives, and the review of business performance. The Group's liquidity and funding arrangements are described in notes 17 and 22(f) to the Financial Statements as well as in the consolidated cash flow statement and note 26. In consideration of this, the directors consider that the Group has significant covenant and liquidity headroom in its borrowing facilities for the foreseeable future. Accordingly, after reviewing the Company's expenditure commitments, current financial projections and expected future cash flows, together with the available cash resources and undrawn committed borrowing facilities, the directors have considered that adequate resources exist for the Company to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

The Group's income statement and segmental analysis identify separately underlying performance measures and non-underlying items. Underlying performance measures reflect an adjustment to total performance measures to exclude the impact of businesses exited / to be exited and other non-underlying items. Underlying performance measures comprise profits and losses incurred as part of the day-to-day ongoing retail activities of the Company and include profits and losses incurred on the disposal and closure of owned or leased properties that occur as part of the Group's annual retail churn. The profits or losses incurred on disposal or closure of owned or leased properties as part of a one off restructuring programme are excluded from underlying performance measures and are therefore included, among other items, within non-underlying items as described below. The directors consider 'underlying' performance measures to be a more accurate reflection of the ongoing trading performance of the Group and believe that these measures provide additional useful information for shareholders on the Group's performance and are consistent with how business performance is measured internally.

Non-underlying items comprise trading results of businesses exited / to be exited, amortisation of acquired intangibles, net restructuring and business impairment charges and other one off, non-recurring items, profits / losses on sale of investments or businesses, net interest on defined benefit pension schemes, fair value remeasurements of financial instruments and, where applicable, discontinued operations. Businesses exited / to be exited are those which do not meet the definition of discontinued operations as stipulated by IFRS 5. Items excluded from underlying results can evolve from one financial year to the next depending on the nature of reorganisation or one off type activities described above.

Underlying performance measures may not be directly comparable with other similarly titled measures or 'adjusted' revenue or profit measures used by other companies.

The principal accounting policies are set out below:

1.2 Accounting convention and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired are included from the date on which power to control passes. The net assets of subsidiaries acquired are recorded at their fair values. The results of subsidiaries disposed of are included up to the effective date of disposal.

Associates are accounted for using the equity method of accounting from the date on which the power to exercise significant influence passes.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

1.3 Revenue

Revenue comprises sales of goods and services excluding sales taxes. Revenue from sales of goods is recognised at the point of sale or, where later, upon delivery to the customer and is stated net of returns. Revenue earned from customer support agreements is recognised as such over the life of the agreement by reference to the stage of completion of the transaction at the balance sheet date.

1.4 Other income, including non-operating income

Other income, which is incidental to the Group's principal activities of selling goods and services and accordingly is not recorded as part of revenue, is recognised when the Group obtains the right to consideration by performance of its contractual obligations. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognised when the right to receive payment has been established.

1.5 Discontinued operations

A discontinued operation is a component of the Group which represents a significant separate line of business, either activity or market, which has been sold. Classification as a discontinued operation occurs upon disposal or earlier if beneficial title and risk has transferred to the purchaser and in the case of a business acquired exclusively with a view to subsequent disposal, on the date of acquisition.

Where the sale of a component of the Group is considered highly probable and the business is available for immediate sale in its present condition, it is classified as held for sale. Assets and liabilities held for sale are measured at the lower of carrying amount and fair value less costs to sell.

1.6 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. The determination of the classification of property leases is made by reference to the land and buildings elements separately. All leases not classified as finance leases are operating leases.

Finance leases

Assets held under finance leases are capitalised at their fair value on acquisition or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease and depreciated over their estimated useful lives or the lease term if shorter. The corresponding obligation to the lessor is included in the balance sheet as a liability. Lease payments are apportioned between finance charges and reduction of the lease obligation. Finance charges are charged to the income statement over the year of the lease in proportion to the capital element outstanding.

Operating leases

Rentals payable under operating property leases are charged to the income statement on a straight line basis over the fixed term of the lease. At the end of the fixed term of leases, rental payments are reset to market rates, typically on an upwards only basis.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Where a lease forms part of a separate cash generating unit (CGU), such as a store or group of stores, and business indicators exist which could lead to the conclusion that the carrying value of the CGU is not supportable, the recoverable amount of the CGU is determined by calculating its value in use. The value in use is calculated by applying discounted cash flow modelling to management's projection of future profitability. If an impairment of a CGU has been identified such that the value in use is negative and a lease exists in that CGU, a provision for the onerous portion of the lease is made equal to the lower of the outstanding lease commitment and the negative present value of the CGU.

1.7 Translation of foreign currencies

Transactions in foreign currencies are initially recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date. Exchange gains and losses arising on settlement or retranslation of monetary assets and liabilities are included in the income statement.

Assets and liabilities of overseas subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The results of overseas subsidiary undertakings are translated into sterling at the average rates of exchange during the year. Exchange differences resulting from the translation of the results and balance sheets of overseas subsidiary undertakings are charged or credited directly to retained earnings. Such translation differences become recognised in the income statement in the year in which the subsidiary undertaking is disposed.

As the cumulative translation differences for all foreign subsidiaries were deemed to be zero at the transition date to IFRS on 2 May 2004, upon disposal of a foreign subsidiary, any gain or loss arising will include only those foreign exchange gains or losses attributable to years after that date.

1.8 Goodwill

On acquisition of a subsidiary or associate, the fair value of the consideration is allocated between the identifiable net tangible and intangible assets / liabilities on a fair value basis, with any excess consideration representing goodwill. Goodwill in respect of subsidiaries is capitalised as goodwill on the balance sheet; goodwill relating to associates is capitalised in investments in associates as part of the carrying value of the associate.

Goodwill is not amortised, but instead is reviewed annually for impairment. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary or associate the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

1.9 Intangible assets

Acquired intangibles

Acquired intangibles comprise brand names purchased as part of acquisitions of businesses and are capitalised and amortised over their useful economic lives on a straight line basis. Acquired intangibles are stated at cost less accumulated amortisation and, where appropriate, provision for impairment in value or estimated loss on disposal. Amortisation is provided to write off the cost of assets on a straight line basis up to 30 years.

Other intangible assets: computer software

Computer software is capitalised on the basis of the costs incurred both to acquire and bring into use the specific software. Amortisation is provided to write off the cost of assets on a straight line basis over their estimated useful lives of between three and seven years. Costs associated with developing or maintaining computer software are recognised as an expense as incurred unless they increase the future economic benefits of the asset, in which case they are capitalised. Computer software is stated at cost less accumulated amortisation and, where appropriate, provision for impairment in value or estimated loss on disposal.

Internally generated computer software is capitalised at cost if the project is technically and commercially feasible and the economic benefits which are expected to be generated exceed one year. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Amortisation is provided to write off the cost of assets on a straight line basis between three and seven years.

1.10 Property, plant & equipment

Property, plant & equipment are stated at cost less accumulated depreciation and, where appropriate, provision for impairment in value or estimated loss on disposal. Depreciation is provided to write off the cost of the assets by equal instalments over their estimated useful lives. The rates used are:

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Short leasehold property	– over the term of the lease
Freehold and long leasehold buildings	– between 1 ² / ₃ % and 2 ¹ / ₂ % per annum
Fixtures, fittings and equipment	– between 10% and 33 ¹ / ₃ % per annum

No depreciation is provided on freehold and long leasehold land or on assets in the course of construction.

Property, plant & equipment are assessed on an ongoing basis to determine whether circumstances exist that could lead to the conclusion that the net book value is not supportable. Where assets are to be taken out of use, an impairment charge is levied. Where useful lives of assets are shortened, an estimate is made of their new lives and an accelerated depreciation charge is levied. Where the property, plant & equipment form part of a separate cash generating unit (CGU), such as a store or group of stores, and business indicators exist which could lead to the conclusions that the net book value is not supportable, the recoverable amount of the CGU is determined by calculating its value in use. The value in use is calculated by applying discounted cash flow modelling to management's projection of future profitability and any impairment is determined by comparing the net book value with the value in use.

1.11 Investments and other financial assets

The Group's financial assets comprise cash and cash equivalents, short term investments and those receivables which involve a contractual right to receive cash from external parties. Financial assets comprise all items shown in notes 14, 15 and 16 with the exception of prepayments. Under the classifications stipulated by IAS 39, short term investments and trade and other receivables (excluding derivative financial assets) are classified as 'available for sale' and 'loans and receivables', respectively. Cash and cash equivalents and derivative financial instruments, which are further described in notes 1.14 and 1.16, are classified as 'loans and receivables' and 'held for trading unless designated in a hedge relationship', respectively.

All purchases and sales of investments and other financial assets are recognised on the date that the Group becomes committed to make such purchase or sale ('the trade date').

Investment in associates

Associates are accounted for using the equity method of accounting from the date on which the power to exercise significant influence passes and are stated net of any impairment charges.

Short term investments

Investments are initially measured at fair value and then subsequently remeasured to fair value at each balance sheet date owing to occasional sales of such investments. The fair value of unlisted investments is estimated either by comparing recent arm's length transactions or by using discounted cash flow analysis or other modelling techniques. Gains and losses arising from revaluation at the balance sheet date are recognised directly in equity. For unlisted investments a significant or prolonged decline in the fair value of the investment below its cost is considered evidence of impairment.

To the extent that any fair value losses are deemed permanent, such impairment is recognised in the income statement. Upon sale or impairment of the investments, any cumulative gains or losses held in equity are transferred to the income statement.

Trade and other receivables

Trade and other receivables (excluding derivative financial assets) are recorded at cost less an allowance for estimated irrecoverable amounts and any other adjustments required to align cost to fair value. The carrying amount of trade receivables is reduced through the use of a provision account. A provision for bad and doubtful debts is made for specific receivables when there is objective evidence that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Receivables that are not assessed individually for impairment are assessed for impairment on a collective basis using ageing analysis to determine the required provision. Bad debts are written off when identified.

1.12 Taxation

Current taxation

Current taxation is the expected tax payable on the taxable income for the year, using prevailing tax rates and adjusted for any tax payable in respect of previous years.

Deferred taxation

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. No provision is made for tax which would have been payable on the distribution of retained profits of overseas subsidiaries or associated undertakings where it has been determined that these profits will not be distributed in the foreseeable future.

Deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and when the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted, or substantially enacted by the balance sheet date. Deferred tax balances are not discounted.

1.13 Inventories

Inventories are stated at the lower of average cost and net realisable value. Cost comprises direct purchase cost and those overheads that have been incurred in bringing the inventories to their present location and condition, both types of cost being measured using a weighted average cost formula. Net realisable value represents the estimated selling price less all estimated and directly attributable costs of completion and costs to be incurred in marketing, selling and distribution.

1.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, bank overdrafts and short term highly liquid deposits with a maturity of three months or less and which are subject to an insignificant risk of changes in value. Bank overdrafts, which form part of cash and cash equivalents for the purpose of the cash flow statement, are shown under current liabilities.

1.15 Borrowings and other financial liabilities

The Group's financial liabilities are those which involve a contractual obligation to deliver cash to external parties at a future date. Financial liabilities comprise all items shown in notes 17, 18 and 19 with the exception of other taxation and social security, deferred income from customer support agreements, other deferred income and other non-financial creditors. Under the classifications stipulated by IAS 39, borrowings, finance lease obligations and trade and other payables (excluding derivative financial liabilities) are classified as 'financial liabilities measured at amortised cost'. Derivative financial instruments, which are described further in note 1.16 below, are classified as 'held for trading unless designated in a hedge relationship'.

Borrowings

Borrowings are initially recorded at the consideration received less directly attributable transaction costs. Transaction costs are amortised through the income statement using the effective interest method and the unamortised balance is included as part of the related borrowing at the balance sheet date. A fair value adjustment is made to the borrowing where hedge accounting, as described in note 1.16 below, has been applied.

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Trade and other payables

Trade and other payables (excluding derivative financial liabilities) are recorded at cost. Derivative financial instruments, which includes put options over equity held by minority shareholders, are initially recorded at fair value and then subsequently remeasured to fair value at each balance sheet date and are held within assets or liabilities as appropriate. Gains and losses arising from revaluation at the balance sheet date are recognised in the income statement unless the derivatives are designated as hedges and such hedges are proved to be effective.

1.16 Derivative financial instruments and hedge accounting

Derivative financial instruments held by the Group are initially recognised in the balance sheet at fair value within assets or liabilities as appropriate and then subsequently remeasured to fair value at each balance sheet date. Gains and losses arising from revaluation at the balance sheet date are recognised in the income statement unless the derivatives are designated as hedges and such hedges are proved to be effective.

Derivatives are classified as non-current assets or liabilities where a hedge relationship is identified and the remaining maturity of the hedged item is greater than 12 months from the balance sheet date. Derivatives are classified as current assets or liabilities in all other circumstances.

Fair values are derived from market values. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

Hedge accounting

The Group's activities expose it primarily to the financial risks associated with changes in interest rates and foreign currency exchange rates. The Group uses derivative financial instruments such as interest rate swaps, options, cross currency swaps and forward currency contracts to hedge these risks. The Group does not use derivative financial instruments for speculative purposes.

Where hedge accounting is to be applied, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting.

The accounting treatment of derivatives that qualify for hedge accounting is dependent on how they are designated. The different designations and accounting treatments are explained below:

Fair value hedges

The Group uses interest rate swaps to hedge the exposure to changes in the fair value of recognised assets and liabilities.

Derivative financial instruments that meet the 'fair value' hedging requirements are recognised in the balance sheet at fair value with corresponding fair value movements recognised within finance income / costs in the income statement. For an effective fair value hedge, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the income statement. To the extent that the designated hedge relationship is effective, such amounts in the income statement offset each other. As a result, only the ineffective element of any designated hedging relationship impacts the income statement. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity.

Cash flow hedges

The Group uses forward foreign exchange contracts to hedge the foreign currency exposure on inventory ordered and purchased and certain sales of inventory. It is Group policy to hedge between 80% and 100% of committed purchase orders and sales. At any point in time the Group also hedges up to 80% of its estimated foreign currency exposure in respect of forecast purchases and sales for the subsequent 12 months. Orders and purchases as well as sales are each considered to be separately hedged transactions.

Derivative financial instruments that qualify for such cash flow hedging are initially recognised on the balance sheet with gains and losses relating to the remeasurement of the effective portion of the hedge being deferred in equity. To the extent that such items are ineffectively hedged, gains or

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losses relating to the ineffective portion are recognised in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss (i.e. when a purchase or sale is made). For inventory purchases, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of inventory. For sales, the gains or losses on the derivative that had previously been recognised in equity are included in the income statement in the year in which the sale is made.

Net investment hedges

The Group uses cross currency forward contracts and cross currency swaps to hedge its currency risk on the translation of net investments in foreign entities. Gains and losses arising on the retranslation of the investments and the related derivatives are recognised in equity. However, this is on the basis that the hedging requirements of IAS 39 are met and the hedging relationship is effective. To the extent that such items are ineffectively hedged, gains or losses relating to the ineffective portion are recognised within the income statement.

1.17 Retirement benefit obligations

Company contributions to defined contribution pension schemes and contributions made to state pension schemes for certain overseas employees are charged to the income statement on an accruals basis when employees have rendered service entitling them to the contributions.

For defined benefit pension schemes, the difference between the market value of the assets and the present value of the accrued pension liabilities is shown as an asset or liability in the consolidated balance sheet. The calculation of the present value is determined using the projected unit credit method. Differences between the actual and expected return on assets are recognised in the consolidated statement of comprehensive income and expense together with remeasurements arising from actuarial gains and losses. Such amounts are not reclassified to the income statement in subsequent years.

Defined benefit costs recognised in the income statement comprise mainly net interest expense or income with such interest being recognised within finance costs. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset taking into account any changes in the net defined benefit obligation during the year as a result of contribution or benefit payments.

1.18 Share-based payments

The Group operates a variety of equity-settled share-based compensation plans. The plans comprise share option plans (with non-market performance conditions attached) and performance share award plans (with and without market performance conditions attached).

The awards are measured at fair value at the date of grant using either the Black Scholes model or Monte Carlo simulations. This fair value is expensed in the income statement on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest as adjusted for any service and non-market conditions.

1.19 Estimates, judgements and critical accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Significant items subject to such assumptions and estimates include the useful lives of assets; the measurement and recognition of provisions; the recognition of deferred tax assets; and liabilities for potential corporation tax. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information becomes available. The most critical accounting policies in determining the financial condition and results of the Group are those requiring the greatest degree of subjective or complex judgements. These relate to revenue recognition, inventory valuation, onerous lease costs, the valuation of goodwill, acquired intangible assets and property, plant & equipment, share-based payments, post-retirement benefits and taxation, and are set out below.

Revenue recognition

Revenue earned from the sale of customer support agreements is recognised over the term of the contracts when the Group obtains the right to consideration as a result of performance of its

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contractual obligations. Revenue in any one year is therefore recognised to match the proportion of the expected costs of fulfilling the Group's total obligations under the agreements. An estimate of the degree of performance of these contractual obligations is determined by reference to extensive historical claims data. Reliance on historical data assumes that current and future experience will follow past trends. The directors consider that the quantity and quality of data available provides an appropriate proxy for current trends.

Inventory valuation

Inventories are valued at the lower of average cost and net realisable value. Cost comprises direct purchase cost and those overheads that have been incurred in bringing the inventories to their present location and condition, both types of cost being measures using a weighted average cost formula. Net realisable value represents the estimated selling price less all estimated and directly attributable costs of completion and costs to be incurred in marketing, selling and distribution. Net realisable value includes, where necessary, provisions for slow moving and damaged inventory. The provision represents the difference between the cost of stock and its estimated net realisable value, based on ageing. Calculation of these provisions requires judgements to be made which include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

Provisions and accruals for onerous leases

If the Group vacates a store or other property prior to the expiry of the related lease, or a lease forms part of a separate CGU whereby the carrying value of that CGU is not considered supportable, it records a provision or accrual for the expected lease payments that the Group will incur prior to assignment or sublease of the property. Such a calculation requires a judgement as to the timing and duration of the expected vacant periods and the amount and timing of future potential sublease income. When making these judgements, the directors consider a number of factors, including the landlord, the location and condition of the property, the terms of the lease, the specific marketplace demand and the economic environment.

Goodwill, intangible assets and property, plant & equipment impairment reviews

Goodwill is required to be valued annually to assess the requirement for potential impairment. Other assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to the conclusion that the net book value of such assets is not supportable. Impairment testing on goodwill is carried out in accordance with the methodology described in note 9. Such calculations require judgement relating to the appropriate discount factors and long term growth prevalent in a particular market as well as short and medium term business plans. The directors draw upon experience as well as external resources in making these judgements.

In assessing impairment of intangible assets and property, plant & equipment, discounted cash flow methods are used as described in note 1.10. Judgement is required in determining the appropriate discount factors as well as the short and medium term business plans. As for goodwill, the directors draw upon experience and external resources in making these judgements.

Share-based payments

The charge for share-based payments is calculated by estimating the fair value of the award at the date of grant using either the Binomial or Black Scholes option pricing model or the Monte Carlo simulation. The option valuation models used require highly subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yields, risk-free interest rates, expected staff turnover and the likelihood of non-market vesting conditions being met. The directors draw upon a variety of external sources to aid in the determination of the appropriate data to use in such calculations.

Defined benefit pension schemes

The surplus or deficit in the UK defined benefit pension scheme that is recognised through the consolidated statement of comprehensive income and expense is subject to a number of assumptions and uncertainties. The calculated liabilities of the scheme are based on assumptions regarding salary increases, inflation rates, discount rates and member longevity. Such assumptions are based on actuarial advice and are benchmarked against similar pension schemes.

Taxation

Tax laws that apply to the Group's businesses may be amended by the relevant authorities, for example as a result of changes in fiscal circumstances or priorities. Such potential amendments and their application to the Group are monitored regularly and the requirement for recognition of any liabilities assessed where necessary. The Group is subject to income taxes in a number of different jurisdictions and judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. In such circumstances, the Group recognises liabilities for anticipated taxes due based on best information available and where the anticipated liability is probable and estimable. Where the final outcome of such matters differs from the amounts initially recorded, any differences will impact the income tax and deferred tax provisions in the year to which such determination is made. Where the potential liabilities are not considered probable, the amount at risk is disclosed unless an adverse outcome is considered remote.

Deferred tax is recognised on taxable losses based on the expected ability to utilise such losses. This ability takes account of the business plans for the relevant companies, potential uncertainties around the longer term aspects of these business plans, any expiry of taxable benefits and potential future volatility in the local tax regimes.

1.20 New accounting standards and interpretations

The following standards have been adopted by the Group for the first time in the current financial year:

- Amendment to IAS 19 'Employee benefits': The main effect of the amendment is to replace interest cost and expected return on plan assets with a single net interest amount which is calculated by applying the discount rate to the net defined benefit liability. As a result of the restatement, the net interest cost for 2012/13 increased by £5.7 million from £7.4 million to £13.1 million. There was no change in the net retirement benefit obligation nor on the Group's net assets.

In addition, the following new or amended accounting standards have been implemented in the current year, which have either had no impact on reported figures or only affect disclosure:

- the amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income requires items to be grouped on the basis of whether they may potentially be reclassified to the income statement in the future; and
- IFRS 13 'Fair value measurement' provides a single source of fair value measurement and disclosure requirements for use across all IFRSs.

The following new standards and amendments to existing standards, which are applicable to the Group, are also effective, but at the present time are not expected to have any material effect, however may impact acquisitions in the future:

- IFRS 10 'Consolidated Financial Statements'; and
- IFRS 12 'Disclosure of Interests in Other Entities'

The following new standard, which is applicable to the Group, has been published but is not yet effective and has not yet been adopted by the EU:

- IFRS 9 'Financial Instruments'. This standard is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and affects the accounting for financial assets.

Certain other amendments to existing standards and interpretations were issued during the year which either do not apply to the Group or are not expected to have any material effect.

2 Segmental analysis

The Group's operating segments have been determined based on the information reported to the Board. This information is predominantly based on geographical areas which are either managed separately or have similar trading characteristics such that they can be aggregated together into one segment. The Group evaluates each operating segment based on underlying operating profits which excludes those items described in note 1.1.

On 5 September 2013, 10 October 2013 and 27 September 2013, the Group announced the sales of its Electroworld Turkey, Unieuro S.p.A. (Unieuro) and PIXmania SAS (PIXmania) operations

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which subsequently completed on 31 October 2013, 29 November 2013 and 31 December 2013, respectively. All three businesses have been classified as discontinued operations and hence are now excluded from the reportable segments listed below. Electroworld Turkey and Unieuro were previously reported within the Southern Europe segment (which is now renamed 'Greece' to reflect its sole constituent). Further information on these sale transactions is set out in note 27. In addition, on 16 May 2014, the Group signed an agreement to sell its Electroworld operations in the Czech Republic and Slovakia. Accordingly these businesses have been classified as discontinued operations and excluded from the reportable segments listed below with the balance sheets being treated as assets held for sale as at 30 April 2014. As a result, the 'Northern Europe' division has been renamed 'Nordics'

All segments are involved in the multi-channel sale of high technology consumer electronics, personal computers, domestic appliances, photographic equipment, communication products and related financial and after sales services. The principal categories of customer are retail, business to business (B2B) and online.

The Group's reportable segments have been identified as follows:

- UK & Ireland comprises electrical and computing retail chains as well as in-store B2B activities. The division is engaged predominantly in multi-channel retail sales, associated peripherals and services and related financial and after sales services. The division also includes operations in airports across Europe (the majority of which are in the UK), all of which are managed from the UK.
- Nordics operates in Norway, Sweden, Finland, Denmark, Iceland, Greenland and the Faroe Islands. The division engages in multi-channel retail sales and provides related product support services to its customers. It also engages in B2B sales of computer hardware, software and services. Across the region, the division operates a successful franchise business, typically in smaller markets.
- Greece comprises retail sales (including multi-channel sales) and provides related product support services to its customers. In addition, it engages in B2B sales of computer hardware, software and services and also has franchise operations.

Businesses exited: in respect of PC City Spain because of the closure rather than disposal of these operations, they do not meet the definition of discontinued operations as stipulated by IFRS 5. Equanet was sold rather than closed, however, because it did not form a major line of business under the definitions of IFRS 5, it also did not meet the definitions of discontinued operations.

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(a) Income statement

	2013/14				
	Underlying external revenue £million	Inter- segmental revenue £million	Total underlying revenue £million	Underlying profit / (loss) £million	Total profit / (loss) £million
UK & Ireland	4,148.6	66.9	4,215.5	141.0	133.9
Nordics	2,789.8	3.3	2,793.1	116.9	111.5
Greece	279.2	—	279.2	(10.5)	(11.5)
Eliminations	—	(70.2)	(70.2)	—	—
Results before central costs and property losses	7,217.6	—	7,217.6	247.4	233.9
Central costs				(19.2)	(19.2)
Property losses				(25.4)	(25.4)
Operating profit				202.8	189.3
Finance income				2.9	2.9
Finance costs				(39.5)	(59.3)
Profit before tax for the year				166.2	132.9

Total external revenue for the Group of £7,217.7 million includes £0.1 million relating to businesses exited.

Reconciliation of underlying profit / (loss) to total profit / (loss)

	2013/14							
	Underlying profit / (loss) £million	Businesses exited £million	Amortisation of acquired intangibles £million	Net restructuring charges £million	Business impairment charges £million	Other items £million	Non- operating items £million	Total profit / (loss) £million
UK & Ireland	141.0	—	—	(8.7)	—	1.6	—	133.9
Nordics	116.9	—	—	—	—	(5.4)	—	111.5
Greece	(10.5)	—	(0.7)	—	—	(0.3)	—	(11.5)
Operating profit before central costs and property losses	247.4	—	(0.7)	(8.7)	—	(4.1)	—	233.9
Central costs	(19.2)	—	—	—	—	—	—	(19.2)
Property losses	(25.4)	—	—	—	—	—	—	(25.4)
Operating profit	202.8	—	(0.7)	(8.7)	—	(4.1)	—	189.3
Finance income	2.9	—	—	—	—	—	—	2.9
Finance costs	(39.5)	—	—	—	—	—	(19.8)	(59.3)
Profit before tax for the year	166.2	—	(0.7)	(8.7)	—	(4.1)	(19.8)	132.9

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2012/13
Restated

	Underlying external revenue £million	Inter- segmental revenue £million	Underlying revenue £million	Underlying profit / (loss) £million	Total profit / (loss) £million
UK & Ireland	4,014.5	47.3	4,061.8	113.3	84.4
Nordics	2,733.3	5.8	2,739.1	125.4	122.9
Greece	278.8	—	278.8	(11.0)	(13.1)
Eliminations	—	(53.1)	(53.1)	—	—
Results before central costs and property losses	7,026.6	—	7,026.6	227.7	194.2
Central costs				(16.9)	(19.2)
Property losses				(24.4)	(24.4)
Operating profit				186.4	150.6
Loss on sale of business				—	(9.6)
Finance income				7.2	10.5
Finance costs				(42.6)	(64.9)
Profit before tax for the year				151.0	86.6

Total external revenue for the Group of £7,109.2 million includes £82.6 million relating to businesses exited.

Reconciliation of underlying profit to total profit

2012/13
Restated

	Underlying profit / (loss) £million	Businesses exited £million	Amortisation of acquired intangibles £million	Net restructuring charges £million	Business impairment charges £million	Other items £million	Non- operating items £million	Total profit / (loss) £million
UK & Ireland	113.3	—	(0.3)	(22.9)	(6.6)	0.9	—	84.4
Nordics	125.4	—	—	—	(2.5)	—	—	122.9
Greece	(11.0)	—	(0.7)	—	—	(1.4)	—	(13.1)
Operating profit before central costs and property losses	227.7	—	(1.0)	(22.9)	(9.1)	(0.5)	—	194.2
Central costs	(16.9)	(0.4)	—	(1.9)	—	—	—	(19.2)
Property losses	(24.4)	—	—	—	—	—	—	(24.4)
Operating profit	186.4	(0.4)	(1.0)	(24.8)	(9.1)	(0.5)	—	150.6
Loss on sale of business	—	—	—	—	—	—	(9.6)	(9.6)
Finance income	7.2	0.3	—	—	—	—	3.0	10.5
Finance costs	(42.6)	—	—	—	—	—	(22.3)	(64.9)
Profit before tax for the year	151.0	(0.1)	(1.0)	(24.8)	(9.1)	(0.5)	(28.9)	86.6

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(b) Geographical analysis

Revenues are allocated to countries according to the entity's country of domicile. Revenue generated by the UK business was £3,997.7 million (2012/13 £3,949.6 million). Revenue by destination is not materially different to that shown by domicile.

Non-current assets comprise property, plant & equipment, goodwill, intangible assets, investments in associates and non-current trade and other receivables. Non-current assets held by the UK were £258.6 million (2013 £318.8 million). Non-current assets held by Nordics were £692.0 million (2013 £763.6 million) and comprised predominantly goodwill (as disclosed in note 9) which has not been allocated to individual countries.

(c) Balance sheet

2014					
	Segment assets	Investment in associates	Total segment assets	Segment liabilities	Net assets / (liabilities)
	£million	£million	£million	£million	£million
UK & Ireland	2,128.5	—	2,128.5	(1,250.0)	878.5
Nordics	1,042.7	0.5	1,043.2	(397.9)	645.3
Greece	131.0	—	131.0	(126.9)	4.1
Central	606.2	—	606.2	(2,106.2)	(1,500.0)
Continuing operations	3,908.4	0.5	3,908.9	(3,881.0)	27.9
Discontinued operations	32.4	—	32.4	(46.9)	(14.5)
Eliminations	(1,426.2)	—	(1,426.2)	1,426.2	—
	2,514.6	0.5	2,515.1	(2,501.7)	13.4
2013					
Re-presented					
	Segment assets	Investment in associates	Total segment assets	Segment liabilities	Net assets / (liabilities)
	£million	£million	£million	£million	£million
UK & Ireland	2,096.0	—	2,096.0	(1,269.5)	826.5
Nordics	1,162.5	0.5	1,163.0	(517.5)	645.5
Greece	140.2	—	140.2	(128.5)	11.7
Central	823.5	—	823.5	(2,107.1)	(1,283.6)
Continuing operations	4,222.2	0.5	4,222.7	(4,022.6)	200.1
Discontinued operations	361.8	—	361.8	(414.6)	(52.8)
Eliminations	(1,579.8)	—	(1,579.8)	1,579.8	—
	3,004.2	0.5	3,004.7	(2,857.4)	147.3

Central assets and liabilities predominantly comprise intersegment balances, cash and cash equivalents, borrowings, net retirement benefit obligations, derivative financial instruments and tax assets and liabilities.

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(d) Other information

2013/14					
Additions					
	Intangible assets £million	Property, plant & equipment £million	Depreciation £million	Amortisation £million	Share- based payments £million
UK & Ireland	3.6	28.4	72.0	7.8	2.6
Nordics	10.4	27.7	24.7	5.8	1.1
Greece	0.6	1.2	5.5	1.2	0.3
Central	—	0.1	0.1	—	1.3
Continuing operations	14.6	57.4	102.3	14.8	5.3
Discontinued operations	1.8	4.9	8.2	1.5	(0.2)
	<u>16.4</u>	<u>62.3</u>	<u>110.5</u>	<u>16.3</u>	<u>5.1</u>
2012/13 Re-presented					
Additions					
	Intangible assets £million	Property, plant & equipment £million	Depreciation £million	Amortisation £million	Share- based payments £million
UK & Ireland	5.9	46.8	69.5	8.6	2.3
Nordics	6.7	22.8	25.0	4.6	0.5
Greece	0.4	1.6	5.9	1.3	0.1
Central	—	0.1	0.1	—	0.7
Continuing operations	13.0	71.3	100.5	14.5	3.6
Discontinued operations	5.0	11.2	16.0	7.2	0.5
	<u>18.0</u>	<u>82.5</u>	<u>116.5</u>	<u>21.7</u>	<u>4.1</u>

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3 Revenue and operating profit

	2013/14			2012/13 Re-presented		
	Underlying £million	Non- underlying £million	Total £million	Underlying £million	Non- underlying £million	Total £million
Revenue	7,217.6	0.1	7,217.7	7,026.6	82.6	7,109.2
Cost of sales	(6,678.3)	—	(6,678.3)	(6,512.0)	(68.6)	(6,580.6)
Gross profit	539.3	0.1	539.4	514.6	14.0	528.6
Distribution costs	(83.1)	—	(83.1)	(90.5)	(2.3)	(92.8)
Administrative expenses	(228.0)	(13.6)	(241.6)	(213.3)	(47.5)	(260.8)
Other operating charge	(25.4)	—	(25.4)	(24.4)	—	(24.4)
Operating profit	202.8	(13.5)	189.3	186.4	(35.8)	150.6

Non-underlying items comprise amortisation of acquired intangibles of £0.7 million (2012/13 £1.0 million), included within administrative expenses. Such items are described further in note 4. Included within underlying cost of sales, distribution costs and administrative expenses is amortisation of other intangibles of £9.8 million, £0.5 million and £3.7 million, respectively (2012/13 £8.2 million, £1.5 million and £3.9 million, respectively).

	2013/14			2012/13 Re-presented		
	Underlying £million	Businesses exited £million	Total £million	Underlying £million	Businesses exited £million	Total £million
Sale of goods	6,782.4	—	6,782.4	6,626.3	80.8	6,707.1
Revenue from services	435.2	0.1	435.3	400.3	1.8	402.1
	7,217.6	0.1	7,217.7	7,026.6	82.6	7,109.2

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Revenue from services predominantly comprises those relating to customer support agreements, delivery and installation, product repairs and product support.

	2013/14			2012/13 Re-presented		
	Underlying £million	Businesses exited £million	Total £million	Underlying £million	Businesses exited £million	Total £million
Inventories recognised as an expense	5,350.1	—	5,350.1	5,273.4	71.7	5,345.1
Cost of inventory write-down	25.1	—	25.1	25.7	0.2	25.9
Rentals paid under operating leases:						
Plant and machinery	8.5	—	8.5	6.7	—	6.7
Property – non-contingent rent	292.3	—	292.3	298.1	0.4	298.5
Property – contingent rent	17.9	—	17.9	15.8	—	15.8
Rentals received under operating leases:						
Property – subleases	(4.1)	—	(4.1)	(4.5)	—	(4.5)

	2013/14 £million	2012/13 Re-presented £million
Auditor's remuneration		
Audit services – Group financial statements	0.5	0.5
– Subsidiary financial statements	0.4	0.3
Total audit fees	0.9	0.8
Non-audit services pursuant to legislation	0.2	0.3
Other	0.1	—
Total fees paid to the auditor	1.2	1.1

In addition to the above fees, £0.1 million of audit fees were paid to the auditor in respect of the discontinued operations (2012/13 £0.3 million).

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4 Non-underlying items

	Note	Year ended 30 April 2014 £million	Year ended 30 April 2013 Restated £million
Included in operating profit:			
Businesses exited	(i)	—	(0.4)
Amortisation of acquired intangibles		(0.7)	(1.0)
Net restructuring charges	(ii)	(8.7)	(24.8)
Business impairment charges	(iii)	—	(9.1)
Other items	(iv)	(4.1)	(0.5)
		(13.5)	(35.8)
Loss on sale of business	(v)	—	(9.6)
Included in net finance costs:			
Businesses exited	(i)	—	0.3
Net non-cash finance costs on defined benefit pension schemes	(vi)	(17.1)	(13.1)
Net fair value remeasurements of financial instruments	(vii)	—	(1.9)
Accelerated amortisation of facility fees	(viii)	(2.0)	—
2012 Bonds and 2015 Notes redemption costs and fees	(viii)	—	(4.3)
Finance lease interest on onerous lease	(ix)	(0.7)	—
		(19.8)	(19.0)
Total impact on profit / (loss) before tax		(33.3)	(64.4)
Tax on other non-underlying items		5.4	10.3
Total impact on profit / (loss) after tax		(27.9)	(54.1)

(i) Businesses exited: comprises the trading results of exited businesses where they do not meet the criteria under IFRS 5 for separate disclosure as discontinued operations and comprise:

- Equanet, which was sold in March 2013 and which constituted the majority of the B2B activities of the UK & Ireland division; and
- PC City Spain which was closed in June 2011 whereby these activities comprise the unwinding of residual deferred income and related costs.

Discontinued operations, which comprise the results of Electroworld Turkey, Unieuro, PIXmania and Central Europe (comprising Electroworld Czech Republic and Electroworld Slovakia) are shown separately after post-tax results in accordance with IFRS 5 and are described further in note 8.

(ii) Net restructuring charges – strategic reorganisation:

	Year ended 30 April 2014 £million	Year ended 30 April 2013 Re- presented £million
Asset impairments	(8.7)	(5.6)
Property charges	—	(14.3)
Other charges	—	(4.9)
	(8.7)	(24.8)
	(8.7)	(24.8)

Year ended 30 April 2014:

Charges comprise asset impairments of other intangibles work in progress in respect of UK system costs which, following a revision in the Group's systems strategy as a result of the disposals of businesses which have occurred during the year have been concluded as no longer having value.

Year ended 30 April 2013:

Charges related predominantly to the reorganisation of the remaining retained UK B2B operations following the sale of Equanet for which the charges were £22.9 million. The charges related mainly to an onerous operating lease which was retained in respect of these sold operations together with related fixed asset write offs.

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(iii) Business impairment charges:

	Year ended 30 April 2014 £million	Year ended 30 April 2013 Re- presented £million
Goodwill	—	(6.6)
Other assets	—	(2.5)
	<u>—</u>	<u>(9.1)</u>
	<u><u>—</u></u>	<u><u>(9.1)</u></u>

Year ended 30 April 2013:

Related to the impairment of goodwill of a small UK B2B operation following the reorganisation and significant reduction in the UK & Ireland's B2B operations following the sale of Equanet as well as the full write down of the investment in an associate following continued declining results.

(iv) Other items comprise the following:

	Year ended 30 April 2014 £million	Year ended 30 April 2013 Re- presented £million
Investment remeasurement	(5.4)	—
UK Riot related income	1.6	0.9
Exceptional charges	(0.3)	(1.4)
	<u>(4.1)</u>	<u>(0.5)</u>
	<u><u>(4.1)</u></u>	<u><u>(0.5)</u></u>

The investment remeasurement relates to an increase in deferred consideration payable on a business acquired in the Nordics in 2011/12 following better than expected actual and forecast trading. UK Riot related income comprises insurance recoveries in respect of charges incurred in 2011/12.

(v) Loss on sale of business:

Year ended 30 April 2013:

On 28 March 2013, the Group completed the disposal of its Equanet B2B operations (Equanet) to Kelway (UK) Limited for consideration of £4.2 million. The loss on disposal is analysed as follows:

	£million
Net assets disposed:	
Goodwill	10.7
Other assets	1.7
	<u>12.4</u>
Loss on disposal	(9.6)
	<u>2.8</u>
Consideration and costs	
Consideration	4.2
Disposal fees and exit costs	(1.4)
	<u>2.8</u>
Consideration and costs	<u><u>2.8</u></u>

As described in note (i), above, the disposal did not satisfy the requirements of IFRS 5 for treatment as a discontinued operation and accordingly the loss on disposal has been included within "continuing" operations.

(vi) Net non-cash financing costs on defined benefit pension schemes: Under IAS 19 'Employee Benefits', the net interest charge on defined benefit pension schemes is calculated by applying the corporate bond yield rates applicable on the last day of the previous financial year and to the net defined benefit liability. Corporate bond yield rates vary over time which in turn creates volatility in the income statement and balance sheet and results in a non-cash remeasurement cost which can be volatile due to corporate bond yield rates prevailing on a particular day and is also unrepresentative of the actual investment gains or losses made or the liabilities paid and payable. Consistent with a number of other companies, the accounting effects of these non-cash revaluations of net defined benefit pension liabilities have been excluded from underlying earnings.

(vii) Net fair value remeasurement gains and losses on revaluation of financial instruments: items excluded from underlying finance income and expense represent the gains and losses arising from the revaluation of derivative financial instruments under methodologies stipulated by IAS 39 compared with those on an accruals basis (the basis upon which all other items in the financial statements are prepared). Such a treatment is a form of revaluation gain or loss created by an assumption that the derivatives will be settled before their maturity.

Such gains and losses are unrealised and in the directors' view also conflict with both the commercial reasons for entering into such arrangements as well as Group Treasury policy whereby early settlement in the majority of cases would amount to speculative use of derivatives.

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(viii) Year ended 30 April 2014:

On 19 May 2014, the Group signed a new revolving credit facility agreement (the New Facility) for £150 million. The New Facility is described further in notes 17 and 32. The New Facility replaced the pre-existing facility of £200 million and has triggered the acceleration of the amortisation of fees related to this facility which would otherwise have been charged evenly over the period to the pre-existing facility's maturity in June 2015 and which have therefore been charged in 2013/14.

Year ended 30 April 2013:

On 20 September 2012, the Group repurchased £15.6 million in nominal amount of its 6.125% Guaranteed Bonds due November 2012 (the 2012 Bonds) as well as £49.4 million in nominal amount of its 8.75% Guaranteed Notes due August 2015 (the 2015 Notes). The latter repurchase was funded by part of a new issue of £150 million 8.75% Guaranteed Notes due September 2017 (the 2017 Notes).

As a result of the repurchases of the 2012 Bonds and 2015 Notes, charges were incurred relating to the acceleration of the amortisation of fees from the 2012 Bonds and the 2015 Notes which would otherwise have been charged evenly over the period to the 2012 Bonds' maturity in November 2012 and the 2015 Notes' maturity in August 2015, together with a redemption premium.

(ix) Other finance charges relate to onerous finance lease interest costs in respect of the reorganisation of the UK B2B operations which occurred in 2012/13 as described in (ii).

5 Net finance costs

	Note	2013/14 £million	2012/13 Restated £million
Bank and other interest receivable:			
Non-underlying: businesses exited	*	—	0.3
Underlying	(ii)	2.9	7.2
Fair value remeasurement gains on financial instruments	* (iv)	—	3.0
Finance income		<u>2.9</u>	<u>10.5</u>
6.125% Guaranteed Bonds 2012 interest and related charges		—	(4.9)
8.75% Guaranteed Notes 2015 interest and related charges		(9.5)	(11.4)
8.75% Guaranteed Notes 2017 interest and related charges		(13.9)	(8.5)
Bank loans, overdrafts and other finance charges	(iii)	(11.0)	(11.8)
Finance lease interest payable:			
Non-underlying	*	(0.7)	—
Underlying		(5.1)	(6.0)
Net interest expense on defined benefit obligations	*	(17.1)	(13.1)
Fair value remeasurement losses on financial instruments	* (iv)	—	(4.9)
Accelerated amortisation of facility fees	*	(2.0)	—
2012 Bonds and 2015 Notes redemption costs and fees	*	—	(4.3)
Finance costs		<u>(59.3)</u>	<u>(64.9)</u>
Total net finance costs		<u><u>(56.4)</u></u>	<u><u>(54.4)</u></u>
Underlying total net finance costs	(i)	<u><u>(36.6)</u></u>	<u><u>(35.4)</u></u>

(i) Underlying total net finance costs exclude items marked *. See note 4 for a description of such items. Net finance costs for the businesses exited comprise bank and other interest receivable and interest on bank loans and overdrafts.

(ii) Bank and other interest receivable comprise:

	2013/14 £million	2012/13 £million
Interest on cash and cash equivalents and short term investments	1.5	1.7
Exchange gains	1.4	—
Derivative interest income	—	5.5
	<u>2.9</u>	<u>7.2</u>

Derivative interest income includes amounts relating to the remeasurement of financial instruments on an accruals basis. Included within net exchange gains and derivative interest income is a loss of £19.0 million and an income of £nil, respectively (2012/13 £nil and an income of £2.8 million, respectively) from financial instruments not in a designated hedging relationship under the rules stipulated by IAS 39.

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(iii) Bank loans, overdrafts and other interest payable comprise:

	2013/14	2012/13
	£million	£million
Interest on bank loans and overdrafts	(11.0)	(7.6)
Exchange losses	—	(0.8)
Derivative interest expense	—	(3.4)
	<u>(11.0)</u>	<u>(11.8)</u>

Included within exchange losses are losses of £nil million (2012/13 losses of £8.0 million) which is a natural offset for gains arising from financial instruments not in a formal designated hedging relationship under the rules stipulated by IAS 39.

Derivative interest expense includes amounts relating to the remeasurement of financial instruments on an accruals basis. Included within derivative interest expense is a £nil charge (2012/13 £3.4 million) from financial instruments not in a designated hedging relationship under the rules stipulated by IAS 39.

- (iv) Fair value remeasurement gains and losses on financial instruments include losses of £nil (2012/13 £2.4 million) which are not in a designated hedging relationship under the rules stipulated by IAS 39.
- (v) Interest income of £1.4 million (2012/13 £2.0 million) and expense of £42.2 million (2012/13 £38.9 million) is included within net finance costs relating to financial assets and liabilities, respectively not held at fair value through the Income Statement.

6 Employees

Staff costs for the year were:

	2013/14	2012/13
	£million	Re-presented £million
Wages and salaries	631.6	628.1
Social security costs	67.6	66.4
Other pension costs	17.9	19.3
	<u>717.1</u>	<u>713.8</u>

The average number of employees, including part-time employees, was:

	2013/14	2012/13
	Number	Re-presented Number
UK & Ireland	21,420	20,162
Nordics	8,798	8,147
Greece	1,750	1,681
Central	432	682
	<u>32,400</u>	<u>30,672</u>

The average number of employees for Central includes 1 (2012/13 300) relating to businesses exited which in 2012/13 were previously reported within the divisions to which the businesses related.

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7 Tax

(a) Income tax expense

	2013/14 £million	2012/13 Restated £million
Current tax		
UK corporation tax at 22.84%(ii) (2012/13 23.92%)	13.7	0.3
Overseas taxation	18.0	31.7
Adjustment in respect of earlier years:		
UK corporation tax	(0.2)	—
Overseas taxation	—	(0.9)
	31.5	31.1
Deferred tax		
Current year		
– underlying	21.5	15.5
– non-underlying	*	(10.3)
Adjustment in respect of earlier years:		
UK corporation tax		
– underlying	(4.0)	6.4
– non-underlying	*	—
Overseas taxation	1.5	1.0
	13.6	12.6
Income tax expense – continuing operations	45.1	43.7
Underlying income tax expense – continuing operations	(i) 50.5	54.0

(i) Underlying income tax expense excludes those items marked *. Further information on these items is shown in note 4.

(ii) The UK corporation tax rate for the year was 23% for the period up to 31 March 2014 and 21% thereafter (2012/13 24% for the period up to 31 March 2013 and 23% thereafter).

A reconciliation of the notional to the actual income tax expense is set out below:

	2013/14			2012/13		
	Underlying £million	Non- underlying* £million	Total £million	Underlying £million	Non- underlying* £million	Total £million
Profit before tax	166.2	(33.3)	132.9	151.0	(64.4)	86.6
Tax on profit at UK statutory rate of 22.84% (2012/13 23.92%)	38.0	(7.6)	30.4	36.1	(15.4)	20.7
Non-qualifying depreciation	2.7	—	2.7	2.8	—	2.8
Differences in effective overseas taxation rates	2.8	—	2.8	4.0	(0.2)	3.8
Non-deductible charges	0.3	(1.0)	(0.7)	1.2	4.0	5.2
Non-taxable losses / (gains) on property disposals	2.5	(0.1)	2.4	0.5	—	0.5
Overseas deferred tax not recognised	(0.7)	0.1	(0.6)	0.3	—	0.3
Adjustment in respect of earlier years	(2.7)	2.2	(0.5)	6.4	—	6.4
Effect of changes in statutory tax rates	6.1	(0.9)	5.2	1.7	(0.2)	1.5
Other differences	1.5	1.9	3.4	1.0	1.5	2.5
Income tax expense	50.5	(5.4)	45.1	54.0	(10.3)	43.7

The effective tax rate on underlying earnings of 30.4% (2012/13 35.8%) has decreased compared to the prior year mainly due to an increase in the proportion of taxable profits vs non-deductible

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expenses. For this reason, together with the decrease in statutory corporation tax rates in the UK and Norway, the rate is expected to decrease further in future years.

The Group has total unrecognised deferred tax assets relating to tax losses of £50.0 million (2012/13 £207.7 million) of which £2.1 million (2012/13 £151.5 million) have no time restriction over when they can be utilised. The Group has unrecognised deferred tax assets relating to time restricted tax losses of £47.9 million (2012/13 £56.2 million) for which the weighted average period over which they can be utilised is eight years (2012/13 eight years).

(b) Deferred tax

	Accelerated capital allowances £million	Retirement benefit obligations £million	Losses carried forward	Other timing differences £million	Total £million
At 29 April 2012	32.9	64.5	30.1	7.5	135.0
(Charged) / credited to income statement	(15.5)	(1.4)	(15.8)	13.5	(19.2)
Credited to equity	—	31.6	—	2.6	34.2
Disposals	0.3	—	(10.9)	0.6	(10.0)
Currency retranslation	(0.5)	—	0.3	(0.2)	(0.4)
At 30 April 2013	17.2	94.7	3.7	24.0	139.6
(Charged) / credited to income statement	(4.2)	0.1	(0.7)	(8.8)	(13.6)
Charged to equity	—	(13.8)	—	(0.7)	(14.5)
Transfer to assets held for sale	(0.4)	—	(2.8)	(1.5)	(4.7)
Currency retranslation	0.4	(0.2)	(0.2)	(0.7)	(0.7)
At 30 April 2014	13.0	80.8	—	12.3	106.1

Summary of assets and liabilities as disclosed:

	2014 £million	2013 £million
Deferred tax assets	121.2	150.9
Deferred tax liabilities	(15.1)	(11.3)
	106.1	139.6

Analysis of deferred tax relating to items (charged) / credited to equity in the year:

	2013/14 £million	2012/13 £million
Actuarial losses on defined benefit pension schemes	(13.8)	31.6
Net (losses) / gains on revaluation of cash flow hedges	(1.5)	0.9
Net gains on hedges of net investments	—	(0.1)
Credited to comprehensive expense	(15.3)	32.4
Share-based payments	0.8	1.8
	(14.5)	34.2

As a result of share disposals, allowable losses have been incurred which are available for offset against certain future chargeable gains. A deferred tax asset has not been recognised in respect of these losses as it is considered that there is insufficient evidence that chargeable gains will arise.

The UK corporation tax rate will fall to 20% from 1 April 2015 and accordingly UK deferred tax has been computed at this rate. The deferred tax asset not recognised, measured at the standard rate of 20% (2013 23%), is not less than £250.3 million (2013: £288.0 million). Where permitted, certain deferred tax assets and liabilities have been offset for financial reporting purposes.

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8 Earnings per share

	2013/14	2012/13
	£million	Restated £million
Basic and diluted (loss) / earnings		
Total (continuing and discontinued operations)	(69.5)	(162.5)
Discontinued operations	157.3	205.5
	<hr/>	<hr/>
Continuing operations	87.8	43.0
	<hr/>	<hr/>
Adjustments		
Non-underlying items	33.3	64.4
Tax on non-underlying items	(5.4)	(10.3)
	<hr/>	<hr/>
Total adjustments (net of taxation)	27.9	54.1
	<hr/>	<hr/>
Underlying basic and diluted earnings	115.7	97.1
	<hr/> <hr/>	<hr/> <hr/>
	Million	Million
Weighted average number of shares for:		
Basic and underlying basic (loss) / earnings	3,648.7	3,616.5
Diluted loss – total (continuing and discontinued operations)	† 3,648.7	3,616.5
Underlying diluted earnings – continuing operations	† 3,648.7	3,616.5
Underlying diluted earnings	† 3,799.9	3,696.4
	<hr/>	<hr/>
Potentially dilutive shares under employee share option and ownership schemes	† 151.2	79.9
	<hr/> <hr/>	<hr/> <hr/>
	Pence	Pence
Basic (loss) / earnings per share		
Total (continuing and discontinued operations)	(1.9)	(4.5)
Adjustment in respect of discontinued operations	4.3	5.7
	<hr/>	<hr/>
Continuing operations	2.4	1.2
Adjustments (net of taxation)	0.8	1.5
	<hr/>	<hr/>
Underlying basic earnings per share	3.2	2.7
	<hr/> <hr/>	<hr/> <hr/>
Diluted (loss) / earnings per share		
Total (continuing and discontinued operations)	(1.9)	(4.5)
Adjustment in respect of discontinued operations	4.2	5.7
	<hr/>	<hr/>
Continuing operations	2.3	1.2
Adjustments (net of taxation)	0.7	1.4
	<hr/>	<hr/>
Underlying diluted earnings per share	3.0	2.6
	<hr/> <hr/>	<hr/> <hr/>

† In accordance with IAS 33, the weighted average number of shares for the calculation of diluted (loss) / earnings per share does not include potentially dilutive shares if they would decrease the loss per share.

Basic and diluted earnings per share are based on the profit for the year attributable to equity shareholders. Underlying earnings per share are presented in order to show the underlying performance of the Group. Adjustments used to determine underlying earnings are described further in note 4.

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9 Goodwill

	2014	2013
	£million	£million
Cost		
At beginning of year	1,489.8	1,443.8
Additions	—	1.1
Disposals	(6.8)	(12.7)
Transfer to assets held for sale	(697.6)	—
Currency retranslation	(88.9)	57.6
At end of year	<u>696.5</u>	<u>1,489.8</u>
Impairment		
At beginning of year	785.6	703.1
Non-underlying impairment		
Continuing operations	—	6.6
Discontinued operations	—	45.2
Disposals	(6.6)	—
Transfer to assets held for sale	(670.1)	—
Currency retranslation	(19.8)	30.7
At end of year	<u>89.1</u>	<u>785.6</u>
Net book value at the end of the year	<u><u>607.4</u></u>	<u><u>704.2</u></u>

(a) Carrying value

The carrying value of goodwill comprises the following businesses:

	2014	2013
	£million	£million
Elkjøp Nordic AS (Elkjøp)	607.4	676.5
Unieuro S.p.A. (Unieuro)	—	27.7
	<u>607.4</u>	<u>704.2</u>

2013/14:

The transfer to assets held for sale relates to Unieuro and PIXmania which were sold during the year as described further in note 27.

Following the impairment of a UK B2B operation in 2012/13, it has been determined that the underlying business assets and branding are no longer identifiable and as a result the goodwill has been treated as disposed.

2012/13:

The disposals predominantly comprised the Equanet business which is described further in note 4.

The non-underlying impairment charges in respect of continuing operations comprised a small UK B2B operation following re-organisation as a result of the sale of Equanet. Further details of the impairment charge is shown in note 4.

(b) Impairment testing

As required by IAS 36, goodwill is subject to annual impairment reviews. These reviews are carried out using the following criteria:

- business acquisitions generate an attributed amount of goodwill;
- the manner in which these businesses are run and managed is used to determine the 'Cash Generating Unit' (CGU) grouping as defined in IAS 36 'Impairment of Assets';
- the recoverable amount of each CGU group is determined based on calculating its value in use (VIU);

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- the VIU is calculated by applying discounted cash flow modelling to management's own projections covering a five year period;
- cash flows beyond the five year period are extrapolated using a long term growth rate equivalent to the relevant market's Gross Domestic Product (GDP); and
- the VIU is then compared to the carrying amount in order to determine whether impairment has occurred.

