Company Registration No. 2142673

The Carphone Warehouse Limited

Report and Financial Statements

For the 52 weeks ended 2 April 2011

The Carphone Warehouse Limited

Report and Financial Statements 2011

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Report and Financial Statements 2011

Officers and professional advisers

Directors

A J Harrison	
N Willcox	(resigned 1 March 2011)
L Weedall	
A Brem	
M Balding	
I Priestley	
M Stringer	(appointed 21 July 2010)
G Smith	(appointed 21 October 2010)
I Kenyon	(appointed 14 January 2011)
F C Bembridge	(appointed 15 February 2011, resigned 15 March 2011)

Secretaries

F C Bembridge
A K Sunderland

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

Auditor

Deloitte LLP
Chartered Accountants
London

The Carphone Warehouse Limited

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report for the 52 weeks ended 2 April 2011 ("the year"), prior period 52 weeks ended 3 April 2010

Business review and principal activities

Business description
The principal activities of the Company during the year remained the provision of mobile handsets and connections, smartphones, mobile broadband, laptops and tablets, accessories, insurance products (covering loss, theft or damage to mobile handsets, tablets and laptops) The Company also benefits from a profit share agreement with Best Buy Mobile in the US

The Company offers mobile phone connections from all of the major networks in the UK Being independent of the networks, the Company is able to provide impartial advice to consumers on the relative merits of different mobile tariffs and options This independence and the resulting ability to provide customers with impartial advice is at the core of the retail proposition and differentiates the Company from network operator stores and single-network dealers

Performance in 2010/11
The Company continued to develop its Connected World customer proposition, which combines hardware, accessories, connections, content and services Additionally the Company has been rolling out the Wireless World store format which is key to delivering this proposition in the future The success of this strategy has been seen through strong growth in smartphone volumes and market share, with smartphones making up the majority of all postpay phone sales for the last quarter of the accounting period

There were net closures of eight retail branches during the year reducing the store portfolio to 803 stores At the end of the financial period, the store portfolio included 74 stores with the new Wireless World store format

The Company's services business continues to be an important and integral contributor to its overall proposition Customers value the protection it gives when they commit to a high value contract and receive a heavily subsidised, valuable mobile phone In addition, our Geek Squad technology support service continues to go from strength to strength, with smartphone customers benefiting from expert assistance in getting the most from their devices

Future outlook
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 combined with the rollout of an extensive tablet range

Store numbers are expected to remain static However over 160 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 Company continues to be positive, with profit growth expected

Results and financial position

The profit after taxation for the financial period was £169m (2010 profit £60m) The Company's net assets increased by £169m to £897m (2010 increase of £360m to £728m)

Dividends

No dividends were paid during the year (2010 nil)

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

Directors' report

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

The Company's bank balances and cash are centrally pooled with other subsidiaries of Best Buy Europe Distributions Limited 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 Distributions 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 15 to the financial statements

Donations

The Company made charitable donations of £107,000 during the period (2010 £222,000) The Company made no political donations during the period (2010 £nil)

The Carphone Warehouse Limited

Directors' report

Statement regarding the disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that

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

This confirmation is given and should be interpreted in accordance with s418 of the Companies Act 2006

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 auditor in the absence of an Annual General Meeting

Approved by the Board and signed on its behalf by

I Priestley
Director
30 June 2011

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 Auditor's 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 2 April 2011 which comprise the profit and loss account, the balance sheet and the related notes 1 to 24 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit 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 2 April 2011 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 period for which the financial statements are prepared is consistent with the financial statements

Independent Auditor's report to the members of The Carphone Warehouse Limited (continued)

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
30 June 2011

The Carphone Warehouse Limited

Profit and loss account
52 weeks ended 2 April 2011

	Notes	52 weeks ended 2 April 2011 £'000	52 weeks ended 3 April 2010 Restated (Note 1) £'000
Turnover	2	1,623,364	1,470,563
Cost of sales		(1,160,600)	(1,038,944)
Gross profit		462,764	431,619
Administrative expenses		(386,949)	(420,076)
Other operating income		100,210	50,564
Operating profit		176,025	62,107
Net interest receivable/(payable) and similar income/(charges)	3	12,504	(461)
Profit on ordinary activities before taxation	4	188,529	61,646
Tax on ordinary activities	9	(19,264)	(1,684)
Profit on ordinary activities after taxation	19	169,265	59,962

