Company Registration No. 02142673

The Carphone Warehouse Limited

Annual Report and Financial Statements

For the year ended 2 May 2020

The Carphone Warehouse Limited
Annual report and financial statements 2020

Contents

The Carphone Warehouse Limited
Officers and professional advisers

DIRECTORS
The Directors who served throughout the year and subsequently (except as noted) are shown below.

	Date of appointment	Date of resignation
M Allsop	28 July 2020	
S Ager		10 June 2020
A Athanassopoulos		
A Baldock	2 March 2020	
E Connolly	28 July 2020	
P Coughlan	22 May 2019	
L Haselhurst	28 July 2020	
A Malic	28 July 2020	
J Mason		
A Ritchie		07 August 2020

COMPANY SECRETARY

S Thomas

REGISTERED OFFICE
1 Portal Way
London
W3 6RS
United Kingdom

AUDITOR
Deloitte LLP
Statutory Auditor
London
United Kingdom

BANKERS
HSBC
8 Canada Square
London
United Kingdom

The Carphone Warehouse Limited
Strategic report

The directors present their annual report and audited financial statements for the year ended 2 May 2020 for The Carphone Warehouse Limited (the "Company"). The directors, in preparing this strategic report, have complied with section 414C of the Companies Act 2006.

Principal activities
The principal activities of the Company during the year remained the provision of mobile handsets and connections, smartphones, mobile broadband, tablets, accessories and insurance products (covering loss, theft or damage to mobile handsets, tablets and laptops). Carphone Warehouse enables the customer to compare the widest range of phones and major networks to find the right deal for them, whether they are getting a new network deal or upgrading on their current network. 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.

Business review
The overall UK mobile market has seen a decline in total handset volumes as well as a change in mix as customers move away from 24 month post-pay towards SIM Only (SIMO) and more flexible credit-based contracts. As the Company works towards a new mobile offer, our contracts with O2 during the period, and EE following the end of the year came to an end. The Company continues to work towards a new mobile offer that will better reflect what customers want: transparency, flexibility, and value while not being encumbered by legacy volume commitments. This has been partially delayed as system development was paused during the Covid-19 crisis.

The loss before tax was £269.4m (2018/19: £126.2m). The adjusted loss before tax (see page 49) was £121.8m (2018/19: £25m profit before tax).

- Revenue declined from £1,902.9m to £1,527.5m, reflecting the continuing challenges in the 24 month post-pay market during the year, our decision in March 2020 to close the Carphone Warehouse standalone stores and the impact of Covid-19 with less sales transferring to online and the Currys PCWorld 3-in-1 stores closed as a result of government enforced lockdown procedures.
- Adjusted EBIT decreased from £15.7m to a loss of £131.0m. Adjusted and statutory operating results were impacted by lower network commissions income driven by the recently implemented regulation to notify consumers when their contracts are ending as well as reduced sales of our constrained offer on a largely fixed legacy cost base and changes in consumer behaviours driven by Covid-19 outlined above.
- Statutory operating loss increased from £135.5m to £270.7m; this is explained above while the additional adjusting items are discussed below.
- Net finance income has decreased year on year largely as a result of adopting IFRS 16 as well as lower unwind of discounts on trade receivables.
- Pre-tax adjusting items have decreased year on year from £151.2m to £147.6m. This decrease is explained below.

The tax credit decreased from £5.5m to a charge of £15.3m, driven by the derecognition of the Company's deferred tax asset partially offset by the revision of a provision held in relation to pre-merger legacy corporate transactions, and loss after tax increased from £120.7 million to £284.7 million in the current year.

Adjusting items
Adjusting items, for the purpose of the Company's alternative performance measures as detailed on page 48, comprise:

- £34.2m (2018/19: £25.3m) negative out of period network debtor revaluations.
- £102.4m costs for strategic change programmes (2018/19: £20.0m), relating to significant reorganisation and property rationalisation costs. Prior year costs included functional transformation costs and property rationalisation costs.
- £0.2m credit for the net impact of IFRS 16: 'Leases'. As the Company has adopted IFRS 16 using the modified retrospective approach, prior period comparatives have not been restated, as a result the directors believe including the impact for the year and as an adjusting item is helpful to users in aiding comparability against prior year results which are reported under IAS 17. The impact of IFRS 16 results in a net credit of £8.1m to profit before interest and tax and a charge of £7.9m in net finance costs on a statutory basis
- £8.7m for impairment losses over financial assets and investments related to other group undertakings (2018/19: £56.5m for impairment and onerous lease related costs)
- £2.5m for other items (2018/19: £4.0m).

See page 48 for further information on the Company's alternative performance measures (APMs), including definitions, purpose and reconciliations to the nearest IFRS measure.

Financial position

The working capital of the Company is driven by network commission receivables. These have decreased year on year due to adverse revaluations and the challenging mobile market noted above. This decrease has been offset by an increase in cash as a result of the unwind of the capitalised network commission receivable.

Key performance indicators

What we measure	Why we measure	Performance	
		2020	2019
Adjusted revenue [1]	The ability to grow revenue is an important measure of a brand's appeal to customers and its competitive position. It is a key measure of the Company's progress against our strategic priority to continue to enhance and drive successful and sustainable retail business models in an omni-channel world.	**£1,561.7m**	£1,928.2m
Statutory revenue	The ability to grow revenue is an important measure of a brand's appeal to customers and its competitive position. It is a key measure of the Company's progress against our strategic priority to continue to enhance and drive successful and sustainable retail business models in an omni-channel world.	**£1,527.5m**	£1,902.9m
Adjusted EBIT[1]	Adjusted EBIT enables the Company to invest in its future and provide a return for shareholders. It is a key measure of progress against our strategic priority to continue to enhance and drive a successful and sustainable retail business model in a multi-channel world.	**£(131.0)m**	£15.7m
Statutory operating loss	Statutory earnings before interest and tax enables the Company to invest in its future and provide a return for shareholders. It is a key measure of progress against our strategic priority to continue to enhance and drive a successful and sustainable retail business model in a multi-channel world.	**£(270.7)m**	£(135.5)m
Adjusted profit / (loss) before tax [1]	Adjusted loss before tax represents a measure of Company performance to external investors and stakeholders against our strategic priorities.	**£(121.8)m**	£25.0m
Loss before tax	Loss before tax represents a measure of Company performance to external investors and stakeholders against our strategic priorities.	**£(269.4)m**	£(126.2)m
Net Promoter Score (NPS)	Customer satisfaction is vital to delivering our strategy and building a sustainable business. Net Promoter Score, a rating used by the Company to measure customers' likelihood to recommend its operations.	**71%**	69%
Colleague Engagement	Capable and committed colleagues are key to delivering our strategy. Our 'Make a Difference' survey allowed our colleagues to provide honest and open feedback on what it is like to work at the Company.	**62%**	60%

[1] Definitions of measurement for Key Performance Indicators are given in the Alternative performance measures section on pages 48 and 49.

The business review (page 2) details the primary movements in each of the adjusted and adjusting item measures.

Future developments

During 2019/20 the parent company, Dixons Carphone plc, made good progress with the previously announced vision and strategy for the Dixons Carphone Group. Our vision is We Help Everyone Enjoy Amazing Technology and this is underpinned by strategic levers to deliver it.

We are focused on mobile: This is the number one category in the market. It is arguably the single-most important technology product for the customer. Clearly this is not a profitable part of the wider group business today and that needs to change but we are committed to it and are focused on creating a successful mobile business that better reflects what customers want: flexibility, transparency and value. In March 2020 the O2 contract came to an end and subsequent to the year end date the EE contract also expired. The Company has other network contracts in place however such agreements are subject to periodic renewal and uncertainty and as part of the previously announced strategy review the Company is considering the nature and form of its relationships with the network operators with the view to revamp our offer to address the trend of unbundling handsets from connectivity. We will continue with this progress towards our future mobile offer.

Our vision and strategy will be delivered through three core enablers:

- Capable and committed colleagues. Capable and committed colleagues are our greatest advantage and we have increased our investment in front-line training with, for example, better induction, better product training and Customer First assisted sales training.
- Working as One Business. Joining up the business for customers and being better joined up behind the scenes.
- Stronger infrastructure. A big part of infrastructure is better IT; our IT will go from being a constraint, to an enabler, to an accelerant for us.

We are underway with addressing this:

- We are revamping our offer to address the trend of unbundling handsets from connectivity, so we're selling what our customers want to buy and we're developing more offers and choice to launch when we are no longer constrained by the network volume commitments; and

- Dealing with our cost base to be genuinely One Business. The first major step was taken in the year as we made the difficult but necessary decision to close all standalone Carphone Warehouse stores in March. We can now focus on creating a successful and sustainable mobile category within our 3-in-1 Currys PCWorld stores and online with a lower cost base.

Improved partnerships, a much better offer and significantly lower costs is the prize in mobile. That is what we are going to deliver to customers and shareholders.

Principal risks to achieving the Company's objectives

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

The principal risks and uncertainties, together with their impacts, are set out in the tables below along with an illustration of what is being done to mitigate them. These risks are aggregated by risk category and are consistent with the principal risks of Dixons Carphone plc, the Company's ultimate parent, and can be found on pages 20 to 23 of its Annual Report and Accounts 2019/20.

Specific Risks and Potential Impacts

Principal Risk	What is the risk?	What is the Potential Impact?
1. Covid-19	• Covid-19 has had an impact across the Company's business in every operational function in order to comply with government instructions.	• Reduced revenue and profitability • Deteriorating cash flow • Colleague / customer illness or loss of life
2. Dependence on key suppliers	• The Company is dependent on relationships with key suppliers to source products on which availability may be limited.	• Reduced revenue and profitability • Deteriorating cash flow • Reduced market share

3. Future EU relationship	• Uncertainty over the outcome of the negotiations on future relationship with EU post the conclusion of the Transition Period on 31 December 2020.	• Reduced revenue and profitability • Deteriorating cash flow • Reduced market share

Principal risks to achieving the company's objectives continued
Specific Risks and Potential Impacts continued

Principal Risk	What is the risk?	What is the Potential Impact?
4. Business Transformation	• *Failure to respond with a business model that enables the business to compete against a broad range of competitors on service, price and / or product range.* • Failure to optimise digital opportunities • Failure to respond to changes in consumer preferences and behaviours.	• *Reduced revenue and profitability* • Deteriorating cash flow • Reduced market share
5. Non-compliance with Financial Conduct Authority ('FCA') and other financial services regulation	• Failure to manage the business of the Company in compliance with FCA regulation and other financial services regulation to which the Company is subject.	• Reputational damage • Financial penalties • Reduced revenue and profitability • Deteriorating cash flow • Customer compensation
6. Data protection	• Major loss of customer, colleague, or business sensitive data • Adequacy of internal systems, policy, procedures and processes to comply with the requirements EU General Data Protection Regulation ('GDPR').	• Reputational damage • Financial penalties • Reduced revenue and profitability • Deteriorating cash flow • Loss of competitive advantage • Customer compensation
7. IT systems and infrastructure	• A key system becomes unavailable for a period of time.	• Reduced revenue and profitability • Deteriorating cash flow • Loss of competitive advantage • Restricted growth and adaptability • Reputational damage
8. Information Security	• Vulnerability to attack, malware, and associated cyber risks.	• Reputational damage • Financial penalties • Reduced revenue and profitability • Deteriorating cash flow • Customer compensation • Loss of competitive advantage
9. Health and safety	• Failure to effectively protect customers and / or colleagues and / or contractors from injury or loss of life.	• Employee / customer illness, injury or loss of life • Reputational damage • Financial penalties • Legal action
10. Business continuity	• A major incident impacts the Company's ability to trade and business continuity plans are not effective resulting in an inadequate incident response.	• Reduced revenue and profitability • Deteriorating cash flow • Reputational damage • Loss of competitive advantage
11. Tax liabilities	• Crystallisation of potential tax exposures resulting from legacy corporate transactions, employee and sales taxes arising from periodic tax audits and investigations across the various jurisdictions in which the Company operates.	• Financial penalties • Reduced cash flow • Reputational damage
12. Product Safety	• Unsuitable procedures and due diligence regarding product safety, particularly in relation to OEM sourced product, may result in poor quality or unsafe products provided to customers which pose risk to customer health and safety.	• Financial penalties • Reduced cash flow • Reputational damage
13. Long term diversification of funding	• Ensuring that the nature and structure of the Company's' committed funding activities remain optimal.	• Restricted growth and adaptability • Reputational damage

Principal risks to achieving the company's objectives continued

Mitigating Actions

Principal Risk	How we manage it	Changes since last report
1. Covid-19	• A range of initiatives grouped under three 'Big Priorities' – Keeping our Colleagues and Customers Safe, Helping our Customers and Securing Our Future.	This risk was added to the Company risk profile in 2019/20.
2. Dependence on key suppliers	• Ensuring alignment of key suppliers to the Companies strategic priorities. • Continuing to leverage the scale of operations to strengthen relationships with key suppliers and maintain a good supply of scarce products. • Working with suppliers to ensure availability of products through the Covid-19 crisis in order to help our customers. • Broadening the range of suppliers to support the Company's Extended Range offerings.	This risk has remained stable over 2019/20.
3. Future EU relationship	• Continuous monitoring of developments. • Brexit Steering Committee and Crisis Management. • Strategic and business planning. • Contingency planning to address potential operational impacts changes.	This risk initially decreased after Brexit was concluded but is trending upwards as the deadline for the agreement of post transition period arrangements approaches.
4. Business Transformation	• Continued strengthening of Executive Committee and leadership team. • Transformation Programme office established and delivering key strategic objectives. • Future mobile strategy. • Development of customer credit propositions. • Development of e-commerce capabilities. • Enhancement of data analytics capabilities.	This risk has remained unchanged over 2019/20. Progress has been made in a number of areas, although elements of Transformation delivery have been rephased due to the Covid-19 response.
5. Non-compliance with Financial Conduct Authority ('FCA') and other financial services regulation	• Board oversight and risk management structures actively monitor compliance and ensure that the Group's culture puts good customer outcomes first. • Senior Manager and Certification Regime implemented. • FCA Compliance Committee and other internal governance structures provide oversight, monitoring of compliance, adherence to policy and monitoring of performance and implementation of any required mitigating actions. • Control structures to ensure appropriate compliance (e.g. undertaking quality assurance procedures for samples of mobile phone sales, and complaints) and to react swiftly should issues arise. • Compliance review of the operation and effectiveness of compliance standards and controls, with the development of control improvement plans where required. • Compliance training programmes for colleagues.	This risk has remained stable in 2019/20.
6. Data Protection	• The operation of a Data Management Function to ensure compliance with GDPR compliant operations processes and controls. • The operation of a Data Protection Officer to ensure appropriate governance and oversight of the Company's data protection activities. Control activities operate over management of customer and employee data in accordance with the Group's data protection policy and processes. • Investment in information security safeguards and IT security controls and monitoring.	Further progress has been made in managing this risk, although this risk has temporarily increased as the business responded to Covid-19.

