Dixons Carphone

Annual Report and Accounts

THESE PARENT ACCOUNTS FORM PART OF THE PACKAGE OF ACCOUNTS FOR SUBSIDIARY COMPANY THE CARPHONE WAREHOUSE UK LTD (REG # 3827277)

2017/18

www.dixonscarphone.com
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Contents

Business at a glance

Dixons Carphone plc is Europe's leading specialist electrical and mobile phone retailer and services company, employing over 42,000 people in nine countries.

- Group like-for-like* revenue up 4%, statutory revenue up 3%, maintained market leading share
  - UK & Ireland like-for-like revenue up 2%
  - Strong growth in International; Nordics like-for-like up 9%, Greece up 11%
- Group headline* PBT of £382 million (2016/17: £500 million):
- Headline basic EPS* 26.2p (2016/17: 33.5p), statutory basic EPS 14.4p (2016/17: 25.6p)
- Total statutory profit before tax of £289 million (2016/17: £404 million) after non-headline charges of £93 million (2016/17: £96 million)
- Free cash flows* of £172 million (2016/17: £178 million) and net debt reduced by £22 million to £249 million
- Final dividend of 7.75p proposed, maintaining full year dividend at 11.25p (2016/17: 11.25p)

Headline* revenue (£ millions)

Headline* EBIT (£ millions)

Headline* basic EPS (pence)

Headline* revenue by Division (2017/18)

Headline* EBIT by Division (2017/18)

* See glossary for definition of terms including headline performance measures. Results for 2016/17 have been restated as set out in note 31 to the Group financial *statements*
Figures presented in charts for 2014/15 and previous periods are pro forma results as defined in the glossary

Business segments

Our European store presence

UK & IRELAND		
Own	Franchise	Total
1,103	–	1,103

NORDICS		
Own	Franchise	Total
251	150	401

GREECE		
Own	Franchise	Total
69	26	95

We operate three segments as follows:

UK & Ireland

- Currys PC World is the largest specialist electrical retailing and services operator in the UK & Ireland
- *Carphone Warehouse is the largest independent telecommunications retailer* in the UK & Ireland
- Dixons Travel is a leading airport electrical retailer with stores across the UK & Ireland and Oslo
- Team Knowhow is our services brand
- *iD Mobile is our MVNO offering innovative and flexible propositions*
- Simplifydigital is a leading UK price comparison and switching service for broadband, digital TV and home phone services
- PC World Business provides computing products and services to business to business ('B2B') customers
- Carphone Warehouse Business provides telecommunications products and services to business to business ('B2B') customers

Nordics

- The Elkjøp Group is the leading specialist electrical retailer across the Nordics
- Elkjøp and Elkjøp Phonehouse stores operate in Norway, Elgiganten and Elgiganten Phone House in Sweden and Denmark and Gigantti in Finland
- Knowhow has been introduced in the Nordic region
- *InfoCare is the largest consumer electrical repair company in the region* operating in Norway, Sweden, Denmark and Finland

Greece

- Kotsovolos is Greece's leading specialist electrical retailer

Brands	Websites
Currys PC World	currys co uk currys ie pcworld co uk pcworld ie
Carphone Warehouse	carphonewarehouse com *carphonewarehouse ie*
Dixons Travel	dixonstravel com
Team Knowhow	teamknowhow com
iD Mobile	idmobile co uk
Simplifydigital	simplifydigital co uk
PC World Business	pcworldbusiness co uk
Carphone Warehouse Business	business carphonewarehouse com
Elkjop	elkjop no
Elgiganten	elgiganten se elgiganten dk
Gigantti	gigantti fi
Phone House	*phonehouse se* phonehouse no
InfoCare	infocareworkshop no
Kotsovolos	kotsovolos gr

Chairman's Statement

2017/18 has been a difficult year for Dixons Carphone, both for colleagues and for our shareholders. We are all disappointed with the financial results but are determined to build on the many strengths of the Group to drive the business forward.

We are the clear market leaders in seven countries, have great people and stores, and a strong financial position We were delighted to welcome Alex Baldock as the Group's new Chief Executive Officer. He brings an outstanding record of value creation across a range of businesses by focussing on customers, people and delivery. Already he has made significant changes to the business and the energy this is releasing within the business is apparent. Shortly we will also welcome Jonny Mason as the Group's Chief Financial Officer, Jonny brings a wealth of retail and consumer experience

Despite issues in the UK we have delivered a strong performance in our International businesses. We are one of the largest international retailers in Europe, with terrific stores from Aberdeen to Athens, Trondheim to Tralee. Our UK & Ireland 3-in-1 stores are in great shape and our infrastructure unmatched We continue to grow revenues and gain market share. However, profitability in the UK & Ireland has been disappointing and our performance has not been good enough. This is a resilient Group and we know we can do a lot better.

Headline profit before tax was £382 million (£289 million on a statutory basis), with good cash flow conversion and net debt declining year-on-year to £249 million The Board has recommended that the Company will maintain a dividend of 11.25 pence per share for the full year, with final payment of 7.75p to be paid on 21 September 2018.

I believe that businesses should be about more than just making sales, profits, helping customers and providing good jobs although these are all very important Good businesses should help the communities in which they operate. To be effective, Corporate Social Responsibility ('CSR') must be at the core of our business Done well, it can enhance our brand, create new business opportunities, reduce costs and engage our employees It matters not just to the people we help, but to our colleagues, customers suppliers and shareholders.

To this end, we have recently launched our new CSR strategy and programme, 'Live Earth Neutral' We believe that our unique expertise in technology can be used to help tackle social issues and we are hugely supportive of our colleagues' roles in contributing to good causes. Dixons Carphone is proud to be one of three Founding Corporate Partners of Heads Together This mental health initiative of The Royal Foundation, spearheaded by The Duke and Duchess of Cambridge and The Duke of Sussex, combines a campaign to tackle stigma and change the conversation on mental health with fundraising for a series of innovative mental health services. Heads Together has made a significant progress with tackling stigma and continues to strengthen the mental health support sector.

The security of our data is also hugely significant to the business and in light of the unauthorised data access we recently became aware of, we will further bolster our information security capabilities and review procedures by improving IT security controls, training, monitoring, testing and oversight.

I would also like to record my thanks to the more than 42,000 colleagues at Dixons Carphone. Their hard work, enthusiasm and dedication to providing great customer service is one of the Group's enduring strengths

The composition of the Board has also seen significant change this year. I would like to take this opportunity to express my thanks to Sebastian James, Humphrey Singer, Andrew Harrison and Katie Bickerstaffe who have led this Group since its merger Andrew, although no longer on the Board remains with us as he focuses once again on The Carphone Warehouse Limited

Looking ahead, the coming year brings with it some further challenges and as a result we have guided market expectations lower, but we remain optimistic about the longer term We have though taken the decision to invest further in the coming year, providing our colleagues with the right tools and our customers with even better service I strongly believe that this is the way to drive long-term shareholder value

Lord Livingston of Parkhead
Chairman
20 June 2018

Group Chief Executive's Statement

I came to Dixons Carphone because I was convinced that this business had many strengths and plenty of opportunities. A few months in the business have only cemented that view. We're number one in each of our markets, with people and capability our competitors can only dream of. Our future lies in making the most of these strengths which we're well-placed to do.