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 period, accordingly no separate statement of total recognised gains and losses is presented

The Carphone Warehouse Limited

Balance sheet
As at 2 April 2011

	Notes	2 April 2011 £'000	3 April 2010 £'000
Fixed assets			
Intangible assets	10	12,313	13,630
Tangible assets	11	64,309	68,924
Investments	12	165,000	170,151
		241,622	252,705
Current assets			
Stock	13	124,458	105,695
Debtors			
- due within one year	14	818,404	813,596
- due after one year	14	88,071	118,032
Cash at bank and in hand		5,050	3,891
		1,035,983	1,041,214
Creditors: amounts falling due within one year	15	(359,593)	(540,411)
Net current assets		676,390	500,803
Total assets less current liabilities		918,012	753,508
Provisions for liabilities	16	(20,725)	(25,486)
Net assets		897,287	728,022
Capital and reserves			
Called-up share capital	19	450,000	450,000
Capital redemption reserve	19	30	30
Profit and loss account	19	447,257	277,992
Total shareholder's funds	20	897,287	728,022

The financial statements of The Carphone Warehouse Limited registered number 2142673 were approved by the Board of Directors and authorised for issue on 30 June 2011

I Priestley

Director

Notes to the financial statements
52 weeks ended 2 April 2011

1. **Accounting policies**

The principal accounting policies are summarised below They have all been applied consistently throughout the current and preceding period with the exception of the changes to accounting policy as noted below

Basis of accounting

The financial statements 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 Limited which prepares consolidated financial statements 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

Changes in accounting policies

There have been a number of changes to accounting policy during the year as follows

- **Cashback incentives**
  Where an incentive is offered whereby a customer is able to submit a claim for a rebate (cashback), commission revenue is recognised net of provision for cashback The accounting policy in respect of cashback has been changed during the year to better reflect the nature of cashback as a form of sales incentive In previous periods, the Company recognised cashback as an expense within cost of sales

- **Best Buy Mobile profit share**
  The revenue received by the Company as part of the profit share agreement with Best Buy mobile in the US is recognised as other operating income In previous periods, the Company included this within revenue

- **Manufacturer marketing support**
  Where the Company receives marketing support from a manufacturer this is recorded as a credit within cost of sales In previous periods, the Company recognised manufacturer marketing support within turnover

- **Unwinding of discount on trade receivables**
  In previous periods, the unwinding of discounts against long-term receivables has been recorded as a credit to operating expenses The accounting policy has been changed to reflect this as a credit to finance income

The changes in accounting policies have been applied retrospectively, and the comparative profit and loss account for 2010 has been restated The effect of the changes is shown below

Notes to the financial statements
52 weeks ended 2 April 2011

1. **Accounting policies (continued)**

Changes in accounting policies (continued)

	2010 as previously reported £'000	Cashback incentives £'000	Best Buy Mobile revenue £'000	Marketing support £'000	Debtor discount unwind £'000	2010 restated £'000
Turnover	1,583,205	(27,654)	(50,564)	(34,424)	-	1,470,563
Cost of sales	(1,101,023)	27,654	-	34,424	-	(1,038,944)
Gross profit	482,182	-	(50,564)	-	-	431,619
Administrative expenses	(411,759)	-	-	-	(8,316)	(420,076)
Other operating income	-	-	50,564	-	-	50,564
Operating profit	70,423	-	-	-	(8,316)	62,107
Net interest receivable/(payable) and similar income/(charges)	(8,777)	-	-	-	8,316	(461)
Profit before taxation	61,646	-	-	-	-	61,646

The effect of the accounting policy changes on the 2011 profit and loss account is shown below