The Carphone Warehouse Limited
Strategic report continued

Principal risks to achieving the company's objectives continued
Mitigating Actions continued

Principal Risk	How we manage it	Changes since last report
7. IT systems and infrastructure	• Ongoing IT transformation to align IT infrastructure to the Company's strategic priorities. • Peak planning and preparation to ensure system stability and availability over high-demand periods. • Individual system recovery plans in place in the event of failure which are tested regularly, with full recovery infrastructure available for critical systems. • Long-term partnerships with 'tier 1' application and infrastructure providers established.	This risk has remained stable over 2019/20.
8. Information security	• Investment in information security safeguards, IT security controls, monitoring, in-house expertise and resources as part of a managed Information Security Improvement Plan. • Information Security and Data Protection Committee comprising senior management, set up with responsibility for oversight, co-ordination and monitoring of information security policy and risk. • Information policy and standards defined and communicated. • Training and awareness programmes for employees. • Audit programme over key suppliers' information security standards. • Introduction of enhanced security tooling. • Ongoing programme of penetration testing.	This risk has decreased in 2019/20 year as improved InfoSec tools and controls have been implemented. The risk temporarily increased during transition to homeworking arrangements in response to Covid-19.
9. Health and Safety	• Covid-19 actions to protect colleagues in the workplace and customers in the retail estate. • Health and Safety strategy. • Health and Safety policy. • Comprehensive Health and Safety policies and standards supporting continued improvement. • Health and Safety management / governance committee. • Operational Health and Safety teams located across business units. • Risk assessment programme covering retail, support centres, distribution and home services. • Incident reporting tool and process. • Health and Safety training and development framework. • Health and Safety inspection programme. • Audit programme including factory audits for own brand products and third-party supply chains.	This risk had been trending downwards during 2019/20 but increased as potential Covid-19 threat to welfare of customers and colleagues.
10. Business continuity	• Business continuity and crisis management plans in place and tested for key business locations. • Disaster recovery plans in place and tested for key IT systems and data centres. • Crisis team appointed to manage response to significant events. • Major risks insured.	This risk has remained stable over 2019/20.
11. Tax liabilities	• Board and internal committee oversight that actively monitors tax strategy implementation. • Appropriate engagement of third-party specialist to provide independent advice where deemed appropriate.	The Company continues to cooperate with HMRC in relation to open tax enquiries. The risk has remained stable over 2019/20.
12. Product Safety	• Factory Audits conducted over OEM suppliers. • Technical evaluation of OEM products prior to production. • Product inspection of OEM products prior to shipment. • Monitoring of reported incidents. • Safety Governance reviews conducted by internal Technical and Business Standards teams. • Establish protocols and procedures to manage product recalls.	This risk has remained stable over 2019/20.
13. Long term diversification of funding	• Existing unsecured credit/loan facilities. • Regular review of the long term and short-term cash flow projections for the business. • Regular review of the Company's capital structure.	The risk increased due to uncertainty caused by Covid-19 but was stabilised as new facilities were put in place increasing liquidity to over £1bn following the 2019/20 year end.

Section 172(1) statement
Section 172(1) of the Companies Act 2006 requires each director to act in the way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

The Board is the main decision-making body and is responsible for promoting the long-term sustainable success of the Company. As part of the decision-making process, the Board considers the stakeholders that may be impacted and the interests of those stakeholders including the matters listed in section 172(1).

The Company is an indirect wholly owned subsidiary of Dixons Carphone plc, which is listed on the London Stock Exchange and subject to the 2018 UK Corporate Governance Code. The Dixons Carphone plc section 172(1) statement is available on page 31 of its Annual Report and Accounts 2019/20 and describes how the Group engages with stakeholders on behalf of all Group subsidiaries and complies with section 172(1). A clear corporate governance structure is in place which, together with the Group's Delegated Authority Policy, ensures that business decisions are made by the appropriate people, in the appropriate forum (in accordance with the terms of reference of that forum), and the relevant stakeholder considerations are embedded as part of decision-making processes.

The meeting papers for the Company's Board meetings include, for reference, a summary of section 172(1) responsibilities immediately after each meeting agenda. The Company's Board decision paper templates include mandatory fields for papers' authors to include an impact assessment on each stakeholder group. The Board acknowledges that decisions made will not necessarily result in a positive outcome for every stakeholder group. By considering the Dixons Carphone plc purpose, vision and values together with its strategic priorities and having a process in place for decision-making, the Board of the Company does, however, aim to make sure that all decisions are considered and made following reflection across a broader view of stakeholder considerations.

The Company has the following main stakeholder groups:

Our Customers - Customer engagement is led by the Dixons Carphone plc Board and details of the approach taken are on page 31 of the Dixons Carphone plc Annual Report and Accounts 2019/20. The Company uses a Voice of Customer dashboard to monitor customer feedback, use this feedback to generate improvements and to incorporate customer views in decision making. An important decision made during the year based on customer considerations was the decision made in January 2020 to enhance the customer experience by transferring most of the customer contact centre operations in Sheffield and Preston to a third-party specialist provider, Webhelp. The Board also considered the interests of customers as part of agreeing the appropriate response to the Covid-19 pandemic, including whether to close stores and distribution centres. The Board concluded that the Group performed an important function in providing customers with vital goods, helping millions of people sustain themselves in lockdown by keeping them connected, healthy and productive. The Board resolved to ensure that the online sales channel was kept operational and enhanced during the period of shop closures while ensuring compliance with best practice health and safety guidance. The Board and Executive Committee considered customer safety, in line with government advice and guidelines, the most suitable approach to adapting stores for safe shopping and a phased re-opening of those stores that had been closed as the restrictions evolved. This included a front-of-store trading concept and a zero contact, 'Drive Thru' model and measures including an enhanced cleaning regime, rigorous social distancing and safety screens for stores.

Our Colleagues - Colleague engagement for the Group is led by the board of Dixons Carphone plc and details of the approach taken are included on page 32 of the Dixons Carphone plc Annual Report and Accounts 2019/20. The Company received updates on colleague matters and the results of colleague engagement surveys during the year. To improve the colleague experience, the Board approved a people operations proposal that included moving all colleagues to a single payroll provider. A new colleague listening structure has been put in place to enhance engagement between the Board and the colleague population and ensure that the Board can take colleague feedback into account as part of decision making.

The impacts on colleagues were a key consideration of the decision in March 2020 to close all 531 standalone Carphone Warehouse stores in the UK to enable focus on selling mobile devices and connectivity through shop-in-shops in Currys PC World stores and online. The directors agreed that it was critical to resolve the unsustainable losses in the UK Mobile business in order to ensure the long-term sustainable success of the whole Dixons Carphone Group for customers, colleagues as a whole and shareholders. Having agreed that the turnaround of the UK Mobile business was essential, the directors considered the implications for colleagues and the business worked to minimise detrimental impacts including the number of redundancies and to offer as much support as possible to those colleagues that would be leaving the business. The Board reviewed and contributed to the colleague communications on the

Section 172(1) statement continued

change and challenged the Executive team on the plans to redeploy colleagues into other business roles to ensure that all possible steps had been taken to support all impacted colleagues.

The Board also considered the impacts on those colleagues that would remain in the business, including the cultural changes in those Currys PC World stores that would have redeployed colleagues joining their teams.

Our Shareholders - the Company's ultimate shareholder is Dixons Carphone plc and there is engagement with and reporting to the Dixons Carphone plc Board as part of the Group's corporate governance and risk and control frameworks. The Executive Directors of the Dixons Carphone plc Board are directors of the Company and a non-executive director of the Dixons Carphone plc Board attends Board meetings of the Company to ensure independent oversight. Information on how Dixons Carphone plc engages with shareholders is available on page 34 of the Dixons Carphone plc Annual Report and Accounts 2019/20. Shareholder interests were an important part of discussions on a significant business decision made during the year. The Board considered the critical need to resolve the unsustainable losses from the UK Mobile business in order to ensure the long-term sustainable success of the Company for stakeholders including shareholders. This led to the decision to close the 531 standalone Carphone Warehouse stores in the UK.

Our Suppliers – Supplier engagement is led by the Board of Dixons Carphone plc and details of the approach taken are included on page 36 of the Dixons Carphone plc Annual Report and Accounts 2019/20. The Group Chief Executive, who is also a director of the Board, participates in regular meetings with the Company's largest suppliers and receives regular supplier updates from the Chief Commercial Officer. Supplier updates are provided to the Board of the Company, the Executive Committee and the Dixons Carphone plc Board as appropriate. During the year the Commercial team collaborated effectively with the Company's suppliers to secure a supply of stock during the early stages of the Covid-19 pandemic.

Our Communities – A description of how the Company, as part of the Dixons Carphone plc Group, engages with the wider communities on environment, sustainability and charitable matters is on page 37 of the Dixons Carphone plc Annual Report and Accounts 2019/20.

The Strategic Report was approved by the Board and authorised for issue and signed on behalf of the Board by:

J Mason

Director
2 November 2020

Registered office:
1 Portal Way
London
W3 6RS
Registered number: 02142673

The Carphone Warehouse Limited
Directors' Report

The directors present their annual report and the audited financial statements for the year ended 2 May 2020. Details of future developments and events, and principal risks and uncertainties can be found in the Strategic Report on pages 2-9 and form part of this report by cross reference.

Results and Dividend
The loss for the year after taxation was £284.7m (2018/19: loss of £120.7m). The directors recommend that no dividend be paid (2019: £nil).

Funding
The Company, as part of Dixons Carphone plc, benefits from the Dixons Carphone Group having total committed borrowing facilities in excess £1,350m, which provide the appropriate level of committed financing for the Company's needs.

Going concern
In considering the going concern basis for preparing the financial statements, the directors have considered the Company's objectives and strategy, risks and uncertainties in achieving its objectives and its business performance. This includes consideration of the uncertainty caused by the Covid-19 pandemic and the mitigating actions that the Dixons Carphone plc group has taken. The directors have outlined further the assessment approach for going concern within the accounting policies disclosure in note 1.2 of the notes to the financial statements.

After reviewing the Company's expenditure commitments, current financial projections, expected future cash flows, together with the available cash resources and undrawn committed borrowing facilities and recent financial performance, the directors have concluded that adequate resources exist for the Company to continue in operational existence for the foreseeable future and at least 12 months from the date of signing these financial statements. This has been further supported as the Company has received commitments from its ultimate parent company that it will provide financial support if required to ensure that the Company can meet its liabilities as they fall due given the political and economic uncertainty resulting from the Covid-19 pandemic. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

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

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

Subsequent events

Subsequent to the balance sheet date, the Company has monitored trade performance, internal actions, as well as other relevant external factors (such as changes in any of the government restrictions) following the impact of Covid-19 on the Company's operations. No adjustments to the key estimates and judgements that impact the balance sheet as at 2 May 2020 have been identified.

The Company's contract with EE ended on 1 October 2020. The Company will continue to offer mobile connections through Vodafone, Virgin Media and Voxi.

Capital structure
The Company's only class of share is ordinary shares. All ordinary shares are held by the Company's parent company, Carphone Warehouse Europe Limited. Details of the issued share capital during the year are provided in note 17 to the Financial Statements.

Financial 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 and other receivables.

The Company's credit risk is primarily attributable to its trade receivables, the majority of which are owed by major multi-national enterprises with whom the Company has well-established relationships and are consequently not considered to add significantly to the Company's credit risk exposure. The amounts presented in the balance sheet are net of expected credit losses. The Company has adopted the simplified approach to calculating expected credit losses allowed by IFRS 9. Historical credit loss rates are applied consistently to groups of financial assets with similar risk characteristics. These are then adjusted for known changes in or any forward-looking impacts on creditworthiness. Most groups of receivables have immaterial levels of credit risk.

Other receivables are primarily due from other group companies, including a loan receivable from the Company's ultimate parent Dixons Carphone plc. All loans are repayable on demand and either have the liquid assets to repay the loans or have a recovery strategy in place.