Group headline PBT was £382 million in the year, down from £500 million last year Like-for-like revenue was up 4% and we maintained our market leading shares With stronger cash generation year on year we ended the period with net debt of £249 million Statutory profit before tax was £289 million, down from £404 million last year

The International businesses had an excellent year with like-for-like revenue up 9% in the Nordics and 11% in Greece. Both achieved record levels of market share, extending their market leadership with an increase in operating margins The Nordics also saw growth in customer satisfaction and profits while the rebranding of Lefdal to Elkjop has seen sales transfers exceed expectations In Greece, we continue to roll out new ranges as well as an ever-improving digital platform and achieved record net promoter and employee engagement scores

In the UK & Ireland, full year like-for-like revenue was up 2% with the final quarter of the year delivered against a more subdued market backdrop while maintaining our market leading share. Online sales saw another year of double digit growth, ahead of the market The combination of channel and category mix effects was more pronounced in the second half of the year driving a greater adverse gross margin. This was due partly to the costs of providing associated home delivery and installation services

Our UK mobile business maintained its leadership position delivering flat like-for-like sales growth across the year in a declining postpay market As seen throughout the year, postpay market conditions and our contractual commitments with the networks have meant that gross margins continued to be challenged

In the coming year, with our International businesses in good shape and set to reinforce their market leadership positions, we're focusing our immediate actions on the UK

As we did in 2017/18, we're budgeting for a contraction in the UK electricals market and will use our scale to maintain our market share We expect some cost increases in UK electricals, including National Living Wage and IT depreciation, partially offset by gross margin recovery initiatives including range optimisation, better availability and reduced levels of markdown

In mobile, we're stabilising our performance through improvements to our proposition and network agreements. In both, we'll work hard to improve our cost efficiency. We expect a further decline in the postpay market against which we expect to increase our share of SIMO and SIM free handsets. Overall, gross margins are expected to be down, partially offset by cost initiatives. We'll close 92 Carphone Warehouse standalone stores this year, with all colleagues offered redeployment at other local shops.

Looking ahead, we'll invest in both our colleagues and customers – giving our colleagues the right tools and the customer an improved experience For example, we'll help customers avoid calling us unnecessarily by improving online self-service and with better communications. In stores we'll increase product training hours by over a third.

It's fair to say that nobody is happy with this year's performance, but although there's plenty to fix, it's all fixable Because in every market we are leaders. In every country, major category, in products and services we're number one, growing the top line, and continuing to gain share

It has struck me since my first day here quite how many very good people we have in this business; from leadership through to front line, how much they care and how much they know

Group Chief Executive's Statement

The core retail capabilities here are as good as anywhere If we exist to help customers discover and choose the right technology for them we need to make the most of our strengths as we do so. Our stores are absolutely the heart of that; exciting shops at scale, in a multi-channel environment which is what we and nobody else can offer. They are going to continue to be at the core of what we do

In services we can do things that our competitors simply cannot match; things that will allow us to build more valuable relationships with our customers

We have a strong online platform and we'll make it easier for customers to find and buy the right products and services for them, for example with faster site speed and better recommendations. We also have a tonne of data that we've yet to make the most of, for instance we'll direct more resource at digital customer relationship marketing ('CRM') The opportunity to use our data is exciting, but only if we look after and protect it and we must take responsibility for the unauthorised access to our data that took place within the past year. We fell short and are determined to put this right, starting by tripling spend in this space in the coming year. Cyber crime is a continual battle for business today and we are determined to tackle this fast changing challenge.

There is a lot of energy to be unleashed in this business and the important foundations of market strength and capability are all there This process starts by being clear and open about where the business truly is today and what it could be.

We're working at pace to bring long-term direction to the business, through a new leadership team that has promoted top talent, leading to clearer, simpler, and faster decisions We've removed unhelpful silos, especially those that have inhibited the development of our services proposition. Our new Chief Customer Officer role gives the customer a louder voice in the business and brings together and adds new impetus to key areas important to our future, such as data and analytics, marketing services and technology We're also speeding up decision-making, starting with some streamlined governance.

Our vision for the business will give customers what they value and make the most of our exceptional strengths and bring this business much closer together. It will be a plan that faces into some tough choices and emphasises what matters most, with a sharper focus on the core business where we see plenty of opportunity and much less focus on peripheral activities We will deliver with conviction and consistency, we're also setting a clear direction.

It is the commitment and know-how of so many of my colleagues, the breadth and depth of our multichannel capability, the sheer energy we can release here that I know will drive our success. I'm energised by the strength of our market position, of our appeal to customers. There's so much more to come from Dixons Carphone, although plenty of hard work lies ahead

I'm delighted to be part of the team that will shape the future of this exciting business.

Alex Baldock
Group Chief Executive
20 June 2018

Strategy, KPIs and Risks overview

Our markets[1]	Our strategic priorities[2]	Achievements in 2017/18[3]
Multi-channel retailing	**Enhance and drive a successful and sustainable retail business model in a multi-channel world**	Market share and like-for-like revenue growth in core markets *Sustained high levels of customer* satisfaction and price competitiveness Completed our 3-in-1 property programme and announced reduction in standalone Carphone estate Improved online navigation and faster check outs Consolidation of our Norwegian retail brands Growth in iD mobile base and multi-play share *Strong B2B growth in Nordics*
After-sales services and support	**Leverage our scale, our knowhow, and our unique infrastructure *to drive growth in after-sales* services and support**	Rebrand and launch of Team Knowhow Launch of nationwide same-day delivery and midnight cut off for next day delivery across certain categories Extended network capacity to meet demands of increased home delivery volumes

Plans for 2018/19[3]	Relevant Group KPIs[4]	Principal risks[5]
Cost investment to provide our colleagues the right resources and the customer an improved experience Improved range optimisation, better availability and greater promotional discipline Unrelenting approach to price and service Stabilise performance in mobile through propositions and network agreements Extension of same day delivery and order up to midnight for next day Evolve the Carphone business to meet changing customer demands Closure of 92 standalone Carphone stores Enhanced and simplified online journeys	Headline revenue Like-for-like revenue growth Market position Headline EBIT Headline profit before tax Free cash flow Return on capital employed	Dependence on networks Dependence on key suppliers Consumer environment and sustainable business model Greek business IT systems and infrastructure Information security Non-compliance with Financial Conduct Authority ('FCA') regulation Colleague retention and capability Business continuity plans are not effective Health and safety Fraud Impact of Brexit
Continued roll-out of Team Knownow Enhance and expand existing propositions	Headline revenue Market position Return on capital employed	Consumer environment and sustainable business model IT systems and infrastructure Information security Colleague retention and capability Business continuity plans are not effective Fraud Impact of Brexit

1 Our markets pages 10 to 11
2 Business model and strategy pages 11 to 13
3 Chairman's and Group Chief Executive's Statements on pages 4 to 6
4 Key Performance Indicators are explained on page 14
5 Principal risks to achieving the Group's objectives on pages 15 to 18

Our markets

Where we operate

The Group's core retail focus is the sale of consumer electricals and mobile phone products and connectivity The Group also has a significant services infrastructure focused on maintenance, support, repairs, delivery and installation of hardware and services

The consumer electrical and mobile phone hardware markets are served by a relatively small number of global manufacturers and mobile connectivity is predominantly led by a small number of mobile network operators (MNOs)

These suppliers can access markets directly through their own branded stores and online channels, or more widely, via partnering with third parties Established businesses, with well-regarded brands, sizeable market shares and nationwide store footprints provide suppliers with the widest and most efficient access to the largest number of consumers.