	2011 prior to changes £'000	Cashback incentives £'000	Best Buy Mobile revenue £'000	Marketing support £'000	Debtor discount unwind £'000	2011 restated £'000
Turnover	1,789,664	(23,410)	(100,210)	(42,680)	-	1,623,364
Cost of sales	(1,226,690)	23,410	-	42,680	-	(1,160,600)
Gross profit	562,974	-	(100,210)	-	-	462,764
Administrative expenses	(377,479)	-	-	-	(9,470)	(386,949)
Other operating income	-	-	100,210	-	-	100,210
Operating profit	185,495	-	-	-	(9,470)	176,025
Net interest receivable/(payable) and similar income/(charges)	3,034	-	-	-	9,470	12,504
Profit before taxation	188,529	-	-	-	-	188,529

The above has no impact on the comparative balance sheets for either period

Notes to the financial statements
52 weeks ended 2 April 2011

1. Accounting policies (continued)

Going concern

The Company's activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on page 2 The Directors' Report describes the financial position of the Company, its cash flows, its financial risk management objectives, and its exposure to credit risk and liquidity risk

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show the Company should be able to operate within the level of its available funds After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Turnover

Turnover is stated net of VAT and other sales related taxes

The following accounting policies are applied to the Group's revenue streams

- Revenue arising on the sale of mobile and other products and services is recognised when the relevant products or services are provided to the customer,
- Revenue generated from the provision of mobile network services is recognised as it is earned over the period for which the services are provided,
- Commission receivable on sales, being commission which is contractually committed, and for which there are no 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 receivable from network operators are recognised as the conditions on which they are expected to be earned are met Volume bonuses received from suppliers of products are recognised as an offset to product cost as the conditions on which they are earned are met, and are recognised within cost of sales when the products to which the volume bonuses relate have been sold,
- Other ongoing revenue is recognised as it is earned in line with commercial terms,
- Insurance premiums are typically paid either monthly or quarterly in advance Administration fees paid by insurance customers, which cover sales and agency administration costs, are recognised as received Insurance premium income is recognised over the lives of the relevant policies,
- All other revenue is recognised when the relevant goods or services are provided, and
- Where the time value of money has a material impact, an appropriate discount is applied such that revenue is recognised at an amount equal to the present value of the future consideration received The unwinding of the discount is recognised within finance income

Notes to the financial statements
52 weeks ended 2 April 2011

1. Accounting policies (continued)

Share-based payments

The Company's immediate parent, Best Buy Europe Distributions Limited, 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

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

Notes to the financial statements
52 weeks ended 2 April 2011

1. Accounting policies (continued)

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 to the next break clause

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

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

The Carphone Warehouse Limited

Notes to the financial statements
52 weeks ended 2 April 2011

3. Net interest receivable/(payable) and similar income/(charges)

	52 weeks ended 2April 2011 £'000	52 weeks ended 3 April 2010 restated (Note 1) £'000
Interest receivable from group undertakings	17,239	8,695
Unwinding of discount on trade receivables	9,470	8,316
Interest receivable and similar income	26,709	17,011
Interest payable to group undertakings	(14,205)	(17,462)
Other interest payable	-	(10)
Interest payable and similar charges	(14,205)	(17,472)
Net interest receivable / (payable) and similar income / (charges)	12,504	(461)

4 Profit on ordinary activities before taxation

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

	52 weeks ended 2April 2011 £'000	52 weeks ended 3 April 2010 £'000
Depreciation and amounts written off tangible fixed assets		
- owned assets	20,837	22,601
Amortisation of goodwill	1,317	1,342
Auditor's remuneration, including expenses		
- Audit fees for the audit of the Company's annual accounts	194	132
- Other services	14	30
Rental payments under operating leases		
- land and buildings	59,928	59,423
Rents received	(1,808)	(2,685)

Notes to the financial statements
52 weeks ended 2 April 2011

5. Employee costs

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

	52 weeks ended 2April 2011 No.	52 weeks ended 3 April 2010 No.
Sales and customer management	7,610	7,696
Administration	396	385
	8,006	8,081

