Company Registration No. 2142673

The Carphone Warehouse Limited

Report and Financial Statements

For the 52 weeks ended 3 April 2010

The Carphone Warehouse Limited

Report and Financial Statements 2010

Contents

The Carphone Warehouse Limited

Report and Financial Statements 2010

Officers and professional advisers

Directors

C W Dunstone	(resigned 25 January 2010)
R W Taylor	(resigned 25 January 2010)
A J Harrison	
R J Collier	(resigned 31 March 2010)
A K Hoult	(resigned 12 May 2009)
N Willcox	
L Weedal	
A Brem	(appointed 12 May 2009)
P Davis	(appointed 27 July 2009, resigned 7 July 2010)
M Balding	(appointed 10 March 2010)
I Priestly	(appointed 16 July 2010)

Secretaries

T S Morris	(resigned 3 March 2010)
F C Bembridge	(appointed 3 March 2010)
A K Sunderland	(appointed 7 July 2010)

Registered Office

1 Portal Way
London
W3 6RS

Bankers

Deutsche Bank AG
Winchester House
1 Great Winchester Street
London
EC2N 2DB

HSBC Bank plc
8 Canada Square
E14 5HQ

Auditors

Deloitte LLP
Chartered Accountants
London

The Carphone Warehouse Limited

Directors' report (continued)

The Directors present their annual report on the affairs of the Company, together with the financial statements and Auditors' report for the 52 weeks ended 3 April 2010 ("the year"), prior period 53 weeks ended 4 April 2009

Business review and principal activities

The principal activity of the Company during the year remained the provision of wireless technology products and services in the UK The Company incurred a further £20m of costs in respect of the extension of its existing business to encompass larger format consumer electronic stores intended to sell a larger range of consumer electrical and electronic products The Company subsequently transferred the large store format business to a fellow group company, Best Buy UK Distributions Limited on 3 April 2010

The Company continues to develop its Connected World customer proposition, which combines hardware, accessories, connections, content and services The success of this strategy has been seen through strong growth in smartphone volumes and market share, with smartphones making up 50% of all postpay phone sales for the last quarter of the year

There were net closures of 8 retail branches reducing the store portfolio to 811 stores Our store portfolio now includes 28 stores with the new Wireless World store format which is key to delivering our proposition in the future

Best Buy Europe Distributions Ltd manages its operations on a divisional basis For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business The performance of the Distribution division and a description of the principal risks and uncertainties, which includes the Company, is discussed in the group's Annual Report, which does not form part of this Report

The UK economy remains weak and the handset market is not expected to be immune from these pressures However, the Company is expected to continue to gain market share with the growth in smartphones

Store numbers are expected to remain static However over 100 stores are expected to be refitted or relocated in the new wireless format during the coming year

Despite market weaknesses, the longer term outlook for the the Company continues to be positive, with profit growth expected

Dividends

No dividends were paid during the year (2009 £30m)

Going concern basis

After making enquiries, the directors have formed a judgement, that at the time of approving the financial statements, and having considered the company's forecasts and projections, there is reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future For this reason the directors continue to adopt the going concern basis in preparing the financial statements

Risk management

Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the main financial risks the Directors consider relevant to the Company are credit risk and liquidity risk

Credit risk
The Company's principal financial assets are bank balances and trade receivables

The Company's credit risk is primarily attributable to its trade receivables The amounts presented in the balance sheet are net of provisions for doubtful debts A provision for doubtful debts is made where, based on previous experience, the full receivable may not be recovered

Directors' report (continued)

The Company's bank balances and cash are centrally pooled with other subsidiaries of Best Buy Europe Distributions Ltd The credit risk on these centrally pooled bank and cash balances is limited as the counterparties are banks with high credit ratings assigned by international credit-rating agencies

Liquidity risk
Funding for all subsidiaries of Best Buy Europe Distributions Limited, including The Carphone Warehouse Limited is arranged centrally

In order to ensure that sufficient funds are available for ongoing operations and future developments, the Best Buy Europe Distributions Group has a committed facility from its shareholders of £125m and a facility from Barclays Bank PLC of £350m The Barclays facility is secured on certain receivables balances of the Company In addition the Best Buy Europe Distrubutions Group has a support letter from its shareholders of £100m

The Company's insurance business is regulated by the Financial Services Authority

Directors

The Directors who served throughout the period and subsequently (except as noted) are shown on page 1

Employees

The Company places emphasis on its employees' involvement in the business at all levels Managers are remunerated according to results wherever possible and all employees are kept informed of issues affecting the Company through formal and informal meetings and through the Company's intranet

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

Environment

A full analysis of the key regulatory and social risks of the industry in which Best Buy Europe Distributions Limited operates is described in the group's Annual Report, which does not form part of this Report As a subsidiary entity, The Carphone Warehouse Limited operates in accordance with group policies