The key assumptions used in calculating value in use are:

- management's five year projections;
- the growth rate beyond five years; and
- the pre-tax adjusted discount rate.

The five year projections, which have been approved by management, have been prepared using risk adjusted strategic plans which have regard to the relative performance of competitors and knowledge of the current market together with management's views on the future achievable growth in market share and impact of the committed initiatives. The cash flows which derive from these five year projections include ongoing capital expenditure required to develop and upgrade the store network in order to maintain and operate the businesses and to compete in their markets. In forming the five year projections, management draws on past experience as a measure to forecast future performance.

Key assumptions used in determining the five year projections comprise the growth in sales and costs over this period. The compound annual growth rate in sales and costs can rise as well as fall year on year depending not only on the year five targets, but also on the current financial year base. These targets, when combined, accordingly drive the resulting profit margins and the profit in year five of the projections which is in turn used to calculate the terminal value in the VIU calculation. Historical amounts for the businesses under impairment review as well as from other parts of the Group are used to generate the values attributed to these assumptions.

The growth rate beyond five years is based on the GDP for the territories in which these businesses operate. The discount rates applied to cash flows are based on the Group's weighted average cost of capital having regard to the strategic five year plans themselves already being risk adjusted to take account of specific risks in the relevant market or region.

The Group's only goodwill balance is in respect of Elkjøp and the values attributed to these assumptions are as follows:

	2014	2013
Compound annual growth in sales	6.1%	6.6%
Compound annual growth in costs	6.0%	6.6%
Growth rate beyond five years	2.4%	2.5%
Pre-tax discount rate	11.2%	10.7%

(c) Sensitivities

A sensitivity analysis had been performed on each of the base case assumptions used for assessing the goodwill with other variables held constant. Consideration of sensitivities to key assumptions can evolve from one financial year to the next.

The directors have concluded that in the case of Elkjøp there are no reasonably possible changes in any key assumption which would cause the carrying amount of goodwill to exceed its value in use.

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10 Intangible assets

	Other intangibles				
	Acquired intangibles £million	Software (externally acquired) £million	Software (internally generated) £million	Sub-total £million	Total £million
Cost					
At 29 April 2012	82.3	141.6	75.3	216.9	299.2
Additions	—	12.4	5.6	18.0	18.0
Disposals	(3.5)	(0.4)	(4.8)	(5.2)	(8.7)
Transfer to assets held for sale	(3.3)	—	—	—	(3.3)
Currency retranslation	3.1	2.4	0.7	3.1	6.2
	78.6	156.0	76.8	232.8	311.4
At 30 April 2013	78.6	156.0	76.8	232.8	311.4
Additions	—	12.9	3.5	16.4	16.4
Disposals	—	(2.8)	(10.7)	(13.5)	(13.5)
Transfer to assets held for sale	(45.7)	(12.0)	(11.8)	(23.8)	(69.5)
Currency retranslation	(2.2)	(5.5)	(0.3)	(5.8)	(8.0)
	30.7	148.6	57.5	206.1	236.8
At 30 April 2014	30.7	148.6	57.5	206.1	236.8
Amortisation					
At 29 April 2012	38.3	103.7	59.1	162.8	201.1
Charge for the year – underlying	—	10.8	6.7	17.5	17.5
– non-underlying	4.2	—	—	—	4.2
Non-underlying impairment	25.1	—	1.9	1.9	27.0
Disposals	(3.5)	(0.2)	(3.9)	(4.1)	(7.6)
Transfer to assets held for sale	(1.5)	—	—	—	(1.5)
Currency retranslation	1.5	2.1	0.7	2.8	4.3
	64.1	116.4	64.5	180.9	245.0
At 30 April 2013	64.1	116.4	64.5	180.9	245.0
Charge for the year – underlying	—	10.4	5.2	15.6	15.6
– non-underlying	0.7	—	—	—	0.7
Non-underlying impairment	—	7.0	—	7.0	7.0
Disposals	—	(1.5)	(10.1)	(11.6)	(11.6)
Transfer to assets held for sale	(45.7)	(10.4)	(8.5)	(18.9)	(64.6)
Currency retranslation	(1.8)	(4.3)	(0.1)	(4.4)	(6.2)
	17.3	117.6	51.0	168.6	185.9
At 30 April 2014	17.3	117.6	51.0	168.6	185.9
Net book value					
At 30 April 2014	13.4	31.0	6.5	37.5	50.9
At 30 April 2013	14.5	39.6	12.3	51.9	66.4

Acquired intangibles comprise the brand name of Kotsovolos, for which the value is £13.4 million (2013 £14.5 million) and for which the remaining life of this asset is 20 years. Included in net book value of other intangibles are assets under construction of £8.8 million (2013 £16.1 million).

In 2013/14, the transfer to assets held for sale related to Electroworld Turkey, Unieuro and PIXmania operations which have since been sold as well as the Group's Central European operations following the announcement on 19 May 2014 that the Group had signed an agreement to sell these operations. All of these sale transactions are further discussed in notes 27 and 32 (2012/13 related to the Group's sale of Webhallen as discussed further in note 27).

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11 Property, plant & equipment

	2014			2013		
	Land and buildings £million	Fixtures, fittings and equipment £million	Total £million	Land and buildings £million	Fixtures, fittings and equipment £million	Total £million
Cost						
At beginning of year	152.2	1,189.8	1,342.0	153.1	1,202.2	1,355.3
Additions	—	62.3	62.3	—	82.5	82.5
Disposals	(3.9)	(67.5)	(71.4)	(1.2)	(114.0)	(115.2)
Transfer to assets held for sale	(0.9)	(164.1)	(165.0)	—	(2.0)	(2.0)
Reclassification	(0.7)	0.7	—	—	—	—
Currency retranslation	(0.7)	(26.0)	(26.7)	0.3	21.1	21.4
At end of year	146.0	995.2	1,141.2	152.2	1,189.8	1,342.0
Depreciation						
At beginning of year	70.1	837.9	908.0	57.4	817.5	874.9
Charge for the year	5.1	105.4	110.5	5.5	111.0	116.5
Impairment – underlying	1.2	—	1.2	—	—	—
– non-underlying	—	1.7	1.7	7.9	4.2	12.1
Disposals	(0.3)	(65.0)	(65.3)	(0.6)	(108.5)	(109.1)
Transfer to assets held for sale	(0.6)	(126.6)	(127.2)	—	(1.0)	(1.0)
Currency retranslation	(0.6)	(17.6)	(18.2)	(0.1)	14.7	14.6
At end of year	74.9	735.8	810.7	70.1	837.9	908.0
Net book value at end of year	71.1	259.4	330.5	82.1	351.9	434.0
Included in net book value						
Land not depreciated	5.1	—	5.1	6.5	—	6.5
Assets in the course of construction	—	6.7	6.7	—	17.7	17.7
Assets held under finance leases	55.3	—	55.3	59.7	3.0	62.7

No additions related to finance leases (2012/13 £0.9 million). Legal title for these leased assets remains with the lessor.

In 2013/14, the transfer to assets held for sale related to Electroworld Turkey, Unieuro and PIXmania operations which have since been sold as well as the Group's Central European operations following the announcement on 19 May 2014 that the Group had signed of an agreement to sell these operations. All of these sale transactions are further discussed in notes 27 and 32 (2012/13 related to the Group's sale of Webhallen as discussed further in note 27).

12 Investments in associates

	2014 £million	2013 £million
At beginning of year	0.5	3.5
Non-underlying impairment	—	(2.5)
Transfer of associate to subsidiary undertakings	—	(0.3)
Dividend	—	(0.4)
Currency retranslation	—	0.2
At end of year	0.5	0.5

The Group's share of post-tax results of associates comprise shareholdings in several different enterprises in the Nordic region, none of which are significant.

2012/13:

The non-underlying impairment related to weakness in the results and long term outlook for the Group's 40% stake in F-Group such that the directors concluded that a full impairment was required.

The transfer of associate to subsidiary undertakings related to previous small associate shareholdings which became subsidiaries following the acquisition of the remaining shares during the year.

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13 Inventories

	2014	2013
	£million	£million
Finished goods and goods for resale	708.3	928.7
Provision for obsolete and slow moving goods	(23.9)	(33.3)
	<u>684.4</u>	<u>895.4</u>

14 Trade and other receivables

		2014		2013	
	Note	Current	Non-current	Current	Non-current
		£million	£million	£million	£million
Trade debtors		168.1	6.2	197.6	4.6
Provision for bad and doubtful debts		(19.0)	—	(25.0)	—
		<u>149.1</u>	<u>6.2</u>	<u>172.6</u>	<u>4.6</u>
Derivative financial instruments	22	6.1	—	4.3	—
Other debtors		30.1	7.3	40.7	15.7
Prepayments		64.2	0.1	63.3	0.3
Accrued income		17.6	—	23.6	—
		<u>267.1</u>	<u>13.6</u>	<u>304.5</u>	<u>20.6</u>

The majority of trade and other receivables are non-interest bearing and are generally on 30 to 90 day terms. The balance comprises both B2B receivables and consumer credit receivables with no material individual balances. The total financial assets included within trade and other receivables are £216.4 million (2013 £261.5 million). The carrying amount of trade and other receivables approximates fair value with no concentration of credit risk.

The Group's trade debtors included the following amounts which are past due at the end of the year and for which the Group has not provided for owing to the amounts being considered recoverable:

	2014	2013
	£million	£million
Up to six months past due	19.0	24.9
Six to 12 months past due	0.9	1.4
Over 12 months past due	—	0.2
	<u>19.9</u>	<u>26.5</u>

Movements on the provision for bad and doubtful debts are as follows:

	2014	2013
	£million	£million
At beginning of year	25.0	24.8
Charge for the year	7.9	5.6
Utilisation of provision	(5.1)	(5.3)
Reclassified to assets held for sale	(9.0)	—
Currency retranslation	0.2	(0.1)
At end of year	<u>19.0</u>	<u>25.0</u>

The Group does not hold any collateral as security over receivables balances.

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15 Short term investments

	2014	2013
	£million	£million
Floating rate notes	1.4	2.4

Floating rate notes have a nominal value of £1.5 million (2013 £2.5 million) and have an average expected maturity of 5.4 years (2013 13.8 years). Floating rate notes have an effective yield of 0.91% (2013 0.99%). Such items are classified as 'available for sale' under the classification requirements of IFRS 13 'Fair value measurement'.

16 Cash and cash equivalents

	2014	2013
	£million	£million
Cash at bank	122.5	107.3
Money market deposits	278.7	298.0
	<u>401.2</u>	<u>405.3</u>

Cash at bank earns interest at floating rates based either on daily bank deposit rates or central bank lending rates. Money market deposits are made for varying periods of up to 90 days with an average maturity of 18 days (2013 31 days). The carrying amount of money market deposits approximates their fair value.

17 Borrowings

	2014	2013
	£million	£million
Current		
Bank overdrafts	—	17.7
Other borrowing	—	4.5
	<u>—</u>	<u>22.2</u>
Non-current		
8.75% Guaranteed Notes 2015	99.6	98.8
8.75% Guaranteed Notes 2017	147.3	146.6
	<u>246.9</u>	<u>245.4</u>

Bank overdrafts are repayable on demand.

On 19 May 2014, the Group signed a new revolving credit facility agreement (the New Facility) for £150 million. The New Facility, which has a maturity date of 30 June 2018, with an option to extend to 30 June 2019, replaces the previous Amended Facility of £200 million which had a maturity date of 30 June 2015. The Amended Facility was originally for £300 million (amending and restating a previous revolving credit facility agreement for £360 million) and reduced to £225 million in September 2012 and to £200 million in August 2013. The key terms of the New Facility have similarities to the Amended Facility, however, with reduced levels of fees and a reduced number of financial covenants. Drawings under the New Facility bear interest at LIBOR plus a margin of 2.25% (the Amended Facility 3.50%). A commitment fee is incurred on undrawn amounts. As at 30 April 2014, there were no drawings under the Amended Facility (2013 £nil).

The carrying amount of current borrowings approximates their fair value.

On 20 September 2012, the Group repurchased £49.4 million in nominal amount of its 8.75% Guaranteed Notes 2015 (the 2015 Notes). This repurchase was funded by part of a new issue of £150 million 8.75% Guaranteed Notes 2017 (the 2017 Notes) and for which the proceeds were received on 19 September 2012.

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The remaining 2015 Notes are denominated in sterling with a nominal value of £100.6 million (2013 £100.6 million). The 2017 Notes are denominated in sterling with a nominal value of £150 million. Both the 2015 Notes and the 2017 Notes require payment of interest semi-annually and as at 30 April 2014 were guaranteed by a number of UK and Irish subsidiary undertakings of the Group, including DSG Retail Limited. From 19 May 2014, when the New Facility came into effect, the number of subsidiary undertakings providing a guarantee was reduced, but still includes DSG Retail Limited. Both the 2015 Notes and the 2017 Notes are listed on the London Stock Exchange and unless previously redeemed or purchased and cancelled they will be redeemed at par on 3 August 2015 and 15 September 2017, respectively. Both the 2015 Notes and the 2017 Notes may be redeemed in whole or in part at their principal amount plus accrued interest by providing 30 to 60 days' notice to the Noteholders. They may also be purchased in the open market by any company within the Group and in either circumstance any unmatured coupons will be cancelled and may not be re-issued or re-sold. In the event of a specific change of control event, each Noteholder has an option to require Dixons Retail plc to redeem or, at the option of Dixons Retail plc, purchase (or procure the purchase of) any of the 2015 Notes or 2017 Notes held by such Noteholder at a cash price equal to 101% of their principal amount together with interest accrued. The value of the 2015 Notes excludes accrued interest of £2.1 million (2013 £2.2 million) and the value of the 2017 Notes excludes accrued interest of £1.6 million (2013 £1.6 million), included in trade and other payables.

Further information concerning fair value, hedging and ensuing interest rate and currency profiles relating to the 2015 Notes and the 2017 Notes is included in note 22.

18 Obligations under finance leases

	2014		2013	
	Minimum lease payments £million	Present value of minimum lease payments £million	Minimum lease payments £million	Present value of minimum lease payments £million
Amounts due:				
Within one year	8.0	7.5	9.0	8.3
In more than one year and not more than five years	33.0	26.5	34.6	27.9
In more than five years	122.8	59.6	130.7	61.8
	<u>163.8</u>	<u>93.6</u>	<u>174.3</u>	<u>98.0</u>
Less future finance charges	(70.2)	—	(76.3)	—
Present value of lease obligations	93.6	93.6	98.0	98.0
Less amounts due within one year	(2.0)	(2.0)	(2.0)	(2.0)
Amounts due after more than one year	<u><u>91.6</u></u>	<u><u>91.6</u></u>	<u><u>96.0</u></u>	<u><u>96.0</u></u>

The majority of finance leases relate to properties in the UK where obligations are denominated in sterling and remaining lease terms vary between 11 and 22 years. The effective borrowing rate on individual leases ranged between 5.51% and 8.15% (2013 between 5.51% and 8.15%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligations approximates their carrying amount.

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19 Trade and other payables

	Note	2014		2013	
		Current £million	Non- current £million	Current £million	Non- current £million
Trade creditors		841.4	—	1,064.0	—
Other taxation and social security		134.2	—	138.6	—
Derivative financial instruments	22	3.4	—	5.5	—
Other creditors		37.0	15.2	64.7	21.8
Accruals		210.2	78.9	245.0	85.5
Deferred income – customer support agreements		126.4	145.0	116.3	154.5
Deferred income – other		29.8	—	33.6	0.7
		<u>1,382.4</u>	<u>239.1</u>	<u>1,667.7</u>	<u>262.5</u>

Included in other creditors and accruals is £57.7 million (2013 £60.0 million) relating to other non-financial liabilities. The total financial liabilities included in trade and other payables are £1,128.4 million (2013 £1,426.5 million). The carrying amount of trade and other payables approximates their fair value.

20 Provisions

	2014			2013		
	Property related £million	Severance and other £million	Total £million	Property related £million	Severance and other £million	Total £million
At beginning of year	40.1	22.8	62.9	31.1	7.1	38.2
Additions	—	26.3	26.3	18.5	25.7	44.2
Transfer to liabilities directly associated with assets held for sale	(10.9)	(9.4)	(20.3)	—	(0.4)	(0.4)
Utilisation	(8.4)	(20.6)	(29.0)	(10.0)	(9.8)	(19.8)
Currency retranslation	0.1	0.2	0.3	0.5	0.2	0.7
At end of year	<u>20.9</u>	<u>19.3</u>	<u>40.2</u>	<u>40.1</u>	<u>22.8</u>	<u>62.9</u>
Analysed as:						
Current	4.8	19.3	24.1	14.0	22.8	36.8
Non-current	16.1	—	16.1	26.1	—	26.1
	<u>20.9</u>	<u>19.3</u>	<u>40.2</u>	<u>40.1</u>	<u>22.8</u>	<u>62.9</u>

2013/14: Additions relate to restructuring and business impairment charges which are described further in note 4. Property related provisions mainly comprise onerous lease contracts. Transfer to liabilities held for sale relate to PIXmania and Unieuro whereby the transfer occurred on 31 October 2013.

Of the amounts included within non-current liabilities remaining at 30 April 2014, the majority are expected to be utilised within the next ten years.

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21 Retirement and other post-employment benefit obligations

	2014	2013
	£million	£million
Retirement benefit obligations – UK	(399.8)	(406.4)
– Nordics	(2.0)	(2.7)
	(401.8)	(409.1)

The Group operates a number of defined contribution and defined benefit pension schemes.

The principal scheme which operates in the UK includes a funded defined benefit section whose assets are held in a separate trustee administered fund. The scheme is valued by a qualified actuary at least every three years and contributions are assessed in accordance with the actuary's advice. Since 1 September 2002, the defined benefit section of the scheme has been closed to new entrants and on 30 April 2010 was closed to future accrual with automatic entry into the defined contribution section being offered to those active members of the defined benefit section at that time. Membership of the defined contribution section is offered to eligible employees.

In the Nordics division, the Group operates small funded secured defined benefit pension schemes, which are also closed to future accrual, with assets held by a life insurance company as well as an unsecured pension arrangement. In addition, contributions are made to state pension schemes. The net movement in the obligation comprises a charge to operating profit of £0.5 million (2012/13 £0.9 million) with the remaining movements relating to the benefits paid in the period, actuarial gains / (losses) and currency retranslation. In Greece, the Group also provides other post-employment benefits which are governed by statute. These benefits are unfunded.

(a) Defined contribution pension schemes

The pension charge in respect of defined contribution schemes was £17.3 million (2012/13 £16.9 million).

(b) UK Defined benefit pension scheme – actuarial valuation and assumptions

A full actuarial valuation of the scheme was last carried out as at 31 March 2010 and showed a shortfall of assets compared with liabilities of £239.0 million. A 'recovery plan' based on this valuation, agreed with the trustee, commenced in 2010/11 with special contributions of £12.0 million, rising to £20.0 million for 2012/13 and 2013/14. Contributions rise to £25.0 million for 2014/15 and will rise approximately annually thereafter to £35.0 million by 2020/21. The next triennial valuation as at 31 March 2013 is still underway and its results are expected within the first half of 2014/15.

The principal actuarial assumptions as at 31 March 2010 were:

		Rate per annum
Discount rate for accrued benefits	– Pre-retirement	6.4%
	– Post-retirement	5.1% – 5.3%
Rate of increase to pensions	– Guaranteed Minimum Pension	0% – 2.8%
	– Pension in excess of Guaranteed Minimum Pension	2.4% – 4.1%
Inflation		3.7%

At 31 March 2010, the market value of the scheme's investments was £672.0 million and, based on the above assumptions, the value of the assets was sufficient to cover 74% of the benefits accrued to members with the liabilities amounting to £911.0 million.

(c) UK Defined benefit pension scheme – IAS 19

The following summarises the components of net defined benefit expense recognised in the consolidated income statement, the funded status and amounts recognised in the consolidated balance sheet and other amounts recognised in the statement of comprehensive income. The methodologies set out in IAS 19 are different from those used by the scheme actuaries in determining funding arrangements.

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(i) Principal assumptions adopted

The assumptions used in calculating the expenses and obligations are set by the directors after consultation with the independent actuaries.

	2014	2013
Rates per annum		
Discount rate	4.4%	4.3%
Rate of increase in pensions in payment / deferred pensions (pre / post April 2006 accrual)	3.0%/2.0%	3.2%/2.1%
Inflation	3.3%	3.3%

The Group uses demographic assumptions underlying the last formal actuarial valuation of the scheme as at 31 March 2010. In particular, post-retirement mortality has been assumed to follow the standard mortality tables 'S1' All Pensioners tables published by the CMI, based on the experience of Self-Administered Pension Schemes (SAPS) from 2000 to 2006 with medium cohort improvements up to 2009 and multipliers of 105% for males and 110% for females. In addition, an allowance has been made for future improvements in longevity by using the new CMI 2009 Core projections with a long term rate of improvement of 1.5% per annum for men and 1.0% per annum for women. Applying such tables results in an average expected longevity of between 87.2 years and 88.9 years for men and between 88.3 years and 89.5 years for women (2013 between 87.2 years and 88.8 years for men and between 88.6 years and 89.7 years for women) for those reaching 65 over the next 15 years.

(ii) Amounts recognised in consolidated income statement

	2013/14	2012/13
	£million	Restated £million
Net interest expense on defined benefit obligation	17.0	13.1

(iii) Amounts recognised in the consolidated statement of comprehensive income and expense:

	2013/14	2012/13
	£million	Restated £million
Remeasurement of defined benefit obligation – actuarial gains / (losses) arising from:		
changes in financial assumptions	44.0	(221.2)
experience adjustments	5.9	9.6
change in demographic assumptions	(22.4)	—
Remeasurement of scheme assets:		
Actual return on plan assets (excluding amounts included in net interest expense)	(23.9)	60.1
	3.6	(151.5)
Cumulative actuarial loss	(424.4)	(428.0)

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(iv) Amounts recognised in the consolidated balance sheet

	2014	2013
	£million	£million
Present value of defined benefit obligations	(1,219.1)	(1,225.2)
Fair value of plan assets	819.3	818.8
Net obligation	<u>(399.8)</u>	<u>(406.4)</u>

Changes in the present value of the defined benefit obligation:

	2014	2013
	£million	£million
Opening obligation	1,225.2	991.8
Interest cost	52.0	50.8
Remeasurements in other comprehensive income – actuarial (gains) / losses arising from changes in:		
Financial assumptions	(44.0)	221.2
Experience	(5.9)	(9.6)
Demographic assumptions	22.4	—
Benefits paid	(30.6)	(29.0)
Closing obligation	<u>1,219.1</u>	<u>1,225.2</u>

The weighted average maturity profile of the defined benefit obligation at the end of the year is 20 years (2013 21 years).

Changes in the fair value of the scheme assets:

	2014	2013
	£million	Restated £million
Opening fair value	818.8	729.9
Interest income	35.0	37.8
Employer special contributions	20.0	20.0
Remeasurements in other comprehensive income:		
Actual return on plan assets (excluding interest income)	(23.9)	60.1
Benefits paid	(30.6)	(29.0)
Closing fair value	<u>819.3</u>	<u>818.8</u>

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Analysis of scheme assets:

		2014	2013
		£million	£million
UK equities	– Listed	—	58.8
	– Unlisted	—	3.0
Overseas and global equities	– Listed	232.3	155.0
Diversified growth	– Listed	170.2	171.6
	– Unlisted	5.8	3.0
Multi-asset credit funds	– Listed	26.0	26.6
	– Unlisted	25.6	23.6
Emerging market multi asset funds	– Listed	47.3	50.1
	– Unlisted	0.7	2.7
Private equity	– Unlisted	42.9	45.3
Property	– Unlisted	25.1	33.4
Index-linked gilts	– Listed	162.0	169.3
Corporate bonds	– Listed	68.7	69.2
Cash and cash instruments	– Unlisted	11.6	6.0
Other	– Unlisted	1.1	1.2
		<u>819.3</u>	<u>818.8</u>

The investment strategy of the scheme is determined by the independent Trustee through advice provided by an independent investment consultant. The scheme invests in a diverse range of asset classes as set out above with matching assets primarily comprising holdings in inflation linked gilts and corporate bonds.

Actual return on the scheme assets was a gain of £11.1 million (2012/13 gain of £97.9 million).

(v) Sensitivities

The value of the UK defined benefit pension scheme assets is sensitive to market conditions, particularly equity values which comprise approximately 67% of the scheme's assets. Changes in assumptions used for determining retirement benefit costs and liabilities may have a material impact on the 2012/13 income statement and the balance sheet. The main assumptions are the discount rate, the rate of inflation and the assumed mortality rate. The following table provides an estimate of the potential impacts of each of these variables if applied to the current year consolidated income statement and balance sheet.

	Net finance costs		Net deficit	
	2013/14	2012/13	2014	2013
	£million	Restated £million	£million	£million
Positive / (negative) effect				
Discount rate: 0.25% increase	1.7	1.3	59.5	62.5
Inflation rate: 0.25% increase [†]	(2.1)	(2.4)	(46.6)	(53.5)
Mortality rate: 1 year increase	(1.6)	(1.4)	(35.5)	(36.2)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

[†] The increase in scheme benefits provided to members on retirement is subject to an inflation cap.

(d) Other post-employment benefits – IAS 19

The Group offers other post-employment benefits to employees in overseas territories, in particular in Greece. At 30 April 2014 the net obligation in relation to these benefits was £3.0 million (2013 £12.6 million). The net movement in the obligation comprises a charge to operating profit of £0.5 million (2012/13 £1.5 million) with the remaining movements relating to the benefits paid in the year, actuarial gains / (losses), amounts in respect of discontinued operations and currency retranslation.

22 Financial instruments

(a) Financial risk management objectives and policies

Treasury operations are managed centrally within policies approved by the Board and are subject to periodic independent internal and external reviews. Group Treasury reports regularly to the Tax & Treasury Committee and as required, to the Board. The major treasury risks to which the Group is exposed relate to market risks (movements in foreign exchange and interest rates), liquidity risk and credit risk. Areas where risks are most likely to occur are evaluated regularly. The Group uses financial instruments and derivatives to manage these risks in accordance with defined policies. Throughout the year under review, in accordance with Group policy, no speculative use of derivatives, foreign exchange or other instruments was permitted.

The Group's accounting policies in relation to derivatives are set out in note 1.16.

Exchange rate risk

The Group is exposed to exchange movements on recognised assets and liabilities, overseas earnings and translated values of foreign currency assets and liabilities. The Group's principal translation currency exposures are the euro, Swedish krona and Norwegian krone. Taking into account the cost of hedging, the Group's policy is to match, in whole or in part, currency earnings with related currency costs and currency assets with currency liabilities through the use of appropriate hedging instruments.

The Group is also exposed to certain transactional currency exposures. Such exposures arise from purchases in currencies other than in the functional currency of the entity. The Group's principal transactional currency exposures are the US dollar and euro. It is Group policy to minimise the currency exposures on such purchases through the use of appropriate hedging instruments such as forward exchange contracts. Such contracts are designed to cover exposures ranging from one month to one year.

Interest rate risk

The principal interest rate risks of the Group arise in respect of sterling cash, investments and sterling borrowings. Potential exposure to interest rate movements is mitigated by the Group's policy to match to the extent possible the profile of interest payments with that of its interest receipts.

Liquidity risk

It is Group policy to maintain a balance of funds, borrowings, committed bank and other facilities sufficient to meet anticipated short term and long term financial requirements. In applying this policy the Group continuously monitors forecast and actual cash flows against the maturity profiles of financial assets and liabilities. Uncommitted facilities are used if available on advantageous terms. It is Group Treasury policy to ensure that a specific level of committed facilities is always available based on forecast working capital requirements.

Cash forecasts identifying the Group's liquidity requirements are produced and are stress tested for different scenarios including, but not limited to, reasonably possible decreases in profit margins and increases in interest rates on the Group's borrowing facilities and the weakening of sterling against other functional currencies within the Group.

Credit risk

The Group's exposure to credit risk on liquid funds, investments (mainly bank deposits and floating rate notes) and derivative financial instruments arises from the risk of non-performance of counterparties, with a maximum exposure equal to the book value of these assets. The Group limits its exposure to credit risk through application of Group Treasury policy which limit the credit exposure to counterparties with a Moody's long term credit rating below A1, bank financial strength rating below C and short term credit rating below P2. The Group also has policies that limit the amount of credit exposure to any single financial institution. The Group continuously reviews the credit quality of counterparties, the limits placed on individual credit exposures and categories of investments. The Group does not anticipate non-performance of counterparties and believes it is not subject to material concentration of credit risk given the policies in place.

The Group's receivable balances comprise a large number of individually small amounts from unrelated customers, spread across diverse industries and geographical areas. Concentration of risk is therefore limited and maximum exposure is equal to the book value of receivables. Sales to

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retail customers are made predominantly in cash or via major credit cards. It is Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. New credit customers are assessed using an external rating report which is used to establish a credit limit. Such limits are reviewed periodically on both a proactive and reactive basis, for example, when a customer wishes to place an order in excess of their existing credit limit. Receivable balances are monitored regularly with the result that the Group's exposure to bad debts is not significant. Management therefore believe that there is no further credit risk provision required in excess of the normal provision for doubtful receivables.

Capital risk management

It is the Group's policy to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Group is subject to certain externally imposed capital requirements in the form of banking covenants involving borrowing ratios which it met throughout the year.

The Board has delegated responsibility for routine capital expenditure to a Capital Committee, which has approval responsibility for: Group long term and budgeted capital spend, setting capital assessment criteria, new store capital approval, subsidiary company funding, business acquisitions, business disposals and contingent liabilities such as guarantees. The Committee also approves routine statutory and internal delegated powers of authority in relation to capital expenditure.

The Group considers the manner in which funds are distributed to shareholders by assessing the performance of the business, the level of available net funds and the short to medium term strategic plans concerning future capital spend as well as the need to meet banking covenants and borrowing ratios. Such assessment will influence the level of dividends payable as well as consideration from time to time of market purchases of the Group's own shares.

The Group monitors available net funds on a regular basis and this is affected by Free Cash Flow (which is defined on the face of the cash flow statement) and is one of the Group's key performance indicators.

(b) Fair values of financial assets and liabilities

For receivables and payables classified as financial assets and liabilities in accordance with IAS 32, fair value is estimated to be equivalent to book value. These values are shown in notes 14 and 19, respectively. The categories of financial assets and liabilities and their related accounting policy are set out in notes 1.11 and 1.15.

For those financial assets and liabilities which bear either a floating rate of interest or no interest, fair value is estimated to be equivalent to book value. These values are shown in note 22(d).

The fair value of the 2015 Notes is £109.9 million (2013 £112.4 million). The 2015 Notes are carried at amortised cost. Excluded from the fair value is £2.1 million (2013 £2.2 million) of accrued interest which is included in trade and other payables.

The fair value of the 2017 Notes is £174.8 million (2013 £169.1 million). The 2017 Notes are carried at amortised cost. Excluded from the fair value is £1.6 million (2013 £1.6million) of accrued interest which is included in trade and other payables.

Fair value of derivatives is predominantly determined using observable market data such as interest rates and foreign exchange rates. As such, derivatives are classified as 'Level 2' under the requirements of IFRS 13 'Fair value measurement'.

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Fair values of derivatives by designation

	2014		
	Trade and other receivables – current £million	Trade and other payables – current £million	Total £million
Derivatives held to manage the currency exposure of:			
Financial assets and liabilities	1.3	(1.9)	(0.6)
Future transactions occurring within one year	4.8	(1.5)	3.3
	<u>6.1</u>	<u>(3.4)</u>	<u>2.7</u>
	<u><u>6.1</u></u>	<u><u>(3.4)</u></u>	<u><u>2.7</u></u>
	2013		
	Trade and other receivables – current £million	Trade and other payables – current £million	Total £million
Derivatives held to manage the currency exposure of:			
Financial assets and liabilities	2.9	(1.9)	1.0
Future transactions occurring within one year	1.4	(3.6)	(2.2)
	<u>4.3</u>	<u>(5.5)</u>	<u>(1.2)</u>
	<u><u>4.3</u></u>	<u><u>(5.5)</u></u>	<u><u>(1.2)</u></u>

Derivative financial instruments comprise forward and swap foreign currency contracts.

(c) Hedging activities

The Group manages exposures that arise on purchases and sales denominated in foreign currencies predominantly by entering into forward and swap foreign exchange currency contracts. It also uses forwards and swaps to manage its foreign exchange translation exposure.

The Group has designated financial instruments as hedges under IAS 39 as follows:

Fair value hedges

During 2012/13, the Group held interest rate swaps with a notional value of £250 million whereby the Group received a fixed interest rate of 6.125% and paid a floating rate of interest based on LIBOR and which matured in November 2012. The Group designated £125 million as fair value hedges for the 6.125% Guaranteed Bonds 2012 (the 2012 Bonds) which had the same critical terms. A fair value loss on the interest rate swaps of £2.4 million was recognised in the income statement offset by an equivalent fair value gain on the 2012 Bonds. Hedge ineffectiveness of £0.2 million was recorded in the income statement. The Group held the remaining £125 million of these swaps to act as an economic hedge for the 2015 Notes until August 2012. These swaps were not designated as hedges under IAS 39.

Cash flow hedges

At 30 April 2014 the Group had forward and swap foreign exchange contracts in place with a notional value of £498.9 million (2013 £381.3 million) that are designated and effective as cash flow hedges. These contracts are expected to cover exposures ranging from one month to one year. The fair value movement on these currency derivatives which has been taken to equity in the year amounts to a £10.5 million gain (2012/13 £12.7 million loss). In respect of contracts which matured during the year, gains of £15.1 million and losses of £10.1 million have been transferred out of equity into inventory and out of equity into operating profit, respectively (2012/13 losses of £5.4 million and losses of £3.4 million).

No hedge ineffectiveness was recorded in the income statement (2012/13 £nil).

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rates or central bank lending rates. Fixed rate cash and cash equivalents and short term investments are predominantly money market deposits (as shown in note 16) and earn interest at an average effective rate of 0.40% (2013 0.42%).

Floating rate borrowings in 2013 comprised bank overdrafts. The weighted average effective interest rate on bank overdrafts approximated 5.7%.

Until November 2012, the Group held interest rate swaps with a nominal value of £250 million. During the period to maturity of these swaps, the Group received a fixed interest rates of 6.125% and paid floating rates of LIBOR plus margins which ranged from 1.68% to 2.37%. The Group's currency swaps had a nominal value of £200 million, which also matured in November 2012, and received LIBOR plus a margin and paid EURIBOR plus a margin. During the period to maturity of these swaps, the sterling floating rates ranged from 1.58% to 2.06% and the euro floating rates ranged from 1.31% to 2.14%

Amounts in respect of other currencies relate to funds held within subsidiary companies operating in the Nordics and Central Europe.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

(e) Sensitivity analysis

The following analysis, required by IFRS 7, shows the sensitivity of profit before tax and total equity to changes in specified market variables on monetary assets and liabilities and derivative financial instruments as listed below. As a consequence, the sensitivity reflects the position as at 30 April 2014 and 30 April 2013, and is not necessarily representative of actual or future outcomes.

Changes in exchange rates affect the Group's profit before tax due to changes in the value of monetary assets and liabilities and derivative financial instruments. Changes in exchange rates affect the Group's total equity due to changes in the fair value of derivatives designated as cash flow hedges and net investment hedges. The table below shows the Group's sensitivity to a reasonably possible change in the Group's key currencies of US dollar, euro, Swedish krona and Norwegian krone with other variables held constant. A 10% decrease would have an equal and opposite effect.

	2014		2013	
	Effect on underlying profit before tax increase / (decrease) £million	Effect on total equity increase / (decrease) £million	Effect on underlying profit before tax increase / (decrease) £million	Effect on total equity increase / (decrease) £million
Change in exchange rates:				
US dollar + 10%	(0.5)	2.0	(0.3)	1.6
Euro + 10%	(0.9)	28.6	(18.5)	—
Swedish krona + 10%	(0.7)	(23.9)	2.6	(7.7)
Norwegian krone + 10%	(1.4)	(7.3)	—	(7.9)

Changes in interest rates affect the Group's profit before tax, mainly due to the impact of floating rate borrowings, cash and derivative financial instruments. The Group's principal floating rate interest rate exposures are based on LIBOR and EURIBOR. The numbers below shows the sensitivity to a reasonably possible change in interest rates (uniform across all currencies), with other variables held constant. A 1% decrease would have an equal and opposite effect. A 1% increase in interest rates would increase profit before tax and equity by £1.2 million (2012/13 a £0.5 million decrease in profit before tax and equity).

The following assumptions were made in calculating the sensitivity analysis:

- The balance of borrowings, investments and the derivative portfolio are all held constant for the whole year.
- All cash flow hedges are assumed to be highly effective.

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- Changes in the carrying value of derivative financial instruments that are not in hedging relationships arising from movements in interest rates and exchange rates only affect the income statement to the extent that they are not offset by changes in an underlying transaction.

(f) Liquidity risk

The tables below analyse the Group's contractual undiscounted cash flows payable under financial liabilities (excluding finance lease liabilities, which are shown in note 18) and derivative assets and liabilities into their maturity groupings. The tables include both principal and interest flows.

2014					
Contractual undiscounted cash flows					
	Within one year £million	In more than one year but not more than five years £million	In more than five years £million	Total £million	Carrying value £million
Non-derivative financial liabilities:					
Bank overdrafts	—	—	—	—	—
Other borrowings	—	—	—	—	—
Trade and other payables	(1,066.5)	(37.0)	(17.7)	(1,121.2)	(1,125.0)
8.75% Guaranteed Notes 2015	(8.8)	(105.0)	—	(113.8)	(99.6)
8.75% Guaranteed Notes 2017	(13.1)	(182.8)	—	(195.9)	(147.3)
	<u>(1,088.4)</u>	<u>(324.8)</u>	<u>(17.7)</u>	<u>(1,430.9)</u>	<u>(1,371.9)</u>
Derivative contracts:					
Inflows	1,022.8	—	—	1,022.8	1,022.7
Outflows	(1,020.1)	—	—	(1,020.1)	(1,020.0)
	<u>2.7</u>	<u>—</u>	<u>—</u>	<u>2.7</u>	<u>2.7</u>
2013					
Contractual undiscounted cash flows					
	Within one year £million	In more than one year but not more than five years £million	In more than five years £million	Total £million	Carrying value £million
Non-derivative financial liabilities:					
Bank overdrafts	(17.7)	—	—	(17.7)	(17.7)
Other borrowings	(4.5)	—	—	(4.5)	(4.5)
Trade and other payables	(1,352.9)	(43.2)	(21.1)	(1,417.2)	(1,421.0)
8.75% Guaranteed Notes 2015	(8.8)	(118.2)	—	(127.0)	(98.8)
8.75% Guaranteed Notes 2017	(13.1)	(196.0)	—	(209.1)	(146.6)
	<u>(1,397.0)</u>	<u>(357.4)</u>	<u>(21.1)</u>	<u>(1,775.5)</u>	<u>(1,688.6)</u>
Derivative contracts:					
Inflows	912.9	—	—	912.9	911.6
Outflows	(914.1)	—	—	(914.1)	(912.8)
	<u>(1.2)</u>	<u>—</u>	<u>—</u>	<u>(1.2)</u>	<u>(1.2)</u>

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The carrying value of trade and other payables includes accrued interest on the 2015 Notes of £2.1 million (2013 £2.2 million), and interest on the 2017 Notes of £1.7 million (2013 £1.6 million) and interest on other borrowings of £nil (2013 £nil). The Group reviews regularly its available cash resources and undrawn committed borrowing facilities required to fulfil its objectives and strategy. Cash flow forecasts are prepared covering a five year period and these are updated annually. Shorter term forecasts are reviewed and monitored on a regular basis in varying degrees of granularity including, in some cases, daily review. These forecasts are used in determining both the level of borrowings required for funding purposes as well as planning for repayments of borrowings either at their maturity or sooner where practical. An appropriate level of headroom is maintained to provide against unexpected outflows or an unforeseen downturn in trading.

Further details of committed borrowing facilities are shown in note 17.

23 Share capital and reserves

(a) Called up share capital

	2014	2013
	£million	£million
Authorised		
4,980,252,496 (2013 4,980,252,496) ordinary shares of 2.5p each	124.5	124.5
Allotted and fully paid		
3,661,057,753 (2013 3,629,747,975) ordinary shares of 2.5p each	91.5	90.7
	<u> </u>	<u> </u>

During the year 31,309,778 shares (2012/13 19,361,368) were issued in respect of options exercised under employee share option and ownership schemes.

(b) Other reserves

	Merger reserve £million	Capital redemption reserve £million	Investment in own shares £million	Hedging reserve £million	Revaluation reserve £million	Total £million
At 29 April 2012	(386.1)	5.0	(2.3)	(135.2)	(2.4)	(521.0)
Other comprehensive income and expense recognised directly in equity	—	—	—	(2.2)	0.3	(1.9)
Investment in own shares	—	—	(0.3)	—	—	(0.3)
Transfer to retained earnings	—	—	2.3	—	—	2.3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 April 2013	(386.1)	5.0	(0.3)	(137.4)	(2.1)	(520.9)
Other comprehensive income and expense recognised directly in equity	—	—	—	70.2	0.1	70.3
Investment in own shares	—	—	—	—	—	—
Transfer to retained earnings	—	—	—	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 April 2014	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The balance shown on the merger reserve arose on the group reconstruction which occurred during 1999/00. The group reconstruction took the form of introducing a new parent company above the existing group and the merger reserve represents the difference between the capital structure of the new parent company and that of the former parent company.

Own shares held by the Group represent shares in the Company held by Dixons Retail Employee Share Trust (the Trust), further details of which are given in note 24. The transfer to retained earnings relates to shares subsequently issued to employees by the Trust.

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(c) Cumulative foreign exchange reserves within retained earnings

Included within retained earnings are exchange differences resulting from the translation of the results and balance sheets of overseas subsidiary undertakings, which have been charged or credited directly to equity. The following table shows a reconciliation of such amounts:

	2014	2013
	£million	£million
At beginning of year	306.2	274.0
Currency translation movements	(72.7)	32.2
Cumulative foreign exchange differences transferred to income statement on disposals	(62.6)	—
At end of year	<u>170.9</u>	<u>306.2</u>

24 Employee share ownership trusts

The trustee of Dixons Retail Employee Share Trust (the Trust) is the Sanne Trust Company Limited. The costs of funding and administering the Trust are charged to the income statement in the year to which they relate. Shareholders' funds are reduced by the net book value of shares held in the Trust.

Historically, the Trust has held shares in the Company for the purposes of satisfying potential awards to specified executive directors and senior employees under the Group's share plans. The number of shares held by the Trust, which are shown in the table below, remain held for potential awards under outstanding plans.

	2014			2013		
	Market value	Nominal value	Number	Market value	Nominal value	Number
	£million	£million		£million	£million	
Investment in own shares	0.4	0.1	877,524	0.5	0.1	1,332,769

Sanne Trust Company Limited has waived all dividends except for a total payment of 1 penny at the time any dividend is paid. The mid-market price of a share as at 30 April 2014 was 44.9 pence (2013 35.1pence).

25 Share-based payments

	Note	2013/14	2012/13
		£million	Re-presented million
Amounts charged to operating profit			
Share-based payments – equity settled [†]	(a)	5.3	3.6

[†] Of the total charge, £0.1 million (2012/13: £0.1 million) was settled in cash.

(a) Equity settled

Share option plans

Employee Share Option Scheme (ESOS) and Executive Share Option Plan (ESOP)

Options have historically been granted to executive directors and other employees on the basis of management grade. In September 2008, the Group adopted a new share option plan (ESOP) which replaced the existing scheme (ESOS). Options granted after this date have only been granted under the new ESOP. The ESOS and ESOP permit making awards with a market value on the date of grant of not more than twice the recipients' salary and three times in exceptional circumstances. Vesting of options is based upon remaining in service with the Group over a three year period, unless specific circumstances apply to a participant as determined by the Remuneration Committee. Depending on grade, vesting may also be dependent on various performance measures as agreed by the Remuneration Committee at the date of grant. For options granted in 2012/13, vesting is also dependent on the level of EPS achieved at the end of a three year period. Options are generally exercisable between three and ten years from the date of grant.

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Options issued under this plan included Reward Sacrifice options offered to senior executives in September 2009 which did not have any performance conditions. During the year, there were no new awards under this plan.

Save As You Earn (SAYE)

The Group offers to all of its UK and Irish employees, having completed the relevant period of service, share-based savings plans whereby amounts may be contributed up to a specified limit per plan and per employee. Three year plans have been offered annually, with exercise prices set at up to a 20% discount to the market share price on the date of grant. Exercise is conditional upon employees remaining employed by the Group for the full term of the plan unless specific circumstances apply to a participant as determined by the Rules of the Scheme. Employees can choose to withdraw their contributions in full from the plan at any time, together with any interest earned. Options are generally exercisable up to six months from the date of vesting.

Details of equity settled share option plans outstanding during the year are as follows:

		2013/14		2012/13	
	Note	Number	Weighted average exercise price	Number	Weighted average exercise price
At beginning of year		152,978,743	£0.23	233,376,101	£0.25
Granted during the year	(i)	12,748,653	£0.32	25,759,726	£0.15
Lapsed/forfeited during the year		(66,337,073)	£0.27	(86,795,716)	£0.26
Exercised during the year	(ii)	(31,179,025)	£0.23	(19,361,368)	£0.19
At end of year	(iii), (iv)	68,211,298	£0.21	152,978,743	£0.23

	2013/14	2012/13
(i) weighted average fair value of options granted during the year	£0.21	£0.07
(ii) weighted average share price at the date of exercise	£0.46	£0.27
(iii) weighted average remaining contractual life for options outstanding	3.5 years	5.5 years
(iv) range of exercise prices for options outstanding	£0.09 – £0.32	£0.09 – £0.45
Number of options exercisable at year end	<u>20,835,237</u>	<u>47,003,782</u>

The fair value of equity settled share option plans granted is estimated as at the date of grant using the Black Scholes option pricing models taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the models used based on information prevailing at the date of grant:

	2013/14	2012/13
Dividend yield	0%	0%
Historical and expected volatility	47%	48% – 75%
Risk-free interest rate	0.65%	0.2% – 0.8%
Expected remaining life of options	3.0 years	3.0 – 5.0 years
Weighted average share price	<u>£0.46</u>	<u>£0.16</u>

The expected volatility reflects the assumption that the historical volatility is indicative of future trends. Actual outcome may differ from these assumptions. The expected remaining life of the options is based on historical data and is not necessarily indicative of the actual exercise patterns that may occur.

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Other equity settled share plans

Performance Share Plan (PSP) and Retention and Recruitment Share Plan

Up to 2010/11, PSP shares were provisionally awarded to executive directors and certain other participating senior executives and were based upon performance measured in terms of the Total Shareholder Return (TSR) achieved by the Company.

Since 2011/12, PSP shares have been provisionally awarded to executive directors and other senior executives. Vesting of these awards is based upon remaining in service with the Group over a three or four year period. For awards to executive directors in 2011/12, vesting is also dependent on the level of EPS achieved at the end of a three year period and TSR performance based on constituents of the FTSE 250 Index (comprising FTSE 101-350 companies) excluding investment trusts. In 2012/13, for all awards to executive directors and some awards to other senior executives, vesting is also dependent on absolute share price with an EPS underpin. In 2013/14 for all awards to executive directors and some awards to other senior executives, vesting is also dependent on TSR performance on the same terms as the 2011/12 awards and EPS performance achieved at the end of a three year period.

Details of LTIP and PSP equity settled share-based payments outstanding during the year are as follows:

	Note	2013/14	2012/13
		Number	Number
At beginning of year		101,512,897	39,583,061
Provisionally awarded during the year	(i)	17,907,952	72,487,435
Lapsed /forfeited during the year		(20,483,411)	(9,709,044)
Exercised/released/vested during the year		—	(848,555)
At end of year	(ii)	98,937,438	101,512,897
Outstanding awards vested at end of year		—	—

	2013/14	2012/13
(i) weighted average fair value of awards awarded during the year	£0.44	£0.13
(ii) weighted average remaining contractual life for awards outstanding	3.1 years	2.0 years

Shares under the Retention and Recruitment Share Plan (Reward Shares) were granted to a limited number of executives in July 2008, August 2011, February 2012 and March 2013 and do not have any performance conditions. During the year no shares (2012/13 358,809 shares) were granted, no shares (2012/13 none) lapsed and 130,753 shares (2012/13 130,753 shares) vested. The number of shares outstanding at the end of the year is 432,218 (2012/13 562,971).

The fair value of such other equity settled share plans granted is estimated as at the date of grant using the option pricing models listed below as well as taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the models used based on information prevailing at the date of grant:

	2013/14		2012/13	
	PSP	Reward Shares	PSP	Reward Shares
Option pricing model	Monte Carlo	Black Scholes	Monte Carlo	Black Scholes
Dividend yield	0%	0%	0%	0%
Historical and expected volatility	47%	N/A	45% – 46%	N/A
Risk-free interest rate	0.6%	N/A	0.2% – 0.6%	N/A
Expected life of awards	3 years	3 years	3 – 4 years	3 years
Weighted average share price	£0.46	£0.46	£0.18	£0.35

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(b) Additional SAYE, ESOS, ESOP, LTIP and PSP information

During the year 12,748,653 options under the employee share option schemes were granted to 3,672 employees at an exercise price of £0.32. In addition, 17,907,952 PSP shares were provisionally granted to 889 employees. At 30 April 2014 options outstanding for accounting purposes amounted to 68,211,298 shares (2013 152,978,743) and PSP shares outstanding amounted to 98,937,438 shares (2013 101,512,897), analysed as follows:

Date of grant	SAYE		ESOS and ESOP			PSP	
	Exercise price Pence	Number	Date of grant	Exercise price Pence	Number	Date of grant	Number
3 Aug 2010	20.23	8,897	11 Jul 2008	27.63	15,196,474	3 Aug 2011	23,839,248
22 Jul 2011	13.01	14,298,928	16 Dec 2008	9.20 – 10.85	1,091,587	8 Dec 2011	507,144
23 Jul 2012	14.18	15,414,600	23 Jul 2009	23.95	1,234,572	29 Jun 2012	23,476,660
24 Jul 2013	32.45	11,833,963	28 Sep 2009	28.43	3,303,707	16 Jul 2012	27,700,345
			29 Jun 2012	17.51	5,828,570	10 Dec 2012	3,384,179
						24 Jan 2013	2,393,910
						24 Jul 2013	17,635,952
		41,556,388			26,654,910		98,937,438

26 Notes to the cash flow statement

(a) Reconciliation of operating loss to net cash inflow from operating activities

	2013/14 £million	2012/13 £million Re-presented
Operating profit / (loss) – including discontinued operations	34.4	(50.9)
Operating loss – discontinued operations	154.9	201.5
Operating profit – continuing operations	189.3	150.6
Amortisation of acquired intangibles	0.7	1.0
Amortisation of other intangibles	14.1	13.5
Depreciation	102.3	100.5
Share-based payment charge	5.3	3.6
Loss on disposal of property, plant & equipment	6.7	4.7
Increase in non-underlying provisions	—	19.2
Non-underlying impairments and other non-cash items	14.1	14.7
Utilisation of non-underlying provisions	(6.8)	(5.8)
Operating cash flows before movements in working capital	325.7	302.0
Movements in working capital:		
Decrease/(increase) in inventories	7.4	(19.0)
(Increase)/decrease in trade and other receivables	(13.4)	12.6
Increase in trade and other payables	47.3	111.3
	41.3	104.9
Cash generated from operations – continuing operations	367.0	406.9

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(b) Analysis of net debt

		1 May 2013 £million	Cash flow £million	Other non-cash movements £million	Currency translation £million	30 April 2014 £million
Cash and cash equivalents	(i)	405.3	5.5	—	(0.8)	410.0
Bank overdrafts		(17.7)	17.7	—	—	—
		<u>387.6</u>	<u>23.2</u>	<u>—</u>	<u>(0.8)</u>	<u>410.0</u>
Short term investments		2.4	(1.1)	—	0.1	1.4
Borrowings due within one year	(ii)	(4.5)	4.5	—	—	—
Borrowings due after more than one year	(ii)	(245.4)	—	(1.5)	—	(246.9)
Obligations under finance leases	(ii)	(98.0)	2.6	2.0	(0.2)	(93.6)
		<u>(347.9)</u>	<u>7.1</u>	<u>0.5</u>	<u>(0.2)</u>	<u>(340.5)</u>
Net funds		<u>42.1</u>	<u>29.2</u>	<u>0.5</u>	<u>(0.9)</u>	<u>70.9</u>

		29 April 2012 £million	Cash flow £million	Other non-cash movements £million	Currency translation £million	30 April 2013 £million
Cash and cash equivalents	(i)	316.8	78.7	—	9.8	405.3
Bank overdrafts		(15.8)	(1.4)	—	(0.5)	(17.7)
		<u>301.0</u>	<u>77.3</u>	<u>—</u>	<u>9.3</u>	<u>387.6</u>
Short term investments		7.3	(5.3)	0.4	—	2.4
Borrowings due within one year	(ii)	(162.5)	155.5	2.5	—	(4.5)
Borrowings due after more than one year	(ii)	(147.8)	(97.1)	(0.5)	—	(245.4)
Obligations under finance leases	(ii)	(102.0)	4.7	(0.9)	0.2	(98.0)
		<u>(412.3)</u>	<u>63.1</u>	<u>1.1</u>	<u>0.2</u>	<u>(347.9)</u>
Net (debt) / funds		<u>(104.0)</u>	<u>135.1</u>	<u>1.5</u>	<u>9.5</u>	<u>42.1</u>

Restricted funds, which predominantly comprise funds held under trust to fund potential customer support agreement liabilities were £103.3 million (2013 £110.2 million). Net debt excluding restricted funds totalled £(32.4) million (2013 £(68.1) million).

- (i) Cash and cash equivalents are presented as a single class of assets on the face of the consolidated balance sheet. For the purposes of the consolidated cash flow, cash and cash equivalents comprise those amounts presented on the consolidated balance sheet as cash and cash equivalents, less bank overdrafts (which are disclosed separately on the consolidated balance sheet and as disclosed in note 17) and including cash and cash equivalents which are disclosed as part of assets held for sale.
- (ii) Borrowings and obligations under finance leases include amounts which are included within liabilities directly associated with assets held for sale. Cash flows relating to borrowings and obligations under finance leases include amounts included within cash flows from discontinued operations.

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27 Assets held for sale and discontinued operations

On 5 September 2013, the Group announced the sale of its Electroworld Turkey operations to Bimeks, one of the leading specialist electrical retailers in Turkey, whereby the sale subsequently completed on 31 October 2013.

