

DSG RETAIL LIMITED

Annual Report and Financial Statements

For the period ended 2 May 2015



**D&G RETAIL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS 2015**

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DSG RETAIL LIMITED STRATEGIC REPORT

The directors, in preparing this Strategic Report, have complied with section 414C of the Companies Act 2006.

PRINCIPAL ACTIVITY

The Company is a specialist electrical and computing retailer which sells consumer electronics, personal computers, domestic appliances, photographic equipment, communication products and related services. It is a multi-channel retailer, selling products in stores, over the internet and by phone and provides product support services to customers. It also undertakes business to business ('B2B') sales and services, especially through its store network.

On 6 August 2014, an all-share merger of Dixons Retail plc (Dixons), the Company's former ultimate parent and Carphone Warehouse plc (Carphone) was completed (the Merger). The Company is part of Dixons Carphone plc (Dixons Carphone) and as such benefits from the control framework in place for Dixons Carphone as a whole.

Following the Merger the Company has drawn up its accounts to 2 May 2015, the Saturday closest to its accounting reference date. This is consistent with Dixons Carphone plc (Dixons Carphone) and future accounting periods will also end on the Saturday closest to 30 April. The financial statements therefore include the results of the Company for the period ended 2 May 2015. Comparative figures are for the year ended 30 April 2014.

BUSINESS REVIEW

STRATEGY

Over the last two years the Company has made very significant progress on delivering against our key priorities, and we have seen the benefits of this in our financial performance. By changing the pricing model, driving service and the selling of complete solutions, by embracing and driving a true multi-channel proposition and by leveraging our ability to tell suppliers' stories better, we have built what we believe to be a business model that will flourish in an internet world.

This enables us to drive the Company forward from a position of strength with a focus on the four strategic priorities as set out below. By focusing on these we can deliver not only a better business for our customers and colleagues, but also better returns for shareholders. In delivering each of these priorities the merger with Carphone Warehouse will add additional strength as well as a new category of products and services across which these benefits can be brought to bear.

The strategic priorities are:

1. Continue to enhance and drive a successful and sustainable business model in a multi-channel world.
2. Complete the Merger integration process and achieve our synergy targets.
3. Leverage our national scale, our knowhow, and our unique asset base to drive growth in new product areas including growth in services – both to our retail and B2B customers.
4. Become a major player in connectivity and associated services and so be uniquely positioned to benefit from major technology changes as the majority of devices become connected.

Looking at each of these in turn:

1. Continue to enhance and drive a successful and sustainable business model in a multi-channel world

The way in which customers shop continues to evolve. Our customers tell us that they want advice, to experience products and services and to ensure they are making the right choices, particularly as these are often major purchases and, in the case of 'white' and 'brown' goods, that the customer will own for several years. The internet empowers customers with greater access to information including product knowledge and price transparency. Single channel internet operators have a different model whose principal advantage is structurally lower costs and which have historically been able to offer competitive prices versus store based operators. By focusing on those aspects that we, as a multi-channel specialist, can offer customers and suppliers we can eliminate the cost advantage that pure play internet operators have historically enjoyed. As a result we are able to offer customers very competitive prices against our competitor set and still be more profitable.

There are four distinct activities that we believe are the key strengths of our multi-channel, service-based model and which will support our competitive advantage going forward:

- i. Work closely with suppliers to harness benefits available to our business model: Suppliers want to ensure that customers not only choose their brands, but also experience the benefits of the latest products. As a multi-channel operator we work with our suppliers to ensure we can explain the benefits of these products and demonstrate them to customers in our stores and our suppliers support us in this work in a variety of ways.

STRATEGY continued

- ii. Focus on complete solutions for customers: Customers buy products in order to achieve something, such as washing clothes, or entertaining the children. This does not just mean buying the hardware, but increasingly includes delivery, explanation and peace of mind through product support and after sales services, as well as accessories and eventually, recycling. The conversations our colleagues have in store with customers gives us an opportunity to explain the benefits of these solutions and sell more of them than our single-channel competition.
- iii. Drive our service proposition: We need to be able to stand shoulder to shoulder with our customers and for them to know they can come to our stores and get knowledgeable advice and great service to help them buy the right product. They need to be confident that we will solve their problem quickly and efficiently. KNOWHOW offers customers services and technical support that can help them with their product throughout its lifetime.
- iv. Reduce costs: The scale of our operations across stores, ranges, logistics, distribution, repairs and services means that we can continually improve processes to reduce costs. We have removed a considerable amount of cost from the business over the last few years by making the business simpler, easier to operate and more efficient and we remain relentlessly focused on managing costs to make our business more efficient.

2. Complete the Merger integration process and achieve our synergy targets

We are acutely aware that the bulk of the Merger synergies are to be realised over the course of the coming two years. Whilst we have made fantastic progress, including our head office integrations as well as the rollout of the SWAS programme we continue to implement our plans to achieve our synergy targets.

3. Leverage scale and knowhow, including growth in services

The merger with Carphone Warehouse allows us to further expand and strengthen our proposition to customers, our service capability and our relationship with suppliers to underpin and drive even greater advantage in the markets in which we operate.

Growing complexity and interconnectivity of products means that customers are increasingly demanding help and support, not just in choosing the right product, but also installation, connection, support and repair. Our KNOWHOW services are at the forefront of this.

We must continue to innovate new services to help customers and to remain relevant to the way products and connectivity is evolving. Behind our end to end service operation we have a comprehensive infrastructure, including technical phone support, delivery, installation, repair and recycling. We can leverage this infrastructure to widen our customer base either to customers who bought their products through a third party (for example our *fault&fix* computer service), or for B2B customers. By doing this we can increase the efficiency of using this infrastructure and deliver even better value services for our customers.

4. Drive a leadership position in mobile and connectivity in each of the markets in which the Company operates

Following the merger with Carphone Warehouse in August 2014 we have created 244 shop within a shop (SWAS) to date, being Carphone Warehouse retail outlets within PC World and Currys stores.

Developments in mobile broadband technology will continue to transform lives and current industry developments suggest that everyday objects will increasingly be connected to the internet, in an 'Internet of Things'. The 'Internet of Things' means that people can manage home security or heating, or domestic electronics through their smartphones. This phenomenon will not only drive mobile data growth, but also machine-to-machine data growth. With smartphones at the heart of this evolution we believe that the Company is well placed.

Selling connected devices requires a range of experience and processes that many retailers find impossible to emulate. It can be an expensive, complicated and difficult process. The Company, through the SWAS, combines connectivity and product expertise at a crucial stepping-stone in the development of the 'Internet of Things'.

Business Model

Our business model, driven by customer insight, comprises three pillars underpinned by a low cost operating model.

In order to ensure we understand what products and services our customers want, how they use the products they buy from us and what they think of the service they get from us, we use extensive customer insight. This includes discussions at customer panels, interviews, home visits and detailed surveys. We use this information to build our ranges, improve our stores and services and for other business decisions. This is supported by mystery shoppers, exit surveys and customer feedback. During the year we made considerable progress in customer satisfaction metrics as we continue to improve the business.

Taking each of the three pillars in turn, our model can be described as follows:

STRATEGY continued

Multi-channel

The shopping trip for customers is constantly evolving.

Our objective is to provide our customers with a seamless and personalised experience where convenience, ease of navigation and simplicity are key in attracting customers to shop with us whether it is online, in-store or a combination of both.

We constantly aim to develop and improve our customer journey by improving stores, making them easier to shop in, with for example, improved navigation, better signage, enabling customers to interact with products before they buy, as well as good advice on features and benefits from our colleagues. Our websites are an integral part of the customer shopping journey. In recognition of how customer trends are evolving we have made it easier for our colleagues to access products and extended ranges in store.

Our training programmes combined with our product learning centres and customer journeys provide our colleagues with the right tools to understand customers' needs and to provide them with the complete solution to properly meet those needs. We will continue to improve the training of our colleagues and the ways in which we can make them experts in the products we sell.

Products

Combining our customer insight with our market strength we can make sure we have the right range of products and services in our stores to suit customers' needs. Our scale and relationships with suppliers means that we can work with them to showcase the latest technology, connectivity and products in our stores with areas dedicated to key suppliers.

Own brand products enable us to offer customers greater choice and access to a range of products at competitive prices. We have defined a clear 'good, better, best' brand range including: Currys and PC World Essentials; Logik; iWantit; Advent; Goji; and Sandstrøm brands. We see particular opportunities in the area of accessories and essentials with, for example, our own range of Sandstrøm cables.

After sales services and support

Our customers need help with their products, whether it be delivery and installation, help keeping their products up and running or repair should things go wrong. Our business in the UK sets the benchmark for our services infrastructure under our KNOWHOW brand.

We operate the largest network of two-man deliveries in the UK with an average of 50,000 deliveries per week enabling us to provide customers with the convenience of next day delivery in a four hour time slot or the option of a free delivery at a later date.

Our KNOWHOW teams in stores, in our call centres and as well as field technicians can provide set-up and upgrade services and online fix and back up services. Our market leading range of help and support services ensure a customer has the backing of expertise and support that keeps their technology up and running. Our state of the art repair facility in Newark is able to repair and return a laptop in seven days. Our network of field technicians offer 'white goods' repair in a market we estimate to be worth around £500 million a year.

Through ownership of the service infrastructure we can ensure the quality of service delivered to customers. This, we believe, provides us with a significant competitive advantage in meeting the needs of our customers, as well as a revenue stream not readily available to single channel online and mass market competitors.

OUR RESOURCES

- **Customers**
- **People**
- **Suppliers**
- **Distribution and Logistics**
- **Store Portfolio**
- **Intellectual Property**
- **Energy**
- **Cash and capital**

Customers

We are driven to provide unparalleled expertise and services to help customers navigate the new digital era and one of our key values is: we put the customer first, always.

To deliver on this value and to ensure we continue to respond to customers' needs, we must listen and respond effectively to them. We have comprehensive customer research programmes spanning a variety of tools including exit surveys, mystery shoppers and focus groups as well as effective data gathering through, for example, our 'Happy or Not' tools launched in our stores. We are pleased that customer satisfaction scores are at record levels.

Through this research, managed internally and reviewed daily, weekly and monthly, we have developed a clear and detailed understanding of what we are doing well and more importantly of where we can target further improvements. Customers tell us that they need us to deliver a strong combination of 'Value, Choice and Service' across all our shopping channels and it is clear from their feedback that more and more, they recognise that we are doing this. We will continue to deliver easier, more exciting places to shop for customers whether that be in store, online or a multi-channel combination of both.

Listening to customers extends into how we approach the sales process in store. Our unique training programmes combined with our customer journeys are designed to ensure customers leave our stores with a complete solution that is right for them. Doing this is a key part of our ongoing strategy and delivery of a sustainable business model, as well as enabling us to differentiate our offer from competitors.

By maintaining our absolute focus on the customer and delivering what they want in a retail environment that is constantly evolving, we will continue to attract new customers and retain existing ones.

People

One of the Dixons Carphone Group's key priorities following the Merger has been to build one culture, one vision and one future. To support this we have launched our Company values:

- We put the customer first, always
- We stand together as one
- We act bravely, challenge convention and do the right thing
- We know everyone can make a difference
- We believe anything is possible

This supports a 'culture of discovery' and faces head on the changing environment in which we operate and supports us in cultivating a high performance environment where each employee performs to the best of their ability, working together to achieve to their fullest potential. Our people are key to our success and it is essential that colleagues are innovative and creative, customer-focused and great at building relationships.

We are focused on improving every possible aspect of the shopping journey, we want our colleagues to become famous for service and retain customers for life by having exciting new stores, the best range at great prices and untangling the shopping trip. We are making good progress, however, we must never be satisfied and we can and must make further improvements to delight customers and to outpace the competition.

We are focusing on building a career development framework that rewards customer centric behaviour and instils a sense of pride in our colleagues. We now provide tailor-made development programmes and support further education qualifications for our colleagues throughout the business.

Our development programmes use modules, training workshops and a dedicated e-learning intranet service that helps provide the skills colleagues need to succeed at every level and career stage. We are also launching a dedicated training academy later in the year.

DSG RETAIL LIMITED

STRATEGIC REPORT continued

OUR RESOURCES continued

People continued

We use our sophisticated tracking and measuring processes, including regular mystery shops and exit surveys, to measure individual and store performance, and to ensure we reward appropriate behaviours. We also use a balanced scorecard approach, based on the belief that engaged teams deliver great service, which, in turn, delivers results for the business. We measure the people element of our scorecard using a colleague engagement survey, which runs twice a year.