Supplier payment policy

It is the Company's policy to develop and maintain key business relationships with its suppliers to obtain mutually accepted payment terms Details of the average credit period taken on trade payables are provided in note 17 to the financial statements

Donations

The Company made charitable donations of £222,000 during the period (2009 - £185,000) The Company made no political donations during the period (2009 - £nil)

Statement regarding the disclosure of information to auditors

In accordance with s418 of the Companies Act 2006, each Director confirms that

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

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

The Carphone Warehouse Limited

Directors' report (continued)

Auditors

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting

By order of the Board

A K Sunderland
Secretary
22 July 2010

The Carphone Warehouse Limited

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the Directors are required to

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent Auditors' report to the members of The Carphone Warehouse Limited

We have audited the financial statements of The Carphone Warehouse Limited for the 52 weeks ended 3 April 2010 which comprise the profit and loss account, the balance sheet and the related notes 1 to 26 These financial statements have been prepared under the accounting policies set out therein

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

Respective responsibilities of directors and auditors

As explained more fully in the 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 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 (APB'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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 3 April 2010 and of its profit for the 52 week period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not 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

John Murphy (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
22 July 2010

The Carphone Warehouse Limited

Profit and loss account
52 weeks ended 3 April 2010

	Notes	52 weeks ended 3 April 2010 £'000	53 weeks ended 4 April 2009 £'000
Turnover	2	1,583,205	1,642,914
Cost of sales		(1,101,023)	(1,194,016)
Gross profit		482,182	448,898
Administrative expenses		(411,759)	(461,699)
Divisionalisation expenses	3	-	(3,842)
Store closure and stock provision	3	-	(17,580)
Reorganisation expenses	3	-	(6,221)
Impairment of investment		-	(9,238)
Operating profit/(loss)		70,423	(49,682)
Profit on sale of property	3	-	9,853
Loss on disposal of goodwill		-	(31,594)
Profit on sale of investments		-	30,961
Net interest payable and similar charges	4	(8,777)	(2,899)
Profit/(loss) on ordinary activities before taxation	5	61,646	(43,361)
Tax (charge) / credit on profit / (loss) on ordinary activities	10	(1,684)	6,614
Profit/(loss) on ordinary activities after taxation	21	59,962	(36,747)

All results for both periods arise from continuing activities

There are no recognised gains and losses in either period other than the profit for the year, accordingly no separate statement of total recognised gains and losses is presented

The Carphone Warehouse Limited

Balance sheet
As at 3 April 2010

	Notes	3 April 2010 £'000	4 April 2009 £'000
Fixed assets			
Intangible assets	12	13,630	14,972
Tangible assets	13	68,924	84,923
Investments	14	170,151	50,151
		252,705	150,046
Current assets			
Stock	15	105,695	112,226
Debtors	16	931,628	746,330
Cash at bank and in hand		3,891	245
		1,041,214	858,801
Creditors: amounts falling due within one year	17	(540,411)	(599,086)
Net current assets		500,803	259,715
Total assets less current liabilities		753,508	409,761
Provisions for liabilities	18	(25,486)	(41,701)
Net assets		728,022	368,060
Capital and reserves			
Called-up share capital	21	450,000	150,000
Capital redemption reserve	21	30	30
Profit and loss account	21	277,992	218,030
Total shareholder's funds	22	728,022	368,060

The financial statements of The Carphone Warehouse Limited registered number 2142673 were approved by the Board of Directors and authorised for issue on 22 July 2010

A K Sunderland

Secretary

Notes to the Financial Statements
52 weeks ended 3 April 2010

1. Accounting policies

The principal accounting policies are summarised below They have all been applied consistently throughout the current and preceding period

Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards

The Company has taken advantage of the exemption conferred by section 401 of the Companies Act 2006 not to produce consolidated financial statements as it is a wholly owned subsidiary of Best Buy Europe Distributions Ltd which prepares consolidated accounts that are publicly available The Company is also, on this basis, exempt from the requirement of FRS1 to prepare a cash flow statement The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 2-4

Going concern

The Company has amounts owed to group undertakings who share common Directors with the Company, totalling £123m As such, the Directors are satisfied that the other group companies, with whom these debts are held, would not demand repayment of the intercompany balance of £123m within 12 months, as to do so would result in the Company being unable to meet its liabilities as they fall due

In order to ensure that sufficient funds are available for ongoing operations and future developments, the Best Buy Europe Distributions Group has a committed facility from its shareholders of £125m and a facility from Barclays Bank PLC of £350m The Barclays facility is secured on certain receivables balances of the Company In addition the Best Buy Europe Distributions Group has a support letter from its shareholders of £100m