On 10 October 2013, the Group announced the sale of its Unieuro operations which subsequently completed on 29 November 2013. The details of the transaction were such that the Group together with the shareholders of SGM Distribuzione s.r.l. (SGM) (which trades as Marco Polo in Italy (Marco Polo)) formed a new entity, Italian Electronics Holdings s.r.l. (IEH), that now indirectly owns both Unieuro and Marco Polo. Rhône Capital was the controlling shareholder of Marco Polo and is now the controlling shareholder of IEH. Under the terms of the agreement, the Group left Unieuro with €25 million of cash and has invested €7.5 million in the form of a loan note. The Group now owns a 15% share in IEH with the shareholders of SGM holding the remaining 85%.

On 27 September 2013, the Group announced the sales of its PIXmania operations to mutares A.G. (mutares), a German listed industrial holding company which subsequently completed on 31 December 2013. As part of its purchase, mutares has developed a robust plan to build on PIXmania's pure play e-commerce operations as well as to further develop its market leading software platform. In order to support this plan, and to provide ongoing funding for PIXmania, the Group provided £59 million (€69 million) of ring-fenced capital immediately prior to the sale transaction.

On 16 May 2014, the Company signed an agreement to sell its Electroworld operations in the Czech Republic and Slovakia (Central Europe) as described further in note 32 and accordingly has classified their assets and liabilities as held for sale as at 30 April 2014 owing to the sale being highly probable under the definitions stipulated in IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

All four businesses have been classified as discontinued operations with the prior year having been re-presented on a consistent basis.

In respect of the year ended 30 April 2013, as previously reported, on 22 April 2013 and 7 May 2013, the Group announced that it had agreed to dispose of its Webhallen and PLS operations in Sweden and France, respectively and accordingly classified their assets and liabilities as held for sale owing to the sales being highly probable under the definitions stipulated in IFRS 5. The sales completed on 30 August 2013 and 7 May 2013, respectively and as the results formed part of PIXmania, are now shown within discontinued operations.

(a) Loss after tax – discontinued operations

		Year ended 30 April 2014	Year ended 30 April 2013
	Note	£million	Re-presented £million
Loss after tax from discontinued operations	(i)	(42.1)	(215.3)
Net loss on disposals [†]	(ii)	(116.0)	—
Loss after tax – discontinued operations		(158.1)	(215.3)

[†] The net loss on disposals includes a gain of £0.4 million in respect of Electroworld Hungary which was sold in May 2009 whereby the gain represents a release of surplus accrual following final settlements of warranty claims.

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(i) Loss after tax from discontinued operations

The loss after tax from discontinued operations comprises trading losses and is analysed as follows:

	Year ended 30 April 2014				
	Electroworld Turkey £million	Unieuro £million	PIXmania £million	Central Europe £million	Total £million
Revenues	71.6	284.3	193.7	133.4	683.0
Expenses	(75.7)	(299.3)	(205.5)	(141.4)	(721.9)
Operating loss	(4.1)	(15.0)	(11.8)	(8.0)	(38.9)
Net finance costs	(1.5)	(0.4)	(0.2)	(0.1)	(2.2)
Loss before tax	(5.6)	(15.4)	(12.0)	(8.1)	(41.1)
Income tax	—	—	(0.4)	(0.6)	(1.0)
Loss after tax from discontinued operations	(5.6)	(15.4)	(12.4)	(8.7)	(42.1)

	Year ended 30 April 2013				
	Electroworld Turkey £million	Unieuro £million	PIXmania £million	Central Europe £million	Total £million
Revenues	170.7	516.0	500.3	143.1	1,330.1
Expenses	(180.5)	(520.3)	(682.9)	(147.9)	(1,531.6)
Operating loss	(9.8)	(4.3)	(182.6)	(4.8)	(201.5)
Net finance costs	(3.9)	(0.7)	(1.4)	—	(6.0)
Loss before tax	(13.7)	(5.0)	(184.0)	(4.8)	(207.5)
Income tax	—	4.1	(13.1)	1.2	(7.8)
Loss after tax from discontinued operations	(13.7)	(0.9)	(197.1)	(3.6)	(215.3)

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(ii) Net loss on disposals

The losses on disposals which have completed comprise Electroworld Turkey, Unieuro and PIXmania and are analysed as follows:

	Electroworld Turkey £million	Unieuro £million	PIXmania £million	Total £million
Goodwill, intangible assets and property, plant & equipment	8.9	50.9	11.2	71.0
Inventories	19.5	116.7	33.9	170.1
Other assets	5.2	16.3	25.1	46.6
Cash and cash equivalents	0.8	9.5	62.8	73.1
	<u>34.4</u>	<u>193.4</u>	<u>133.0</u>	<u>360.8</u>
Liabilities	<u>(24.2)</u>	<u>(174.6)</u>	<u>(93.1)</u>	<u>(291.9)</u>
Net assets disposed	10.2	18.8	39.9	68.9
Loss on disposal	<u>(12.5)</u>	<u>(24.9)</u>	<u>(56.8)</u>	<u>(94.3)</u>
	<u>(2.3)</u>	<u>(6.1)</u>	<u>(17.0)</u>	<u>(25.4)</u>
Consideration receivable / (payable)	0.4	(1.2)	(7.5)	(8.3)
Disposal fees and exit costs	(1.2)	(3.4)	(10.4)	(15.0)
Cumulative foreign exchange differences transferred from equity	<u>(1.5)</u>	<u>(1.5)</u>	<u>0.9</u>	<u>(2.1)</u>
	<u>(2.3)</u>	<u>(6.1)</u>	<u>(17.0)</u>	<u>(25.4)</u>

The losses on disposal include impairment charges applied to certain assets sold (specifically goodwill, intangible assets and property, plant & equipment) down to their fair value less costs to sell together with any adjustments to liabilities sold to facilitate the sale transactions. In calculating the losses on disposal, consideration has been given to any potential liabilities arising from warranties given to the purchasers with liabilities having been adjusted as deemed appropriate and any remaining exposures remaining as contingent on the outcome of the matters to which they relate but which in most cases expire within 12 months.

Disposal fees comprise mainly advisors' fees and re-organisation costs necessary to facilitate the sale transactions.

In addition to the above figures, the loss on disposal recorded in respect of Central Europe was £22.1 million and relates to the difference between the consideration expected to be received and net assets held for sale including any impairment of assets down to their anticipated net realisable value on completion less any accrued costs to sell.

(b) Assets held for sale and liabilities directly associated with assets held for sale

	30 April 2014 £million	30 April 2013 £million
Intangible assets and property, plant & equipment	—	1.8
Inventories	18.7	10.2
Other assets	3.3	3.1
Cash and cash equivalents	<u>8.8</u>	<u>—</u>
Total assets held for sale	30.8	15.1
Current liabilities	(31.2)	(7.3)
Non-current liabilities	<u>—</u>	<u>(0.6)</u>
Liabilities directly associated with assets held for sale	<u>(31.2)</u>	<u>(7.9)</u>
Net (liabilities)/assets held for sale	<u>(0.4)</u>	<u>7.2</u>

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Net liabilities held for sale as at 30 April 2014 comprise Central Europe (2013 net assets held for sale comprised Webhallen and PLS as described in (a) above).

(c) Cash flows from discontinued operations

	Year ended 30 April 2014	Year ended 30 April 2013
	£million	Re-presented £million
Operating activities	(163.2)	(34.5)
Investing activities	6.3	(24.6)
Financing activities	(7.0)	1.4
	<u>(163.9)</u>	<u>(57.7)</u>

28 Capital commitments

	2013/14 £million	2012/13 £million
Contracted for but not provided for in the accounts	<u>35.5</u>	<u>33.0</u>

29 Contingent liabilities

	2013/14 £million	2012/13 £million
Contingent liabilities	<u>2.2</u>	<u>3.5</u>

In addition to the figures shown in the table above, contingent liabilities also exist in respect of lease covenants relating to premises assigned to third parties as well as certain other covenants to financial institutions in the event of default by third parties to both the Group and these institutions.

30 Operating lease commitments

	2014		2013	
	Land and buildings £million	Other assets £million	Land and buildings £million	Other assets £million
Total undiscounted future committed payments due:				
Within one year	317.7	6.2	359.5	8.3
Between two and five years	1,159.5	14.4	1,266.3	6.1
After five years	1,105.2	1.1	1,275.7	—
	<u>2,582.4</u>	<u>21.7</u>	<u>2,901.5</u>	<u>14.4</u>

Operating lease commitments represent rentals payable for retail, distribution and office properties, as well as vehicles, equipment and office equipment. Contingent rentals are payable on certain retail store leases based on store revenues.

The above figures include committed payments under onerous lease contracts for which provisions or accruals exist on the balance sheet, including those for businesses exited / to be exited.

Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases was £27.1 million (2013 £25.4 million).

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31 Related party transactions

Transactions between Group undertakings, which are related parties, have been eliminated on consolidation and accordingly are not disclosed.

Transactions between Group undertakings and associates comprised sales of goods of £8.8 million (2012/13 £11.2 million).

In addition to the charitable donations disclosed in the Corporate Responsibility Report, the Group via its registered charitable trust, the DSG international Foundation (the Foundation), also made charitable donations of £66,000 (2012/13 £1,350). The Company is the sole benefactor of the Foundation, the principal beneficiaries of which are concerned with education, community affairs, health and disabilities, heritage and the environment.

On 10 August 2012 the Group announced that it had acquired a further 22.0% of PIXmania, a company previously controlled by the Group, which was held by Steve Rosenblum and Jean-Emile Rosenblum together with close family members and companies controlled by them. Steve and Jean-Emile Rosenblum resigned on the date of the acquisition, and up until this point were the President and Vice President of PIXmania, respectively. In 2012/13, in connection with their management roles with respect to PIXmania up to the date of the acquisition, Steve and Jean-Emile Rosenblum received management fees of €87,000 (£71,000). Steve and Jean-Emile Rosenblum own buildings which are occupied and leased by PIXmania. During 2012/13, up until their exit from the business, total rental payments of €290,000 (£237,000) were charged in relation to these properties.

Remuneration of directors and key management personnel

The remuneration of non-executive directors, executive directors, and members of the senior management team, who are the key management personnel of the Group, is set out below.

	2013/14	2012/13
	£million	£million
Short term employee benefits	6.2	5.8
Share-based payments	1.7	1.1
	<u> </u>	<u> </u>

Remuneration of the directors, is as follows:

	Note	2013/14	2012/13
		£million	£million
Emoluments	(i)	3.5	3.4
LTIP payments	(ii)	0.7	—
		<u> </u>	<u> </u>
		4.2	3.4
		<u> </u>	<u> </u>

(i) Emoluments include £0.3 million in respect of pension contributions. Pension contributions comprise the Group's contribution together with the salary supplement which is based on the difference between basic salary and the scheme earnings cap set by the Company. This additional amount was 20% for Sebastian James, Humphrey Singer and Katie Bickerstaffe.

(ii) LTIP payments comprise those vesting in respect of 2013/14 with performance conditions which were achieved, but excludes LTIPs which were not subject to performance conditions and which amounted to £1.4 million.

32 Post balance sheet events

On 15 May 2014, the boards of Dixons Retail plc (Dixons) and Carphone Warehouse Group plc (Carphone) announced that they had reached agreement on the terms of a recommended all-share merger of Dixons and Carphone (the Merger), which is to be implemented by way of a scheme of arrangement of Dixons (the Scheme). The new merged entity is proposed to be named Dixons Carphone plc (Dixons Carphone). The Merger will result in each of Dixons' and Carphone's Shareholders holding exactly 50 per cent. of Dixons Carphone on a fully diluted basis taking into account existing share options and award schemes for both companies.

Under the terms of the merger, Dixons Shareholders will receive 0.155 of a new Dixons Carphone Share in exchange for each Dixons share. Completion is subject to shareholder approval, but is expected to take place in the summer of 2014. In addition to shareholder approval, the Merger will

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be conditional on, amongst other things, the sanction of the Scheme by the Court and relevant anti-trust clearances being received.

The Merger will be put to Dixons Shareholders at the Court Meeting and at the Dixons General Meeting. In order to become Effective, the Scheme must be approved by a majority in number of the Dixons Shareholders voting at the Court Meeting, either in person or by proxy, representing at least three-quarters in value of the Dixons Shares voted at the Court Meeting. In addition, special resolutions implementing the Scheme and approving the related Capital Reduction must be passed by Dixons Shareholders representing at least three-quarters of votes cast at the Dixons General Meeting.

Carphone and Dixons have put in place appropriate banking facilities to ensure that Dixons Carphone will have a strong financial profile following Completion, which will enable the Combined Group to retain flexibility whilst reviewing its optimal capital structure going forward.

The merged entity will create a leader in European consumer electricals, mobiles, connectivity and related services. The Boards of Dixons and Carphone believe that the Merger will deliver significant value to shareholders through a combination of enhanced commercial opportunities and operating synergies of at least £80 million on a recurring basis, which are expected to be delivered in full in the financial year 2017/18. The combined group will also have the opportunity to achieve significant additional value from growth opportunities arising from the Merger. The integration of the two businesses will be managed by a dedicated integration team, bringing together the best relevant capabilities of both businesses, with the aim of facilitating a smooth integration.

Documentation setting out details of the proposed merger and seeking shareholder approval is expected to be issued to shareholders on or around 26 June 2014.

On 16 May 2014, the Company signed an agreement to sell its Electroworld operations in the Czech Republic and Slovakia (Central Europe) to NAY a.s., a leading electrical specialist retailer in the region. The transaction is expected to complete within the first half of 2014/15. The operations comprise 26 specialist electrical retail stores. Following completion, which remains subject to certain normal conditions including competition authority clearance, the Group expects to receive a small deferred cash consideration spread over three years.

On 19 May 2014, the Group signed a new revolving credit facility agreement (the New Facility) for £150 million. The New Facility, which has a maturity date of 30 June 2018, but has an option to extend to 30 June 2019, replaces previous Amended Facility of £200 million which had a maturity date of 30 June 2015. The New Facility is described in further detail in Note 17.

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Independent Auditors' Report

We have audited the financial statements of Dixons Retail plc for the year ended 30 April 2013 which comprise the consolidated income statement, the consolidated statement of comprehensive income and expense, the consolidated and company balance sheets, the consolidated and company cash flow statements, the consolidated and company statement of changes in equity and the related notes 1 to 32 and C1 to C17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Company financial statements as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinions

Financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 April 2013 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and as regards the Group financial statements, Article 4 of the IAS Regulation.

IFRSs issued by the IASB

As explained in notes 1.1 and C1 to the Group and Company financial statements, respectively, the Group and Company in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB). In our opinion the financial statements comply with IFRSs as issued by the IASB.

Other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

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- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within the Directors' Report and Business Review in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Nicola Mitchell FCA

(Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

20 June 2013

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Consolidated Income Statement

	Note	Year ended 30 April 2013				52 weeks ended 28 April 2012 Re-presented [†]					
		Non-underlying*				Non-underlying*					
		Underlying*	Businesses exited / to be exited**		Other	Total	Underlying*	Businesses exited / to be exited**		Other	Total
			£million	£million				£million	£million		
Revenue	2,3	8,213.9	225.4	—	8,439.3	7,910.2	283.0	—	8,193.2		
Profit / (loss) from operations before associates		136.0	(8.0)	(178.9)	(50.9)	120.7	(9.0)	(181.2)	(69.5)		
Share of post-tax results of associates	12	—	—	—	—	0.6	—	—	0.6		
Operating profit / (loss)	2,3	136.0	(8.0)	(178.9)	(50.9)	121.3	(9.0)	(181.2)	(68.9)		
Loss on sale of business		—	—	(9.6)	(9.6)	—	—	—	—		
Finance income		7.2	0.3	46.5	54.0	11.8	0.6	51.1	63.5		
Finance costs		(48.7)	—	(60.1)	(108.8)	(51.0)	(0.1)	(62.3)	(113.4)		
Net finance costs	5	(41.5)	0.3	(13.6)	(54.8)	(39.2)	0.5	(11.2)	(49.9)		
Profit / (loss) before tax		94.5	(7.7)	(202.1)	(115.3)	82.1	(8.5)	(192.4)	(118.8)		
Income tax expense	7	(49.2)	(0.5)	(3.1)	(52.8)	(37.3)	(0.5)	(6.3)	(44.1)		
Profit / (loss) after tax for the period		45.3	(8.2)	(205.2)	(168.1)	44.8	(9.0)	(198.7)	(162.9)		
Attributable to:											
Equity shareholders of the parent company		54.2	(7.4)	(205.0)	(158.2)	50.6	(7.9)	(197.0)	(154.3)		
Non-controlling interests		(8.9)	(0.8)	(0.2)	(9.9)	(5.8)	(1.1)	(1.7)	(8.6)		
		45.3	(8.2)	(205.2)	(168.1)	44.8	(9.0)	(198.7)	(162.9)		
Total loss per share (pence)	8										
Basic					(4.4)p				(4.3)p		
Diluted					(4.4)p				(4.3)p		
Underlying earnings per share (pence)	1,8										
Basic		1.5p				1.4p					
Diluted		1.5p				1.4p					

* Underlying figures exclude the trading results of businesses exited / to be exited, amortisation of acquired intangibles, net restructuring and business impairment charges and other one off, non-recurring items, profits / losses on sale of investments or businesses, expected return and interest on defined benefit pension schemes, net fair value remeasurements of financial instruments and, where applicable, discontinued operations. Such excluded items are described as 'Non-underlying'. Further information on these items is shown in notes 1, 2, 3, 4, 5, 7 and 27.

† Underlying figures for the 52 weeks ended 28 April 2012 have been re-presented to exclude the trading results of businesses exited / to be exited for which the decisions were made or executed in 2012/13 and in respect of finance income and costs, to exclude the expected return and interest in respect of defined benefit pension schemes.

** Businesses exited / to be exited comprise businesses which have either been sold, were sold post 30 April 2013, or have been closed or the decision to close the businesses was taken during the period. Such businesses do not meet the definition of discontinued operations as stipulated by IFRS 5 and accordingly the disclosures within non-underlying items differ from those for applicable discontinued operations.

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Consolidated Statement of Comprehensive Income and Expense

	Note	Year ended 30 April 2013 £million	52 weeks ended 28 April 2012 £million
Loss for the period		(168.1)	(162.9)
Actuarial (losses) / gains on defined benefit pension schemes			
– UK	21	(157.2)	(28.2)
– Overseas		1.6	(1.9)
Cash flow hedges	22		
Fair value remeasurement (losses) / gains		(12.7)	3.3
Losses transferred to carrying amount of inventories		5.4	4.7
Losses / (gains) transferred to income statement (within cost of sales)		3.4	(5.3)
Net investment hedges	22		
Fair value remeasurement gains		0.9	15.6
Investments			
Fair value remeasurement gains / (losses)		0.4	(0.1)
Tax on items taken directly to equity		33.8	1.0
Currency translation movements		31.9	(93.8)
		<hr/>	<hr/>
Net expense recognised directly in equity		(92.5)	(104.7)
		<hr/>	<hr/>
Total comprehensive expense for the period		(260.6)	(267.6)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity shareholders of the parent company		(250.4)	(257.2)
Non-controlling interests		(10.2)	(10.4)
		<hr/>	<hr/>
		(260.6)	(267.6)
		<hr/> <hr/>	<hr/> <hr/>

SECTION B
HISTORICAL CONSOLIDATED FINANCIAL INFORMATION RELATING TO THE DIXONS GROUP
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Consolidated Balance Sheet

	Note	30 April 2013 £million	28 April 2012 £million
Non-current assets			
Goodwill	9	704.2	740.7
Intangible assets	10	66.4	98.1
Property, plant & equipment	11	434.0	480.4
Investments in associates	12	0.5	3.5
Trade and other receivables	14	20.6	23.6
Deferred tax assets	7	150.9	155.2
		<u>1,376.6</u>	<u>1,501.5</u>
Current assets			
Inventories	13	895.4	874.2
Trade and other receivables	14	304.5	343.9
Income tax receivable		5.4	2.7
Short term investments	15	2.4	7.3
Cash and cash equivalents	16	405.3	316.8
		<u>1,613.0</u>	<u>1,544.9</u>
Assets held for sale	27	15.1	—
Total assets		<u>3,004.7</u>	<u>3,046.4</u>
Current liabilities			
Bank overdrafts	17	(17.7)	(15.8)
Borrowings	17	(4.5)	(162.5)
Obligations under finance leases	18	(2.0)	(3.1)
Trade and other payables	19	(1,667.7)	(1,579.0)
Income tax payable		(70.4)	(55.7)
Provisions	20	(36.8)	(18.6)
		<u>(1,799.1)</u>	<u>(1,834.7)</u>
Net current liabilities		<u>(186.1)</u>	<u>(289.8)</u>
Non-current liabilities			
Borrowings	17	(245.4)	(147.8)
Obligations under finance leases	18	(96.0)	(98.9)
Retirement benefit obligations	21	(409.1)	(266.0)
Other payables	19	(262.5)	(255.2)
Deferred tax liabilities	7	(11.3)	(20.2)
Provisions	20	(26.1)	(19.6)
		<u>(1,050.4)</u>	<u>(807.7)</u>
Liabilities directly associated with assets classified as held for sale	27	(7.9)	—
Total liabilities		<u>(2,857.4)</u>	<u>(2,642.4)</u>
Net assets		<u>147.3</u>	<u>404.0</u>
Capital and reserves			
Called up share capital	23	90.7	90.3
Share premium account		172.7	169.5
Other reserves	23	(520.9)	(521.0)
Retained earnings		405.6	652.6
Equity attributable to equity holders of the parent company		<u>148.1</u>	<u>391.4</u>
Equity non-controlling interests		(0.8)	12.6
Total equity		<u>147.3</u>	<u>404.0</u>

The financial statements were approved by the directors on 20 June 2013 and signed on their behalf by:

Sebastian James
Group Chief Executive

Humphrey Singer
Group Finance Director

SECTION B
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Consolidated Cash Flow Statement

	Note	Year ended 30 April 2013 £million	52 weeks ended 28 April 2012 £million
Operating activities – continuing operations			
Cash generated from operations*	26	365.2	231.3
Special contributions to defined benefit pension scheme	21	(20.0)	(16.0)
Income tax paid*		(11.8)	(26.8)
Net cash flows from operating activities		333.4	188.5
Investing activities – continuing operations			
Purchase of property, plant & equipment and other intangibles*		(92.4)	(101.5)
Purchase of subsidiaries		(8.3)	(1.2)
Sale of business		3.4	—
Interest received*		16.8	12.6
Decrease in short term investments		5.3	3.1
Disposals of property, plant & equipment and other intangibles*		—	70.2
Dividend received from associate		0.4	—
Net cash flows from investing activities		(74.8)	(16.8)
Financing activities – continuing operations			
Issue of ordinary share capital		3.6	—
Purchase of own shares		(0.3)	—
Additions to finance leases		0.9	2.8
Capital element of finance lease payments		(4.7)	(4.4)
Interest element of finance lease payments*		(6.3)	(6.4)
Decrease in borrowings due within one year		(155.5)	(130.0)
Increase in borrowings due after more than one year		97.1	—
Interest paid*		(118.1)	(49.1)
Investment from minority shareholder		2.9	—
Net cash flows from financing activities		(180.4)	(187.1)
Increase / (decrease) in cash and cash equivalents⁽ⁱ⁾			
Continuing operations		78.2	(15.4)
Discontinued operations	27	(0.9)	(1.5)
		77.3	(16.9)
Cash and cash equivalents at beginning of period ⁽ⁱ⁾	26	301.0	329.1
Currency translation differences		9.3	(11.2)
Cash and cash equivalents at end of period⁽ⁱ⁾	26	387.6	301.0
Free Cash Flow⁽ⁱⁱ⁾		153.4	130.3

(i) For the purposes of this cash flow statement, cash and cash equivalents comprise those items disclosed as 'cash and cash equivalents' on the face of the balance sheet, less overdrafts, which are classified within current liabilities on the face of the balance sheet. A reconciliation to the balance sheet amounts is shown in note 26.

(ii) Free Cash Flow comprises those items marked * and comprises cash generated from / (utilised by) continuing operations before special pension contributions, less net finance expense, less income tax paid and net capital expenditure. The directors consider that 'Free Cash Flow' provides additional useful information to shareholders in respect of cash generation and is consistent with how business performance is measured internally.

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Consolidated Statement of Changes in Equity

	Share capital £million	Share premium £million	Other reserves £million	Retained earnings £million	Sub-total £million	Non- controlling interests £million	Total equity £million
At 1 May 2011	90.3	169.5	(537.7)	931.4	653.5	23.0	676.5
Loss for the period	—	—	—	(162.9)	(162.9)	—	(162.9)
Other comprehensive income and expense recognised directly in equity	—	—	16.7	(111.0)	(94.3)	(10.4)	(104.7)
Total comprehensive income and expense for the period	—	—	16.7	(273.9)	(257.2)	(10.4)	(267.6)
Share-based payments	—	—	—	(4.9)	(4.9)	—	(4.9)
At 28 April 2012	90.3	169.5	(521.0)	652.6	391.4	12.6	404.0
Loss for the period	—	—	—	(168.1)	(168.1)	—	(168.1)
Other comprehensive income and expense recognised directly in equity	—	—	(1.9)	(80.4)	(82.3)	(10.2)	(92.5)
Total comprehensive income and expense for the period	—	—	(1.9)	(248.5)	(250.4)	(10.2)	(260.6)
Reduction in non-controlling interests	—	—	—	(2.0)	(2.0)	(6.1)	(8.1)
Non-controlling interests – increase in capital	—	—	—	—	—	2.9	2.9
Ordinary shares issued	0.4	3.2	—	—	3.6	—	3.6
Investment in own shares	—	—	(0.3)	—	(0.3)	—	(0.3)
Transfer	—	—	2.3	(2.3)	—	—	—
Share-based payments	—	—	—	4.0	4.0	—	4.0
Tax on share-based payments	—	—	—	1.8	1.8	—	1.8
At 30 April 2013	90.7	172.7	(520.9)	405.6	148.1	(0.8)	147.3

Non-controlling interests (minority interests) comprise shareholdings in Pixmania S.A.S. (PIXmania), Electroworld İç ve Dis Ticaret AS (ElectroWorld Turkey) and Dixons South-East Europe A.E.V.E. (Kotsovolos).

On 10 August 2012 the Group announced that it had acquired a further 22% of PIXmania indirectly held by the founders of the business, Steve and Jean-Emile Rosenblum, for €10.4 million (£8.1 million) in cash, bringing its stake in PIXmania to 99.2%.

Notes to the Consolidated Financial Statements

1 Accounting policies

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, IFRS issued by the International Accounting Standards Board and those parts of the Companies Act 2006 applicable to those companies reporting under IFRS, and have been prepared on a going concern basis as disclosed in the going concern statement in the Statutory Information section of the Directors' Report.

Historically, the Group has prepared its financial statements to the Saturday closest to its accounting reference date of 30 April, meaning that financial periods have been for 52 week periods and occasionally 53 week periods. For 2012/13, the Group has drawn up its accounts to 30 April 2013 and future accounting periods will also end on 30 April.

The Group's income statement and segmental analysis identify separately underlying performance measures and non-underlying items. Underlying performance measures reflect an adjustment to total performance measures to exclude the impact of businesses exited / to be exited and other non-underlying items. Underlying performance measures comprise profits and losses incurred as part of the day-to-day ongoing retail activities of the Company and include profits and losses incurred on the disposal and closure of owned or leased properties that occur as part of the Group's annual retail churn. The profits or losses incurred on disposal or closure of owned or leased properties as part of a one off restructuring programme are excluded from underlying performance measures and are therefore included, among other items, within non-underlying items as described below. The directors consider 'underlying' performance measures to be a more accurate reflection of the ongoing trading performance of the Group and believe that these measures provide additional useful information for shareholders on the Group's performance and are consistent with how business performance is measured internally.

Non-underlying items comprise trading results of businesses exited / to be exited, amortisation of acquired intangibles, net restructuring and business impairment charges and other one off, non-recurring items, profits / losses on sale of investments or businesses, net interest on defined benefit pension schemes, fair value remeasurements of financial instruments and, where applicable, discontinued operations. Businesses exited / to be exited are those which do not meet the definition of discontinued operations as stipulated by IFRS 5. Items excluded from underlying results can evolve from one financial year to the next depending on the nature of reorganisation or one off type activities described above.

Underlying performance measures may not be directly comparable with other similarly titled measures or 'adjusted' revenue or profit measures used by other companies.

There are no new accounting standards, amendments to standards or IFRIC interpretations which are effective for the Group for the first time during the current financial period which have had an impact on the Group's results or net assets.

The principal accounting policies are set out below:

1.2 Accounting convention and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired are included from the date on which power to control passes. The net assets of subsidiaries acquired are recorded at their fair values. The results of subsidiaries disposed of are included up to the effective date of disposal.

Associates are accounted for using the equity method of accounting from the date on which the power to exercise significant influence passes.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

1.3 Revenue

Revenue comprises sales of goods and services excluding sales taxes. Revenue from sales of goods is recognised at the point of sale or, where later, upon delivery to the customer and is stated net of returns. Revenue earned from customer support agreements is recognised as such

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over the life of the agreement by reference to the stage of completion of the transaction at the balance sheet date.

1.4 Other income, including non-operating income

Other income, which is incidental to the Group's principal activities of selling goods and services and accordingly is not recorded as part of revenue, is recognised when the Group obtains the right to consideration by performance of its contractual obligations. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognised when the right to receive payment has been established.

1.5 Discontinued operations

A discontinued operation is a component of the Group which represents a significant separate line of business which has been sold. Classification as a discontinued operation occurs upon disposal or earlier if beneficial title and risk has transferred to the purchaser and in the case of a business acquired exclusively with a view to subsequent disposal, on the date of acquisition.

Where the sale of a component of the Group is considered highly probable and the business is available for immediate sale in its present condition, it is classified as held for sale. Assets and liabilities held for sale are measured at the lower of carrying amount and fair value less costs to sell.

1.6 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. The determination of the classification of property leases is made by reference to the land and buildings elements separately. All leases not classified as finance leases are operating leases.

Finance leases

Assets held under finance leases are capitalised at their fair value on acquisition or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease and depreciated over their estimated useful lives or the lease term if shorter. The corresponding obligation to the lessor is included in the balance sheet as a liability. Lease payments are apportioned between finance charges and reduction of the lease obligation. Finance charges are charged to the income statement over the period of the lease in proportion to the capital element outstanding.

Operating leases

Rentals payable under operating property leases are charged to the income statement on a straight line basis over the fixed term of the lease. At the end of the fixed term of leases, rental payments are reset to market rates, typically on an upwards only basis.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Where a lease forms part of a separate cash generating unit (CGU), such as a store or group of stores, and business indicators exist which could lead to the conclusion that the carrying value of the CGU is not supportable, the recoverable amount of the CGU is determined by calculating its value in use. The value in use is calculated by applying discounted cash flow modelling to management's projection of future profitability. If an impairment of a CGU has been identified such that the value in use is negative and a lease exists in that CGU, a provision for the onerous portion of the lease is made equal to the lower of the outstanding lease commitment and the negative present value of the CGU.

1.7 Translation of foreign currencies

Transactions in foreign currencies are initially recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date. Exchange gains and losses arising on settlement or retranslation of monetary assets and liabilities are included in the income statement.

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Assets and liabilities of overseas subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The results of overseas subsidiary undertakings are translated into sterling at the average rates of exchange during the period. Exchange differences resulting from the translation of the results and balance sheets of overseas subsidiary undertakings are charged or credited directly to retained earnings. Such translation differences become recognised in the income statement in the period in which the subsidiary undertaking is disposed.

As the cumulative translation differences for all foreign subsidiaries were deemed to be zero at the transition date to IFRS on 2 May 2004, upon disposal of a foreign subsidiary, any gain or loss arising will include only those foreign exchange gains or losses attributable to periods after that date.

1.8 Goodwill

On acquisition of a subsidiary or associate, the fair value of the consideration is allocated between the identifiable net tangible and intangible assets / liabilities on a fair value basis, with any excess consideration representing goodwill. Goodwill in respect of subsidiaries is capitalised as goodwill on the balance sheet; goodwill relating to associates is capitalised in investments in associates as part of the carrying value of the associate.

Goodwill is not amortised, but instead is reviewed annually for impairment. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary or associate the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

1.9 Intangible assets

Acquired intangibles

Acquired intangibles comprise brands and customer lists purchased as part of acquisitions of businesses and are capitalised and amortised over their useful economic lives on a straight line basis. Acquired intangibles are stated at cost less accumulated amortisation and, where appropriate, provision for impairment in value or estimated loss on disposal. Amortisation is provided to write off the cost of assets on a straight line basis between three and 30 years.

Other intangible assets: computer software

Computer software is capitalised on the basis of the costs incurred both to acquire and bring into use the specific software. Amortisation is provided to write off the cost of assets on a straight line basis over their estimated useful lives of between three and seven years. Costs associated with developing or maintaining computer software are recognised as an expense as incurred unless they increase the future economic benefits of the asset, in which case they are capitalised. Computer software is stated at cost less accumulated amortisation and, where appropriate, provision for impairment in value or estimated loss on disposal.

Internally generated computer software is capitalised at cost if the project is technically and commercially feasible and the economic benefits which are expected to be generated exceed one year. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Amortisation is provided to write off the cost of assets on a straight line basis between three and seven years.

1.10 Property, plant & equipment

Property, plant & equipment are stated at cost less accumulated depreciation and, where appropriate, provision for impairment in value or estimated loss on disposal. Depreciation is provided to write off the cost of the assets by equal instalments over their estimated useful lives. The rates used are:

Short leasehold property	– over the term of the lease
Freehold and long leasehold buildings	– between 1 $\frac{2}{3}$ % and 2 $\frac{1}{2}$ % per annum
Fixtures, fittings and equipment	– between 10% and 33 $\frac{1}{3}$ % per annum

No depreciation is provided on freehold and long leasehold land or on assets in the course of construction.

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Property, plant & equipment are assessed on an ongoing basis to determine whether circumstances exist that could lead to the conclusion that the net book value is not supportable. Where assets are to be taken out of use, an impairment charge is levied. Where useful lives of assets are shortened, an estimate is made of their new lives and an accelerated depreciation charge is levied. Where the property, plant & equipment form part of a separate cash generating unit (CGU), such as a store or group of stores, and business indicators exist which could lead to the conclusions that the net book value is not supportable, the recoverable amount of the CGU is determined by calculating its value in use. The value in use is calculated by applying discounted cash flow modelling to management's projection of future profitability and any impairment is determined by comparing the net book value with the value in use.

1.11 Investments and other financial assets

The Group's financial assets comprise cash and cash equivalents, short term investments and those receivables which involve a contractual right to receive cash from external parties. Financial assets comprise all items shown in notes 14, 15 and 16 with the exception of prepayments. Under the classifications stipulated by IAS 39, short term investments and trade and other receivables (excluding derivative financial assets) are classified as 'available for sale' and 'loans and receivables', respectively. Cash and cash equivalents and derivative financial instruments, which are further described in notes 1.14 and 1.16, are classified as 'loans and receivables' and 'held for trading unless designated in a hedge relationship', respectively.

All purchases and sales of investments and other financial assets are recognised on the date that the Group becomes committed to make such purchase or sale ('the trade date').

Investment in associates

Associates are accounted for using the equity method of accounting from the date on which the power to exercise significant influence passes and are stated net of any impairment charges.

Short term investments

Investments are initially measured at fair value and then subsequently remeasured to fair value at each balance sheet date owing to occasional sales of such investments. The fair value of unlisted investments is estimated either by comparing recent arm's length transactions or by using discounted cash flow analysis or other modelling techniques. Gains and losses arising from revaluation at the balance sheet date are recognised directly in equity. For unlisted investments a significant or prolonged decline in the fair value of the investment below its cost is considered evidence of impairment.

To the extent that any fair value losses are deemed permanent, such impairment is recognised in the income statement. Upon sale or impairment of the investments, any cumulative gains or losses held in equity are transferred to the income statement.

Trade and other receivables

Trade and other receivables (excluding derivative financial assets) are recorded at cost less an allowance for estimated irrecoverable amounts and any other adjustments required to align cost to fair value. The carrying amount of trade receivables is reduced through the use of a provision account. A provision for bad and doubtful debts is made for specific receivables when there is objective evidence that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Receivables that are not assessed individually for impairment are assessed for impairment on a collective basis using ageing analysis to determine the required provision. Bad debts are written off when identified.

1.12 Taxation

Current taxation

Current taxation is the expected tax payable on the taxable income for the period, using prevailing tax rates and adjusted for any tax payable in respect of previous periods.

Deferred taxation

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if

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the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. No provision is made for tax which would have been payable on the distribution of retained profits of overseas subsidiaries or associated undertakings where it has been determined that these profits will not be distributed in the foreseeable future.

Deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and when the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted, or substantially enacted by the balance sheet date. Deferred tax balances are not discounted.

1.13 Inventories

Inventories are stated at the lower of average cost and net realisable value. Cost comprises direct purchase cost and those overheads that have been incurred in bringing the inventories to their present location and condition, both types of cost being measured using a weighted average cost formula. Net realisable value represents the estimated selling price less all estimated and directly attributable costs of completion and costs to be incurred in marketing, selling and distribution.

1.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, bank overdrafts and short term highly liquid deposits with a maturity of three months or less and which are subject to an insignificant risk of changes in value. Bank overdrafts, which form part of cash and cash equivalents for the purpose of the cash flow statement, are shown under current liabilities.

1.15 Borrowings and other financial liabilities

The Group's financial liabilities are those which involve a contractual obligation to deliver cash to external parties at a future date. Financial liabilities comprise all items shown in notes 17, 18 and 19 with the exception of other taxation and social security, deferred income from customer support agreements, other deferred income and other non-financial creditors. Under the classifications stipulated by IAS 39, borrowings, finance lease obligations and trade and other payables (excluding derivative financial liabilities) are classified as 'financial liabilities measured at amortised cost'. Derivative financial instruments, which are described further in note 1.16 below, are classified as 'held for trading unless designated in a hedge relationship'.

Borrowings

Borrowings are initially recorded at the consideration received less directly attributable transaction costs. Transaction costs are amortised through the income statement using the effective interest method and the unamortised balance is included as part of the related borrowing at the balance sheet date. A fair value adjustment is made to the borrowing where hedge accounting, as described in note 1.16 below, has been applied.

Trade and other payables

Trade and other payables (excluding derivative financial liabilities) are recorded at cost. Derivative financial instruments, which includes put options over equity held by minority shareholders, are initially recorded at fair value and then subsequently remeasured to fair value at each balance sheet date and are held within assets or liabilities as appropriate. Gains and losses arising from revaluation at the balance sheet date are recognised in the income statement unless the derivatives are designated as hedges and such hedges are proved to be effective.

1.16 Derivative financial instruments and hedge accounting

Derivative financial instruments held by the Group are initially recognised in the balance sheet at fair value within assets or liabilities as appropriate and then subsequently remeasured to fair value at each balance sheet date. Gains and losses arising from revaluation at the balance sheet date are recognised in the income statement unless the derivatives are designated as hedges and such hedges are proved to be effective.

Derivatives are classified as non-current assets or liabilities where a hedge relationship is identified and the remaining maturity of the hedged item is greater than 12 months from the balance sheet date. Derivatives are classified as current assets or liabilities in all other circumstances.

Fair values are derived from market values. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

Hedge accounting

The Group's activities expose it primarily to the financial risks associated with changes in interest rates and foreign currency exchange rates. The Group uses derivative financial instruments such as interest rate swaps, options, cross currency swaps and forward currency contracts to hedge these risks. The Group does not use derivative financial instruments for speculative purposes.

Where hedge accounting is to be applied, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting.

The accounting treatment of derivatives that qualify for hedge accounting is dependent on how they are designated. The different designations and accounting treatments are explained below:

Fair value hedges

The Group uses interest rate swaps to hedge the exposure to changes in the fair value of recognised assets and liabilities.

Derivative financial instruments that meet the 'fair value' hedging requirements are recognised in the balance sheet at fair value with corresponding fair value movements recognised within finance income / costs in the income statement. For an effective fair value hedge, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the income statement. To the extent that the designated hedge relationship is effective, such amounts in the income statement offset each other. As a result, only the ineffective element of any designated hedging relationship impacts the income statement. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity.

Cash flow hedges

The Group uses forward foreign exchange contracts to hedge the foreign currency exposure on inventory ordered and purchased and certain sales of inventory. It is Group policy to hedge between 80% and 100% of committed purchase orders and sales. At any point in time the Group also hedges up to 80% of its estimated foreign currency exposure in respect of forecast purchases and sales for the subsequent 12 months. Orders and purchases as well as sales are each considered to be separately hedged transactions.

Derivative financial instruments that qualify for such cash flow hedging are initially recognised on the balance sheet with gains and losses relating to the remeasurement of the effective portion of the hedge being deferred in equity. To the extent that such items are ineffectively hedged, gains or losses relating to the ineffective portion are recognised in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss (i.e. when a purchase or sale is made). For inventory purchases, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of inventory. For sales, the gains or losses on the derivative that had previously been recognised in equity are included in the income statement in the period in which the sale is made.

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Net investment hedges

The Group uses cross currency forward contracts and cross currency swaps to hedge its currency risk on the translation of net investments in foreign entities. Gains and losses arising on the retranslation of the investments and the related derivatives are recognised in equity. However, this is on the basis that the hedging requirements of IAS 39 are met and the hedging relationship is effective. To the extent that such items are ineffectively hedged, gains or losses relating to the ineffective portion are recognised within the income statement.

1.17 Retirement benefit obligations

Company contributions to defined contribution pension schemes and contributions made to state pension schemes for certain overseas employees are charged to the income statement on an accruals basis as contributions become payable.

For defined benefit pension schemes, the regular service cost of providing retirement benefits to employees during the period, together with the cost of any benefits relating to past service is charged to operating results in the period. A credit representing the expected return on assets of the retirement benefit schemes during the period is included within other finance income. This is based on the market value of the assets of the schemes at the start of the financial period. A charge is included within other finance costs, representing the expected increase in the liabilities of the retirement benefit schemes during the period. The difference between the market value of the assets and the present value of the accrued pension liabilities is shown as an asset or liability in the balance sheet. Differences between the actual and expected returns on assets during the period are recognised in the consolidated statement of comprehensive income and expense, together with differences arising from changes in actuarial assumptions.

For reasons described further in note 4, the Group has for the first time in 2012/13 treated the net financing cost on defined benefit pension schemes as a non-underlying item. Prior year comparatives have been restated accordingly.

1.18 Share-based payments

The Group issues equity settled share-based payments to certain employees which are measured at fair value at the date of grant. This fair value is expensed in the income statement on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest as adjusted for any non-market conditions.

A liability equal to the portion of services received from employees is recognised at the current fair value determined at each balance sheet date for cash settled share-based payments.

1.19 Estimates, judgements and critical accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Significant items subject to such assumptions and estimates include the useful lives of assets; the measurement and recognition of provisions; the recognition of deferred tax assets; and liabilities for potential corporation tax. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information becomes available. The most critical accounting policies in determining the financial condition and results of the Group are those requiring the greatest degree of subjective or complex judgements. These relate to revenue recognition, inventory valuation, onerous lease costs, the valuation of goodwill, acquired intangible assets and property, plant & equipment, share-based payments, post-retirement benefits and taxation, and are set out below.

Revenue recognition

Revenue earned from the sale of customer support agreements is recognised over the term of the contracts when the Group obtains the right to consideration as a result of performance of its contractual obligations. Revenue in any one year is therefore recognised to match the proportion of the expected costs of fulfilling the Group's total obligations under the agreements. An estimate of the degree of performance of these contractual obligations is determined by reference to extensive historical claims data. Reliance on historical data assumes that current and future experience will follow past trends. The directors consider that the quantity and quality of data available provides an appropriate proxy for current trends.

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Inventory valuation

Inventories are valued at the lower of average cost and net realisable value. Cost comprises direct purchase cost and those overheads that have been incurred in bringing the inventories to their present location and condition, both types of cost being measures using a weighted average cost formula. Net realisable value represents the estimated selling price less all estimated and directly attributable costs of completion and costs to be incurred in marketing, selling and distribution. Net realisable value includes, where necessary, provisions for slow moving and damaged inventory. The provision represents the difference between the cost of stock and its estimated net realisable value, based on ageing. Calculation of these provisions requires judgements to be made which include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

Provisions and accruals for onerous leases

If the Group vacates a store or other property prior to the expiry of the related lease, or a lease forms part of a separate CGU whereby the carrying value of that CGU is not considered supportable, it records a provision or accrual for the expected lease payments that the Group will incur prior to assignment or sublease of the property. Such a calculation requires a judgement as to the timing and duration of the expected vacant periods and the amount and timing of future potential sublease income. When making these judgements, the directors consider a number of factors, including the landlord, the location and condition of the property, the terms of the lease, the specific marketplace demand and the economic environment.

Goodwill, intangible assets and property, plant & equipment impairment reviews

Goodwill is required to be valued annually to assess the requirement for potential impairment. Other assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to the conclusion that the net book value of such assets is not supportable. Impairment testing on goodwill is carried out in accordance with the methodology described in note 9. Such calculations require judgement relating to the appropriate discount factors and long term growth prevalent in a particular market as well as short and medium term business plans. The directors draw upon experience as well as external resources in making these judgements.

In assessing impairment of intangible assets and property, plant & equipment, discounted cash flow methods are used as described in note 1.10. Judgement is required in determining the appropriate discount factors as well as the short and medium term business plans. As for goodwill, the directors draw upon experience and external resources in making these judgements.

Share-based payments

The charge for share-based payments is calculated by estimating the fair value of the award at the date of grant using either the Binomial or Black Scholes option pricing model or the Monte Carlo simulation. The option valuation models used require highly subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yields, risk-free interest rates, expected staff turnover and the likelihood of non-market vesting conditions being met. The directors draw upon a variety of external sources to aid in the determination of the appropriate data to use in such calculations.

Defined benefit pension schemes

The surplus or deficit in the UK defined benefit pension scheme that is recognised through the consolidated statement of comprehensive income and expense is subject to a number of assumptions and uncertainties. The calculated liabilities of the scheme are based on assumptions regarding salary increases, inflation rates, discount rates, the long term expected return on the scheme's assets and member longevity. Such assumptions are based on actuarial advice and are benchmarked against similar pension schemes.

Taxation

Tax laws that apply to the Group's businesses may be amended by the relevant authorities, for example as a result of changes in fiscal circumstances or priorities. Such potential amendments and their application to the Group are monitored regularly and the requirement for recognition of any liabilities assessed where necessary. The Group is subject to income taxes in a number of different jurisdictions and judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. In such circumstances, the Group

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recognises liabilities for anticipated taxes due based on best information available and where the anticipated liability is probable and estimable. Where the final outcome of such matters differs from the amounts initially recorded, any differences will impact the income tax and deferred tax provisions in the period to which such determination is made. Where the potential liabilities are not considered probable, the amount at risk is disclosed unless an adverse outcome is considered remote.

Deferred tax is recognised on taxable losses based on the expected ability to utilise such losses. This ability takes account of the business plans for the relevant companies, potential uncertainties around the longer term aspects of these business plans, any expiry of taxable benefits and potential future volatility in the local tax regimes.

1.20 New accounting standards and interpretations

The following new standards, and amendments to existing standards, which are applicable to the Group have been published, but do not become effective until 2013/14:

- IFRS 9 'Financial Instruments'. This standard is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets.
- Amendment to IAS 19 'Employee Benefits'. The amendment replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. This will impact the Group's non-underlying interest income in respect of its defined benefit pension scheme.
- IFRS 13 'Fair Value Measurement'. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

IFRS 10 'Consolidated Financial Statements' and IFRS 12 'Disclosure of Interests in Other Entities' will also become effective for the Group for 2013/14. At the present time these new standards are not expected to have any material effect, however may impact acquisitions in the future.

Certain other amendments to existing standards and interpretations were issued during the period which either do not apply to the Group or are not expected to have any material effect.

2 Segmental analysis

The Group's operating segments have been determined based on the information reported to the Board. This information is predominantly based on geographical areas which are either managed separately or have similar trading characteristics such that they can be aggregated together into one segment and, in the case of PIXmania, as a business area with geographical territories aggregated. Accounting policies for each operating segment are the same as those for the Group as described in note 1. The Group evaluates each operating segment based on underlying operating profits which excludes those items described in note 1.1.

On 22 April 2013 and 7 May 2013, the Group announced that it had agreed to dispose of its Webhallen and PLS operations in Sweden and France, respectively and accordingly has classified their assets and liabilities as held for sale owing to the sale being highly probable under the definitions stipulated in IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. As a result of the sales, the businesses have been classified as 'to be exited' and the prior periods have been re-presented on a consistent basis. Both PLS and Webhallen were previously shown within the PIXmania division.

All segments are involved in the multi-channel sale of high technology consumer electronics, personal computers, domestic appliances, photographic equipment, communication products and related financial and after-sales services. The principal categories of customer are retail, business to business (B2B) and online.

The Group's reportable segments have been identified as follows:

- UK & Ireland comprises electrical and computing retail chains as well as in-store B2B activities. The division is engaged predominantly in multi-channel retail sales, associated peripherals and services and related financial and after sales services. During the period, the division's main B2B activities of Equanet were disposed as described further in note 4.

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- Northern Europe operates in Norway, Sweden, Finland, Denmark, the Czech Republic, Slovakia, Iceland, Greenland and the Faroe Islands. The division engages in multi-channel retail sales and provides related product support services to its customers. It also engages in B2B sales of computer hardware, software and services. Across the region, the division operates a successful franchise business, typically in smaller markets.
- Southern Europe comprises operations in Italy, Greece, Turkey and the closed business in Spain which is excluded from underlying results. The division engages in retail sales (including multi-channel sales in some countries) and provides related product support services to its customers in all of its markets. It also engages in B2B sales of computer hardware, software and services in Italy and Greece and has franchise operations in Italy, Greece and Turkey.
- PIXmania is a pure play online retailer and operates in 14 countries across Europe.

During the year, management responsibility for Dixons Travel stores operating in the Northern Europe and Southern Europe divisions was transferred to the UK & Ireland Division. Comparative figures have been re-presented to reflect this change in responsibility.

Businesses exited / to be exited comprises the trading results of businesses sold, to be sold, closed and to be closed and includes the activities of PC City Spain, Equanet, Webhallen and PLS. Further information on these businesses is provided in note 4. In respect of the sold / to be sold businesses, owing to their relative scale, they do not meet the definition of discontinued operations as stipulated by IFRS 5. In respect of closed / to be closed businesses, owing to their closure rather than disposal, these operations also do not meet the definition of discontinued operations as stipulated by IFRS 5.

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(a) Income statement

	2012/13				
	External revenue £million	Inter- segmental revenue £million	Total revenue £million	Underlying profit / (loss) £million	Total profit / (loss) £million
UK & Ireland	4,096.0	47.3	4,143.3	113.3	82.5
Northern Europe	2,876.3	5.4	2,881.7	120.5	118.0
Southern Europe	966.7	—	966.7	(24.4)	(25.0)
PIXmania	500.3	6.7	507.0	(31.3)	(182.4)
Eliminations	—	(59.4)	(59.4)	—	—
	8,439.3	—	8,439.3	178.1	(6.9)
Share of post-tax results of associates				—	—
Operating profit / (loss) before central costs and property losses				178.1	(6.9)
Central costs				(16.9)	(18.8)
Property losses				(25.2)	(25.2)
Operating profit / (loss)				136.0	(50.9)
Loss on sale of business				—	(9.6)
Finance income				7.2	54.0
Finance costs				(48.7)	(108.8)
Profit / (loss) before tax for the year				94.5	(115.3)

External revenue for UK & Ireland, Southern Europe and PIXmania includes £81.5 million, £1.1 million and £142.8 million, respectively relating to the businesses exited / to be exited.

Reconciliation of underlying profit / (loss) to total profit / (loss)

	2012/13							
	Underlying profit / (loss) £million	Businesses exited / to be exited £million	Amortisation of acquired intangibles £million	Net restructuring charges £million	Business impairment charges £million	Other items £million	Non- operating items £million	Total profit / (loss) £million
UK & Ireland	113.3	(1.9)	(0.3)	(22.9)	(6.6)	0.9	—	82.5
Northern Europe	120.5	—	—	—	(2.5)	—	—	118.0
Southern Europe	(24.4)	1.5	(0.7)	—	—	(1.4)	—	(25.0)
PIXmania	(31.3)	(7.6)	(3.2)	(64.6)	(70.3)	(5.4)	—	(182.4)
Operating profit / (loss) before central costs and property losses	178.1	(8.0)	(4.2)	(87.5)	(79.4)	(5.9)	—	(6.9)
Central costs	(16.9)	—	—	(1.9)	—	—	—	(18.8)
Property losses	(25.2)	—	—	—	—	—	—	(25.2)
Operating profit / (loss)	136.0	(8.0)	(4.2)	(89.4)	(79.4)	(5.9)	—	(50.9)
Loss on sale of business	—	—	—	—	—	—	(9.6)	(9.6)
Finance income	7.2	0.3	—	—	—	—	46.5	54.0
Finance costs	(48.7)	—	—	—	—	—	(60.1)	(108.8)
Profit / (loss) before tax for the year	94.5	(7.7)	(4.2)	(89.4)	(79.4)	(5.9)	(23.2)	(115.3)

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2011/12
Re-presented

	External revenue £million	Inter- segmental revenue £million	Total revenue £million	Underlying profit / (loss) £million	Total profit / (loss) £million
UK & Ireland	3,854.2	50.5	3,904.7	81.5	66.8
Northern Europe	2,619.3	28.6	2,647.9	113.1	151.9
Southern Europe	1,054.7	0.3	1,055.0	(31.3)	(202.5)
PIXmania	665.0	6.0	671.0	(15.2)	(58.2)
Eliminations	—	(85.4)	(85.4)	—	—
	<u>8,193.2</u>	<u>—</u>	<u>8,193.2</u>	<u>148.1</u>	<u>(42.0)</u>
Share of post-tax results of associates				0.6	0.6
Operating profit / (loss) before central costs and property losses				148.7	(41.4)
Central costs				(13.8)	(14.0)
Property losses				(13.6)	(13.5)
Operating profit / (loss)				121.3	(68.9)
Finance income				11.8	63.5
Finance costs				(51.0)	(113.4)
Profit / (loss) before tax for the period				<u>82.1</u>	<u>(118.8)</u>

External revenue for UK & Ireland, Southern Europe and PIXmania includes £102.9 million, £6.5 million and £173.6 million, respectively relating to the businesses exited / to be exited.