During the year the first Dixons Carphone sharesave scheme was launched giving employees the chance to own a part of the company and share in its success.

Suppliers

With our market-leading positions, growing reputation and being increasingly seen as the 'go to' location for all the latest technology, our relationship with suppliers becomes ever more important as well as ever stronger. Product sourcing offices continually monitor current and future product cycles with existing and potential suppliers.

In a complex multi-channel environment, suppliers trust us with their new product releases and stock allocations, as they appreciate the superior service and advice offered by our stores and indeed our websites, as well as the exciting environments offered by our transformed stores in which customers can experience their brands and products.

We work closely with suppliers of all sizes to help them deliver the right product for customers, through the forecasting and planning stages to ensure we deliver the right levels of stock for customers at the right time. Both the electrical and computing industries are characterised by a number of large global manufacturers, who account for a large proportion of our sales. However, we also source products from a large number of smaller suppliers. We seek to maintain strong relationships with all of these suppliers, not just to source the right product for customers, but also to ensure the Company can purchase the appropriate level of stock on favourable terms. While we utilise the Dixons' scale and buying power through an international buying team, we also maintain strong relationships at a local level.

We continue to refine our own-brand ranges to suit all budgets and tastes. Our most notable successes have been the launch of our own Sandstrøm cables brand alongside our Essentials ranges as key entry level products in our 'good, better, best' line-up. These products are sourced by the Company's teams based in the UK and Hong Kong in collaboration with manufacturers in, for example, Asia.

Distribution and Logistics

The Company sees distribution as one of the keys to success in maintaining highly competitive margins and delivering outstanding, market beating service to customers. We operate a centralised system of distribution centres. This delivers significant competitive advantages, including reduced operating costs, reduced supplier delivery costs, reduced stock volumes in store, increased flexibility as to where to deliver and when, and a more efficient home delivery network for both us and our customers.

While continuing to reduce costs, we are also constantly raising the bar, both in terms of successful delivery and installation rates, but also the range and quality of services we offer customers nationwide. In Newark we operate one of the largest distribution centres of its kind in Europe. We now make 50,000 deliveries per week, including some 500,000 installations per year.

Store Portfolio

We operate a wide variety of stores to suit the local customer demographics. We operate many high street locations, small, very popular outlets in airport locations and 'megastores' up to 60,000 square feet in out-of-town locations.

We constantly review our store portfolio to ensure we have the right store for customers in the most competitive locations. As part of this ongoing review, and following the rollout of Carphone Warehouse SWAS, we are currently trialling 3-in-1 stores to help determine the end state property portfolio. Separately we also continue to transition Currys and PC World stores to a 2-in-1 format. These stores allow us to offer the best of both worlds to customers, attracting new footfall and often at a lower cost.

Intellectual Property

The Company is the largest electrical and computing specialist Company in the UK, and leads the market through its Currys and PC World brands. These brands are extremely well-established and respected and the Company is also building a strong service business (branded KNOWHOW) aiming to delight customers while generating significant new business opportunities.

As well as our retail and service brands outlined above, we also sell a range of own brand products such as Sandstrøm, Goji, Logik, Essentials and Advent. Each of these brands have specific target markets defined in conjunction with our customer research findings.

OUR RESOURCES continued

Energy

Saving energy is good for the business, good for customers and of course good for the environment. We take energy efficiency extremely seriously and whilst we have already made progress in a number of areas, we are investing in a wider range of initiatives to significantly reduce our consumption going forward.

These include Variable Speed drives to optimise the efficiency of in-store heating, ventilation and air conditioning systems and new efficient fluorescent lighting in a number of stores. Efficient LED lighting has been trialled in back of house areas which we intend to roll out to further stores and the 65,000 sq ft Customer Call Centre in Sheffield has been upgraded to LED lighting throughout.

Cash and capital

It remains the Company'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. Through careful working capital and balance sheet management, a focus on cost reduction as well as efficient use of capital, management is focused on ensuring we deliver a sustainable business with strong cash generation.

As a Company we need to make the right choices as to how we utilise or preserve cash, whether it be in determining ranges and stock held in store or managing returns and related processes. This focus has enabled the Company to be free cash generative in each of the last two financial periods.

DSG RETAIL LIMITED
STRATEGIC REPORT continued

KEY PERFORMANCE INDICATORS

Financial and operational

	Definition	Performance	
		2015	2014
Total headline sales*	Growth in total headline sales. The ability to grow sales is an important measure of a brand's appeal to customers and its competitive position.	£4,314.0m	£4,078.3m
Like for like sales	The Board measures like for like sales based on headline store and internet sales. New stores are included where they have been open for a full financial year both at the beginning and end of the financial period. Closed stores are excluded for any period of closure. Customer support agreement sales are excluded from all like for like calculations. Sales targets and growth are set relative to the market and expected economic conditions.	2015 6.6%	2014 5%
Market position	This is an important measure of how well customers are being engaged by the Company's brands in each market. Retailing operations should be, or be capable of becoming, the number one or number two specialist electrical retailer in their market, measured by market share.		
Headline operating profit / EBIT*	Continued growth of headline operating profit enables the Company to invest in its future and provide a return for shareholders. Earnings Before Interest and Tax (EBIT) equates to headline operating profit. Targets are set relative to expected market performance.	2015 £149.4m	2014 £108.2m
Headline profit before tax*	Continued growth of headline profit before tax represents a measure of Company performance to external investors and shareholders. Targets are set relative to expected market performance.	2015 £143.8m	2014 £122.5m
Free Cash Flow	The Company defines Free Cash Flow as net cash generated from operations, less net finance costs, taxation, net capital expenditure and inter-company loan repayments and excluding certain discrete items such as special pension contributions. The management of cash usage, in particular working capital employed in the business, optimises resources available for the Company to invest in its future growth and to generate shareholder value.	2015 £172.0m	2014 £20.6m
Return on Capital Employed (ROCE)	The Company calculates ROCE on a pre tax and lease adjusted basis. The return is based on headline operating profit, adjusted to add back the estimated interest component associated with capitalising operating lease costs. Capital employed is based on net assets including capitalised leases, but excluding goodwill, cash, tax and the defined benefit pension obligations. The calculation is performed on a moving annual total in order to best match the return on assets in a year with the assets in use during the year to generate the return.	2015 23.1%	2014 16.6%

* Headline performance measures are as defined in note 1.1 to the Financial Statements.

PRINCIPAL RISKS TO ACHIEVING THE COMPANY'S OBJECTIVES

The Company recognises that taking risks is an inherent part of doing business and that competitive advantage can be gained through effectively managing risk. The Company continues to develop robust risk management processes, integrating risk management into business decision making.

The principal risks and uncertainties together with their impacts are set out in the tables below along with an illustration of what is being done to mitigate them.

Context, Specific Risks and Potential Impacts

Principal Risk	Specific Risks	Potential Impacts
1. Dependence on key suppliers	<ul style="list-style-type: none"> The Company is dependent on relationships with key suppliers to source products on which availability may be limited 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow Reduced market share
2. Consumer environment and sustainable business model	<ul style="list-style-type: none"> Failure to respond with a business model that enables the business to compete against a broad range of competitors on service, price and / or range in a changing economy Failure to respond effectively to changes in the industry, economic and / or competitor landscape Failure to accommodate changes in consumer preferences and behaviours 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow Reduced market share Loss of competitive advantage
3. IT systems and infrastructure	<ul style="list-style-type: none"> Failure to invest adequately and appropriately in IT systems and infrastructure, or an inability to effectively integrate IT assets across the Company constrains the Company's ability to grow and / or adapt quickly A key system becomes unavailable for a period of time 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow Loss of competitive advantage Restricted growth and adaptability Reputational damage
4. Information security	<ul style="list-style-type: none"> Major loss / breach of customer, colleague, or business sensitive data Vulnerability to attack, malware, and associated cyber risks owing to under investment in people, systems, and safeguarding processes 	<ul style="list-style-type: none"> Reputational damage Financial penalties Reduced revenue and profitability Deteriorating cash flow Loss of competitive advantage
5. Colleague retention and capability	<ul style="list-style-type: none"> The organisational structure and related accountabilities restrict the ability to run the business effectively and adapt to market change Failure to attract, develop and retain quality and depth of necessary leadership and management talent 	<ul style="list-style-type: none"> Reputational damage Reduced revenue and profitability Deteriorating cash flow Loss of competitive advantage
6. Business continuity plans are not effective and major incident response is inadequate	<ul style="list-style-type: none"> A major incident impacts the Company's ability to trade and business continuity plans are not effective resulting in an inadequate incident response (this risk may also apply to the non-availability of key systems – see above) 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow Reputational damage Loss of competitive advantage
7. Health and safety	<ul style="list-style-type: none"> Failure to effectively protect customers and / or colleagues from injury or loss of life 	<ul style="list-style-type: none"> Employee / customer injury or loss of life Reputational damage Financial penalties

PRINCIPAL RISKS TO ACHIEVING THE COMPANY'S OBJECTIVES continued

Example Mitigating Actions and Related Strategic Priorities

Principal Risk	Example Mitigating Actions	Related Strategic Priorities
1. Dependence on key suppliers	<ul style="list-style-type: none"> Continuing to leverage the scale of operations to strengthen relationships with key suppliers and maintain a good supply of scarce products 	<ul style="list-style-type: none"> Sustainable retail business model in a multi-channel world
2. Consumer environment and sustainable business model	<ul style="list-style-type: none"> Strategic and business planning takes into account varying economic scenarios, with ongoing monitoring by finance and senior executives Close scrutiny of product performance, trading results, competitor activity, and market share Use of customer insight / advocacy to monitor success of initiative and actions Continued focus on driving cost improvements through both merger synergy and "business as usual" cost-efficiency initiatives Ongoing evolution of our multi-channel proposition Differentiation from competitors through strategic partner relationships, innovative propositions, and high quality customer service 	<ul style="list-style-type: none"> Sustainable retail business model in a multi-channel world
3. IT systems and infrastructure	<ul style="list-style-type: none"> Significant investment being made in IT systems and infrastructure, supported by rigorous testing processes Individual system recovery plans in place in the event of failure which are tested regularly, with full recovery infrastructure available for critical systems Long-term partnerships with 'tier 1' application and infrastructure providers 	<ul style="list-style-type: none"> Leverage scale, knowhow and unique asset base to drive growth
4. Information security	<ul style="list-style-type: none"> Investment in information security safeguards, monitoring, in-house expertise and resources Committee comprising senior management responsible for oversight, co-ordination and monitoring of information security policy and risk Ongoing training and awareness programmes for employees 	<ul style="list-style-type: none"> Sustainable retail business model in a multi-channel world
5. Colleague retention and capability	<ul style="list-style-type: none"> Ongoing review to ensure appropriate and effective roles, responsibilities, and accountabilities Defined and standardised performance management frameworks in place, with talent and succession plans maintained and reward aligned to attract and retain the best talent Store structures which provide a clear career path for colleagues, retaining and developing the best retail talent Bonus plans which include components relating to both business and personal performance Continued improvements in the quality of training courses and development programmes with specialist focus on core business areas 	<ul style="list-style-type: none"> Sustainable retail business model in a multi-channel world
6. Business continuity plans are not effective and major incident response is inadequate	<ul style="list-style-type: none"> Business continuity and crisis management plans in place and tested for key business locations Disaster recovery plans in place and tested for key IT systems and data centres Crisis team appointed to manage response to significant events Major risks insured 	<ul style="list-style-type: none"> Sustainable retail business model in a multi-channel world
7. Health and Safety	<ul style="list-style-type: none"> Dedicated team responsible for ensuring health and safety risks are understood, controlled and monitored against applicable regulations, who report on a regular basis to senior management. Clear policies and procedures are in place detailing the controls required to manage health and safety risks across the business Quality checks and factory audits for own brand products 	<ul style="list-style-type: none"> Sustainable retail business model in a multi-channel world

BUSINESS PERFORMANCE

- Headline operating profit growth of 38% to £149.4 million

The Company has delivered a strong performance across the period with significant growth in headline profitability delivering a 3.5% return on sales (2014 2.7%). With these results the Company has firmly established a sustainable business model in a multichannel world, supported by record advocacy and our pricing being at its most competitive ever.