The Directors, in their consideration of going concern, have reviewed the Company's future cash forecasts and revenue projections, which they believe are based on prudent market data, and past experience The Directors are of the opinion that the Company's forecast and projections, which both reflect the current uncertain economic outlook and take account of reasonably possible changes in trading performance, show that the Company should be able to operate within its current facilities In arriving at their conclusion that the Company has adequate financial resources, the Directors were mindful that the Company has a robust policy towards liquidity and cash flow management and that it is financed through facilities committed from Best Buy Europe Distributions Limited The Company's operations are financed by committed facilities, retained profits and equity

Based on the above the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future and consequently the Directors continue to adopt the going concern basis in the preparation of the financial statements

Turnover

Turnover is stated net of VAT and other sales related taxes

Turnover comprises revenue generated from the sale of mobile communication products and services, commission receivable on sales less provision for promotional offers and network operator performance penalties, ongoing revenue (share of customer airtime spend, and customer revenue and retention bonuses) and insurance premiums

1. **Accounting policies (continued)**

Turnover (continued)

- Commission receivable on sales, being commission which is contractually committed, and for which there are no ongoing performance criteria, is recognised when the sales to which the commission relates are made, net of any provision for promotional offers and network operator performance penalties Commission includes ongoing revenue (share of customers airtime spend and customer revenue and retention bonuses) to the extent that it can be reliably measured and there are no ongoing service obligations
- Volume bonuses are recognised when the conditions on which they are earned have been met
- Other ongoing revenue is recognised as it is earned over the lives of the relevant customers
- Insurance premiums are paid either on a monthly basis, or quarterly in advance Initial administration fees, which are specified in the contract, are recognised at the point of sale Insurance premium income is recognised over the lives of the policies
- Wholesale turnover comprises revenue generated from the sale of mobile hardware products and is recognised when sales are made
- All other revenue is recognised when the relevant goods or services are provided
- Where the time value of money has a material impact, an appropriate discount is applied such that revenue is recognised at an amount equal to the present value of the future consideration received

Share-based payments

The Company issues equity settled share-based payments to certain employees Equity settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant, and expensed on a straight line basis over the vesting period, based on the Company's estimate of the number of shares that will eventually vest

Fair value is measured by use of a Binomial model for share-based payments with internal performance criteria (such as Earnings Per Share targets) and a Monte Carlo model for those with external performance criteria (such as Total Shareholder Return targets)

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

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

The Company has applied the requirements of FRS 20 'Share-based Payment', which in accordance with the transitional provisions has been applied to all grants of equity instruments after 7 November 2002

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over 2-20 years, based on its useful economic life Provision is made for any impairment Deferred consideration is recognised to the extent that it is considered probable that it will be paid

The Carphone Warehouse Limited

Notes to the Financial Statements
52 weeks ended 3 April 2010

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets once brought into use, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected life, as follows

Freehold property	50 years
Leasehold improvements	shorter of lease term or 10 years
Computer and office equipment	3-4 years
Fixtures and fittings	5 years
Motor vehicles	4 years

Stock

Stock is stated at the lower of cost and net realisable value Cost includes all direct costs incurred in bringing stock to its present location and condition and represents finished goods and goods for resale

Net realisable value is based on estimated selling price, less further costs expected to be incurred to disposal Provision is made for obsolete, slow-moving or defective items where appropriate

Investments

Fixed asset investments are stated at cost, less provision for impairment

Leases

Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease Lease incentives and rent-free periods are amortised through the income statement on a straight-line basis over the period of the lease

Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exception

- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on a non-discounted basis with the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Pension costs and other post retirement benefits

The Company operates a defined contribution pension scheme Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Notes to the Financial Statements
52 weeks ended 3 April 2010

1. **Accounting policies (continued)**

Dividends

Dividends receivable from the Company's subsidiaries are recognised only when they are approved by shareholders, or in the case of interim dividends, when paid

Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which they are approved by the Company's shareholders Interim dividends are recognised in the period in which they are paid

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate and all differences are dealt with in the profit and loss account

2. **Turnover**

All turnover originates in the UK and is wholly attributable to the principal activity of the Company The difference between revenue by destination and revenue by origin is not material

3. **Exceptional items**

During the period there were no exceptional charges (2009 - £27 6m)

4 **Net interest payable and similar charges**

	52 weeks ended 3 April 2010 £'000	53 weeks ended 4 April 2009 £'000
Interest receivable from group undertakings	8,695	5,353
Interest receivable and similar income	8,695	5,353
Interest payable to group undertakings	(17,462)	(8,211)
Other interest payable	(10)	(41)
Interest payable and similar charges	(17,472)	(8,252)
Net interest payable and similar charges	(8,777)	(2,899)

Notes to the Financial Statements
52 weeks ended 3 April 2010

5. Profit/(loss) on ordinary activities before taxation

Profit / (loss) on ordinary activities before taxation is stated after charging/(crediting) the following