Reconciliation of underlying profit / (loss) to total profit / (loss)

2011/12
Re-presented

	Underlying profit / (loss) £million	Businesses exited / to be exited £million	Amortisation of acquired intangibles £million	Net restructuring charges £million	Business impairment charges £million	Other items £million	Non- operating items £million	Total profit / (loss) £million
UK & Ireland	81.5	(1.6)	(0.4)	(9.5)	—	(3.2)	—	66.8
Northern Europe	113.1	—	—	—	—	38.8	—	151.9
Southern Europe	(31.3)	(2.9)	(0.7)	—	(167.6)	—	—	(202.5)
PIXmania	(15.2)	(4.6)	(3.4)	(6.6)	(28.4)	—	—	(58.2)
	<u>148.1</u>	<u>(9.1)</u>	<u>(4.5)</u>	<u>(16.1)</u>	<u>(196.0)</u>	<u>35.6</u>	<u>—</u>	<u>(42.0)</u>
Share of post-tax results of associates	0.6	—	—	—	—	—	—	0.6
Operating profit / (loss) before central costs and property losses	148.7	(9.1)	(4.5)	(16.1)	(196.0)	35.6	—	(41.4)
Central costs	(13.8)	—	—	(0.2)	—	—	—	(14.0)
Property losses	(13.6)	0.1	—	—	—	—	—	(13.5)
Operating profit / (loss)	121.3	(9.0)	(4.5)	(16.3)	(196.0)	35.6	—	(68.9)
Finance income	11.8	0.6	—	—	—	—	51.1	63.5
Finance costs	(51.0)	(0.1)	—	—	—	—	(62.3)	(113.4)
Profit / (loss) before tax for the period	<u>82.1</u>	<u>(8.5)</u>	<u>(4.5)</u>	<u>(16.3)</u>	<u>(196.0)</u>	<u>35.6</u>	<u>(11.2)</u>	<u>(118.8)</u>

Share of post-tax results of associates relates to Northern Europe.

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(d) Other information

2012/13					
Additions					
	Intangible assets £million	Property, plant & equipment £million	Depreciation £million	Amortisation £million	Share- based payments £million
UK & Ireland	5.9	46.8	69.5	8.6	2.3
Northern Europe	7.0	24.7	27.2	4.7	0.6
Southern Europe	1.9	7.4	15.1	2.6	0.5
PIXmania	3.2	3.5	4.6	5.8	—
Central	—	0.1	0.1	—	0.7
Continuing operations	18.0	82.5	116.5	21.7	4.1
2011/12 Re-presented					
Additions					
	Intangible assets £million	Property, plant & equipment £million	Depreciation £million	Amortisation £million	Share- based payments £million
UK & Ireland	1.8	47.2	72.6	10.6	(1.0)
Northern Europe	5.1	22.3	28.3	4.4	(1.2)
Southern Europe	2.0	7.3	18.1	2.0	(1.1)
PIXmania	4.3	3.8	4.4	5.9	—
Central	—	0.2	0.4	—	(1.4)
Continuing operations	13.2	80.8	123.8	22.9	(4.7)

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3 Revenue and operating profit / (loss)

	2012/13				2011/12 Re-presented			
	Non-underlying			Total £million	Non-underlying			Total £million
	Underlying £million	Businesses exited / to be exited £million	Other £million		Underlying £million	Businesses exited / to be exited £million	Other £million	
Revenue	8,213.9	225.4	—	8,439.3	7,910.2	283.0	—	8,193.2
Cost of sales	(7,666.1)	(212.0)	(41.5)	(7,919.6)	(7,396.8)	(255.3)	(14.4)	(7,666.5)
Gross profit / (loss)	547.8	13.4	(41.5)	519.7	513.4	27.7	(14.4)	526.7
Distribution costs	(133.3)	(8.6)	(0.9)	(142.8)	(154.3)	(9.0)	—	(163.3)
Administrative expenses	(253.2)	(12.8)	(136.5)	(402.5)	(224.8)	(27.8)	(166.8)	(419.4)
Other operating (charge) / income	(25.3)	—	—	(25.3)	(13.6)	0.1	—	(13.5)
Profit / (loss) from operations before associates	136.0	(8.0)	(178.9)	(50.9)	120.7	(9.0)	(181.2)	(69.5)
Share of post-tax results of associates	—	—	—	—	0.6	—	—	0.6
Total operating profit / (loss)	136.0	(8.0)	(178.9)	(50.9)	121.3	(9.0)	(181.2)	(68.9)

Non-underlying items comprise amortisation of acquired intangibles of £4.2 million (2011/12 £4.5 million), included within administrative expenses. Such items are described further in note 4. Included within underlying cost of sales, distribution costs and administrative expenses is amortisation of other intangibles of £8.5 million, £1.5 million and £7.5 million, respectively (2011/12 £9.8 million, £1.6 million and £7.0 million, respectively).

	2012/13			2011/12 Re-presented		
	Underlying £million	Businesses exited / to be exited £million	Total £million	Underlying £million	Businesses exited / to be exited £million	Total £million
Sale of goods	7,759.5	220.6	7,980.1	7,443.9	274.3	7,718.2
Revenue from services	454.4	4.8	459.2	466.3	8.7	475.0
	8,213.9	225.4	8,439.3	7,910.2	283.0	8,193.2

Revenue from services predominantly comprises those relating to customer support agreements, delivery and installation, product repairs and product support.

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	2012/13			2011/12 Re-presented		
	Underlying £million	Businesses exited / to be exited £million	Total £million	Underlying £million	Businesses exited / to be exited £million	Total £million
Inventories recognised as an expense	6,266.5	195.0	6,461.5	5,796.7	240.6	6,037.3
Cost of inventory write-down	26.2	0.5	26.7	26.1	0.4	26.5
Rentals paid under operating leases:						
Plant and machinery	10.0	—	10.0	10.6	—	10.6
Property – non-contingent rent	348.0	2.0	350.0	359.6	3.4	363.0
Property – contingent rent	15.8	—	15.8	13.3	—	13.3
Rentals received under operating leases:						
Property – subleases	(5.6)	—	(5.6)	(5.0)	—	(5.0)

	2012/13 £million	2011/12 £million
Auditor's remuneration		
Audit services – Group financial statements	0.5	0.5
– Subsidiary financial statements	0.6	0.6
Total audit fees	1.1	1.1
Non-audit services pursuant to legislation	0.3	0.2
Other	—	0.2
Total fees paid to the auditor	1.4	1.5

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4 Non-underlying items

	Note	2012/13			2011/12 Re-presented		
		Businesses exited / to be exited £million	Other £million	Total £million	Businesses exited / to be exited £million	Other £million	Total £million
Included in operating profit / (loss):							
Businesses exited / to be exited	(i)	(8.0)	—	(8.0)	(9.0)	—	(9.0)
Amortisation of acquired intangibles		—	(4.2)	(4.2)	—	(4.5)	(4.5)
Net restructuring charges	(ii)	—	(89.4)	(89.4)	—	(16.3)	(16.3)
Business impairment charges	(iii)	—	(79.4)	(79.4)	—	(196.0)	(196.0)
Other items	(iv)	—	(5.9)	(5.9)	—	35.6	35.6
		(8.0)	(178.9)	(186.9)	(9.0)	(181.2)	(190.2)
Loss on sale of business	(v)	—	(9.6)	(9.6)	—	—	—
Included in net finance costs:							
Businesses exited / to be exited	(i)	0.3	—	0.3	0.5	—	0.5
Net non-cash finance costs on defined benefit pension schemes	(vi)	—	(7.4)	(7.4)	—	(5.7)	(5.7)
Net fair value remeasurements of financial instruments	(vii)	—	(1.9)	(1.9)	—	(2.8)	(2.8)
2012 Bonds and 2015 Notes redemption costs	(viii)	—	(3.2)	(3.2)	—	—	—
Accelerated amortisation of bond / facility fees	(ix)	—	(1.1)	(1.1)	—	(2.7)	(2.7)
		0.3	(13.6)	(13.3)	0.5	(11.2)	(10.7)
Total impact on profit / (loss) before tax		(7.7)	(202.1)	(209.8)	(8.5)	(192.4)	(200.9)
Included in income tax expense:							
Businesses exited / to be exited		(0.5)	—	(0.5)	(0.5)	—	(0.5)
Tax on other non-underlying items		—	18.4	18.4	—	9.7	9.7
Non-underlying: tax specific items	(x)	—	(21.5)	(21.5)	—	(16.0)	(16.0)
		(0.5)	(3.1)	(3.6)	(0.5)	(6.3)	(6.8)
Total impact on profit / (loss) after tax		(8.2)	(205.2)	(213.4)	(9.0)	(198.7)	(207.7)

(i) Businesses exited / to be exited: comprises the trading results of businesses sold, to be sold, closed and to be closed and includes the activities of:

- Equanet, which was sold during the year and which constituted the majority of the B2B activities of the UK & Ireland division;
- Webhallen, a media and games multi-channel retailer which was also sold during the year although has not yet completed;
- PLS, a small photo processing operation which was sold on 7 May 2013;
- PIXmania stores which were closed during the year; and
- PC City Spain which was closed in June 2011 whereby these activities comprise the unwinding of residual deferred income and related costs.

(ii) Net restructuring charges:

	2012/13 £million	2011/12 £million
Asset impairments	(35.1)	(8.8)
Property charges	(18.2)	(2.9)
Other charges	(36.1)	(4.6)
	(89.4)	(16.3)

2012/13:

Charges related predominantly to the reorganisation of the PIXmania business and the remaining retained UK B2B operations following the sale of Equanet for which the charges are £64.6 million and £22.9 million, respectively. For PIXmania, such charges comprise mainly asset write offs arising from property restructuring, lease provisions, employee severance and inventory write downs following on from the exit from certain markets. In addition, following the acquisition of full control of the PIXmania business in August 2012 and against the backdrop of especially challenging trading and increasingly difficult markets in which PIXmania operates, the carrying value of certain assets has been written down. In respect of the UK B2B operations, the charges relate mainly to an onerous lease in respect of the former Equanet operations and related fixed asset write offs.

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2011/12:

Charges related predominantly to the renewal and transformation of the UK & Ireland business which has been focused mainly on the reformatting and reorganisation of the store portfolio and the reorganisation of the service offering as well as a reorganisation of the PIXmania photo processing operations.

In the UK, asset impairments related mainly to items of property, plant & equipment, some of which comprised incremental accelerated depreciation charges which arose from restructuring initiatives which commenced in 2007/08. Property charges comprised onerous lease costs and charges related to vacating properties. Other charges predominantly comprised employee severance.

The PIXmania restructuring charges amounted to £6.6 million and related to the closure and ensuing reorganisation of its photo processing operations. The charge comprised £1.7 million for asset impairments, £1.7 million for onerous property charges and £3.2 million of other charges.

(iii) Business impairment charges:

		2012/13				
		Goodwill impairment £million	Other assets impairment £million	Property charges £million	Other charges £million	Total £million
PIXmania		(45.2)	(25.1)	—	—	(70.3)
Other businesses		(6.6)	(2.5)	—	—	(9.1)
		(51.8)	(27.6)	—	—	(79.4)

		2011/12				
		Goodwill impairment £million	Other assets impairment £million	Property charges £million	Other charges £million	Total £million
Italian business		(109.4)	(5.6)	(15.1)	(1.0)	(131.1)
PIXmania		(28.4)	—	—	—	(28.4)
Greek business		(36.5)	—	—	—	(36.5)
		(174.3)	(5.6)	(15.1)	(1.0)	(196.0)

2012/13:

- PIXmania business: Following on from the weaknesses identified for the 52 weeks ended 28 April 2012, a lower than anticipated result in the first part of the year together with a change in management control from 77.1% to 99.2% during the period which caused a strategic review to be undertaken for this business, this led to the conclusion that both the acquisition goodwill and the brand name of PIXmania should be fully impaired to £nil.
- Other businesses: This relates to the impairment of goodwill of a small UK B2B operation following the re-organisation and significant reduction in the UK & Ireland's B2B operations following the sale of Equanet as well as the full write down of the investment in an associate following continued declining results, further information of which is shown in note 12.

2011/12:

- Italian business: The increased macro-economic uncertainties, which contributed to further weakness in the Italian economy which was particularly evident over the Peak trading period, together with an expectation that growth in the Italian economy would be significantly less than previously forecast, led to an impairment to the goodwill of Unieuro, as well as impairment charges to property, plant & equipment and property charges comprising onerous lease costs.
- PIXmania and Greek business: Continuing weakness in the Southern European economies in which PIXmania operates, which includes Greece, and which was again particularly evident over the Peak trading period, together with further delays to anticipated economic recovery, resulted in profit performance continuing to fall further behind that envisaged in the prior period's forecasts. This therefore led to an impairment to the goodwill in these businesses.

(iv) Other items comprise the following:

	2012/13 £million	2011/12 £million
Exceptional provisions and charges	(6.8)	—
Profit on disposal of property	—	37.2
UK Riot related income / (net costs)	0.9	(3.2)
Revaluation of associate shares	—	1.6
	(5.9)	35.6

2012/13:

Exceptional provisions and charges relate predominantly to claims for certain investment initiatives in PIXmania, whereby retrospective changes in the authorities' interpretations of legislation have resulted in uncertainty regarding the funding previously agreed and/or received in prior years.

UK Riot related income comprises insurance recoveries in respect of charges incurred in 2011/12.

2011/12:

- Profit on disposal of property related to the sale and leaseback of the Group's Nordic distribution centre in Jönköping in Sweden. The sale completed on 23 June 2011 for SEK 602 million (£58.1 million). Owing to the size of the gain as well as the significance of the property in relation to the Group's operations, the profit was treated as a non-underlying item.

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- UK Riot related net costs comprised mainly inventory write offs and reinstatement costs together with certain other incremental costs arising from the riots which occurred in August 2011 and which amounted to £3.5 million. These amounts were offset by insurance recoveries received of £0.3 million.
 - Revaluation of associate shares: Related to gain arising on the revaluation of a previous small associate shareholding following the acquisition of the remaining shares during the period.
- (v) Loss on sale of business:
On 28 March 2013, the Group completed the disposal of its Equanet B2B operations (Equanet) to Kelway (UK) Limited for consideration of £4.2 million. The loss on disposal is analysed as follows:

	£million
Net assets disposed:	
Goodwill	10.7
Other assets	1.7
	12.4
Loss on disposal	(9.6)
	2.8
Consideration and costs	
Consideration	4.2
Disposal fees and exit costs	(1.4)
	2.8

- (vi) Net non-cash financing costs on defined benefit pension schemes: Under IAS 19 'Employee Benefits', the cost of providing defined benefit pension benefits in the future is discounted to a present value at the corporate bond yield rates applicable on the last day of the previous financial year and the effects of this discounting are charged into finance costs. Corporate bond yield rates vary over time which in turn creates volatility in the income statement and balance sheet. In respect of scheme assets, a finance income is generated in the income statement based on the expected rate of return on scheme assets again determined on the last day of the previous financial year. The sum of these two effects is a non-cash remeasurement cost which can be volatile due to corporate bond yield rates prevailing on a particular day and is also unrepresentative of the actual investment gains or losses made or the liabilities paid and payable. Starting in the current year (with comparatives being represented) and consistent with a number of other companies, the accounting effects of these non-cash revaluations of assets and liabilities have been excluded from underlying earnings.
- (vii) Net fair value remeasurement gains and losses on revaluation of financial instruments: Items excluded from underlying finance income and expense represent the gains and losses arising from the revaluation of derivative financial instruments under methodologies stipulated by IAS 39 compared with those on an accruals basis (the basis upon which all other items in the financial statements are prepared). Such a treatment is a form of revaluation gain or loss created by an assumption that the derivatives will be settled before their maturity.
Such gains and losses are unrealised and in the directors' view also conflict with both the commercial reasons for entering into such arrangements as well as Group Treasury policy whereby early settlement in the majority of cases would amount to speculative use of derivatives.
- (viii) On 20 September 2012, the Group repurchased £15.6 million in nominal amount of its 6.125% Guaranteed Bonds due November 2012 (the 2012 Bonds) as well as £49.4 million in nominal amount of its 8.75% Guaranteed Notes due August 2015 (the 2015 Notes). The latter repurchase was funded by part of a new issue of £150 million 8.75% Guaranteed Notes due September 2017 (the 2017 Notes) and for which the proceeds were received on the same date. The issue of the 2017 Notes has resulted in the Group's revolving facility agreement being reduced from £300 million down to £225 million as part of the terms of this facility whereby if new debt financing was raised, a reduction in the amount of this facility would ensue.
- (ix) 2012/13: As a result of the repurchases of the 2012 Bonds and 2015 Notes on 20 September 2012, charges have been incurred relating to the acceleration of the amortisation of fees from the 2012 Bonds and the 2015 Notes which would otherwise have been charged evenly over the period to the 2012 Bonds' maturity in November 2012 and the 2015 Notes' maturity in August 2015, together with a redemption premium.
2011/12: On 24 May 2012, the Group signed an amendment and restatement agreement implementing a revised revolving facility agreement (the Amended Facility) for £300 million. This agreement is described further in note 17. The renegotiation of this facility triggered the acceleration of the amortisation of fees for the £360 million revolving credit facility (the £360 million Facility) which would otherwise have been charged evenly over the period to the pre-existing facility's maturity in August 2013 and which were therefore charged in 2011/12.
- (x) 2012/13: Such items relate to the impairment of net deferred tax assets in PIXmania following the strategic review of the business described in note (iii) where such impairment represents the prudent assessment of the ability to utilise tax losses within an appropriate timeframe.
2011/12: Tax specific non-underlying items comprise adjustments in respect of prior years which relate mainly to the recognition and remeasurement of deferred tax liabilities on historical acquisitions in the Northern Europe division for which differences between the tax written down value and the book value of goodwill from acquisition have been identified and for which IAS 12 requires such recognition. Because these items relate to historical acquisitions from prior years and the liabilities created will not give rise to any actual payment of tax either in the current or future periods in any of the jurisdictions in which the Group operates, the ensuing charge required to create the liability has been treated as non-underlying. The liability which has been recorded and which arises due to accounting standard requirements is expected to remain for the foreseeable future.

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5 Net finance costs

	Note	2012/13 £million	2011/12 Re-presented £million
Bank and other interest receivable:			
Non-underlying: businesses exited / to be exited*		0.3	0.6
Underlying	(ii)	7.2	11.8
Expected return on pension scheme assets*		43.5	44.8
Fair value remeasurement gains on financial instruments*	(iv)	3.0	6.3
Finance income		54.0	63.5
6.125% Guaranteed Bonds 2012 interest and related charges		(4.9)	(9.3)
8.75% Guaranteed Notes 2015 interest and related charges		(11.4)	(14.0)
8.75% Guaranteed Notes 2017 interest and related charges		(8.5)	—
Bank loans, overdrafts and other interest payable:			
Non-underlying: businesses exited / to be exited*		—	(0.1)
Underlying	(iii)	(17.6)	(21.3)
Finance lease interest payable		(6.3)	(6.4)
Interest on pension scheme liabilities*		(50.9)	(50.5)
Fair value remeasurement losses on financial instruments*	(iv)	(4.9)	(9.1)
Accelerated amortisation of bond / facility fees*		(1.1)	(2.7)
2012 Bonds and 2015 Notes redemption costs*		(3.2)	—
Finance costs		(108.8)	(113.4)
Total net finance costs		(54.8)	(49.9)
Underlying total net finance costs	(i)	(41.5)	(39.2)

(i) Underlying total net finance costs exclude items marked *. See note 4 for a description of such items. Net finance costs for the businesses exited / to be exited comprise bank and other interest receivable and interest on bank loans and overdrafts.

(ii) Bank and other interest receivable comprise:

	2012/13 £million	2011/12 Re-presented £million
Interest on cash and cash equivalents and short term investments	1.7	1.5
Derivative interest income	5.5	10.3
	7.2	11.8

Derivative interest income includes amounts relating to the remeasurement of financial instruments on an accruals basis. Included within derivative interest income is income of £2.8 million (2011/12 £5.3 million) from financial instruments not in a designated hedging relationship under the rules stipulated by IAS 39.

(iii) Bank loans, overdrafts and other interest payable comprise:

	2012/13 £million	2011/12 £million
Interest on bank loans and overdrafts	(11.7)	(11.4)
Exchange losses	(2.5)	(5.3)
Derivative interest expense	(3.4)	(4.6)
	(17.6)	(21.3)

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Included within exchange losses are losses of £8.0 million (2011/12 losses of £11.9 million) which is a natural offset for gains arising from financial instruments not in a formal designated hedging relationship under the rules stipulated by IAS 39.

Derivative interest expense includes amounts relating to the remeasurement of financial instruments on an accruals basis. Included within derivative interest expense is a £3.4 million charge (2011/12 £4.6 million) from financial instruments not in a designated hedging relationship under the rules stipulated by IAS 39.

- (iv) Fair value remeasurement gains and losses on financial instruments include losses of £2.4 million (2011/12 £3.4 million) which are not in a designated hedging relationship under the rules stipulated by IAS 39.
- (v) Interest income of £2.0 million (2011/12 £2.1 million) and expense of £38.9 million (2011/12 £36.0 million) is included within net finance costs relating to financial assets and liabilities, respectively not held at fair value through the Income Statement.

6 Employees

Staff costs for the period were:

	2012/13	2011/12
	£million	£million
Wages and salaries	742.7	719.9
Social security costs	102.2	105.2
Other pension costs	23.3	17.0
	868.2	842.1

The average number of employees, including part time employees, was:

	2012/13	2011/12
	Number	Re-presented Number
UK & Ireland	20,461	20,934
Northern Europe	9,092	8,716
Southern Europe	4,676	5,163
PIXmania	1,281	1,402
Corporate centre and shared services	382	370
	35,892	36,585

The average number of employees for UK & Ireland, Southern Europe and PIXmania includes 299 (2011/12 406), 1 (2011/12 139) and 269 (2011/12 306), respectively relating to the businesses exited / to be exited.

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7 Tax

(a) Income tax expense

	2012/13	2011/12 Re- presented
	£million	£million
Current tax		
UK corporation tax at 23.92% ⁽ⁱⁱ⁾ (2011/12 25.85%)	0.3	—
Overseas taxation – underlying	32.3	28.6
– businesses exited / to be exited*	0.5	0.5
Adjustment in respect of earlier periods:		
Overseas taxation – underlying	(0.9)	4.4
– non-underlying: tax specific*	—	4.1
	32.2	37.6
Deferred tax		
Current period – underlying	14.8	10.1
– non-underlying: other*	(18.4)	(9.7)
Adjustment in respect of earlier periods:		
UK corporation tax – underlying	6.5	(1.7)
– non-underlying: tax specific*	—	2.5
Overseas taxation – underlying	(3.8)	(4.1)
– non-underlying: tax specific*	21.5	9.4
	20.6	6.5
Income tax expense	52.8	44.1
Underlying income tax expense	49.2	37.3

(i) Underlying income tax expense excludes those items marked *. Further information on these items is shown in note 4.

(ii) The UK corporation tax rate for the period was 24% for the period up to 31 March 2013 and 23% thereafter (2011/12 26% for the period up to 31 March 2012 and 24% thereafter).

A reconciliation of the notional to the actual income tax expense is set out below:

	2012/13				2011/12 Re-presented			
	Non-underlying*				Non-underlying*			
	Underlying £million	Businesses exited / to be exited £million	Other £million	Total £million	Underlying £million	Businesses exited / to be exited £million	Other £million	Total £million
Loss before tax	94.5	(7.7)	(202.1)	(115.3)	82.1	(8.5)	(192.4)	(118.8)
Tax on loss at UK statutory rate of 23.92% (2011/12 25.85%)	22.6	(1.8)	(48.4)	(27.6)	21.2	(2.2)	(49.7)	(30.7)
Non-qualifying depreciation	2.8	—	—	2.8	2.8	—	0.2	3.0
Differences in effective overseas taxation rates	0.6	(0.2)	(13.6)	(13.2)	—	(0.3)	(2.1)	(2.4)
Non-deductible charges	1.2	—	19.6	20.8	1.0	—	47.2	48.2
Non-taxable losses / (gains) on property disposals	0.5	—	—	0.5	0.7	—	(10.3)	(9.6)
Overseas deferred tax not recognised	15.2	2.2	23.0	40.4	6.2	1.7	6.0	13.9
Adjustment in respect of earlier periods	1.7	—	21.5	23.2	(1.4)	—	16.0	14.6
Effect of change in UK statutory tax rate	1.7	—	(0.2)	1.5	4.1	—	—	4.1
Other differences	2.9	0.3	1.2	4.4	2.7	1.3	(1.0)	3.0
Income tax expense	49.2	0.5	3.1	52.8	37.3	0.5	6.3	44.1

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The effective tax rate on underlying earnings of 52% (2011/12 51%) is expected to fall in future periods due mainly to unrecognised losses and non-deductible items starting to form a lower proportion of net profits. The rate has increased year on year owing to the non-recognition of current year losses in PIXmania owing to prudence taken in the longer term outlook for trading for this business. Excluding the effects of this non-recognition, the effective rate of taxation on full year earnings would have been 38%. The Group has total unrecognised deferred tax assets relating to tax losses of £207.7 million (2011/12 £128.6 million) of which £151.5 million (2011/12 £76.9 million) have no time restriction over when they can be utilised. The Group has unrecognised deferred tax assets relating to time restricted tax losses of £56.2 million (2011/12 £51.7 million) for which the weighted average period over which they can be utilised is eight years (2011/12 seven years).

(b) Deferred tax

	Accelerated capital allowances £million	Retirement benefit obligations £million	Losses carried forward £million	Other timing differences £million	Total £million
At 1 May 2011	47.2	64.8	24.3	9.5	145.8
(Charged) / credited to income statement	(13.4)	(2.6)	10.1	(0.6)	(6.5)
Credited / (charged) to equity	—	2.5	—	(1.5)	1.0
Disposals	—	—	(3.6)	—	(3.6)
Currency retranslation	(0.9)	(0.2)	(0.7)	0.1	(1.7)
At 28 April 2012	32.9	64.5	30.1	7.5	135.0
(Charged) / credited to income statement	(15.5)	(2.8)	(15.8)	13.5	(20.6)
Credited to equity	—	33.0	—	2.6	35.6
Disposals	0.3	—	(10.9)	0.6	(10.0)
Currency retranslation	(0.5)	—	0.3	(0.2)	(0.4)
At 30 April 2013	17.2	94.7	3.7	24.0	139.6

Summary of assets and liabilities as disclosed:

	2013 £million	2012 £million
Deferred tax assets	150.9	155.2
Deferred tax liabilities	(11.3)	(20.2)
	139.6	135.0

Analysis of deferred tax relating to items credited / (charged) to equity in the period:

	2012/13 £million	2011/12 £million
Actuarial losses on defined benefit pension schemes	33.0	2.5
Net gains on revaluation of cash flow hedges	0.9	(0.6)
Net gains on hedges of net investments	(0.1)	(0.9)
Credited to comprehensive expense	33.8	1.0
Share-based payments	1.8	—
	35.6	1.0

The recognition of trading losses carried forward is considered supportable due to the ability to offset losses against future profits.

As a result of share disposals, allowable losses have been incurred which are available for offset against certain future chargeable gains.

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A deferred tax asset has not been recognised in respect of these losses as it is considered that there is insufficient evidence that chargeable gains will arise. The deferred tax asset not recognised, measured at the standard rate of 23% (2012 24%), is not less than £288.0 million (2012 £301.8 million). Where permitted, certain deferred tax assets and liabilities have been offset for financial reporting purposes.

8 Earnings per share

	2012/13	2011/12
	£million	Re-presented £million
Basic and diluted loss	(158.2)	(154.3)
Adjustments (non-underlying)		
Loss from businesses exited / to be exited	7.7	8.5
Amortisation of acquired intangibles	4.2	4.5
Net restructuring charges	89.4	16.3
Business impairment charges	79.4	196.0
Other items	5.9	(35.6)
Loss on sale of business	9.6	—
Net finance costs	13.6	11.2
	209.8	200.9
Attributable to non-controlling interests	(1.3)	(3.5)
Attributable to equity shareholders of the parent company	208.5	197.4
Tax on adjustments	(17.9)	(9.2)
Tax specific non-underlying items	21.5	16.0
Attributable to non-controlling interests	0.3	0.7
Tax on adjustments attributable to equity shareholders of the parent company	3.9	7.5
Total adjustments (net of taxation)	212.4	204.9
Underlying basic and diluted earnings	54.2	50.6
	Million	Million
Weighted average number of shares for:		
Basic and underlying basic (loss) / earnings	3,616.5	3,608.7
Diluted loss [†]	3,616.5	3,608.7
Underlying diluted earnings	3,696.4	3,620.2
Potentially dilutive shares under employee share option and ownership schemes[†]	79.9	11.5

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	Pence	Pence
Basic (loss) / earnings per share		
Total	(4.4)	(4.3)
Adjustments (net of taxation)	5.9	5.7
	1.5	1.4
Underlying basic earnings per share	1.5	1.4
Diluted (loss) / earnings per share		
Total	(4.4)	(4.3)
Adjustments (net of taxation)	5.9	5.7
	1.5	1.4
Underlying diluted earnings per share	1.5	1.4

† In accordance with IAS 33, the weighted average number of shares for the calculation of diluted (loss) / earnings per share does not include potentially dilutive shares if they would decrease the loss per share.

Basic and diluted earnings per share are based on the profit for the period attributable to equity shareholders. Underlying earnings per share are presented in order to show the underlying performance of the Group. Adjustments used to determine underlying earnings are described further in note 4.

9 Goodwill

	2013 £million	2012 £million
Cost		
At beginning of period	1,443.8	1,538.1
Additions	1.1	5.1
Disposals	(12.7)	(0.2)
Currency retranslation	57.6	(99.2)
	1,489.8	1,443.8
At end of period	1,489.8	1,443.8
Impairment		
At beginning of period	703.1	567.3
Non-underlying impairment	51.8	174.3
Currency retranslation	30.7	(38.5)
	785.6	703.1
At end of period	785.6	703.1
Net book value at the end of period	704.2	740.7

(a) Carrying value

The carrying value of goodwill is made up of the following businesses:

	2013 £million	2012 £million
Elkjøp Nordic AS (Elkjøp)	676.5	650.9
Unieuro S.p.A. (Unieuro)	27.7	26.6
PIXmania S.A.S. (PIXmania)	—	46.1
Others	—	17.1
	704.2	740.7
	704.2	740.7

The non-underlying impairment charges predominantly comprise PIXmania (2011/12 PIXmania, Unieuro and Kotsovolos). Further details of impairment charges are shown in note 4.

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2012/13:

In respect of PIXmania, the macro-economic uncertainties which continue in southern Europe together with a further underperformance in the current period, coupled with a strategic review being undertaken at PIXmania following the change in management control in August 2012, have led to the conclusion that the more conservative outlook for the business now causes the original acquisition goodwill from 2006/07 to be fully impaired.

The disposals predominantly comprise the Equanet business which is described further in note 4.

2011/12:

For all three businesses impaired, increasing weaknesses in the Southern European economies which were particularly evident over the Peak trading period, together with the ensuing expectations that the achievability of targets will be considerably less than previously forecast and recovery may be prolonged, caused the directors to revise projections for the five year period referred to below significantly downwards when compared to previous periods, thereby giving rise to impairment charges.

The revised projections for Unieuro incorporated management's actions on costs as well as improving the estate and competitiveness in the market. In respect of PIXmania, this business had been evolving its business model through growth in new product categories, its E-merchant e-commerce platform, as well as other initiatives. Such actions were considered by management, through the impairment modelling described below, to appropriately support the remaining carrying value of the goodwill for Unieuro and PIXmania.

The projections for Kotsovolos demonstrated a robust market position, however, the uncertainty concerning the outlook for the economy in Greece had suppressed the projections such that the remaining value of goodwill was impaired down to £nil.

Further details of these charges is shown in note 4 and the methodology used in their calculation is set out below.

(b) Impairment testing

As required by IAS 36, goodwill is subject to annual impairment reviews. These reviews are carried out using the following criteria:

- business acquisitions generate an attributed amount of goodwill;
- the manner in which these businesses are run and managed is used to determine the 'Cash Generating Unit' (CGU) grouping as defined in IAS 36 'Impairment of Assets';
- the recoverable amount of each CGU group is determined based on calculating its value in use (VIU);
- the VIU is calculated by applying discounted cash flow modelling to management's own projections covering a five year period;
- cash flows beyond the five year period are extrapolated using a long term growth rate equivalent to the relevant market's Gross Domestic Product (GDP); and
- the VIU is then compared to the carrying amount in order to determine whether impairment has occurred.

The key assumptions used in calculating value in use are:

- management's five year projections;
- the growth rate beyond five years; and
- the pre-tax adjusted discount rate.

The five year projections, which have been approved by management, have been prepared using risk adjusted strategic plans which have regard to the relative performance of competitors and knowledge of the current market together with management's views on the future achievable growth in market share and impact of the committed initiatives. The cash flows which derive from these five year projections include ongoing capital expenditure required to develop and upgrade the store network in order to maintain and operate the businesses and to compete in their markets. In forming the five year projections, management draws on past experience as a measure to forecast future performance.

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Key assumptions used in determining the five year projections comprise the growth in sales and costs over this period. The compound annual growth rate in sales and costs can rise as well as fall year on year depending not only on the year five targets, but also on the current financial year base. These targets, when combined, accordingly drive the resulting profit margins and the profit in year five of the projections which is in turn used to calculate the terminal value in the VIU calculation. Historical amounts for the businesses under impairment review as well as from other parts of the Group are used to generate the values attributed to these assumptions.

The growth rate beyond five years is based on the GDP for the territories in which these businesses operate. The discount rates applied to cash flows are based on the Group's weighted average cost of capital having regard to the strategic five year plans themselves already being risk adjusted to take account of specific risks in the relevant market or region.

The values attributed to these assumptions are as follows:

	2013				2012			
	Compound annual growth in sales	Compound annual growth in costs	Growth rate beyond five years	Pre-tax discount rate	Compound annual growth in sales	Compound annual growth in costs	Growth rate beyond five years	Pre-tax discount rate
Elkjøp	6.6%	6.6%	2.5%	10.7%	6.1%	6.1%	2.5%	11.4%
Unieuro	10.0%	9.5%	1.2%	11.8%	6.9%	6.0%	1.5%	11.8%
PIXmania	n/a	n/a	n/a	n/a	10.5%	9.4%	2.0%	11.1%
Kotsovolos	n/a	n/a	n/a	n/a	3.1%	1.8%	1.5%	10.7%

(c) Sensitivities

A sensitivity analysis had been performed on each of the base case assumptions used for assessing the goodwill with other variables held constant. Consideration of sensitivities to key assumptions can evolve from one financial year to the next.

The directors have concluded that in the case of Elkjøp there are no reasonably possible changes in any key assumption which would cause the carrying amount of goodwill to exceed its value in use. In the case of Unieuro it is reasonably possible that a change in a key assumption could occur despite the continuing improvements in performance as referred to in the Performance Review section of the Directors' Report. The following sensitivities are therefore presented, which are calculated independently, leaving all other variables constant:

- decrease in the compound annual growth rate in sales;
- increase in the compound annual growth rate in costs;
- decrease in the growth rate beyond five years; and
- increase in the pre-tax discount rate.

In addition to the above, a further sensitivity is presented which shows the effect of a decrease in the compound annual growth rate in sales combined with an equivalent reduction in the compound annual growth rate in costs in order to reflect how sales and costs are interconnected.

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2013

Change required for surplus of value in use over carrying value to erode to £nil

	Surplus of value in use over carrying value £million	Decrease in compound annual growth in sales	Increase in compound annual growth in costs	Decrease in compound annual growth in sales and costs	Decrease in growth rate beyond five years	Increase in pre-tax discount rate
Unieuro	28.0	(0.08)%	0.08%	(8.9)%	(10.7)%	5.2%

2012

Amount of further impairment determined by further changes in key assumptions

	Surplus of value in use over carrying value £million	Decrease in compound annual growth in sales (0.05)% £million	Increase in compound annual growth in costs 0.05% £million	Decrease in compound annual growth in sales and costs (1.0)% £million	Decrease in growth rate beyond five years (0.1)% £million	Increase in pre-tax discount rate 0.5% £million
Percentage change						
Unieuro	—	17.0	16.9	3.0	0.9	5.6

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10 Intangible assets

	Other intangibles				Total £million
	Acquired intangibles £million	Software (externally acquired) £million	Software (internally generated) £million	Sub-total £million	
Cost					
At 1 May 2011	88.8	139.4	74.6	214.0	302.8
Additions	—	9.5	3.7	13.2	13.2
Disposals	—	(3.8)	(1.8)	(5.6)	(5.6)
Currency retranslation	(6.5)	(3.5)	(1.2)	(4.7)	(11.2)
At 28 April 2012	82.3	141.6	75.3	216.9	299.2
Additions	—	12.4	5.6	18.0	18.0
Disposals	(3.5)	(0.4)	(4.8)	(5.2)	(8.7)
Transfer to assets held for sale	(3.3)	—	—	—	(3.3)
Currency retranslation	3.1	2.4	0.7	3.1	6.2
At 30 April 2013	78.6	156.0	76.8	232.8	311.4
Amortisation					
At 1 May 2011	36.3	99.8	53.6	153.4	189.7
Charge for the period					
– regular	—	10.4	8.0	18.4	18.4
– non-underlying	4.5	—	—	—	4.5
Disposals	—	(3.8)	(1.6)	(5.4)	(5.4)
Currency retranslation	(2.5)	(2.7)	(0.9)	(3.6)	(6.1)
At 28 April 2012	38.3	103.7	59.1	162.8	201.1
Charge for the period					
– regular	—	10.8	6.7	17.5	17.5
– non-underlying	4.2	—	—	—	4.2
Non-underlying impairment	25.1	—	1.9	1.9	27.0
Disposals	(3.5)	(0.2)	(3.9)	(4.1)	(7.6)
Transfer to assets held for sale	(1.5)	—	—	—	(1.5)
Currency retranslation	1.5	2.1	0.7	2.8	4.3
At 30 April 2013	64.1	116.4	64.5	180.9	245.0
Net book value					
At 30 April 2013	14.5	39.6	12.3	51.9	66.4
At 28 April 2012	44.0	37.9	16.2	54.1	98.1

Acquired intangibles predominantly comprise brand names. The non-underlying impairment relates to the PIXmania brand name as described in note 4.

The transfer to assets held for sale relates to the Group's sale of Webhallen as discussed further in notes 4 and 27.

Included within the carrying amount of brand names is £14.5 million relating to the Kotsovolos brand name (2012 £27.2 million, £14.6 million relating to the PIXmania and Kotsovolos brand names, respectively) and for which the remaining life of this asset is 21 years. Included in net book value of other intangibles are assets under construction of £16.1 million (2012 £15.8 million).

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11 Property, plant & equipment

	2013			2012		
	Land and buildings £million	Fixtures, fittings and equipment £million	Total £million	Land and buildings £million	Fixtures, fittings and equipment £million	Total £million
Cost						
At beginning of period	153.1	1,202.2	1,355.3	209.6	1,327.9	1,537.5
Additions	—	82.5	82.5	2.1	78.7	80.8
Disposals	(1.2)	(114.0)	(115.2)	(56.9)	(166.0)	(222.9)
Transfer to assets held for sale	—	(2.0)	(2.0)	—	—	—
Currency retranslation	0.3	21.1	21.4	(1.7)	(38.4)	(40.1)
At end of period	152.2	1,189.8	1,342.0	153.1	1,202.2	1,355.3
Depreciation						
At beginning of period	57.4	817.5	874.9	64.4	889.4	953.8
Charge for the period						
– regular	5.5	111.0	116.5	5.8	114.6	120.4
– non-underlying: accelerated	—	—	—	—	3.4	3.4
Non-underlying impairment	7.9	4.2	12.1	3.7	6.4	10.1
Reclassification	—	—	—	13.3	(13.3)	—
Disposals	(0.6)	(108.5)	(109.1)	(29.7)	(160.2)	(189.9)
Transfer to assets held for sale	—	(1.0)	(1.0)	—	—	—
Currency retranslation	(0.1)	14.7	14.6	(0.1)	(22.8)	(22.9)
At end of period	70.1	837.9	908.0	57.4	817.5	874.9
Net book value at end of period	82.1	351.9	434.0	95.7	384.7	480.4
Included in net book value						
Land not depreciated	6.5	—	6.5	9.5	—	9.5
Assets in the course of construction	—	17.7	17.7	—	14.5	14.5
Assets held under finance leases	59.7	3.0	62.7	69.8	4.8	74.6

£0.9 million of additions related to finance leases (2011/12 £4.8 million). Legal title for these leased assets remains with the lessor.

The transfer to assets held for sale relates to the Group's sale of Webhallen as discussed further in notes 4 and 27.

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12 Investments in associates

	2013	2012
	£million	£million
At beginning of period	3.5	3.4
Share of profit after tax	—	0.6
Acquisitions	—	0.1
Non-underlying impairment	(2.5)	—
Transfer of associate to subsidiary undertakings	(0.3)	(0.5)
Dividend	(0.4)	—
Currency retranslation	0.2	(0.1)
At end of period	0.5	3.5
Comprising:		
F-Group (40%)	—	2.7
Other	0.5	0.8
	0.5	3.5

The Group's share of post-tax results of associates is recorded as a single line in the income statement within operating results. Investments in other associates comprise shareholdings in several different enterprises in the Nordic region, none of which are significant.

2012/13: The non-underlying impairment relates to weakness in the results and long term outlook for F-Group such that the directors have concluded that a full impairment is required.

In 2012/13 and 2011/12 the transfer of associate to subsidiary undertakings relates to previous small associate shareholdings which became subsidiaries following the acquisition of the remaining shares during the period.

13 Inventories

	2013	2012
	£million	£million
Finished goods and goods for resale	928.7	908.6
Provision for obsolete and slow moving goods	(33.3)	(34.4)
	895.4	874.2

14 Trade and other receivables

		2013		2012	
	Note	Current	Non-current	Current	Non-current
		£million	£million	£million	£million
Trade debtors		197.6	4.6	220.4	5.7
Provision for bad and doubtful debts		(25.0)	—	(24.8)	—
		172.6	4.6	195.6	5.7
Derivative financial instruments	22	4.3	—	13.0	—
Other debtors		40.7	15.7	47.2	16.9
Prepayments		63.3	0.3	65.4	1.0
Accrued income		23.6	—	22.7	—
		304.5	20.6	343.9	23.6

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The majority of trade and other receivables are non-interest bearing and are generally on 30 to 90 day terms. The balance comprises both B2B receivables and consumer credit receivables with no material individual balances. The total financial assets included within trade and other receivables are £261.5 million (2012 £301.1 million). The carrying amount of trade and other receivables approximates fair value with no concentration of credit risk.

The Group's trade debtors included the following amounts which are past due at the end of the period and for which the Group has not provided for owing to the amounts being considered recoverable:

	2013	2012
	£million	£million
Up to six months past due	24.9	34.1
Six to 12 months past due	1.4	1.3
Over 12 months past due	0.2	—
	26.5	35.4

Movements on the provision for bad and doubtful debts are as follows:

	2013	2012
	£million	£million
At beginning of period	24.8	25.9
Charge for the year	5.6	6.5
Utilisation of provision	(5.3)	(6.5)
Currency retranslation	(0.1)	(1.1)
At end of period	25.0	24.8

The Group does not hold any collateral as security over receivables balances.

15 Short term investments

	2013	2012
	£million	£million
Floating rate notes	2.4	2.3
Money market deposits	—	5.0
	2.4	7.3

Floating rate notes have a nominal value of £2.5 million (2012 £2.8 million) and have an average expected maturity of 13.8 years (2012 12.9 years). During 2011/12 money market deposits were made for varying periods of 90 to 180 days. At 28 April 2012 the outstanding deposits had an average maturity of 118 days. The carrying amount of money market deposits approximates their fair value.

16 Cash and cash equivalents

	2013	2012
	£million	£million
Cash at bank	107.3	199.3
Money market deposits	298.0	117.5
	405.3	316.8

Cash at bank earns interest at floating rates based either on daily bank deposit rates or central bank lending rates. Money market deposits are made for varying periods of up to 90 days with an average maturity of 31 days (2012 17 days). The carrying amount of money market deposits approximates their fair value.

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17 Borrowings

	2013	2012
	£million	£million
Current		
Bank overdrafts	17.7	15.8
Other borrowing	4.5	—
6.125% Guaranteed Bonds 2012	—	162.5
	<u>22.2</u>	<u>178.3</u>
Non-current		
8.75% Guaranteed Notes 2015	98.8	147.8
8.75% Guaranteed Notes 2017	146.6	—
	<u>245.4</u>	<u>147.8</u>

Bank overdrafts are repayable on demand.

On 24 May 2012, the Group signed an amendment and restatement agreement implementing a revised revolving facility agreement for £300 million (the Amended Facility). This Amended Facility, which has a maturity date of 30 June 2015, amended the previous £360 million revolving credit facility (the £360 million Facility) and the terms and covenants attaching to the Amended Facility are substantially the same as that for the £360 million Facility. In September 2012, the Amended Facility reduced to £225 million upon issue of the 8.75% Guaranteed Notes 2017 (under the terms stipulated in the Amended Facility concerning the issuance of new borrowings) and will reduce further to £200 million in August 2013. The available amount of the Amended Facility is reduced by any pre-designated funds. As at 30 April 2013 there were no drawings under the Amended Facility and the available amount was £205.7 million (2012 no drawings under the £360 million Facility with an available undrawn amount of £360 million). The £225 million Facility is described further in note 22(d).

Current borrowings include loans in Turkey with an average maturity of 84 days at a rate of 8.1% which cover credit card receivables.

The carrying amount of current borrowings approximates their fair value.

On 20 September 2012, the Group repurchased £49.4 million in nominal amount of its 8.75% Guaranteed Notes 2015 (the 2015 Notes). This repurchase was funded by part of a new issue of £150 million 8.75% Guaranteed Notes 2017 (the 2017 Notes) and for which the proceeds were received on 19 September 2012.

The remaining 2015 Notes are denominated in sterling with a nominal value of £100.6 million (2012 £150 million), paying interest semi-annually, and are guaranteed by a number of UK and Irish subsidiary undertakings of the Group, including DSG Retail Limited. The 2015 Notes are listed on the London Stock Exchange. Unless previously redeemed or purchased and cancelled the 2015 Notes will be redeemed at par on 3 August 2015. The 2015 Notes may be redeemed in whole or in part at their principal amount plus accrued interest by providing 30 to 60 days' notice to the Noteholders. The 2015 Notes may also be purchased in the open market by any company within the Group. In either circumstance, the 2015 Notes and any unmatured coupons will be cancelled and may not be re-issued or re-sold. In the event of a specific change of control event, each Noteholder has an option to require Dixons Retail plc to redeem or, at the option of Dixons Retail plc, purchase (or procure the purchase of) any of the 2015 Notes held by such Noteholder at a cash price equal to 101% of their principal amount together with interest accrued. The value of the 2015 Notes excludes accrued interest of £2.2 million (2012 £3.2 million), included in trade and other payables.

The 2017 Notes are denominated in sterling with a nominal value of £150 million, paying interest semi-annually, and are guaranteed by a number of UK and Irish subsidiary undertakings of the Group, including DSG Retail Limited. The 2017 Notes are listed on the London Stock Exchange. Unless previously redeemed or purchased and cancelled the 2017 Notes will be redeemed at par on 15 September 2017. The 2017 Notes may be redeemed in whole or in part at their principal amount plus accrued interest by providing 30 to 60 days' notice to the Noteholders. The 2017

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Notes may also be purchased in the open market by any company within the Group. In either circumstance, the 2017 Notes and any unmatured coupons will be cancelled and may not be re-issued or re-sold. In the event of a specific change of control event, each Noteholder has an option to require Dixons Retail plc to redeem or, at the option of Dixons Retail plc, purchase (or procure the purchase of) any of the 2017 Notes held by such Noteholder at a cash price equal to 101% of their principal amount together with interest accrued. The value of the 2017 Notes excludes accrued interest of £1.6 million, included in trade and other payables.

The 6.125% Guaranteed Bonds 2012 (the 2012 Bonds) were redeemed on 15 November 2012. At 28 April 2012, the value of the 2012 Bonds excluded accrued interest of £4.4 million, included in trade and other payables.

Further information concerning fair value, hedging and ensuing interest rate and currency profiles relating to the 2012 Bonds, the 2015 Notes and the 2017 Notes is included in note 22.

18 Obligations under finance leases

	2013		2012	
	Minimum lease payments £million	Present value of minimum lease payments £million	Minimum lease payments £million	Present value of minimum lease payments £million
Amounts due:				
Within one year	9.0	8.3	10.1	9.2
In more than one year and not more than five years	34.6	27.9	34.8	28.2
In more than five years	130.7	61.8	139.7	64.6
	174.3	98.0	184.6	102.0
Less future finance charges	(76.3)	—	(82.6)	—
Present value of lease obligations	98.0	98.0	102.0	102.0
Less amounts due within one year	(2.0)	(2.0)	(3.1)	(3.1)
Amounts due after more than one year	96.0	96.0	98.9	98.9

The majority of finance leases relate to properties in the UK where obligations are denominated in sterling and remaining lease terms vary between 12 and 23 years. The effective borrowing rate on individual leases ranged between 5.51% and 8.15% (2012 between 5.51% and 8.15%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligations approximates their carrying amount.

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19 Trade and other payables

	Note	2013		2012	
		Current £million	Non-current £million	Current £million	Non-current £million
Trade creditors		1,064.0	—	961.1	—
Other taxation and social security		138.6	—	133.5	—
Derivative financial instruments	22	5.5	—	67.2	—
Other creditors		64.7	21.8	36.5	21.8
Accruals		245.0	85.5	230.2	83.6
Deferred income – customer support agreements		116.3	154.5	120.5	147.0
Deferred income – other		33.6	0.7	30.0	2.8
		1,667.7	262.5	1,579.0	255.2

Included in other creditors and accruals is £60.0 million (2012 £60.4 million) relating to other non-financial liabilities. The total financial liabilities included in trade and other payables are £1,426.5 million (2012 £1,340.0 million). The carrying amount of trade and other payables approximates their fair value.

20 Provisions

	2013			2012		
	Property related £million	Severance and other £million	Total £million	Property related £million	Severance and other £million	Total £million
At beginning of period	31.1	7.1	38.2	38.4	21.9	60.3
Additions	18.5	25.7	44.2	17.5	5.5	23.0
Transfer to liabilities held for sale	—	(0.4)	(0.4)	—	—	—
Utilisation	(10.0)	(9.8)	(19.8)	(23.6)	(20.2)	(43.8)
Currency retranslation	0.5	0.2	0.7	(1.2)	(0.1)	(1.3)
At end of period	40.1	22.8	62.9	31.1	7.1	38.2
Analysed as:						
Current	14.0	22.8	36.8	11.5	7.1	18.6
Non-current	26.1	—	26.1	19.6	—	19.6
	40.1	22.8	62.9	31.1	7.1	38.2

Additions during the period relate to restructuring and business impairment charges which are described further in note 4. Property related provisions mainly comprise onerous lease contracts.

Of the amounts included within non-current liabilities remaining at 30 April 2013, the majority are expected to be utilised within the next ten years.

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21 Retirement and other post-employment benefit obligations

	2013	2012
	£million	£million
Retirement benefit obligations – UK	(406.4)	(261.9)
– Northern Europe	(2.7)	(4.1)
	(409.1)	(266.0)
	(409.1)	(266.0)

The Group operates a number of defined contribution and defined benefit pension schemes.

The principal scheme which operates in the UK includes a funded defined benefit section whose assets are held in a separate trustee administered fund. The scheme is valued by a qualified actuary at least every three years and contributions are assessed in accordance with the actuary's advice so as to spread the pension cost over the normal expected service lives of members. Since 1 September 2002, the defined benefit section of the scheme has been closed to new entrants and on 30 April 2010 was closed to future accrual with automatic entry into the defined contribution section being offered to those active members of the defined benefit section at that time. Membership of the defined contribution section is offered to eligible employees.

In the Northern Europe division, the Group operates two funded secured defined benefit pension schemes with assets held by a life insurance company as well as an unsecured pension arrangement. In addition, contributions are made to a state pension scheme. The net movement in the obligation comprises a charge to operating profit of £0.9 million (2011/12 £0.6 million) with the remaining movements relating to the benefits paid in the period, actuarial gains / (losses) and currency retranslation.

In other territories, the Group also provides other post-employment benefits which are largely governed by statute, in particular in Italy and Greece. These benefits are unfunded.

(a) Defined contribution pension schemes

The pension charge in respect of defined contribution schemes was £16.9 million (2011/12 £12.6 million).

(b) UK Defined benefit pension scheme – actuarial valuation and assumptions

A full actuarial valuation of the scheme was last carried out as at 31 March 2010 and showed a shortfall of assets compared with liabilities of £239.0 million. A 'recovery plan' based on this valuation, agreed with the trustee, commenced in 2010/11 with special contributions of £12.0 million, which rose to £16.0 million and £20.0 million in 2011/12 and 2012/13 respectively. Contributions will remain at £20.0 million for 2013/14 and will rise approximately annually thereafter to £35.0 million by 2020/21. The next triennial valuation has commenced and will be as at 31 March 2013.

The principal actuarial assumptions as at 31 March 2010 were:

		Rate per annum
Discount rate for accrued benefits	– Pre-retirement	6.4%
	– Post-retirement	5.1% – 5.3%
Rate of increase to pensions	– Guaranteed Minimum Pension	0% – 2.8%
	– Pension in excess of Guaranteed Minimum Pension	2.4% – 4.1%
Inflation		3.7%
Expected return on assets		6.6%

At 31 March 2010, the market value of the scheme's investments was £672.0 million and, based on the above assumptions, the value of the assets was sufficient to cover 74% of the benefits accrued to members with the liabilities amounting to £911.0 million.

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(c) UK Defined benefit pension scheme – IAS 19

The following summarises the components of net benefit expense recognised in the consolidated income statement, the funded status and amounts recognised in the consolidated balance sheet. The methodologies set out in IAS 19 are different from those used by the scheme actuaries in determining funding arrangements.

(i) Principal assumptions adopted

The assumptions used in calculating the expenses and obligations are set by the directors after consultation with the independent actuaries.

Rates per annum	2013	2012
Discount rate	4.3%	5.2%
Rate of increase in pensions in payment / deferred pensions (pre / post April 2006 accrual)	3.2% / 2.1%	3.1% / 2.1%
Inflation	3.3%	3.2%

The Group uses certain demographic assumptions when calculating scheme obligations which are those underlying the last formal actuarial valuation of the scheme as at 31 March 2010. In particular, post-retirement mortality has been assumed to follow the standard mortality tables 'S1' All Pensioners tables published by the CMI, based on the experience of Self-Administered Pension Schemes (SAPS) from 2000 to 2006 with medium cohort improvements up to 2009 and multipliers of 105% for males and 110% for females. In addition, an allowance has been made for future improvements in longevity by using the new CMI 2009 Core projections with a long term rate of improvement of 1.5% per annum for men and 1.0% per annum for women. Applying such tables results in an average expected longevity of between 87.2 years and 88.8 years for men and between 88.6 years and 89.7 years for women (2012 between 87.1 years and 88.7 years for men and between 88.5 years and 89.6 years for women) for those becoming 65 at the measurement date.