Promotional activity including 'Black Friday' and the World Cup drove performance. The peak period, which now stretches six weeks from 'Black Friday' into the new year, was particularly strong with both small and large white goods, as well as large screen TVs, selling very well.

We consistently review our store portfolio to ensure we have the right store for customers in the most competitive locations. Following the merger with Carphone Warehouse in August 2014 we have created 244 'shop within a shop' (SWAS) to date, being Carphone Warehouse retail outlets within PC World and Currys stores.

NON-HEADLINE CHARGES

Headline profit before tax is reported net of non-headline charges of £27.0 million. These comprise Merger integration costs, following the merger of Dixons and Carphone Warehouse, for employee severance, property and share based payments associated with the integration process (further integration costs will be incurred during 2015/16 as the integration of the two businesses continues) and net interest on defined benefit pension schemes.

FINANCIAL POSITION

The Company has again delivered a very robust performance against the financial priorities of profitability and strengthening the balance sheet:

- The Company delivered a £1,171.7 million increase in net funds at year end, to £1,198.8 million
- Return on capital employed of 23.1%, up from 16.6% in prior year.
- Positive Free Cash Flow, of £172.0 million was generated.

EQUAL OPPORTUNITIES AND EMPLOYEE INVOLVEMENT

People

Good people are pivotal to our success and therefore our biggest investment. They are both the foundation and face of our business and key to continued innovation and delivering excellent service to our customers.

We place a huge emphasis on attracting and retaining the right people. We listen to, and work with, employees to help them reach their full potential while building a diverse, rewarding environment where they feel empowered and inspired to help us grow and succeed.

We are working to be recognised as an employer of choice and aim to reward colleagues fairly, providing equal opportunities, personal development and training.

Our employee benefits packages are regularly reviewed to remain attractive and conducive to the recruitment and retention of talented individuals. Colleagues are encouraged to participate in our Save as you Earn (SAYE) Scheme to build a personal stake in the business.

We work to achieve high standards in employment practices and have a comprehensive suite of employment policies and procedures, which we regularly review. These policies include guidance on being family friendly through to colleague dispute management, diversity and equal opportunities.

Equal opportunities

The Company is committed to equality of opportunity across all of its employment practices throughout the Company. We strive to prevent unlawful discrimination in the workplace on the grounds of sex, race, disability, sexual orientation, religion or religious belief, age, marriage and civil partnership, gender reassignment, pregnancy and maternity. We promote an honest and open environment and encourage colleagues with concerns to report issues to us either directly through line managers or via an independent, confidential integrity line.

Disability

We encourage applications from individuals with disabilities who can do the job and candidates will be considered for each role they apply for. Every effort is made to retain disabled colleagues in our employment including making any reasonable readjustments to their jobs, workplace or environment.

Diversity

We appreciate the benefits a diverse workplace brings, including, but not restricted to gender diversity and the importance diversity plays in achieving the right mix of skills, knowledge and experience our organisation needs to reach its potential.

Strengthening capabilities

To help our people to grow their careers and develop the skills needed to perform well in their role and help to grow our business we provide formal training, on the job experience and management coaching. We have a learning strategy to support our business strategy and individuals have regular one-to-ones and a formal review twice a year with their manager to assess their performance and set clear goals and development plans for the year ahead. This year, we launched our Retail Academy for all new store colleagues joining our business. We also run talent and leadership development programmes to develop high achievers and to improve leadership skills across our management population.

Colleague communications

We run a comprehensive colleague engagement programme based on our belief that an engaged workforce will deliver a great customer experience, resulting in strong financial results. Our key aims for this programme are to fully integrate our workforce and instil pride in working for the Company.

September 2015 will see the launch of a colleague engagement survey across Dixons Carphone, administered by an external provider. Colleagues will have the opportunity to say how they feel about working for Dixons Carphone and this feedback will be used to develop initiatives to ensure our Company is a great place to work.

We are continuing to integrate online communications channels to provide modern and effective platforms with an emphasis on collaboration and peer-to-peer communication. We will continue to produce 'Connected', a hard copy employee magazine, which launched on the day of the merger and is a key channel for sharing news and company progress.

EQUAL OPPORTUNITIES AND EMPLOYEE INVOLVEMENT continued

Health and Wellbeing

Through the promotion of employee wellbeing, we aim to create a happier, healthier and more productive workforce, at the same time as reducing time off through sickness and ensuring optimum levels of energy and resilience.

Our Employee Assistance Programme, which is available 24/7, is available to all our employees and offers a range of information about issues such as stress and nutrition.

A number of products and services are also available to support employees, such as private medical insurance. This is also available to their close family at subsidised rates. Dental insurance and a Health Cash Plan are also available at special corporate rates for employees who wish to participate.

Health and Safety

It is the policy of the Company to comply with relevant Health and Safety and Fire Safety legislation and to take all reasonably practicable steps to ensure the health, safety and welfare of all employees, visitors and members of the public who are or may be affected by our activities.

The Company engenders a positive health and safety culture throughout the business, taking measures to maintain a safe environment for our customers and colleagues. A comprehensive safety management system is operated throughout the business to ensure legislative requirements and best practice are adhered to. This is supported by standards that the business units formally confirm compliance with.

Approved by the Board and authorised for issue and signed on behalf of the Board by:



P Davis

Director

20 August 2015

Registered office:
Maylands Avenue
Hemel Hempstead
Hertfordshire
HP2 7TG

Registered number: 00504877

DSG RETAIL LIMITED DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period ended 2 May 2015. Details of future developments and events can be found in the Strategic Report on pages 2 to 4 and form part of this report by cross reference.

RESULTS AND DIVIDENDS

The profit for the period after taxation was £104.6 million (2014 £70.9 million). The directors recommend that no dividend be paid (2014 £nil).

FUNDING

The Company, as part of Dixons Carphone plc, benefits from the Dixons Carphone Group's £875 million of committed borrowing facilities which mature in April 2017, and provides the appropriate level of committed financing for the Company's needs.

GOING CONCERN

In considering the going concern basis for preparing the financial statements, the directors have considered the Company's objectives and strategy, risks and uncertainties in achieving its objectives and its review of business performance. 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.

DIRECTORS

The directors of the Company throughout the period were:

	<u>Date of appointment</u>	<u>Date of resignation</u>
S Ager		
K Bickerstaffe		
P Davis	14 August 2015	
J Fennell		
H Grantham		30 March 2015
S James		
H Singer		
M Wall		26 January 2015

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to Article 15 of the Articles of Association, the directors, secretary and other officers of the Company are entitled to be indemnified by the Company out of its own funds against liabilities arising from the conduct of the Company's business to the extent permitted by law. Appropriate directors' and officers' liability insurance cover has been purchased which in general terms indemnifies individual directors' and officers' personal legal liability and costs for claims arising out of actions taken in connection with the Company's business.

CAPITAL STRUCTURE

The Company's only class of share is ordinary shares. All ordinary shares are held by the Company's parent company, DSG International Holdings Limited. Details of the movements in issued share capital during the year are provided in note 20 to the Financial Statements.

USE OF FINANCIAL INSTRUMENTS

Information about the use of financial instruments is given on note 19 to the Financial Statements.

AUDITOR AND DISCLOSURE OF INFORMATION TO THE AUDITOR

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

In accordance with the provisions of Section 418 of the Companies Act 2006, each of the directors at the date of approval of this report confirms that, to the best of their knowledge and belief, and having made appropriate enquiries of other officers of the Company:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Approved by the Board and authorised for issue and signed on behalf of the Board by:



P Davis

Director

20 August 2015

Registered office:
Maylands Avenue
Hemel Hempstead
Hertfordshire
HP2 7TG

Registered number: 00504877

DSG RETAIL LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for the preparation of the Annual Report and the financial statements in accordance with applicable law and regulations. English Company law requires the directors to prepare financial statements for each financial year and under that law, the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the period. In preparing those financial statements, the directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

In preparing the financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Applicable accounting standards have been followed and the financial statements have been prepared on the going concern basis as disclosed in the Directors' Report.

The directors are responsible for maintaining adequate accounting records and sufficient internal controls to safeguard the assets of the Company and to take reasonable steps for the prevention and detection of fraud or any other irregularities and for the preparation of a directors' report which comply with the requirements of the Companies Act 2006. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DSG RETAIL LIMITED

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the member of DSG Retail Limited

We have audited the financial statements of DSG Retail Limited for the period ended 2 May 2015 which comprise the income statement, the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity and the related notes 1 to 28. 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.

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 member 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 member, 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 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.

Opinions

Financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 2 May 2015 and of its profit for the period 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.

IFRSs issued by the IASB

As explained in note 1.1 to the financial statements, the company in addition to applying 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

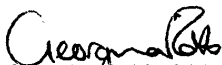
In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

DSG RETAIL LIMITED
INDEPENDENT AUDITOR'S REPORT continued

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches visited by us; or
- the financial statements 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.



Georgina Robb, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
20 August 2015

DSG RETAIL LIMITED
INCOME STATEMENT
For the period ended 2 May 2015

		Period ended 2 May 2015			Year ended 30 April 2014		
	Note	Headline £million	Non- headline* £million	Total £million	Headline £million	Non- headline* £million	Total £million
Revenue	2	4,314.0	-	4,314.0	4,078.3	-	4,078.3
Operating profit / (loss)	2,3	149.4	(10.0)	139.4	108.2	(11.4)	96.8
Finance income		15.6	-	15.6	22.8	-	22.8
Finance costs		(21.2)	(17.0)	(38.2)	(8.5)	(17.0)	(25.5)
Net finance income / (costs)	4	(5.6)	(17.0)	(22.6)	14.3	(17.0)	(2.7)
Profit / (loss) before tax		143.8	(27.0)	116.8	122.5	(28.4)	94.1
Income tax (expense) / credit	6	(18.2)	6.0	(12.2)	(28.3)	5.1	(23.2)
Profit / (loss) for the period		125.6	(21.0)	104.6	94.2	(23.3)	70.9

All operating profits / (losses) relate to continuing operations in the UK.

- * Headline figures exclude the trading results of businesses exited, net restructuring and business impairment charges and other one off, non-recurring items, net interest on defined benefit pension schemes, fair value remeasurements of financial instruments and, where applicable, discontinued operations. Such excluded items are described as 'Non-headline'. Further information on these items is shown in notes 1, 3, 4 and 6.

DSG RETAIL LIMITED
STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE
For the period ended 2 May 2015

	Note	Period ended 2 May 2015 £million	Year ended 30 April 2014 £million
Profit for the period		104.6	70.9
<i>Items that may be reclassified to the income statement in subsequent periods</i>			
Cash flow hedges	19		
Fair value remeasurement gains / (losses)		3.4	(2.9)
(Gains) / losses transferred to carrying amount of inventories		(2.4)	2.7
Net income / (expense) recognised directly in equity		105.6	70.7
<i>Items that will not be reclassified to the income statement in subsequent periods</i>			
Actuarial (loss) / gain on defined benefit pension scheme	18	(97.4)	3.6
Deferred tax on actuarial loss / (gain) on defined benefit pension scheme		17.3	(13.7)
Total comprehensive income for the period		25.5	60.6

DSG RETAIL LIMITED
BALANCE SHEET
As at 2 May 2015

	Note	2 May 2015 £million	30 April 2014 £million	30 April 2013 £million
Non-current assets				
Goodwill	7	-	-	-
Intangible assets	8	79.7	78.5	89.9
Property, plant & equipment	9	195.7	234.5	283.0
Investments	10	36.8	36.8	36.8
Deferred tax assets	6	140.7	110.3	132.5
		452.9	460.1	542.2
Current assets				
Inventories	11	418.8	377.5	413.4
Trade and other receivables	12	146.0	1,153.9	985.8
Income tax receivable		6.4	6.4	2.6
Cash and cash equivalents	13	1,290.3	120.7	121.8
		1,861.5	1,658.5	1,523.6
Total assets		2,314.4	2,118.6	2,065.8
Current liabilities				
Bank overdrafts	14	-	-	-
Obligations under finance leases	15	(2.2)	(2.0)	(1.7)
Trade and other payables	16	(974.3)	(892.8)	(872.5)
Provisions	17	(4.8)	(5.2)	(10.4)
		(981.3)	(900.0)	(884.6)
Net current assets		880.2	758.5	639.0
Non-current liabilities				
Obligations under finance leases	15	(89.3)	(91.6)	(93.6)
Retirement benefit obligation	18	(486.3)	(399.8)	(406.4)
Other payables	16	(266.1)	(255.1)	(272.0)
Provisions	17	(15.8)	(16.1)	(17.5)
		(857.5)	(762.6)	(789.5)
Total liabilities		(1,838.8)	(1,662.6)	(1,674.1)
Net assets		475.6	456.0	391.7
Capital and reserves				
Called up share capital	20	0.3	0.3	0.3
Share premium account		563.1	563.1	563.1
Other reserves	20	0.8	(0.1)	(0.4)
Retained earnings		(88.6)	(107.3)	(171.3)
Total equity		475.6	456.0	391.7