	52 weeks ended 3 April 2010 £'000	53 weeks ended 4 April 2009 £'000
Depreciation and amounts written off tangible fixed assets		
- owned assets	22,601	22,664
Amortisation of goodwill	1,342	2,845
Auditors' remuneration, including expenses		
- Audit fees for the audit of the Company's annual accounts	132	84
- Other services	30	9
Rental payments under operating leases		
- land and buildings	59,423	60,654
Rents received	(2,685)	(1,694)

6. Employee costs

The average monthly number of employees (including executive Directors) was

	52 weeks ended 3 April 2010 No.	53 weeks ended 4 April 2009 No.
Sales and customer management	7,696	8,126
Administration	385	427
	8,081	8,553

Their aggregate remuneration comprised

	£'000	£'000
Wages and salaries	169,917	183,907
Social security costs	16,548	17,711
Other pension costs	750	730
	187,215	202,348
Share-based payments (see note 9)	-	2,693
	187,215	205,041

Notes to the Financial Statements
52 weeks ended 3 April 2010

7. **Directors' remuneration**

The total amounts for Directors' remuneration and other benefits were as follows

	52 weeks ended 3 April 2010 £'000	53 weeks ended 4 April 2009 £'000
Total emoluments	1,138	892
Money purchase contributions	21	27
Total	1,159	919

Three Directors (2009 – five) are members of money purchase pension schemes paid by the Company

The remuneration of the highest paid Director (excluding pension contributions) was £534,346 (2009 – £237,000) The Company paid £8,490 (2009 – £11,850) in pension contributions on the Director's behalf

A J Harrison is also a Director of the immediate parent company, Best Buy Europe Distributions Ltd C W Dunstone and R W Taylor are also Directors of Carphone Warehouse Group plc, who own 50% of the immediate parent company A number of other Directors who perform group roles are charged to other group companies In the opinion of the Directors, it is not practicable to apportion their emoluments between group companies

8. **Pension scheme**

The Company operates a defined contribution scheme for which the charge for the period amounted to £750,000 (2009 – £730,000)

9. **Share-based payments**

Value enhancement scheme

The Company's immediate parent, Best Buy Europe Distributions Limited, has introduced a value enhancement scheme which aims to provide long term incentives to its senior management, which include senior employees of the Company On 1 April 2010 senior employees of the Company subscribed 90,500 A and B class shares in Best Buy Europe Distributions Limited Subject to performance targets being reached, these shares will be purchased by the shareholders of Best Buy Europe Distributions Limited, Carphone Warehouse Group plc and Best Buy Co , Inc The scheme comprises both shares and share option awards which are subject to earnings performance conditions measured over the period from 5 April 2009 to 31 March 2014 The share options under the scheme will be awarded in the year ended 2 April 2011

The Carphone Warehouse Group PLC schemes

Prior to June 2008, at the point that The Carphone Warehouse Group PLC was the Company's ultimate parent company and controlling party, it issued equity settled share-based payments to certain employees of the Company

9 Share-based payments (continued)

The Carphone Warehouse PLC Group schemes (continued)

Unvested share options in theses schemes that related to employees of The Carphone Warehouse Limited either vested in full or were forfeited at June 2008 when there was a change in the Company's ultimate controlling party (note 24) and there has been no share-based payment charge in respect of any of these schemes from this point Accordingly, the Company is not required to make the disclosures referred to by paragraphs 44 to 52 of FRS 20 'Share-based payment', relating to the nature and extent of these share-based payment arrangements, for the current period

As there was a share-based payment charge in respect of these schemes in the comparative period disclosures for the comparative period have been provided

In December 2008, after the change in control, a further 400,000 restricted shares and 500,000 share options in The Carphone Warehouse Group PLC were granted to employees of the Company Since The Carphone Warehouse Group PLC is not within the same Group as the Company these option grants are outside of the scope of FRS 20 'Share-based payment' and no share-based payment charge or related disclosure has been recorded At the point the shares become un-restricted and the options vest the Company will pay compensation to The Carphone Warehouse Group PLC to the value of the shares and options at the date of grant The expected cost of this re-imbursement has been accrued by the Company resulting in a charge of £443,410

Following the change to ownership described in note 24, all shares and share options in The Carphone Warehouse Group PLC were cancelled and replaced with shares and share options in TalkTalk Telecom Group PLC and Carphone Warehouse Group plc Share and option holders received two shares or share options in TalkTalk Telecom Group PLC and one share or share option in Carphone Warehouse Group plc for every two shares or share options they previously held in The Carphone Warehouse Group PLC