(ii) Amounts recognised in consolidated income statement

	2012/13	2011/12
	£million	£million
Expected return on plan assets	43.5	44.8
Interest cost on benefit obligations	(50.8)	(50.5)
Net other finance costs	(7.3)	(5.7)

(iii) Amounts recognised in the consolidated balance sheet

	2013	2012	2011	2010	2009
	£million	£million	£million	£million	£million
Present value of defined benefit obligations	(1,225.2)	(991.8)	(949.7)	(929.4)	(693.3)
Fair value of plan assets	818.8	729.9	705.7	665.9	544.5
Net obligation	(406.4)	(261.9)	(244.0)	(263.5)	(148.8)

Changes in the present value of the defined benefit obligation:

	2013	2012
	£million	£million
Opening obligation	991.8	949.7
Interest cost	50.8	50.5
Actuarial loss	211.6	24.6
Benefits paid	(29.0)	(33.0)
Closing obligation	1,225.2	991.8

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Changes in the fair value of the scheme assets:

	2013	2012
	£million	£million
Opening fair value	729.9	705.7
Expected return	43.5	44.8
Employer special contributions	20.0	16.0
Actuarial gain / (loss)	54.4	(3.6)
Benefits paid	(29.0)	(33.0)
Closing fair value	818.8	729.9

Analysis of scheme assets:

	2013			2012		
	Long term expected rate of return	£million	% of fair value of total scheme assets	Long term expected rate of return	£million	% of fair value of total scheme assets
Equities (UK / Overseas)	7.0% / 7.6%	539.7	65.9%	7.0% / 7.6%	481.7	66.0%
Property	4.9%	33.4	4.1%	5.2%	32.9	4.5%
Bonds / gilts	2.8%	238.5	29.1%	3.4%	205.8	28.2%
Cash	3.3%	7.2	0.9%	3.2%	9.5	1.3%
		818.8			729.9	

The overall expected rate of return on assets is determined based on the market prices prevailing at the balance sheet date, applicable to the period over which the obligation is to be settled. Actual return on the scheme assets was a gain of £97.9 million (2011/12 gain of £41.2 million). The actual return on other post-employment benefit scheme assets was not significant.

(iv) Experience adjustments recognised in the consolidated statement of comprehensive income and expense:

	2012/13	2011/12	2010/11	2009/10	2008/09
	£million	£million	£million	£million	£million
(Loss) / gain on scheme liabilities	(211.6)	(24.6)	3.7	(241.4)	81.8
Gain / (loss) from actual less expected return on assets	54.4	(3.6)	9.4	85.4	(196.1)
Actuarial (losses) / gains	(157.2)	(28.2)	13.1	(156.0)	(114.3)
Cumulative actuarial (loss) / gain	(433.8)	(276.6)	(248.4)	(261.5)	(105.5)

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(d) Sensitivities

The value of the UK defined benefit pension scheme assets is sensitive to market conditions, particularly equity values. Changes in assumptions used for determining retirement benefit costs and liabilities may have a material impact on the 2012/13 income statement and the balance sheet. The main assumptions are the discount rate, the rate of inflation and the assumed mortality rate. The following table provides an estimate of the potential impacts of each of these variables if applied to the current period consolidated income statement and balance sheet.

	Net finance costs		Net deficit	
	2012/13 £million	2011/12 £million	2013 £million	2012 £million
Positive / (negative) effect:				
Discount rate: 0.25% increase	0.2	0.2	62.5	53.3
Inflation rate: 0.25% increase [†]	(2.4)	(2.4)	(53.5)	(47.6)
Mortality rate: 1 year increase	(1.4)	(1.3)	(36.2)	(25.8)

[†] The increase in scheme benefits provided to members on retirement is subject to an inflation cap.

(e) Other post-employment benefits – IAS 19

The Group offers other post-employment benefits to employees in overseas locations. At 30 April 2013 the net obligation in relation to these benefits was £12.6 million (2012 £11.1 million). The net movement in the obligation comprises a charge to operating profit of £5.5 million (2011/12 £3.8 million) with the remaining movements relating to the benefits paid in the period, actuarial gains / (losses) and currency retranslation.

22 Financial instruments

(a) Financial risk management objectives and policies

Treasury operations are managed centrally within policies approved by the Board and are subject to periodic independent internal and external reviews. Group Treasury reports regularly to the Tax & Treasury Committee and as required, to the Board. The major treasury risks to which the Group is exposed relate to market risks (movements in foreign exchange and interest rates), liquidity risk and credit risk. Areas where risks are most likely to occur are evaluated regularly. The Group uses financial instruments and derivatives to manage these risks in accordance with defined policies. Throughout the period under review, in accordance with Group policy, no speculative use of derivatives, foreign exchange or other instruments was permitted.

The Group's accounting policies in relation to derivatives are set out in note 1.16.

Exchange rate risk

The Group is exposed to exchange movements on recognised assets and liabilities, overseas earnings and translated values of foreign currency assets and liabilities. The Group's principal translation currency exposures are the euro and Norwegian krone. Taking into account the cost of hedging, the Group's policy is to match, in whole or in part, currency earnings with related currency costs and currency assets with currency liabilities through the use of appropriate hedging instruments.

The Group is also exposed to certain transactional currency exposures. Such exposures arise from purchases in currencies other than in the functional currency of the entity. The Group's principal transactional currency exposures are the US dollar and euro. It is Group policy to minimise the currency exposures on such purchases through the use of appropriate hedging instruments such as forward exchange contracts. Such contracts are designed to cover exposures ranging from one month to one year.

Interest rate risk

The principal interest rate risks of the Group arise in respect of sterling cash, investments and euro and sterling borrowings. Potential exposure to interest rate movements is mitigated by the Group's policy to match to the extent possible the profile of interest payments with that of its interest receipts.

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Liquidity risk

It is Group policy to maintain a balance of funds, borrowings, committed bank and other facilities sufficient to meet anticipated short term and long term financial requirements. In applying this policy the Group continuously monitors forecast and actual cash flows against the maturity profiles of financial assets and liabilities. Uncommitted facilities are used if available on advantageous terms. It is Group Treasury policy to ensure that a specific level of committed facilities is always available based on forecast working capital requirements.

Cash forecasts identifying the Group's liquidity requirements are produced and are stress tested for different scenarios including, but not limited to, reasonably possible decreases in profit margins and increases in interest rates on the Group's borrowing facilities and the weakening of sterling against other functional currencies within the Group.

Credit risk

The Group's exposure to credit risk on liquid funds, investments (mainly bank deposits and floating rate notes) and derivative financial instruments arises from the risk of non-performance of counterparties, with a maximum exposure equal to the book value of these assets. The Group limits its exposure to credit risk through application of Group Treasury policy which limit the credit exposure to counterparties with a Moody's long term credit rating below A1, bank financial strength rating below C and short term credit rating below P1. The Group also has policies that limit the amount of credit exposure to any single financial institution. The Group continuously reviews the credit quality of counterparties, the limits placed on individual credit exposures and categories of investments. The Group does not anticipate non-performance of counterparties and believes it is not subject to material concentration of credit risk given the policies in place.

The Group's receivable balances comprise a large number of individually small amounts from unrelated customers, spread across diverse industries and geographical areas. Concentration of risk is therefore limited and maximum exposure is equal to the book value of receivables. Sales to retail customers are made predominantly in cash or via major credit cards. It is Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. New credit customers are assessed using an external rating report which is used to establish a credit limit. Such limits are reviewed periodically on both a proactive and reactive basis, for example, when a customer wishes to place an order in excess of their existing credit limit. Receivable balances are monitored regularly with the result that the Group's exposure to bad debts is not significant. Management therefore believe that there is no further credit risk provision required in excess of the normal provision for doubtful receivables.

Capital risk management

It is the Group's policy to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Group is subject to certain externally imposed capital requirements in the form of banking covenants involving borrowing ratios which it met throughout the period.

The Board has delegated responsibility for routine capital expenditure to a Capital Committee, which has approval responsibility for: Group long term and budgeted capital spend, setting capital assessment criteria, new store capital approval, subsidiary company funding, business acquisitions, business disposals and contingent liabilities such as guarantees. The Committee also approves routine statutory and internal delegated powers of authority in relation to capital expenditure.

The Group considers the manner in which funds are distributed to shareholders by assessing the performance of the business, the level of available net funds and the short to medium term strategic plans concerning future capital spend as well as the need to meet banking covenants and borrowing ratios. Such assessment will influence the level of dividends payable as well as consideration from time to time of market purchases of the Group's own shares.

The Group monitors available net funds on a regular basis and this is affected by Free Cash Flow, one of the Group's key performance indicators as defined further in the Strategic Summary section of the Directors' Report.

(b) Fair values of financial assets and liabilities

For receivables and payables classified as financial assets and liabilities in accordance with IAS 32, fair value is estimated to be equivalent to book value. These values are shown in notes 14 and

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19, respectively. The categories of financial assets and liabilities and their related accounting policy are set out in notes 1.11 and 1.15.

For those financial assets and liabilities which bear either a floating rate of interest or no interest, fair value is estimated to be equivalent to book value. These values are shown in note 22(d).

The 2012 Bonds were repurchased during the year. At 28 April 2012, the fair value of the 2012 Bonds was £160.4 million and they were carried at amortised cost, plus a fair value adjustment, as a result of the fair value hedge discussed below. Excluded from the fair value was £4.4 million of accrued interest which was included in trade and other payables.

The fair value of the 2015 Notes is £112.4 million (2012 £147.4 million). The 2015 Notes are carried at amortised cost. Excluded from the fair value is £2.2 million (2012 £3.2 million) of accrued interest which is included in trade and other payables.

The 2017 Notes were issued during the period and the fair value is £169.1 million. The 2017 Notes are carried at amortised cost. Excluded from the fair value is £1.6 million of accrued interest which is included in trade and other payables.

Fair value of derivatives is predominantly determined using observable market data such as interest rates and foreign exchange rates. As such, derivatives are classified as 'Level 2' under the requirements of IFRS 7 'Financial Instruments: Disclosures'.

Fair values of derivatives by designation

	2013		
	Trade and other receivables – current £million	Trade and other payables – current £million	Total £million
Derivatives held to:			
Manage the currency exposure of:			
Financial assets and liabilities	2.9	(1.9)	1.0
Future transactions occurring within one year	1.4	(3.6)	(2.2)
Total derivatives	<u>4.3</u>	<u>(5.5)</u>	<u>(1.2)</u>

	2012		
	Trade and other receivables – current £million	Trade and other payables – current £million	Total £million
Derivatives held to:			
Hedge interest rate risk	9.0	—	9.0
Manage the currency exposure of:			
Financial assets and liabilities	1.5	(3.9)	(2.4)
Net investments in overseas subsidiaries	—	(62.6)	(62.6)
Future transactions occurring within one year	2.5	(0.7)	1.8
Total derivatives	<u>13.0</u>	<u>(67.2)</u>	<u>(54.2)</u>

Included in derivative financial instruments are forward foreign currency contracts, options, interest rate swaps and currency swaps.

(c) Hedging activities

The Group manages exposures that arise on purchases and sales denominated in foreign currencies predominantly by entering into forward foreign exchange currency contracts. It also uses swaps and options to manage its interest rate and foreign exchange translation exposure.

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During the year, the Group had interest rate swaps designated as fair value hedges for the 2012 Bonds with a notional amount of £125 million whereby it received a fixed interest rate of 6.125% and paid a floating rate of interest based on LIBOR, which matured in November 2012. The Group also had interest rate swaps in place with a notional amount of £125 million whereby the Group received a fixed interest rate of 6.125% and paid a floating rate of interest based on LIBOR, and which acted as a hedge for the 2015 Notes until August 2012. These swaps were not designated as hedges under IAS 39.

During 2011/12 forward foreign exchange contracts were entered into which reduced the hedge against euro denominated net investments to €100 million at 28 April 2012. These derivative contracts matured in November 2012.

The Group designates financial instruments as hedges under IAS 39 as follows:

Cash flow hedges

At 30 April 2013 the Group had forward foreign exchange contracts in place with a notional value of £381.3 million (2012 £415.5 million) that are designated and effective as cash flow hedges. These contracts are expected to cover exposures ranging from one month to one year. The fair value movement on these currency derivatives which has been taken to equity in the year amounts to a £12.7 million loss (2011/12 £3.3 million gain). In respect of contracts which matured during the period, losses of £5.4 million and losses of £3.4 million have been transferred out of equity into inventory and out of equity into operating profit, respectively (2011/12 losses of £4.7 million and gains of £5.3 million).

No hedge ineffectiveness was recorded in the income statement (2011/12 £0.2 million gain).

Fair value hedges

As mentioned above the Group had interest rate swaps in place for the 2012 Bonds whereby it received a fixed interest rate of 6.125% and paid a floating rate of interest based on LIBOR. The interest rate swaps were used to hedge the exposure to changes in the fair value of £125 million of the 2012 Bonds and had the same critical terms. At 28 April 2012, the fair value of interest rate swaps entered into as fair value hedges was an asset of £5.3 million. These swaps matured in November 2012.

A fair value loss on the interest rate swaps of £2.4 million (2011/12 loss of £4.4 million) has been recognised in the income statement and offset by an equivalent fair value gain on the 2012 Bonds. Hedge ineffectiveness of £0.2 million loss was recorded in the income statement (2012 £0.6 million gain).

Hedge of net investments in foreign operations

The Group had forward foreign exchange contracts and cross currency swaps in place which matured in November 2012 with a notional value of €100 million which were designated as a hedge of the net investments in foreign operations. Gains and losses on the retranslation of these derivatives were transferred to equity to offset any gains or losses on translation of the net investments in the foreign operations. At 28 April 2012, the fair value of currency derivatives entered into as net investment hedges was a £62.6 million liability.

No hedge ineffectiveness was recorded in the income statement (2011/12 £nil).

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(d) Interest rate profile of financial assets and financial liabilities by currency

The following table sets out the interest rate exposure of the financial assets and liabilities of the Group. The financial instruments not included in the table are non-interest bearing and are therefore not subject to interest rate risk.

	2013				
	Sterling £million	Euro £million	US dollar £million	Other currencies £million	Total £million
Cash and cash equivalents and short term investments:					
Floating rate	55.2	55.8	21.2	36.4	168.6
Fixed rate	239.1	—	—	—	239.1
	<u>294.3</u>	<u>55.8</u>	<u>21.2</u>	<u>36.4</u>	<u>407.7</u>
Borrowings:					
Floating rate	—	(6.1)	—	(11.6)	(17.7)
Fixed rate	(245.4)	—	—	(4.5)	(249.9)
Obligations under finance leases:					
Fixed rate	(95.3)	(1.2)	—	(1.5)	(98.0)
	<u>(340.7)</u>	<u>(7.3)</u>	<u>—</u>	<u>(17.6)</u>	<u>(365.6)</u>
Net (debt) / funds	<u>(46.4)</u>	<u>48.5</u>	<u>21.2</u>	<u>18.8</u>	<u>42.1</u>
	2012				
	Sterling £million	Euro £million	US dollar £million	Other currencies £million	Total £million
Cash and cash equivalents and short term investments:					
Floating rate	106.2	35.9	33.7	27.7	203.5
Fixed rate	111.0	4.2	—	5.4	120.6
	<u>217.2</u>	<u>40.1</u>	<u>33.7</u>	<u>33.1</u>	<u>324.1</u>
Borrowings:					
Floating rate	(50.0)	(206.6)	—	(9.4)	(266.0)
Fixed rate	(60.1)	—	—	—	(60.1)
Obligations under finance leases:					
Fixed rate	(97.5)	(3.2)	—	(1.3)	(102.0)
	<u>(207.6)</u>	<u>(209.8)</u>	<u>—</u>	<u>(10.7)</u>	<u>(428.1)</u>
Net debt	<u>9.6</u>	<u>(169.7)</u>	<u>33.7</u>	<u>22.4</u>	<u>(104.0)</u>

Floating rate cash and cash equivalents and short term investments relates to cash at bank and floating rate notes. Cash at bank earns interest at floating rates based either on daily bank deposit rates or central bank lending rates. Floating rate notes have an effective yield of 0.99% (2012 1.19%).

Fixed rate cash and cash equivalents and short term investments are predominantly money market deposits (as shown in note 16) and earn interest at an average effective rate of 0.42% (2012 0.80%).

Floating rate borrowings include bank overdrafts and fixed rate bonds after taking into account the effect of interest rates swaps entered into by the Group. The weighted average effective interest rate on bank overdrafts approximates 5.7% (2012 9.9%). At 28 April 2012, the Group's interest

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rate swaps (which related to the 2012 Bonds and the 2015 Notes) had a nominal value of £250 million. During the period to maturity of these swaps in November 2012, the Group received fixed interest rates of 6.125% (2011/12 6.125%) and paid floating rates of LIBOR plus margins which ranged from 1.68% to 2.37% (2011/12 1.76% to 2.37%). At 28 April 2012, the Group's currency swaps had a nominal value of £200 million, received LIBOR plus a margin and paid EURIBOR plus a margin. During the period to maturity of these swaps in November 2012, the sterling floating rates ranged from 1.58% to 2.06% (2011/12 1.78% to 2.06%) and the euro floating rates ranged from 1.31% to 2.14% (2011/12 2.13% to 2.62%).

The other major component of floating rate borrowings is drawings under the Amended Facility (2011/12 the £360 million Facility). Interest on drawn amounts on the Amended Facility is payable at LIBOR plus a margin of 3.75%. The commitment fee on undrawn amounts is 1.6875%. A utilisation fee of 0.25% is payable on drawings greater than one third of the maximum but less than two thirds of the maximum and a rate of 0.5% on drawings greater than two thirds of the maximum. The Amended Facility is guaranteed by a number of UK and Irish subsidiary undertakings of the Group, including DSG Retail Limited. In the event of a change of control, the syndicated banks have the option to terminate the Amended Facility. The terms of the £360 million Facility were similar and further information on both the Amended Facility and the £360 million Facility are shown in note 17.

At 28 April 2012, sterling fixed rate borrowings related to £35 million of the 2012 Bonds and £25 million of the 2015 Notes whereby the remainder had been swapped into floating rate borrowings as described in note 22(c).

Amounts in respect of other currencies relate to funds held within subsidiary companies, operating in the Nordic region and Central Europe.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

(e) Sensitivity analysis

The following analysis, required by IFRS 7, shows the sensitivity of profit before tax and total equity to changes in specified market variables on monetary assets and liabilities and derivative financial instruments as listed below. As a consequence, the sensitivity reflects the position as at 30 April 2013 and 28 April 2012, and is not necessarily representative of actual or future outcomes.

Changes in exchange rates affect the Group's profit before tax due to changes in the value of monetary assets and liabilities and derivative financial instruments. Changes in exchange rates affect the Group's total equity due to changes in the fair value of derivatives designated as cash flow hedges and net investment hedges. The table below shows the Group's sensitivity to a reasonably possible change in the Group's key currencies of US dollar, euro and Norwegian krone with other variables held constant. A 10% decrease would have an equal and opposite effect.

	2013		2012	
	Effect on underlying profit before tax increase / (decrease) £million	Effect on total equity increase / (decrease) £million	Effect on underlying profit before tax increase / (decrease) £million	Effect on total equity increase / (decrease) £million
Change in exchange rates:				
US dollar + 10%	(0.3)	1.6	0.9	3.5
Euro + 10%	(18.5)	—	(11.8)	5.8
Norwegian krone + 10%	—	(7.9)	(0.2)	(10.2)

Changes in interest rates affect the Group's profit before tax, mainly due to the impact of floating rate borrowings, cash and derivative financial instruments. The Group's principal floating rate interest rate exposures are based on LIBOR and EURIBOR. The numbers below shows the sensitivity to a reasonably possible change in interest rates (uniform across all currencies), with

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other variables held constant. A 1% decrease would have an equal and opposite effect. A 1% increase in interest rates would increase profit before tax and equity by £0.5 million (2011/12 a £2.3 million decrease in profit before tax and equity).

The following assumptions were made in calculating the sensitivity analysis:

- The balance of borrowings, investments and the derivative portfolio are all held constant for the whole year.
- All net investment, fair value and cash flow hedges are assumed to be highly effective.
- The effect of changes in interest rates on fixed rate bonds is calculated after taking into account the effect of interest rate swaps. In combination these financial instruments are floating in nature.
- Changes in the carrying value of derivative financial instruments designated as net investment hedges arising from movements in interest rates are recorded in the income statement. The impact of movements in exchange rates is recorded directly in equity.
- Changes in the carrying value of derivative financial instruments that are not in hedging relationships arising from movements in interest rates and exchange rates only affect the income statement to the extent that they are not offset by changes in an underlying transaction.

(f) Liquidity risk

The tables below analyse the Group's contractual undiscounted cash flows payable under financial liabilities (excluding finance lease liabilities, which are shown in note 18) and derivative assets and liabilities into their maturity groupings. The tables include both principal and interest flows.

2013					
Contractual undiscounted cash flows					
	Within one year £million	In more than one year but not more than five years £million	In more than five years £million	Total £million	Carrying value £million
Non derivative financial liabilities:					
Bank overdrafts	(17.7)	—	—	(17.7)	(17.7)
Other borrowings	(4.5)	—	—	(4.5)	(4.5)
Trade and other payables	(1,352.9)	(43.2)	(21.1)	(1,417.2)	(1,421.0)
8.75% Guaranteed Notes 2015	(8.8)	(118.2)	—	(127.0)	(98.8)
8.75% Guaranteed Notes 2017	(13.1)	(196.0)	—	(209.1)	(146.6)
	(1,397.0)	(357.4)	(21.1)	(1,775.5)	(1,688.6)
Derivative contracts:					
Inflows	912.9	—	—	912.9	911.6
Outflows	(914.1)	—	—	(914.1)	(912.8)
	(1.2)	—	—	(1.2)	(1.2)

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2012

Contractual undiscounted cash flows					
	Within one year £million	In more than one year but not more than five years £million	In more than five years £million	Total £million	Carrying value £million
Non derivative financial liabilities:					
Bank overdrafts	(15.8)	—	—	(15.8)	(15.8)
Trade and other payables	(1,206.0)	(36.3)	(22.9)	(1,265.2)	(1,272.8)
6.125% Guaranteed Bonds 2012	(169.8)	—	—	(169.8)	(162.5)
8.75% Guaranteed Notes 2015	(13.1)	(182.9)	—	(196.0)	(147.8)
	<u>(1,404.7)</u>	<u>(219.2)</u>	<u>(22.9)</u>	<u>(1,646.8)</u>	<u>(1,598.9)</u>
Derivative contracts:					
Inflows	1,471.3	—	—	1,471.3	1,466.8
Outflows	(1,526.9)	—	—	(1,526.9)	(1,521.0)
	<u>(55.6)</u>	<u>—</u>	<u>—</u>	<u>(55.6)</u>	<u>(54.2)</u>

The carrying value of trade and other payables includes accrued interest on the 2012 Bonds of £nil (2012 £4.4 million), interest on the 2015 Notes of £2.2 million (2012 £3.2 million), interest on the 2017 Notes of £1.6 million (2012 £nil) and interest on other borrowings of £nil (2012 £nil).

The Group reviews regularly its available cash resources and undrawn committed borrowing facilities required to fulfil its objectives and strategy. Cash flow forecasts are prepared covering a five year period and these are updated annually. Shorter term forecasts are reviewed and monitored on a regular basis in varying degrees of granularity including, in some cases, daily review. These forecasts are used in determining both the level of borrowings required for funding purposes as well as planning for repayments of borrowings either at their maturity or sooner where practical. An appropriate level of headroom is maintained to provide against unexpected outflows or an unforeseen downturn in trading.

Further details of committed borrowing facilities are shown in note 17.

23 Share capital and reserves

(a) Called up share capital

	2013 £million	2012 £million
Authorised		
4,980,252,496 (2012 4,980,252,496) ordinary shares of 2.5p each	124.5	124.5
Allotted and fully paid		
3,629,747,975 (2012 3,610,386,607) ordinary shares of 2.5p each	90.7	90.3

During the year 19,361,368 shares (2011/12 36,532) were issued in respect of options exercised under employee share option and ownership schemes.

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(b) Other reserves

	Merger reserve £million	Capital redemption reserve £million	Investment in own shares £million	Hedging reserve £million	Revaluation reserve £million	Total £million
At 1 May 2011	(386.1)	5.0	(2.3)	(152.0)	(2.3)	(537.7)
Other comprehensive income and expense recognised directly in equity	—	—	—	16.8	(0.1)	16.7
At 28 April 2012	(386.1)	5.0	(2.3)	(135.2)	(2.4)	(521.0)
Other comprehensive income and expense recognised directly in equity	—	—	—	(2.2)	0.3	(1.9)
Investment in own shares	—	—	(0.3)	—	—	(0.3)
Transfer to retained earnings	—	—	2.3	—	—	2.3
At 30 April 2013	(386.1)	5.0	(0.3)	(137.4)	(2.1)	(520.9)

The balance shown on the merger reserve arose on the group reconstruction which occurred during 1999/00. The group reconstruction took the form of introducing a new parent company above the existing group and the merger reserve represents the difference between the capital structure of the new parent company and that of the former parent company.

Own shares held by the Group represent shares in the Company held by Dixons Retail Employee Share Trust (the Trust), further details of which are given in note 24. The transfer to retained earnings relates to shares subsequently issued to employees by the Trust.

(c) Cumulative foreign exchange reserves within retained earnings

Included within retained earnings are exchange differences resulting from the translation of the results and balance sheets of overseas subsidiary undertakings, which have been charged or credited directly to equity. The following table shows a reconciliation of such amounts:

	2013 £million	2012 £million
At beginning of period	274.0	366.0
Currency translation movements	32.2	(92.0)
At end of period	306.2	274.0

24 Employee share ownership trusts

The trustee of Dixons Retail Employee Share Trust (the Trust) is the Sanne Trust Company Limited.

Historically the Trust has held shares in the Company for the purposes of satisfying potential awards to specified executive directors and senior employees under the Group's share plans. Details of the Group's share plans are given in the Remuneration Report in section (II) (b) (ii) of the Remuneration Report. The number of shares held by the Trust, which are shown in the table below, remain held for potential awards under outstanding plans.

The costs of funding and administering the Trust are charged to the income statement in the period to which they relate. Shareholders' funds are reduced by the net book value of shares held in the Trust.

	2013			2012		
	Market value £million	Nominal value £million	Number	Market value £million	Nominal value £million	Number
Investment in own shares	0.5	0.1	1,332,769	0.3	0.1	1,470,419

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Sanne Trust Company Limited has waived all dividends except for a total payment of 1 penny at the time any dividend is paid. The mid-market price of a share as at 30 April 2013 was 35.1 pence (2012 18.0 pence).

25 Share-based payments

	Note	2012/13 £million	2011/12 £million
Amounts charged / (credited) to operating profit			
Share-based payments – equity settled	(a)	4.1	(4.7)

(a) Equity settled

Share option plans

Employee Share Option Scheme (ESOS) and Executive Share Option Plan (ESOP)

Options have historically been granted to executive directors and other employees on the basis of management grade. In September 2008, the Group adopted a new share option plan (ESOP) which replaced the existing ESOS. Options granted after this date have only been granted under the new ESOP. The ESOS and ESOP permit making awards with a market value on the date of grant of not more than twice the recipients' salary and three times in exceptional circumstances. Vesting of options is based upon remaining in service with the Group over a three year period, unless specific circumstances apply to a participant as determined by the Remuneration Committee. Depending on grade, vesting may also be dependent on various performance measures as agreed by the Remuneration Committee at the date of grant. Options are generally exercisable between three and ten years from the date of grant.

Reward Sacrifice Scheme

Reward Sacrifice options were offered to senior executives in September 2009 and do not have any performance conditions. 11,902,442 options were granted at a fair value of £0.15. During the year, 2,474,998 (2011/12 803,421) options lapsed and 2,405,149 (2011/12 none) options were exercised. The number outstanding at the end of the period is 4,952,183 (2011/12 9,832,330). All (2011/12 none) options outstanding at 30 April 2013 have vested.

Save As You Earn (SAYE)

The Group offers to all of its UK and Irish employees, having completed the relevant period of service, share-based savings plans whereby amounts may be contributed up to a specified limit per plan and per employee. Three year plans have been offered annually, with exercise prices set at up to a 20% discount to the market share price on the date of grant. Exercise is conditional upon employees remaining employed by the Group for the full term of the plan unless specific circumstances apply to a participant as determined by the Rules of the Scheme. Employees can choose to withdraw their contributions in full from the plan at any time, together with any interest earned.

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Details of equity settled share option plans outstanding during the year are as follows:

		2012/13		2011/12	
	Note	Number	Weighted average exercise price	Number	Weighted average exercise price
At beginning of period		233,376,101	£0.25	306,913,017	£0.28
Granted during the period	(i)	25,759,726	£0.15	22,931,718	£0.13
Forfeited during the period		(28,067,023)	£0.23	(74,916,680)	£0.25
Exercised during the period	(ii)	(19,361,368)	£0.19	(36,532)	£0.11
Lapsed during the period		(58,728,693)	£0.28	(21,515,422)	£0.51
At end of period	(iii), (iv)	152,978,743	£0.23	233,376,101	£0.25

47,003,782 options were exercisable at 30 April 2013 (2012 48,782,982).

	2012/13	2011/12
(i) weighted average fair value of options granted during the period	£0.07	£0.07
(ii) weighted average share price at the date of exercise	£0.27	£0.19
(iii) weighted average remaining contractual life for options outstanding	5.5 years	5.9 years
(iv) range of exercise prices for options outstanding	£0.09 – £0.45	£0.09 – £1.19

The fair value of equity settled share option plans granted is estimated as at the date of grant using the Binomial or Black Scholes option pricing models taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the models used based on information prevailing at the date of grant:

	2012/13	2011/12
Dividend yield	0%	0%
Historical and expected volatility	48% – 75%	79% – 80%
Risk-free interest rate	0.2% – 0.8%	1.0% – 1.1%
Expected remaining life of options	3.0 – 5.0 years	3.25 – 4.0 years
Weighted average share price	£0.16	£0.13

The expected remaining life of the options is based on historical data and is not necessarily indicative of the actual exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends. Actual outcome may differ from these assumptions.

Other equity settled share plans

Performance Share Plan (PSP), Retention and Recruitment Share Plan and Long Term Incentive Plan (LTIP)

Up to 2010/11, LTIP and PSP shares were provisionally awarded to executive directors and certain other participating senior executives and were based upon performance measured in terms of the Total Shareholder Return (TSR) achieved by the Company. For 2008/09 and 2009/10 TSR performance was based on a bespoke weighted index comprising UK and European retailers. For 2010/11 TSR performance was based on constituents of the FTSE 250 Index (comprising FTSE 101-350 companies) excluding investment trusts.

During 2011/12 and 2012/13, PSP shares were provisionally awarded to executive directors and other senior executives. Vesting of these awards is based upon remaining in service with the Group over a three or four year period. For awards to executive directors in 2011/12, vesting is also dependent on the level of EPS achieved at the end of a three year period and TSR performance on the same terms as the 2010/11 awards. In 2012/13, for all awards to executive directors and some awards to other senior executives, vesting is also dependent on absolute share price with an EPS underpin.

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Details of LTIP and PSP equity settled share-based payments outstanding during the year are as follows:

	Note	2012/13 Number	2011/12 Number
At beginning of period		39,583,061	15,588,155
Provisionally awarded during the period	(i)	72,487,435	41,652,660
Forfeited during the period		(8,063,566)	(11,203,400)
Vested during the period		(749,211)	—
Released during the period		(99,344)	—
Expired during the period		(1,645,478)	(6,454,354)
At end of period	(ii)	101,512,897	39,583,061
Outstanding awards vested at end of period		—	99,344

(i) weighted average fair value of awards awarded during the period	£0.13	2011/12 £0.13
(ii) weighted average remaining contractual life for awards outstanding	2.0 years	2.1 years

Shares under the Retention and Recruitment Share Plan (Reward Shares) were granted to a limited number of executives in July 2008, August 2011, February 2012 and March 2013 and do not have any performance conditions. During the period 358,809 (2011/12 619,813) shares were granted, no (2011/12 1,222,178) shares lapsed and 130,753 (2011/12 4,314,618) shares vested. The number outstanding at the end of the period is 562,971 (2011/12 334,915).

The fair value of such other equity settled share plans granted is estimated as at the date of grant using the option pricing models listed below as well as taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the models used based on information prevailing at the date of grant:

	2012/13		2011/12	
	PSP	Reward Shares	PSP	Reward Shares
Option pricing model	Monte Carlo	Black Scholes	Monte Carlo	Black Scholes
Dividend yield	0%	0%	0%	0%
Historical and expected volatility	45% – 46%	N/A	72%	N/A
Risk-free interest rate	0.2% – 0.6%	N/A	1.0%	N/A
Expected life of awards	3.0 – 4.0 years	3.0 years	3.0 years	1.2 – 2.0 years
Weighted average share price	£0.18	£0.35	£0.13	£0.14

Further information concerning share-based incentive plans specific to directors is included in the unaudited section of the Remuneration Report in sections (II) (b) (ii) and (iii).

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(b) Analysis of net debt

	29 April 2012 £million	Cash flow £million	Other non- cash movements £million	Currency translation £million	30 April 2013 £million
Cash and cash equivalents [†]	316.8	78.7	—	9.8	405.3
Bank overdrafts	(15.8)	(1.4)	—	(0.5)	(17.7)
	<u>301.0</u>	<u>77.3</u>	<u>—</u>	<u>9.3</u>	<u>387.6</u>
Short term investments	7.3	(5.3)	0.4	—	2.4
Borrowings due within one year	(162.5)	155.5	2.5	—	(4.5)
Borrowings due after more than one year	(147.8)	(97.1)	(0.5)	—	(245.4)
Obligations under finance leases	(102.0)	4.7	(0.9)	0.2	(98.0)
	<u>(412.3)</u>	<u>63.1</u>	<u>1.1</u>	<u>0.2</u>	<u>(347.9)</u>
Net (debt) / funds	<u>(104.0)</u>	<u>135.1</u>	<u>1.5</u>	<u>9.5</u>	<u>42.1</u>

	1 May 2011 £million	Cash flow £million	Other non-cash movements £million	Currency translation £million	28 April 2012 £million
Cash and cash equivalents [†]	334.7	(6.9)	—	(11.0)	316.8
Bank overdrafts	(5.6)	(10.0)	—	(0.2)	(15.8)
	<u>329.1</u>	<u>(16.9)</u>	<u>—</u>	<u>(11.2)</u>	<u>301.0</u>
Short term investments	10.5	(3.1)	(0.1)	—	7.3
Borrowings due within one year	(130.0)	130.0	(162.5)	—	(162.5)
Borrowings due after more than one year	(315.3)	—	167.5	—	(147.8)
Obligations under finance leases	(101.1)	1.6	(2.0)	(0.5)	(102.0)
	<u>(546.4)</u>	<u>131.6</u>	<u>3.0</u>	<u>(0.5)</u>	<u>(412.3)</u>
Net debt	<u>(206.8)</u>	<u>111.6</u>	<u>2.9</u>	<u>(11.7)</u>	<u>(104.0)</u>

Restricted funds, which predominantly comprise funds held under trust to fund potential customer support agreement liabilities were £110.2 million (2012 £114.0 million). Net debt excluding restricted funds totalled £68.1 million (2012 £218.0 million).

[†] Cash and cash equivalents are presented as a single class of assets on the face of the consolidated balance sheet. For the purposes of the consolidated cash flow, cash and cash equivalents comprise those amounts presented on the consolidated balance sheet as cash and cash equivalents, less bank overdrafts (which are disclosed separately on the consolidated balance sheet and as disclosed in note 17).

27 Assets held for sale and discontinued operations

(a) Assets held for sale

2012/13: On 22 April 2013 and 7 May 2013, the Group disposed of its Webhallen operations in Sweden and PLS operations in France, respectively, although the Webhallen disposal has not yet completed. Accordingly, the related assets and liabilities have been classified as held for sale owing to the sale being highly probable under the definitions stipulated in IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. As a result of the sales, the trading activities of the businesses have been classified as 'to be exited' and the prior periods have been re-presented on a consistent basis. Both Webhallen and PLS are part of the PIXmania division.

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The major classes of assets and liabilities at 30 April 2013 were as follows:

	£million
Intangible assets	1.8
Inventories	10.2
Other assets	3.1
	15.1
Current liabilities	(7.3)
Non-current liabilities	(0.6)
Liabilities directly associated with assets classified as held for sale	(7.9)
	7.2
Net assets held for sale	7.2

(b) Cash flows from discontinued operations

	2012/13 £million	2011/12 £million
Operating activities	(0.9)	(1.5)
	(0.9)	(1.5)

Cash flows relate to expenditure arising from the sale of the Group's former operations in Hungary which were disposed in 2009/10.

28 Capital commitments

	2012/13 £million	2011/12 £million
Contracted for but not provided for in the accounts	33.0	27.3
	33.0	27.3

29 Contingent liabilities

	2012/13 £million	2011/12 £million
Contingent liabilities	3.5	4.3
	3.5	4.3

In addition to the figures shown in the table above, contingent liabilities also exist in respect of lease covenants relating to premises assigned to third parties.

30 Operating lease commitments

	2013		2012	
	Land and buildings £million	Other assets £million	Land and buildings £million	Other assets £million
Total undiscounted future committed payments due:				
Within one year	359.5	8.3	364.5	8.8
Between two and five years	1,266.3	6.1	1,265.2	8.5
After five years	1,275.7	—	1,417.5	—
	2,901.5	14.4	3,047.2	17.3
	2,901.5	14.4	3,047.2	17.3

Operating lease commitments represent rentals payable for retail, distribution and office properties, as well as vehicles, equipment and office equipment. Contingent rentals are payable on certain retail store leases based on store revenues.

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The above figures include committed payments under onerous lease contracts for which provisions or accruals exist on the balance sheet, including those for businesses exited / to be exited.

Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases was £25.4 million (2012 £28.3 million).

31 Related party transactions

Transactions between Group undertakings, which are related parties, have been eliminated on consolidation and accordingly are not disclosed.

Transactions between Group undertakings and associates comprised sales of goods of £11.2 million (2011/12 £17.1 million) and purchase of logistic services of £nil (2011/12 £4.1 million).

In addition to the charitable donations disclosed in the Corporate Responsibility Report, the Group via its registered charitable trust, the DSG international Foundation (the Foundation), also made charitable donations of £1,350 (2011/12 £5,000). The Company is the sole benefactor of the Foundation, the principal beneficiaries of which are concerned with education, community affairs, health and disabilities, heritage and the environment.

On 10 August 2012 the Group announced that it had acquired a further 22.0% of PIXmania, a company controlled by the Group, which was held by Steve Rosenblum and Jean-Emile Rosenblum together with close family members and companies controlled by them. Steve and Jean-Emile Rosenblum resigned on the date of the acquisition, and up until this point were the President and Vice President of PIXmania, respectively and until 2011/12 had also been members of the senior executive management team. In connection with their management roles with respect to PIXmania up to the date of the acquisition, Steve Rosenblum and Jean-Emile Rosenblum received management fees of €87,000 (£71,000) (2011/12 €260,000 (£223,000)).

Steve Rosenblum and Jean-Emile Rosenblum own buildings which are occupied and leased by PIXmania. During 2012/13, up until their exit from the business, total rental payments of €290,000 (£237,000) (2011/12 €706,000 (£605,000)) were charged in relation to these properties.

Remuneration of directors and key management personnel

The remuneration of non-executive directors, executive directors, and members of the senior management team, who are the key management personnel of the Group, is set out below. Further information about individual directors' remuneration, share interests, share options, pensions and other entitlements, which form part of these financial statements, is given in sections (VI) to (X) of the directors' Remuneration Report which are described as having been audited.

	2013	2012
	£million	£million
Short term employee benefits	5.8	5.9
Share-based payments	1.1	(1.7)
	=====	=====

32 Post balance sheet event

On 7 May 2013, the Group sold PLS, a small photo processing operation which was part of PIXmania.

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Independent Auditor's Report

We have audited the consolidated and the company financial statements of Dixons Retail plc for the 52 weeks ended 28 April 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income and expense, the consolidated and company balance sheets, the consolidated and company cash flow statements, the consolidated and company statement of changes in equity and the related notes 1 to 32 and C1 to C16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Company financial statements as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinions

Financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 28 April 2012 and of the Group's loss for the 52 weeks then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and as regards the Group financial statements, Article 4 of the IAS Regulation.

IFRSs issued by the IASB

As explained in notes 1.1 and C1 to the Group and Company financial statements, respectively, the Group and Company in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB). In our opinion the financial statements comply with IFRSs as issued by the IASB.

Other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

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- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report upon in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within the Directors' Report and Business Review in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Nicola Mitchell FCA

(Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

21 June 2012

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Consolidated Income Statement

	52 weeks ended 28 April 2012				52 weeks ended 30 April 2011				
	Note	Non-underlying*			Total £million	Non-underlying*			Total £million
		Underlying* £million	Closed business** £million	Other £million		Underlying* £million	Closed business** £million	Other £million	
Continuing operations									
Revenue	2,3	8,186.7	6.5	—	8,193.2	8,154.4	187.4	—	8,341.8
Profit / (loss) from operations before associates		114.5	(2.8)	(181.2)	(69.5)	128.0	(7.7)	(298.1)	(177.8)
Share of post-tax results of associates	12	0.6	—	—	0.6	(0.4)	—	—	(0.4)
Operating profit / (loss)	2,3	115.1	(2.8)	(181.2)	(68.9)	127.6	(7.7)	(298.1)	(178.2)
Finance income		57.2	—	6.3	63.5	58.9	—	12.5	71.4
Finance costs		(101.5)	(0.1)	(11.8)	(113.4)	(101.2)	(0.8)	(15.3)	(117.3)
Net finance costs	5	(44.3)	(0.1)	(5.5)	(49.9)	(42.3)	(0.8)	(2.8)	(45.9)
Profit / (loss) before tax		70.8	(2.9)	(186.7)	(118.8)	85.3	(8.5)	(300.9)	(224.1)
Income tax (expense) / credit	7	(36.4)	—	(7.7)	(44.1)	(31.4)	—	12.3	(19.1)
Profit / (loss) after tax – continuing operations		34.4	(2.9)	(194.4)	(162.9)	53.9	(8.5)	(288.6)	(243.2)
Loss after tax – discontinued operations	27	—	—	—	—	—	—	(2.1)	(2.1)
Profit / (loss) for the period		34.4	(2.9)	(194.4)	(162.9)	53.9	(8.5)	(290.7)	(245.3)
Attributable to:									
Equity shareholders of the parent company		41.3	(2.9)	(192.7)	(154.3)	58.8	(8.5)	(289.3)	(239.0)
Non-controlling interests		(6.9)	—	(1.7)	(8.6)	(4.9)	—	(1.4)	(6.3)
		34.4	(2.9)	(194.4)	(162.9)	53.9	(8.5)	(290.7)	(245.3)
Loss per share (pence)	8								
Basic – total					(4.3)p				(6.6)p
Diluted – total					(4.3)p				(6.6)p
Basic – continuing operations					(4.3)p				(6.6)p
Diluted – continuing operations					(4.3)p				(6.6)p
Underlying earnings per share (pence)	1,8								
Basic – continuing operations		1.1p				1.6p			
Diluted – continuing operations		1.1p				1.6p			

* Underlying profit and earnings per share measures exclude the trading results of closed businesses, amortisation of acquired intangibles, net restructuring and business impairment charges and other one off, non-recurring items, fair value remeasurements of financial instruments and, where applicable, discontinued operations. Such excluded items are described as 'Non-underlying'. Further information on these items is shown in notes 1, 4, 5, 7 and 27.

** Closed business relates to the operations of PC City Spain which were closed in June 2011. This closed business does not meet the definition of discontinued operations as stipulated by IFRS 5 and accordingly the disclosures within non-underlying items differ from those for applicable discontinued operations.

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Consolidated Statement of Comprehensive Income and Expense

	Note	52 weeks ended 28 April 2012 £million	52 weeks ended 30 April 2011 £million
Notes to the Consolidated Financial Statements			
Loss for the period			
Actuarial (losses) / gains on defined benefit pension schemes		(162.9)	(245.3)
– UK	21	(28.2)	13.1
– Overseas		(1.9)	(0.3)
Cash flow hedges	22		
Fair value remeasurement gains / (losses)		3.3	(8.0)
Losses transferred to carrying amount of inventories		4.7	7.4
(Gains) / losses transferred to income statement (within cost of sales)		(5.3)	6.7
Net investment hedges	22		
Fair value remeasurement gains / (losses)		15.6	(4.9)
Investments			
Fair value remeasurement (losses) / gains		(0.1)	0.2
Tax on items taken directly to equity		1.0	(8.5)
Currency translation movements		(93.8)	31.7
		<hr/> (104.7) <hr/>	<hr/> 37.4 <hr/>
Net (expense) / income recognised directly in equity			
		(267.6)	(207.9)
		<hr/> (267.6) <hr/>	<hr/> (207.9) <hr/>
Attributable to:			
Equity shareholders of the parent company		(257.2)	(201.2)
Non-controlling interests		(10.4)	(6.7)
		<hr/> (267.6) <hr/>	<hr/> (207.9) <hr/>

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Consolidated Balance Sheet

	Note	28 April 2012 £million	30 April 2011 £million
Non-current assets			
Goodwill	9	740.7	970.8
Intangible assets	10	98.1	113.1
Property, plant & equipment	11	480.4	583.7
Investments in associates	12	3.5	3.4
Trade and other receivables	14	23.6	49.6
Deferred tax assets	7	155.2	163.4
		<u>1,501.5</u>	<u>1,884.0</u>
Current assets			
Inventories	13	874.2	960.9
Trade and other receivables	14	343.9	383.2
Income tax receivable		2.7	4.1
Short term investments	15	7.3	10.5
Cash and cash equivalents	16	316.8	334.7
		<u>1,544.9</u>	<u>1,693.4</u>
Total assets		<u>3,046.4</u>	<u>3,577.4</u>
Current liabilities			
Bank overdrafts	17	(15.8)	(5.6)
Borrowings	17	(162.5)	(130.0)
Obligations under finance leases	18	(3.1)	(3.1)
Trade and other payables	19	(1,579.0)	(1,644.2)
Income tax payable		(55.7)	(48.5)
Provisions	20	(18.6)	(44.4)
		<u>(1,834.7)</u>	<u>(1,875.8)</u>
Net current liabilities		<u>(289.8)</u>	<u>(182.4)</u>
Non-current liabilities			
Borrowings	17	(147.8)	(315.3)
Obligations under finance leases	18	(98.9)	(98.0)
Retirement benefit obligations	21	(266.0)	(247.3)
Other payables	19	(255.2)	(331.0)
Deferred tax liabilities	7	(20.2)	(17.6)
Provisions	20	(19.6)	(15.9)
		<u>(807.7)</u>	<u>(1,025.1)</u>
Total liabilities		<u>(2,642.4)</u>	<u>(2,900.9)</u>
Net assets		<u>404.0</u>	<u>676.5</u>
Capital and reserves			
Called up share capital	23	90.3	90.3
Share premium account		169.5	169.5
Other reserves	23	(521.0)	(537.7)
Retained earnings		652.6	931.4
Equity attributable to equity holders of the parent company		<u>391.4</u>	<u>653.5</u>
Equity non-controlling interests		12.6	23.0
Total equity		<u><u>404.0</u></u>	<u><u>676.5</u></u>

The financial statements were approved by the directors on 21 June 2012 and signed on their behalf by:

Sebastian James
(Group Chief Executive)

Humphrey Singer
(Group Finance Director)

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Consolidated Cash Flow Statement

	Note	52 weeks ended 28 April 2012 £million	52 weeks ended 30 April 2011 £million
Operating activities – continuing operations			
Cash generated from operations*	26	231.3	292.8
Special contributions to defined benefit pension scheme	21	(16.0)	(12.0)
Income tax paid*		(26.8)	(26.2)
Net cash flows from operating activities		188.5	254.6
Investing activities – continuing operations			
Purchase of property, plant & equipment and other intangibles*		(101.5)	(223.2)
Purchase of subsidiaries		(1.2)	—
Interest received*		12.6	17.9
Decrease / (increase) in short term investments		3.1	(1.8)
Disposals of property, plant & equipment and other intangibles*		70.2	2.0
Dividend received from associate		—	1.1
Net cash flows from investing activities		(16.8)	(204.0)
Financing activities – continuing operations			
Issue of ordinary share capital		—	0.2
Additions to finance leases		2.8	2.4
Capital element of finance lease payments		(4.4)	(1.5)
Interest element of finance lease payments*		(6.4)	(7.0)
(Decrease) / increase in borrowings due within one year		(130.0)	31.8
Increase in borrowings due after more than one year		—	5.4
Interest paid*		(49.1)	(46.3)
Investment from minority shareholder		—	1.1
Net cash flows from financing activities		(187.1)	(13.9)
(Decrease) / increase in cash and cash equivalents⁽ⁱ⁾			
Continuing operations		(15.4)	36.7
Discontinued operations	27	(1.5)	(0.1)
		(16.9)	36.6
Cash and cash equivalents at beginning of period ⁽ⁱ⁾	26	329.1	290.8
Currency translation differences		(11.2)	1.7
Cash and cash equivalents at end of period⁽ⁱ⁾	26	301.0	329.1
Free Cash Flow⁽ⁱⁱ⁾		130.3	10.0

(i) For the purposes of this cash flow statement, cash and cash equivalents comprise those items disclosed as 'cash and cash equivalents' on the face of the balance sheet, less overdrafts, which are classified within current liabilities on the face of the balance sheet. A reconciliation to the balance sheet amounts is shown in note 26.

(ii) Free Cash Flow comprises those items marked * and comprises cash generated from / (utilised by) continuing operations before special pension contributions, less net finance expense, less income tax paid and net capital expenditure. The directors consider that 'Free Cash Flow' provides additional useful information to shareholders in respect of cash generation and is consistent with how business performance is measured internally.

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Consolidated Statement of Changes in Equity

	Share capital £million	Share premium £million	Other reserves £million	Retained earnings £million	Sub-total £million	Non-controlling interests £million	Total equity £million
At 2 May 2010	90.2	169.4	(537.5)	1,124.4	846.5	28.6	875.1
Loss for the period	—	—	—	(245.3)	(245.3)	—	(245.3)
Other comprehensive income and expense recognised directly in equity	—	—	(0.2)	44.3	44.1	(6.7)	37.4
Total comprehensive income and expense for the period	—	—	(0.2)	(201.0)	(201.2)	(6.7)	(207.9)
Non-controlling interests – increase in capital	—	—	—	—	—	1.1	1.1
Ordinary shares issued	0.1	0.1	—	—	0.2	—	0.2
Share-based payments	—	—	—	8.6	8.6	—	8.6
Tax on share-based payments	—	—	—	(0.6)	(0.6)	—	(0.6)
At 30 April 2011	90.3	169.5	(537.7)	931.4	653.5	23.0	676.5
Loss for the period	—	—	—	(162.9)	(162.9)	—	(162.9)
Other comprehensive income and expense recognised directly in equity	—	—	16.7	(111.0)	(94.3)	(10.4)	(104.7)
Total comprehensive income and expense for the period	—	—	16.7	(273.9)	(257.2)	(10.4)	(267.6)
Share-based payments	—	—	—	(4.9)	(4.9)	—	(4.9)
At 28 April 2012	90.3	169.5	(521.0)	652.6	391.4	12.6	404.0

Non-controlling interests (minority interests) comprise shareholdings in Pixmania S.A.S. (PIXmania), Electroworld İç ve Dis Ticaret AS (Electroworld Turkey) and Dixons South-East Europe A.E.V.E. (Kotsovolos).

Notes to the Consolidated Financial Statements

1 Accounting policies

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, IFRS issued by the International Accounting Standards Board and those parts of the Companies Act 2006 applicable to those companies reporting under IFRS, and have been prepared on a going concern basis as disclosed in the going concern statement in the Statutory Information section of the Directors' Report.

The Group's income statement and segmental analysis identify separately underlying performance measures and non-underlying items. Underlying performance measures reflect an adjustment to total performance measures to exclude the impact of closed businesses and other non-underlying items. Underlying performance measures comprise profits and losses incurred as part of the day-to-day ongoing retail activities of the Company and include profits and losses incurred on the disposal and closure of owned or leased properties that occur as part of the Group's annual retail churn. The profits or losses incurred on disposal or closure of owned or leased properties as part of a one off restructuring programme are excluded from underlying performance measures and are therefore included, among other items, within non-underlying items as described below. The directors consider 'underlying' performance measures to be a more accurate reflection of the ongoing trading performance of the Group and believe that these measures provide additional useful information for shareholders on the Group's performance and are consistent with how business performance is measured internally.

Non-underlying items comprise trading results of closed businesses, amortisation of acquired intangibles, net restructuring and business impairment charges and other one off, non-recurring items, profit on sale of investments, fair value remeasurements of financial instruments and, where applicable, discontinued operations. Closed businesses are those which do not meet the definition of discontinued operations as stipulated by IFRS 5. Items excluded from underlying results can evolve from one financial year to the next depending on the nature of re-organisation or one-off type activities described above.

Underlying performance measures may not be directly comparable with other similarly titled measures or 'adjusted' revenue or profit measures used by other companies.

There are no new accounting standards, amendments to standards or IFRIC interpretations which are effective for the Group for the first time during the current financial period which have had an impact on the Group's results or net assets.

The principal accounting policies are set out below:

1.2 Accounting convention and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired are included from the date on which power to control passes. The net assets of subsidiaries acquired are recorded at their fair values. The results of subsidiaries disposed of are included up to the effective date of disposal.

Associates are accounted for using the equity method of accounting from the date on which the power to exercise significant influence passes.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

1.3 Revenue

Revenue comprises sales of goods and services excluding sales taxes. Revenue from sales of goods is recognised at the point of sale or, where later, upon delivery to the customer and is stated net of returns. Revenue earned from customer support agreements is recognised as such over the life of the agreement by reference to the stage of completion of the transaction at the balance sheet date.

1.4 Other income, including non-operating income

Other income, which is incidental to the Group's principal activities of selling goods and services and accordingly is not recorded as part of revenue, is recognised when the Group obtains the right

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to consideration by performance of its contractual obligations. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognised when the right to receive payment has been established.

1.5 Discontinued operations

A discontinued operation is a component of the Group which represents a significant separate line of business which has been sold. Classification as a discontinued operation occurs upon disposal or earlier if beneficial title and risk has transferred to the purchaser and in the case of a business acquired exclusively with a view to subsequent disposal, on the date of acquisition.

Where the sale of a component of the Group is considered highly probable and the business is available for immediate sale in its present condition, it is classified as held for sale. Assets and liabilities held for sale are measured at the lower of carrying amount and fair value less costs to sell.

1.6 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. The determination of the classification of property leases is made by reference to the land and buildings elements separately. All leases not classified as finance leases are operating leases.