Their aggregate remuneration comprised

	£'000	£'000
Wages and salaries	162,964	169,917
Social security costs	15,531	16,548
Other pension costs	881	750
	179,376	187,215
Share-based payments (see note 8)	-	-
	179,376	187,215

6. Directors' remuneration

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

	52 weeks ended 2April 2011 £'000	52 weeks ended 3 April 2010 £'000
Total emoluments	1,800	1,138
Money purchase contributions	31	21
Total	1,831	1,159

6. Directors' remuneration (continued)

Five Directors (2010 – three) are members of money purchase pension schemes paid by the Company

The remuneration of the highest paid Director (excluding pension contributions) was £419,785 (2010 £534,346) The Company paid £10,262 (2010 £8,490) in pension contributions on the Director's behalf

A J Harrison and I Kenyon are also Directors of the immediate parent Company, Best Buy Europe Distributions Limited Their remuneration is paid by Best Buy Distributions Limited, and not recharged 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

7. Pension scheme

The Company operates a defined contribution scheme for which the charge for the period amounted to £881,000 (2010 £750,000)

8. Share-based payments

Value enhancement scheme (LTIP)

The Company's immediate parent, Best Buy Europe Distributions Limited, has introduced a value enhancement scheme which aims to provide long term incentives to senior management, which include senior employees of the Company The scheme aims to enable participants to share in the growth in the value of the Best Buy Europe Distributions Group The scheme comprises both shares and share option awards which are subject to performance conditions measured over the period from 5 April 2009 to 31 March 2014

In March 2010 senior executives of Best Buy Europe Distributions Limited subscribed for A and B shares in Best Buy Europe Distributions Limited In addition, share options over A and B Shares were awarded during the year to employees

Subject to performance targets being reached over the performance period, in September 2014 participants will be able to exercise share options (if applicable) and will be required to sell the A and B shares which will be purchased by the shareholders of Best Buy Europe Distributions Limited (Carphone Warehouse Group plc and Best Buy Co , Inc) in equal proportions, in exchange for cash or shares

At this vesting date, the shares will be valued based on specified performance measures If a participant leaves the Group other than as a Good Leaver, shares must be transferred for zero value and options will lapse If a participant leaves as a Good Leaver, shares and options will be retained, but cannot be exercised or sold until September 2014 and will be valued by reference to performance against targets at the end the most recent financial year prior to their leaving date

Notes to the financial statements
52 weeks ended 2 April 2011

9. Tax on profit on ordinary activities

	52 weeks ended 2April 2011 £'000	52 weeks ended 3 April 2010 £'000
The tax charge comprises		
Current tax		
UK corporation tax	15,124	(171)
Payment for consortium relief	6,783	2,770
Adjustments in respect of prior periods	2,528	15
Total current tax charge	24,435	2,614
Deferred tax		
Origination and reversal of timing differences	1,215	2,519
Adjustments in respect of prior periods	(6,386)	(3,449)
Total deferred tax credit	(5,171)	(930)
Total tax charge on profit on ordinary activities	19,264	1,684

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 before tax is as follows

	52 weeks ended 2April 2011 £'000	52 weeks ended 3 April 2010 £'000
Profit on ordinary activities before tax	188,529	61,646
Profit on ordinary activities before tax at standard UK corporation tax rate of 28 % (2010 28%)	52,788	17,261
Effects of		
- difference between capital allowances and depreciation	(128)	421
- other timing differences	(534)	(2,940)
- tax losses utilised within the group	(30,283)	(8,391)
- other items attracting no tax relief or liability	64	(3,752)
- adjustments to tax charge in respect of previous periods	2,528	15
Current tax charge for period	24,435	2,614

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

Notes to the financial statements
52 weeks ended 2 April 2011

10. Intangible fixed assets

	Goodwill £'000
Cost	
At 4 April 2010 and 2 April 2011	18,515
Amortisation	
At 4 April 2010	4,885
Charge for the period	1,317
At 2 April 2011	6,202
Net book value	
At 2 April 2011	12,313
At 3 April 2010	13,360