Comparative period disclosures for schemes relating to The Carphone Warehouse Group PLC

a) Performance Share Plan – comparative period disclosure

In December 2006, The Carphone Warehouse Group PLC made awards of nil cost options under a Performance Share Plan ("PSP") These awards are subject to Total Shareholder Return ("TSR") performance targets measured over an initial performance period to 4 June 2010 and a subsequent performance period to 4 June 2011 The awards made under this plan in previous periods were subject to a mixture of headline earnings per share and TSR performance targets measured over a three or four year performance period If the options remain unexercised after a period of ten years from the date of grant, the options expire Options were forfeited if the employee left The Carphone Warehouse PLC Group before the options vested

Following the change in control in June 2008, employees of the Company were deemed to have left The Carphone Warehouse Group PLC Group, and any unvested PSP share options were therefore forfeited under the rules of the scheme At the discretion of The Carphone Warehouse Group PLC's Remuneration Committee, share options that were due to vest in July 2008 were not forfeited

9. **Share-based payments (continued)**

a) **Performance Share Plan – comparative period disclosure (continued)**

The following table summarises the number and weighted average exercise prices ("WAEP") of share options for the scheme at 4 April 2009

	2009 Number 000's	2009 WAEP £
Outstanding at the beginning of the period	8,199	-
Granted during the period	-	-
Forfeited during the period	(4,442)	-
Exercised during the period	(1,175)	-
Outstanding at the end of the period	2,582	-
Exercisable at the end of the period	2,582	-

The options outstanding at 4 April 2009 had a weighted average remaining contractual life of 6 years The options exercised during that period were exercised at a weighted average market price of £1 25

b) **Retail Share Option Scheme: – comparative period disclosure**

Previously, certain employees of the Company participated in a Retail Share Option Scheme The scheme provided for a grant price equal to the average quoted market price of the The Carphone Warehouse Group PLC's shares on the date of grant Options granted were subject to performance criteria and had a vesting period of generally three years If the options remained unexercised after a period of ten years from the date of grant, the options expired Options were forfeited if the employee left the Group before the options vested

Following the change in control, all unvested options were allowed by The Carphone Warehouse Group PLC's Remuneration Committee to vest early and the scheme was terminated At this point the expiry dates of share options granted to employees of the Company under the scheme changed from 10 years from the date of grant to the later of either 6 months from the date of the transaction, 30 June 2008, or 3 years from the last date of exercise of share options held under the scheme

The following table summarises the number and WAEP of share options for the scheme at 4 April 2009

	2009 Number 000's	2009 WAEP £
Outstanding at the beginning of the period	5,662	2 90
Granted during the period	-	-
Forfeited during the period	(3,633)	3 03
Exercised during the period	(141)	1 72
Outstanding at the end of the period	1,888	2 73
Exercisable at the end of the period	1,888	2 73

Notes to the Financial Statements
52 weeks ended 3 April 2010

9. Share-based payments (continued)

b) Retail Share Option Scheme: – comparative period disclosure (continued)

The options outstanding at 4 April 2009 had a weighted average remaining contractual life of 2 years The options exercised during the period were exercised at a weighted average market price of £2 40 Of the 1 9m options outstanding at 4 April 2009, there were 0 5m with an option price between £1 00 and £2 00, 0 5m between £2 01 and £3 00 and 0 9m above £3 01

c) Other employee share option scheme: – comparative period disclosure

Certain employees of the Company previously participated in a savings-related share option scheme The scheme permitted the grant to employees of options linked to a bank save-as-you-earn contract for a term of three or five years with contributions from employees of between £5 and £250 per month Options could be exercised at the end of the three year period at a subscription price not less than 80% of the middle market quotation on the date of grant

After the change in control described in note 24, employees of the Company were required to leave the scheme Options earned up until the time of the transaction were allowed to vest immediately The expiry date of all outstanding options under these schemes belonging to the Company's employees was changed to be the later of either 6 months from the date of the transaction, 30 June 2008, or 3 years and 6 months from the last date of exercise of an option under the scheme In addition, options were granted to UK employees at the time of The Carphone Warehouse Group PLC's admission to the London Stock Exchange

The following table summarises the number and WAEP of share options for the scheme as at 4 April 2009

	2009	
	Number 000's	WAEP £
Outstanding at the beginning of the period	7,931	2 00
Granted during the period	750	0 88
Forfeited during the period	(4,232)	2 38
Transfer to other Group companies	(1,112)	2 37
Exercised during the period	(1,883)	1 24
Outstanding at the end of the period	1,454	1 02
Exercisable at the end of the period	557	0 88

The options outstanding at 4 April 2009 had a weighted average remaining contractual life of 6 years The options exercised during the period were exercised at a weighted average market price of £1 87 The summary above includes 0 6m options that were granted before 7 November 2002 In accordance with FRS20, no cost has been recognised in respect of these options

d) Fair value models.