Finance leases

Assets held under finance leases are capitalised at their fair value on acquisition or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease and depreciated over their estimated useful lives or the lease term if shorter. The corresponding obligation to the lessor is included in the balance sheet as a liability. Lease payments are apportioned between finance charges and reduction of the lease obligation. Finance charges are charged to the income statement over the period of the lease in proportion to the capital element outstanding.

Operating leases

Rentals payable under operating property leases are charged to the income statement on a straight line basis over the fixed term of the lease. At the end of the fixed term of leases, rental payments are reset to market rates, typically on an upwards only basis.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Where a lease forms part of a separate cash generating unit (CGU), such as a store or group of stores, and business indicators exist which could lead to the conclusion that the carrying value of the CGU is not supportable, the recoverable amount of the CGU is determined by calculating its value in use. The value in use is calculated by applying discounted cash flow modelling to management's projection of future profitability. If an impairment of a CGU has been identified such that the value in use is negative and a lease exists in that CGU, a provision for the onerous portion of the lease is made equal to the lower of the outstanding lease commitment and the negative present value of the CGU.

1.7 Translation of foreign currencies

Transactions in foreign currencies are initially recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date. Exchange gains and losses arising on settlement or retranslation of monetary assets and liabilities are included in the income statement.

Assets and liabilities of overseas subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The results of overseas subsidiary undertakings are translated into sterling at the average rates of exchange during the period. Exchange differences resulting from the translation of the results and balance sheets of overseas subsidiary undertakings are charged or credited directly to retained earnings. Such translation differences become recognised in the income statement in the period in which the subsidiary undertaking is disposed.

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As the cumulative translation differences for all foreign subsidiaries were deemed to be zero at the transition date to IFRS on 2 May 2004, upon disposal of a foreign subsidiary, any gain or loss arising will include only those foreign exchange gains or losses attributable to periods after that date.

1.8 Goodwill

On acquisition of a subsidiary or associate, the fair value of the consideration is allocated between the identifiable net tangible and intangible assets / liabilities on a fair value basis, with any excess consideration representing goodwill. Goodwill in respect of subsidiaries is capitalised as goodwill on the balance sheet; goodwill relating to associates is capitalised in investments in associates as part of the carrying value of the associate.

Goodwill is not amortised, but instead is reviewed annually for impairment. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary or associate the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

1.9 Intangible assets

Acquired intangibles

Acquired intangibles comprise brands and customer lists purchased as part of acquisitions of businesses and are capitalised and amortised over their useful economic lives on a straight line basis. Acquired intangibles are stated at cost less accumulated amortisation and, where appropriate, provision for impairment in value or estimated loss on disposal. Amortisation is provided to write off the cost of assets on a straight line basis between three and 30 years.

Other intangible assets: computer software

Computer software is capitalised on the basis of the costs incurred both to acquire and bring into use the specific software. Amortisation is provided to write off the cost of assets on a straight line basis over their estimated useful lives of between three and seven years. Costs associated with developing or maintaining computer software are recognised as an expense as incurred unless they increase the future economic benefits of the asset, in which case they are capitalised.

Internally generated computer software is capitalised at cost if the project is technically and commercially feasible and the economic benefits which are expected to be generated exceed one year. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Amortisation is provided to write off the cost of assets on a straight line basis between three and seven years.

Computer software is stated at cost less accumulated amortisation and, where appropriate, provision for impairment in value or estimated loss on disposal.

1.10 Property, plant & equipment

Property, plant & equipment are stated at cost less accumulated depreciation and, where appropriate, provision for impairment in value or estimated loss on disposal. Depreciation is provided to write off the cost of the assets by equal instalments over their estimated useful lives. The rates used are:

Short leasehold property	– over the term of the lease
Freehold and long leasehold buildings	– between 1 ² / ₃ % and 2 ¹ / ₂ % per annum
Fixtures, fittings and equipment	– between 10% and 33 ¹ / ₃ % per annum

No depreciation is provided on freehold and long leasehold land or on assets in the course of construction.

Property, plant & equipment are assessed on an ongoing basis to determine whether circumstances exist that could lead to the conclusion that the net book value is not supportable. Where assets are to be taken out of use, an impairment charge is levied. Where useful lives of assets are shortened, an estimate is made of their new lives and an accelerated depreciation charge is levied. Where the property, plant & equipment form part of a separate cash generating unit (CGU), such as a store or group of stores, and business indicators exist which could lead to the conclusions that the net book value is not supportable, the recoverable amount of the CGU is

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determined by calculating its value in use. The value in use is calculated by applying discounted cash flow modelling to management's projection of future profitability and any impairment is determined by comparing the net book value with the value in use.

1.11 Investments and other financial assets

The Group's financial assets comprise cash and cash equivalents, short term investments and those receivables which involve a contractual right to receive cash from external parties. Financial assets comprise all items shown in notes 14, 15 and 16 with the exception of prepayments. Under the classifications stipulated by IAS 39, short term investments and trade and other receivables (excluding derivative financial assets) are classified as 'available for sale' and 'loans and receivables', respectively. Cash and cash equivalents and derivative financial instruments, which are further described in notes 1.14 and 1.16, are classified as 'loans and receivables' and 'held for trading unless designated in a hedge relationship', respectively.

All purchases and sales of investments and other financial assets are recognised on the date that the Group becomes committed to make such purchase or sale ('the trade date').

Investment in associates

Associates are accounted for using the equity method of accounting from the date on which the power to exercise significant influence passes and are stated net of any impairment charges.

Short term investments

Investments are initially measured at fair value and then subsequently remeasured to fair value at each balance sheet date owing to occasional sales of such investments. The fair value of unlisted investments is estimated either by comparing recent arm's length transactions or by using discounted cash flow analysis or other modelling techniques. Gains and losses arising from revaluation at the balance sheet date are recognised directly in equity. For unlisted investments a significant or prolonged decline in the fair value of the investment below its cost is considered evidence of impairment.

To the extent that any fair value losses are deemed permanent, such impairment is recognised in the income statement. Upon sale or impairment of the investments, any cumulative gains or losses held in equity are transferred to the income statement.

Trade and other receivables

Trade and other receivables (excluding derivative financial assets) are recorded at cost less an allowance for estimated irrecoverable amounts and any other adjustments required to align cost to fair value. The carrying amount of trade receivables is reduced through the use of a provision account. A provision for bad and doubtful debts is made for specific receivables when there is objective evidence that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Receivables that are not assessed individually for impairment are assessed for impairment on a collective basis using ageing analysis to determine the required provision. Bad debts are written off when identified.

1.12 Taxation

Current taxation

Current taxation is the expected tax payable on the taxable income for the period, using prevailing tax rates and adjusted for any tax payable in respect of previous periods.

Deferred taxation

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. No provision is made for tax which would have been payable on the distribution of retained profits of overseas

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subsidiaries or associated undertakings where it has been determined that these profits will not be distributed in the foreseeable future.

Deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and when the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted, or substantially enacted by the balance sheet date. Deferred tax balances are not discounted.

1.13 Inventories

Inventories are stated at the lower of average cost and net realisable value. Cost comprises direct purchase cost and those overheads that have been incurred in bringing the inventories to their present location and condition, both types of cost being measured using a weighted average cost formula. Net realisable value represents the estimated selling price less all estimated and directly attributable costs of completion and costs to be incurred in marketing, selling and distribution.

1.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, bank overdrafts and short term highly liquid deposits with a maturity of three months or less and which are subject to an insignificant risk of changes in value. Bank overdrafts, which form part of cash and cash equivalents for the purpose of the cash flow statement, are shown under current liabilities.

1.15 Borrowings and other financial liabilities

The Group's financial liabilities are those which involve a contractual obligation to deliver cash to external parties at a future date. Financial liabilities comprise all items shown in notes 17, 18 and 19 with the exception of other taxation and social security, deferred income from customer support agreements, other deferred income and other non-financial creditors. Under the classifications stipulated by IAS 39, borrowings, finance lease obligations and trade and other payables (excluding derivative financial liabilities) are classified as 'financial liabilities measured at amortised cost'. Derivative financial instruments, which are described further in note 1.16 below, are classified as 'held for trading unless designated in a hedge relationship'.

Borrowings

Borrowings are initially recorded at the consideration received less directly attributable transaction costs. Transaction costs are amortised through the income statement using the effective interest method and the unamortised balance is included as part of the related borrowing at the balance sheet date. A fair value adjustment is made to the borrowing where hedge accounting, as described in note 1.16 below, has been applied.

Trade and other payables

Trade and other payables (excluding derivative financial liabilities) are recorded at cost. Derivative financial instruments, which includes put options over equity held by minority shareholders, are initially recorded at fair value and then subsequently remeasured to fair value at each balance sheet date and are held within assets or liabilities as appropriate. Gains and losses arising from revaluation at the balance sheet date are recognised in the income statement unless the derivatives are designated as hedges and such hedges are proved to be effective.

1.16 Derivative financial instruments and hedge accounting

Derivative financial instruments held by the Group are initially recognised in the balance sheet at fair value within assets or liabilities as appropriate and then subsequently remeasured to fair value at each balance sheet date. Gains and losses arising from revaluation at the balance sheet date are recognised in the income statement unless the derivatives are designated as hedges and such hedges are proved to be effective.

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Derivatives are classified as non-current assets or liabilities where a hedge relationship is identified and the remaining maturity of the hedged item is greater than 12 months from the balance sheet date. Derivatives are classified as current assets or liabilities in all other circumstances.

Fair values are derived from market values. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

Hedge accounting

The Group's activities expose it primarily to the financial risks associated with changes in interest rates and foreign currency exchange rates. The Group uses derivative financial instruments such as interest rate swaps, options, cross currency swaps and forward currency contracts to hedge these risks. The Group does not use derivative financial instruments for speculative purposes.

Where hedge accounting is to be applied, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting.

The accounting treatment of derivatives that qualify for hedge accounting is dependent on how they are designated. The different designations and accounting treatments are explained below:

Fair value hedges

The Group uses interest rate swaps to hedge the exposure to changes in the fair value of recognised assets and liabilities.

Derivative financial instruments that meet the 'fair value' hedging requirements are recognised in the balance sheet at fair value with corresponding fair value movements recognised within finance income / costs in the income statement. For an effective fair value hedge, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the income statement. To the extent that the designated hedge relationship is effective, such amounts in the income statement offset each other. As a result, only the ineffective element of any designated hedging relationship impacts the income statement. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item for which the effective interest method is used, is amortised to the income statement over the period to maturity.

Cash flow hedges

The Group uses forward foreign exchange contracts to hedge the foreign currency exposure on inventory ordered and purchased and certain sales of inventory. It is Group policy to hedge between 80% and 100% of committed purchase orders and sales. At any point in time the Group also hedges up to 80% of its estimated foreign currency exposure in respect of forecast purchases and sales for the subsequent 12 months. Orders and purchases as well as sales are each considered to be separately hedged transactions.

Derivative financial instruments that qualify for such cash flow hedging are initially recognised on the balance sheet with gains and losses relating to the remeasurement of the effective portion of the hedge being deferred in equity. To the extent that such items are ineffectively hedged, gains or losses relating to the ineffective portion are recognised in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss (i.e. when a purchase or sale is made). For inventory purchases, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of inventory. For sales, the gains or losses on the derivative that had previously been recognised in equity are included in the income statement in the period in which the sale is made.

Net investment hedges

The Group uses cross currency forward contracts and cross currency swaps to hedge its currency risk on the translation of net investments in foreign entities. Gains and losses arising on the retranslation of the investments and the related derivatives are recognised in equity. However, this is on the basis that the hedging requirements of IAS 39 are met and the hedging relationship is effective. To the extent that such items are ineffectively hedged, gains or losses relating to the ineffective portion are recognised within the income statement.

1.17 Retirement benefit obligations

Company contributions to defined contribution pension schemes and contributions made to state pension schemes for certain overseas employees are charged to the income statement on an accruals basis as contributions become payable.

For defined benefit pension schemes, the regular service cost of providing retirement benefits to employees during the period, together with the cost of any benefits relating to past service is charged to operating results in the period. A credit representing the expected return on assets of the retirement benefit schemes during the period is included within other finance income. This is based on the market value of the assets of the schemes at the start of the financial period. A charge is included within other finance costs, representing the expected increase in the liabilities of the retirement benefit schemes during the period. The difference between the market value of the assets and the present value of the accrued pension liabilities is shown as an asset or liability in the balance sheet. Differences between the actual and expected returns on assets during the period are recognised in the consolidated statement of comprehensive income and expense, together with differences arising from changes in actuarial assumptions.

1.18 Share-based payments

The Group issues equity settled share-based payments to certain employees which are measured at fair value at the date of grant. This fair value is expensed in the income statement on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest as adjusted for any non-market conditions.

A liability equal to the portion of services received from employees is recognised at the current fair value determined at each balance sheet date for cash settled share-based payments.

1.19 Estimates, judgements and critical accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Significant items subject to such assumptions and estimates include the useful lives of assets; the measurement and recognition of provisions; the recognition of deferred tax assets; and liabilities for potential corporation tax. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information becomes available. The most critical accounting policies in determining the financial condition and results of the Group are those requiring the greatest degree of subjective or complex judgements. These relate to revenue recognition, inventory valuation, onerous lease costs, the valuation of goodwill, acquired intangible assets and property, plant & equipment, share-based payments, post-retirement benefits and taxation, and are set out below.

Revenue recognition

Revenue earned from the sale of customer support agreements is recognised over the term of the contracts when the Group obtains the right to consideration as a result of performance of its contractual obligations. Revenue in any one year is therefore recognised to match the proportion of the expected costs of fulfilling the Group's total obligations under the agreements. An estimate of the degree of performance of these contractual obligations is determined by reference to extensive historical claims data. Reliance on historical data assumes that current and future experience will follow past trends. The directors consider that the quantity and quality of data available provides an appropriate proxy for current trends.

Inventory valuation

Inventories are valued at the lower of average cost and net realisable value. Cost comprises direct purchase cost and those overheads that have been incurred in bringing the inventories to their present location and condition, both types of cost being measures using a weighted average cost formula. Net realisable value represents the estimated selling price less all estimated and directly attributable costs of completion and costs to be incurred in the marketing, selling and distribution. Net realisable value includes, where necessary, provisions for slow moving and damaged inventory. The provision represents the difference between the cost of stock and its estimated net realisable value, based on ageing. Calculation of these provisions requires judgements to be made which

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include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

Provisions and accruals for onerous leases

If the Group vacates a store or other property prior to the expiry of the related lease, or a lease forms part of a separate CGU whereby the carrying value of that CGU is not considered supportable, it records a provision or accrual for the expected lease payments that the Group will incur prior to assignment or sublease of the property. Such a calculation requires a judgement as to the timing and duration of the expected vacant periods and the amount and timing of future potential sublease income. When making these judgements, the directors consider a number of factors, including the landlord, the location and condition of the property, the terms of the lease, the specific marketplace demand and the economic environment.

Goodwill, intangible assets and property, plant & equipment impairment reviews

Goodwill is required to be valued annually to assess the requirement for potential impairment. Other assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to the conclusion that the net book value of such assets is not supportable. Impairment testing on goodwill is carried out in accordance with the methodology described in note 9. Such calculations require judgement relating to the appropriate discount factors and long term growth prevalent in a particular market as well as short and medium term business plans. The directors draw upon experience as well as external resources in making these judgements.

In assessing impairment of intangible assets and property, plant and equipment, discounted cash flow methods are used as described in note 1.10. Judgement is required in determining the appropriate discount factors as well as the short and medium term business plans. As for goodwill, the directors draw upon experience and external resources in making these judgements.

Share-based payments

The charge for share-based payments is calculated by estimating the fair value of the award at the date of grant using either the Binomial or Black Scholes option pricing model or the Monte Carlo simulation. The option valuation models used require highly subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yields, risk-free interest rates, expected staff turnover and the likelihood of non-market vesting conditions being met. The directors draw upon a variety of external sources to aid in the determination of the appropriate data to use in such calculations.

Defined benefit pension schemes

The surplus or deficit in the UK defined benefit scheme that is recognised through the consolidated statement of comprehensive income and expense is subject to a number of assumptions and uncertainties. The calculated liabilities of the scheme are based on assumptions regarding salary increases, inflation rates, discount rates, the long term expected return on the scheme's assets and member longevity. Such assumptions are based on actuarial advice and are benchmarked against similar pension schemes.

Taxation

Tax laws that apply to the Group's businesses may be amended by the relevant authorities, for example as a result of changes in fiscal circumstances or priorities. Such potential amendments and their application to the Group are monitored regularly and the requirement for recognition of any liabilities assessed where necessary. The Group is subject to income taxes in a number of different jurisdictions and judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. In such circumstances, the Group recognises liabilities for anticipated taxes due based on best information available and where the anticipated liability is probable and estimable. Where the final outcome of such matters differs from the amounts initially recorded, any differences will impact the income tax and deferred tax provisions in the period to which such determination is made. Where the potential liabilities are not considered probable, the amount at risk is disclosed unless an adverse outcome is considered remote.

Deferred tax is recognised on taxable losses based on the expected ability to utilise such losses. This ability takes account of the business plans for the relevant companies, potential uncertainties

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around the longer term aspects of these business plans, any expiry of taxable benefits and potential future volatility in the local tax regimes.

1.20 New accounting standards and interpretations

During the period, the following new standards, and amendments to existing standards, which are applicable to the Group were published, but do not become effective until 2013/14:

- IFRS 9 Financial Instruments. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets.
- Amendment to IAS 19 Employee Benefits. The amendment replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. This will impact the Group's interest income in respect of its defined benefit pension scheme.
- IFRS 13 Fair Value Measurement. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities will also become effective for the Group for 2013/14. At the present time these new standards are not expected to have any material effect, however may impact acquisitions in the future.

Certain other amendments to existing standards and interpretations were issued during the period which either do not apply to the Group or are not expected to have any material effect.

2 Segmental analysis

The Group's operating segments have been determined based on the information reported to the Board. This information is predominantly based on geographical areas which are either managed separately or have similar trading characteristics such that they can be aggregated together into one segment and, in the case of PIXmania, as a business area with geographical territories aggregated. Accounting policies for each operating segment are the same as those for the Group as described in note 1. The Group evaluates each operating segment based on underlying operating profits which excludes those items described in note 1.1.

All segments are involved in the multi-channel sale of high technology consumer electronics, personal computers, domestic appliances, photographic equipment, communication products and related financial and after-sales services. The principal categories of customer are retail, business to business (B2B) and online.

The Group's reportable segments have been identified as follows:

- UK & Ireland comprises electrical and computing retail chains as well as B2B activities and Dixons.co.uk, a pure play online retailer. The division is engaged predominantly in multi-channel retail sales, associated peripherals and services and related financial and after sales services and also in business to business sales of computer hardware and software.
- Northern Europe operates in Norway, Sweden, Finland, Denmark, the Czech Republic, Slovakia, Iceland, Greenland and the Faroe Islands. The division engages in multi-channel retail sales and provides related product support services to its customers. It also engages in B2B sales of computer hardware, software and services. Across the region, the division operates a successful franchise business, typically in smaller markets.
- Southern Europe comprises operations in Italy, Greece, Turkey and the closed business in Spain which is excluded from underlying results. The division engages in retail sales (including multi-channel sales in some countries) and provides related product support services to its customers in all of its markets. It also engages in B2B sales of computer hardware, software and services in Italy and Greece and has franchise operations in Italy, Greece and Turkey.
- PIXmania is a pure play online retailer and operates in 26 countries across Europe.

During the period, management responsibility for Dixons.co.uk was transferred from the Pure play e-commerce division (now renamed PIXmania) to UK & Ireland. In addition, management responsibility for the Central European operations was transferred from the Other International

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division (now renamed Southern Europe) to the Northern Europe division. Comparative figures have been restated to reflect these changes in responsibility, together with a realignment of central assets and liabilities to reflect how these assets and liabilities are managed.

Closed business relates to PC City Spain which was closed in June 2011. Owing to its closure rather than disposal, this operation does not meet the definition of discontinued operations as stipulated by IFRS 5.

(a) Income statement

	2011/12				
	External revenue £million	Inter- segmental revenue £million	Total revenue £million	Underlying profit / (loss) £million	Total profit / (loss) £million
UK & Ireland	3,833.9	50.5	3,884.4	78.8	65.7
Northern Europe	2,628.0	28.6	2,656.6	113.3	152.1
Southern Europe	1,066.3	0.3	1,066.6	(30.4)	(201.6)
PIXmania	665.0	6.0	671.0	(19.8)	(58.2)
Eliminations	—	(85.4)	(85.4)	—	—
	8,193.2	—	8,193.2	141.9	(42.0)
Share of post-tax results of associates				0.6	0.6
				142.5	(41.4)
Operating profit / (loss) before central costs and property losses				(13.8)	(14.0)
Central costs				(13.6)	(13.5)
Property losses				115.1	(68.9)
Operating profit / (loss)				57.2	63.5
Finance income				(101.5)	(113.4)
Finance costs				70.8	(118.8)
Profit / (loss) before tax for the period	8,193.2	—	8,193.2	141.9	(42.0)

External revenue for Southern Europe includes £6.5 million relating to the closed business.

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Reconciliation of underlying profit / (loss) to total profit / (loss)

2011/12

	Underlying profit / (loss) £million	Closed business £million	Amortisation of acquired intangibles £million	Net restructuring charges £million	Business impairment charges £million	Other items £million	Other non- underlying financing items £million	Total profit / (loss) £million
UK & Ireland	78.8	—	(0.4)	(9.5)	—	(3.2)	—	65.7
Northern Europe	113.3	—	—	—	—	38.8	—	152.1
Southern Europe	(30.4)	(2.9)	(0.7)	—	(167.6)	—	—	(201.6)
PIXmania	(19.8)	—	(3.4)	(6.6)	(28.4)	—	—	(58.2)
	141.9	(2.9)	(4.5)	(16.1)	(196.0)	35.6	—	(42.0)
Share of post-tax results of associates	0.6	—	—	—	—	—	—	0.6
Operating profit / (loss) before central costs and property losses	142.5	(2.9)	(4.5)	(16.1)	(196.0)	35.6	—	(41.4)
Central costs	(13.8)	—	—	(0.2)	—	—	—	(14.0)
Property losses	(13.6)	0.1	—	—	—	—	—	(13.5)
Operating profit / (loss)	115.1	(2.8)	(4.5)	(16.3)	(196.0)	35.6	—	(68.9)
Finance income	57.2	—	—	—	—	—	6.3	63.5
Finance costs	(101.5)	(0.1)	—	—	—	—	(11.8)	(113.4)
Profit / (loss) before tax for the period	70.8	(2.9)	(4.5)	(16.3)	(196.0)	35.6	(5.5)	(118.8)

Share of post-tax results of associates relates to Northern Europe.

2010/11

	External revenue £million	Inter- segmental revenue £million	Total revenue £million	Underlying profit / (loss) £million	Total profit / (loss) £million
UK & Ireland	3,925.3	57.8	3,983.1	68.7	47.8
Northern Europe	2,375.6	4.0	2,379.6	102.5	81.8
Southern Europe	1,307.4	0.4	1,307.8	(18.1)	(150.3)
PIXmania	733.5	5.0	738.5	3.5	(118.2)
Eliminations	—	(67.2)	(67.2)	—	—
	8,341.8	—	8,341.8	156.6	(138.9)
Share of post-tax results of associates				(0.4)	(0.4)
Operating profit / (loss) before central costs and property losses				156.2	(139.3)
Central costs				(15.8)	(26.1)
Property losses				(12.8)	(12.8)
Operating profit / (loss)				127.6	(178.2)
Finance income				58.9	71.4
Finance costs				(101.2)	(117.3)
Profit / (loss) before tax for the period				85.3	(224.1)

External revenue for Southern Europe includes £187.4 million relating to the closed business.

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Reconciliation of underlying profit / (loss) to total profit / (loss)

2010/11

	Underlying profit / (loss) £million	Closed business £million	Amortisation of acquired intangibles £million	Net restructuring charges £million	Business impairment charges £million	Other items £million	Other non- underlying financing items £million	Total profit / (loss) £million
UK & Ireland	68.7	—	(0.4)	(5.6)	—	(14.9)	—	47.8
Northern Europe	102.5	—	—	—	(21.5)	0.8	—	81.8
Southern Europe	(18.1)	(7.7)	(0.7)	—	(123.8)	—	—	(150.3)
PIXmania	3.5	—	(3.4)	—	(106.3)	(12.0)	—	(118.2)
	156.6	(7.7)	(4.5)	(5.6)	(251.6)	(26.1)	—	(138.9)
Share of post-tax results of associates	(0.4)	—	—	—	—	—	—	(0.4)
Operating profit / (loss) before central costs and property losses	156.2	(7.7)	(4.5)	(5.6)	(251.6)	(26.1)	—	(139.3)
Central costs	(15.8)	—	—	(11.5)	—	1.2	—	(26.1)
Property losses	(12.8)	—	—	—	—	—	—	(12.8)
Operating profit / (loss)	127.6	(7.7)	(4.5)	(17.1)	(251.6)	(24.9)	—	(178.2)
Finance income	58.9	—	—	—	—	—	12.5	71.4
Finance costs	(101.2)	(0.8)	—	—	—	—	(15.3)	(117.3)
Profit / (loss) before tax for the period	85.3	(8.5)	(4.5)	(17.1)	(251.6)	(24.9)	(2.8)	(224.1)

Share of post-tax results of associates relates to Northern Europe.

(b) Geographical analysis

Revenues are allocated to countries according to the entity's country of domicile. Revenue generated by the UK business was £3,704.7 million (2010/11 £3,800.9 million). Revenue by destination is not materially different to that shown by domicile. There was no revenue from discontinued operations (2010/11 none).

Non-current assets comprise property, plant & equipment, goodwill, intangible assets, investments in associates and non-current trade and other receivables. Non-current assets held by the UK, Italy and PIXmania were £367.6 million (2011 £402.0 million), £53.2 million (2011 £185.3 million), and £93.0 million (2011 £135.5 million), respectively. Non-current assets held by Northern Europe were £749.3 million (2011 £823.9 million) and predominantly comprised goodwill (as disclosed in note 9) which has not been allocated to individual countries.

(c) Balance sheet

	2012				
	Segment assets £million	Investment in associates £million	Total segment assets £million	Segment liabilities £million	Net assets £million
UK & Ireland	1,750.8	—	1,750.8	(1,173.7)	577.1
Northern Europe	1,130.2	3.5	1,133.7	(383.4)	750.3
Southern Europe	376.3	—	376.3	(409.6)	(33.3)
PIXmania	187.9	—	187.9	(117.7)	70.2
Central	661.0	—	661.0	(1,619.8)	(958.8)
Eliminations	(1,063.3)	—	(1,063.3)	1,063.3	—
Continuing operations	3,042.9	3.5	3,046.4	(2,640.9)	405.5
Discontinued operations	—	—	—	(1.5)	(1.5)
	3,042.9	3.5	3,046.4	(2,642.4)	404.0

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2011

	Segment assets £million	Investment in associates £million	Total segment assets £million	Segment liabilities £million	Net assets £million
UK & Ireland	1,730.9	—	1,730.9	(1,205.3)	525.6
Northern Europe	1,195.7	3.4	1,199.1	(343.9)	855.2
Southern Europe	626.4	—	626.4	(633.6)	(7.2)
PIXmania	263.7	—	263.7	(122.6)	141.1
Central	936.1	—	936.1	(1,771.3)	(835.2)
Eliminations	(1,178.8)	—	(1,178.8)	1,178.8	—
Continuing operations	3,574.0	3.4	3,577.4	(2,897.9)	679.5
Discontinued operations	—	—	—	(3.0)	(3.0)
	<u>3,574.0</u>	<u>3.4</u>	<u>3,577.4</u>	<u>(2,900.9)</u>	<u>676.5</u>

Central assets and liabilities predominantly comprise intersegment balances, cash and cash equivalents, borrowings, net retirement benefit obligations, derivative financial instruments and tax assets and liabilities.

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(d) Other information

2011/12					
Capital expenditure					
	Intangible assets £million	Property, plant & equipment £million	Depreciation £million	Amortisation £million	Share- based payments £million
UK & Ireland	1.8	46.8	72.2	10.6	(1.0)
Northern Europe	5.1	22.5	28.5	4.4	(1.2)
Southern Europe	2.0	7.5	18.3	2.0	(1.1)
PIXmania	4.3	3.8	4.4	5.9	—
Central	—	0.2	0.4	—	(1.4)
	13.2	80.8	123.8	22.9	(4.7)
Continuing operations					
Discontinued operations	—	—	—	—	—
	13.2	80.8	123.8	22.9	(4.7)

2010/11					
Capital expenditure					
	Intangible assets £million	Property, plant & equipment £million	Depreciation £million	Amortisation £million	Share- based payments £million
UK & Ireland	14.3	118.9	65.3	14.4	3.9
Northern Europe	4.6	43.5	27.1	4.6	1.1
Southern Europe	2.8	25.7	21.7	2.8	1.1
PIXmania	2.7	6.0	4.4	5.5	0.1
Central	—	—	0.2	—	1.8
	24.4	194.1	118.7	27.3	8.0
Continuing operations					
Discontinued operations	—	—	—	—	—
	24.4	194.1	118.7	27.3	8.0

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3 Revenue and operating profit / (loss)

	2011/12				2010/11			
	Non-underlying				Non-underlying			
	Underlying £million	Closed business £million	Other £million	Total £million	Underlying £million	Closed business £million	Other £million	Total £million
Revenue	8,186.7	6.5	—	8,193.2	8,154.4	187.4	—	8,341.8
Cost of sales	(7,643.3)	(8.8)	(14.4)	(7,666.5)	(7,579.4)	(185.3)	(83.8)	(7,848.5)
Gross profit / (loss)	543.4	(2.3)	(14.4)	526.7	575.0	2.1	(83.8)	493.3
Distribution costs	(163.1)	(0.2)	—	(163.3)	(186.2)	(3.6)	(2.1)	(191.9)
Administrative expenses	(252.2)	(0.4)	(166.8)	(419.4)	(247.2)	(6.2)	(212.2)	(465.6)
Other operating (charge) / income	(13.6)	0.1	—	(13.5)	(13.6)	—	—	(13.6)
Profit / (loss) from operations before associates	114.5	(2.8)	(181.2)	(69.5)	128.0	(7.7)	(298.1)	(177.8)
Share of post-tax results of associates	0.6	—	—	0.6	(0.4)	—	—	(0.4)
Total operating profit / (loss)	115.1	(2.8)	(181.2)	(68.9)	127.6	(7.7)	(298.1)	(178.2)

Non-underlying items comprise amortisation of acquired intangibles of £4.5 million (2010/11 £4.5 million), included within administrative expenses. Such items are described further in note 4. Included within underlying cost of sales, distribution costs and administrative expenses is amortisation of other intangibles of £9.8 million, £1.6 million and £7.0 million, respectively (2010/11 £12.5 million, £2.4 million and £7.0 million, respectively).

	2011/12			2010/11		
	Underlying £million	Closed business £million	Total £million	Underlying £million	Closed business £million	Total £million
Sale of goods	7,714.4	3.8	7,718.2	7,689.7	172.9	7,862.6
Revenue from services	472.3	2.7	475.0	464.7	14.5	479.2
	8,186.7	6.5	8,193.2	8,154.4	187.4	8,341.8

Revenue from services predominantly comprises those relating to customer support agreements, delivery and installation, product repairs and product support.

	2011/12			2010/11		
	Underlying £million	Closed business £million	Total £million	Underlying £million	Closed business £million	Total £million
Inventories recognised as an expense	6,033.4	3.9	6,037.3	6,204.1	153.0	6,357.1
Cost of inventory write-down	26.5	—	26.5	25.4	0.4	25.8
Rentals paid under operating leases:						
Plant and machinery	10.6	—	10.6	8.5	—	8.5
Property – non-contingent rent	362.4	0.6	363.0	359.4	10.1	369.5
Property – contingent rent	13.3	—	13.3	5.4	—	5.4
Rentals received under operating leases:						
Property – subleases	(5.0)	—	(5.0)	(7.3)	—	(7.3)

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	2011/12	2010/11
	£million	£million
Auditor's remuneration		
Audit services – Group financial statements	0.5	0.5
– Subsidiary financial statements	0.6	0.6
	<hr/>	<hr/>
Total audit fees	1.1	1.1
Non-audit services pursuant to legislation	0.2	0.2
Other	0.2	—
	<hr/>	<hr/>
Total fees paid to the auditor	1.5	1.3
	<hr/> <hr/>	<hr/> <hr/>

4 Non-underlying items

	2011/12			2010/11		
Note	Closed business £million	Other £million	Total £million	Closed business £million	Other £million	Total £million
Included in operating profit / (loss):						
Closed business	(2.8)	—	(2.8)	(7.7)	—	(7.7)
Amortisation of acquired intangibles	—	(4.5)	(4.5)	—	(4.5)	(4.5)
Net restructuring charges	—	(16.3)	(16.3)	—	(17.1)	(17.1)
Business impairment charges	—	(196.0)	(196.0)	—	(251.6)	(251.6)
Other items	—	35.6	35.6	—	(24.9)	(24.9)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(2.8)	(181.2)	(184.0)	(7.7)	(298.1)	(305.8)
Included in net finance costs:						
Closed business	(0.1)	—	(0.1)	(0.8)	—	(0.8)
Net fair value remeasurements of financial instruments	—	(2.8)	(2.8)	—	(2.8)	(2.8)
Accelerated amortisation of facility fees	—	(2.7)	(2.7)	—	(7.8)	(7.8)
Net 2012 Bond redemption gains	—	—	—	—	7.8	7.8
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(0.1)	(5.5)	(5.6)	(0.8)	(2.8)	(3.6)
Total impact on profit / (loss) before tax	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(2.9)	(186.7)	(189.6)	(8.5)	(300.9)	(309.4)
Included in income tax expense:						
Closed business	—	—	—	—	—	—
Tax on other non-underlying items	—	8.3	8.3	—	12.3	12.3
Non-underlying: tax specific items	—	(16.0)	(16.0)	—	—	—
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	—	(7.7)	(7.7)	—	12.3	12.3
Total impact on profit / (loss) after tax	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(2.9)	(194.4)	(197.3)	(8.5)	(288.6)	(297.1)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(i) Closed business: comprises the operating activities of PC City Spain which were closed in June 2011.

(ii) Net restructuring charges – strategic reorganisation:

	2011/12	2010/11
	£million	£million
Asset impairments	(8.8)	(1.6)
Property charges	(2.9)	(7.4)
Other charges	(4.6)	(8.1)
	<hr/>	<hr/>
	(16.3)	(17.1)
	<hr/> <hr/>	<hr/> <hr/>

Net restructuring charges relate predominantly to the renewal and transformation of the UK & Ireland business which has been focused mainly on the reformatting and reorganisation of the UK & Ireland store portfolio and the reorganisation of the service offering as well as, for 2011/12, a reorganisation of the PIXmania photo processing operations.

In the UK, asset impairments relate mainly to items of property, plant & equipment, some of which comprise incremental accelerated depreciation charges which arose from restructuring initiatives which commenced in 2007/08. Property charges comprise onerous lease costs and charges related to vacating properties. Other charges predominantly comprise employee severance.

The PIXmania restructuring charges amount to £6.6 million which relate to the closure and ensuing reorganisation of its photo processing operations. The charge comprises £1.7 million for asset impairments, £1.7 million for onerous property charges and £3.2 million of other charges.

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(iii) Business impairment charges:

	2011/12				
	Goodwill impairment £million	Other assets impairment £million	Property charges £million	Other charges £million	Total £million
Italian business	(109.4)	(5.6)	(15.1)	(1.0)	(131.1)
PIXmania	(28.4)	—	—	—	(28.4)
Greek business	(36.5)	—	—	—	(36.5)
	<u>(174.3)</u>	<u>(5.6)</u>	<u>(15.1)</u>	<u>(1.0)</u>	<u>(196.0)</u>

	2010/11				
	Goodwill impairment £million	Other assets impairment £million	Property charges £million	Other charges £million	Total £million
Closed business	(15.1)	(31.8)	(6.1)	(17.6)	(70.6)
PIXmania	(106.3)	—	—	—	(106.3)
Greek business	(53.2)	—	—	—	(53.2)
Associate	—	(21.5)	—	—	(21.5)
	<u>(174.6)</u>	<u>(53.3)</u>	<u>(6.1)</u>	<u>(17.6)</u>	<u>(251.6)</u>

2011/12:

- Italian business: The current increased macro-economic uncertainties, which have contributed to further weakness in the Italian economy which was particularly evident over the Peak trading period, together with an expectation that growth in the Italian economy will be significantly less than previously forecast, have led to an impairment to the goodwill of Unieuro which is described further in note 9, as well as impairment charges to property, plant & equipment and property charges comprising onerous lease costs.
- PIXmania and Greek business: Continuing weakness in the Southern European economies in which PIXmania operates, which includes Greece, and which was again particularly evident over the Peak trading period, together with further delays to economic recovery now anticipated, has resulted in profit performance continuing to fall further behind that envisaged in the prior period's forecasts. This has therefore led to an impairment to the goodwill in these businesses.

2010/11:

- The closed business relates to PC City Spain following the closure of these operations in June 2011 and comprised the full impairment of goodwill as well as other tangible and intangible asset impairments. Property charges comprised onerous lease costs and charges related to vacating properties. Other charges related predominantly to employee severance.
- PIXmania: Weakness in the Southern European economies, investment in developing new web platforms and changes in the internet retailing market caused profit performance to be behind that envisaged at the time of the acquisition of the business and this therefore led to an impairment to the goodwill.
- Greek business: Following an extended period of economic difficulty and the expectation that a full recovery will be prolonged, an impairment to the goodwill was recognised.
- Associate: Relates to a long period of decline in the results of F-Group leading to the conclusion that the carrying value of the investment (which incorporates prior year dividends received) was impaired. Further information is provided in note 12.

(iv) Other items comprise the following:

	2011/12 £million	2010/11 £million
Profit on disposal of property	37.2	—
UK Riot related net costs	(3.2)	—
Revaluation of associate shares	1.6	—
Impairment of other intangibles work in progress	—	(14.9)
Exceptional supplier balance write offs	—	(12.0)
Credits in respect of prior restructurings	—	2.0
	<u>35.6</u>	<u>(24.9)</u>

2011/12:

- Profit on disposal of property relates to the sale and leaseback of the Group's Nordic distribution centre in Jönköping in Sweden. The sale completed on 23 June 2011 for SEK 602 million (£58.1 million). Owing to the size of the gain as well as the significance of the property in relation to the Group's operations, the profit has been treated as a non-underlying item.
- UK Riot related net costs comprise mainly inventory write offs and reinstatement costs together with certain other incremental costs arising from the riots which occurred in August 2011 and which amounted to £3.5 million. These amounts have been offset by insurance recoveries received to date of £0.3 million, with further insurance claims outstanding.
- Revaluation of associate shares: Relates to gain arising on the revaluation of a previous small associate shareholding following the acquisition of the remaining shares during the period.

2010/11:

- Impairment of other intangibles work in progress related to capitalised system costs in the UK from 2008 following the decision to defer the project in order to focus on existing process improvements.

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- The exceptional supplier balance write offs related to supplier receivables in PIXmania dating back to 2008/09 and prior years. This write off arose due to the culmination of a reconciliation process following the implementation of new systems highlighting the extent of the receivables outstanding and a detailed review of the Group's ability to recover these balances.
 - Credits related mainly to closed businesses and represent cash recoveries from third parties which due to their contingent nature had not previously been recognised.
- (v) Net fair value remeasurement gains and losses on revaluation of financial instruments: Items excluded from underlying finance income and expense represent the gains and losses arising from the revaluation of derivative financial instruments under methodologies stipulated by IAS 39 compared with those on an accruals basis (the basis upon which all other items in the financial statements are prepared). Such a treatment is a form of revaluation gain or loss created by an assumption that the derivatives will be settled before their maturity.
- Such gains and losses are unrealised and in the directors' view also conflict with both the commercial reasons for entering into such arrangements as well as Group Treasury policy whereby early settlement in the majority of cases would amount to speculative use of derivatives.
- (vi) 2011/12: On 24 May 2012, the Group signed an amendment and restatement agreement implementing a revised revolving facility agreement (the New Facility) for £300 million. The renegotiation of this facility has triggered the acceleration of the amortisation of fees for the £360 million revolving credit facility (the £360 million Facility) which would otherwise have been charged evenly over the period to the pre-existing facility's maturity in August 2013.
- 2010/11: On 12 May 2010, the Group signed a new £360 million revolving credit facility (the £360 million Facility) which came into effect on 9 July 2010 when the Group's pre-existing £400 million sterling committed facility (the £400 million Facility) was cancelled. This cancellation triggered the acceleration of the amortisation of fees from the £400 million Facility which would otherwise have been charged evenly over the period to the pre-existing facility's maturity in October 2011.
- (vii) 2010/11: On 23 July 2010, the Group conditionally accepted tenders to repurchase £140 million in nominal amount of its £300 million 6.125% Guaranteed Bonds due November 2012 (the 2012 Bonds), subject to the successful completion of appropriate financing to fund the repurchase. This repurchase was financed by a new issue of £150 million 8.75% Guaranteed Notes due 3 August 2015 and for which proceeds were received on 30 July 2010. As a result of the repurchase, charges relating to the acceleration of the amortisation of fees from the 2012 Bonds which would otherwise have been charged evenly over the period to the 2012 Bonds' maturity in November 2012 has occurred together with a redemption premium. These have been more than offset by gains arising on the notional cancellation of interest rate swaps which were in place on the portion of the 2012 Bonds which have now been redeemed.
- (viii) 2011/12: Tax specific non-underlying items comprise adjustments in respect of prior years which relate mainly to the recognition and remeasurement of deferred tax liabilities on historical acquisitions in the Northern Europe division for which differences between the tax written down value and the book value of goodwill from acquisition have been identified and for which IAS 12 requires such recognition. Because these items relate to historical acquisitions from prior years and the liabilities created will not give rise to any actual payment of tax either in the current or future periods in any of the jurisdictions in which the Group operates, the ensuing charge required to create the liability has been treated as non-underlying. The liability which has been recorded and which arises due to accounting standard requirements, is expected to remain for the foreseeable future.

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5 Net finance costs

	Note	2011/12 £million	2010/11 £million
Bank and other interest receivable	(ii)	12.4	14.2
Expected return on pension scheme assets		44.8	44.7
Fair value remeasurement gains on financial instruments*	(iv)	6.3	2.3
2012 Bond redemption gains*		—	10.2
Finance income		<u>63.5</u>	<u>71.4</u>
6.125% Guaranteed Bonds 2012 interest and related charges		(9.3)	(12.0)
8.75% Guaranteed Notes 2015 interest and related charges		(14.0)	(9.8)
Bank loans, overdrafts and other interest payable:			
Non-underlying: closed business*		(0.1)	(0.8)
Underlying	(iii)	(21.3)	(22.0)
Finance lease interest payable		(6.4)	(7.1)
Interest on pension scheme liabilities		(50.5)	(50.3)
Fair value remeasurement losses on financial instruments*	(iv)	(9.1)	(5.1)
Accelerated amortisation of facility fees*		(2.7)	(7.8)
2012 Bond redemption costs*		—	(2.4)
Finance costs		<u>(113.4)</u>	<u>(117.3)</u>
Total net finance costs – continuing operations		<u>(49.9)</u>	<u>(45.9)</u>
Underlying total net finance costs – continuing operations	(i)	<u>(44.3)</u>	<u>(42.3)</u>

(i) Underlying total net finance costs exclude items marked *. See note 4 for a description of such items. Net finance costs for the closed business comprise interest on bank loans and overdrafts.

(ii) Bank and other interest receivable comprise:

	2011/12 £million	2010/11 £million
Interest on cash and cash equivalents and short term investments	2.1	2.1
Derivative interest income	10.3	12.1
	<u>12.4</u>	<u>14.2</u>

Derivative interest income includes amounts relating to the remeasurement of financial instruments on an accruals basis. Included within derivative interest income is income of £5.3 million (2010/11 £4.2 million) from financial instruments not in a designated hedging relationship under the rules stipulated by IAS 39.

(iii) Bank loans, overdrafts and other interest payable comprise:

	2011/12 £million	2010/11 £million
Interest on bank loans and overdrafts	(11.4)	(14.8)
Exchange losses	(5.3)	(3.8)
Derivative interest expense	(4.6)	(3.4)
	<u>(21.3)</u>	<u>(22.0)</u>

Included within exchange losses are losses of £11.9 million (2010/11 losses of £1.2 million) which is a natural offset for gains arising from financial instruments not in a formal designated hedging relationship under the rules stipulated by IAS 39.

Derivative interest expense includes amounts relating to the remeasurement of financial instruments on an accruals basis. Included within derivative interest expense is a £4.6 million charge (2010/11 £3.4 million) from financial instruments not in a designated hedging relationship under the rules stipulated by IAS 39.

(iv) Fair value remeasurement gains and losses on financial instruments include losses of £3.4 million (2010/11 £3.4 million) which are not in a designated hedging relationship under the rules stipulated by IAS 39.

(v) Interest income of £2.1 million (2010/11 £2.1 million) and expense of £36.0 million (2010/11 £58.5 million) is included within net finance costs relating to financial assets and liabilities, respectively not held at fair value through the Income Statement.

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6 Employees

Staff costs for the period were:

	2011/12	2010/11
	£million	£million
Wages and salaries	719.9	745.1
Social security costs	105.2	113.2
Other pension costs	17.0	17.4
	<u>842.1</u>	<u>875.7</u>

The average number of employees, including part time employees, was:

	2011/12	2010/11
	Number	Number
UK & Ireland	20,851	23,091
Northern Europe	8,748	8,154
Southern Europe	5,214	6,758
PIXmania	1,402	1,398
Corporate centre and shared services	370	332
	<u>36,585</u>	<u>39,733</u>

The average number of employees for Southern Europe includes 139 (2010/11 1,378) relating to the closed business.

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7 Tax

(a) Income tax expense

	2011/12	2010/11
	£million	£million
Current tax		
UK corporation tax at 25.85% ⁽ⁱⁱ⁾ (2010/11 27.83%)	—	0.1
Double tax relief	—	(0.1)
	—	—
Overseas taxation – underlying	29.1	22.7
Adjustment in respect of earlier periods:		
UK corporation tax – underlying	—	—
Overseas taxation – underlying	4.4	(0.2)
– non-underlying: tax specific*	4.1	—
	37.6	22.5
Deferred tax		
Current period – underlying	8.7	18.9
– non-underlying: closed business*	—	—
– non-underlying: other*	(8.3)	(12.3)
Adjustment in respect of earlier periods:		
UK corporation tax – underlying	(1.7)	(2.0)
– non-underlying: tax specific*	2.5	—
Overseas taxation – underlying	(4.1)	(8.0)
– non-underlying: tax specific*	9.4	—
	6.5	(3.4)
Income tax expense – continuing operations	44.1	19.1
Underlying income tax expense – continuing operations⁽ⁱ⁾	36.4	31.4

(i) Underlying income tax expense excludes those items marked *. Further information on these items is shown in note 4.

(ii) The UK corporation tax rate for the period was 26% for the period up to 31 March 2012 and 24% thereafter (2010/11 28% for the period up to 31 March 2011 and 26% thereafter).

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A reconciliation of the notional to the actual income tax expense is set out below:

	Note	2011/12 £million	2010/11 £million
Loss before tax – continuing operations		(118.8)	(224.1)
Loss before tax – discontinued operations	27	—	(2.1)
		<u>(118.8)</u>	<u>(226.2)</u>
Tax on loss at UK statutory rate of 25.85% (2010/11 27.83%)		(30.7)	(63.0)
Non-qualifying depreciation		3.0	3.3
Differences in effective overseas taxation rates		(0.3)	(1.0)
Non-deductible charges		1.0	1.9
Non-taxable (gains) / losses on property disposals		(9.8)	1.1
Non-deductible losses – non-underlying: other		50.3	71.4
Overseas deferred tax not recognised – underlying		6.2	3.7
– non-underlying: closed business		1.7	—
Adjustment in respect of earlier periods			
– underlying		(1.4)	(10.2)
– non-underlying: tax specific		16.0	—
Non-deductible loss on discontinued operations		—	1.0
Effect of change in UK statutory tax rate		4.1	6.0
Other differences		4.0	4.9
Income tax expense – total		<u>44.1</u>	<u>19.1</u>
Income tax attributable to discontinued operations	27	—	—
Income tax expense – continuing operations		<u>44.1</u>	<u>19.1</u>

The effective tax rate on underlying earnings of 51% (2010/11 37%) is expected to fall in future periods due mainly to unrecognised losses and non-deductible items starting to form a lower proportion of net profits. The Group has total unrecognised deferred tax assets relating to tax losses of £128.6 million (2010/11 £126.1 million) of which £76.9 million (2010/11 £0.9 million) have no time restriction over when they can be utilised. The Group has unrecognised deferred tax assets relating to time restricted tax losses of £51.7 million (2010/11 £125.2 million) for which the weighted average period over which they can be utilised is seven years (2010/11 five years).

(b) Deferred tax

	Accelerated capital allowances £million	Retirement benefit obligations £million	Losses carried forward £million	Other timing differences £million	Total £million
At 2 May 2010	33.0	75.0	27.5	15.2	150.7
Credited / (charged) to income statement	14.0	(3.2)	(3.6)	(3.8)	3.4
Charged directly to equity	—	(7.0)	—	(2.1)	(9.1)
Currency retranslation	0.2	—	0.4	0.2	0.8
At 30 April 2011	47.2	64.8	24.3	9.5	145.8
Credited / (charged) to income statement	(13.4)	(2.6)	10.1	(0.6)	(6.5)
Charged directly to equity	—	2.5	—	(1.5)	1.0
Disposals	—	—	(3.6)	—	(3.6)
Currency retranslation	(0.9)	(0.2)	(0.7)	0.1	(1.7)
At 28 April 2012	<u>32.9</u>	<u>64.5</u>	<u>30.1</u>	<u>7.5</u>	<u>135.0</u>

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Summary of assets and liabilities as disclosed:

	2012	2011
	£million	£million
Deferred tax assets	155.2	163.4
Deferred tax liabilities	(20.2)	(17.6)
	<u>135.0</u>	<u>145.8</u>

Analysis of deferred tax relating to items credited / (charged) directly to equity in the period:

	2011/12	2010/11
	£million	£million
Actuarial losses / (gains) on defined benefit pension schemes	2.5	(7.0)
Net losses on revaluation of cash flow hedges	(0.6)	(1.9)
Net (gains) / losses on hedges of net investments	(0.9)	0.4
Charged to comprehensive expense	1.0	(8.5)
Share-based payment	—	(0.6)
	<u>1.0</u>	<u>(9.1)</u>

The recognition of trading losses carried forward is considered supportable due to the ability to offset losses against future profits.

As a result of share disposals, allowable losses have been incurred which are available for offset against certain future chargeable gains. A deferred tax asset has not been recognised in respect of these losses as it is considered that there is insufficient evidence that chargeable gains will arise. The deferred tax asset not recognised, measured at the standard rate of 24% (2011 26%), is not less than £301.8 million (2011 £327.0 million). Where permitted, certain deferred tax assets and liabilities have been offset for financial reporting purposes.

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8 Earnings per share

	Note	2011/12 £million	2010/11 £million
Basic and diluted loss			
Total (continuing and discontinued operations)		(154.3)	(239.0)
Discontinued operations – loss after tax	27	—	2.1
Continuing operations		<u>(154.3)</u>	<u>(236.9)</u>
Adjustments (non-underlying)			
Closed business		2.9	8.5
Amortisation of acquired intangibles		4.5	4.5
Net restructuring charges		16.3	17.1
Business impairment charges		196.0	251.6
Other items		(35.6)	24.9
Net fair value remeasurements of financial instruments		2.8	2.8
Accelerated amortisation of facility fees		2.7	7.8
2012 Bond redemption gains		—	(7.8)
		<u>189.6</u>	<u>309.4</u>
Attributable to non-controlling interests		<u>(2.5)</u>	<u>(3.6)</u>
Attributable to equity shareholders of the parent company		<u>187.1</u>	<u>305.8</u>
Tax on adjustments		(8.3)	(12.3)
Tax specific non-underlying items		16.0	—
Attributable to non-controlling interests		0.8	2.2
Tax on adjustments attributable to equity shareholders of the parent company		<u>8.5</u>	<u>(10.1)</u>
Total adjustments (net of taxation)		<u>195.6</u>	<u>295.7</u>
Underlying basic and diluted earnings		<u>41.3</u>	<u>58.8</u>
		<u>Million</u>	<u>Million</u>
Basic weighted average number of shares		<u>3,608.7</u>	<u>3,606.6</u>
Employee share option and ownership schemes		11.5	12.3
Diluted weighted average number of shares		<u>3,620.2</u>	<u>3,618.9</u>
		<u>Pence</u>	<u>Pence</u>
Basic (loss) / earnings per share			
Total (continuing and discontinued operations)		(4.3)	(6.6)
Discontinued operations		—	—
Continuing operations		<u>(4.3)</u>	<u>(6.6)</u>
Adjustments (net of taxation)		5.4	8.2
Underlying basic earnings per share		<u>1.1</u>	<u>1.6</u>
		<u>Diluted (loss) / earnings per share</u>	
Total (continuing and discontinued operations)		(4.3)	(6.6)
Discontinued operations		—	—
Continuing operations		<u>(4.3)</u>	<u>(6.6)</u>
Adjustments (net of taxation)		5.4	8.2
Underlying diluted earnings per share		<u>1.1</u>	<u>1.6</u>

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Basic and diluted earnings per share are based on the profit for the period attributable to equity shareholders. Underlying earnings per share are presented in order to show the underlying performance of the Group. Adjustments used to determine underlying earnings are described further in note 4.

9 Goodwill

	2012	2011
	£million	£million
Cost		
At beginning of period	1,538.1	1,516.5
Additions	5.1	2.6
Disposals	(0.2)	(15.1)
Currency retranslation	(99.2)	34.1
	<hr/>	<hr/>
At end of period	1,443.8	1,538.1
	<hr/>	<hr/>
Impairment		
At beginning of period	567.3	400.0
Non-underlying impairment	174.3	174.6
Disposals	—	(15.1)
Currency retranslation	(38.5)	7.8
	<hr/>	<hr/>
At end of period	703.1	567.3
	<hr/>	<hr/>
Net book value at the end of period	740.7	970.8
	<hr/> <hr/>	<hr/> <hr/>

(a) Carrying value

The carrying value of goodwill is made up of the following businesses:

	2012	2011
	£million	£million
Elkjøp Nordic AS (Elkjøp)	650.9	686.6
Unieuro S.p.A. (Unieuro)	26.6	146.9
PIXmania S.A.S. (PIXmania)	46.1	80.8
Dixons South East Europe A.E.V.E. (Kotsovolos)	—	39.4
Others	17.1	17.1
	<hr/>	<hr/>
	740.7	970.8
	<hr/> <hr/>	<hr/> <hr/>

The non-underlying impairment charges, which form part of non-underlying operating profit, comprise:

	2012	2011
	£million	£million
Unieuro	109.4	—
PIXmania	28.4	106.3
Kotsovolos	36.5	53.2
Closed business	—	15.1
	<hr/>	<hr/>
	174.3	174.6
	<hr/> <hr/>	<hr/> <hr/>

2011/12:

For all three businesses impaired, increasing weaknesses in the Southern European economies which were particularly evident over the peak trading period, together with the ensuing expectations that the achievability of targets will be considerably less than previously forecast and recovery may be prolonged, has caused the directors to revise projections for the five year period referred to below significantly downwards when compared to previous periods, thereby giving rise to impairment charges.