The Company's bank balances and cash are centrally pooled with other subsidiaries of Dixons Carphone plc. 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 Dixons Carphone plc, including the Company, is arranged centrally. In order to ensure that sufficient funds are available for ongoing operations and future developments, Dixons Carphone plc has multi-currency revolving credit facilities of £1,050 million, which mature in October 2022, an additional £266m that expires in April 2021 and a €50m term loan that expires in October 2020.

Research and Development

The Company does not undertake any activities in the field of research and development in relation to the either Company or its subsidiary undertakings.

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 endeavor 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 Dixons Carphone plc Group operates is described on pages 42-48 of the Group's Annual Report and Accounts 2019/20, which does not form part of this Report. As a subsidiary entity, the Company operates in accordance with Group policies.

Auditor and disclosure of information to the auditor

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

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

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

J Mason

Director
2 November 2020
Registered office:
1 Portal Way
London
W3 6RS
Registered number: 02142673

The Carphone Warehouse Limited
Directors' responsibilities statement

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), including FRS 101 "Reduced Disclosure Framework". 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 accounting 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 member of The Carphone Warehouse Limited
Report on the audit of the financial statements

Opinion
In our opinion the financial statements of The Carphone Warehouse Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 2 May 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; 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, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors
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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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.

David Griffin FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

4 November 2020

The Carphone Warehouse Limited
Income statement
For the year ended 2 May 2020

	Note	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Turnover	2	**1,527.5**	1,902.9
Operating loss	2	**(270.7)**	(135.5)
Finance income		**10.0**	11.0
Finance costs		**(8.7)**	(1.7)
Net finance income	3	**1.3**	9.3
Loss before tax		**(269.4)**	(126.2)
Income tax (expense) / credit	5	**(15.3)**	5.5
Loss after tax for the year		**(284.7)**	(120.7)

All operating losses relate to continuing operations in the United Kingdom. There are no other items of comprehensive income or expense other than the (loss) / profit for the current and preceding years and therefore no statement of comprehensive income has been presented.

The Carphone Warehouse Limited
Balance sheet
As at 2 May 2020

	Note	2 May 2020 £m	27 April 2019 £m
Non-current assets			
Intangible assets	6	**2.2**	6.0
Property, plant & equipment	7	**9.4**	16.1
Right-of-use assets**	8	**39.1**	-
Lease receivable**	9	**0.7**	-
Investments	10	**78.4**	80.9
Trade and other receivables	12	**231.3**	316.1
Deferred tax assets	5	-	32.3
		361.1	451.4
Current assets			
Inventories	11	**51.2**	133.7
Lease receivable**	9	**0.2**	-
Trade and other receivables	12	**396.6**	591.9
Income tax receivable		-	-
Cash and cash equivalents***	13	**178.6**	286.3
		626.6	1,011.9
Total assets		**987.7**	1,463.3
Current liabilities			
Lease liabilities**	14	**(35.6)**	-
Trade and other payables	15	**(324.8)**	(607.3)
Income tax payable		**(0.6)**	(12.4)
Loans and other borrowings		**(2.6)**	-
Provisions	16	**(69.0)**	(68.9)
		(432.6)	(688.6)
Net current assets		**194.0**	323.3
Non-current liabilities			
Lease liabilities**	14	**(80.9)**	-
Trade and other payables	15	-	(4.8)
Provisions	16	**(29.0)**	(21.2)
		(109.9)	(26.0)
Total liabilities		**(542.5)**	(714.6)
Net assets		**445.2**	748.7
Capital and reserves			
Share capital	17	**450.0**	450.0
Capital redemption reserve*		-	-
Accumulated (loss) / profit		**(4.8)**	298.7
Total equity		**445.2**	748.7

* Capital redemption reserve of £ 30,000 (2018/19: £30,000) that rounds to £nil (2018/19: £nil).

** During the year the Company has adopted IFRS 16: 'Leases' using the modified retrospective approach, as a result prior year comparative numbers have not been restated. See note 23 for details of transition.

The Carphone Warehouse Limited
Balance sheet continued
As at 2 May 2020

These financial statements of The Carphone Warehouse Limited (registered number 02142673) were approved by the directors and authorised for issue on 2 November 2020. They were signed on their behalf by:

J Mason
Director
Company registration number: 02142673

The Carphone Warehouse Limited
Statement of changes in equity
For the year ended 2 May 2020

	Share capital £m	Capital redemption reserve * £m	Accumulated (loss) / profit ** £m	Total Equity £m
At 28 April 2018	450.0	-	426.0	876.0
Adjusted on initial application of IFRS 15 (net of tax)	-	-	(13.0)	(13.0)
Adjusted balance as at 28 April 2018	450.0	-	413.0	(863.0)
Loss for the year	-	-	(120.7)	(120.7)
Total comprehensive expense for the year	-	-	(120.7)	(120.7)
Share-based payments (note 18)	-	-	6.4	6.4
Tax on share-based payments	-	-	-	-
At 27 April 2019	450.0	-	298.7	748.7
Adjustment on initial application of IFRS 16 (net of tax) (note 23)	-	-	(26.0)	(26.0)
Adjusted balance at 27 April 2019	450.0	-	272.7	722.7
Loss for the year	-	-	**(284.7)**	**(284.7)**
Total comprehensive expense for the year	-	-	**(284.7)**	**(284.7)**
Share-based payments (note 18)	-	-	7.2	7.2
Tax on share-based payments	-	-	-	-
At 2 May 2020	**450.0**	-	**(4.8)**	**445.2**

* Capital redemption reserve of £30,000 (2018/19: £30,000) that rounds to £nil (2018/1 9: £nil).

** Accumulated (loss) / profit represents the aggregated value of the current and all previous financial years' revenue and expenses as recorded in both the Income Statement and the Statement of Other Comprehensive Income and Expense.

1. Accounting policies

The Carphone Warehouse Limited (the Company) is a private company limited by shares, incorporated under the Companies Act 2006 in the United Kingdom. The Company is domiciled in the United Kingdom and registered in England and Wales with its registered office at 1 Portal Way, London, W3 6RS.

The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 9.

1.1 Basis of preparation

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the consolidated financial statements of Dixons Carphone plc. The Annual Report and Accounts of Dixons Carphone plc are available to the public and can be obtained as set out in note 21.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council (FRC) and is exempt from the obligation to prepare and deliver group accounts. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the FRC.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the Annual Report and Accounts of Dixons Carphone plc.

The financial statements have been presented in Pounds Sterling, the functional currency of the Company derived from the Company's primary economic environment, and on the historical cost basis except for certain items measured on a revaluation basis, as set out in the accounting policies below.

In the prior year, the financial statements included presentation of alternative performance measures in addition to IFRS measures. In the current year, the financial statements present only IFRS measures which are in line with the basis of preparation disclosed above. The alternative performance measures used by the Company are included within the 'Alternative Performance Measures' section of the glossary and definitions section on page 48. This includes further information on the definitions, purpose and reconciliation to IFRS measures.

The Company has adopted IFRS 16: 'Leases' effective for the current financial year from 28 April 2019 using the modified retrospective approach. Comparatives for the prior reporting year have not been restated and continue to be reported under IAS 17: 'Leases', as permitted under the specific transitional provisions of IFRS 16. The reclassifications and the adjustments arising from the new leasing standard are therefore recognised in opening reserves as at 28 April 2019. Further details on the adoption of transitional impacts of IFRS 16 are described in note 23.

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

The principal accounting policies are set out below. Except as noted above, all these policies have been applied consistently by the Company throughout the financial year and the preceding financial year.

1.2 Going concern

As further disclosed within the Directors Report on page 10, the financial statements continue to be prepared under the going concern basis as the directors have a reasonable expectation that the Company has adequate resources to continue in operation for at least 12 months from the date of approval of these financial statements. The Company has also received commitments from its ultimate parent company that it will provide financial support if required to ensure that the Company can meet its liabilities as they fall due given the political and economic uncertainty resulting from the Covid-19 pandemic The directors have reached this conclusion based on the following considerations.

The key judgement that the directors have considered in forming their conclusion is the expiration of two network providers contracts and the potential impact of Covid-19 on future revenue and earnings. In relation to forecast revenue the primary consideration is the likelihood and future impact of a recurrence of Covid-19 which could result in economic uncertainty and impact consumer confidence and spending habits.

The Carphone Warehouse Limited
Notes to the financial statements

1 Accounting policies continued

1.2 Going concern continued

Resultantly, the directors have considered the longer-term economic outlook and the impact of a possible recession. In forming their conclusion, the directors have reviewed the trading performance during the first lockdown period, between 24 March 2020 and 14 June 2020, the trading performance since restrictions have been lifted and the extent to which the observed level of trading activity should influence the trading forecasts over the lookout period, particularly in light of the uncertain economic environment.

In forming their conclusions, the directors have considered the potential mitigating actions that the Company and the Dixons Carphone plc group could take to preserve liquidity and ensure compliance with the Group's financial covenants. In doing so, judgement has been applied in determining whether such actions would be reasonably possible to execute as well as the financial impact of taking such actions.

Operational impact of the virus

Stores

- In line with Government regulations, all Currys PCWorld 3-in-1 stores in which the Company operates in closed on 24 March 2020 and began to reopen from 15 June 2020. The Company continues to follow Government protocol and those stores within areas where temporary local restrictions have been imposed are closed in line with regulations.
- In our stores we have ensured colleague and customer safety through measures including protective barriers for cashiers, contactless payment, pre-paid pickups and increased cleaning and hygiene actions.

Online

- The online sales channel remained operational, with the Company benefitting from an increase in online activity. To ensure delivery colleague safety, shift patterns were adjusted to reduce potential congestion and rosters are designed to keep colleagues in the same pairs and the same vehicle wherever possible. Among many measures, our colleagues are equipped with masks and full safety equipment, and deliveries are done on a no-contact basis. We ask customers to keep a safe distance from our colleagues while they are delivering to, or working in or near, their homes.
- Our distribution centres have introduced extensive measures to keep our colleagues safe, including social distancing in all areas, one-way systems, signage and tannoy reminders, regular cleaning and sanitisation of all frequently touched surfaces.

Head office and customer service

All UK contact centres and offices have enabled working from home for all colleagues by providing laptops and increasing VPN access. Our UK head office building has been closed since 20 March 2020 with continuity of operations maintained.

Mitigations implemented

In responding to the impact of the pandemic, the Dixons Carphone plc Group initiated a number of mitigations that are relevant for assessing cashflows during the going concern period. These benefit all subsidiaries of the Dixons Carphone plc Group, including the Company, and can be found on pages 136 – 137 of its Annual Report and Accounts 2019/20.

Those mitigations taken initiated specifically by the Company are as follows:

Utilised Government cost support – We furloughed over 2,600 store, supply chain and support colleagues across territories who were temporarily not working due to Covid-19. All furloughed colleagues are paid at 80% of their salary, with the Company making up any difference beyond the Government subsidy limits.

Reduced central costs - All board members of the Company took a temporary 20% pay reduction and other senior leaders took a temporary 10% pay reduction, effective from 5 April to 28 June 2020, and non-essential expenditure was stopped.

Delayed tax payments – The Company has benefited from Government backed tax payment delays which will reverse through 2020/21 and has deferred VAT payments between March and July 2020 until March 2021.

Modelling and potential future impact of Covid-19

In their consideration of going concern, the directors have reviewed the Company's future cash forecasts and profit projections, which are based on market data and recent past experience. Given the global political and economic uncertainty resulting from the Covid-19 pandemic, it is difficult to estimate with precision the impact on the Company's prospective financial performance.

1 **Accounting policies continued**

1.2 Going concern continued

We have therefore modelled a range of Covid-19 scenarios into our going concern considerations and 'downside worst case' scenarios which assumes further store closures in the event of a second Covid-19 outbreak during our peak Christmas trading period. Further information on the modelling of potential and future impacts of Covid-19 can be found on page 136 of the Group's Annual Report and Accounts 2019/20.

Financing

As discussed on page 10, as part of the Dixons Carphone plc group, the Company benefits from the Dixons Carphone Group's total committed borrowing facilities in excess of £1,350 million, which provide the appropriate level of committed financing for the Company's needs.

Further information on the funding arrangements and management can be found on page 137 of the Dixons Carphone plc Annual Report and Accounts 2019/20.

Going concern conclusion
After reviewing the Company's expenditure commitments, current financial projections, expected future cash flows, together with the available cash resources and undrawn committed borrowing facilities and recent financial performance, as well as the mitigations taken by the Company and the Dixons Carphone Group, the directors have concluded that adequate resources exist for the Company to continue in operational existence for the foreseeable future and at least 12 months from the date of signing these financial statements. This is further supported by the ongoing support that has been pledged by the Company's ultimate parent company. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

1.3 Foreign currency translations and transactions

Transactions in foreign currencies are recorded at the rates of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

1.4 Revenue and supplier income

Revenue comprises sales of goods and services excluding sales taxes. Revenue is measured on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to the customer, fulfilling the obligations privy to the contract with customers. The following accounting policies are applied to the principal revenue generating activities in which the Company is engaged:

- network commission revenue is recognised at a point in time on completion of the performance obligation under the individual contract with the mobile network operator (MNO);
- revenue from the sale of goods is recognised at the point of sale or, where later, upon delivery to the customer;
- revenue arising on services (including delivery and installation, product repairs and product support), is recognised when the obligation to the customer is fulfilled; and
- insurance revenue relates to the sale of third-party insurance products. Sales commission received from third parties is recognised when the insurance policies to which it relates are sold, there are no ongoing performance obligations, and it is highly probable that there will not be a material reversal of revenue. The Company recognises a contract asset in relation to this revenue. Any amount previously recognised as a contract asset is reclassified to trade and receivables at the point at which it becomes billable and is no longer conditioned on something other than the passage of time. Revenue from the provision of insurance administration services is recognised over the life of the relevant policies.