Nil cost options with internal performance targets are valued using the market price of a share at the date of grant, discounted for expected future dividends to the date of exercise The assumptions applied are as follows

	2009
Expected volatility (%)	35 0
Risk free rate (%)	2 0
Dividend yield (%)	2 0

Notes to the Financial Statements
52 weeks ended 3 April 2010

9. Share-based payments (continued)

d) Fair value models (continued):

Expected volatility has been arrived at by using the historical volatility of the share price of The Carphone Warehouse Group PLC and the volatility of the share price of similar companies, whose shares have a longer trading history, over a period comparable with the expected lives of the options The assumptions made to incorporate the effects of expected early exercise have been included by assuming an expected option life based on historical exercise patterns for each option scheme

e) Charge in profit and loss account

During the prior period the Company recognised a charge of £2,693,000 representing the cost of share-based payments granted to employees whose costs are borne by the Company There was no share-based payment charge in the current year

10. Tax on profit on ordinary activities

	52 weeks ended 3 April 2010 £'000	53 weeks ended 4 April 2009 £'000
The tax charge / (credit) comprises		
Current tax		
UK corporation tax	(171)	-
Payment for consortium relief	2,770	-
Adjustments in respect of prior years	15	(9,000)
Total current tax charge / (credit)	2,614	(9,000)
Deferred tax		
Origination and reversal of timing differences	2,519	(539)
Adjustments in respect of prior periods	(3,449)	2,925
Total deferred tax (credit) / charge	(930)	2,386
Total tax charge / (credit) on profit on ordinary activities	1,684	(6,614)

The Carphone Warehouse Limited

Notes to the Financial Statements
52 weeks ended 3 April 2010

10 Tax on profit on ordinary activities (continued)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit / (loss) before tax is as follows

	52 weeks ended 3 April 2010 £'000	53 weeks ended 4 April 2009 £'000
Profit / (loss) on ordinary activities before tax	61,646	(43,361)
Profit / (loss) on ordinary activities before tax at standard UK corporation tax rate of 28 % (2009 – 28%)	17,261	(12,141)
Effects of		
- difference between capital allowances and depreciation	421	539
- other timing differences	(2,940)	-
- tax losses utilised within the group	(8,391)	(5,274)
- other items attracting no tax relief or liability	(3,752)	16,876
- adjustments to tax charge in respect of previous periods	15	(9,000)
Current tax charge / (credit) for period	2,614	(9,000)

The Company's tax liability has been partially offset by the surrender of tax losses from other companies under the consortium relief and group relief provisions Payment has only been made to the surrendering companies for the use of losses under the consortium relief provisions

11. Dividends

	52 weeks ended 3 April 2010 £'000	53 weeks ended 4 April 2009 £'000
Dividend paid March 2009 £0 20 per 'A' share and per 'B' share	-	30,000
Total dividend paid in the period	-	30,000

The Carphone Warehouse Limited

Notes to the Financial Statements
52 weeks ended 3 April 2010

12. Intangible fixed assets

	Goodwill £'000
Cost	
At 5 April 2009	18,515
At 3 April 2010	18,515
Amortisation	
At 5 April 2009	3,543
Charge for the period	1,342
At 3 April 2010	4,885
Net book value	
At 3 April 2010	13,630
At 4 April 2009	14,972

13. Tangible fixed assets

	Leasehold improve-ments £'000	Computer and office equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 5 April 2009	78,569	37,830	88,297	2,848	207,544
Additions	3,175	894	3,033	-	7,102
Disposals	(985)	(238)	(1,125)	(212)	(2,560)
At 3 April 2010	80,759	38,486	90,205	2,636	212,086
Depreciation					
At 5 April 2009	32,363	29,020	59,123	2,115	122,621
Charge for the period	6,770	3,520	11,944	367	22,601
Disposals	(695)	(231)	(976)	(158)	(2,060)
At 3 April 2010	38,438	32,309	70,091	2,324	143,162
Net book value					
At 3 April 2010	42,321	6,177	20,114	312	68,924
At 4 April 2009	46,206	8,810	29,174	733	84,923

Notes to the Financial Statements
52 weeks ended 3 April 2010

14. Investments

	Total £'000
At 5 April 2009	50,151
Additions	120,000
At 3 April 2010	170,151

On 1 October 2009, the Company made a further investment of £120,000,000 in Ise-Net Solutions Ltd

The Company's principal investments at 3 April 2010 include

Name	Country of incorporation or registration	Nature of business	Proportion
Ise-Net Solutions Limited	Great Britain	IT services	100%

15. Stock

	3 April 2010 £'000	4 April 2009 £'000
Goods held for resale	105,695	112,226

There is no material difference between the book value of stock and its replacement cost