Today the Group operates in markets in which it is the clear market share leader. Its brands, which include Currys PC World and Carphone Warehouse in the UK & Ireland, Elkjop and Elkjøp Phonehouse, Elgiganten and Elgiganten Phone House and Gigantti in the Nordic countries and Kotsovolos in Greece all provide nationwide presence Our key service brand is Team Knowhow in the UK, Ireland and the Nordics

What we do

Multi-channel retailing

Currys PC World Carphone Warehouse is the only nationwide consumer electricals and mobile phone retailer in the UK & Ireland. The Elkjøp Group in the Nordics and Kotsovolos in Greece are the largest consumer electrical retailers in their respective markets

The consumer electricals retail market can be split between specialist electrical retailers, such as Currys PC World and Elkjøp, and general retailers which sell electrical goods as part of a wider offering. The market can also be broken down into two distinct distribution channels· 'assisted' and 'unassisted' In the assisted channel, specialist retailers help customers through the buying process in the form of product advice, add-on services, delivery and installation The unassisted channel, which includes single channel internet retailers as well as general retailers, tends not to offer all of these services

Specialist electrical retailers remain the predominant destination for customers in the European consumer electrical market. Buying groups, general merchants and independents also have a retail presence through stores and / or online.

In each of our markets there are varying numbers of specialist retailers who compete in the assisted market Whilst we compete against general retailers, this is usually limited to certain lower price categories and we consider that these retailers do not offer the full range of products, assisted sale or the other services that we are able to provide.

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

In mobile phone retailing, Carphone Warehouse is the only nationwide independent channel and is uniquely placed to offer impartial advice over the vast array of network, handset and operating platform propositions available in the market.

In addition to Carphone Warehouse, the mobile phone connectivity and handset market is served by MNOs, with whom the Group has long and well-established relationships, as well as independent and generalist retailers. The MNOs will offer propositions for their own networks, whilst independent and generalist retailers will provide a greater variety of propositions on one or multiple networks as well as handsets There are also online-only retailers, providing a variety of these services. This market is also served by Mobile Virtual Network Operators (MVNOs).

The innovation of mobile phones continues to grow – albeit the incremental innovation has slowed - from simple mobile devices to sophisticated hardware with advanced functionality. The slowdown in innovation has led to the extension of handset cycles and a consumer shift towards more SIMO connections and handset only sales. There is a wide choice of operating platforms and network options for customers, which makes the Group's expert and impartial advice, simplified by the tablet based tool, Pin Point, particularly relevant.

We have seen some significant shifts in capacity in many of our markets in recent years; in consumer electricals some mass merchandisers have been reducing space for electrical products, some single channel internet operators have de-emphasised certain segments, and in some, specialists have exited the market entirely. These shifts help us to gain market share and it underpins our view that a strong service-led multi-channel operation satisfies both customer and supplier needs while delivering a sustainable business as customer shopping habits continue to evolve. We believe further consolidation will occur in some of our markets.

The internet has established itself as an important part of the retail landscape. It supports enhanced product information as well as price comparability It is an essential part of the buying process for customers, particularly for large ticket discretionary products However, the expert advice provided by well-informed sales advisors within stores is highly valued by customers and suppliers. Larger retailers, with an integrated multi-channel offer, with scalable distribution and systems, together with proven after-sales service and support are increasingly attractive to both.

The increase in online penetration provides us with the opportunity to increase both the range of goods on offer and the availability of product information Our multi-channel approach is well placed to exploit synergies between our internet sites and stores

Our *reserve&collect* service (*collect@store* in the Nordics), where customers can order on the internet and collect from a convenient store, at a time to suit them, remains a strong advantage of our store network Similarly, our *pay&collect* service, where customers can access a wider range of products than is typically available in their local store for either home delivery or later collection from the store, is also increasingly popular.

Innovation brings new products with improved functionality that drives sales growth. These include smart and connected washing machines and fridge freezers, OLED TVs, wearable technology, connected products for the home such as heating and lighting and the latest smartphones Content, such as social media, apps, camera picture quality, digital media and cloud storage, also help to drive hardware innovation and replacement

The rapid innovation cycle may lead to price deflation, but also drives volumes as products become more affordable and replacement cycles accelerate For larger ticket items, the low frequency of purchases limits the impact of price deflation on total market sales as consumers typically trade up to higher specification products. Our 'Customer Journeys' are designed to explain the features and benefits of the latest technology to customers and help them understand the reasons for trading up to these newer technologies.

In mobile we are experiencing an extension of replacement cycles as the cost of the devices has increased markedly as incremental innovation has slowed This has led to a contraction in the postpay market in recent years, against which we expect to increase our focus on SIMO and SIM-free handset propositions.

After-sales services and support

Everyday technology, whether smart TVs and appliances, computing or mobile phones, is becoming more complicated with connectivity and inter-operability becoming increasingly necessary Families are dependent on this technology for keeping in touch with friends and family, entertainment, work, finances and school homework

In addition, innovation drives new service requirements, including TV installation, data backup, computer set up and instructional "Showhow" teach-ins In this complex world we believe our assisted sales model is best placed to help customers navigate the market and to help them choose a complete solution that best meets their needs

There is a major opportunity to grow our share in these valuable and growing markets more closely to match our share of product sales. Our aim is for Team Knowhow to be the leader in technology support within the markets in which we operate.

Importantly we start from a position of real strength, our services capabilities and operating platform developed to support our product sales business are already class-leading and at real scale We are the UK s leading technology support business with over 11m warranty and insurance customers, 1.1m mobile repairs per year, 4 2m home visits per year; 700,000 computer and TV repairs per year, over 550,000 finance customers

We have Europe's largest tech and white goods repair facility in Newark with more technical support agents than any other business providing a nationwide solution This is a complex business to replicate

Business model and strategy model

The shopping journey for customers is constantly evolving.

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

We constantly aim to develop and improve our customer journey by improving stores, making them easier to shop in, with, for example, improved navigation, better signage, and enabling customers to interact with products before they buy. These journeys are supported by product specialists providing expert advice on the products' features and benefits

Our websites are a crucial and fundamental part of the customer shopping journey. A customer's initial interaction is often online as is more and more of the customer's journey. In recognition of how customer trends are evolving we have made it easier for our colleagues, in particular within our Currys PC World stores, to access products and extended ranges in store Over the year we have focused on improving the customer relationship and simplifying the purchasing journey with improved website structures and navigation and faster check-out.