Network Commissions

The Company operates under contracts with a number of MNOs. Over the life of these contracts the service provided by the Company to each MNO is the procurement of connections to the MNOs' networks. Each connection made to an MNO's network relates to an individual consumer. The consumer enters into a contract with the MNO for the MNO to supply the ongoing airtime over that contract period.

The Company earns a commission for the service provided to each MNO ('network commission'). Revenue is recognised at the point the individual consumer signs a contract with the MNO. Consideration from the MNO becomes receivable over the course of the contract between the MNO and the consumer. A judgement associated with this recognition is the unit of account used in measurement. As there is a large population of homogeneous items, in measuring the amount of revenue to recognise the

1 **Accounting policies continued**

1.4 Revenue and supplier income continued

Network Commissions continued

Company has determined that the number and value of consumers provided to each MNO in any given month (a 'cohort') represents the best unit of account.

The level of network commission earned is based on a share of the monthly payments made by the consumer to the MNO, including contractual monthly line rental payments together with a share of 'out-of-bundle' spend, spend after the contractual term, and amounts due from customer upgrades performed directly by the network. The total consideration receivable is determined by consumer behaviour after the point of recognition. The transaction price includes elements of variability and is therefore an area of estimation.

The method of measuring the value of the revenue and contract asset in the month of connection is to estimate all future cash flows that will be received from the network and discount these based on the expected timing of receipt.

A constrained estimate of the determined commission is recognised in full in the month of connection of the consumer to the MNO as this is the point at which we have completed the service obligation to the consumer connection.

Transaction price is estimated based on extensive historical evidence obtained from the networks and an adjustment is made for expected and possible changes in consumer behaviour including as a result of regulatory changes impacting the sector. The consideration for a cohort of consumers is estimated by modelling the expected value of the portfolio of individual sales. Revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur. Management makes a quarterly, and the directors a twice-yearly, assessment of this data. This is based on the best estimate of expected future trends.

Network commission revenue recognised on fulfilment of the service obligation results in a contract asset as the amount that will ultimately be collected is variable based on consumer behaviour. Over time, and dependent on the future behaviour of the consumer, amounts initially recognised as contract assets become payable by the network to the Group and are transferred to trade receivables.

Contract assets are measured at present value. Assumptions are therefore required, particularly in relation to levels of consumer default within the contract period, expected levels of consumer spend, and consumer behaviour beyond the initial contract period.

In addition to remeasurement due to changes in consumer behaviour, changes to revenue may also be made, where, for example, more recent information becomes available enabling the recognition of previously unrecognised commission. Any such changes are recognised in the income statement.

In contracts in which the consideration for the transfer of services to customers is conditional on something other than the passage of time, these amounts are accounted for as a contract asset within 'trade and other receivables' in the statement of financial position. Amounts receivable that are no longer conditional on something other than the passage of time are accounted for as trade receivables.

Income received from suppliers such as volume rebates

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

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

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

Marketing income: This income is received in relation to marketing activities that are performed on behalf of suppliers. Marketing income is recognised over the period as set out in the specific supplier agreements and is recognised as a reduction to the relevant expense line within the income statement.

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

1. Accounting policies continued

1.5 Share based payments

The ultimate parent company issues equity settled share-based payments to certain employees of the Company which are measured at fair value at the date of grant and expensed on a straight line basis over the vesting period, based on an estimate of the number of shares that will eventually vest.

Where share-based payments are subject only to service conditions or internal performance criteria (such as EPS targets), fair value is measured using either a Binomial model or a Black-Scholes model. Where share-based payments have external performance criteria (such as TSR targets) a Monte Carlo model is used to measure fair value.

For all schemes, the number of options expected to vest is recalculated at each balance sheet date, based on expectations of leavers prior to vesting. For schemes with internal performance criteria, the number of options expected to vest is also adjusted based on expectations of performance against target. No adjustment is made for expected performance against external performance criteria. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in reserves.

1.6 Retirement benefit obligations

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

1.7 Leases

IFRS 16 – For the year ended 2 May 2020

The Company has adopted IFRS 16: 'Leases' effective for the current financial year from 28 April 2019 using the modified retrospective approach. Comparatives for the prior reporting year have not been restated and continue to be reported under IAS 17: 'Leases', as permitted under the specific transitional provisions of IFRS 16. Further details on the adoption and transitional impacts of IFRS 16 are described in note 23.

A lease is classified as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

The Company as a lessor

The Company is a lessor predominantly when subleasing retail store properties that are no longer open for trading. Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. For the prior year in accordance with IAS 17, the intermediate lessor was required to classify the sublease by reference to the underlying assets. Because of this change, the Company has reclassified certain sublease agreements as finance leases and recognised financial lease asset receivables as outlined in note 23.

The Company as a lessee

The Company's leasing activities predominantly relate to retail store properties and distribution properties as well as distribution vehicle fleet. The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (which comprise IT equipment and small items of office furniture). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease with no corresponding right-of use asset.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's weighted average incremental borrowing rate and subsequently held at amortised cost in accordance with IFRS 9.

1. Accounting policies continued

1.7 Leases continued

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the years presented.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received, any initial direct costs and any dilapidation costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

IAS 17 – For the comparative year ended 27 April 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The determination of the classification of property leases is made by reference to the land and buildings elements separately. All leases not classified as finance leases are classified as operating leases.

The Company as a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Company as a lessee

Operating leases

Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Contingent rentals arising under operating leases are recognised as an expense in the year in which they are incurred. Benefits received and receivable as an incentive to enter into operating leases are amortised through the income statement over the period of the lease.

1.8 Taxation

Current taxation

Current tax is provided at amounts expected to be paid or recovered using the prevailing tax rates and laws that have been enacted or substantively enacted by the balance sheet date and adjusted for any tax payable in respect of previous years.

1. **Accounting policies continued**

1.8 Taxation continued

Deferred taxation

Deferred tax liabilities are recognised for all temporary differences between the carrying amount of an asset or liability in the balance sheet and the tax base value and represent tax payable in future periods. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Current and deferred tax is recognised in the income statement except where it relates to an item recognised directly in reserves, in which case it is recognised directly in reserves.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted, or substantially enacted by the balance sheet date.

Deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and when the Company intends to settle its current tax assets and liabilities on a net basis. Deferred tax balances are not discounted.

1.9 Intangible assets

Customer relationships

Customer relationships purchased as part of acquisitions of businesses are capitalised and amortised over their useful economic lives on a straight-line basis. These intangible assets are stated at cost less accumulated amortisation and, where appropriate, provision for impairment in value or estimated loss on disposal.

Amortisation is provided to write off the cost of assets on a straight-line basis on the following bases:

- Customer relationships: 25% per annum

Software and licences

Software and licences include costs incurred to acquire the assets as well as internal infrastructure and design costs incurred in the development of software in order to bring the assets into use.

Internally generated software is recognised as an intangible asset only if it can be separately identified, it is probable that the asset will generate future economic benefits which exceed one year, and the development cost can be measured reliably. Where these conditions are not met, development expenditure is recognised as an expense in the year in which it is incurred. Costs associated with developing or maintaining computer software are recognised as an expense as incurred unless they increase the future economic benefits of the asset, in which case they are capitalised.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Software is stated at cost less accumulated amortisation and, where appropriate, provision for impairment in value or estimated loss on disposal. Amortisation is provided to write off the cost of assets on a straight-line basis over five years.

Where intangible assets form part of a separate cash generating unit (CGU), such as corporate assets used by multiple company's within the Dixons Carphone group, and business indicators exist which could lead to the conclusions that the net book value is not supportable, the recoverable amount of the CGU, or group of CGUs for corporate assets, is determined by calculating its value in use. The value in use is calculated by applying discounted cash flow modelling to management's projection of future profitability and any impairment is determined by comparing the net book value with the value in use.

1.10 Property, plant & equipment

Property, plant & equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

With the exception of land, depreciation is provided to write off the cost of the assets over their expected useful lives from the date the asset was brought into use or capable of being used on a straight-line basis.

Rates applied to different classes of property, plant & equipment are as follows:

- Short leasehold property: over the term of the lease
- Buildings: 2% per annum
- Fixtures, fittings and equipment: between $33^1/_3$% and 20% per annum

1. **Accounting policies continued**

1.10 Property, Plant and Equipment continued

- Motor Vehicles 25% per annum

Property, plant & equipment are assessed on an ongoing basis to determine whether circumstances exist that could lead to the conclusion that the net book value is not supportable. Where assets are to be taken out of use, an impairment charge is levied.

Where the property, plant & equipment form part of a separate cash generating unit (CGU), such as a store or corporate assets used by multiple company's within the Dixons Carphone group, and business indicators exist which could lead to the conclusions that the net book value is not supportable, the recoverable amount of the CGU, or group of CGUs for corporate assets, is determined by calculating its value in use. The value in use is calculated by applying discounted cash flow modelling to management's projection of future profitability and any impairment is determined by comparing the net book value with the value in use.

1.11 Investments and other financial assets

Financial assets are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the investment. The Company's financial assets comprise cash and cash equivalents and those receivables which involve a contractual right to receive cash from external parties. Financial assets comprise all items shown in notes 9, 12 and 13 with the exception of prepayments and contract assets. Under the classifications stipulated by IFRS 9 for the year ended 2 May 2020, cash and cash equivalents, as further described in note 1.13, and trade and other receivables (excluding derivative financial assets) and lease receivables are held at amortised cost.

Financial assets are derecognised when the contractual rights to the cash flows expire or the Company transfers the financial asset in a way that qualifies for derecognition in accordance with IFRS 9.

Fixed asset investments

Investments in subsidiaries are stated at cost less any provision for impairment.

Investments are assessed for indicators of impairment at each balance sheet date. If there is objective evidence that the recoverable value of the investment has been reduced, an impairment loss is recognised in profit or loss. The recoverable amount of an investment is the higher of its fair value less costs to sell and its value in use.

Trade and other receivables

Trade and other receivables, which comprise amounts due from subsidiary undertakings and other debtors, are classified as measured at amortised cost and subject to impairments driven by the expected credit loss (ECL) model. The Company has adopted the simplified approach to calculate lifetime expected credit losses for its trade and other receivables. Historical credit loss rates are applied consistently to groups of financial assets with similar risk characteristics. These are then adjusted for known changes in, or any forward-looking impacts on creditworthiness.

Receivable balances with other Group entities are reviewed for potential impairment based on the ability of the counterparty to meets its obligations. The net current asset / liability position of the entity is considered and where the amount due to the Company is not covered, the estimated cash flows of the counterparty and subsidiary companies with the ability to distribute cash to it are considered.

1.12 Inventories

Inventories are stated at the lower of average cost and net realisable value, and on a weighted average cost basis. Cost comprises direct purchase cost and those overheads that have been incurred in bringing the inventories to their present location and condition less any attributable discounts and bonuses received from suppliers in respect of that inventory. 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.

1.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, bank overdrafts and short term highly liquid deposits which are subject to an insignificant risk of changes in value. Bank overdrafts are shown under current liabilities.

1. Accounting policies continued

1.14 Borrowings and other financial liabilities

The Company's financial liabilities are those which involve a contractual obligation to deliver cash to external parties at a future date. Financial liabilities comprise all items shown in notes 14 and 15 with the exception of other taxation and social security, contract liabilities and other non-financial creditors. Financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities (or a part of a financial liability) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. In the event that the terms in which the Group are contractually obliged are substantially modified, the financial liability to which it relates is derecognised and subsequently re-recognised on the modified terms.

Under the classifications stipulated by IFRS 9, borrowings, finance lease obligations and trade and other payables are classified as 'financial liabilities measured at amortised cost'.

Trade and other payables

Trade and other payables are recorded at cost. Gains and losses arising from revaluation at the balance sheet date are recognised in the income statement.

1.15 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted where the time value of money is considered to be material.

All provisions are assessed by reference to the best available information at the balance sheet date.

1.16 Government Grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the year in which they become receivable.

1.17 Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements and estimates used in the preparation of the financial statements are continually reviewed and revised as necessary.

Whilst every effort is made to ensure that such judgements and estimates are reasonable, by their nature they are uncertain, and as such changes may have a material impact.

Key sources of estimation uncertainty

Revenue recognition

For certain transactions with MNOs, the quantum of commission receivable on mobile phone connections depends on consumer behaviour after the point of sale. This leads to a judgement over the unit of account for measurement of the amounts arising from the MNO and an estimate over the transaction price due to the variability of revenue. A level of constraint is applied to the revenue recognition to ensure revenue is only recognised when it is highly probable there will not be a significant reversal. By the nature of this constraint, applied in line with IFRS 15: 'Revenue from Contracts with Customers', it is possible that additional revenue will be recognised in future periods from performance obligations satisfied in prior years. For example, the network commission receivables are routinely increased each year in line with RPI, however as part of the variable revenue constraint, the Company does not include this RPI estimate in the revenue recognised at point of sale. For the year ended 2 May 2020, the revenue recognised includes a value of £13.3m (2018/19: £12.5m) relating to the application of RPI increases on end consumer contracts by the respective MNOs relating to performance obligations satisfied in prior years. In addition to this, within the current year given the unprecedented nature of the current Covid-19 pandemic and the potential impact on consumer behaviour, a further constraint has been applied to the network commissions receivable at year end. If these risks do not transpire, it is reasonably possible that additional revenue may be recognised in future years from performance obligations satisfied in prior years of between nil and £17.8m.