16. Debtors

	3 April 2010 £'000	4 April 2009 £'000
Trade debtors	490,606	497,278
Amounts due from group undertakings	418,493	222,855
Other debtors	2,322	2,943
Deferred tax asset (see note 19)	2,014	1,084
Prepayments and accrued income	18,193	22,170
	931,628	746,330

Notes to the Financial Statements
52 weeks ended 3 April 2010

17. Creditors: amounts falling due within one year

	3 April 2010 £'000	4 April 2009 £'000
Loans and overdrafts	11,051	13,306
Trade creditors	216,483	219,451
Amounts due to group undertakings	146,905	224,849
Corporation tax	2,234	370
Other taxes and social security	79,425	69,846
Other creditors	15,239	11,559
Accruals and deferred income	69,074	59,705
	540,411	599,086

Interest on intercompany funding is calculated at a rate of 1m-LIBOR plus 3 75%, intercompany deposits receive interest at a rate of 1m-LIBOR with no margin Interest is either paid or capitalised monthly as appropriate Where they exist, currency balances are calculated at similar rates

Certain bank accounts are part of a notional pooling mechanism whereby each bank only monitors net aggregate borrowings against group overdraft limits thus allowing subsidiary companies to borrow on overdraft or to deposit surplus cash via their own bank accounts Interest is charged on overdrawn balances and paid on surplus cash at intercompany rates of Base rate plus 3 75% for overdrafts and Base Rate with no margin for surplus cash balances

Interest is not charged on balances arising between group companies as a result of intercompany trading, such balances are settled regularly in line with agreed terms of trade, usually through the group's netting system, within 30 to 60 days

The average credit period taken on trade payables, calculated by reference to the amounts owed at the period end as a proportion of the amounts invoiced by suppliers in the period was 59 days (2009 – 58 days)

18. Provisions for liabilities and charges

	Restructuring £'000	Sales related provisions £'000	Other provisions £'000	Total £'000
At 5 April 2009	16,811	22,715	2,175	41,701
Charge to profit and loss account	1,695	41,599	197	43,491
Released in period	(860)	-	-	(860)
Utilised in period	(7,045)	(51,204)	(597)	(58,960)
At 3 April 2010	10,601	13,110	1,775	25,486

Restructuring:
Restructuring provisions relate to ongoing group restructuring programmes The reorganisation and redundancy provisions are expected to be utilised within the next financial year, with store closure provisions being fully utilised over remaining lease periods

Notes to the Financial Statements
52 weeks ended 3 April 2010

18. Provisions for liabilities and charges (continued)

Sales:
Sales provisions relate to "cash-back" and similar promotions, product warranties, product returns, and network operator performance penalties Sales provisions are expected to be used within the following one to two years

Other:
Other provisions relate to dilapidations and similar property costs, and costs associated with onerous contracts Other provisions are expected to be used within the following one to three years

19. Deferred taxation

The deferred tax asset is analysed as follows

	Timing difference in respect of capital allowances and depreciation £'000s	Other timing differences £'000s	Total £'000
At 5 April 2009	1,084	-	1,084
Charged to profit and loss account - current year	421	(2,940)	(2,519)
Charged to profit and loss account - prior year	3,449	-	3,449
At 3 April 2010	4,954	(2,940)	2,014

On 22 June 2010, the Chancellor announced the government's intention to reduce the corporation tax rate from 28% to 24% over a period of 4 years from 1 April 2011 The reduction in the tax rate will affect the level of any deferred tax asset or liability in the accounts in future periods

20. Share capital

	3 April 2010 £'000	4 April 2009 £'000
Authorised:		
Ordinary shares of £1 each	500,000	200,000
	500,000	200,000
Called-up, allotted and fully paid		
Ordinary shares of £1 each	450,000	150,000
	450,000	150,000

Ordinary shares rank pari-passu On 12 June 2008, the Company converted and reclassified all of the 199,500,000 A ordinary shares of £1 00 each and 500,000 B of £1 each to 200,000,000 ordinary shares of £1 00 each On 1 October 2009, the Company increased its share capital to £450,000,000 by issuing 300,000,000 new ordinary £1 00 shares at par

21. **Reserves**

	Share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 5 April 2009	150,000	30	218,030	368,060
Issue of ordinary share capital	300,000	-	-	300,000
Profit for the financial period	-	-	59,962	59,962
At 3 April 2010	450,000	30	277,992	728,022

22 **Reconciliation of movements in shareholder's funds**

	3 April 2010 £'000	4 April 2009 £'000
Profit / (loss) for the financial period	59,962	(36,747)
Dividends	-	(30,000)
Net cost of share-based payments	-	2,693
Issue of ordinary share capital	300,000	-
Net movement in shareholder's funds	359,962	(64,054)
Opening shareholder's funds	368,060	432,114
Closing shareholder's funds	728,022	368,060