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

Our Team Knowhow colleagues in stores, in our call centres as well as field technicians, can provide set-up and upgrade services and online fix and backup services. Our market-leading range of help and support services ensure a customer has the backing of expertise and support that keeps their technology up and running

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

Our people

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

Our stores

We continue to invest to make our stores best in class and provide a consistent experience with the latest categories and look-and-feel right across our estate In the UK & Ireland our 3-in-1 stores bring together Currys, PC

Our markets

World and Carphone Warehouse in an exciting shopping environment. In the coming year we will consolidate our Nordic brands as we phase out Lefdal and bring all our stores under the Elkjop fascia in Norway

We have an ongoing process of reviewing our estate, with the aim of having the right estate for each territory in which we operate and to best utilise our 3-in-1 stores in the UK & Ireland. To this end, we have announced that we will be reducing the number of standalone Carphone stores during 2018/19 by about 92 stores. Outside of the core footprint, we have announced the expansion of our Dixons Travel business into continental Europe and will be opening five stores across Frankfurt and Dusseldorf airports in the coming year.

Our distribution network

The Group sees distribution as one of the keys to success in maintaining competitive margins and delivering outstanding, market-beating service to customers We operate a centralised system of distribution centres for each of the regions in which we operate This delivers significant competitive advantages, including reduced operating costs reduced supplier delivery costs, reduced stock volumes in store, increased flexibility as to where to deliver and when, and a more efficient home delivery network for both us and our customers During the year we have enhanced our delivery and service capabilities and launched midnight cut-off for next day delivery as well as nationwide same day delivery for certain categories We have also invested in our capacity to support the growth of home delivery volumes.

While continuing to reduce costs, we are also constantly raising the bar, both in terms of successful delivery and installation rates, but also the range and quality of services we offer customers nationwide. In the UK alone, we make more than 70,000 deliveries per week, including some 900,000 installations per year

Combining our customer insight with our market-leading presence we can make sure we have the right range of products and services in our stores to suit customers' needs. Our scale and relationships with suppliers mean that we can work with them to uniquely showcase the latest technology, connectivity and products in our stores with areas dedicated to key suppliers nationwide across the UK & Ireland, the Nordics and Greece

As market leader with an excellent reputation in the consumer electricals market we have exceptional relationships with suppliers In a complex multi-channel environment, suppliers trust us with their new product releases and stock allocations, as they appreciate the service and advice offered by our colleagues in stores and our websites, as well as the exciting environments offered by our transformed stores in which customers can experience their brands and products

Our value creation

Through investing in our people, reinforcing our multi channel retailing platforms and supply chain infrastructure and effectively using these resources, to provide customers with a wide range of competitively priced goods and services, we grow share and increase revenues At the same time, we keep a tight control on costs to increase the efficiency of our operations and as a result we create long-term value, generating returns for our shareholders.

Strategy

Dixons Carphone is Europe's leading specialist electrical and telecommunications retailer and services company, employing more than 42,000 people in nine countries. Focused on helping customers navigate the connected world, Dixons Carphone offers a comprehensive range of electrical and mobile products, connectivity and expert after-sales services.

The Group's primary brands include Currys PC World Carphone Warehouse in the UK & Ireland, Elkjøp and Elkjop Phonehouse, Elgiganten and Elgiganten Phone House, and Gigantti in the Nordic countries, Kotsovolos in Greece and Dixons Travel in a number of European airports albeit predominantly in the UK Our service brand is Team Knowhow in the UK, Ireland and the Nordics.

We continue to drive the Group forward from a position of strength with a focus on two strategic priorities. By focusing on these we can deliver not only a better business for our customers and colleagues, but also better returns for our shareholders

The strategic priorities are

1. **Enhance and drive a successful and sustainable retail business model in a multi-channel world; and**
2. **Leverage our scale, our knowhow, and our unique infrastructure to drive growth in after-sales services and support.**

Looking at each of these in turn

1. Enhance and drive a successful and sustainable retail business model in a multi-channel world

Our customers tell us that when buying consumer electricals they want advice to ensure they are making the right choices, particularly as these are often major purchases that customers will own for several years. The growth of the internet has empowered customers, providing instant access to information including product knowledge and price transparency.

In mobile, we are uniquely positioned in the UK & Ireland and the Nordics to provide independent advice and meet customer requirements for impartiality, comparability and flexibility both online and in-store In consumer electricals, single channel internet operators have a different model whose principal advantage is structurally lower costs and which have historically been able to offer competitive prices versus store-based operators. By focusing on the advantages that we, as a multi-channel specialist, can offer customers and suppliers we can offset the cost advantage that pure-play internet operators have historically enjoyed As a result, we are able to offer customers very competitive prices against our competitor set and still be more profitable

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

1. Work closely with suppliers to harness benefits available to our business model: suppliers want to ensure that customers not only choose their brands, but also experience the benefits of the latest products. As a multi-channel operator, we work with our suppliers to ensure we can explain the benefits of these products and demonstrate them to customers in our stores and our suppliers support us in this work in a variety of ways
2. Ensure a seamless and personalised multi-channel experience for customers. we are indifferent whether our customers buy in-store or click 'Buy' online, but the experience across these channels must be joined-up and consistent Through Improved data analytics. our 'My Account' and our finance proposition 'Your Plan' we are increasingly able to gain a better understanding of consumer activity to improve their shopping experience as well as tailoring more focused customer orientated marketing activity
3. Reduce costs. the scale of our operations across stores, ranges, logistics, distribution, repairs and services means that we can continually improve processes to reduce costs We have removed a considerable amount of cost from the business over the last few years by making the business simpler, easier to operate and more efficient; we remain relentlessly focused on managing costs to make our business more efficient
4. Drive our service proposition: we need to be able to stand shoulder to shoulder with our customers and for them to know they can come to our stores and get knowledgeable advice and great service to help them buy the right product They need to be confident that we will solve their problem quickly and efficiently Through our Team Knowhow service brand, we offer our customers services and technical support that can help them with their product throughout its lifetime This is expanded in our second strategic priority We do more than simply sell the product, we will also get it working and keep it working, as well as delivering it, and providing peace of mind through product support and after-sales services The conversations our colleagues have in-store with customers give us an opportunity to explain the benefits of these solutions and sell more of them than our single-channel competition

2. Leverage our scale, our knowhow, and our unique infrastructure to drive growth in after-sales services and support

We continue to expand and strengthen our proposition to customers, our service capability and our relationship with suppliers to underpin and drive even greater advantage in the markets in which we operate.

Growing complexity and interconnectivity of products means that customers are increasingly demanding help and support, not just in choosing the right product, but also installation, connection, support and repair. We aim to position our Team Knowhow services at the forefront of this.

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

We are driven to provide unparalleled expertise and services to help our customers navigate the new digital era. We are focused on improving every possible aspect of the shopping journey We want our colleagues to become famous for service and we want to retain customers for life by having exciting new stores, with the best range at great prices and providing excellent after-sales support and service We are making excellent progress; however, we can continue to make improvements to delight customers and to outpace the competition.