Further details of the estimations involved with network commissions can be found at note 1.4 and a reconciliation of the movements in the network commission receivables within the year is included within note 12.

1. Accounting policies continued

1.17 Critical accounting judgements and key sources of estimation uncertainty continued

Impairment of non-financial assets

All non-current assets, including intangible assets held at amortised cost, are reviewed for potential impairment using estimates of the future economic benefits attributable to them compared to their carrying value. This assessment is based on the value of the discounted future cash flows allocated to the CGU or group of CGUs to which the non-current assets are allocated. The methodology and key assumptions used in assessing the carrying value of non-current assets is set out in note 6. The key assumptions made for long term projections, growth rates, discount rate and the potential impact of Covid-19 and Brexit all include an element of estimation that may give rise to a difference between the value ascribed and the actual outcomes. Any estimates of future economic benefits made in relation to non-current assets may differ from the benefits that ultimately arise and materially affect the recoverable value of the asset.

Critical accounting judgements

Taxation

Judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. The Company recognises a provision when it is probable that an obligation to pay tax will crystallise as a result of a past event. The quantum of provision recognised is based on the best information available and has been assessed by in-house tax experts, and where appropriate third-party taxation and legal specialists, and represents the Company's best estimate of the most likely outcome. Where the final outcome of such matters differs from the amounts initially recorded, any differences will impact the income tax and deferred tax provisions in the year to which such determination is made. The Company has recognised provisions in relation to uncertain tax positions of £39m at 2 May 2020 (2018/19: £56m). These are recorded within other taxation and social security payable as disclosed in note 15. Due to the nature of the provisions recognised, the timing of the settlement of these amounts remains uncertain.

1.18 Recent accounting developments

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for the financial year beginning 28 April 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements with the exception of IFRS 16: 'Leases' as discussed above and disclosed further in note 23. The Company has considered the following standards whose impact is not deemed to be material:

- IFRIC 23: 'Uncertainty over Income Tax Treatments';
- Amendments to IFRS 9 Prepayment Features with Negative Compensation;
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015–2017 Cycle: Amendments to IFRS 3: 'Business Combinations', IFRS 11: 'Joint Arrangements', IAS 12: 'Income Taxes' and IAS 23: 'Borrowing Costs'; and
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

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

- IFRS 17: 'Insurance Contracts'
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 3 Definition of a business
- Amendments to IAS 1 and IAS 8 Definition of material
- Conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 9: 'Financial Instruments', IAS 39: 'Financial Instruments: Recognition and Measurement' and IFRS 7: 'Financial Instruments: Disclosures' on interest rate benchmark reform

2. Turnover and operating loss

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Turnover	**1,527.5**	1,902.9
Cost of sales	**(1,338.4)**	(1,529.9)
Gross profit	**189.1**	373.0
Administrative expenses	**(459.8)**	(508.5)
Operating loss	**(270.7)**	(135.5)

The Company's disaggregated revenues in accordance with IFRS 15, 'Revenue from Contracts with Customers' relate to the following revenue streams, all of which originates in the UK:

Disaggregation of revenues

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Sale of goods	**497.4**	561.9
Commission revenue	**975.4**	1,150.5
Other services revenue	**54.7**	190.5
Total revenue	**1,527.5**	1,902.9

Turnover is generated from the Company's country of domicile. Turnover from rendering of services predominantly comprises those relating to commissions from MNOs and insurance.

2. Turnover and operating loss continued

Operating (loss) is stated after charging / (crediting) the following:

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Depreciation of property, plant & equipment	**4.8**	2.9
Impairment of property, plant & equipment	**5.2**	12.9
Depreciation of right-of-use assets*	**22.0**	-
Impairment of right-of-use assets*	**36.4**	-
Amortisation of intangible assets	**1.8**	2.0
Impairment of intangible assets	**2.3**	5.5
Net impairment of financial assets	**3.6**	2.0
Impairment of inventory	**24.0**	25.5
Cost of inventory recognised as an expense	**1,150.9**	1,565.1
(Profit) / loss on disposal of property, plant and equipment & intangible assets	**(0.2)**	0.2
Short-term lease expense*	**4.9**	-
Rentals paid under operating leases*:		
Property – non-contingent rent	**-**	58.5
Rentals received under operating leases*:		
Property – subleases	**-**	(0.4)
Income from subleasing right-of-use assets*	**(0.1)**	-
Government grant income	**2.1**	-
Share-based payment expense	**7.2**	6.4
Other employee costs (see note 4)	**208.3**	223.0
Auditor's remuneration – audit of the financial statements	**0.4**	0.3

* During the year the Company has adopted IFRS 16: 'Leases' using the modified retrospective approach, as a result prior year comparative numbers have not been restated. See note 23 for details of transition. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and are depreciated over the shorter period of lease term and useful life of the underlying asset. Those lease liabilities that are classified as short-term and leases of low value continue to be recognised as operating expenses on a straight-line basis over the term of the lease. This is further discussed in note 1.7 and the initial adoption is described in note 23.

The total value of other assurance services provided by the auditor in the year was £0.1m (2018/19: £0.1m).

3. Net finance income

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Interest on cash and cash equivalents	**0.3**	0.1
Unwind of discounts on trade receivables	**9.6**	10.9
Finance lease interest receivable*	**0.1**	-
Finance income	**10.0**	11.0
Interest on bank loans and overdrafts	**(0.6)**	(1.6)
Interest payable to group undertakings	**(0.1)**	(0.1)
Interest on lease liabilities*	**(8.0)**	-
Finance costs	**(8.7)**	(1.7)
Total net finance income	**1.3**	9.3

* During the year the Company adopted IFRS 16: 'Leases', using the modified retrospective approach, as a result prior year comparative numbers have not been restated.

Further details of the arrangements with group undertakings can be found in notes 12 and 15.

4. Employees and directors

Staff costs for the year were:	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Wages and salaries	185.0	201.1
Social security costs	18.7	18.9
Other pension costs	4.6	3.0
	208.3	223.0

	Year ended 2 May 2020	Year ended 27 April 2019
The monthly average number of employees, including part-time employees was:		
Store staff	5,615	6,033
Administrative staff	2,090	2,127
	7,705	8,160

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Remuneration of the directors:		
- Emoluments	1.2	2.5
	1.2	2.5

Emoluments above relate to the year in office as directors and includes £nil (2019: £nil) of an associated benefit in kind income tax charge. Five directors (2018/19: Five) are a member of the money purchase pension schemes where company contributions were paid and were £4,000 (2018/19: £3,000). No compensation was paid to directors for loss of office during the year (2018/19: £0.1m). Three directors (2018/19: one) exercised share options during the year.

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
The remuneration of the highest paid director was:		
- Emoluments	0.3	0.6
	0.3	0.6

The highest paid director exercised 242,000 share options in the year (2018/19: none) and received no shares (2018/19: none) under the Dixons Carphone Performance Share Plan. The highest paid director for the prior year received 280 shares under the Dixons Carphone Performance Share Plan. Other than share awards disclosed in note 18, there were no other long term incentive schemes for directors in the current or prior years. The pension contributions paid by the Company for the highest paid director was £1,000 (2018/19: £16,000).

5. Tax

(a) Income tax credit

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Current tax		
UK corporation tax at 19% (2018/19:19%)	-	-
Adjustments in respect of earlier periods	(17.0)	(0.2)
	(17.0)	(0.2)
Deferred tax		
Origination and reversal of timing differences	-	(5.0)
Adjustment in respect of earlier periods	32.3	(0.3)
	32.3	(5.3)
Income tax charge / (credit)	15.3	(5.5)

For the current year ended 2 May 2020, the adjustment in respect of earlier periods for current tax relates to a reversal of tax provisions held in relation to pre-merger legacy corporate transactions while the deferred tax adjustment for earlier periods relates to the derecognition of deferred tax assets as explained below.

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

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Loss before tax	(269.4)	(126.2)
Tax on loss at UK statutory rate of 19% (2018/19: 19%)	(51.2)	(24.0)
Effect of change in tax rate	-	0.4
Movement in unprovided deferred tax	39.6	-
Expenses not deductible for tax purposes	8.0	8.6
Tax losses utilised within group	3.6	9.9
Adjustments in respect of earlier periods	15.3	(0.4)
Income tax charge / (credit)	15.3	(5.5)

The movement in unprovided deferred tax relates to taxable losses arising in the period.

5. **Tax continued**

(b) Deferred tax assets

	Accelerated capital allowances £m	Other temporary differences £m	Total £m
At 28 April 2018	21.3	5.7	27.0
Charged to the income statement – current year	(1.2)	6.1	4.9
Charged to the income statement – prior year	0.6	(0.2)	0.4
At 27 April 2019	20.7	11.6	32.3
Charged to the income statement – prior year	**(20.7)**	**(11.6)**	**(32.3)**
At 2 May 2020	-	-	-

Finance (No.2) Act 2016 reduced the corporation tax rate from 1 April 2020 to 17% from 19%. However, the Finance Act 2020, which was substantively enacted on 17 March 2020, removed the planned reduction. The rate applicable from 1 April 2020 now remains at 19%.

The Dixon Carphone Group Limited realised a net loss for UK corporation tax purposes in the year ended 2 May 2020 and in the prior year. Accordingly, the directors have reviewed the group's 5-year plan in order to determine whether, and if so to what extent, it is appropriate to recognise a deferred tax asset in the company's accounts, based on the level of taxable profits expected to arise in the company over the period of the plan. As there isn't sufficient certainty of profit within the company, the amount of the deferred tax asset recognised at 27 April 2019 has been derecognised in the year.

The company has an unrecognised deferred tax asset of £54.6m on tax losses of £287.8m, £17.7m on excess capital allowances of £93.4 and £4.5m on other temporary differences of £23.8m.

6. **Intangible assets**

	Software and licences £m	Customer relationships £m	Total £m
Cost			
At 27 April 2019	161.1	5.9	167.0
Additions for the year	**0.2**	-	**0.2**
At 2 May 2020	**161.3**	**5.9**	**167.2**
Accumulated amortisation and impairment			
At 27 April 2019	155.1	5.9	161.0
Charge for the year	**1.7**	-	**1.7**
Impairment	**2.3**	-	**2.3**
At 2 May 2020	**159.1**	**5.9**	**165.0**
Net book value at 2 May 2020	**2.2**	-	**2.2**
Net book value at 27 April 2019	6.0	-	6.0

There are £1.1m assets under construction included in net book value of software and licences (2018/19: £2.8m).

6. Intangible assets continued

Impairment testing

Throughout 2020 the Company reassessed the future projections and cash flows associated with the mobile business. Due to the challenging market environment in which the Company operates this resulted in a reduction of future forecast profitability.

The recoverable amount of the mobile business 'Cash Generating Unit' (CGU) was determined based on calculating its value in use (VIU) which was calculated by applying discounted cash flow modelling to management's own risk adjusted projections using five year strategic plans which have regard to the relative performance of competitors and knowledge of the current market together with management's views on the future achievable growth in market share and impact of the committed initiatives. In forming the five year projections, management draws on past experience as a measure to forecast future performance and key assumptions used in determining the projections that comprise the growth in sales and costs over this period.

Cash flows beyond the five year period were extrapolated using a long term growth rate equivalent to forecast Gross Domestic Product (GDP) and the VIU was then compared to the carrying amount in order to determine whether impairment has occurred.

Key assumptions used in calculating value in use were management's five year projections; the growth rate beyond five years; and the pre-tax adjusted discount rate. The growth rate beyond five years was based on the forecast GDP for the UK. The pre-tax discount rates applied to the forecast cash flows reflect current market assessments of the time value of money and the risks specific to the CGU.

The values attributed to these assumptions were a growth rate beyond five years of 1.4% in all cases and a pre-tax discount rate of 7.8%.

This reassessment resulted in a material non-cash impairment charge of £43.9m (2018/19: £18.4m) which has been recognised as follows:

- £2.3m (2018/19: £5.5m) of intangible assets, relating to capitalised software development costs
- £5.2m (2018/19: £12.9m) of related plant, property and equipment (note 7)
- £36.4m of right-of-use assets (note 8)

The recoverable amount of the mobile business CGU as at 2 May 2020 was £266m (2018/19: £317m) based on its VIU.

Included within the Company's net assets are certain corporate assets that are used by other company's within the Dixons Carphone group. Where assets are not considered allocable on a reasonable or consistent basis, they are tested for impairment by comparing the combined recoverable amount of the UK&I electricals business CGU and UK&I mobile business CGU with the combined carrying value of assets of these respective groups of CGUs including the corporate assets.

These impairment tests are prepared using the methodology required by IAS 36 and using the same assumptions as outlined above. The recoverable amount, based on value in use shows headroom of £730m above the carrying amount of UK&I electricals business and UK&I mobile combined group of CGUs. No impairment has been recognised over the corporate assets held within the Company. Within the value in use model growth in sales and growth in costs assumptions drive the operating profit forecasts in line with the Company and Group's strategic plan. The key assumption within the value in use model is therefore the operating profit forecast in the final year of the five year strategic plan which is underpinned by the recovery from the impact of Covid-19 and the delivery of key strategic initiatives.

In accordance with IAS 36, the Company performed sensitivity analysis on the estimates of recoverable amounts and found that the excess of recoverable amount over the carrying amount of the UK&I electricals business and UK&I mobiles business combined group of CGUs would be reduced to nil as a result of a reasonably possible change in the key assumption. The recoverable amount would equal the carrying value if operating profit was reduced by 20% within the value in use model in FY24, and then extrapolated for the remainder of the forecast period including the period beyond the strategic plan. The Directors do not consider that the relevant change in this assumption would have a consequential effect on other key assumptions.