These financial statements were approved by the directors on 20 August 2015 and signed on their behalf by:



P Davis

Director

Registered number: 00504877

DSG RETAIL LIMITED
CASH FLOW STATEMENT
For the period ended 2 May 2015

			Period ended 2 May 2015 £million	Year ended 30 April 2014 £million
	Note			
Operating activities				
Cash generated from operations	* 21		212.1	61.8
Special contributions to defined benefit pension scheme	18		(27.9)	(20.0)
Income tax paid	*		-	(17.7)
Net cash flows from operating activities			184.2	24.1
Investing activities				
Purchase of property, plant & equipment and other intangibles	*		(35.5)	(38.8)
Interest received	*		15.5	22.8
Disposals of property, plant & equipment and other intangibles	*		(0.5)	0.5
Net cash flows from investing activities			(20.5)	(15.5)
Financing activities				
Capital element of finance lease payments			(2.1)	(1.7)
Interest element of finance lease payments	*		(5.7)	(5.8)
Inter-company loan repayment			1,027.6	-
Interest paid	*		(13.9)	(2.2)
Net cash flows from financing activities			1,005.9	(9.7)
Increase / (decrease) in cash and cash equivalents	(i)		1,169.6	(1.1)
Cash and cash equivalents at beginning of period	(i) 21		120.7	121.8
Cash and cash equivalents at end of period	(i) 21		1,290.3	120.7
Free Cash Flow	(ii)		172.0	20.6

- (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 21.
- (ii) Free Cash Flow comprises those items marked * and comprises cash generated from operations before special pension contributions, plus net finance income, 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.

DSG RETAIL LIMITED
STATEMENT OF CHANGES IN EQUITY
For the period ended 2 May 2015

	Share capital £million	Share premium £million	Other reserves £million	Retained earnings £million	Total equity £million
At 1 May 2013	0.3	563.1	(0.4)	(171.3)	391.7
Profit for the year	-	-	-	70.9	70.9
Other comprehensive income and expense recognised directly in equity	-	-	0.3	(10.3)	(10.0)
Total comprehensive income and expense for the year	-	-	0.3	60.6	60.9
Share-based payments	-	-	-	2.6	2.6
Tax on share-based payments	-	-	-	0.8	0.8
At 30 April 2014	0.3	563.1	(0.1)	(107.3)	456.0
Profit for the period	-	-	-	104.6	104.6
Other comprehensive income and expense recognised directly in equity	-	-	0.9	(80.0)	(79.1)
Total comprehensive income and expense for the period	-	-	0.9	24.6	25.5
Share-based payments	-	-	-	(3.3)	(3.3)
Tax on share-based payments	-	-	-	(2.6)	(2.6)
At 2 May 2015	0.3	563.1	0.8	(88.6)	475.6

Included in retained earnings is £34.3 million (2014 £40.1 million; 2013 £36.7 million) relating to contribution from the Company's ultimate parent, as described in note 1.16.

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The 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 Directors' Report.

The Company's income statement identifies separately headline performance measures and non-headline items. Headline performance measures reflect an adjustment to total performance measures to exclude the impact of non-headline items. Headline 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 owner leased properties that occur as part of the Company'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 headline performance measures and are therefore included, among other items, within non-headline items as described below. The directors consider 'headline' performance measures to be a more accurate reflection of the ongoing trading performance of the Company and believe that these measures provide additional useful information for shareholders on the Company's performance and are consistent with how business performance is measured internally.

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

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

Historically, the Company has prepared its financial statements to 30 April, its accounting reference date. Following the all-share Merger (the Merger) of Dixons Retail plc (Dixons), the Company's former ultimate parent, and Carphone Warehouse plc (Carphone), which is described further in note 27, for 2014/15, the Company has drawn up its accounts to 2 May 2015, the Saturday closest to its accounting reference date. This is consistent with Dixons Carphone plc (Dixons Carphone), which is now the Company's ultimate parent. Future accounting periods will also end on the Saturday closest to 30 April.

The financial statements therefore include the results of the Company for the period ended 2 May 2015. Comparative figures are for the year ended 30 April 2014.

There are no new accounting standards, amendments to standards or IFRIC interpretations which are effective for the Company for the first time during the current financial period which have had an impact on the Company's results or net assets, other than those described in note 1.18.

The principal accounting policies are set out below:

1.2 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.

1.3 Other income, including non-operating income

Other income, which is incidental to the Company's principal activities of selling goods and services and accordingly is not recorded as part of revenue, is recognised when the Company 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.

1.4 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.

1 ACCOUNTING POLICIES continued

1.4 Leases continued

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.

1.5 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.

1.6 Goodwill

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.

1.7 Intangible assets

Brand names

Brand names acquired are capitalised and amortised over their useful economic lives on a straight line basis unless it is assessed that the asset has an indefinite useful economic life. Where this is the case, such brands are not amortised but instead are reviewed annually for impairment. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Such intangibles are stated at cost less any provision for impairment in value or estimated loss on disposal.

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.

DSG RETAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES continued

1.8 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.

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.

1.9 Investments and other financial assets

The Company's financial assets comprise cash and cash equivalents and those receivables which involve a contractual right to receive cash from external parties. Financial assets comprise all items shown in notes 12 and 13 with the exception of prepayments. Under the classifications stipulated by IAS 39, trade and other receivables (excluding derivative financial assets) are classified as 'loans and receivables'. Cash and cash equivalents which are further described in note 1.12, are classified as 'loans and receivables'.

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

Fixed asset investments

Fixed asset investments are stated at cost less any provision for impairment in value.

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 Company 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.

1.10 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 assets and liabilities are offset against each other when it is intended to settle 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.

DSG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES continued

1.10 Taxation continued

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.

1.11 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.

1.12 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.

1.13 Borrowings and other financial liabilities

The Company'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 14, 15 and 16 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 1.14 below, are classified as 'held for trading unless designated in a hedge relationship'.

The Company's financial liabilities include preference shares. The annual dividends payable on such preference shares are accounted for as an interest expense within the income statement. Special dividends payable on such preference shares represent a repayment of these liabilities and accordingly any special dividends paid are treated as a reduction in these liabilities.

Trade and other payables

Trade and other payables (excluding derivative financial liabilities) are recorded at cost. Derivative financial instruments 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.

1.14 Derivative financial instruments and hedge accounting

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

Where hedge accounting is to be applied, the Company formally designates and documents the hedge relationship to which the Company 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.

1 ACCOUNTING POLICIES continued

1.14 Derivative financial instruments and hedge accounting continued

Hedge accounting continued

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

Cash flow hedges

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

1.15 Retirement benefit obligations

Company contributions to its defined contribution pension schemes are charged to the income statement on an accruals basis when employees have rendered service entitling them to the contributions.

For the defined benefit pension scheme, 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 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.

1.16 Share based payments

The ultimate parent company issues equity settled share-based payments to certain employees of DSG Retail Limited 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.

1.17 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 Company are those requiring the greatest degree of subjective or complex judgements. These relate to revenue recognition, recoverability of trade and other receivables, inventory valuation, onerous lease costs, the valuation of investments, the valuation of goodwill, acquired intangible assets and property, plant & equipment, share-based payments, post-retirement benefits and taxation, and are set out below.

1 ACCOUNTING POLICIES continued

1.17 Estimates, judgements and critical accounting policies continued

Revenue recognition

Revenue earned from the sale of customer support agreements is recognised over the term of the contracts when the Company 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 Company'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.

Income received from suppliers such as volume rebates

The Company's agreements with suppliers contain a price for units purchased as well as other rebates and discounts which are summarised below:

Volume Rebates: This income is linked to purchases made from suppliers and is recognised as a reduction to cost of goods sold as inventory is sold. Unearned rebates that relate to inventory not sold are recognised within the value of inventory at the period end. Where an agreement spans period ends, judgement is required regarding amounts to be recognised. Forecasts are used as well as historical data in the estimation of the level of income recognised. Amounts are only recognised where the Company has a clear entitlement to the receipt of the rebate and a reliable estimate can be made.

Discounts: This income is received from suppliers on a price per unit basis. The level of estimation is minimal as amounts are recognised as a reduction to cost of goods sold based on the agreement terms and only once the item is sold.

Marketing income: This income is received in relation to marketing activities that are performed on behalf of suppliers. Judgement is required to ensure that income is only recognised when all performance obligations within the contract have been fulfilled and the income is expected to be collected.

Supplier funding amounts that have been recognised and not invoiced are shown within trade debtors and accrued income on the balance sheet.

Recoverability of trade and other receivables

Trade and other receivables are recorded at cost less an allowance for estimated irrecoverable amounts and any other adjustments to align cost to fair value. Provision for bad and doubtful debts is made for specific receivables when there is objective evidence that the Company will not be able to collect all the amounts due. In assessing the evidence available the directors may be required to make judgements regarding the expected recoverability of amounts due. The directors draw upon experience in making these judgements.

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 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 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 include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

Provisions and accruals for onerous leases

If the Company 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 Company 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.

Investment impairment reviews

Investments are required to be valued annually to assess the requirement for potential impairment. 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.

1 ACCOUNTING POLICIES continued

1.17 Estimates, judgements and critical accounting policies continued

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 8. 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 notes 1.7 and 1.8. 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 Dixons or Dixons Carphone 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 scheme

The surplus or deficit in the defined benefit scheme that is recognised through the statement of recognised 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 Company's businesses may be amended, for example as a result of changes in fiscal circumstances or priorities. Such potential amendments and their application to the Company are monitored regularly and the requirement for recognition of any liabilities assessed where necessary.

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

1.18 New accounting standards and interpretations

The following new standards, which are applicable to the Company, have been published but are not yet effective and have 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.
- IFRS 15 'Revenue from Contracts with Customers' provides guidance on the recognition, timing and measurement of revenue.

IFRS 9 will affect both the measurement and disclosure of financial instruments and IFRS 15 may change revenue recognition and related disclosures. It is not practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 until a detailed review has been completed.

Certain other new accounting standards, amendments to existing accounting standards and interpretations which are in issue but not yet effective, either do not apply to the Company or are not expected to have any material impact on the Company's net results or net assets.

DŚG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2. REVENUE AND OPERATING PROFIT / (LOSS)

	2015			2014		
	Headline £million	Non- headline £million	Total £million	Headline £million	Non- headline £million	Total £million
Revenue	4,314.0	-	4,314.0	4,078.3	-	4,078.3
Cost of sales	(3,954.2)	(10.0)	(3,964.2)	(3,758.9)	(11.4)	(3,770.3)
Gross profit	359.8	(10.0)	349.8	319.4	(11.4)	308.0
Distribution costs	(46.7)	-	(46.7)	(43.5)	-	(43.5)
Administrative expenses	(141.7)	-	(141.7)	(145.9)	-	(145.9)
Other operating charge	(22.0)	-	(22.0)	(21.8)	-	(21.8)
Operating profit	149.4	(10.0)	139.4	108.2	(11.4)	96.8

Other operating charge comprises net property losses.

Included within headline cost of sales, distribution costs and administrative expenses is amortisation of other intangibles of £3.3 million, £0.4 million and £2.4 million, respectively (2014 £4.0 million, £0.5 million and £3.1 million, respectively).