11. Tangible fixed assets

	Leasehold improve-ments £'000	Computer and office equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 4 April 2010	80,759	38,486,	90,205	2,636	212,086
Additions	6,213	3,330	7,336	-	16,879
Disposals	(908)	(1,940)	(1,084)	-	(3,932)
At 2 April 2011	86,064	39,876	96,457	2,636	225,033
Depreciation					
At 4 April 2010	38,438	32,309	70,091	2,324	143,162
Charge for the period	7,451	2,724	10,457	205	20,837
Disposals	(466)	(1,865)	(944)	-	(3,275)
At 2 April 2011	45,423	33,168	79,604	2,529	160,724
Net book value					
At 2 April 2011	40,641	6,708	16,853	107	64,309
At 3 April 2010	42,321	6,177	20,114	312	68,924

Notes to the financial statements
52 weeks ended 2 April 2011

12. Investments

	Total £'000
At 4 April 2010	170,151
Disposals	(5,151)
At 2 April 2011	165,000

During the year HSCCPW Limited, in which the Company held an investment, was liquidated, resulting in a disposal of that investment of £5,151,135

The Company's principal investments at 2 April 2011 include

Name	Country of incorporation or registration	Nature of business	Proportion
Ise-Net Solutions Limited	Great Britain	IT services	100%
CPWCO 18 Limited	Great Britain	Special purpose financing vehicle	100%

13. Stock

	2 April 2011 £'000	3 April 2010 £'000
Goods held for resale	124,458	105,695

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

14. Debtors

	2 April 2011 £'000	3 April 2010 £'000
Trade debtors		
- due within one year	310,373	372,574
- due after one year	88,071	118,032
Amounts due from group undertakings	74,252	93,742
Intercompany cash deposits	408,154	324,751
Other debtors	1,324	2,322
Deferred tax asset (see note 17)	7,185	2,014
Prepayments and accrued income	17,116	18,193
	906,475	931,628

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

Notes to the financial statements
52 weeks ended 2 April 2011

15. Creditors: amounts falling due within one year

	2 April 2011 £'000	3 April 2010 £'000
Loans and overdrafts	-	11,051
Trade creditors	165,942	216,483
Amounts due to group undertakings	21,935	23,653
Intercompany funding	19,784	123,252
Corporation tax	5,410	2,234
Other taxes and social security	75,486	79,425
Other creditors	11,643	15,239
Accruals and deferred income	64,397	69,074
	364,597	540,411

Interest on intercompany funding is calculated at a rate of 1m-LIBOR plus 3 75% 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 48 days (2010 – 59 days)

16. Provisions for liabilities and charges

	Restructuring £'000	Sales related provisions £'000	Other provisions £'000	Total £'000
At 4 April 2010	10,601	13,110	1,775	25,486
Charge to profit and loss account	-	27,604	-	27,604
Released in period	(2,392)	-	(703)	(3,095)
Utilised in period	(2,444)	(26,826)	-	(29,270)
At 2 April 2011	5,765	13,888	1,072	20,725

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 2 April 2011

16. Provisions for liabilities and charges (continued)

Sales:
Sales provisions relate to "cashback" 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

17. 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 4 April 2010	4,954	(2,940)	2,014
Charged to profit and loss account - current year	(128)	(534)	(662)
Charged to profit and loss account - change in tax rate	(529)	(24)	(553)
Charged to profit and loss account - prior year	2,579	3,807	6,386
At 2 April 2011	6,876	309	7,185

In the June 2010 Budget it was announced that the UK statutory rate of corporation tax would decrease from 28% to 27% from 1 April 2011 On 27 July 2010 the relevant legislation was substantively enacted A further 1% reduction in the UK statutory rate of corporation tax applicable from 1 April 2011 was announced in the March 2011 Budget from 27% to 26% On 29 March 2011 the relevant legislation for the additional 1% reduction was substantively enacted Accordingly the deferred tax assets and liabilities recognised at 2 April 2011 take account of these changes Further reductions of 1% each year until the rate reaches 23% from 1 April 2014 were also announced but deferred tax has not been recognised at these rates as they had not been substantively enacted at the balance sheet date