7. Property, plant & equipment

	Short leasehold land and buildings £m	Motor Vehicles £m	Fixtures, fittings and equipment £m	Total £m
Cost				
At 27 April 2019	116.9	2.5	203.0	322.4
Additions for the year	-	-	3.4	3.4
Disposals	(0.4)	-	(0.1)	(0.5)
At 2 May 2020	**116.5**	**2.5**	**206.3**	**325.3**
Accumulated depreciation and impairment				
At 27 April 2019	103.2	2.5	200.6	306.3
Charge for the year	2.4	-	2.5	4.9
Impairment	3.5	-	1.7	5.2
Disposals	(0.4)	-	(0.1)	(0.5)
At 2 May 2020	**108.7**	**2.5**	**204.7**	**315.9**
Net book value at 2 May 2020	**7.8**	**-**	**1.6**	**9.4**
Net book value at 27 April 2019	13.7	-	2.4	16.1

There are £1.4m (2018/19: £0.2m) assets under construction included in net book value of fixtures, fittings and equipment.

8. Right-of-use assets

	2 May 2020 £m
Right-of-use assets:	
Land and buildings	39.1
	39.1

Additions to the right-of-use assets for the year were £1.9m.

Total cash outflow for leases amount to £43.0m.

	2 May 2020 £m
Amounts recognised in profit and loss	
Depreciation expense on right-of-use assets:	
Land and buildings	22.0
Impairment of right-of-use assets	36.4
Interest expense on lease liabilities	8.0
Expense relating to short-term leases	4.9
Income from subleasing right-of-use assets	0.1

8. Right-of-use assets continued

As part of the previously announced strategic change programme, the Company took the next steps in the turnaround of the mobile offering by announcing on 17 March 2020 that it would be closing the Carphone Warehouse store estate and continue to focus on selling devices and connectivity through its shop-in-shops in 305 Currys PCWorld stores and online.

As a result of this change, all 531 stores have closed and the company has subsequently recognised an impairment of £36.4m of right-of-use assets.

9. Lease receivables

Under IFRS 16, an intermediate lessor accounts for the head lease and sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease. The Company's finance lease arrangements do not include variable payments.

For the year ended 27 April 2019, in accordance with IAS 17, the intermediate lessor was required to classify the sublease by reference to the underlying asset. Therefore, all subleases were previously recognised as operating leases as further disclosed in note 20.

	2 May 2020 £m	27 April 2019 £m
Net investment in the lease analysed as:		
Recoverable after 12 months	0.7	-
Recoverable within 12 months	0.2	-
	0.9	-

The Company applies the simplified model in accordance with IFRS 9 to recognise lifetime expected credit losses on lease receivables. The value of the expected credit loss on lease receivables is immaterial.

The Company is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in functional currency.

	2 May 2020 £m
Undiscounted amounts receivable under sub-leases classified as operating leases:	
Year 1	0.3
Year 2	0.2
Year 3	0.2
Year 4	0.2
Year 5	0.1
Onwards	-
Undiscounted lease payments	1.0
Unearned finance income	(0.1)
Net investment in the lease	0.9

10. Investments

	£m
Investments in subsidiary undertakings	
Cost	
At 27 April 2019 and 2 May 2020	131.4
Accumulated impairment	
As at 27 April 2019	(50.5)
Impairment	(2.5)
2 May 2020	(53.0)
Net book value at 2 May 2020	**78.4**
Net book value at 27 April 2019	80.9

Please refer to note 22 for a list of investments held by the Company.

11. Inventories

	2 May 2020 £m	27 April 2019 £m
Finished goods and goods for resale	**51.2**	**133.7**

12. Trade and other receivables

	2 May 2020 £m	27 April 2019 £m
Trade receivables*	**138.9**	242.9
Less expected credit loss allowance	**(7.4)**	(4.0)
	131.5	238.9
Amounts due from ultimate parent	**2.3**	7.8
Amounts due from subsidiary undertakings	**2.6**	6.4
Amounts due from fellow group subsidiaries	**10.1**	35.1
Prepayments	**14.5**	25.1
Accrued income	**17.5**	4.1
Contract assets*	**449.4**	590.6
	627.9	908.0
Current	**396.6**	591.9
Non-current	**231.3**	316.1
	627.9	908.0

* Trade receivables and contract assets for the prior year have been restated to reflect the correct classification between trade receivables and contract assets (previously £199.6m and £633.9m respectively). This has had no impact on the overall trade and other receivables balances reported at 27 April 2019.

12. Trade and other receivables continued

The majority of trade and other receivables are non-interest bearing. Non-current receivables mainly comprise commission receivable on sales. Where the effect is material, trade and other receivables are discounted using discount rates which reflect the relevant costs of financing. The carrying amount of trade and other receivables approximates fair value. The Company does not hold any collateral as security over the receivables balance.

The timing of revenue recognition, billings and cash collection results in trade receivables (billed amounts) and contract assets (unbilled amounts) on the Company's balance sheet. For services in which revenue is earned over time, amounts are billed in accordance with contractual terms, either at periodic intervals or upon achievement of contractual milestones.

Amounts due from ultimate parent company comprises an unsecured loan receivable repayable on demand with interest, charged at the relevant Bank of England base rate plus 110 basis points, capitalised on a monthly basis.

Amounts due from other group undertakings comprise operating expenses owed from other group companies as a result of intercompany trading; such balances are settled regularly in line with agreed terms of trade, do not bear interest and are payable within 60 days.

Included within other receivables is £2.1m of government grants receivable (2018/19: nil). This relates to compensation for expenses already incurred by the Company that have been pledged by the UK government for the 'Coronavirus Job Retention Scheme', in light of the recent Covid-19 pandemic.

Contract assets

	2 May 2020 £m	27 April 2019 £m
Insurance commission contract assets	15.0	17.9
Network commission contract assets	434.4	572.7
	449.4	590.6

The Company recognises contract assets where the performance obligations have been met but the right to consideration from the customer is conditioned on something other than the passage of time. This occurs on both insurance commission revenue and network commission revenue as detailed in note 1.4.

The Company has considered the risk profile for amounts due from network and insurance customers based on historical experience and forward looking information. In accordance with IFRS 9 the Company has applied the Expected Credit Loss model to these amounts and adjusted the contract asset values at each reporting date to reflect the future expected value.

The significant changes in the contract asset balances within the year occurred within the network commission contract assets. Further detail and a full reconciliation of movements within the financial year have therefore been provided below.

Network commission contract assets and receivables

As described in note 1.4, the revenue earned by the Company for the acquisition of consumers on behalf of third-party network operators is subject to variable consideration. Some consideration is paid by the MNOs at the time of connection with the remainder paid over the duration of the consumer's contractual relationship with the MNO which is usually between 1 and 5 years. Whilst the underlying contract with the consumer predominately constitutes a fixed monthly value, variability arises due to future expected behaviour of such consumers after the point of connection.

The Company adopted IFRS 15: 'Revenue from Contracts with Customers' with effect from 29 April 2018 and in doing so only recognises such revenue to the extent that it is highly probable that there will not be a material reversal in the future. Determining the amount of revenue to recognise is judgemental and subject to a degree of estimation uncertainty in particular due to the nature of the variable revenue constraint applied in line with IFRS 15 as described in note 1.17. In previous years, the Company has estimated such revenue with a high level of accuracy, as evidenced and regularly monitored by the level of cash the Company receives from MNOs in the periods subsequent to acquiring consumers on their behalf.

In determining the amount of revenue to recognise, the Company estimates the amount that it expects to receive in respect of each consumer based on historic trends and anticipated changes in consumer behaviour. The Company also discusses and analyses emerging behavioural trends with the respective MNOs, considers external sources of industry and market analysis and models the impact of potential regulatory changes, if any are proposed.

A discounted cash flow methodology is used to measure the expected consideration, by estimating all future cash flows that will be received from the MNO and discounting these based on the timing of receipt. The key inputs to the model are:

- revenue share percentage - the percentage of the consumer's spend (to the MNO) to which the Company is entitled;
- minimum contract period – the length of contract entered into by the consumer;

12. Trade and other receivables continued

- out-of-bundle spend – additional spend by the consumer measured as a percentage of total spend;
- consumer default rate – rate at which consumers disconnect from the MNO;
- spend beyond the initial contract period – period of time the consumer remains connected to the MNO after the initial contract term; and
- upgrade propensity – the percentage of consumers initially connected by the Group estimated to be subsequently upgraded by an MNO.

Having estimated the expected consideration, the Company applies a constraint to reduce to a level where any future material reversal of revenue would be considered highly improbable. Management makes a regular assessment of historical amounts and market data to ensure that the amounts recognised still meet the requirements of IFRS 15. In the prior year ended 27 April 2019, the net revaluation recognised from performance obligations satisfied in previous period was an increase of £12m.

Amounts recognised in the financial statements in respect of such variable consideration are summarised and reconciled from prior year below:

		2 May 2020 £m	27 April 2019 £m
Gross network commission receivable and contract asset: Opening balance	(i)	**1,165.3**	1,415.7
Less: amounts received in advance		**(497.7)**	(488.5)
Net network commission receivable and contract asset: opening balance	(ii)	**667.6**	927.2
Revenue recognised in respect of current year sales	(iii)	**914.3**	1,140.6
Revaluation of opening network commission contract asset	(iv)	**(34.1)**	(25.3)
Revenue (reversed) / recognized in respect of prior year sales not previously included in the estimation of revenue recognized	(v)	**(2.9)**	37.0
Revenue (reversed) / recognised in respect of prior year sales		**(37.0)**	11.7
Revenue recognised in the year		**877.2**	1,152.3
Cash received from network operators	(vi)	**(1,050.1)**	(1,422.7)
Movement due to the effect of discounting		**9.6**	11.0
Net network commission receivable and contract asset: closing balance	(vii)	**504.4**	667.8
Comprising:			
Net network commission receivable and contract asset in less than 1 year		**279.2**	362.0
Net network commission receivable and contract asset in more than 1 year		**225.2**	305.8
		504.4	667.8
Less: amount billed (network commission trade receivable)	(viii)	**(70.0)**	(95.0)
Net network commission contract asset	(ix)	**434.4**	572.8

i. Net of discounting for the time value of money. The unwind of this discounting is recognised as finance income in the relevant year. The amount of related finance income within the year, as shown in the table above, was £9.6m (2018/19: £11.0m).

ii. Payment terms with the MNOs are based on a mix of cash received upon connection and future payments as the MNO receives monthly instalments from end consumers over the life of the consumer contract. This balance shows the net amounts receivable from the MNOs. Further information is included below to explain the classification split of this balance between trade receivables and contract assets.

12. Trade and other receivables continued

iii. This relates to revenue recognised from connections made in the current year. This revenue is recognised at point of sale as explained within the accounting policies in note 1.4. This figure includes in-year adjustments to the carrying value of revenue recognised (net of constraints) where the estimated consideration has changed since point of recognition within the year. In response to the events highlighted in (iv) below and in consideration of other market headwinds, the level of constraint applied to revenue recognised in the current year has been increased.

iv. The Company continues to monitor the level of this revaluation as an indicator of estimation uncertainty in respect of previously recognised variable consideration. The reversal of revenue within the year is related to a number of events that, due to their nature, would have been considered highly improbable to occur and therefore not incorporated into the estimation of revenue upon initial recognition:

- During the second half of the year, on 17 March 2020, the Company announced a significant strategic change for the business. The Company took the decision to close all standalone Carphone Warehouse stores in the UK. This was a positive step for the long term value of the Company and the wider Dixons Carphone Group but resulted in a reduction in the expected value of the variable consideration in relation to previously recognised network commission revenues reflecting reduced ability to service the market. This strategic decision only came into fruition in the second half of the financial year and previously would have been considered remote.
- The global pandemic Covid-19 caused the Company to reassess the future expected consumer behaviour in terms of consumer default rate and consumer spend, which resulted in a more prudent assessment and therefore increases to the constraint on the estimated consideration that will be received. In previous years when the revenue was recognised, the possibility of a global pandemic was considered to be remote.
- From 15 February 2020, new Ofcom regulation required MNOs to notify consumers that their contracts are ending. Although this regulation was known about at the prior year end, MNO voluntary action in response was unforeseen. This has impacted potential future cash receipts worse than initially estimated.
- Due to the impact of the unforeseen events described above, and in consideration of other market headwinds, the Company has reassessed the expected value of commissions to be received from MNOs in respect of revenue recognised in previous years and has recognised an additional constraint.

  In the prior year, the £25.3m revaluation of opening network commission contract assets principally related to changes in anticipated out-of-bundle spend following bill-capping legislation in October 2018 and a reduction in spend after the initial contract term.

  This revaluation of £34.1m (2018/19: £25.3m) discussed above is the figure that has historically been used by the Company to monitor the accuracy of assumptions made in previous periods and is excluded from measuring the ongoing performance of the Company within our alternative performance measures as explained on page 48 of the Financial Statements. This amount is also presented as the Company has received feedback from certain stakeholders that its separate presentation is helpful, in order to present more clearly the underlying performance in year.

v. These amounts were not previously recognised as revenue due to the application of the constraint (described above) and include a value of £14m (2018/19: £13m) relating to the uplift in the profit share the Group receives associated with RPI on commission receivable where the performance obligations were satisfied in prior years. These amounts also include other out of period amounts settled with MNOs in respect of prior period transactions of -£16m (2018/19: £25m). As the Group does not recognise an estimate of these amounts within revenue at the point of sale, they are recognised in revenue within each financial year once the amounts for that period are known. Therefore, the RPI uplift and the other out of period amounts settled with MNOs are included within the Group's alternative performance measures as explained on page 48.

vi. Cash received in the year.

vii. Gross network receivable and contract asset balance of £893.5m, offset by amounts received in advance of £389.1m. This is in line with the explanation in (ii) above.

viii. Amounts that have been invoiced to the network operators and are no longer conditional on something other than the passage of time. These amounts are therefore classified as trade receivables.

ix. This is the contract asset element of the network commissions receivable. This is variable based on future consumer behaviour and hence conditional on something other than the passage of time therefore as per IFRS 15 this is classified as a contract asset.