Key Performance Indicators

What we measure[1]	Why we measure	Our performance 2017/18	2016/17
Headline revenue[2],[3]	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 Group's progress against our strategic priority to continue to enhance and drive successful and sustainable retail business models in a multi-channel world	**2017/18** **£10,525m**	2016/17 £10,242m
Like-for-like revenue growth	Like-for-like revenue enables the performance of the Group to be measured on a consistent year-on-year basis	**2017/18** **4%**	2016/17 4%
Market position	In line with the Group's strategy to be the leading specialist electrical and mobile retailer in Europe, this is an important measure of how well customers are being engaged by the Group's brands in each market. Retailing operations should be, or be capable of becoming, the number one specialist electrical or mobile retailer in their market	Market-leading positions in: **UK & Ireland** **Nordics** **Greece**	
Headline EBIT[2],[3]	Continued growth of headline EBIT enables the Group 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 successful and sustainable retail business models in a multi-channel world	**2017/18** **£400m**	2016/17 £516m
Headline profit before tax[2],[3]	Continued growth of headline profit before tax represents a measure of Group performance to external investors and stakeholders against our strategic priorities	2017/18 **£382m**	2016/17 £500m
Free cash flow[2]	The management of cash usage, in particular working capital employed in the business, optimises resources available for the Group to invest in its future growth and to generate shareholder value	**2017/18** **£172m**	2016/17 £178m
Return on Capital Employed (ROCE)[3]	ROCE is a key measure of the efficiency of the capital invested by the Group and the long-term value created for our stakeholders	**2017/18** **18%**	2016/17 22%
Headline basic earnings per share[2],[3] (EPS)	The level of growth in EPS provides a suitable measure of the financial health of the Group and its ability to deliver returns to shareholders each year.	**2017/18** **26.2p**	2016/17 33.5p

(1) Definitions of measurement for Key Performance Indicators are given in the glossary and definitions on pages 163 to 167
(2) Headline performance measures are as defined in the Performance Review on pages 19 to 24
(3) Prior year comparatives restated to remove the impact of businesses to be exited. See notes 1, 4 and 31 to the Group financial statements for details of businesses to be exited and restatement

Principal risks to achieving the Group's objectives

The Group recognises that taking risks is an inherent part of doing business and that competitive advantage can be gained through effectively managing risk. The Group continues to develop robust risk management processes, integrating risk management into business decision-making. The Group's approach to risk management is set out in the Corporate Governance Report on pages 45 to 47 The risks are linked to the strategy and KPIs as outlined on pages 8 and 9. The principal risks and uncertainties, together with their potential impacts and changes in net risk since the last report, are set out in the tables below along with an illustration of what is being done to mitigate them

Risks and potential impacts

Dependence on networks

Risk owner
Managing Director Carphone Warehouse

Risk category:
Strategic

What is the risk?
Failure to identify and respond effectively to *shifting market dynamics* such as network and hardware disintermediation multiplay and regulatory change

What is the impact?
- Reduced revenue and profitability
- Deteriorating cash flow
- Reduced market share

How we manage it
Commercial agreements with all the major MNOs designed to align interests and drive value for both parties The *agreements with the MNOs are reviewed and updated* regularly to ensure they remain sustainable

Changes since last report
This risk has *increased over* 2017/18 due to the need to stabilise our performance in mobile

Dependence on key suppliers

Risk owner
Chief Commercial Officer

Risk category:
Strategic

What is the risk?
The Group is dependent on relationships with key *suppliers to source products* on which availability may be limited

What is the impact?
- Reduced revenue and profitability
- Deteriorating cash flow
- Reduced market share

How we manage it
Continuing to leverage the scale of operations to strengthen relationships with key suppliers and maintain a good supply of *scarce products*

Changes since last report
This risk has remained stable over 2017/18

Impact of Brexit

Risk owner
Group Chief Executive

Risk category:
Strategic

What is the risk?
Economic uncertainty and impact on consumer confidence caused by the decision of the UK to *leave the European Union* ('Brexit')

Longer term changes in regulation and other frameworks that may impact our ability to operate across our European businesses

What is the impact?
- Reduced revenue and profitability
- Deteriorating cash flow
- Reduced market share

How we manage it
- Strategic and business planning
- Long-term credit facilities in place
- Foreign exchange hedging to mitigate impact of currency fluctuation
- Contingency planning to address wider regulatory and legislative changes

Changes since last report
Given the potential for a transition period, the risk has decreased in its immediacy

Greek business

Risk owner
Managing Director Kotsovolos

Risk category:
Strategic

What is the risk?
Economic uncertainty and / or possibility of Greece's *exit from the Euro ('Grexit')* could lead to a deterioration in consumer confidence and disposable income resulting in a significant impact on our Greek business, Kotsovolos

What is the impact?
- Reduced revenue and profitability
- Deteriorating cash flow

How we manage it
- Ongoing monitoring of local political and economic developments
- Focus on optimising business performance and management of costs
- Operation of controls over supplier funding and consumer credit arrangements to reduce risk exposure

Changes since last report
This risk has *remained* unchanged over 2017/18

Principal risks to achieving the Group's objectives

Consumer environment and business model

Risk owner
Group Chief Executive

Risk category:
Strategic

What is the risk?

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 respond effectively to changes in the industry, economic and / or competitor landscape

Failure to respond to changes in consumer preferences and behaviours

What is the impact?
- Reduced revenue and profitability
- Deteriorating cash flow
- Reduced market share

How we manage it
- Focus on the core business and on fewer bigger initiatives
- Stabilise our performance in mobile through improvements to our proposition and network agreements
- Investments in both our customer and colleague propositions
- Continued focus on driving cost improvements through cost-efficiency initiatives and review of store estate
- Differentiation from competitors through strategic partner relationships innovative propositions and high quality customer service

Changes since last report
This risk has increased in 2017/18 given changes to customer behaviours in the mobile sector

Non-compliance with Financial Conduct Authority ('FCA') and other financial services regulation

Risk owner
General Counsel and Company Secretary

Risk category.
Regulatory

What is the risk?
Failure to manage the business of the Group in compliance with FCA regulation to which the Group is subject in a number of areas including the mobile insurance operations of The Carphone Warehouse Limited and the consumer credit activities of DSG Retail Limited

The business also operates under financial services regulations in the Republic of Ireland

What is the impact?
- Reputational damage
- Financial penalties
- Reduced revenues and profitability
- Deteriorating cash flow
- Customer compensation

How we manage it
- Board oversight and risk management structures actively monitor compliance and ensure that the Company's culture puts customer outcomes first
- Approved Persons perform oversight, monitoring of compliance, adherence to policy and monitoring of any required mitigating actions
- Internal committees including a dedicated FCA compliance committee and control structures to ensure appropriate compliance (e g undertaking quality assurance procedures for samples of mobile phone sales) and to react swiftly should issues arise
- Continuous review of the operation and effectiveness of compliance standards and controls, with the development of control improvement plans where required
- Training programmes for colleagues implemented across the retail estate