	2015 £million	2014 £million
Sale of goods	3,927.0	3,708.2
Revenue from services	387.0	370.1
	4,314.0	4,078.3

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

	2015 £million	2014 £million
Inventories recognised as an expense	3,203.5	3,080.9
Cost of inventory write-down	17.0	12.4
Rentals paid under operating leases:		
Plant and machinery	7.1	5.6
Property – non-contingent rent	185.5	207.8
Property – contingent rent	16.3	15.0
Rentals received under operating leases:		
Property – subleases	(0.9)	(0.6)
Loss on disposal of property, plant and equipment & intangible assets	3.5	4.6
Auditor's remuneration – audit services	0.3	0.3

D&S RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3. NON-HEADLINE ITEMS

	Note	2015 £million	2014 £million
Included in operating profit / (loss):			
Net restructuring charges	(i)	-	(12.0)
Merger integration costs	(ii)	(9.9)	-
Other items	(iii)	(0.1)	0.6
		<u>(10.0)</u>	<u>(11.4)</u>
Included in net finance costs:			
Net non-cash finance costs on defined benefit pension schemes	(iv)	(17.0)	(17.0)
Total impact on profit / (loss) before tax		<u>(27.0)</u>	<u>(28.4)</u>
Included in income tax credit		<u>6.0</u>	<u>5.1</u>
Total impact on profit / (loss) after tax		<u>(21.0)</u>	<u>(23.3)</u>

(i) Net restructuring charges:

	2015 £million	2014 £million
Asset impairments	-	(10.4)
Other charges	-	(1.6)
	<u>-</u>	<u>(12.0)</u>

2014:

Net restructuring charges relate mainly to £8.7 million of impairment of other intangibles work in progress in respect of system costs which, following a revision in the overall Dixons Group's systems strategy following the disposals of businesses which have occurred during the year, have been concluded as no longer having value.

(ii) Merger integration costs:

2015:

These comprise integration costs following the merger of Dixons and Carphone Warehouse for employee severance, property and share based payment costs associated with the integration process. Further integration costs will be incurred during 2015/16 as the integration of the two businesses continues.

(iii) Other items:

	2015 £million	2014 £million
Release of onerous lease provisions as guarantor	-	0.4
Riot related income	-	0.2
Inter company loan write off	(0.1)	-
	<u>(0.1)</u>	<u>0.6</u>

2015:

This comprises an inter company loan write off in support of a subsidiary undertaking.

2014:

The release of onerous lease provisions relates to a residual surplus in respect of a former fellow Dixons company whereby the Company acted as guarantor, but where such provision is no longer required.

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

DSG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3. NON-HEADLINE ITEMS continued

(iv) Net non-cash financing costs from defined benefit pension scheme:

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 headline earnings.

4. NET FINANCE COSTS

	Note	2015 £million	2014 £million
Loans to group undertakings		11.3	22.4
Bank and other interest receivable	(i)	4.3	0.4
Finance income		15.6	22.8
Bank loans, overdrafts and other interest payable	(ii)	(13.9)	(1.1)
Finance lease interest payable		(5.7)	(5.8)
Dividend payable on 7.26% cumulative preference shares		(1.6)	(1.6)
Net interest on defined benefit pension obligations	*	(17.0)	(17.0)
Finance costs		(38.2)	(25.5)
Total net finance costs		(22.6)	(2.7)
Headline total net finance (costs) / income		(5.6)	14.3

Headline total net finance (costs) / income exclude items marked *. See note 3 for a description of such items.

(i) Bank and other interest receivable comprise:

	2015 £million	2014 £million
Interest on cash and cash equivalents and short term investments	4.3	0.4

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

	2015 £million	2014 £million
Interest on bank loans and overdrafts	(11.7)	(0.6)
Exchange losses	(2.2)	(0.5)
	(13.9)	(1.1)

DSG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

5. EMPLOYEES AND DIRECTORS

Staff costs for the period were:

	2015 £million	2014 £million
Wages and salaries	373.4	363.2
Social security costs	26.6	26.4
Other pension costs	10.2	10.6
	410.2	400.2

	2015 Number	2014 Number
The average number of employees, including part-time employees was:	20,302	20,656

	2015 £million	2014 £million
Remuneration of the directors:		
- Emoluments	5.5	4.0

Emoluments shown above relate to the period in office as directors. In addition to the above no emoluments were paid to directors as compensation for loss of office (2014 £nil).

No directors accrued benefits under defined benefit pension schemes (2014 none). Four directors exercised options over shares in Dixons Retail plc during the period (2014 none).

	2015 £million	2014 £million
The remuneration of the highest paid director was:		
- Emoluments	1.2	0.9

Emoluments include cash bonuses payable in respect of the relevant financial period.

The Company paid £0.1 million of contributions in relation to the highest paid director in respect of money purchase pension schemes (2014 £0.1 million). The highest paid director exercised 2.0 million share options in the period (2014 none) and received a further 6.3 million shares (2014 none) under the Dixons Performance Share Plan.

DSG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

6. TAX

(a) Income tax expense / (credit)

	Note	2015 £million	2014 £million
Current tax			
UK corporation tax at 20.92% (2013/14 22.84% ⁽ⁱⁱ⁾) – headline		18.4	13.9
– non-headline	*	(6.0)	-
Adjustments in respect of earlier periods		15.5	-
		<u>27.9</u>	<u>13.9</u>
Deferred tax			
Current period – headline		1.9	12.9
– non-headline	*	-	(6.6)
Charge in respect of tax rate change – headline		(0.1)	6.4
– non-headline	*	-	(0.9)
Adjustment in respect of earlier periods – headline		(17.5)	(4.9)
– non-headline	*	-	2.4
		<u>(15.7)</u>	<u>9.3</u>
Income tax expense		<u>12.2</u>	<u>23.2</u>
Headline income tax expense	(i)	<u>18.2</u>	<u>28.3</u>

(i) Headline income tax expense excludes those items marked *.

(ii) The corporation tax rate for the period was 21% for the period up to 31 March 2015 and 20% thereafter (2014 23% for the period up to 31 March 2014 and 21% thereafter).

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

	2015 £million	2014 £million
Profit / (loss) before tax	<u>116.8</u>	<u>94.1</u>
Tax on profit at UK statutory rate of 20.92% (2014 22.84%)	24.4	21.4
Non deductible dividend payments	0.3	0.4
Group relief received free of charge	(14.3)	(13.7)
Expenses not deductible for tax purposes – headline	3.9	12.2
– non-headline	-	(0.1)
Adjustments to deferred tax in respect of tax rate change – headline	(0.1)	6.4
– non headline	-	(0.9)
Adjustments in respect of earlier periods – headline	(2.0)	(4.9)
Adjustments in respect of earlier periods – non-headline	-	2.4
Income tax expense	<u>12.2</u>	<u>23.2</u>

DSG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

6. TAX continued

(b) Deferred tax

	Accelerated capital allowances £million	Retirement benefit obligations £million	Other temporary differences £million	Total £million
At 1 May 2013	26.7	93.5	12.3	132.5
(Charged) / credited to the income statement	(3.7)	0.2	(5.8)	(9.3)
Credited to equity	-	(13.7)	0.8	(12.9)
At 30 April 2014	23.0	80.0	7.3	110.3
(Charged) / credited to the income statement	16.7	-	(1.0)	15.7
Credited to equity	-	17.3	(2.6)	14.7
At 2 May 2015	39.7	97.3	3.7	140.7

Other temporary differences relate to those arising on provisions and intangible assets.

Analysis of deferred tax credited / (charged) to equity in the period:

	2015 £million	2014 £million
Actuarial (gain) / loss on defined benefit pension scheme	17.3	(13.7)
Expensed / (credited) to comprehensive income / (expense) for the period	17.3	(13.7)
Share-based payments	(2.6)	0.8
	14.7	(12.9)

On 8 July 2015 it was announced that the main rate of UK corporation tax reduced to 19 per cent with effect from 1 April 2017, and to 18 per cent from 1 April 2020. This change has not been substantively enacted, and has not therefore been included in the figures above. The impact of the future rate reductions will be accounted for to the extent that they are enacted at the balance sheet date, however it is estimated that this will not have a material effect on the Company.

There is an unrecognised deferred tax asset relating to capital losses of £199 million (2014 £200 million, 2013 £229 million). The directors do not expect any chargeable gains to arise in the foreseeable future and accordingly the deferred tax remains unrecognised.

7. GOODWILL

	2015 £million	2014 £million
Cost		
At the beginning of the period	-	5.1
Disposal	-	(5.1)
At the end of the period	-	-
Impairment		
At the beginning of the period	-	5.1
Disposal	-	(5.1)
At the end of the period	-	-
Net book value at the end of the period	-	-

2014: Following the impairment of Microwarehouse in 2013, it was determined that the headline business assets and branding were no longer identifiable and as a result the goodwill was treated as disposed.

DSG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

8. INTANGIBLE ASSETS

	Brand name and trademarks £million	Software (externally acquired) £million	Software (internally generated) £million	Sub-total other intangibles £million	Total £million
Cost					
At 1 May 2013	54.8	98.3	54.8	153.1	207.9
Additions	-	1.9	1.3	3.2	3.2
Disposals	-	(0.4)	(2.4)	(2.8)	(2.8)
At 30 April 2014	54.8	99.8	53.7	153.5	208.3
Additions	-	7.0	0.3	7.3	7.3
Disposals	-	(0.1)	(1.2)	(1.3)	(1.3)
At 2 May 2015	54.8	106.7	52.8	159.5	214.3
Amortisation					
At 1 May 2013	-	72.1	45.9	118.0	118.0
Charge for the year	-	3.4	4.2	7.6	7.6
Disposals	-	(0.4)	(2.4)	(2.8)	(2.8)
Impairment – non-headline	-	7.0	-	7.0	7.0
At 30 April 2014	-	82.1	47.7	129.8	129.8
Charge for the period	-	2.4	3.7	6.1	6.1
Disposals	-	(0.1)	(1.2)	(1.3)	(1.3)
At 2 May 2015	-	84.4	50.2	134.6	134.6
Net book value					
At 2 May 2015	54.8	22.3	2.6	24.9	79.7
At 30 April 2014	54.8	17.7	6.0	23.7	78.5
At 30 April 2013	54.8	26.2	8.9	35.1	89.9

Included in net book value of other intangibles are assets under construction of £12.8 million (2014 £8.2 million; 2013 £14.8 million).

The brand name and trademarks relate to Currys which is determined to be part of the UK Retail store based 'Cash Generating Unit' (CGU) as defined in IAS 36 "Impairment of Assets". As, in the opinion of the directors, the Currys brand name and trademarks have an indefinite economic life, no amortisation is provided. Currys is expected to maintain its market position and its business is expected to remain profitable over the long term. Accordingly, it is not possible to identify a finite useful life for the intangible asset.

Intangible assets with indefinite useful economic lives are required to be tested for impairment by comparing their recoverable amount with the carrying value on an annual basis or where indications of impairment exist. The recoverable amount of the brand name is determined by calculating its value in use (VIU) which was calculated by applying discounted cash flow modelling to management's own risk adjusted projections covering a five year period.

The long term projections, which have been approved by management, have been prepared using three year strategic plans as a base, extrapolated to five years and 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 the impact of committed initiatives. In forming the five year projections, management draws on past experience as a measure to forecast future performance and key assumptions used in determining the projections comprise the growth in sales and costs over this period. Cash flows beyond the five year period were extrapolated using a long term growth rate equivalent to Gross Domestic Product (GDP) and the VIU was then compared to the carrying amount in order to determine whether impairment has occurred.

DSG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

8. INTANGIBLE ASSETS continued

Key assumptions used in calculating VIU were management's five year projections; the growth rate beyond five years; and the pre-tax adjusted discount rate. The growth rate beyond five years was based on the GDP for the UK. The discount rates applied to cash flows were based on the Company's weighted average cost of capital having regard to the strategic plans themselves already being risk adjusted to take account of specific risks in the market.

The key assumptions used comprise compound annual growth in sales of 2.3% (2014 0.6%; 2013 1.7%), compound annual growth rate in costs of 2.0% (2014 0.3%; 2013 1.3%), a growth rate beyond 5 years of 2.9% (2014 2.3%; 2013 2.0%) and a pre tax adjusted discount rate of 9.5% (2014 10.2%; 2013 10.1%). A sensitivity analysis has been performed on the base case key assumptions used for assessing the brand name. The directors have concluded that there are no reasonably possible changes in key assumptions which would cause the carrying amount of the brand name to exceed its VIU.