23. **Financial commitments**

(a) Lease commitments

Annual commitments under non-cancellable operating leases, all of which relate to land and buildings are as follows

	3 April 2010 £'000	4 April 2009 £'000
Operating leases which expire		
- within one year	1,678	1,915
- between one and five years	14,663	13,507
- after five years	53,306	53,874
	66,647	69,296

(b) Capital commitments

At 3 April 2010, there was no expenditure contracted, but not provided for in the financial statements (2009 – £nil)

Notes to the Financial Statements
52 weeks ended 3 April 2010

24. Parent undertakıng and controllıng party

Untıl 30 June 2008 the ımmedıate and ultımate parent company and controllıng party was The Carphone Warehouse Group PLC

On 30 June 2008 a group restructurıng took place whereby The Carphone Warehouse Group PLC transferred all dırect subsıdıarıes of ıts retaıl and dıstrıbutıon busıness, ıncludıng thıs company to a new holdıng company under ıts ownershıp, Best Buy Europe Dıstrıbutıons Ltd On the same date The Carphone Warehouse Group PLC sold 50% of the ıssued share capıtal of Best Buy Europe Dıstrıbutıons Ltd to Best Buy Dıstrıbutıons Ltd, part of the Best Buy Co , Inc Group

Untıl 30 June 2008 the parent company of the smallest and largest group to consolıdate these fınancıal statements was The Carphone Warehouse Group PLC

From 30 June 2008 the parent company of smallest group to consolıdate these fınancıal statements was Best Buy Europe Dıstrıbutıons Ltd and the parent company of the largest group to consolıdate these fınancıal statements was Best Buy Co , Inc

In preparatıon for ıts demerger on 26 March 2010, The Carphone Warehouse Group PLC transferred ıts 50% shareholdıng ın Best Buy Europe Dıstrıbutıons Ltd on 25 March 2010 to Carphone Warehouse Group plc, a company ıncorporated ın Great Brıtaın

Copıes of the consolıdated fınancıal statements of Best Buy Co , Inc are avaılable at www bestbuy com The fınancıal statements of Best Buy Europe Dıstrıbutıons Ltd, The Carphone Warehouse Group PLC and Carphone Warehouse Group plc are avaılable from Companıes House, Crown Way, Maındy, Cardıff, CF14 3UZ

25. Related party transactıons

The Company has taken advantage of the exemptıon avaılable to ıt under FRS 8 "Related Party Dısclosures" not to dısclose related party transactıons wıth Best Buy Europe Dıstrıbutıons Lımıted or any subsıdıarıes of Best Buy Europe Dıstrıbutıons Lımıted where at least 90% of the votıng rıghts are controlled wıthın the Best Buy Europe Dıstrıbutıons Lımıted group The Company ıs also exempt from dısclosıng transactıons wıth Dırectors who are also Dırectors of Best Buy Europe Dıstrıbutıons Lımıted

Durıng the perıod, The Carphone Warehouse Ltd had the followıng dısclosable transactıons wıth related partıes

	2010		2009	
	The Carphone Warehouse Group PLC £'000	Other related parties £'000	The Carphone Warehouse Group PLC £'000	Other related partıes £'000
Revenue for servıces provıded	18,669	-	34,462	-
Expense for servıces receıved	(30,223)	-	(15,466)	-

All products and servıces were provıded at market rates Amounts recharged to The Carphone Warehouse Lımıted relate prımarıly to sales commıssıons and ınformatıon technology servıces at market rates

Amounts recharged from The Carphone Warehouse Lımıted ınclude royalty payments ın respect of brands and recharges ın respect of shared-servıce functıons, shared-based payments and occupancy costs

Notes to the Financial Statements
52 weeks ended 3 April 2010

25. Related party transactions (continued)

	2010 Carphone Warehouse Group plc £'000	2010 Other related parties £'000	2009 The Carphone Warehouse Group PLC £'000	2009 Other related parties £'000
Trade receivables	3,040	-	13,933	-
Trade payables	(476)	-	(4,118)	-

26. Mobiles co.uk acquisition

The customer base and net assets of the Mobiles co uk business were acquired by The Carphone Warehouse Ltd on 3 April 2010 The net assets were transferred to the Company for a value of £5,549,296 The balance sheet as at time of acquisition was as follows

	£'000
Mobiles co uk Ltd	
Fixed assets	502
Debtors	58
Creditors	(1,123)
Cash	5
VAT	50
Inter-company – The Carphone Warehouse Ltd	6,057
	5,549
Share capital	-
Reserves	5,549
	5,549
Consideration	5,549

There are no differences between book value and fair value at the date of acquisition

Mobiles co uk Ltd earned a profit after taxation of £2 85m in the 52 week period ended 3 April 2010 (53 week period ended 4 April 2009 – profit of £2 37m)