Changes since last report
This risk has remained stable over 2017/18

Data Protection

Risk owner
Data Protection Officer

Risk category
Regulatory

What is the risk?
Adequacy of internal systems, policy, procedures and processes to comply with the requirements of EU General Data Protection Regulation ('GDPR') which came into effect in May 2018

Major loss of customer colleague, or business sensitive data

What is the impact?
- Reputational damage
- Financial penalties
- Reduced revenue and profitability
- Deteriorating cash flow
- Loss of competitive advantage

How we manage it
- A comprehensive GDPR programme has been executed to put in place appropriate policy, procedures and processes to comply with requirements of GDPR
- Control activities operate over management of customer and employee data in accordance with the Group s data protection policy and processes
- Training programmes for colleagues on requirements for data protection
- Investment in information security safeguards and IT security controls and monitoring

Changes since last report
The risk has increased over 2017/18 with GDPR having come into effect and an increasing external threat environment

Information security

Risk owner
Chief Information Security Officer

Risk category:
Operational

What is the risk?
Vulnerability to attack, malware, and associated cyber risks

What is the impact?
- Reputational damage
- Financial penalties
- Reduced revenue and profitability
- Deteriorating cash flow
- Loss of competitive advantage

How we manage it
- 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 security policy and standards defined and communicated
- Training and awareness programmes for employees
- Audit programme over key suppliers information security standards
- Ongoing programme of penetration testing

Changes since last report
Our overall information security risk position has increased in 2017/18 as a result of a background of an increasing external threat environment

Health and Safety

Risk owner:
Group Property Director

Risk category:
Operational

What is the risk?
Failure to effectively protect customers and / or colleagues and / or contractors from injury or loss of life

What is the impact?
- Employee customer injury or loss of life
- Reputational damage
- Financial penalties
- Legal action

How we manage it
- Group Health and Safety strategy
- Group Health and Safety policy
- Health and Safety management / governance committee
- Comprehensive set of policies and standards supporting continued improvement
- Operational Health and Safety teams located across business units
- Risk assessment programme covering retail support centres distribution and home services
- 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

Changes since last report
This risk has decreased in 2017/18 as a result of continuing action to improve our Health and Safety processes

Business Continuity

Risk owner
Group Chief Executive

Risk category
Operational

What is the risk?
A major incident impacts the Group's ability to trade and business continuity plans are not effective, resulting in an inadequate incident response

What is the impact?
- Reduced revenue and profitability
- Deteriorating cash flow
- Reputational damage
- Loss of competitive advantage

How we manage it
- 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

Changes since last report
This risk has remained stable over 2017/18

IT systems and infrastructure

Risk owner
Chief Information Officer

Risk category
Technology

What is the risk?
Failure to appropriately invest in IT systems and infrastructure, or an inability to effectively integrate IT assets across the Group constrains the Group s ability to grow and / or adapt quickly A key system becomes unavailable for a period of time

What is the impact?
- Reduced revenue and profitability
- Deteriorating cash flow
- Loss of competitive advantage
- Restricted growth and adaptability
- Reputational damage

How we manage it
- Significant investment being made in IT systems and infrastructure across the Group supported by rigorous testing processes
- Ongoing IT transformation to align IT infrastructure to future needs of the business
- 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

Changes since last report
This risk has remained stable over 2017/18

Principal risks to achieving the Group's objectives

Colleague retention and capability

Risk owner
Group HR Director

Risk category
People

What is the risk?
Failure to attract, develop and retain quality and depth of necessary leadership, management and colleague talent

What is the impact?
- Reputational damage
- Reduced revenue and profitability
- Deteriorating cash flow
- Loss of competitive advantage

How we manage it
- Ongoing review to ensure appropriate and effective roles, responsibilities and accountabilities
- Defined and standardised performance management frameworks in place and reward aligned to attract and retain talent
- Long term incentive programme in place for senior management
- Development of appropriate Board succession planning, as set out in the Nominations Committee Report on pages 60 and 62

Changes since last report
This risk has remained stable over 2017/18

Major fraud

Risk owner
Group Chief Financial Officer

Risk category:
Financial

What is the risk?
- Payment card fraud
- Manipulation or misuse of electronic point of sale system and / or other payment systems
- Customer false identity and other 'no intention to pay' frauds in taking out network contracts

What is the impact?
- Reduced revenue and profitability
- Reputational damage

How we manage it
- Fraud prevention and detection controls
- Real-time transaction monitoring
- 24/7 fraud and loss prevention teams
- Customer identity verification and credit checks for network contracts
- Liaison with banks, card providers and MNOs to identify and mitigate opportunities for fraud
- Reporting and oversight by the Audit Committee
- Whistleblowing arrangements and procedures

Changes since last report
This risk has remained stable over 2017/18

Tax liabilities

Risk owner:
Group Chief Financial Officer

Risk category
Financial

What is the risk?
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 Group operates

What is the impact?
- Financial penalties
- Reduced cash flow
- Reputational damage

How we manage it
- Board and internal committee oversight that actively monitors tax strategy implementation
- Appropriate engagement of third-party specialists to provide independent advice where deemed appropriate

Changes since last report
This risk was added to the Group risk profile in 2017/18 as disclosed in the 13 December 2017 interim statement

Performance review

Highlights: 12 months to 28 April 2018

- Group like-for-like revenue[3] up 4%. Statutory revenue up 3%, maintained market leading shares
  - UK & Ireland like-for-like revenue up 2%
  - Strong growth in International; Nordics like-for-like revenue up 9%, Greece like-for-like revenue up 11%
- Group headline PBT[1] of £382 million (2016/17: £500 million)
  - International businesses' EBIT growth of £20m year-on-year. Nordics up £12m, Greece up £8m
  - Gross margins Challenges in UK mobile continued given market and current contractual constraints, UK electricals margin impacted in second half largely by category and channel mix
  - Includes c£25m credit from acceleration of trade balances reconciliation ahead of new system launch
  - Includes a negative £87m year-on-year impact from revaluations and insurance contract terms
  - International businesses' EBIT growth of £20m year-on-year
  - Disposal of honeybee in the period (non-headline item)
- Group headline basic EPS[1] 26.2p (2016/17: 33.5p), statutory basic EPS 14.4p (2016/17: 25.6p)
- Total statutory profit before tax of £289 million (2016/17: £404 million) after non-headline[1] charges of £93 million (2016/17: £96 million)
- Free cash flows[6] of £172 million (2016/17: £178 million) and net debt[7] reduced by £22 million to £249 million
- Final dividend of 7.75p proposed, maintaining full year dividend at 11.25p (2016/17: 11.25p)

Headline results[1]

	Note	Headline revenue[1] 2017/18 £million	2016/17 (restated) £million	Reported rate % change	Local currency[2] % change	Like-for-like[3] % change	Headline profit / (loss)[1] 2017/18 £million	2016/17 (restated) £million
UK & Ireland	(4),(5)	**6,645**	6,735	**(1)%**	**(2)%**	**2%**	**281**	417
Nordics	(5)	**3,470**	3,159	**10%**	**7%**	**9%**	**101**	89
Greece	(4),(5)	**410**	348	**18%**	**13%**	**11%**	**18**	10
Group		**10,525**	10,242	**3%**	**2%**	**4%**	**400**	516
Net finance costs							**(18)**	(16)
Profit before tax							**382**	500
Tax							(79)	(114)
Profit after tax							303	386
Headline basic EPS							26.2p	33.5p

- In the UK & Ireland, like-for-like revenues in the full year improved by approximately 2% as a net result of sales successfully transferred from closed stores and sales disruptions.