9. PROPERTY, PLANT & EQUIPMENT

	2015			2014		
	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 the period	138.7	676.7	815.4	143.3	700.9	844.2
Additions	0.3	33.8	34.1	-	27.6	27.6
Disposals	(1.8)	(46.7)	(48.5)	(4.6)	(51.8)	(56.4)
At end of the period	137.2	663.8	801.0	138.7	676.7	815.4
Depreciation						
At beginning of the period	70.3	510.6	580.9	66.0	495.2	561.2
Charge for the period	4.9	64.8	69.7	6.2	64.3	70.5
Impairment – non-headline	-	0.2	0.2	-	1.7	1.7
Disposals	(1.2)	(44.3)	(45.5)	(1.9)	(50.6)	(52.5)
At end of the period	74.0	531.3	605.3	70.3	510.6	580.9
Net book value at end of the period	63.2	132.5	195.7	68.4	166.1	234.5
Included in net book value						
Land not depreciated	3.0	-	3.0	3.0	-	3.0
Freehold buildings	0.4	-	0.4	0.4	-	0.4
Long leasehold	-	-	-	-	-	-
Short leasehold	7.7	-	7.6	9.7	-	9.7
Assets held under finance leases	52.1	-	52.1	55.3	-	55.3
Assets in the course of construction	-	13.5	13.5	-	6.6	6.6

The carrying amount at 30 April 2013 for land and buildings was £77.3 million and for fixtures, fittings and equipment was £205.7 million.

No additions related to finance leases (2014 none). Legal title for these leased assets remains with the lessor.

DSG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENTS

	2015 £million	2014 £million
Investments in subsidiary undertakings		
Cost		
At the beginning and end of the period	<u>219.5</u>	<u>219.5</u>
Impairment		
At beginning and end of the period	<u>182.7</u>	<u>182.7</u>
Net book value at end of the period	<u>36.8</u>	<u>36.8</u>

Please refer to note 28 of a list of investments held by the Company.

11. INVENTORIES

	2015 £million	2014 £million	2013 £million
Finished goods and goods for resale	430.1	388.1	424.1
Provision for obsolete and slow moving goods	(11.3)	(10.6)	(10.7)
	<u>418.8</u>	<u>377.5</u>	<u>413.4</u>

12. TRADE AND OTHER RECEIVABLES

	2015 £million	2014 £million	2013 £million
Trade debtors	74.7	74.5	89.5
Provision for bad and doubtful debts	(3.4)	(12.7)	(10.5)
	<u>71.3</u>	<u>61.8</u>	<u>79.0</u>
Amounts due from subsidiary undertakings	8.9	-	0.5
Amounts due from other group undertakings	16.9	1,037.1	854.5
Other debtors	0.4	0.8	0.8
Derivative financial instruments	0.8	-	-
Prepayments	35.7	41.2	37.0
Accrued income	12.0	13.0	14.0
	<u>146.0</u>	<u>1,153.9</u>	<u>985.8</u>

The majority of trade and other receivables are generally on 30 to 90 day terms. All receivables are non-interest bearing with the exception of amounts due from other group undertakings which accrued interest at 2.25% (2014 1.5%; 2013 4.25%). Trade debtors include Business to Business receivables with no material individual balances. The total financial assets included within trade and other receivables are £110.3 million (2014 £1,112.7 million and 2013 £948.8 million). The carrying amount of trade and other receivables approximates fair value with no concentration of credit risk.

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

	2015 £million	2014 £million	2013 £million
Up to six months past due	2.3	2.2	11.3
Six to 12 months past due	-	0.3	-
Over 12 months past due	-	1.0	-
	<u>2.3</u>	<u>3.5</u>	<u>11.3</u>

DSG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES continued

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

	2015 £million	2014 £million
At beginning of the period	12.7	10.5
Additions	2.1	5.4
Utilisation	(11.4)	(3.2)
At end of the period	3.4	12.7

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

13. CASH AND CASH EQUIVALENTS

	2015 £million	2014 £million	2013 £million
Cash at bank	1,239.7	21.2	24.1
Money market deposits	50.6	99.5	97.7
	1,290.3	120.7	121.8

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 30 days (2014 31 days and 2013 28 days). The carrying amount of money market deposits approximates their fair value.

14. BORROWINGS

	2015 £million	2014 £million	2013 £million
Bank overdraft	-	-	-

15. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments £million	2015 Present value of minimum lease payments £million	Minimum lease payments £million	2014 Present value of minimum lease payments £million	Minimum lease payments £million	2013 Present value of minimum lease payments £million
Amounts due:						
Within one year	8.1	7.5	8.0	7.5	7.9	7.4
In more than one year and not more than five years	33.4	26.9	33.0	26.5	32.6	26.2
More than five years	113.9	57.1	122.8	59.6	130.5	61.7
	155.4	91.5	163.8	93.6	171.0	95.3
Less future finance charges	(63.9)	-	(70.2)	-	(75.7)	-
Present value of lease obligations	91.5	91.5	93.6	93.6	95.3	95.3
Less amounts due within one year	(2.2)	(2.2)	(2.0)	(2.0)	(1.7)	(1.7)
Amounts due after more than one year	89.3	89.3	91.6	91.6	93.6	93.6

DSG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

15. OBLIGATIONS UNDER FINANCE LEASES continued

The majority of finance leases relate to properties where outstanding lease terms vary between 10 years and 21 years. The effective borrowing rate on individual leases ranged between 5.51% and 8.15% (2014 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 total value of minimum sub-lease payments expected to be received under non-cancellable sub-leases at 2 May 2015 was £nil (2014 and 2013 £nil).

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

16. TRADE AND OTHER PAYABLES

	Current £million	2015 Non- current £million	Current £million	2014 Non- current £million	Current £million	2013 Non- current £million
Trade creditors	551.2	-	513.7	-	516.4	-
86,500,000 7.26% cumulative preference shares of £1 each	-	21.1	-	21.1	-	21.1
Amounts due to ultimate parent company	28.1	-	28.6	-	13.2	-
Amounts due to subsidiary undertakings	0.2	-	-	-	-	-
Amounts due to other group undertakings	12.8	33.6	14.8	33.6	18.5	33.6
Other taxation and social security	86.2	-	55.5	-	47.0	-
Derivative financial instruments	-	-	0.3	-	0.5	-
Other creditors	23.1	-	20.7	-	17.4	-
Accruals	160.9	70.2	145.8	75.3	154.2	81.1
Deferred income - customer support agreements	111.8	141.2	113.3	125.1	104.6	136.2
Deferred income - other	-	-	0.1	-	0.7	-
	974.3	266.1	892.8	255.1	872.5	272.0

Further information on derivative financial instruments is provided in note 19.

Included in other creditors is £11.1 million (2014 £11.2 million and 2013 £9.6 million) relating to other non-financial liabilities. The total financial liabilities included in trade and other payables are £890.1 million (2014 £842.7 million and 2013 £846.3 million). The carrying amount of trade and other payables approximates their fair value.

The 7.26% non voting cumulative irredeemable preference shares of £1 each rank ahead of ordinary shares in the event of a return of assets on liquidation.

DŚG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

17. PROVISIONS

	2015			2014		
	Property related £million	Severance and other £million	Total £million	Property related £million	Severance and other £million	Total £million
At beginning of the period	20.8	0.5	21.3	23.7	4.2	27.9
Additions	3.4	1.7	5.1	-	-	-
Utilisation	(3.9)	(1.9)	(5.8)	(2.9)	(3.7)	(6.6)
At end of the period	20.3	0.3	20.6	20.8	0.5	21.3
Analysed as:						
Current	4.5	0.3	4.8	4.7	0.5	5.2
Non-current	15.8	-	15.8	16.1	-	16.1
	20.3	0.3	20.6	20.8	0.5	21.3

Property related provisions mainly comprise onerous lease contracts.

Of the balance at 30 April 2013, £10.4 million was classified as current and £17.5 million as non-current. All provisions relating to severance and other were considered current. Of the property related provisions, £6.2 million was classified as current and £17.5 million as non-current.

Of the amounts included within non-current liabilities remaining at 2 May 2015, the majority are expected to be utilised within the next ten years.

18. RETIREMENT BENEFIT OBLIGATION

Dixons Retail plc operates a pension scheme, for which the Company is a participating employer that 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.

(a) Defined contribution pension scheme

The pension charge in respect of the defined contribution scheme was £10.2 million (2014 £10.6 million).

(b) Defined benefit section - actuarial valuation and assumptions

A full actuarial valuation of the scheme was last carried out as at 31 March 2013 and showed a shortfall of assets compared with liabilities of £373 million. A 'recovery plan' based on this valuation, agreed with the Trustee, commenced in 2013/14, with contributions of £28 million having been made in 2014/15 rising to £35 million for 2015/16. Contributions rise to £47 million by 2024/25. In certain circumstances, where terms of the arrangements set out in the recovery plan are breached, the Trustee may require additional payments until the breach is rectified. The next triennial valuation will be as at 31 March 2016.

The principal actuarial assumptions as at 31 March 2013 were:

	Rate per annum
Discount rate for accrued benefits – Matching portfolio	3.8%
– Growth portfolio	5.9%
Rate of increase to pensions	0% – 3.8%
Inflation	3.4%

At 31 March 2013, the market value of the scheme's investments was £812 million and, based on the above assumptions, the value of the assets was sufficient to cover 69% of the benefits accrued to members with the liabilities amounting to £1,185 million.

(c) Defined benefit pension scheme – IAS 19

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

DSG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

18. RETIREMENT BENEFIT OBLIGATION continued

(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	2015	2014	2013
Discount rate	3.5%	4.4%	4.3%
Rate of increase in pensions in payment /	2.9% /	3.0% /	3.2% /
deferred pensions (pre / post April 2006 accrual)	1.9%	2.0%	2.1%
Inflation	3.1%	3.3%	3.3%

The Company uses demographic assumptions underlying the last formal actuarial valuation of the scheme as at 31 March 2013. 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) with multipliers of 100% for males and 105% for females. In addition, an allowance has been made for future improvements in longevity from 2003 by using the new CMI 2013 Core projections with a long term rate of improvement of 1.5% per annum for men and 1.25% per annum for women. Applying such tables results in an average expected longevity of between 87.1 years and 88.8 years for men and between 88.8 years and 90.2 years for women for those reaching 65 over the next 15 years.

(ii) Amounts recognised in income statement

	2015 £million	2014 £million
Net interest on defined benefit obligation	(17.0)	(17.0)

(iii) Amounts recognised in the statement of comprehensive income

	2015 £million	2014 £million
Remeasurement of defined benefit obligation –actuarial gains / (losses) arising from:		
- Changes in financial assumptions	(202.4)	44.0
- Experience adjustments	20.4	5.9
- Changes in demographic assumptions	(8.8)	(22.4)
Remeasurement of scheme assets		
- Actual return on plan assets (excluding amounts included in net interest)	93.4	(23.9)
	(97.4)	3.6
Cumulative actuarial loss	(521.8)	(424.4)

(iv) Amounts recognised in the balance sheet

	2015 £million	2014 £million
Present value of defined benefit obligations	(1,431.3)	(1,219.1)
Fair value of plan assets	945.0	819.3
Net obligation	(486.3)	(399.8)

At 30 April 2013 the net present value of defined benefit obligation was £1,225.2 million and the fair value of plan assets was £818.8 million.

Changes in the present value of the defined benefit obligation:

	2015 £million	2014 £million
Opening obligation	1,219.1	1,225.2
Interest cost	53.0	52.0
Remeasurements in other comprehensive income – actuarial (gains) / losses arising from changes in:		
- Financial assumptions	202.4	(44.0)
- Experience adjustments	(20.4)	(5.9)
- Demographic assumptions	8.8	22.4
Benefits paid	(31.6)	(30.6)
Closing obligation	1,431.3	1,219.1

DSG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

18. RETIREMENT BENEFIT OBLIGATION continued

(iv) Amounts recognised in the balance sheet continued

The weighted average maturity profile of the defined benefit obligation at the end of the year is 21 years (2014 20 years).

Changes in the fair value of the scheme assets

	2015 £million	2014 £million
Opening fair value	819.3	818.8
Expected return	36.0	35.0
Employer special contributions	27.9	20.0
Remeasurements in other comprehensive income:		
- Actual return on plan assets (excluding interest income)	93.4	(23.9)
Benefits paid	(31.6)	(30.6)
Closing fair value	945.0	819.3

Analysis of scheme assets

		2015 £million	2014 £million
UK equities	- Listed	-	-
	- Unlisted	-	-
Overseas and global equities	- Listed	286.3	232.3
Diversified growth	- Listed	181.8	170.2
	- Unlisted	10.1	5.8
Multi asset credit funds	- Listed	28.5	26.0
	- Unlisted	23.4	25.6
Emerging market multi asset funds	- Listed	49.2	47.3
	- Unlisted	2.7	0.7
Private equity	- Unlisted	47.3	42.9
Property	- Unlisted	15.1	25.1
Index-linked gilts	- Listed	101.1	162.0
Corporate bonds	- Listed	78.5	68.7
Liability driven investment (LDI)	- Listed	69.0	-
Cash and cash instruments	- Unlisted	51.0	11.6
Other	- Unlisted	1.0	1.1
		945.0	819.3

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 £129.4 million (2014 gain of £11.1 million).