Notes to the financial statements
52 weeks ended 2 April 2011

18. Share capital

	2 April 2011 £'000	3 April 2010 £'000
Called-up, allotted and fully paid		
Ordinary shares of £1 each	450,000	450,000
	450,000	450,000

19. Reserves

	Share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 4 April 2010	450,000	30	277,992	728,022
Profit for the financial period	-	-	169,412	169,412
At 2 April 2011	450,000	30	447,404	897,434

20. Reconciliation of movements in shareholder's funds

	2 April 2011 £'000	3 April 2010 £'000
Profit for the financial period	169,412	59,962
Issue of ordinary share capital	-	300,000
Net movement in shareholder's funds	169,412	359,962
Opening shareholder's funds	728,022	368,060
Closing shareholder's funds	897,434	728,022

Notes to the financial statements
52 weeks ended 2 April 2011

21. Financial commitments

(a) Lease commitments

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

	2 April 2011 £'000	3 April 2010 £'000
Operating leases which expire		
- within one year	4,220	1,678
- between one and five years	14,838	14,663
- after five years	58,110	53,306
	77,168	69,647

(b) Capital commitments

At 2 April 2011, there was no expenditure contracted, but not provided for in the financial statements (2010 – £nil)

22. Parent undertaking and controlling party

The parent Company of smallest group to consolidate these financial statements is Best Buy Europe Distributions Limited, a Company jointly controlled and owned by Best Buy Co, Inc and Carphone Warehouse Group plc

The parent Company of the largest group to consolidate these financial statements is Best Buy Co , Inc

Copies of the consolidated financial statements of Best Buy Co , Inc are available at www bestbuy com The consolidated financial statements of Best Buy Europe Distributions Limited and Carphone Warehouse Group plc are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ

23. Related party transactions

The Company has taken advantage of the exemption available to it under FRS 8 "Related Party Disclosures" not to disclose related party transactions with Best Buy Europe Distributions Limited or any subsidiaries of Best Buy Europe Distributions Limited where at least 90% of the voting rights are controlled within the Best Buy Europe Distributions Limited group The Company is also exempt from disclosing transactions with Directors who are also Directors of Best Buy Europe Distributions Limited

On 26 March 2010, the Demerger of Old Carphone Warehouse Group was effective, resulting in the formation of Carphone Warehouse Group plc and TalkTalk Group As a result TalkTalk Group is now a separate related party

Notes to the financial statements
52 weeks ended 2 April 2011

23 Related party transactions (continued)

During the period, the Company had the following disclosable transactions with related parties

	2011			2010		
	Carphone Warehouse Group plc £'000	Best Buy Co., Inc £'000	TalkTalk Group £'000	The Carphone Warehouse Group PLC £'000	Best Buy Co , Inc £'000	TalkTalk Group £'000
Revenue for services provided	374	-	2,095	15,275	-	3,394
Expense for services received	(10)	-	(3,148)	(27,955)	-	(4,348)
Purchases of stock	-	(1,104)	-	-	-	

All products and services were heading at market rates Amounts recharged to the Company relate primarily to sales commissions and information technology services at market rates

Amounts recharged from the Company include royalty payments in respect of brands and recharges in respect of shared-service functions, shared-based payments and occupancy costs

	2011			2010		
	Carphone Warehouse Group plc £'000	Best Buy Co., Inc £'000	TalkTalk Group £'000	The Carphone Warehouse Group PLC £'000	Best Buy Co , Inc £'000	TalkTalk Group £'000
Trade receivables	510		1,664	3,040	-	1,456
Trade payables	-	(26)	(104)	(476)	-	(2,970)

The Company procured services from a company controlled by a relative of a member of the key management team totalling £239,000 (2010 £362,000) during the period, with £nil (2010 £nil) owed to this company at 2 April 2011

24. Post balance sheet event

On 3 April 2011, the Company acquired the customer base and net assets of the Best Buy UK Distributions Limited business for total consideration of £17 1m