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The revised projections for Unieuro incorporate management's actions on costs as well as improving the estate and competitiveness in the market. In respect of PIXmania, as described in the performance review section of this Annual Report and Accounts, this business has been evolving its business model through growth in new product categories, its E-merchant e-commerce platform, as well as other initiatives. Such actions are considered by management, through the impairment modelling described below, to appropriately support the remaining carrying value of the goodwill for Unieuro and PIXmania.

The projections for Kotsovolos demonstrate a robust market position, however, the uncertainty concerning the outlook for the economy in Greece has suppressed the projections such that the remaining value of goodwill has been impaired down to £nil.

2010/11:

The disposal related to the closed business resulting from there being no ongoing business attaching to the goodwill.

Further details of these charges is shown in note 4 and the methodology used in their calculation is set out below.

(b) Impairment testing

As required by IAS 36, goodwill is subject to annual impairment reviews. These reviews are carried out using the following criteria:

- business acquisitions generate an attributed amount of goodwill;
- the manner in which these businesses are run and managed is used to determine the 'Cash Generating Unit' (CGU) grouping as defined in IAS 36 'Impairment of Assets';
- the recoverable amount of each CGU group is determined based on calculating its value in use (VIU);
- the VIU is calculated by applying discounted cash flow modelling to management's own projections covering a five year period;
- cash flows beyond the five year period are extrapolated using a long term growth rate equivalent to the relevant market's Gross Domestic Product (GDP); and
- the VIU is then compared to the carrying amount in order to determine whether impairment has occurred.

The key assumptions used in calculating value in use are:

- management's five year projections;
- the growth rate beyond five years; and
- the pre-tax adjusted discount rate.

The five year projections, which have been approved by management, have been prepared using risk adjusted strategic plans which have regard to the relative performance of competitors and knowledge of the current market together with management's views on the future achievable growth in market share and impact of the committed initiatives under the Renewal and Transformation plan (which includes upgrade of the store network). The cash flows which derive from these five year projections include ongoing capital expenditure required to develop and upgrade the store network in order to maintain and operate the businesses and to compete in their markets. In forming the five year projections, management draws on past experience as a measure to forecast future performance.

Key assumptions used in determining the five year projections comprise the growth in sales and costs over this period. The compound annual growth rate in sales and costs can rise as well as fall year on year depending not only on the year five targets, but also on the current financial year base. These targets, when combined, accordingly drive the resulting profit margins and the profit in year five of the projections which is in turn used to calculate the terminal value in the VIU calculation. Historical amounts for the businesses under impairment review as well as from other parts of the Group are used to generate the values attributed to these assumptions.

The growth rate beyond five years is based on the GDP for the territories in which these businesses operate. The discount rates applied to cash flows are based on the Group's weighted

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average cost of capital having regard to the strategic five year plans themselves already being risk adjusted to take account of specific risks in the relevant market or region.

The values attributed to these assumptions are as follows:

	2012				2011			
	Compound annual growth in sales	Compound annual growth in costs	Growth rate beyond five years	Pre-tax discount rate	Compound annual growth in sales	Compound annual growth in costs	Growth rate beyond five years	Pre-tax discount rate
Elkjøp	6.1%	6.1%	2.5%	11.4%	4.3%	4.4%	2.6%	11.7%
Unieuro	6.9%	6.0%	1.5%	11.8%	11.8%	11.1%	0.9%	12.5%
PIXmania	10.5%	9.4%	2.0%	11.1%	8.7%	8.3%	1.8%	12.7%
Kotsovolos	3.1%	1.8%	1.5%	10.7%	1.8%	0.9%	2.0%	11.7%

(c) Sensitivities

A sensitivity analysis had been performed on each of the base case assumptions used for assessing the goodwill with other variables held constant. Consideration of sensitivities to key assumptions can evolve from one financial year to the next.

The directors have concluded that in the case of Elkjøp there are no reasonably possible changes in any key assumption which would cause the carrying amount of goodwill to exceed its value in use. In the case of Unieuro and PIXmania it is reasonably possible that a change in a key assumption could occur and because the value in use equals the respective carrying value after impairment, any adverse change in a key assumption would, in isolation, cause a further impairment loss to be recognised. The following sensitivities are therefore presented, which are calculated independently, leaving all other variables constant:

- decrease in the compound annual growth rate in sales;
- increase in the compound annual growth rate in costs;
- decrease in the growth rate beyond five years; and
- increase in the pre-tax discount rate.

In addition to the above, a further sensitivity is presented which shows the effect of a decrease in the compound annual growth rate in sales combined with an equivalent reduction in the compound annual growth rate in costs in order to reflect how sales and costs are interconnected.

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2012

Amount of further impairment determined by further changes in key assumptions

	Surplus of value in use over carrying value	Decrease in compound annual growth in sales	Increase in compound annual growth in costs	Decrease in compound annual growth in sales and costs	Decrease in growth rate beyond five years	Increase in pre-tax discount rate
Percentage change		(0.05)%	0.05%	(1.0)%	(0.1)%	0.5%
	£million	£million	£million	£million	£million	£million
Unieuro	—	17.0	16.9	3.0	0.9	5.6
PIXmania	—	18.7	18.5	4.4	1.2	7.9

2011

Change required for surplus of value in use over carrying value to erode to £nil

	Surplus of value in use over carrying value	Decrease in compound annual growth in sales	Increase in compound annual growth in costs	Decrease in compound annual growth in sales and costs	Decrease in growth rate beyond five years	Increase in pre-tax discount rate
Unieuro	£million	(0.05)%	0.05%	(2.8)%	(1.7)%	1.1%
	20.5					

2011

Amount of further impairment determined by further changes in key assumptions

	Surplus of value in use over carrying value	Decrease in compound annual growth in sales	Increase in compound annual growth in costs	Decrease in compound annual growth in sales and costs	Decrease in growth rate beyond five years	Increase in pre-tax discount rate
Percentage change		(0.05)%	0.05%	(1.0)%	(0.1)%	0.5%
	£million	£million	£million	£million	£million	£million
PIXmania	—	17.7	17.7	6.7	1.0	7.1
Kotsovolos	—	8.3	8.2	4.0	0.8	5.5

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10 Intangible assets

	Other intangibles				Total £million
	Acquired intangibles £million	Software (externally acquired) £million	Software (internally generated) £million	Sub-total £million	
Cost					
At 2 May 2010	87.3	121.0	69.7	190.7	278.0
Additions	—	19.2	5.2	24.4	24.4
Disposals	—	(2.0)	(0.7)	(2.7)	(2.7)
Currency retranslation	1.5	1.2	0.4	1.6	3.1
	88.8	139.4	74.6	214.0	302.8
Additions	—	9.5	3.7	13.2	13.2
Disposals	—	(3.8)	(1.8)	(5.6)	(5.6)
Currency retranslation	(6.5)	(3.5)	(1.2)	(4.7)	(11.2)
	82.3	141.6	75.3	216.9	299.2
Amortisation					
At 2 May 2010	31.1	72.2	44.0	116.2	147.3
Charge for the period					
– regular	4.5	12.6	10.1	22.7	27.2
– accelerated	—	0.1	—	0.1	0.1
Non-underlying impairment	—	15.6	—	15.6	15.6
Disposals	—	(1.7)	(0.7)	(2.4)	(2.4)
Currency retranslation	0.7	1.0	0.2	1.2	1.9
	36.3	99.8	53.6	153.4	189.7
Charge for the period					
– regular	4.5	10.4	8.0	18.4	22.9
Disposals	—	(3.8)	(1.6)	(5.4)	(5.4)
Currency retranslation	(2.5)	(2.7)	(0.9)	(3.6)	(6.1)
	38.3	103.7	59.1	162.8	201.1
Net book value					
At 28 April 2012	44.0	37.9	16.2	54.1	98.1
At 30 April 2011	52.5	39.6	21.0	60.6	113.1

Acquired intangibles predominantly comprise brand names. Amortisation of intangibles relates to continuing operations.

Included within the carrying amount of brand names are £27.2 million and £14.6 million (2011 £32.8 million and £16.5 million) relating to the euro denominated PIXmania and Kotsovolos brand names, respectively and for which the remaining life of these assets is nine years and 22 years, respectively. Included in net book value of other intangibles are assets under construction of £15.8 million (2011 £18.6 million).

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11 Property, plant & equipment

	2012			2011		
	Land and buildings £million	Fixtures, fittings and equipment £million	Total £million	Land and buildings £million	Fixtures, fittings and equipment £million	Total £million
Cost						
At beginning of period	209.6	1,327.9	1,537.5	205.8	1,250.0	1,455.8
Additions	2.1	78.7	80.8	4.9	189.2	194.1
Disposals	(56.9)	(166.0)	(222.9)	(4.8)	(127.8)	(132.6)
Currency retranslation	(1.7)	(38.4)	(40.1)	3.7	16.5	20.2
At end of period	153.1	1,202.2	1,355.3	209.6	1,327.9	1,537.5
Depreciation						
At beginning of period	64.4	889.4	953.8	57.8	857.0	914.8
Charge for the period						
– regular	5.8	114.6	120.4	7.7	109.0	116.7
– accelerated	—	3.4	3.4	—	2.0	2.0
Non-underlying impairment	3.7	6.4	10.1	—	25.0	25.0
Reclassification	13.3	(13.3)	—			
Disposals	(29.7)	(160.2)	(189.9)	(2.3)	(115.6)	(117.9)
Currency retranslation	(0.1)	(22.8)	(22.9)	1.2	12.0	13.2
At end of period	57.4	817.5	874.9	64.4	889.4	953.8
Net book value at end of period	95.7	384.7	480.4	145.2	438.5	583.7
Included in net book value						
Land not depreciated	9.5	—	9.5	19.7	—	19.7
Assets in the course of construction	—	14.5	14.5	0.1	9.7	9.8
Assets held under finance leases	69.8	4.8	74.6	74.2	3.3	77.5

£4.8 million of additions related to finance leases (2010/11 £2.4 million). Legal title for these leased assets remains with the lessor. Assets disclosed as held under finance leases for 2011 have been restated from those disclosed in the 2010/11 accounts, however, such disclosure has had no other impact on the financial statements.

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12 Investments in associates

	2012	2011
	£million	£million
At beginning of period	3.4	26.4
Share of profit / (loss) after tax	0.6	(0.4)
Acquisitions	0.1	—
Transfer of associate to subsidiary undertakings	(0.5)	—
Non-underlying impairment	—	(21.5)
Dividends	—	(1.1)
Currency retranslation	(0.1)	—
At end of period	3.5	3.4
Comprising:		
F-Group (40%)	2.7	2.9
Other	0.8	0.5
	3.5	3.4

The transfer of associate to subsidiary undertakings relates to a previous small associate shareholding which became a subsidiary following the acquisition of the remaining shares during the period.

The Group's share of post-tax results of associates is recorded as a single line in the income statement within operating results. Additional information for selected income statement and balance sheet headings for F-Group, which is incorporated in Denmark, and to which the Group's share of 40% is applied are as follows:

	2011/12	2010/11
	£million	£million
Income statement		
Revenue	221.4	227.7
Profit / (loss) after tax	0.9	(1.7)
	2012	2011
	£million	£million
Balance sheet		
Assets	58.3	68.1
Liabilities	(27.9)	(35.9)
Net assets	30.4	32.2

In 2010/11 the non-underlying impairment related to continued weakness in the results of F-Group which gave rise to a revision in expectations of future profitability such that the directors concluded that an impairment charge was required. The impairment was calculated by comparing the carrying value of the investment with the Group's share of the value in use, which was calculated using principles described in note 9 and using a pre-tax discount rate of 12.2%.

Investments in other associates comprise shareholdings in several different enterprises in the Nordic region, none of which are significant.

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13 Inventories

	2012	2011
	£million	£million
Finished goods and goods for resale	908.6	1,002.5
Provision for obsolete and slow moving goods	(34.4)	(41.6)
	874.2	960.9

14 Trade and other receivables

		2012		2011	
	Note	Current	Non-current	Current	Non-current
		£million	£million	£million	£million
Trade debtors		220.4	5.7	243.7	9.4
Provision for bad and doubtful debts		(24.8)	—	(24.2)	(1.7)
Derivative financial instruments	22	195.6	5.7	219.5	7.7
Other debtors		13.0	—	3.5	18.3
Prepayments		47.2	16.9	68.3	12.7
Accrued income		65.4	1.0	60.6	2.8
		22.7	—	31.3	8.1
		343.9	23.6	383.2	49.6

The majority of trade and other receivables are non-interest bearing and are generally on 30 to 90 day terms. The balance comprises both B2B receivables and consumer credit receivables with no material individual balances. The total financial assets included within trade and other receivables are £301.1 million (2011 £369.4 million). The carrying amount of trade and other receivables approximates fair value with no concentration of credit risk.

The Group's trade debtors included the following amounts which are past due at the end of the period and for which the Group has not provided for owing to the amounts being considered recoverable:

	2012	2011
	£million	£million
Up to six months past due	34.1	42.9
Six to 12 months past due	1.3	0.8
Over 12 months past due	—	1.7
	35.4	45.4

Movements on the provision for bad and doubtful debts are as follows:

	2012	2011
	£million	£million
At beginning of period	25.9	28.2
Charge for the year	6.5	9.4
Utilisation of provision	(6.5)	(11.8)
Currency retranslation	(1.1)	0.1
At end of period	24.8	25.9

The Group does not hold any collateral as security over receivables balances.

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15 Short term investments

	2012	2011
	£million	£million
Floating rate notes	2.3	2.6
Money market deposits	5.0	7.9
	<u>7.3</u>	<u>10.5</u>

Floating rate notes have a nominal value of £2.8 million (2011 £3.1 million) and have an average expected maturity of 12.9 years (2011 9.5 years). Money market deposits are made for varying periods of 90 to 180 days with an average maturity of 118 days (2011 90 days). The carrying amount of money market deposits approximates their fair value.

Short term investments include £nil (2011 £7.4 million) which, together with certain cash and cash equivalents, are held under trust to fund customer support agreement liabilities as disclosed in note 26.

16 Cash and cash equivalents

	2012	2011
	£million	£million
Cash at bank	199.3	195.3
Money market deposits	117.5	139.4
	<u>316.8</u>	<u>334.7</u>

Cash at bank earns interest at floating rates based either on daily bank deposit rates or central bank lending rates. Money market deposits are made for varying periods of up to 90 days with an average maturity of 17 days (2011 31 days). The carrying amount of money market deposits approximates their fair value.

17 Borrowings

	2012	2011
	£million	£million
Current		
Bank overdrafts	15.8	5.6
6.125% Guaranteed Bonds 2012	162.5	—
Other borrowing	—	130.0
	<u>178.3</u>	<u>135.6</u>
Non-current		
6.125% Guaranteed Bonds 2012	—	168.2
8.75% Guaranteed Notes 2015	147.8	147.1
	<u>147.8</u>	<u>315.3</u>

Bank overdrafts are repayable on demand.

At 28 April 2012 there were no drawings under the £360 million revolving credit facility (the £360 million Facility) (2011 £130.0 million at a weighted average effective yield of 4.35% with an average maturity of five days). The £360 million Facility has a maturity date of August 2013, however, this will be affected by a new revolving facility agreement which is discussed further below. The £360 million Facility is described further in note 22(d). The available undrawn amount of the £360 million Facility was £360 million (2011 £230 million). The carrying amount of current borrowings and overdrafts approximates their fair value.

On 24 May 2012, the Group signed an amendment and restatement agreement implementing a revised revolving facility agreement (the New Facility) for £300 million. The New Facility, which has

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a maturity date of 30 June 2015, amends the £360 million Facility and the terms and covenants attaching to the New Facility are substantially the same as that for the £360 million Facility. The New Facility will reduce in size over its life to £200 million by September 2014, further information on which is provided in note 32.

The 6.125% Guaranteed Bonds 2012 (the 2012 Bonds) are denominated in sterling with a nominal value of £160 million, paying interest annually, are unsecured, are guaranteed by DSG Retail Limited, a subsidiary undertaking, and are listed on the London Stock Exchange. Unless previously redeemed or purchased and cancelled they will be redeemed at par on 15 November 2012. The 2012 Bonds may be redeemed in whole or in part at their principal amount plus accrued interest by providing 30 to 60 days' notice to the bondholder. The 2012 Bonds may also be purchased in the open market by any company within the Group. In either circumstance, the 2012 Bonds and any unmatured coupons will be cancelled and may not be re-issued or re-sold. In the event of a change of control, if the rating of the 2012 Bonds were to have fallen below a specified level, bondholders would have the right to redemption. The value of the 2012 Bonds excludes accrued interest of £4.4 million (2011 £4.5 million), included in trade and other payables.

The 8.75% Guaranteed Notes 2015 (the 2015 Notes) are denominated in sterling with a nominal value of £150 million, paying interest semi-annually, and are guaranteed by a number of UK and Irish subsidiary undertakings of the Group, including DSG Retail Limited. The 2015 Notes are listed on the London Stock Exchange. Unless previously redeemed or purchased and cancelled the 2015 Notes will be redeemed at par on 3 August 2015. The 2015 Notes may be redeemed in whole or in part at their principal amount plus accrued interest by providing 30 to 60 days' notice to the Noteholders. The 2015 Notes may also be purchased in the open market by any company within the Group. In either circumstance, the 2015 Notes and any unmatured coupons will be cancelled and may not be re-issued or re-sold. In the event of a specific change of control event, each Noteholder has an option to require Dixons Retail plc to redeem or, at the option of Dixons Retail plc, purchase (or procure the purchase of) any of the 2015 Notes held by such Noteholder at a cash price equal to 101% of their principal amount together with interest accrued. The value of the 2015 Notes excludes accrued interest of £3.2 million (2011 £3.2 million), included in trade and other payables.

Further information concerning fair value, hedging and ensuing interest rate and currency profiles relating to the 2012 Bonds and the 2015 Notes is included in note 22.

18 Obligations under finance leases

	2012		2011	
	Minimum lease payments £million	Present value of minimum lease payments £million	Minimum lease payments £million	Present value of minimum lease payments £million
Amounts due:				
Within one year	10.1	9.2	9.4	8.5
In more than one year and not more than five years	34.8	28.2	33.7	28.5
In more than five years	139.7	64.6	132.9	64.1
	184.6	102.0	176.0	101.1
Less future finance charges	(82.6)	—	(74.9)	—
Present value of lease obligations	102.0	102.0	101.1	101.1
Less amounts due within one year	(3.1)	(3.1)	(3.1)	(3.1)
Amounts due after more than one year	98.9	98.9	98.0	98.0

The majority of finance leases relate to properties in the UK where obligations are denominated in sterling and lease terms vary between 13 and 24 years. The effective borrowing rate on individual

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leases ranged between 5.51% and 8.15% (2011 between 4.57% and 8.15%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The total value of minimum sub-lease payments expected to be received under non-cancellable sub-leases was £nil (2011 £2.7 million).

The fair value of the Group's lease obligations approximates their carrying amount.

19 Trade and other payables

	Note	2012		2011	
		Current £million	Non- current £million	Current £million	Non- current £million
Trade creditors		961.1	—	1,055.3	5.2
Other taxation and social security		133.5	—	132.6	—
Derivative financial instruments	22	67.2	—	6.5	78.9
Other creditors		36.5	21.8	61.1	16.0
Accruals		230.2	83.6	236.4	81.5
Deferred income – customer support agreements		120.5	147.0	122.3	148.6
Deferred income – other		30.0	2.8	30.0	0.8
		1,579.0	255.2	1,644.2	331.0

Included in other creditors and accruals is £60.4 million (2011 £61.0 million) relating to other non-financial liabilities. The total financial liabilities included in trade and other payables are £1,340.0 million (2011 £1,479.9 million). The carrying amount of trade and other payables approximates their fair value.

20 Provisions

	2012			2011		
	Property related £million	Severance and other £million	Total £million	Property related £million	Severance and other £million	Total £million
At beginning of period	38.4	21.9	60.3	45.8	6.0	51.8
Additions	17.5	5.5	23.0	13.5	25.7	39.2
Utilisation	(23.6)	(20.2)	(43.8)	(21.0)	(9.9)	(30.9)
Currency retranslation	(1.2)	(0.1)	(1.3)	0.1	0.1	0.2
At end of period	31.1	7.1	38.2	38.4	21.9	60.3
Analysed as:						
Current	11.5	7.1	18.6	22.5	21.9	44.4
Non-current	19.6	—	19.6	15.9	—	15.9
	31.1	7.1	38.2	38.4	21.9	60.3

Additions during the period relate to restructuring and business impairment charges which are described further in note 4. Property related provisions mainly comprise onerous lease contracts.

Of the amounts included within non-current liabilities remaining at 28 April 2012, the majority are expected to be utilised within the next five years.

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21 Retirement and other post-employment benefit obligations

		2012 £million	2011 £million
Retirement benefit obligations – UK	21 (b) – (d)	(261.9)	(244.0)
– Northern Europe		(4.1)	(3.3)
		(266.0)	(247.3)
		(266.0)	(247.3)

The Group operates a number of defined contribution and defined benefit pension schemes.

The principal scheme which operates in the UK includes a funded defined benefit section whose assets are held in a separate trustee administered fund. The scheme is valued by a qualified actuary at least every three years and contributions are assessed in accordance with the actuary's advice so as to spread the pension cost over the normal expected service lives of members. Since 1 September 2002, the defined benefit section of the scheme has been closed to new entrants and on 30 April 2010 was closed to future accrual with automatic entry into the defined contribution section being offered to those active members of the defined benefit section at that time. Membership of the defined contribution section is offered to eligible employees.

In the Northern Europe division, the Group operates two funded secured defined benefit pension schemes with assets held by a life insurance company as well as an unsecured pension arrangement. In addition, contributions are made to a state pension scheme. The net movement in the obligation comprises a charge to operating profit of £0.6 million (2010/11 £0.8 million) with the remaining movements relating to the benefits paid in the period, actuarial gains / (losses) and currency retranslation.

In other territories, the Group also provides other post-employment benefits which are largely governed by statute, in particular in Italy and Greece. These benefits are unfunded.

(a) Defined contribution pension schemes

The pension charge in respect of defined contribution schemes was £12.6 million (2010/11 £12.3 million).

(b) UK Defined benefit pension scheme – actuarial valuation and assumptions

A full actuarial valuation of the scheme was last carried out as at 31 March 2010 and showed a shortfall of assets compared with liabilities of £239.0 million. A 'recovery plan' based on this valuation has been agreed with the trustee and commenced in 2010/11 with special contributions of £12.0 million, which rose to £16.0 million in 2011/12 and will rise to £20.0 million for 2012/13 and 2013/14, rising approximately annually thereafter to £35.0 million by 2020/21. The next triennial valuation will be as at 31 March 2013.

The principal actuarial assumptions as at 31 March 2010 were:

	Rate per annum
Discount rate for accrued benefits	
– Pre retirement	6.4%
– Post-retirement	5.1% – 5.3%
Rate of increase to pensions	
– Guaranteed Minimum Pension	0% – 2.8%
– Pension in excess of Guaranteed Minimum Pension	2.4% – 4.1%
Inflation	3.7%
Expected return on assets	6.6%

At 31 March 2010, the market value of the scheme's investments was £672.0 million and, based on the above assumptions, the value of the assets was sufficient to cover 74% of the benefits accrued to members with the liabilities amounting to £911.0 million.

(c) UK Defined benefit pension scheme – IAS 19

The following summarises the components of net benefit expense recognised in the consolidated income statement, the funded status and amounts recognised in the consolidated balance sheet. The methodologies set out in IAS 19 are different from those used by the scheme actuaries in determining funding arrangements.

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(i) Principal assumptions adopted

The assumptions used in calculating the expenses and obligations are set by the directors after consultation with the independent actuaries.

Rates per annum	2012	2011
Discount rate	5.2%	5.4%
Rate of increase in pensions in payment / deferred pensions (pre / post April 2006 accrual)	3.1% / 2.1%	3.3% / 2.2%
Inflation	3.2%	3.4%

The Group uses certain demographic assumptions when calculating scheme obligations which are those underlying the last formal actuarial valuation of the scheme as at 31 March 2010. In particular, post-retirement mortality has been assumed to follow the standard mortality tables 'S1' All Pensioners tables published by the CMI, based on the experience of Self-Administered Pension Schemes ('SAPS') from 2000 to 2006 with medium cohort improvements up to 2009 and multipliers of 105% for males and 110% for females. In addition, an allowance has been made for future improvements in longevity by using the new CMI 2009 Core projections with a long term rate of improvement of 1.5% per annum for men and 1.0% per annum for women. Applying such tables results in an average expected longevity of between 87.1 years and 88.7 years for men and between 88.5 years and 89.6 years for women (2011 between 86.9 years and 88.6 years for men and between 88.4 years and 89.6 years for women) for those becoming 65 at the measurement date.

(ii) Amounts recognised in consolidated income statement

	2011/12	2010/11
	£million	£million
Expected return on plan assets	44.8	44.7
Interest cost on benefit obligations	(50.5)	(50.3)
Net other finance costs	(5.7)	(5.6)

Other than the payments under the recovery plan, the Group does not expect to make any further contributions to its UK defined benefit pension scheme in 2012/13.

(iii) Amounts recognised in the consolidated balance sheet

	2012	2011	2010	2009	2008
	£million	£million	£million	£million	£million
Present value of defined benefit obligations	(991.8)	(949.7)	(929.4)	(693.3)	(740.7)
Fair value of plan assets	729.9	705.7	665.9	544.5	689.7
Net obligation	(261.9)	(244.0)	(263.5)	(148.8)	(51.0)

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Changes in the present value of the defined benefit obligation:

	2012	2011
	£million	£million
Opening obligation	949.7	929.4
Interest cost	50.5	50.3
Actuarial loss / (gain)	24.6	(3.7)
Benefits paid	(33.0)	(26.3)
Closing obligation	991.8	949.7

Changes in the fair value of the scheme assets:

	2012	2011
	£million	£million
Opening fair value	705.7	665.9
Expected return	44.8	44.7
Employer special contributions	16.0	12.0
Actuarial (loss) / gain	(3.6)	9.4
Benefits paid	(33.0)	(26.3)
Closing fair value	729.9	705.7

Analysis of scheme assets:

	2012			2011		
	Long term expected rate of return	£million	% of fair value of total scheme assets	Long term expected rate of return	£million	% of fair value of total scheme assets
Equities (UK / Overseas)	7.0%/7.6%	481.7	66.0%	7.3%/7.3%	471.8	66.9%
Property	5.2%	32.9	4.5%	5.8%	33.3	4.7%
Bonds / gilts	3.4%	205.8	28.2%	4.3%	185.7	26.3%
Cash	3.2%	9.5	1.3%	3.4%	14.9	2.1%
		729.9			705.7	

The overall expected rate of return on assets is determined based on the market prices prevailing at the balance sheet date, applicable to the period over which the obligation is to be settled. Actual return on the scheme assets was a gain of £41.2 million (2010/11 gain of £54.1 million). The actual return on other post-employment benefit scheme assets was not significant.

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(iv) Experience adjustments recognised in the consolidated statement of comprehensive income and expense:

	2012 £million	2011 £million	2010 £million	2009 £million	2008 £million
(Loss) / gain on scheme liabilities	(24.6)	3.7	(241.4)	81.8	17.0
(Loss) / gain from actual less expected return on assets	(3.6)	9.4	85.4	(196.1)	(41.7)
Actuarial (losses) / gains	(28.2)	13.1	(156.0)	(114.3)	(24.7)
Cumulative actuarial (loss) / gain	(276.6)	(248.4)	(261.5)	(105.5)	8.8

(d) Sensitivities

The value of the UK defined benefit pension scheme assets is sensitive to market conditions, particularly equity values. Changes in assumptions used for determining retirement benefit costs and liabilities may have a material impact on the 2012/13 income statement and the balance sheet. The main assumptions are the discount rate, the rate of inflation and the assumed mortality rate. The following table provides an estimate of the potential impacts of each of these variables if applied to the current period consolidated income statement and balance sheet.

	Net finance costs		Net deficit	
	2011/12 £million	2010/11 £million	2012 £million	2011 £million
Positive / (negative) effect:				
Discount rate: 0.25% increase	0.2	0.3	53.3	49.6
Inflation rate: 0.25% increase [†]	(2.4)	(2.4)	(47.6)	(42.9)
Mortality rate: 1 year increase	(1.3)	(1.4)	(25.8)	(25.4)

[†] The increase in scheme benefits provided to members on retirement is subject to an inflation cap.

(e) Other post-employment benefits – IAS 19

The Group offers other post-employment benefits to employees in overseas locations. At 28 April 2012 the net obligation in relation to these benefits was £11.1 million (2011 £11.6 million). The net movement in the obligation comprises a charge to operating profit of £3.8 million (2010/11 £4.3 million) with the remaining movements relating to the benefits paid in the period and currency retranslation.

22 Financial instruments

(a) Financial risk management objectives and policies

Treasury operations are managed centrally within policies approved by the Board and are subject to periodic independent internal and external reviews. Group Treasury reports regularly to the Audit Committee and the Tax & Treasury Committee. The major treasury risks to which the Group is exposed relate to market risks (movements in foreign exchange and interest rates), liquidity risk and credit risk.

Areas where risks are most likely to occur are evaluated regularly. The Group uses financial instruments and derivatives to manage these risks in accordance with defined policies. Throughout the period under review, in accordance with Group policy, no speculative use of derivatives, foreign exchange or other instruments was permitted.

The Group's accounting policies in relation to derivatives are set out in note 1.16.

Exchange rate risk

The Group is exposed to exchange movements on recognised assets and liabilities, overseas earnings and translated values of foreign currency assets and liabilities. The Group's principal translation currency exposures are the euro and Norwegian krone. Taking into account the cost of hedging, the Group's policy is to match, in whole or in part, currency earnings with related currency costs and currency assets with currency liabilities through the use of appropriate hedging instruments.

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The Group is also exposed to certain transactional currency exposures. Such exposures arise from purchases in currencies other than in the functional currency of the entity. The Group's principal transactional currency exposures are the US dollar and euro. It is Group policy to minimise the currency exposures on such purchases through the use of appropriate hedging instruments such as forward exchange contracts. Such contracts are designed to cover exposures ranging from one month to one year.

Interest rate risk

The principal interest rate risks of the Group arise in respect of sterling cash, investments and euro and sterling borrowings.

Potential exposure to interest rate movements is mitigated by the Group's policy to match to the extent possible the profile of interest payments with that of its interest receipts. Taking into account the cost of hedging, further mitigation is achieved with interest based credit commissions received and through the use of interest based hedging instruments. Such matching is evaluated regularly to ensure that risks are minimised.

Liquidity risk

It is Group policy to maintain a balance of funds, borrowings, committed bank and other facilities sufficient to meet anticipated short term and long term financial requirements. In applying this policy the Group continuously monitors forecast and actual cash flows against the maturity profiles of financial assets and liabilities. Uncommitted facilities are used if available on advantageous terms. It is Group treasury policy to ensure that a specific level of committed facilities is always available based on forecast working capital requirements.

Cash forecasts identifying the Group's liquidity requirements are produced and are stress tested for different scenarios including, but not limited to, reasonably possible decreases in profit margins and increases in interest rates on the Group's borrowing facilities and the weakening of sterling against other functional currencies within the Group.

Credit risk

The Group's exposure to credit risk on liquid funds, investments (mainly bank deposits and floating rate notes) and derivative financial instruments arises from the risk of non-performance of counterparties, with a maximum exposure equal to the book value of these assets. The Group limits its exposure to credit risk through application of Group treasury policy which restricts exposure to counterparties to those with a minimum Moody's long term credit rating below A1, bank financial strength rating below C and short term credit rating below P1. The Group also has policies that limit the amount of credit exposure to any single financial institution. The Group continuously reviews the credit quality of counterparties, the limits placed on individual credit exposures and categories of investments. The Group does not anticipate non-performance of counterparties and believes it is not subject to material concentration of credit risk given the policies in place.

The Group's receivable balances comprise a large number of individually small amounts from unrelated customers, spread across diverse industries and geographical areas. Concentration of risk is therefore limited and maximum exposure is equal to the book value of receivables. Sales to retail customers are made predominantly in cash or via major credit cards. It is Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. New credit customers are assessed using an external rating report which is used to establish a credit limit. Such limits are reviewed periodically on both a proactive and reactive basis, for example, when a customer wishes to place an order in excess of their existing credit limit. Receivable balances are monitored regularly with the result that the Group's exposure to bad debts is not significant. Management therefore believe that there is no further credit risk provision required in excess of the normal provision for doubtful receivables.

Capital risk management

It is the Group's policy to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Group is subject to certain externally imposed capital requirements in the form of banking covenants involving borrowing ratios which it met throughout the period.

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The Board has delegated responsibility for routine capital expenditure to a Capital Committee, which has approval responsibility for: Group long term and budgeted capital spend, setting capital assessment criteria, new store capital approval, subsidiary company funding, business acquisitions, business disposals and contingent liabilities such as guarantees. The Committee also approves routine statutory and internal delegated powers of authority in relation to capital expenditure.

The Group considers the manner in which funds are distributed to shareholders by assessing the performance of the business, the level of available net funds and the short to medium term strategic plans concerning future capital spend as well as the need to meet banking covenants and borrowing ratios. Such assessment will influence the level of dividends payable as well as consideration from time to time of market purchases of the Group's own shares.

The Group monitors available net funds on a regular basis and this is affected by Free Cash Flow, one of the Group's key performance indicators as defined further in the Strategic Summary section of the Directors' Report.

(b) Fair values of financial assets and liabilities

For receivables and payables classified as financial assets and liabilities in accordance with IAS 32, fair value is estimated to be equivalent to book value. These values are shown in notes 14 and 19, respectively. The categories of financial assets and liabilities and their related accounting policy are set out in notes 1.11 and 1.15.

For those financial assets and liabilities which bear either a floating rate of interest or no interest, fair value is estimated to be equivalent to book value. These values are shown in note 22(d).

The fair value of the 2012 Bonds is £160.4 million (2011 £154.4 million). The 2012 Bonds are carried at amortised cost, plus a fair value adjustment, as a result of the fair value hedge discussed below. Excluded from the fair value is £4.4 million (2011 £4.5 million) of accrued interest which is included in trade and other payables.

The fair value of the 2015 Notes is £147.4 million (2011 £129.8 million). The 2015 Notes are carried at amortised cost. Excluded from the fair value is £3.2 million (2011 £3.2 million) of accrued interest which is included in trade and other payables.

Fair value of derivatives is predominantly determined using observable market data such as interest rates and foreign exchange rates. As such, derivatives are classified as 'Level 2' under the requirements of IFRS 7 'Financial Instruments: Disclosures'.

Fair values of derivatives by designation

	2012				
	Trade and other receivables		Trade and other payables		Total £million
	Current £million	Non- current £million	Current £million	Non- current £million	
Derivatives held to:					
Hedge interest rate risk	9.0	—	—	—	9.0
Manage the currency exposure of:					
Financial assets and liabilities	1.5	—	(3.9)	—	(2.4)
Net investments in overseas subsidiaries	—	—	(62.6)	—	(62.6)
Future transactions occurring within one year	2.5	—	(0.7)	—	1.8
Total derivatives	13.0	—	(67.2)	—	(54.2)

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2011

	Trade and other receivables		Trade and other payables		Total £million
	Current £million	Non- current £million	Current £million	Non- current £million	
Derivatives held to:					
Hedge interest rate risk	—	18.3	—	—	18.3
Manage the currency exposure of:					
Financial assets and liabilities	0.6	—	(2.4)	—	(1.8)
Net investments in overseas subsidiaries	—	—	—	(78.9)	(78.9)
Future transactions occurring within one year	2.9	—	(4.1)	—	(1.2)
Total derivatives	<u>3.5</u>	<u>18.3</u>	<u>(6.5)</u>	<u>(78.9)</u>	<u>(63.6)</u>

Included in derivative financial instruments are forward foreign currency contracts, options, interest rate swaps and currency swaps.

(c) Hedging activities

The Group manages exposures that arise on purchases and sales denominated in foreign currencies predominantly by entering into forward foreign exchange currency contracts. It also uses swaps and options to manage its interest rate and foreign exchange translation exposure.

At 28 April 2012 the Group had interest rate swaps designated as fair value hedges for the 2012 Bonds with a notional amount of £125 million (2011 £125 million) whereby it receives a fixed interest rate of 6.125% and pays a floating rate of interest based on LIBOR.

At 28 April 2012 the Group also had interest rate swaps in place with a notional amount of £125 million (2011 £125 million) whereby the Group receives a fixed interest rate of 6.125% and pays a floating rate of interest based on LIBOR, and which act as a hedge for the 2015 Notes until August 2012. These swaps are not designated as hedges under IAS 39.

In order to provide a hedge against certain euro denominated fixed asset investments and to finance working capital £200 million (2011 £200 million) has been swapped into floating rate euro borrowings bearing interest based on EURIBOR. During the year forward foreign exchange contracts have been entered into which have reduced the hedge against euro denominated fixed asset investments to €100 million at 28 April 2012.

The Group designates financial instruments as hedges under IAS 39 as follows:

Cash flow hedges

At 28 April 2012 the Group had forward foreign exchange contracts in place with a notional value of £415.5 million (2011 £415.5 million) that are designated and effective as cash flow hedges. These contracts are expected to cover exposures ranging from one month to one year. The fair value of these currency derivatives which have been deferred in equity amounts to a £3.3 million gain (2010/11 £8.0 million loss). In respect of contracts which matured during the period, losses of £4.7 million and gains of £5.3 million have been transferred out of equity into inventory and out of equity into operating profit, respectively (2010/11 losses of £7.4 million and losses of £6.7 million).

Hedge ineffectiveness of £0.2 million gain was recorded in the income statement (2010/11 £0.2 million loss).

Fair value hedges

As mentioned above the Group had interest rate swaps in place for the 2012 Bonds whereby it receives a fixed interest rate of 6.125% and pays a floating rate of interest based on LIBOR. The interest rate swaps are used to hedge the exposure to changes in the fair value of £125 million (2011 £125 million) of the 2012 Bonds and have the same critical terms. The fair value of interest rate swaps entered into as fair value hedges is an asset of £5.3 million (2011 an asset of £9.9 million).

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A fair value loss on the interest rate swaps of £4.4 million (2010/11 loss of £1.3 million) has been recognised in the income statement and offset by an equivalent fair value gain on the 2012 Bonds. Hedge ineffectiveness of £0.6 million gain was recorded in the income statement (2011 £0.4 million loss).

Hedge of net investments in foreign operations

At 28 April 2012 the Group had forward foreign exchange contracts and cross currency swaps in place which mature in November 2012 with a notional value of €100 million (2011 €312 million) which have been designated as a hedge of the net investments in foreign operations. Gains and losses on the retranslation of these derivatives are transferred to equity to offset any gains or losses on translation of the net investments in the foreign operations. The fair value of currency derivatives entered into as net investment hedges is a £62.6 million loss (2010/11 £78.9 million loss).

No hedge ineffectiveness was recorded in the income statement (2010/11 £nil).

(d) Interest rate profile of financial assets and financial liabilities by currency

The following table sets out the interest rate exposure of the financial assets and liabilities of the Group. The financial instruments not included in the table are non-interest bearing and are therefore not subject to interest rate risk.

	2012				
	Sterling £million	Euro £million	US dollar £million	Other currencies £million	Total £million
Cash and cash equivalents and short term investments:					
Floating rate	106.2	35.9	33.7	27.7	203.5
Fixed rate	111.0	4.2	—	5.4	120.6
	<u>217.2</u>	<u>40.1</u>	<u>33.7</u>	<u>33.1</u>	<u>324.1</u>
Borrowings:					
Floating rate	(50.0)	(206.6)	—	(9.4)	(266.0)
Fixed rate	(60.1)	—	—	—	(60.1)
	<u>(207.6)</u>	<u>(209.8)</u>	<u>—</u>	<u>(10.7)</u>	<u>(428.1)</u>
Obligations under finance leases:					
Fixed rate	(97.5)	(3.2)	—	(1.3)	(102.0)
	<u>(207.6)</u>	<u>(209.8)</u>	<u>—</u>	<u>(10.7)</u>	<u>(428.1)</u>
Net debt	<u>9.6</u>	<u>(169.7)</u>	<u>33.7</u>	<u>22.4</u>	<u>(104.0)</u>

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2011

	Sterling £million	Euro £million	US dollar £million	Other currencies £million	Total £million
Cash and cash equivalents and short term investments:					
Floating rate	59.5	126.4	—	29.9	215.8
Fixed rate	121.5	3.9	—	4.0	129.4
	<u>181.0</u>	<u>130.3</u>	<u>—</u>	<u>33.9</u>	<u>345.2</u>
Borrowings:					
Floating rate	(180.9)	(209.0)	—	—	(389.9)
Fixed rate	(61.0)	—	—	—	(61.0)
Obligations under finance leases:					
Fixed rate	(97.6)	(2.2)	—	(1.3)	(101.1)
	<u>(339.5)</u>	<u>(211.2)</u>	<u>—</u>	<u>(1.3)</u>	<u>(552.0)</u>
Net debt	<u>(158.5)</u>	<u>(80.9)</u>	<u>—</u>	<u>32.6</u>	<u>(206.8)</u>

Floating rate cash and cash equivalents and short term investments relates to cash at bank and floating rate notes. Cash at bank earns interest at floating rates based either on daily bank deposit rates or central bank lending rates. Floating rate notes have an effective yield of 1.19% (2011 1.07%).

Fixed rate cash and cash equivalents, and, short term investments are predominantly money market deposits (as shown in note 16) and earn interest at an average effective rate of 0.80% (2011 0.64%).

Floating rate borrowings include bank overdrafts and fixed rate bonds after taking into account the effect of interest rates swaps entered into by the Group. The weighted average effective interest rate on bank overdrafts approximates 9.9% (2011 1.5%). The Group's interest rate swaps (which relate to the 2012 Bonds and the 2015 Notes) have a nominal value of £250 million (2011 £250 million), receive fixed interest rates of 6.125% (2010/11 6.125%) and pay floating rates of LIBOR plus margins which range from 1.76% to 2.37% (2010/11 1.59% to 2.03%). Currency swaps with a nominal value of £200 million (2011 £200 million) receive LIBOR plus a margin and pay EURIBOR plus a margin. The sterling floating rates ranged from 1.78% to 2.06% in the year (2010/11 1.59% to 2.03%) and the euro floating rates ranged from 2.13% to 2.62% (2010/11 1.74% to 2.14%).

The other major component of floating rate borrowings is drawings under the £360 million Facility. Interest on drawn amounts on the £360 million Facility is payable at LIBOR plus a margin of 3.75%. The commitment fee on undrawn amounts is 1.6875%. A utilisation fee of 0.25% is payable on drawings greater than one third of the maximum but less than two thirds of the maximum and a rate of 0.5% on drawings greater than two thirds of the maximum. The £360 million Facility is guaranteed by a number of UK and Irish subsidiary undertakings of the Group, including DSG Retail Limited. In the event of a change of control, the syndicated banks have the option to terminate the £360 million Facility. The terms of the New Facility are similar and further information on both the £360 million Facility and the New Facility are shown in note 17.

Sterling fixed rate borrowings relate to £50 million of the 2012 Bonds whereby the remainder have been swapped into floating rate borrowings as described in note 22(c).

Amounts in respect of other currencies relate to funds held within subsidiary companies, operating in the Nordic region and Central Europe.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

(e) Sensitivity analysis

The following analysis, required by IFRS 7, shows the sensitivity of profit before tax and total equity to changes in specified market variables on monetary assets and liabilities and derivative

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financial instruments as listed below. As a consequence, the sensitivity reflects the position as at 28 April 2012 and 30 April 2011, and is not necessarily representative of actual or future outcomes.

Changes in exchange rates affect the Group's profit before tax due to changes in the value of monetary assets and liabilities and derivative financial instruments. Changes in exchange rates affect the Group's total equity due to changes in the fair value of derivatives designated as cash flow hedges and net investment hedges. The table below shows the Group's sensitivity to a reasonably possible change in the Group's key currencies of US dollar, euro and Norwegian krone with other variables held constant. A 10% decrease would have an equal and opposite effect.

	2012		2011	
	Effect on underlying profit before tax increase / (decrease) £million	Effect on total equity increase / (decrease) £million	Effect on underlying profit before tax increase / (decrease) £million	Effect on total equity increase / (decrease) £million
Change in exchange rates:				
US dollar + 10%	0.9	3.5	(0.1)	2.1
Euro + 10%	(11.8)	5.8	(9.5)	(7.9)
Norwegian krone + 10%	(0.2)	(10.2)	(4.9)	(25.6)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Changes in interest rates affect the Group's profit before tax, mainly due to the impact of floating rate borrowings, cash and derivative financial instruments. The Group's principal floating rate interest rate exposures are based on LIBOR and EURIBOR. The numbers below shows the sensitivity to a reasonably possible change in interest rates (uniform across all currencies), with other variables held constant.

A 1% decrease would have an equal and opposite effect. A 1% increase in interest rates would decrease profit before tax and equity by £2.3 million (2010/11 a £4.1 million decrease in profit before tax and equity).

The following assumptions were made in calculating the sensitivity analysis:

- The balance of borrowings, investments and the derivative portfolio are all held constant for the whole year.
- All net investment, fair value and cash flow hedges are assumed to be highly effective.
- The effect of changes in interest rates on fixed rate bonds is calculated after taking into account the effect of interest rate swaps. In combination these financial instruments are floating in nature.
- Changes in the carrying value of derivative financial instruments designated as net investment hedges arising from movements in interest rates are recorded in the income statement. The impact of movements in exchange rates is recorded directly in equity.
- Changes in the carrying value of derivative financial instruments that are not in hedging relationships arising from movements in interest rates and exchange rates only affect the income statement to the extent that they are not offset by changes in an underlying transaction.

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(f) Liquidity risk

The tables below analyse the Group's contractual undiscounted cash flows payable under financial liabilities (excluding finance lease liabilities, which are shown in note 18) and derivative assets and liabilities into their maturity groupings. The tables include both principal and interest flows.

2012					
Contractual undiscounted cash flows					
	Within one year £million	In more than one year but not more than five years £million	In more than five years £million	Total £million	Carrying value £million
Non derivative financial liabilities:					
Bank overdrafts	(15.8)	—	—	(15.8)	(15.8)
Trade and other payables	(1,206.0)	(36.3)	(22.9)	(1,265.2)	(1,272.8)
6.125% Guaranteed Bonds 2012	(169.8)	—	—	(169.8)	(162.5)
8.75% Guaranteed Notes 2015	(13.1)	(182.9)	—	(196.0)	(147.8)
	<u>(1,404.7)</u>	<u>(219.2)</u>	<u>(22.9)</u>	<u>(1,646.8)</u>	<u>(1,598.9)</u>
Derivative contracts:					
Inflows	1,471.3	—	—	1,471.3	1,466.8
Outflows	(1,526.9)	—	—	(1,526.9)	(1,521.0)
	<u>(55.6)</u>	<u>—</u>	<u>—</u>	<u>(55.6)</u>	<u>(54.2)</u>
2011					
Contractual undiscounted cash flows					
	Within one year £million	In more than one year but not more than five years £million	In more than five years £million	Total £million	Carrying value £million
Non derivative financial liabilities:					
Bank overdrafts	(5.6)	—	—	(5.6)	(5.6)
Other borrowings	(131.6)	—	—	(131.6)	(130.0)
Trade and other payables	(1,327.4)	(37.0)	(20.7)	(1,385.1)	(1,394.5)
6.125% Guaranteed Bonds 2012	(9.8)	(169.8)	—	(179.6)	(168.2)
8.75% Guaranteed Notes 2015	(13.1)	(195.9)	—	(209.0)	(147.1)
	<u>(1,487.5)</u>	<u>(402.7)</u>	<u>(20.7)</u>	<u>(1,910.9)</u>	<u>(1,845.4)</u>
Derivative contracts:					
Inflows	1,072.0	464.6	—	1,536.6	1,532.4
Outflows	(1,068.4)	(535.5)	—	(1,603.9)	(1,596.0)
	<u>3.6</u>	<u>(70.9)</u>	<u>—</u>	<u>(67.3)</u>	<u>(63.6)</u>

The carrying value of trade and other payables includes accrued interest on the 2012 Bonds of £4.4 million (2011 £4.5 million), interest on the 2015 Notes of £3.2 million (2011 £3.2 million) and interest on other borrowings of £nil (2011 £0.1 million).

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The Group reviews regularly its available cash resources and undrawn committed borrowing facilities required to fulfil its objectives and strategy. Cash flow forecasts are prepared covering a five year period and these are updated annually. Shorter term forecasts are reviewed and monitored on a regular basis in varying degrees of granularity including, in some cases, daily review. These forecasts are used in determining both the level of borrowings required for funding purposes as well as planning for repayments of borrowings either at their maturity or sooner where practical. An appropriate level of headroom is maintained to provide against unexpected outflows or an unforeseen downturn in trading.

Further details of committed borrowing facilities are shown in note 17.

23 Share capital and reserves

(a) Called up share capital

	2012	2011
	£million	£million
Authorised		
4,980,252,496 (2011 4,980,252,496) ordinary shares of 2.5p each	124.5	124.5
Allotted and fully paid		
3,610,386,607 (2011 3,610,350,075) ordinary shares of 2.5p each	90.3	90.3
	<u><u>124.5</u></u>	<u><u>124.5</u></u>

During the period 36,532 shares (2010/11 412,642) were issued in respect of options exercised under employee share option and ownership schemes.

(b) Other reserves

	Merger reserve £million	Capital redemption reserve £million	Investment in own shares £million	Hedging reserve £million	Revaluation reserve £million	Total £million
At 2 May 2010	(386.1)	5.0	(2.3)	(151.7)	(2.4)	(537.5)
Other comprehensive income and expense recognised directly in equity	—	—	—	(0.3)	0.1	(0.2)
At 30 April 2011	(386.1)	5.0	(2.3)	(152.0)	(2.3)	(537.7)
Other comprehensive income and expense recognised directly in equity	—	—	—	16.8	(0.1)	16.7
At 28 April 2012	(386.1)	5.0	(2.3)	(135.2)	(2.4)	(521.0)

The balance shown on the merger reserve arose on the group reconstruction which occurred during 1999/00. The group reconstruction took the form of introducing a new parent company above the existing group and the merger reserve represents the difference between the capital structure of the new parent company and that of the former parent company.

Own shares held by the Group represent shares in the Company held by Dixons Retail Employee Share Trust (the Trust), further details of which are given in note 24. The 1,470,419 shares held at 28 April 2012 had a market value of £0.3 million (2011 2,948,718 shares held had a market value of £0.4 million) and their nominal value was £0.1 million (2011 £0.1 million).

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(c) Cumulative foreign exchange reserves within retained earnings

Included within retained earnings are exchange differences resulting from the translation of the results and balance sheets of overseas subsidiary undertakings, which have been charged or credited directly to equity. The following table shows a reconciliation of such amounts:

	2012	2011
	£million	£million
At beginning of period	366.0	333.9
Currency translation movements	(92.0)	32.1
At end of period	274.0	366.0

24 Employee share ownership trusts

During the year the trustee of Dixons Retail Employee Share Trust (the Trust) changed from Halifax EES Trustees International Limited to Sanne Trust Company Limited.

Historically the Trust has held shares in the Company for the purposes of satisfying potential awards to specified executive directors and senior employees under the Long Term Incentive Plan (LTIP), Performance Share Plan (PSP) and Retention and Recruitment Share Plan (Reward Shares) share schemes. Details of the LTIP, PSP and Reward Shares are given in the Remuneration Report in section (II) (b) (ii) of the Remuneration Report. The number of shares held by the Trust, which are shown in the table below, remain held for potential awards under outstanding plans.

The Company's aim has been to hedge in part its obligations under the LTIP, PSP and Reward Shares by buying shares through the Trust to meet the anticipated future liability. The anticipated liability is re-assessed regularly during the relevant performance period and additional shares are purchased when required to meet an increase in this liability. The costs of funding and administering the Trust are charged to the income statement in the period to which they relate. Shareholders' funds are reduced by the net book value of shares held in the Trust which have not vested unconditionally.

	2012	2011
	Number	Number
Investment in own shares	1,470,419	2,948,718

Sanne Trust Company Limited has waived all dividends except for a total payment of 1 penny at the time any dividend is paid. The mid-market price of a share as at 28 April 2012 was 18.0 pence (2011 14.4 pence).

25 Share-based payments

	Note	2011/12	2010/11
		£million	£million
Amounts (credited) / charged to operating profit			
Share-based payments – equity settled	(a)	(4.7)	8.6
– cash settled	(b)	—	(0.6)
		(4.7)	8.0

(a) Equity settled

Share option plans

Employee Share Option Scheme (ESOS) and Executive Share Option Plan (ESOP)

Options have historically been granted annually to executive directors and other senior executives. In September 2008, the Group adopted a new share option plan (ESOP) which replaced the existing ESOS. Options granted after this date have only been granted under the new ESOP. The ESOS and ESOP permit making awards with a market value on the date of grant of not more than twice the recipients' salary and three times in exceptional circumstances. Options are also granted to other employees in the UK and overseas on the basis of management grade. Vesting of options

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is based upon remaining in service with the Group over a three year period, unless specific circumstances apply to a participant as determined by the Remuneration Committee. Depending on grade, vesting is also dependent on the level of growth in underlying diluted earnings per share (EPS) over a three year period. Options may be exercised up to seven years after the vesting date.

Save As You Earn (SAYE)

The Group offers to all of its UK and Irish employees, having completed the relevant period of service, share-based savings plans whereby amounts may be contributed up to a specified limit per plan and per employee. Three year and five year plans have been offered annually, with exercise prices set at a 20% discount to the market share price on the date of grant. Exercise is conditional upon employees remaining employed by the Group for the full term of the plan unless specific circumstances apply to a participant as determined by the Remuneration Committee. Employees can choose to withdraw their contributions in full from the plan at any time, together with any interest earned.

Details of equity settled share option plans outstanding during the year are as follows:

		2011/12		2010/11	
	Note	Number	Weighted average exercise price	Number	Weighted average exercise price
At beginning of period		306,913,017	£0.28	236,377,764	£0.31
Granted during the period	(i)	22,931,718	£0.13	106,073,741	£0.25
Forfeited during the period		(74,916,680)	£0.25	(32,658,128)	£0.35
Exercised during the period	(ii)	(36,532)	£0.11	(412,642)	£0.18
Lapsed during the period		(21,515,422)	£0.51	(2,467,718)	£2.01
At end of period	(iii), (iv)	233,376,101	£0.25	306,913,017	£0.28

48,782,982 options were exercisable at 28 April 2012 (2011 none).