(v) Sensitivities

The value of the 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 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 consolidated income statement and balance sheet.

	Net finance costs		Net deficit	
Positive / (negative) effect	2015 £million	2014 £million	2015 £million	2014 £million
Discount rate: 0.25% increase	2.2	1.7	73.0	59.5
Inflation rate: 0.25% increase *	(2.0)	(2.1)	(57.1)	(46.6)
Mortality rate: 1 year increase	(1.5)	(1.6)	(41.7)	(35.5)

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

19. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The ultimate parent company's treasury function provides services to the Company. Its policies are approved by the Dixons Carphone Board of Directors and are subject to periodic internal and external reviews. The major treasury risks to which the Company is exposed relate to market risks (movements in foreign exchange rates), liquidity risk and credit risk. Areas where risks are most likely to occur are evaluated regularly. The Company uses financial instruments and derivatives to manage these risks in accordance with defined policies.

Throughout the period under review, in accordance with Dixons Carphone Treasury policy, no speculative use of derivatives, foreign exchange or other instruments was permitted.

The Company's accounting policies in relation to derivatives are set out in note 1.14.

Exchange rate risk

The Company is exposed to certain transactional currency exposures. Such exposures arise from purchases in currencies other than the functional currency of the Company. The Company's principal transactional currency exposures are the US dollar and Euro. It is the Company's 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.

Liquidity risk

The Company manages liquidity risk via the Dixons Carphone treasury operations using sources of financing from other group entities and investing excess liquidity. The Company maintains adequate reserves by continuously monitoring forecast and actual cash flows against the maturity profiles of financial assets and liabilities. Cash forecasts identifying the Company's liquidity requirements are produced and are stress tested for different scenarios including, but not limited to, reasonably possible decreases in profit margins.

Credit risk

The Company's exposure to credit risk on liquid funds, investments (mainly bank deposits) and derivative financial instruments arises from the risk of non-performance of counterparties, with a maximum exposure equal to the book and fair value of these assets. The Company limits its exposure to credit risk through application of the Dixons Carphone Treasury policy, with credit risks closely monitored and credit ratings used in determining maximum counterparty credit risk. The Company 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 Company receivable balances comprise a large number of individually small amounts from unrelated customers, spread across diverse industries. 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 Company 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 Company'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.

DŚG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS continued

(a) Treasury risks and policies continued

Capital risk management

The Company manages its capital to ensure that it is able to continue as a going concern and to sustain the future development of the business. The capital structure of the Company consists of cash and cash equivalents and equity, comprising issued share capital and retained earnings.

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

The Company monitors available net funds on a regular basis and this is affected by Free Cash Flow, one of the Company'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 12 and 16, respectively. The categories of financial assets and liabilities and their related accounting policy are set out in notes 1.9 and 1.13, respectively.

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 19(d).

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

Fair values of derivatives by designation

	2015 Trade and other receivables Current £million	2014 Trade and other payables Current £million	2013 Trade and other payables Current £million
Manage the currency exposure of:			
Financial assets and liabilities	-	-	(0.1)
Future transactions occurring within only one year	<u>0.8</u>	<u>(0.3)</u>	<u>(0.4)</u>
	<u>0.8</u>	<u>(0.3)</u>	<u>(0.5)</u>

Included in derivative financial instruments are forward foreign currency contracts and currency swaps.

(c) Derivatives

Derivative financial instruments comprise forward foreign exchange contracts and foreign exchange swaps. The Company has designated financial instruments under IAS 39 as follows:

Cash flow hedges

At 2 May 2015 the Company had forward and swap foreign exchange contracts in place with a notional value of £107.4 million (2014 £28.1 million and 2013 £20.8 million) that were designated and effective as cash flow hedges. These contracts are expected to cover exposures ranging from one month to one year.

DSG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS continued

(d) Interest rate profile of financial assets and liabilities

The following table sets out the interest rate exposure of the financial assets and liabilities of the Company. The financial instruments not included in the table are non-interest bearing and are therefore not subject to interest rate risk.

	Sterling £million	US dollar £million	Other £million	2015 Total £million
Cash and cash equivalents:				
Floating rate *	1,240.8	11.8	(12.9)	1,239.7
Fixed rate	50.6	-	-	50.6
	1,291.4	11.8	(12.9)	1,290.3
Obligations under finance leases:				
Fixed rate	(91.5)	-	-	(91.5)
	(91.5)	-	-	(91.5)
Net funds / (debt)	1,199.9	11.8	(12.9)	1,198.8
	Sterling £million	US dollar £million	Other £million	2014 Total £million
Cash and cash equivalents:				
Floating rate	21.2	-	-	21.2
Fixed rate	99.5	-	-	99.5
	120.7	-	-	120.7
Obligations under finance leases:				
Fixed rate	(93.6)	-	-	(93.6)
	(93.6)	-	-	(93.6)
Net funds	27.1	-	-	27.1
	Sterling £million	US dollar £million	Other £million	2013 Total £million
Cash and cash equivalents:				
Floating rate	23.9	-	0.2	24.1
Fixed rate	97.7	-	-	97.7
	121.6	-	0.2	121.8
Obligations under finance leases:				
Fixed rate	(95.3)	-	-	(95.3)
	(95.3)	-	-	(95.3)
Net funds	26.3	-	0.2	26.5

* Bank balances held in Sterling and other currencies have right of set off.

19. FINANCIAL INSTRUMENTS continued

(d) Interest rate profile of financial assets and liabilities continued

Floating rate cash and cash equivalents relates to cash at bank. Cash at bank earns interest at floating rates based either on daily bank deposit rates or central bank lending rates.

Fixed rate cash and cash equivalents comprise money market deposits (as shown in note 13) and earn interest at an average effective rate of 0.37% (2014 0.39%; 2013 0.32%). Floating rate borrowings consist of bank overdrafts. The rate of interest payable on bank overdrafts is a margin of 2.25% per annum over LIBOR or EURIBOR (2014 and 2013 1% margin over LIBOR).

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 2 May 2015 and 30 April 2014, respectively and is not necessarily representative of actual or future outcomes.

Changes in exchange rates affect the Company'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 Company's total equity due to changes in the fair value of derivatives designated as cashflow hedges. The table below shows the Company's sensitivity to a reasonably possible change in the Company's key currencies of US dollar and Euro, with other variables held constant.

	Effect on headline profit before tax increase / (decrease) £million	2015 Effect on total equity increase / (decrease) £million	Effect on headline profit before tax increase / decrease £million	2014 Effect on total equity increase / (decrease) £million
Change in exchange rates:				
10% movement in the US dollar exchange rate	-	5.2	0.2	0.2
10% movement in the Euro exchange rate	-	1.4	0.8	0.8

Changes in interest rates affect the Company's profit before tax, due to the impact of floating rate borrowings, amounts due to subsidiary undertakings, and cash. The Company'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 £12.5 million (2014 a £11.1 million increase in profit before tax and equity).

The following assumptions were made in calculating the sensitivity analysis:

- the balance of investments and the derivative portfolio are all held constant for the whole year.
- all cash flow hedges are assumed to be highly effective.
- changes in the carrying value of derivative financial instruments that are not in hedging relationships arising from movements in exchange rates only affect the income statement to the extent that they are not offset by changes in an underlying transaction.

D&G RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS continued

(f) Liquidity analysis

The table below analyses the Company's contractual undiscounted cash flows payable under financial liabilities (excluding finance lease liabilities, which are shown in note 16) and derivative assets and liabilities into their maturity groupings. The table includes both principal and interest flows.

	2015		2014		2013	
	Contractual undiscounted cash flows – within one year £million	Carrying value £million	Contractual undiscounted cash flows – within one year £million	Carrying value £million	Contractual undiscounted cash flows – within one year £million	Carrying value £million
Non-derivative financial liabilities						
Trade and other payables	(890.1)	(890.1)	(842.7)	(842.7)	(846.3)	(846.3)
	<u>(890.1)</u>	<u>(890.1)</u>	<u>(842.7)</u>	<u>(842.7)</u>	<u>(846.3)</u>	<u>(846.3)</u>
Derivative contracts						
Inflows	107.3	107.3	28.1	28.1	27.1	27.1
Outflows	(106.5)	(106.5)	(28.4)	(28.4)	(27.6)	(27.6)
	<u>0.8</u>	<u>0.8</u>	<u>(0.3)</u>	<u>(0.3)</u>	<u>(0.5)</u>	<u>(0.5)</u>

20. SHARE CAPITAL AND RESERVES

(a) Called up share capital

	2015 £million	2014 £million	2013 £million
Authorised			
500,000 ordinary shares of £1 each	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>
Allotted and fully paid			
317,850 ordinary shares of £1 each	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>

(b) Other reserves

	Hedging reserve £million
At 1 May 2013	(0.4)
Other comprehensive income and expense recognised directly in equity	<u>0.3</u>
At 30 April 2014	(0.1)
Other comprehensive income and expense recognised directly in equity	<u>0.9</u>
At 2 May 2015	<u>0.8</u>

DSG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

21. NOTES TO THE CASH FLOW STATEMENT

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

	2015 £million	2014 £million
Operating profit	139.4	96.8
Amortisation of other intangibles	6.1	7.6
Depreciation and impairment	69.7	70.5
Share-based payment charge	8.4	3.5
Loss on disposal of property, plant & equipment and intangible assets	3.5	4.6
Increase in non-headline provisions	5.1	-
Non-headline impairment	0.2	8.7
Utilisation of non-headline provisions	(5.8)	(6.6)
Operating cash flows before movements in working capital	226.6	185.1
Movements in working capital:		
Decrease / (Increase) in inventories	(41.3)	35.9
Increase in trade and other receivables	(19.6)	(168.1)
Increase in trade and other payables	46.4	8.9
	(14.5)	(123.3)
Cash generated from operations	212.1	61.8

(b) Analysis of net funds

	1 May 2014 £million	Cash flow £million	Other non-cash movements £million	2 May 2015 £million
Cash and cash equivalents [†]	120.7	1,169.6	-	1,290.3
Obligations under finance leases	(93.6)	2.1	-	(91.5)
Net funds	27.1	1,171.7	-	1,198.8
	1 May 2013 £million	Cash flow £million	Other non-cash movements £million	30 April 2014 £million
Cash and cash equivalents [†]	121.8	(1.1)	-	120.7
Obligations under finance leases	(95.3)	1.7	-	(93.6)
Net funds	26.5	0.6	-	27.1

Restricted funds, which comprise funds held under trust to fund potential customer support liabilities, were £50.6 million (2014 £99.5 million and 2013 £97.7 million). Net funds excluding restricted funds totalled £1,148.2 million (2014 net debt of £72.4 million and 2013 net debt of £71.2 million).

[†] Cash and cash equivalents are represented as a single class of assets on the face of the balance sheet. For the purposes of the cash flow, cash and cash equivalents comprise those amounts represented on the balance sheet as cash and cash equivalents, less bank overdrafts (which are disclosed separately on the balance sheet and as disclosed in note 13 and 14).

DSG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

22. SHARE BASED PAYMENTS

		2015 £million	2014 £million
Amounts charged to operating profit / (loss) are:			
Share-based payments	- equity settled [†]	<u>8.4</u>	<u>3.5</u>

[†] Equity settled share-based payments of £11.6 million (2014 £0.1 million) were settled in cash during the year, which includes amounts charged to the income statement in previous years.

Equity settled

Share option plans

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

Options were historically granted annually to executive directors and other employees on the basis of management grade. In September 2008, Dixons adopted a new share option plan (ESOP) which replaced the existing ESOS. Options granted after this date were only granted under the new ESOP. The ESOS and ESOP permitted 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 was based upon remaining in service with the Company over a three year period unless specific circumstances applied to a participant as determined by the Dixons Remuneration Committee. Depending on grade, vesting could also be dependent on various performance measures as agreed by the Dixons Remuneration Committee at the date of grant. Options were generally exercisable between three and ten years from the date of grant.

On completion of the Merger, all outstanding ESOS and ESOP awards vested in full.