13. Cash and cash equivalents

	2 May 2020 £m	27 April 2019 £m
Cash at bank*	**178.6**	288.9
	178.6	288.9

Cash at bank earns interest at floating rates based either on daily bank deposit rates or central bank lending rates. The carrying amount of money market deposits approximates their fair value.

* As disclosed in note 1, the Company's cash and cash equivalents have been restated to meet the presentational requirements for offsetting in accordance with IAS 32. Comparative cash at bank for the year ended 27 April 2019 has increased from £286.3m to £288.9m. This has had no impact on the Company's net assets.

14. Lease liabilities

	2 May 2020 £m
Analysed as:	
Non-current	**80.9**
Current	**35.6**
	116.5

Total undiscounted future committed payments due are as follows:

	2 May 2020 £m
Amounts due:	
Year 1	**40.9**
Year 2	**25.9**
Year 3	**19.2**
Year 4	**14.2**
Year 5	**11.0**
Onwards	**22.4**
	133.6

The Company does not face a significant liquidity risk with regard to its lease liabilities.

The Company had no finance lease liabilities at 27 April 2019.

The Company's lease liabilities are secured by the lessors' right over the leased assets disclosed in note 8.

15. Trade and other payables

	2 May 2020 Current £m	2 May 2020 Non-current £m	27 April 2019 Current £m	27 April 2019 Non-Current £m
Trade payables	**135.8**	-	283.3	-
Amounts due to fellow group subsidiaries	**57.1**	-	119.0	-
Other taxation and social security	**85.7**	-	125.1	-
Other creditors	**3.1**	-	3.1	-
Accruals	**43.1**	-	76.8	4.8
	324.8	-	607.3	4.8

Interest is not charged on balances arising between companies as a result of intercompany trading; such balances are settled regularly in line with agreed terms of trade, usually through the Company's netting system, within 30 to 60 days. Intercompany amounts are unsecured and are repayable on demand.

Included in trade payables are amounts due where extended payment terms have been requested by the Company and agreed with the supplier. These terms are made available and administered under arrangements between the supplier and third party banks for which a fee is payable by the Company. The total amount outstanding on such extended payment terms at 2 May 2020 is £30.4m (2018/19: £65.5m). These arrangements do not provide the Company with a significant benefit of additional financing and accordingly are classified as trade payables.

16. Provisions

	2 May 2020 Current £m	2 May 2020 Non-current £m	27 April 2019 Current £m	27 April 2019 Non-Current £m
Reorganisation	**23.5**	**0.6**	3.2	1.4
Property	**15.0**	**28.3**	26.8	19.8
Sales	**4.1**	**0.1**	2.1	-
Regulatory	**24.9**	-	36.8	-
Other	**1.5**	-	-	-
	69.0	**29.0**	68.9	21.2

	Reorganisation £m	Property £m	Sales £m	Regulatory £m	Other £m	Total £m
At 27 April 2019	4.5	46.6	2.2	36.8	-	90.1
Adjustment on initial application of IFRS 16	-	(14.9)	-	-	-	(14.9)
Reclassification	0.2	-	-	(0.2)	-	-
Additions	33.5	23.3	3.1	0.1	1.5	61.5
Released	(0.3)	-	-	-	-	(0.3)
Utilisation	(13.8)	(11.7)	(1.1)	(11.8)	-	(38.4)
At 2 May 2020	24.1	43.3	4.2	24.9	1.5	98.0

16. Provisions continued

Reorganisation:
Reorganisation provisions relate principally to redundancy and functional transformation costs as the Company commits to setting a clear long-long term direction for the business. Provisions related to reorganisation are only recognised where plans are demonstrably committed and where appropriate communication to those affected has been undertaken at the balance sheet date.

In the current year a further £33.5m was provided as the Company announced the next phase of the long-term strategic change programme; sharpening our focus on the core and joining up the customer offer as an omnichannel retailer and the business behind the scenes.

Property:
During the year the Company adopted IFRS 16: 'Leases' using the modified retrospective approach, as a result, prior year comparative numbers have not been restated. Property provisions for the prior year relate mainly to operating lease exit costs, onerous lease contracts and provisions for dilapidations in accordance with IAS 37.

For the current year, property provisions include closure costs and dilapidations relating to announced closure programmes.

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 year.

Regulatory:
In the year ended 27 April 2019 the Company reported that is was subject to a fine imposed by the FCA following the conclusion of an investigation into historical Geek Squad mobile phone insurance selling processes. This fine related to a period prior to June 2015. Historical regulatory investigations may be subject to potential future claims and subsequent payments that may take several years to complete and evaluate.

As reported in the prior year financial statements, the Company has received claims from a number of customers who believe they were mis-sold Geek Squad policies. These claims are carefully considered by the Company on a case by case basis. The majority of claims received have been invalid. No additional provision has been made for the year ended 2 May 2020 however the Company paid £11.8m in respect of customer compensation.

17. Share capital

Called up share capital

	2 May 2020 £m	27 April 2019 £m
Authorised, allotted, called-up and fully paid		
ordinary shares of £1 each	**450.0**	450.0

18. Share based payments

Equity-settled

Share option plans
Save As You Earn (SAYE)

Dixons Carphone plc has SAYE schemes which allow participants, including employees of the Company, to save up to £500 per month for either three or five years. At the end of the savings period participants can purchase shares in Dixons Carphone plc based on a discounted share price determined at the commencement of the scheme.

Dixons Carphone share option scheme

Dixons Carphone plc offers discretionary awards of nil-priced options under the Long Term Incentive Plan (LTIP) to senior employees, including employees of the Company. Awards are granted annually and will usually vest after three years subject to continued service. Some awards are also subject to the achievement of performance conditions.

For all awards granted during the year ended 29 April 2017 are subject to performance conditions based on a combination of EPS growth and relative TSR performance against the constituents of the FTSE 51-150 at 1 May 2016.

For subsequent years, awards granted to key management are subject to performance conditions. For options issued to other senior management, awards are not subject to performance conditions.

18. Share based payments continued

For awards granted during the years ended 28 April 2018 and 27 April 2019, performance conditions are based on a combination of relative TSR performance against the constituents of the FTSE 51-150 at the beginning of the performance period and either EPS growth or cumulative free cash flow. For awards granted during the year ended 2 May 2020, performance conditions are based on a combination of relative TSR performance against a bespoke comparator group of 22 European Special Line Retailers and other comparable companies and cumulative free cash flow.

In February 2019 Dixons Carphone plc launched the Colleague Shareholder Award which granted every permanent colleague with 12 months service at least £1,000 of options which will vest after three years. These awards are not subject to performance conditions.

All share option plans are granted to employees of the Company by Dixons Carphone plc.

941,864 share options (2019: 365,625) were exercised during the year, with a weighted average exercise price of £nil per share (2019: £0.03).

Details for share options outstanding at the year end are as follows:

		2020	2019
(i)	weighted average remaining contractual life for options outstanding	**7.3 years**	7.5 years
(ii)	range of exercise prices for options outstanding	**£nil - £3.77**	£nil - £3.77

19. Capital commitments

	2 May 2020 £m	27 April 2019 £m
Intangible assets	**0.1**	11.4
Property, plant and equipment	**0.3**	0.2
Committed purchase orders contracted for but not provided in the financial statements:	**0.4**	11.6

20. Operating lease commitments

The Company as a lessee

The Company adopted IFRS 16: 'Leases' from 28 April 2019 using the modified retrospective approach. See note 8 and note 14 for details of the Company as a lessee for the year ended 2 May 2020. Comparatives for the prior reporting year have not been restated to reflect this and therefore continue to be reported under IAS 17: 'Leases'. As such, for the year ended 27 April 2019, the total undiscounted future committed payments due for continuing operations are as follows:

	2019 Land and buildings £m
Total undiscounted future committed payments due:	
Within one year	44.9
Between two and five years	112.9
After five years	47.3
	205.1

Operating lease commitments represent rentals payable for retail, distribution and office properties. Contingent rentals are payable on certain retail store leases based on store revenues and figures shown include only the minimum rental component.

The above figures include committed payments under onerous lease contracts for which provisions or accruals exist on the balance sheet.

20. Operating lease commitments continued

The Company as a lessor

Under IFRS 16, an intermediate lessor is required to classify the sublease as finance lease or an operating lease by reference to the right-of-use asset arising from the head lease. As such, for the year ended 2 May 2020, operating leases in which the Company is a lessor relate to right-of-use assets subleased to external third parties. A maturity analysis of undiscounted lease payments to be received relating to these operating leases is shown below.

	2 May 2020 £m
Undiscounted amounts receivable under sub-leases classified as operating leases:	
Year 1	0.1
Year 2	0.1
Year 3	0.1
Year 4	-
Year 5	-
Onwards	-

21. Parent company

The Company's immediate parent and controlling entity is Carphone Warehouse Europe Limited, a company incorporated in Great Britain, which is a wholly owned subsidiary of Dixons Carphone plc.

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

22. Subsidiary undertaking

The subsidiary undertakings at 27 April 2019 and 2 May 2020 are listed below:

Name	Class of Shares	Country of incorporation or registration	Nature of business
CPW Technology Services Limited (formerly Honeybee Digital Solutions Limited)	Ordinary	United Kingdom	IT Services

On 4 May 2018 the Company agreed to sell the Honeybee business through an asset sale. Notice of change of name by means provided within the articles was filed on 30 May 2018 to change the name of the subsidiary undertaking to CPW Technology Services Limited.

Unless otherwise indicated all subsidiary undertakings are wholly-owned, are incorporated and operate in Great Britain and are registered in England and Wales, with its registered office at 1 Portal Way, London, W3 6RS.
Consolidated Financial statements have not been prepared as the Company is a wholly owned subsidiary of a company registered in England and Wales. The Company's financial statements present information about it as an individual undertaking and not as a group.

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

23. Changes in accounting policies

The Company has adopted IFRS 16: 'Leases' from 28 April 2019 using the modified retrospective approach. Comparatives for the prior reporting year have not been restated and continue to be reported under IAS 17: 'Leases', as permitted under the specific transitional provisions of IFRS 16. The reclassifications and the adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on 28 April 2019.
IFRS 16 introduces new requirements with respect to lease accounting. It presents significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee

23. Changes in accounting policies continued

accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

Impact of the new definition of a lease

The Company has performed a review of all leasing arrangements and applied the definition of a lease and related guidance as set out in IFRS 16. The change in definition mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- the right to obtain substantially all of the economic benefits from the use of an identified asset; and
- the right to direct the use of that asset.

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet and charged to the income statement on a straight-line basis over the period of the lease.
On initial application of IFRS 16, for all leases (except as noted below), the Company:

a) Recognises right-of-use assets and lease liabilities in the consolidated balance sheet, initially measured at the present value of future lease payments;
b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement; and
c) Recognises the total amount of cash paid (both principal and interest portion) within financing activities (previously presented within operating activities under IAS 17) in the consolidated cash flow statement.

On transition to IFRS 16 these lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 28 April 2019. The Group's weighted average incremental borrowing rate applied to the lease liabilities on 28 April 2019 was 5.4%.
Lease incentives (e.g. rent-free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.
On initial adoption, the right-of-use assets were adjusted for any previously recognised prepaid and accrued lease payments.
Under IFRS 16, there is a lease-by-lease transition choice whereby a lessee can take a practical expedient to rely on assessments immediately before the date of initial application of whether leases are onerous under the IAS 37: 'Provisions, Contingent Liabilities and Contingent Assets' definition and to adjust the right-of-use asset by this amount. Alternatively, the new requirements under IFRS 16 can be applied and the right-of-use asset is tested for impairment in accordance with IAS 36: 'Impairment of Assets'. The Company has considered this on a lease by lease basis with a transitional impairment review taken on a number of leases.

On those leases where an impairment review was performed, rather than taking the practical expedient, this resulted in an opening adjusted to reserves of £26.0m (net of tax). Changes around assumptions on the probability of future sub-lease cash flows used in the impairment tests caused impairments. In addition to this, the impairment predominantly resulted from the application of different discount rates in line with the applicable accounting standards. The onerous contract provisions previously recognised in accordance with IAS 37 used a risk-free rate however on adoption of IFRS 16 and recognition of right-of-use assets, these assets are tested for impairment under IAS 36 which uses a market participant's rate. The application of these standards and changes in discount rates caused an impairment on numerous right-of-use lease assets.

Payments associated with short-term leases, leases of low-value assets, and variable lease payments not included in the right-of-use asset are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Impact of Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

23. Changes in accounting policies continued

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Because of this change, the Company has reclassified certain sublease agreements as finance leases and recognised finance lease asset receivables. This change has impacted the timing of recognition of the related revenue (recognised in finance income).