Notes.

(1) Headline results exclude amortisation of acquisition intangibles, Merger integration and transformation costs, businesses to be exited, property rationalisation costs, acquisition-related costs and other one-off, non-recurring items, net interest on defined benefit pension schemes and discontinued operations Such excluded items are described as 'non-headline' For further details see notes 4 and 24 to the Group financial statements Comparatives have been restated following the classification of the iD mobile operations in the Republic of Ireland as businesses to be exited, and classification of the Sprint joint venture, Spanish and honeybee operations as discontinued, and are therefore included in non-headline results For further details see note 31 to the Group financial statements

(2) Change in local currency revenue reflects total revenues on a constant currency and period basis

(3) Like-for-like revenue is defined in the glossary on pages 163 to 167

(4) During the year the reportable segments of the Group have been changed and comparatives restated accordingly Restatements are detailed in note 2 to the Group financial statements

(5) UK & Ireland comprises operations in the UK and Ireland, the Dixons Travel business and the B2B operations which leverage the specialist skills operating processes and technology of the Group to provide managed services to third parties looking to develop their own connected world solutions Nordics comprises operations in Norway, Sweden, Finland, Denmark, and Iceland. Greece comprises operations in Greece and for non-headline results, previously disposed operations in the Southern Europe region

(6) Free Cash Flow comprises cash generated from (utilised by) continuing operations before special pension contributions, less net finance expense, less income tax paid and net capital expenditure

(7) Net debt is defined in the glossary on pages 163 to 167

See glossary on pages 163 to 167 for further definitions of terms

Performance review

Headline results

The performance review below refers, unless otherwise stated, to headline information for continuing businesses The basis for the preparation of this information, including restatements due to businesses to be exited, discontinued operations and segmental classification is described above.

Group

Group headline revenue increased 3% in Sterling terms to £10,525 million (2016/17. £10,242 million) and 2% on a local currency basis Like-for-like revenue growth was 4%, reflecting strong performance in Greece and the Nordic region. UK electricals delivered 3% like-for-like growth whilst UK mobile growth remained flat year on year despite a 3% like-for-like decline in the first half

Headline EBIT was down £116 million to £400 million, as increased headline EBIT in our International businesses was more than offset by lower UK & Ireland headline EBIT which included a negative £87 million year-on-year impact from a change in receivables revaluations, changes to customer support agreement cost profiles and insurance contracts as indicated earlier in the year

UK & Ireland

Revenue in the UK & Ireland decreased by 1% to £6,645 million (2016/17: £6,735 million), with like-for-like revenue for the year up 2%, benefiting from sales transfers

Headline EBIT decreased by £136 million to £281 million £46m of this decrease related to the prior year benefit from changes in the cost profile of services provided under long-term customer support agreements (£24 million year-on-year) as well as changes in contractual terms for the sale of third party insurance contracts (£22 million) and a further £41million from the negative impact year on year of revaluations of network receivables. Against this, there was a benefit from a finance systems implementation where we accelerated data reconciliation of trade balances ahead of a new financial system launch (£25 million)

In electricals, with a softer computing market, our category mix during the year shifted towards consumer electronics and white goods, and online sales saw another year of double digit growth, ahead of the market. The combination of channel and product mix effects led to a greater adverse gross margin year-on-year due to the costs of providing home delivery and installation services as well as lower levels of service attachment. In UK mobile, we delivered flat like-for-like sales in a contracting postpay market However, we have maintained our leadership position As seen throughout the year, postpay market conditions and our contractual commitments with the networks have meant that gross margins continued to be challenged, this was partly mitigated by a £16m higher year-on year contribution to network commissions income linked to RPI on mobile consumers' line rental.

Nordics

The Nordic businesses delivered strong performance with 9% like-for-like revenue growth, 7% on a local currency basis and a reported revenue increase of 10% to £3,470 million (2016/17 £3,159 million). Revenue growth was seen across all countries with the Nordic business outgrowing the overall market in consumer electronics, small domestic appliances, computing and, in particular, telecoms. The business also delivered strong online growth of 35% in the year.

Reported headline EBIT growth of 13% to £101 million (2016/17· £89 million) reflects the revenue growth noted above.

In the year we announced the consolidation of our Norwegian brands under the Elkjøp fascia with the removal of the Lefdal brand, we have completed the programme with sales transfers exceeding expectations. We also launched electronic shelf-edge price ticketing in Norway, with benefits better than anticipated and we will roll this out across the other Nordic countries

Greece

Greece has continued to deliver strong results with market share gains across all major categories Like-for-like revenues were up 11%, and revenue on a local currency basis up 13% Greece headline EBIT was £18 million (2016/17: £10 million), benefiting from the increased revenue noted above and cost efficiencies

Net finance costs

Headline net finance costs were £18 million (2016/17. £16 million) The increase in net financing costs reflects lower finance income, with the prior year benefiting from £2 million income on the loan with the Group's investment in the Unieuro operations which was repaid in the prior year.

Tax

The headline effective tax rate for the full year is 21% (2016/17· 22%). The rate is higher than the UK statutory rate of 19% mainly due to higher statutory rates in the Nordics and certain non-deductible items mainly in the UK.

Cash and movement on net debt

Free Cash Flow

	2017/18 £million	2016/17 (restated) £million
Headline EBIT	**400**	516
Depreciation and amortisation	**160**	140
Working capital	**(80)**	(95)
Capital expenditure	**(173)**	(222)
Taxation	**(63)**	(71)
Interest	**(25)**	(23)
Other items	**–**	2
Free cash flow before restructuring items - continuing operations	**219**	247
Restructuring costs	**(47)**	(69)
Free Cash Flow	**172**	178

Free Cash Flow was an inflow of £172 million (2016/17 £178 million), a decrease of 3%

The Group experienced a working capital outflow of £80 million (2016/17: £95 million), largely as a result of increases in stock and debtors in the Nordics to support the strong growth in that market, as well as the finance systems data reconciliation benefit and higher RPI linked network commissions income discussed earlier in this report, both of which increased working capital. Capital expenditure in the period was £173 million (2016/17 £222 million) The year-on-year decrease reflects the increased spend in the prior year on SWAS stores and the refit of the stores as part of the property rationalisation programme offset by increased spend on new IT platforms in the current year The higher levels of capital expenditure in prior years has resulted in an increase in depreciation and amortisation in the current year as these assets have a full year of depreciation associated with them.

Taxation paid in the year reduced from £71 million to £63 million, primarily as a result of the lower taxable profit in the year.

The increase in interest paid is primarily as a result of the interest income in the prior year from the loan with Unieuro as described above.