Save As You Earn (SAYE)

Dixons offered to all of the Company's employees, having completed the relevant period of service, share-based savings plans whereby amounts could be contributed up to a specified limit per plan and per employee. Three year plans were offered annually, with exercise prices set at a 20% discount to the market share price on the date of grant. Exercise was conditional upon employees remaining employed by the Company for the full term of the plan unless specific circumstances applied to a participant as determined by the Rules of the Scheme. Employees could choose to withdraw their contributions in full from the plan at any time, together with any interest earned.

On completion of the Merger, participants in the SAYE scheme had the opportunity to rollover their awards into options over shares in the merged entity, Dixons Carphone. Employees who chose to rollover received 0.155 options in Dixons Carphone in exchange for each Dixons option held. The savings period and exercise date of these options remained unchanged. If employees chose not to rollover their options, they could exercise the value saved within six months of the Merger in return for 0.155 Dixons Carphone shares for each Dixons option held.

In February 2015, Dixons Carphone offered a new share-based savings plan which allows participants, including employees of the Company, to save up to £500 per month for either three or five years. At the end of the savings period participants can purchase shares in Dixons Carphone based on a discounted share price determined at the commencement of the scheme.

Dixons Carphone share option scheme

This scheme allows Dixons Carphone to offer nil-priced options to senior employees who are not participants in the Dixons Carphone Share Plan. The options are subject to continuing employment and are subject to performance conditions based on a combination of absolute TSR performance and relative TSR performance against the FTSE 250 or FTSE 350.

Prior to the Merger, all share option plans were granted to employees of DSG Retail Limited by Dixons Retail plc. Subsequent to the Merger, all share option plans are granted to employees of DSG Retail Limited by Dixons Carphone plc.

DSG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

22. SHARE BASED PAYMENTS continued

Equity-settled continued

Share option plans (continued)

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

	Note	Number	2015 Weighted average exercise price	Number	2014 Weighted average exercise price
At beginning of the period		59,517,524	£0.20	111,591,485	£0.22
Granted during the period	(i)	9,451,408	£2.17	12,647,685	£0.32
Lapsed / forfeited during the period		(4,556,086)	£0.33	(38,823,839)	£0.26
Exercised during the period	(ii)	(22,581,409)	£0.28	(25,897,807)	£0.24
Adjustment for rollover of awards [†]		(29,390,938)	N/A	-	-
At end of the period	(iii),(iv)	12,440,499	£2.00	59,517,524	£0.20

[†] On 6 August 2014, employees who chose to rollover SAYE awards in Dixons received 0.155 options in Dixons Carphone in exchange for each Dixons option held, resulting in a reduction in the total number of options outstanding.

No options were exercisable at 2 May 2015 (2014 12,527,675).

	2015	2014
(i) weighted average fair value of options granted during the period	£0.92	£0.21
(ii) weighted average share price at date of exercise	£0.83	£0.46
(iii) weighted average remaining contractual life for options outstanding	5.8 years	3.0 years
(iv) range of exercise prices for options outstanding	£nil - £3.44	£0.11 - £0.32

The fair value of equity settled share option plans 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.

	2015	2014
Dividend yield	2.2%	0%
Historical and expected volatility	31% – 35%	47%
Risk-free interest rate	2.2% - 2.8%	0.65%
Expected remaining life of options	3 – 10 years	3 years
Weighted average share price	£4.20	£0.46

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.

DSG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

22. SHARE BASED PAYMENTS continued

Equity-settled continued

Other equity settled share plans

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

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 Dixons.

Since 2011/12, PSP shares were provisionally awarded to executive directors and other senior executives. Vesting of these awards was based on remaining in service with the Company over a three or four year period. For awards to executive directors in 2011/12, vesting was 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 was 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 was also dependent on TSR performance on the same terms as the 2011/12 awards and EPS performance at the end of a three year period.

On completion of the Merger, PSP awards issued in 2011/12 and 2012/13 vested in full. For PSP awards issued in 2013/14, 50% of the outstanding awards vested on Merger.

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

	Note	2015 Number	2014 Number
At beginning of the period		70,638,320	64,448,863
Provisionally awarded during the period	(i)	-	12,306,495
Lapsed / forfeited during the period		(6,593,340)	(5,986,285)
Vested during the period		(64,044,980)	(130,753)
At end of the period	(ii)	-	70,638,320

No outstanding awards had vested at 2 May 2015 (2014 none).

	2015	2014
(i) weighted average fair value of awards granted during the period	£nil	£0.44
(ii) weighted average remaining contractual life for awards outstanding	Nil	3.2 years

Shares under the Retention and Recruitment Share Plan, 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 432,218 shares (2014 130,753) vested. The number outstanding at the end of the period is Nil (2014 432,218).

The fair value of such 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 period ended 30 April 2014 based on information prevailing at the date of grant.

Plan	PSP	2014 Reward Shares
Option pricing model	Monte-Carlo	Black Scholes
Dividend yield	0%	0%
Historical and expected volatility	47%	N/A
Risk-free interest rate	0.6%	N/A
Expected life of awards	3.0 years	3.0 years
Weighted average share price	£0.46	£0.35

D&G RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

22. SHARE BASED PAYMENTS continued

Equity settled continued

Other equity settled share plans continued

The Company's ultimate parent company Dixons Carphone has in place the Share Plan which allows participants, which include certain senior employees of the Company, to share 10% of the incremental value created in the Dixons Carphone Group in excess of an opening value (assessed on the value of the Dixons Carphone Group over a three month period prior to approval of the plan by shareholders in June 2013 and, for new entrants during the 13 months ended 2 May 2015, assessed on the aggregated value of Carphone and Dixons over a three month period prior to the announcement of preliminary merger discussions in February 2014) and beyond an annual rate of return of 7% on invested capital. The plan is underpinned by a minimum annual compound TSR growth of 5% and outperformance of the median TSR of the FTSE 250. Participants acquired at market value participation shares in a subsidiary company of Dixons Carphone which holds investments in the core continuing operations of the Dixons Carphone Group. Dixons Carphone granted loans to participants at a commercial rate of interest to acquire the shares. Loans are ordinarily repayable in full if performance conditions are met. The performance of the scheme will ordinarily be measured in or around June 2017, when 60% of the shares vest, with 40% deferred for a further year. When the awards vest, the value of the shares held by participants will be based on the incremental value (if any) of the Dixons Carphone Group in excess of the opening valuation together with the minimum return on invested capital. These shares will then be purchased by Dixons Carphone for cash and/or Dixons Carphone's ordinary shares.

23. CAPITAL COMMITMENTS

	2015 £million	2014 £million	2013 £million
Contracted for but not provided in the financial statements	<u>16.0</u>	<u>11.8</u>	<u>13.4</u>

24. CONTINGENT LIABILITIES

	2015 £million	2014 £million	2013 £million
Guarantees in respect of ultimate parent company borrowings:			
8.75% Guaranteed Notes 2015	-	100.6	100.6
8.75% Guaranteed Notes 2017	-	150.0	150.0
Drawings on the Amended Facility	-	-	-
Drawings on Dixons Carphone Group committed credit facility	-	-	-
	<u>-</u>	<u>250.6</u>	<u>250.6</u>

Dixons Retail plc and the Company itself, together with certain other Dixons subsidiary companies, were parties to a revolving credit facility agreement for £200 million (the Amended Facility).

On 19 May 2014, a new revolving credit facility agreement for £150 million (the New Facility) was entered into, which replaced the Amended Facility. The Company was not a guarantor under the New Facility. Furthermore, as a result of the Company no longer being a guarantor under the Amended Facility, it is also no longer a guarantor under either the 8.75% Guaranteed Notes 2015 or the 8.75% Guaranteed Notes 2017. All these facilities were subsequently repaid during the period.

The Dixons Carphone Group has a £875 million committed credit facility, which matures in April 2017. The facility is provided by relationship banks and the borrowers are the Company, Dixons Carphone plc, New CPW Limited, The Carphone Warehouse Limited, Ise-Net Solutions Limited, Dixons Retail plc and Carphone Warehouse Europe Limited with these companies also being guarantors to the facility. The rate of interest payable on borrowings is the aggregate of the applicable margin which depends on performance against one of the facility's financial covenants and LIBOR (or an equivalent benchmark rate for other currencies). Commitment and utilisation fees are also payable under the terms of the facility.

D&G RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

24. CONTINGENT LIABILITIES continued

At 2 May 2015 the Company had no borrowings under the facility (2014 and 2013: £nil).

In addition to the table above, contingent liabilities also exist in respect of lease covenants relating to premises assigned to third parties.

25. OPERATING LEASE COMMITMENTS

	2015		2014		2013	
	Land and buildings £million	Other assets £million	Land and buildings £million	Other assets £million	Land and buildings £million	Other assets £million
Total undiscounted future committed payments due:						
Within one year	201.6	5.9	211.1	5.1	213.9	5.6
Between two and five years	730.9	11.4	805.2	12.9	813.7	3.0
After five years	657.6	-	847.9	1.0	967.5	-
	<u>1,590.1</u>	<u>17.3</u>	<u>1,864.2</u>	<u>19.0</u>	<u>1,995.1</u>	<u>8.6</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.

Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases was £20.9 million (2014 £18.8 million 2013 £16.6 million).

26. RELATED PARTIES

	2015 £million	2014 £million
Ultimate parent company		
Recharge of costs	(10.8)	(12.0)
Subsidiary undertakings		
Sales of products	3.8	-
Funds borrowed	(9.4)	(0.1)
Interest received	0.1	-
Other group undertakings		
Sales of products	94.2	70.4
Recharge of costs	(7.0)	(4.0)
Preference dividends paid	(1.7)	(1.6)
Interest received	<u>11.3</u>	<u>22.4</u>

Recharge of costs comprises management charges for services provided to / received from other Dixons companies.

Included within amounts due from other group undertakings are loans of £9.4 million (2014 £1,027.8 million and 2013 £848.2 million) with maturity within one month but renewable on a rolling basis which bear interest of 2.25% (2014 1.5% and 2013 4.25%). The Company also has loans due to other group undertakings of £33.6 million (2014 and 2013 £33.6 million) which are long term, have no maturity date and bear no interest.

DSG RETAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

26. RELATED PARTIES continued

Remuneration of directors and key management personnel

The remuneration of directors and members of the Operations Committee which comprises 10 members (2014 nine members), who are the key management personnel of the Company, is set out below. Further information about directors' remuneration is disclosed in note 5.

	2015 £million	2014 £million
Short term employee benefits	9.0	7.2
Termination benefits	-	0.2
Share-based payment	2.5	1.1

27. PARENT COMPANY

The Company's immediate parent and controlling entity is DSG international Holdings Limited.

On 6 August 2014, an all-share merger (the Merger) of Dixons Retail plc (Dixons), the Company's former ultimate parent, and Carphone Warehouse plc (Carphone) was completed, which was implemented by way of a scheme of arrangement of Dixons. In accordance with the criteria set out in IFRS 3 'Business Combinations' it has been determined that Carphone acquired Dixons and Carphone was renamed Dixons Carphone plc (Dixons Carphone). The ultimate parent company has been renamed Dixons Carphone plc (Dixons Carphone). Under the terms of the Merger, Dixons Shareholders received 0.155 of a new Dixons Carphone Share in exchange for each Dixons share.

The Company's ultimate parent and controlling entity is now therefore Dixons Carphone plc, a company incorporated in Great Britain and which is registered in England and Wales. Dixons Carphone plc is the parent of the largest and smallest group which includes the Company and for which consolidated financial statements are prepared. Copies of its financial statements may be obtained from its registered office at 1 Portal Way, London W3 6RS.

28. SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings at 2 May 2015 are listed below:

Name	Country of incorporation or registration	Nature of business
Coverplan Insurance Services Limited	England & Wales	Dormant
DSG Card Handling Service Limited	England & Wales	Intra-group investment
DSG International BVBA – 99.995%	Belgium	Retail
Dixons Travel srl	Italy	Retail

Unless otherwise indicated all subsidiary undertakings are wholly-owned, are incorporated and operate in Great Britain and are registered in England and Wales.

Consolidated financial statements have not been prepared as the Company is a wholly owned subsidiary of a company registered in England and Wales. The Company's financial statements present information about it as an individual undertaking and not as a group.

In the opinion of the directors the aggregate value of the shares in and amounts due from the Company's subsidiary undertakings are not less than the aggregate of the amounts at which these assets are included in the Company's balance sheet.