Practical expedients applied on adoption

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics the lease.
- reliance on previous assessments on whether leases are onerous (with the exception of certain leases as discussed above);
- the accounting for operating leases with a remaining lease term of less than 12 months as at 28 April 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate

The following table reconciles the minimum lease commitments for the year ended 27 April 2019, to the amount of lease liabilities recognised on 28 April 2019:

	£m
Operating lease commitments as at 27 April 2019	205.1
Discounted using the leases incremental borrowing rate at the date of initial application	169.6
Short-term leases recognised on a straight-line basis as expense	(4.2)
Adjustments as a result of a different treatment of extension and termination options	(7.9)
Lease liability as at 28 April 2019	**157.5**

	£m
Of which are:	
Current	**31.4**
Non-current	**126.1**
	157.5

24. Subsequent events

The impact of the Covid-19 pandemic on the Company's operations is discussed within the Directors report on page 10 as well as set out within note 1 to the financial statements. Subsequent to the balance sheet date, the Company has monitored trade performance, internal actions, as well as other relevant external factors (such as changes in any of the government restrictions). No adjustments to the key estimates and judgements that impact the balance sheet as at 2 May 2020 have been identified.

The Company's contract with EE ended on 1 October 2020. The Company will continue to offer mobile connections through, Vodafone, Virgin Media and Voxi.

ALTERNATIVE PERFORMANCE MEASURES (APMs) (unaudited)

In the reporting of financial information, and as set out in the Strategic Report, the Company uses certain measures that are not required under FRS 101. These are presented in accordance with the Guidelines on APMs issued by the European Securities and Markets Authority ("ESMA"). We consider that these additional measures (commonly referred to as 'alternative performance measures') provide additional information on the performance of the business and trends to shareholders. These measures are consistent with those used internally and are considered critical to understanding the financial performance and financial health of the Company. APMs are also used to enhance the comparability of information between reporting periods, by adjusting for non-recurring or items considered to be distortive on trading performance which may affect FRS 101 measures, to aid the user in understanding the Company's performance. These alternative performance measures may not be directly comparable with other similarly titled measures or 'adjusted' revenue or profit measures used by other companies, and are not intended to be a substitute for, or superior to, FRS 101 measures.

Adjusting items

Included within our APMs we report adjusted revenue, adjusted PBT and adjusted EBIT. These measures exclude items which are significant in size or volatility or by nature are non-trading or highly infrequent. Adjusted performance measures reflect adjustments to total performance measures. The directors consider 'adjusted' performance measures to be an informative additional measure of the ongoing trading performance of the Company.

Adjusted results are stated before any adjusting items. Adjusting items are those considered to be so material that they distort underlying performance (such as reorganisation costs, impairment charges and property rationalisation costs and other non-recurring charges) and net pension interest costs. There are no adjustments made to exclude the impact of Covid-19.

Out of period network debtor revaluations

Following the Group's separation of the UK & Ireland Mobile reporting segment in the prior year, those performance measures, internal targets and KPIs included in the information reviewed by the ultimate parents board of directors and performance guidance given to the external stakeholders have evolved to provide greater transparency over in year trading results. To reflect this, current year adjusting items within the Company also include the impact of out of period network debtor revaluations to align to what is reported internally and by the Group. When we recognise transactions, we do not expect material revaluations. If they arise it is because of unanticipated one-off changes in the external environment, for example changes in regulation. These out of period revaluations can be either positive or negative. They are explained in detail within note 12, below the network commission contract assets and receivables reconciliation table in footnote (iv), to the financial statements. Our treatment for these revaluations is to exclude from our APMs, changes in the expected consideration related to revenue recognised from performance obligations satisfied in previous years. In contrast, whether positive or negative, for the changes to expected revenue where the point of sale (i.e. the initial recognition of commission) was within the current financial year we recognise these changes within our APMs for that year.

The removal of these out of period network debtor revaluations is considered to be additional useful information to aid the understanding of current year trading. Comparative period performance measures have been included accordingly as disclosed below.

As explained within note 1.4 to the financial statements, the network commission receivables are increased each year in line with RPI. As part of the variable revenue constraint, the Company does not include this RPI estimate in the revenue recognised at point of sale. This revenue is recognised once a year when the RPI figure is confirmed. In addition to this, there are other out of period amounts settled in relation to historical transactions that are not included in the initial estimate of revenue at point of sale. As the Company does not recognise an estimate of these amounts within revenue at the point of sale, they are recognised in revenue within each financial year once the amounts for that period are known and our treatment is to include these items within our APMs. They are explained in detail within note 12, below the network commission contract assets and receivables reconciliation table in footnote (v), to the financial statements.

Impact of IFRS 16: 'Leases'

The Company adopted IFRS 16: 'Leases' using the modified retrospective method which means prior year comparatives are not restated. In order to aid comparability with prior year measures, the impact of IFRS 16 has been included within adjusting items within the current year. The directors believe this adjustment is helpful in the current year in aiding in comparability with prior years, which are reported under IAS 17. This will not be disclosed as an adjusting item in future years given comparatives will be under IFRS 16.

Definitions and reconciliations

In line with the Guidelines on Alternative Performance Measures issues by the European Securities and Markets Authority ('ESMA'), we have provided additional information on the APMs used by the Company below, including full reconciliations back to the closest equivalent statutory measure.

The Carphone Warehouse Limited
Alternative Performance Measures (APMs)

Alternative performance measure	Closest equivalent GAAP measure	Reconciliation to FRS 101 measure	Definition and purpose
Revenue measures			
Adjusted revenue	Revenue	See note A1	Adjusted revenues are adjusted to remove out of period mobile network debtor revaluations.
Profit measures			
Adjusted profit / (loss) before tax, EBIT	Profit / (loss) before tax, Profit / (loss) before interest and tax.	See note A1 and A2	As discussed above, the Company uses adjusted profit measures in order to provide a useful measure of the ongoing performance of the Company. These are adjusted from total measures to remove adjusting items, the nature of which are disclosed above.
EBIT	Profit / (loss) before interest and tax	No reconciling items	Earnings before interest and tax (EBIT) is directly comparable to profit / (loss) before tax. The terminology used is consistent with that used historically and in external communications.

Alternative performance measure	Closest equivalent GAAP measure	Reconciliation to FRS 101 measure	Definition and purpose
Other earnings measures			
Adjusted net finance costs	Net finance costs	See note A2 and A3	Adjusted net finance costs exclude certain adjusted finance costs from total finance costs. The adjusting items include the impact of IFRS 16 and other exceptional items considered so one-off and material that they distort underlying finance costs of the Company.
Adjusted income tax expense / (credit)	Income tax expense / (credit)	See note A2 and A4	Adjusted income tax expense / (credit) represents the income tax on adjusted earnings. Income tax expense / (credit) on adjusting items represents the tax on items classified as 'adjusted', either in the current year, or the current year effect of prior year tax adjustments on items previously classified as adjusted. We consider the adjusted income tax measures represent a useful measure of the ongoing tax charge / credit of the Company.

A1 Reconciliation from Statutory profit before interest and tax to adjusted EBIT and adjusted PBT

	Year ended 2 May 2020			Year ended 27 April 2019 (restated)*		
	Statutory £m	**Adjusting Items £m**	**Adjusted £m**	Statutory £m	Adjusting Items £m	Adjusted £m
Turnover	**1,527.5**	**34.2**	**1,561.7**	1,902.9	25.3	1,928.2
Cost of sales	**(1,338.4)**	**-**	**(1,338.4)**	(1,529.9)	-	(1,529.9)
Gross profit	**189.1**	**34.2**	**223.3**	373.0	25.3	398.3
Administrative expenses	**(459.8)**	**105.5**	**(354.3)**	(508.5)	125.9	(382.6)
Operating (loss) / profit	**(270.7)**	**139.7**	**(131.0)**	(135.5)	151.2	15.7
Finance income	**10.0**	**-**	**10**	11.0	-	11.0
Finance costs	**(8.7)**	**7.9**	**(0.8)**	(1.7)	-	(1.7)
Net finance income	**1.3**	**7.9**	**9.2**	9.3	-	9.3
Profit before tax	**(269.4)**	**147.6**	**(121.8)**	(126.2)	151.2	25.0

* Adjusted results have been restated for the year ended 27 April 2019 to exclude the out of period mobile network debtor revaluations to reflect the performance measures reported to the directors.

A2 Further information on the adjusting items between statutory profit to adjusted profit measures noted above

	Note	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Included in revenue			
Mobile network debtor revaluation*	(i)	**34.2**	25.3
Included in (loss) / profit before interest and tax:			
Mobile network debtor revaluation*	(i)	**34.2**	25.3
Strategic change programmes	(ii)	**102.4**	20.0
Data incident costs	(iii)	**-**	7.9
Regulatory costs	(iv)	**-**	37.5
Impairment losses and onerous leases	(v)	**8.7**	56.5
Other costs		**2.5**	4.0
Impact of IFRS 16	(vi)	**(8.1)**	-
		139.7	**151.2**
Included in net finance costs:			
Impact of IFRS 16	(vi)	**7.9**	-
Total impact on loss before tax		**147.6**	151.2
Tax credit on other adjusting items		**(17.0)**	(3.1)
Total impact on loss after tax for the year		**130.6**	148.1

* Adjusted results have been restated for the year ended 27 April 2019 to exclude the out of period mobile network debtor revaluations to reflect the performance measures reported to the directors.

(i) Mobile network debtor revaluation:

Changes in consumer behaviour and legislative impacts on previously recognised transactions have led to negative revaluations of network receivables of £34.2m (2018/19: £25.3m). Further information can be found in footnote (iv) of the network commission receivables and contract assets reconciliation table within note 12 to the Company financial statements.

(ii) Strategic change programmes:

During the current year the Company continued with the previously announced strategic change programme. As part of this strategy, the Company took the next steps in the turnaround of the business by announcing on 17 March 2020 that it would be closing the Carphone Warehouse UK store estate and continue to focus on selling devices and connectivity through its shop-in-shops in 305 big Currys PCWorld stores and online. Further information on the announcement can be found here: https://www.dixonscarphone.com/en/news-and-media/press-releases/year/2020/dixons-carphone-takes-essential-next-stepturnaround-uk.

As a result of the change, 531 stores under the Carphone Warehouse brand have closed.

During this period, one-off implementation costs and redundancy costs of £35.9m have been incurred in relation to this Company strategic change programme. The costs incurred relate to the following:

- £3.5m in relation to costs of implementing the strategy;
- £5.2m in relation to restructuring and redundancy costs for central operations organisational design; and
- £27.2m in relation to redundancy costs for store colleagues affected by the closures.

A2 Further information on the adjusting items between statutory profit to adjusted profit measures noted above continued

Property rationalisation:

In addition, property rationalisation costs related to this strategic decision to close the store estate have been recorded as follows:

- An additional £31.6m property closure and dilapidation provisions related to the closure of the Carphone Warehouse standalone stores;
- £36.4m of right-of-use asset impairment related to the Carphone Warehouse store estate; and
- £7.4m of asset impairments, primarily relating to software developments and store assets.

£8.9m of property provisions recognised from previously announced strategic change programmes have been released in the year. For the prior period costs of £3.2m were provided in relation to the remaining stores under the CurrysPCWorld 3-in-1 and Carphone Warehouse programme announced in 2015/16, due to the challenges in the UK property market.

Transformation costs:

There has been no profit or loss in relation to previous merger and transformation programmes in the current year. Transformation costs of £5.0m in the prior year primarily related to redundancy and consultancy fees.

(iii) Data incident costs:

In the prior period, costs of £7.9m associated with the data incident announced on 13 June 2019 were recorded.

(iv) Regulatory costs:

A charge of £37.5m was been recorded in the period ended 27 April 2019, in relation to historical Geek Squad mobile phone insurance selling processes.

(v) Impairment losses and onerous leases

Throughout 2018 the Company reassessed the future projections and cash flows associated with the mobile business. Due to the challenging market environment in which the Company operates this resulted in a reduction of future forecast profitability. This reassessment resulted in a material non-cash impairment charge £18.4m which has been recognised over related assets.

In addition, £38.1m of onerous lease provisions for stores within the mobile business were recognised.

For the current period, the Company assessed the recoverability of receivables due from fellow group companies following the cessation of trade. This assessment resulted in an impairment of £6.2m being recognised.

The Company also recognised a non-cash impairment charge of £2.5m of its subsidiary investment as detailed in note 10.

(vi) Impact of IFRS 16:

During the year the Company has adopted IFRS 16: 'Leases' using the modified retrospective approach, as a result prior year comparative numbers have not been restated. The impact of adoption is included as an adjusting item for the year ended 2 May 2020 as the directors believe this adjustment is helpful to users in aiding comparability of adjusted results against prior years which are reported under IAS 17. The impact of IFRS 16 results in a net credit of £8.1m to profit / loss before interest and tax and a charge of £7.9m in net finance costs on a statutory basis.

A3 Reconciliation from Statutory Net finance income to adjusted net finance income

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Total net finance income	**1.3**	9.3
Impact of IFRS 16	**7.9**	-
Adjusted total net finance income	**9.2**	9.3

A4 Adjusted tax expense

		Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Current tax			
UK corporation tax at 19% (2018/19: 19%)	– Adjusted	-	-
	– Adjusting	-	-
Adjustments in respect of earlier periods	– Adjusted	-	(0.2)
	– Adjusting	(17.0)	-
		(17.0)	(0.2)
Deferred tax			
Current year – Adjusted		-	(1.9)
Current year –Adjusting		-	(3.1)
Adjustment in respect of earlier periods		**32.3**	(0.3)
		32.3	(5.3)
Income tax expense / (credit)		**15.3**	(5.5)
Adjusted income tax credit		**(17.0)**	(3.1)