	2012	2011
(i) weighted average fair value of options granted during the period	£0.07	£0.16
(ii) weighted average share price at the date of exercise	£0.19	£0.24
(iii) weighted average remaining contractual life for options outstanding	5.9 years	6.4 years
(iv) range of exercise prices for options outstanding	£0.09 – £1.19	£0.09 – £1.70

The fair value of equity settled share option plans granted is estimated as at the date of grant using the Binomial or Black Scholes option pricing models taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the models used for the periods ended 28 April 2012 and 30 April 2011 based on information prevailing at the date of grant.

	2012	2011
Dividend yield	0%	0%
Historical and expected volatility	79.0% – 80.0%	86.2% – 87.5%
Risk-free interest rate	1.0% – 1.1%	1.5% – 1.6%
Expected remaining life of options	3.25 – 4.0 years	3.0 – 3.25 years
Weighted average share price	£0.13	£0.28

The expected remaining life of the options is based on historical data and is not necessarily indicative of the actual exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends. Actual outcome may differ from this assumption.

Other equity settled share plans

Executive directors' and senior executives' PSP, ESOP, Reward Sacrifice, Retention and Recruitment Share Plan and LTIP

Up to 2010/11, LTIP and PSP shares were provisionally awarded to executive directors and certain other participating senior executives and were based upon performance measured in terms of the

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Total Shareholder Return (TSR) achieved by the Company. For 2008/09 and 2009/10 TSR performance has been based on a bespoke weighted index comprising UK and European retailers. For 2010/11 onwards, TSR performance has been based on constituents of the FTSE 250 Index (comprising FTSE 101-350 companies) excluding investment trusts.

During 2011/12, PSP shares were provisionally awarded to executive directors and other senior executives instead of the ESOP options which had been granted in previous years. Vesting of these awards is based upon remaining in service with the Group over a three year period. For awards to executive directors, vesting is also dependent on the level of EPS achieved at the end of a three year period and TSR performance on the same terms as the 2010/11 awards.

Details of LTIP and PSP equity settled share-based payments outstanding during the year are as follows:

	Note	2012	2011
		Number	Number
At beginning of period		15,588,155	13,662,455
Provisionally awarded during the period	(i)	41,652,660	6,798,796
Forfeited during the period		(11,203,400)	(1,409,300)
Vested during the period		—	(1,068,870)
Expired during the period		(6,454,354)	(2,394,926)
At end of period	(ii)	39,583,061	15,588,155
Outstanding awards vested at end of period		99,344	99,344

	2012	2011
(i) weighted average fair value of awards awarded during the period	£0.13	£0.20
(ii) weighted average remaining contractual life for awards outstanding	2.1 years	1.3 years

Reward Sacrifice options were offered to senior executives in September 2009 and do not have any performance conditions. 11,902,442 options were granted at a fair value of £0.15. During the year, 803,421 (2010/11 529,259) options lapsed. The number outstanding at the end of the period is 9,832,330 (2010/11 10,635,751).

Reward Shares were granted to a limited number of executives in July 2008, August 2011 and February 2012 and do not have any performance conditions. During the period 619,813 (2010/11 none) Reward Shares were granted, 1,222,178 (2010/11 451,194) Reward Shares lapsed and 4,314,618 (2010/11 none) Reward Shares vested. The number outstanding at the end of the period is 334,915 (2010/11 5,251,898).

The fair value of such other equity settled share-based payments granted is estimated as at the date of grant using the option pricing models listed below as well as taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the models used for the periods ended 28 April 2012 and 30 April 2011 based on information prevailing at the date of grant.

	2011/12		2010/11
Plan	PSP	Reward Shares	PSP
	Monte Carlo	Black Scholes	Monte Carlo
Option pricing model	0%	0%	0%
Dividend yield	71.6%	N/A	87.5%
Historical and expected volatility	1.0%	N/A	1.5%
Risk-free interest rate	3.0 years	1.0 – 2.0 years	3.0 years
Expected life of awards	£0.13	£0.14	£0.28
Weighted average share price			

Further information concerning share-based incentive plans specific to directors is included in the unaudited section of the Remuneration Report in sections (II) (b) (ii) and (iii).

(b) Cash settled

Historical awards were granted to employees on the basis of a monetary amount determined by grade and length of service. Employees had to remain in employment until the vesting date which

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occurred on the third anniversary of the date of grant unless specific circumstances applied to a participant as determined by the Remuneration Committee. The vesting of such share-based payments for employees above a certain grade was determined based on the level of growth in EPS over a three year period. Such awards were settled in cash which was calculated based on the share price at the exercise date. The fair value of cash settled share-based payment plans was estimated at each balance sheet date using the Binomial option pricing model taking into account the terms and conditions upon which the instruments were granted. All remaining awards had either vested or lapsed as at 28 April 2012. No outstanding cash settled awards had vested at 30 April 2011.

	2012	2011
	£million	£million
Amount included within trade and other payables relating to cash settled share-based payments	<u>—</u>	<u>0.2</u>

(c) Additional SAYE, ESOS, ESOP, LTIP and PSP information

During the period 22,931,718 options under the employee share option schemes were granted to 2,519 employees at exercise prices ranging between £0.12 and £0.13. In addition, 41,652,660 PSP shares were provisionally granted to 1,414 employees. At 28 April 2012 options outstanding for accounting purposes amounted to 233,376,101 shares (2011 306,913,017) and LTIP and PSP shares outstanding amounted to 39,583,061 shares (2011 15,588,155), analysed as follows:

SAYE			ESOS & ESOP			LTIP & PSP	
Date of grant	Exercise price Pence	Number	Date of grant	Exercise price Pence	Number	Date of grant	Number
26 Feb 2007	99.52	216,455	22 Jul 2002	118.80	16 Aug 2002	18,548	
26 Feb 2008	44.54	1,157,461	7 Feb 2003	75.59	40,660	21 Aug 2003	25,654
23 Jul 2009	18.32	24,770,605	11 Jul 2008	27.63	43,000,005	23 Jul 2004	55,142
3 Aug 2010	20.23	16,290,660	16 Dec 2008	9.20 – 10.85	6,225,823	23 Jul 2009	1,645,478
22 Jul 2011	13.01	19,798,473	23 Jul 2009	23.95	46,868,641	3 Aug 2010	3,466,050
			28 Sep 2009	28.43	9,832,330	3 Aug 2011	33,592,545
			7 Dec 2009	36.88	3,043,330	8 Dec 2011	779,644
			3 Aug 2010	27.59	54,899,559		
			8 Dec 2010	25.51	3,750,000		
			8 Dec 2011	11.53	863,445		
		<u>62,233,654</u>			<u>171,142,447</u>		<u>39,583,061</u>

Options granted under the ESOS and ESOP can vest between three to ten years subject to performance conditions, where applicable, being met. PSP shares vest after three years subject to performance conditions, where applicable, being met. The performance conditions applicable to these schemes are set out in sections (II) (b) (ii) and (iii) of the unaudited section of the Remuneration Report.

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26 Notes to the cash flow statement

(a) Reconciliation of operating loss to net cash inflow from operating activities

	2011/12	2010/11
	£million	£million
Operating loss	(68.9)	(180.3)
Operating loss – discontinued operations	—	2.1
Operating loss – continuing operations	(68.9)	(178.2)
Amortisation of acquired intangibles	4.5	4.5
Amortisation of other intangibles	18.4	22.7
Depreciation	120.4	116.7
Share-based payment (credit) / charge	(4.7)	8.0
Share of post-tax results of associates	(0.6)	0.4
Loss on disposal of property, plant & equipment	13.5	13.6
Profit on disposal of Jönköping	(37.2)	—
Increase in non-underlying provisions	23.0	39.2
Non-underlying impairments, other charges and accelerated depreciation / amortisation	190.9	256.4
Utilisation of non-underlying provisions	(43.8)	(30.9)
Operating cash flows before movements in working capital	215.5	252.4
Movements in working capital:		
Decrease in inventories	41.3	16.2
Decrease in trade and other receivables	29.6	9.1
(Decrease) / increase in trade and other payables	(55.1)	15.1
	15.8	40.4
Cash generated from operations – continuing operations	231.3	292.8

(b) Analysis of net debt

	1 May 2011	Cash flow £million	Other non- cash movements £million	Currency translation £million	28 April 2012 £million
Cash and cash equivalents [†]	334.7	(6.9)	—	(11.0)	316.8
Bank overdrafts	(5.6)	(10.0)	—	(0.2)	(15.8)
	<u>329.1</u>	<u>(16.9)</u>	<u>—</u>	<u>(11.2)</u>	<u>301.0</u>
Short term investments	10.5	(3.1)	(0.1)	—	7.3
Borrowings due within one year	(130.0)	130.0	(162.5)	—	(162.5)
Borrowings due after more than one year	(315.3)	—	167.5	—	(147.8)
Obligations under finance leases	(101.1)	1.6	(2.0)	(0.5)	(102.0)
	<u>(546.4)</u>	<u>131.6</u>	<u>3.0</u>	<u>(0.5)</u>	<u>(412.3)</u>
Net debt	<u>(206.8)</u>	<u>111.6</u>	<u>2.9</u>	<u>(11.7)</u>	<u>(104.0)</u>

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	2 May 2010 £million	Cash flow £million	Other non- cash movements £million	Currency translation £million	30 April 2011 £million
Cash and cash equivalents [†]	295.7	37.3	—	1.7	334.7
Bank overdrafts	(4.9)	(0.7)	—	—	(5.6)
	<u>290.8</u>	<u>36.6</u>	<u>—</u>	<u>1.7</u>	<u>329.1</u>
Short term investments	8.5	1.8	0.2	—	10.5
Borrowings due within one year	(98.5)	(31.8)	—	0.3	(130.0)
Borrowings due after more than one year	(321.4)	(5.4)	11.5	—	(315.3)
Obligations under finance leases	(100.0)	1.5	(2.4)	(0.2)	(101.1)
	<u>(519.9)</u>	<u>(35.7)</u>	<u>9.1</u>	<u>0.1</u>	<u>(546.4)</u>
Net debt	<u>(220.6)</u>	<u>2.7</u>	<u>9.3</u>	<u>1.8</u>	<u>(206.8)</u>

Restricted funds, which predominantly comprise funds held under trust to fund potential customer support agreement liabilities were £114.0 million (2011 £120.3 million). Net debt excluding restricted funds totalled £218.0 million (2011 £327.1 million).

[†] Cash and cash equivalents are presented as a single class of assets on the face of the consolidated balance sheet. For the purposes of the consolidated cash flow, cash and cash equivalents comprise those amounts presented on the consolidated balance sheet as cash and cash equivalents, less bank overdrafts (which are disclosed separately on the consolidated balance sheet and as disclosed in note 17).

27 Discontinued operations

(a) Loss after tax – discontinued operations

	2011/12 £million	2010/11 £million
Loss after tax – discontinued operations	<u>—</u>	<u>(2.1)</u>

2010/11: The loss after tax from discontinued operations relates to charges in respect of the Group's former operations in Hungary, which were disposed of on 19 May 2009 to EW Electro Retail Limited for consideration of €1.

	2011/12 Hungary £million	2010/11 Hungary £million
Expenses	<u>—</u>	<u>(2.1)</u>
Operating loss and loss before tax	<u>—</u>	<u>(2.1)</u>
Income tax expense	<u>—</u>	<u>—</u>
Loss after tax from discontinued operations	<u>—</u>	<u>(2.1)</u>

All losses were attributable to the equity shareholders of the Company.

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(b) Cash flows from discontinued operations

	2011/12	2010/11
	£million	£million
Operating activities	(1.5)	(0.1)
	<u> </u>	<u> </u>

28 Capital commitments

	2012	2011
	£million	£million
Contracted for but not provided for in the accounts	27.3	28.9
	<u> </u>	<u> </u>

29 Contingent liabilities

	2012	2011
	£million	£million
Contingent liabilities	4.3	4.0
	<u> </u>	<u> </u>

In addition to the figures shown in the table above, contingent liabilities also exist in respect of lease covenants relating to premises assigned to third parties.

30 Operating lease commitments

	<u>2012</u>		<u>2011</u>	
	Land and buildings £million	Other assets £million	Land and buildings £million	Other assets £million
Total undiscounted future committed payments due:				
Within one year	364.5	8.8	379.0	8.9
Between two and five years	1,265.2	8.5	1,286.3	8.9
After five years	1,417.5	—	1,479.4	—
	<u>3,047.2</u>	<u>17.3</u>	<u>3,144.7</u>	<u>17.8</u>

Operating lease commitments represent rentals payable for retail, distribution and office properties, as well as vehicles, equipment and office equipment. Contingent rentals are payable on certain retail store leases based on store revenues.

The above figures include committed payments under onerous lease contracts for which provisions or accruals exist on the balance sheet, including those for closed businesses.

Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases was £28.3 million (2011 £34.5 million).

31 Related party transactions

Transactions between Group undertakings, which are related parties, have been eliminated on consolidation and accordingly are not disclosed.

Transactions between Group undertakings and associates comprised sales of goods of £17.1 million (2010/11 £16.8 million) and purchase of logistic services of £4.1 million (2010/11 £3.9 million).

The Group via its registered charitable trust, the DSG international Foundation (the Foundation), made charitable donations of £5,000 (2010/11 £5,000). The Company made no charitable donations to the Foundation during the period (2010/11 £nil). The Company is the sole benefactor of the Foundation, the principal beneficiaries of which are concerned with education, community affairs, health and disabilities, heritage and the environment.

Steve Rosenblum and Jean-Emile Rosenblum, the President and Vice President of PIXmania respectively and previously both members of the Senior Executive management team, together with

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close family members and companies controlled by them, own 21.9% of PIXmania, a company controlled by the Group. In connection with their management roles with respect to PIXmania, Steve Rosenblum and Jean-Emile Rosenblum received management fees of €260,000 (£223,000) (2010/11 €260,000 (£221,000)). Steve Rosenblum and Jean-Emile Rosenblum together have certain exit rights exercisable between July 2011 and July 2013 in relation to their holdings in PIXmania.

Steve Rosenblum and Jean-Emile Rosenblum own buildings which are occupied and leased by PIXmania. During 2011/12 total rental payments of €706,000 (£605,000) (2010/11 €653,000 (£553,000)) were charged in relation to these properties.

Remuneration of directors and key management personnel

The remuneration of non-executive directors, executive directors, and members of the senior management team, who are the key management personnel of the Group, is set out below. Further information about individual directors' remuneration, share interests, share options, pensions and other entitlements, which form part of these financial statements, is given in sections (VI) to (X) of the directors' Remuneration Report which are described as having been audited.

	2012	2011
	£million	£million
Short term employee benefits	5.9	5.1
Termination benefits	—	0.2
Share-based payment	(1.7)	2.2
	<hr/> <hr/>	<hr/> <hr/>

32 Post balance sheet event

On 24 May 2012, the Group signed an amendment and restatement agreement implementing a revised revolving credit facility agreement (the New Facility) for £300 million. The New Facility, which has a maturity date of 30 June 2015, replaces the £360 million Facility and the terms and covenants attaching to the New Facility are substantially the same as that for the £360 million Facility, although some small relaxation to the financial covenants has been incorporated. The New Facility will reduce in size to £200 million by September 2014.

The New Facility is also discussed in notes 17 and 22.

PART IV

SECTION A: UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COMBINED GROUP

The unaudited consolidated *pro forma* income statement and statement of net assets of the Combined Group have been prepared in a manner consistent with the accounting policies adopted by the Carphone Group in preparing the audited historical consolidated financial information for the financial year ended 29 March 2014, on the basis set out in the notes to the *pro forma* income statement and statement of net assets and in accordance with Annex II to the Prospectus Directive Regulation.

The unaudited consolidated *pro forma* income statement of the Combined Group has been prepared based on the consolidated income statement of the Carphone Group for the year ended 29 March 2014 and the consolidated income statement of the Dixons Group for the year ended 30 April 2014 to illustrate the effect on the income statement of the Carphone Group of the Merger as if it had taken place as at 1 April 2013. The unaudited *pro forma* statement of net assets of the Combined Group has been prepared based on the consolidated balance sheet of the Carphone Group as at 29 March 2014 and the consolidated balance sheet of the Dixons Group as at 30 April 2014 to illustrate the effect on the balance sheet of the Carphone Group of the Merger as if it had taken place as at 29 March 2014.

The unaudited consolidated *pro forma* income statement and statement of net assets have been prepared for illustrative purposes only and, by their nature, address a hypothetical situation and, therefore, do not represent the Carphone Group's or the Combined Group's actual financial position or results.

UNAUDITED PRO FORMA INCOME STATEMENT

	Carphone Group income statement for the financial year ended 29 March 2014 ⁽¹⁾ £million	Adjustments		Pro forma income statement of the Combined Group £million
		Dixons Group income statement for the financial year ended 30 April 2014 ⁽²⁾ £million	Transaction adjustments ⁽³⁾ £million	
Continuing operations				
Revenue	2,576	7,218		9,794
Profit from operations before share of results of joint ventures	96	189	(33)	252
Share of results of joint ventures	(20)	—		(20)
Profit before interest and taxation	76	189	(33)	232
Interest income	8	3		11
Interest expense	(17)	(59)		(76)
Profit before taxation	67	133	(33)	167
Taxation	(19)	(45)		(64)
Profit from continuing operations	48	88	(33)	103
Loss from discontinued operations	—	(158)		(158)
Net profit (loss) for the year	48	(70)	(33)	(55)

Notes:

1. The consolidated income statement of the Carphone Group has been extracted without material adjustment from the audited financial information of the Carphone Group for the financial year ended 29 March 2014.
2. The consolidated income statement of the Dixons Group has been extracted without material adjustment from the audited financial information of the Dixons Group for the financial year ended 30 April 2014 as set out in Part III of this document.
3. Transaction costs of approximately £23 million and costs of approximately £10 million associated with employee incentive schemes of the Dixons Group are expected to be incurred as a result of the Merger and have been recognised as an operating

expense in this unaudited consolidated *pro forma* income statement. These costs will not have a continuing impact on the Combined Group.

4. As detailed in note 3a to the unaudited consolidated *pro forma* statement of net assets below, fair value adjustments to the acquired assets and liabilities of the Dixons Group have not yet been determined as the fair value measurement of these items will be performed subsequent to the Merger. Such fair value adjustments may be material, and may have a continuing impact on the results of the Combined Group in years subsequent to the Merger.
5. No adjustment has been made to the unaudited *pro forma* income statement to reflect any changes in finance or tax charges which may arise as a result of the Merger in years subsequent to the Merger.

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

	Carphone Group net assets at 29 March 2014 ⁽¹⁾ £million	Adjustments		Pro forma net assets of the Combined Group £million
		Dixons Group net assets at 30 April 2014 ⁽²⁾ £million	Transaction adjustments ⁽³⁾ £million	
Non-current assets				
Goodwill	481	607	1,793	2,881
Intangible assets	136	51		187
Property, plant and equipment	90	331		421
Trade and other receivables	191	14		205
Interests in joint ventures and associates	—	1		1
Deferred tax assets	54	121		175
	952	1,125	1,793	3,870
Current assets				
Stock	240	684		924
Trade and other receivables	821	267		1,088
Corporation tax receivable	—	6		6
Short-term investments	—	1		1
Cash and cash equivalents	283	401	(55)	629
Assets held for sale	11	31		42
	1,355	1,390	(55)	2,690
Total assets	2,307	2,515	1,738	6,560
Current liabilities				
Trade and other payables	(869)	(1,382)	15	(2,236)
Deferred consideration	(25)	—		(25)
Provisions	(50)	(24)	(11)	(85)
Corporation tax liabilities	(36)	(52)		(88)
Finance lease obligations	(1)	(2)		(3)
Liabilities associated with assets held for sale	—	(31)		(31)
	(981)	(1,491)	4	(2,468)
Non-current liabilities				
Trade and other payables	(113)	(239)	13	(339)
Deferred consideration	(25)	—		(25)
Deferred tax liabilities	(18)	(15)		(33)
Provisions	—	(16)	(13)	(29)
Loans and other borrowings	(290)	(247)		(537)
Retirement benefit obligations	—	(402)		(402)
Finance lease obligations	—	(92)		(92)
	(446)	(1,011)	—	(1,457)
Total liabilities	(1,427)	(2,502)	4	(3,925)
Net assets	880	13	1,742	2,635

Notes:

1. The net assets of the Carphone Group have been extracted without material adjustment from the audited financial information of the Carphone Group for the financial year ended 29 March 2014.
2. The net assets of the Dixons Group have been extracted without material adjustment from the audited financial information of the Dixons Group for the financial year ended 30 April 2014 as set out in Part III of this document.
3. Acquisition accounting adjustments are as follows:
 - a. The unaudited consolidated *pro forma* statement of net assets has been prepared on the basis that the Merger will be treated as an acquisition of the Dixons Group by the Carphone 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 Dixons Group as the fair value measurement of these items will be performed subsequent to the Merger. Such fair value adjustments may be material, although they will have no effect on the Combined Group's *pro forma* 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:

	£million
Total consideration transferred	1,806
less book value of net assets acquired	(13)
	1,793
Goodwill recognised	1,793

Total consideration transferred is the fair value of the shares to be issued by Carphone to acquire the entire issued and to be issued ordinary share capital of Dixons. The total consideration value is based on Carphone having a closing middle market share price of 313.50 pence per Carphone Share on 25 June 2014 (being the latest practicable date prior to the publication of this document) and there being 576,067,769 New Dixons Carphone Shares issued pursuant to the Merger.

- b. Total transaction costs of approximately £23 million and cash costs of approximately £32 million associated with employee incentive schemes of the Dixons Group (of which £4 million is already accrued for in current trade and other payables and net £18 million recognised against reserves) are expected to be incurred as a result of the Merger and have been deducted from cash and cash equivalents in this unaudited consolidated *pro forma* statement of net assets.
 - c. At 29 March 2014, the Carphone Group recognised certain liabilities within provisions whilst the Dixons Group disclosed such liabilities at 30 April 2014 as trade and other payables. To ensure consistency of presentation, these liabilities recognised by the Dixons Group in trade and other payables have been reclassified to provisions in this unaudited consolidated *pro forma* statement of net assets.
4. No adjustment has been made to reflect the trading results of the Carphone Group since 29 March 2014 or the Dixons Group since 30 April 2014.
5. The anticipated impact on the Combined Group's *pro forma* net funds (debt) of the Merger is summarised from the unaudited consolidated *pro forma* statement of net assets as follows:

	Adjustments			
Carphone Group net assets at 29 March 2014 £million	Dixons Group net assets at 30 April 2014 £million	Transaction adjustments £million	Pro forma net funds (debt) of the Combined Group £million	
Cash and cash equivalents*	283	410	(55)	638
Short-term investments	—	1	—	1
Current liabilities – Finance lease obligations	(1)	(2)	—	(3)
Non-current liabilities – Loans and other borrowings	(290)	(247)	—	(537)
Non-current liabilities – Finance lease obligations	—	(92)	—	(92)
	(8)	70	(55)	7

* Cash and cash equivalents of Dixons Group in this table of *pro forma* net funds (debt) includes £9 million of cash and cash equivalents within assets held for sale.

PART IV

SECTION B: REPORTING ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION



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26 June 2014

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 IV of the Class 1 circular of the Company dated 26 June 2014 (the “**Circular**”), which has been prepared on the basis described in the notes in Section A of Part IV of the Circular, for illustrative purposes only, to provide information about how the Merger might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 29 March 2014. This report is required by Annex I item 20.2 of Commission Regulation (EC) No 809/2004 (the “**Prospectus Directive Regulation**”) as applied by Listing Rule 13.3.3R 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 II items 1 to 6 of the Prospectus Directive Regulation as applied by Listing Rule 13.3.3R.

It is our responsibility to form an opinion 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 as applied by Listing Rule 13.3.3R.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to the Company’s ordinary shareholders as a result of the inclusion of this report in the Circular, 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 Listing Rule 13.4.1R(6), consenting to its inclusion in the Circular.

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.

Yours faithfully

Deloitte LLP
Chartered Accountants

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

PART V

QUANTIFIED FINANCIAL BENEFITS STATEMENT

The Announcement included statements of estimated cost savings and synergies arising from the Merger which are repeated and described further in paragraph 7 (Synergies and integration) of Part I of this document (together, the “**Quantified Financial Benefits Statement**”).

A copy of the Quantified Financial Benefits Statement is set out below:

“The Carphone Directors and Dixons Directors, having reviewed and analysed the potential benefits of the Merger, based on their experience of operating in the consumer electrical and mobile retail sectors, and taking into account the factors they can influence, believe that the Combined Group will be able to achieve integrated mobile retailing and procurement synergies, together with cost savings, of at least £80 million on a recurring basis, which are expected to be delivered in full in the financial year 2017/18. The Boards of Carphone and Dixons expect Dixons Carphone to deliver these synergies progressively, achieving almost half of them in financial year 2015/16.

The principal sources of quantified synergies are as follows:

- *approximately half of the identified synergies are expected to come from integrated mobile retailing and procurement synergies. These comprise synergies in the UK, Ireland and the Nordics resulting from creating an integrated mobile offering in Dixons shops, which will promote a seamless customer journey across all technology categories, underpinned by the use of Carphone’s expertise in mobile, together with procurement benefits resulting from the Combined Group’s scale; and*
- *approximately half are expected to come from synergies, including rent and other infrastructure costs, resulting from the rationalisation of certain operational and support functions where there is duplication, both across the UK and in the Nordic regions.*

In addition to these quantified synergies, the Carphone Directors and the Dixons Directors believe that further value will be created through additional growth opportunities including:

- *enhanced revenue opportunities from an improved customer offering across electrical, mobiles and connectivity, enabled by a true multi-channel approach, including a wider and more convenient combined footprint for customers;*
- *developing a world class service proposition for customers; and*
- *enhancement of the existing Connected World Services opportunities for both existing and new business partners around the globe.*

It is expected that there will be significant job creation through the rollout of the Dixons Carphone integrated retail offering, resulting in an increase of approximately 4 per cent. of the Combined Group’s full-time equivalent employees. This is expected to be substantially complete by the end of 2016. This increase will be partially offset as a result of the rationalisation of certain operational and support functions resulting, in these functions, in a decrease of approximately 2 per cent. of the Combined Group’s full-time equivalent employees. Any changes related to the rationalisation are unlikely to take effect prior to 2015 and are anticipated to be implemented gradually over the three years after Completion. Taken together with the job creation opportunities, it is expected there will be a net increase of approximately 2 per cent. of the Combined Group’s full-time equivalent employees as a result of the Merger. The integration of the businesses will clearly require some roles to change but, with more new roles being created than those that are lost, it is hoped that there will be opportunities for many of the people involved. Specific roles have not yet been identified, outcomes will depend on integration planning and will, of course, be subject to consultation with the Combined Group’s colleagues.

It is expected that the realisation of the identified synergies will result in one-off exceptional costs of approximately £55 – 60 million, largely incurred by the end of financial year 2015/16. It is also expected that incremental capital expenditure of approximately £60 – 70 million will be incurred during the period to the end of financial year 2017/18. Aside from the integration costs and the planned incremental capital expenditure, no material dis-synergies are expected in connection with the Merger. The identified synergies will accrue as a direct result of the Merger and would not be achieved on a standalone basis.”

Further information on the bases of belief supporting the Quantified Financial Benefits Statement, including the principal assumptions and sources of information, is set out below.

Bases of belief

Following initial discussions regarding the Merger in February 2014, Carphone and Dixons established a joint synergy development team to evaluate and assess the potential synergies available for the integration and undertake an initial planning exercise.

The team, which comprised senior strategy and financial personnel from both Carphone and Dixons, has worked collaboratively during the last three months to identify and quantify potential synergies as well as estimate any associated costs.

The team has engaged with the relevant functional heads and other personnel to provide input into the development process and to agree on the nature and quantum of the identified synergy initiatives.

In preparing the Quantified Financial Benefits Statement, both Carphone and Dixons have shared certain operating and financial information to facilitate a detailed analysis in support of evaluating the potential synergies available from the Merger. In circumstances where data has been limited for commercial or other reasons, the team has made estimates and assumptions to aid its development of individual synergy initiatives.

Reports

As required by Rule 28.1(a) of the Code, Deloitte LLP, as reporting accountants to Carphone, has provided a report stating that, in their opinion, the Quantified Financial Benefits Statement has been properly compiled on the basis stated. In addition Deutsche Bank, as financial adviser to Carphone, has provided a report stating that, in its opinion, the Quantified Financial Benefits Statement has been prepared with due care and consideration.

Copies of these reports were included in Parts B and C of Appendix IV of the Announcement.

The Carphone Directors confirm that there have been no material changes to the Quantified Financial Benefits Statement.

Deloitte LLP and Deutsche Bank have also confirmed to Carphone that the reports they produced in connection with the Quantified Financial Benefits Statement continue to apply.

Notes

1. The statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, or may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. No statement in the Quantified Financial Benefits Statement, or this document generally, should be construed as a profit forecast or interpreted to mean that the Combined Group's earnings in the first full year following the Merger, or in any subsequent period, would necessarily match or be greater than or be less than those of Carphone and/or Dixons for the relevant preceding financial period or any other period.
2. Due to the scale of the Combined Group, there may be additional changes to the Combined Group's operations. As a result, and given the fact that the changes relate to the future, the resulting cost savings may be materially greater or less than those estimated.
3. In arriving at the estimate of synergies set out in this document, the Carphone Directors and the Dixons Directors have assumed that there will be no significant impact on the underlying operations of either business.

PART VI

ADDITIONAL INFORMATION

1. Responsibility

Carphone and the Carphone Directors, whose names appear on page 10 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of Carphone and the Carphone 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 does not omit anything likely to affect the import of such information.

2. Company address

The registered office and principal place of business in the UK of the Company is at 1 Portal Way, London W3 6RS.

3. Information incorporated by reference

The following sections of the Dixons Carphone Prospectus are incorporated by reference into this document. Where the information described below itself incorporates information by reference to another document (“**further information**”), the further information is not intended to form part of this document for any purpose.

<i>Information incorporated by reference</i>	<i>Sections of Dixons Carphone Prospectus incorporated by reference</i>	<i>Page number(s)</i>
Information on Carphone		
Details of the Carphone Directors’ interests in Carphone Shares	Part XI, paragraph 3	172 – 173
Carphone Directors’ service agreements	Part XI, paragraph 4	174 – 175
Carphone Share Schemes	Part XI, paragraph 10	187 – 196
Major interests in Carphone Shares	Part XII, paragraph 4	210
Related party transactions	Part XII, paragraph 5	210 – 211
Details of material contracts	Part XII, paragraph 6.1 and 6.3	211 – 216, 219
Details of material litigation	Part XII, paragraph 9.1	220
Information on Dixons and the Proposed Directors		
Proposed Directors’ service agreements	Part XI, paragraph 4	175 – 177
Dixons Share Schemes	Part XI, paragraph 11	196 – 197
Details of material contracts	Part XII, paragraph 6.2 and 6.3	216 – 219
Details of material litigation	Part XII, paragraph 9.2	220
Documents available for inspection		
Documents available for inspection	Part XII, paragraph 16	222

4. Material Contracts

- (a) Paragraph 6 of Part XII of the Dixons Carphone Prospectus contains a summary of contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Carphone or another member of the Carphone Group (i) within the two years immediately preceding the date of this document and are or may be material to the Carphone Group or (ii) which contain provisions under which any member of the Carphone Group has an obligation or entitlement which is or may be material to the Carphone Group as at the date of this document.
- (b) Paragraph 6 of Part XII of the Dixons Carphone Prospectus contains a summary of contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Dixons or another member of the Dixons Group (i) within the two years immediately preceding the date of this document and are or may be material

to the Dixons Group or (ii) which contain provisions under which any member of the Dixons Group has an obligation or entitlement which is or may be material to the Dixons Group as at the date of this document.

5. Working capital

The Company is of the opinion that the working capital available to the Combined Group is sufficient for its present requirements, that is for at least the next 12 months following the date of this document.

6. Significant change

(a) There has been no significant change in the financial or trading position of the Carphone Group since 29 March 2014, being the end of the period for which the Carphone Group's last audited consolidated accounts were published.

(b) There has been no significant change in the financial or trading position of the Dixons Group since 30 April 2014, being the end of the period for which the Dixons Group's last audited consolidated accounts were published.

7. Sources and bases of selected financial information

In this document unless otherwise stated:

(a) financial information relating to the Carphone Group has been extracted (without material adjustment) from the audited accounts for the Carphone Group for the financial years ended 29 March 2014, 31 March 2013 and 31 March 2012 which were prepared in accordance with IFRS; and

(b) financial information relating to the Dixons Group has been extracted (without material adjustment) from the audited accounts for the Dixons Group for the financial years ended 30 April 2014 and 30 April 2013 and the 52 weeks ended 28 April 2012 which were prepared in accordance with IFRS.

8. Share Capital

(a) The Carphone Shares are in registered form and capable of being held in uncertificated form.

(b) At the date of this document, the issued share capital of the Company is 576,067,769 Carphone Shares. The Company does not hold any shares in treasury at the date of this document.

9. General

(a) Deutsche Bank AG, London Branch, whose address is Winchester House, 1 Great Winchester Street, London EC2N 2DB, 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.

(b) UBS Limited, whose address is 1 Finsbury Avenue, London EC2M 2PP, 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.

(c) Deloitte LLP, whose address is 2 New Street Square, London EC4A 3BZ, has given and has not withdrawn its written consent to the issue of this document with the inclusion of the report in Part IV of this document in the form and context in which it appears.

Dated: 26 June 2014

PART VII

DEFINITIONS

In this document, the following words and expressions have the following meanings, unless the context requires otherwise:

“4G”	fourth generation wireless telephony technology
“acquisition intangibles” or “acquired 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 admission of the New Dixons Carphone Shares to listing on the premium 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, among other things, the requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s main market for listed securities
“Announcement”	the joint announcement made by Carphone and Dixons on 15 May 2014 in relation to the Merger made pursuant to Rule 2.7 of the Code
“business day”	any day (excluding Saturdays, Sundays and public holidays) on which banks are generally open for business in the City of London
“Capital Reduction”	the proposed reduction of the share capital of Dixons involving the cancellation of the Scheme Shares pursuant to the Scheme under sections 645 to 648 of the Act as described in the Scheme Document
“Carphone” 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 2010 Share Scheme”	the Carphone Warehouse Group plc 2010 Share Scheme as described in paragraph 10.1 of Part XI of the Dixons Carphone Prospectus
“Carphone Board”	the board of directors of Carphone
“Carphone Directors”	the directors of Carphone as at the date of this document, being Sir Charles Dunstone, Roger Taylor, Andrew Harrison, Nigel Langstaff, John Gildersleeve, John Allwood, Baroness Morgan of Huyton and Gerry Murphy
“Carphone Europe”	Carphone Warehouse Europe Limited (formerly Best Buy Europe Distributions Limited) (incorporated in England and Wales under the Companies Act 1985 with registered number 06534088), a subsidiary of New CPW Limited, whose registered office is at 1 Portal Way, London W3 6RS
“Carphone Europe Group”	Carphone Europe, its subsidiaries and its subsidiary undertakings, the business of which is principally the sale and provision of mobile and other wireless technology and services
“Carphone Form of Proxy”	the form of proxy for use at the Carphone General Meeting which accompanies this document

“Carphone General Meeting”	the general meeting of Carphone, to be held at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB at 11.00 a.m. on 17 July 2014, notice of which is set out at the end of this document, and any adjournment of such meeting
“Carphone Group”	Carphone, its subsidiaries and its subsidiary undertakings
“Carphone Shares”	the ordinary shares of 0.1 pence each in the capital of Carphone
“Carphone Shareholders”	holders of Carphone Shares
“Carphone Share Schemes”	the share schemes operated by the Carphone Group, including the Carphone 2010 Share Scheme, the CPW SAYE Scheme and the CPWG Share Plan, as such schemes are described in paragraph 10 of Part XI of the Dixons Carphone Prospectus
“CGU”	cash generating unit
“Code”	the City Code on Takeovers and Mergers
“Combined Group”	the combined group following the Merger, comprising the Carphone Group and the Dixons Group
“Completion”	the time at which the Scheme becomes Effective, being the Effective Date
“Conditions”	the conditions to the implementation of the Merger (including the Scheme) which are set out in Part IV of the Scheme Document
“Court”	the High Court of Justice in England and Wales
“Court Meeting”	the meeting of the Scheme Shareholders convened pursuant to an order of the Court under section 896 of the Act and to be held at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ at 10.00 a.m. on 17 July 2014 for the purposes of considering and, if thought fit, approving the Scheme (with or without amendment) and any adjournment of such meeting
“Court Orders”	the Scheme Court Order and the Reduction Court Order
“CPW”	the continuing business of the Carphone Group, excluding its interest in Virgin Mobile France
“CPW SAYE Scheme”	the Carphone Warehouse Group plc Savings Related Share Option Scheme, as described in paragraph 10.2 of Part XI of the Dixons Carphone Prospectus
“CPWG Share Plan”	the Carphone Warehouse Group plc 2013 Share Plan, as described in paragraph 10.3 of Part XI the Dixons Carphone Prospectus
“CREST”	the relevant system (as defined in the CREST Regulations) of which Euroclear is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
“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 the FSMA
“Dixons”	Dixons Retail plc (incorporated in England and Wales under the Act with registered number 03847921), whose registered office is at Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TG
“Dixons Board”	the board of directors of Dixons
“Dixons Carphone”	the parent company of the Combined Group from the Effective Date (being Carphone Warehouse Group plc, proposed to be renamed “Dixons Carphone plc”)
“Dixons Carphone Board”	the board of directors of Dixons Carphone following the Merger

“Dixons Carphone Prospectus”	the prospectus to be published by Carphone on or around the date of this document in connection with the issue of the New Dixons Carphone Shares
“Dixons Carphone Shares”	the ordinary shares of 0.1 pence each in the capital of Dixons Carphone
“Dixons Directors”	the directors of Dixons as at the date of this document
“Dixons ESOP”	the Dixons Retail plc Executive Share Option Plan 2008
“Dixons General Meeting”	the general meeting of Dixons to be held at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ at 10.15 a.m. on 17 July 2014, notice of which is set out at the end of the Scheme Document, and any adjournment of such meeting
“Dixons Group”	Dixons, its subsidiaries and its subsidiary undertakings from time to time
“Dixons PSP”	the Dixons Retail plc Performance Share Plan 2008
“Dixons RRP”	the Dixons Retail plc Retention and Recruitment Plan
“Dixons Shareholders”	holders of Dixons Shares
“Dixons Share Schemes”	the share schemes operated by the Dixons Group, being the Dixons PSP, the Dixons ESOP, the Dixons RRP and the Dixons Sharesave
“Dixons Shares”	the ordinary shares of 2.5 pence each in the capital of Dixons
“Dixons Sharesave”	the Dixons Retail plc Sharesave Plan 2008
“earnings”	profit or loss after taxation, unless the context otherwise requires earnings before investment income, interest and taxation
“EBIT”	earnings before investment income, interest and taxation
“EBITDA”	earnings before investment income, interest, taxation, depreciation and amortisation
“Effective”	in the context of the Merger, if the Merger is implemented by way of the Scheme, the Scheme having become effective pursuant to its terms, or if the Merger is implemented by way of a Merger Offer, the Merger Offer having been declared and become unconditional in all respects in accordance with the requirements of the Code
“Effective Date”	the date on which the Reduction Court Order (together with the Statement of Capital) is delivered to the Registrar of Companies and, if the Court so orders, registered and, accordingly, the Scheme becomes Effective
“Enlarged Issued Share Capital”	the issued share capital of Carphone at Admission, as enlarged by the issue of the New Dixons Carphone Shares
“EPS”	earnings per share (basic unless otherwise indicated)
“EURIBOR”	the Euro Interbank Offered Rate
“Euroclear”	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales
“Exceptional Items”	items which are considered to be one-off and so material that they require separate disclosure to avoid distortion of underlying performance
“Excluded Shares”	any Dixons Shares: <ul style="list-style-type: none"> (i) beneficially owned by Carphone or its nominee(s); or (ii) held by Dixons in treasury, in each case at the Scheme Record Time
“Executive Directors”	the executive directors of Carphone, being, at the date of this document, Sir Charles Dunstone, Roger Taylor, Andrew Harrison

	and Nigel Langstaff, and, at the date of Completion, Sebastian James, Andrew Harrison, Humphrey Singer, Katie Bickerstaffe and Graham Stapleton
“Existing Carphone Shares”	the Carphone Shares in issue as at the date of this document
“FCA”	the UK Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Full MVNO”	form of MVNO which provides fuller control of network services, including ownership of the customer SIM and home location register
“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. The Headline EBIT and EBITDA of the Carphone 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 phrase “Headline earnings” should be interpreted in the same way
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards as adopted by the European Union
“ISIN”	International Securities Identification Number
“IT”	information technology
“Joint Sponsors”	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
“Long Stop Date”	31 December 2014, being the latest date by which the Scheme must become Effective (or such later date as Dixons and Carphone may agree)
“London Stock Exchange”	London Stock Exchange plc
“Merger”	the merger of Dixons and Carphone to be implemented by way of the Scheme or otherwise by way of a Merger Offer
“Merger Offer”	the implementation of the Merger by means of a takeover offer pursuant to section 974 of the Act, rather than pursuant to the Scheme
“Merger Resolution”	the ordinary resolution numbered 1 and relating to the Merger to be proposed at the Carphone General Meeting, as set out in the Notice of Carphone General Meeting
“MVNO”	mobile virtual network operator
“New Dixons Carphone Shares”	the new ordinary shares of 0.1 pence each in the capital of Carphone to be issued and credited as fully paid to holders of Scheme Shares pursuant to the Scheme
“Non-executive Directors”	the non-executive directors of Carphone being, at the date of this document, John Gildersleeve, John Allwood, Baroness Morgan of Huyton and Gerry Murphy and, at the date of Completion, Sir Charles Dunstone, John Allan, Roger Taylor, John Gildersleeve, Baroness Morgan of Huyton, Gerry Murphy, Tim How, Jock Lennox and Andrea Gisle Joosen

“Notice of Carphone General Meeting”	the notice of the Carphone General Meeting which is set out at the end of this document
“Official List”	the official list maintained by the FCA
“Panel”	the UK Panel on Takeovers and Mergers
“Proposed Directors”	John Allan, Sebastian James, Humphrey Singer, Katie Bickerstaffe, Graham Stapleton, Tim How, Jock Lennox and Andrea Gisle Joosen
“Prospectus Directive Regulation”	Commission Regulation (EC) No. 809/2004
“Prospectus Rules”	the prospectus rules made by the FCA pursuant to section 73A of the FSMA
“Reduction Court Order”	the order of the Court confirming the Capital Reduction
“Reduction Hearing”	the hearing by the Court of the claim form to confirm the Capital Reduction under section 648 of the Act
“Registrar of Companies”	the Registrar of Companies in England and Wales
“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
“Regulation S”	Regulation S under the US Securities Act
“Regulatory Information Service”	any channel recognised as a channel for the dissemination of regulatory information by listed companies as defined in the Listing Rules
“Reporting Accountants”	Deloitte LLP of 2 New Street Square, London EC4A 3BZ
“Resolutions”	the resolutions to be proposed at the Carphone General Meeting, as set out in the Notice of Carphone General Meeting
“Scheme”	the scheme of arrangement proposed to be made under Part 26 of the Act between Dixons and the Scheme Shareholders to implement the Merger, with or subject to any modification, addition or condition approved or imposed by the Court and agreed by Dixons and Carphone
“Scheme Court Order”	the order of the Court sanctioning the Scheme under section 899 of the Act
“Scheme Document”	the document dated the same date as this document sent by Dixons to the Dixons Shareholders, of which the Scheme forms part
“Scheme Record Time”	6.00 p.m. on the business day immediately prior to the date of the Reduction Hearing
“Scheme Sanction Hearing”	the hearing by the Court of the claim form for the sanction of the Scheme
“Scheme Shareholders”	holders of a Scheme Share, and a “Scheme Shareholder” shall mean any one of the Scheme Shareholders
“Scheme Shares”	Dixons Shares: <ul style="list-style-type: none"> (i) in issue at the date of the Scheme; (ii) issued after the date of the Scheme, but before the Voting Record Time; and (iii) issued at or after the Voting Record Time but on or before the Scheme Record Time on terms that the original or any subsequent holders are bound by the Scheme or in respect of which such holders shall have agreed in writing to be so bound <p>in each case, other than the Excluded Shares</p>

“SEDOL”	Stock Exchange Daily Official List
“Share Scheme Resolutions”	the ordinary resolutions numbered 3 and 4 and relating to amendments to the Carphone Share Schemes to be proposed at the Carphone General Meeting, as set out in the Notice of Carphone General Meeting
“SIM”	subscriber identity module
“Statement of Capital”	the statement of capital showing, as altered by the Reduction Court Order, the information required by section 649 of the Act with respect to Dixon’s share capital
“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 Listing Authority”	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
“US person”	as defined in Regulation S
“US Securities Act”	the United States Securities Act 1933, as amended, and the rules and regulations promulgated under such Act
“Virgin Mobile France”	the joint venture operating an MVNO in France between, among others, Bluebottle UK Limited, Carphone and Finacom SAS., operated by the French branch of Omer Telecom Limited and by Omer Mobile SAS
“Voting Record Time”	6.00 p.m. on 15 July 2014, being the day which is two days before the date of the Court Meeting or, if such Court Meeting is adjourned, 6.00 p.m. on the day which is two days before the date of such adjourned meeting

In this document and the Carphone Form of Proxy, the expressions “subsidiary”, “subsidiary undertaking”, “associated undertaking” and “undertaking” have the meanings given by the Act.

References to the singular includes the plural and vice versa, unless the context otherwise requires. References to time are to London time, unless the context otherwise requires.

Carphone Warehouse Group plc

(Incorporated under the Companies Act 2006 and registered in England and Wales with registered number 7105905)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of Carphone Warehouse Group plc (the “**Company**”) will be held at 11.00 a.m. at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB on 17 July 2014 for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. THAT:

- (a) the proposed all-share merger of Carphone Warehouse Group plc (the “**Company**” or “**Carphone**”) with Dixons Retail plc (“**Dixons**”) (the “**Merger**”), to be effected pursuant to a scheme of arrangement of Dixons (the “**Scheme**”) under Part 26 of the Companies Act 2006 (the “**Act**”) or a takeover offer (the “**Merger Offer**”) made by or on behalf of the Company for the entire issued and to be issued share capital of Dixons, substantially on the terms and subject to the conditions set out in the circular to shareholders of Carphone dated 26 June 2014 (the “**Circular**”) outlining the Merger and the prospectus prepared by the Company in connection with Admission (as defined below) dated 26 June 2014 (a copy of each of which is produced to the meeting and signed for identification purposes by the chairman of the meeting) be and is hereby approved and the directors of the Company (the “**Directors**”) (or any duly authorised committee thereof) be and are hereby authorised to: (i) take all such steps as may be necessary or desirable in connection with, and to implement, the Merger; and (ii) agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the Merger (provided that any such modifications, variations, revisions, waivers or amendments are not a material change to the terms of the Merger for the purposes of Listing Rule 10.5.2) and to any documents and arrangements relating thereto, as they may in their absolute discretion think fit; and
- (b) subject to and conditional upon the Scheme becoming effective (save for any conditions relating to: (i) the delivery of the order(s) of the High Court of Justice in England and Wales (the “**Court**”) sanctioning the Scheme and confirming the reduction of capital of Dixons to the Registrar of Companies in England and Wales; (ii) registration of such order(s) by the Registrar of Companies in England and Wales; and (iii) (a) the UK Listing Authority having acknowledged to the Company or its agent (and such acknowledgment not having been withdrawn) that the application for the admission of the new ordinary shares of 0.1 pence each in the capital of the Company to be issued pursuant to the Merger (the “**New Dixons Carphone Shares**”) to listing on the premium segment of the Official List of the UK Listing Authority has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (the “**listing conditions**”)) will become effective as soon as a dealing notice has been issued by the Financial Conduct Authority and any listing conditions have been satisfied; and (b) the London Stock Exchange plc having acknowledged to the Company or its agent (and such acknowledgment not having been withdrawn) that the New Dixons Carphone Shares will be admitted to trading on the main market of the London Stock Exchange plc (“**Admission**”), or, as the case may be, the Merger Offer becoming or being declared wholly unconditional (save for Admission), the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Act (in addition, to the extent unutilised, to the authority granted to the Directors at the Company’s annual general meeting held on 24 July 2013, which remains in full force and effect) to exercise all the powers of the Company to allot the New Dixons Carphone Shares and to 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 of the Company being “**relevant securities**”), credited as fully paid, with authority to deal with fractional entitlements arising out of such allotment as they think fit and to take all such other steps as they may in their absolute discretion deem necessary, expedient or appropriate to implement such allotment, in connection with the Merger up to an aggregate nominal amount of £576,067.77 and which authority shall expire on the Long

Stop Date (as defined in the Circular) (unless previously revoked, renewed, varied or extended by the Company in general meeting), save that the Company may before such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

2. **THAT**, subject to and conditional upon the passing of resolution 1 and Admission, in accordance with article 95 (*Directors' fees*) of the articles of association of the Company, the aggregate fees payable to the directors of the Company for their services as directors be and they are hereby increased from £500,000 in aggregate per annum to £2,000,000 in aggregate per annum.
3. **THAT**, subject to and conditional upon the passing of resolution 1 and Admission, the expiration date of the Carphone Warehouse Group plc 2010 Share Scheme (the "**Carphone 2010 Share Scheme**") shall be amended to the tenth anniversary of the date of this resolution, and no awards may be granted under the plan after that date and the directors of the Company be and they are hereby authorised to make such amendments to the rules of the Carphone 2010 Share Scheme as may be necessary to carry this resolution into effect.
4. **THAT**, subject to and conditional upon the passing of resolution 1 and Admission, the directors of the Company be and they are hereby authorised to:
 - (a) make such amendments to the Carphone Warehouse Group plc 2013 Share Plan (the "**CPWG Share Plan**"), the principal terms of which and proposed changes are summarised in paragraph 10.3 of Part XI of the prospectus of the Company dated 26 June 2014, and the provisions of any existing awards under the CPWG Share Plan, in order to:
 - (i) change any of the terms of existing awards under the CPWG Share Plan to take account of the Merger;
 - (ii) make new awards under the CPWG Share Plan following the Merger to employees including those currently employed by Dixons, its subsidiaries and its subsidiary undertakings from time to time;
 - (b) make such amendments to the CPWG Share Plan as may be necessary to obtain HM Revenue & Customs approval to the same; and
 - (c) do all things necessary or expedient to carry the amended CPWG Share Plan into effect.

Dated: 26 June 2014

Registered office:
1 Portal Way
London
W3 6RS

By Order of the Board
Tim Morris
Company Secretary

Notes:

1. A member of the Company is entitled to appoint a proxy to exercise all or any of his or her rights to attend and to speak and vote on his or her behalf at the meeting. A member of the Company may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company but must attend the meeting in order to represent you. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. You can only appoint a proxy using the procedures set out in these notes and in the notes to the form of proxy.
2. A form of proxy which may be used to make such appointment and give proxy instructions accompanies this notice. Instructions for use are shown on the form. Lodging a completed form of proxy or any CREST Proxy Instruction (as described in paragraph 10 below) will not prevent the member from attending and voting in person if he/she wishes to do so (although voting in person at the meeting will terminate the proxy appointment).
3. To be valid, the form of proxy, together with any power of attorney or other authority under which it is signed, or a duly certified or office copy thereof, must be received by post or (during normal business hours only) by hand at the offices of the Registrars, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, not later than 11.00 a.m. on 15 July 2014, or if the meeting is adjourned, no later than 48 hours before the time fixed for the adjourned meeting.
4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

5. The statement of the rights of members in relation to the appointment of proxies in paragraph 1 above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by members of the Company.
6. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company as at 6.00 p.m. on 15 July 2014 or, in the event that the meeting is adjourned, in the register of members at 6.00 p.m. on the date two days before the date of any adjourned meeting. Changes to entries on the register of members after the relevant deadline shall be disregarded in determining the rights of any persons to attend or vote at the meeting.
7. If you wish to attend the meeting in person, please bring the accompanying attendance card and present this to the Registrars, Equiniti, upon arrival.
8. As at 25 June 2014 (being the last day prior to the publication of this notice) the Company's issued share capital consisted of 576,067,769 ordinary shares of 0.1 pence each, carrying one vote each. No ordinary shares were held in treasury and, therefore, the total number of voting rights in the Company as at 25 June 2014 is 576,067,769.
9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
10. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (CREST participant ID RA19) not later than 11.00 a.m. on 15 July 2014, or if the meeting is adjourned, not later than 48 hours before the time fixed for the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
12. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
13. If you would like to submit your proxy vote electronically, you can do so by visiting www.sharevote.co.uk. You will need to enter the Voting ID, Task ID and Shareholder Reference Number printed on the form of proxy and follow the online instructions. Alternatively, Carphone Shareholders who have already registered with the Equiniti online portfolio service, Shareview, can appoint their proxy electronically via their portfolio at www.shareview.co.uk. The deadline for receipt of electronic proxies is 11.00 a.m. on 15 July 2014. Should you complete your form of proxy electronically and then post a hard copy, the form that arrives last will be counted to the exclusion of instructions received earlier, whether electronic or posted. Please refer to the terms and conditions of the service on the website.
14. Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the general meeting. Please contact the Registrars if you need any further guidance on this.
15. During the meeting the Chairman will give members and eligible participants the opportunity to ask questions. The Company will answer any such questions unless exempted from doing so by the provisions of section 319A of the Companies Act 2006.
16. The following documents are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this notice until the conclusion of the meeting and will also be available for inspection at the place of the meeting from 9.45 a.m. on the day of the meeting until its conclusion:
 - (a) the rules of the Carphone 2010 Share Scheme, as amended; and
 - (b) the rules of the CPWG Share Plan, as amended.
17. A copy of this notice, and other information required by section 311A of the Companies Act 2006, will be available from the date of this notice and for the following two years on the Company's website, and can be accessed at www.cpwplc.com.
18. If you have any questions relating to this document, the meeting or the completion and return of the form of proxy, please telephone Equiniti between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (except UK public holidays) 0871 384 2089 (from within the UK) or +44 (0)121 415 7047 (from outside of the UK). Calls to 0871 384 2089 will be charged at 8 pence per minute (excluding VAT) plus network extras. Calls to +44 (0)121 415 7047 from outside of the UK will be charged at applicable international rates. Different charges may apply to calls made from mobile telephones. The helpline cannot provide advice on the merits of the Merger or give any financial, legal or tax advice. You may not use any electronic address provided either in this notice or any related documents (including the Chairman's letter and form of proxy) to communicate with the Company for any purposes other than those expressly stated.