Restructuring costs primarily comprise the cash costs associated with the transformation activities and the property rationalisation programme noted below within non-headline items.

A reconciliation of cash inflow from operations to free cash flow is presented in note 26c to the Group financial statements.

Funding

	2017/18 £million	2016/17 (restated) £million
Free Cash Flow	172	178
Dividends	(130)	(115)
Acquisitions and disposals including discontinued operations	24	(43)
Special pension contributions	(46)	(43)
Other items	2	19
Movement in net debt	22	(4)
Opening net debt	(271)	(267)
Closing net debt	**(249)**	(271)

At 28 April 2018 the Group had net debt of £249 million a reduction of £22 million from £271 million in the prior year Free Cash Flow was an inflow of £172 million (2016/17 £178 million) for the reasons described above

Dividend cash outflows increased from £115 million in the prior year to £130 million in current year reflecting a year on year increase in FY 2016/17 final dividends approved and paid in the current year and FY 2017/18 interim dividends paid.

Net cash inflows of £24 million from acquisitions and disposals in the current year primarily represents cash received following the sale of the Group's Sprint joint venture and Spanish operations, net of the operating and investing cash flows associated with the now discontinued honeybee operations Prior year cash outflows relate to investment in the Sprint joint venture, cash flows associated with the honeybee operations, acquisition of Simplifydigital and the FONA stores in Denmark, offset by cash receipts in relation to the Group's previously disposed retail operations in Germany.

The pension contributions reflect the agreed deficit reduction plan following the 2016 triennial valuation. Other items primarily relate to foreign exchange movements on net debt.

The average net debt during the year was £405 million (2016/17 £426 million) with the difference between this and the April 2018 position representing the seasonal funding requirements of the Group, particularly over the peak season

Statutory results

Income statement – continuing operations

	2017/18 £million	2016/17 (restated) £million
Revenue	**10,531**	10,247
EBIT	**321**	436
Net finance costs	**(32)**	(32)
Profit before tax	**289**	404
Tax	**(53)**	(97)
Profit after tax – continuing operations	**236**	307
Profit / (loss) after tax – discontinued operations	**(70)**	(12)
Profit after tax for the period	**166**	295
Basic EPS	**20.4p**	26.7p
Diluted EPS	**20.3p**	26.6p

Revenue increased 3% to £10,531 million due to the reasons discussed earlier in this report.

Earnings before interest and tax decreased from £436 million to £321 million in the current period, largely due to the reasons discussed earlier in this report.

Net finance costs are flat compared to prior year at £32 million for those reasons described earlier in this report offset by a reduction in the net interest on defined benefit obligations as a result of the lower opening discount rates year on year

The tax charge decreased from £97 million to £53 million reflecting lower statutory profit in the year. Tax credits on non-headline items increased as a result of the recognition of previously unrecognised deferred tax assets in Greece.

Basic and diluted EPS have both decreased year on year reflecting the lower reported profit after tax

Performance review

Non-headline items

Statutory profit before tax of £289 million (2016/17: £404 million) includes non-headline charges of £93 million (2016/17: £96 million). These charges are analysed below. Further details can be found in note 4 to the Group financial statements.

	2017/18 £million	2016/17 (restated) £million
Businesses to be exited	**(9)**	(10)
Merger and transformation-related costs	**(23)**	(31)
Amortisation of acquisition intangibles	**(32)**	(33)
Property rationalisation costs	**(29)**	-
Acquisition-related costs	**2**	-
Share plan taxable benefit compensation	**2**	(11)
Unieuro income	**10**	5
Total non-headline items before interest and tax	**(79)**	(80)
Net pension interest	**(14)**	(16)
Total non-headline items before tax	**(93)**	(96)
Tax	**26**	17
Profit / (loss) after tax – discontinued operations	**(70)**	(12)
Total non-headline items	**(137)**	(91)

Businesses to be exited in both years relates to the trading losses of the iD mobile operations in the Republic of Ireland.

Costs incurred in relation to the Merger relate to integration costs of £nil (2016/17: £18 million) and transformation costs of £23 million (2016/17: £13 million). All integration related costs were completed in the prior year. Transformational costs relate to both organisational and functional transformation initiatives in the UK and the Nordic region and include third party consultancy costs, redundancy costs and lease exit costs.

The charge for the amortisation of acquisition intangibles was £32 million (2016/17: £33 million) with the decrease due to some of the acquisition intangibles arising on the CPW Europe Acquisition being fully amortised during the prior period.

Unieuro income relates to a special dividend to the Group to distribute the proceeds raised through the 31.8% IPO of its investment in Unieuro on the Milan stock exchange.

Net pension interest was £14 million reflecting the charge incurred in relation to the Dixons Retail UK pension scheme.

Discontinued operations

On 4 May 2018, the Group agreed to sell the honeybee operations through an asset sale, which was completed on 31 May 2018. An impairment of £55 million has been recognised representing the difference between the expected proceeds and the book value of the related assets. The impairment, together with the trading loss recognised during the year of £21 million, materially represent the current year results from discontinued operations. Prior year losses from discontinued operations relate to the Group's share of losses from the Sprint joint venture operations, prior year honeybee trading losses offset by income from the write back of the previously impaired loan to Unieuro, which was repaid in the prior year.

Balance Sheet

	2017/18 £million	2016/17 £million
Goodwill	**3,088**	3,111
Other fixed assets	**872**	973
Working capital	**(96)**	(203)
Net debt	**(249)**	(271)
Tax, pension & other	**(419)**	(555)
	3,196	3,055

The movement in goodwill is primarily due to the disposal of the Spanish operations in the year offset by retranslation of currency denominated balances largely in the Nordics.

Other fixed assets have decreased in the year reflecting the sale of the Group's Spanish operations in the year, the impairment of honeybee associated intangible assets and the reclassification of the residual honeybee assets to assets held for sale as described above.

Working capital has increased in the year by £107 million due to a net increase in stock with higher levels in the Nordics offset by reduced levels in mobile stock, reflecting the changes in trading in both markets in the year, and a further decrease due to the sale of the Group's Spanish operations. This has been offset by increases in mobile commission receivables.

Trade and other payables decreased during the year due to the disposals described above, utilisation of previously recognised provisions, reduction of accruals as a result of the accelerated reconciliation of trade balances previously described in this report partly offset by an increase in trade creditors associated with the increase in inventory.

Net debt has decreased as described above.

Other net liabilities (tax, pension & other) have decreased primarily as a result of the decrease in the IAS19 accounting pension deficit described below, a reduction in income tax payable as a result of lower taxable profits in the year, the sale of the Group's Sprint joint venture operations and a reduction in deferred consideration following current year payments and revaluation, offset by the reclassification of residual carrying value of honeybee assets to assets held for sale as described above.

Cash flow statement

	2017/18 £million	2016/17 £million
EBIT – continuing operations	**321**	436
EBIT – discontinued operations	**(84)**	(19)
Depreciation and amortisation	**204**	186
Working capital	**(91)**	(154)
Other operating cash flows	**(38)**	(86)
Cash flows from operating activities	**312**	363
Acquisitions	**(10)**	(46)
Capital expenditure	**(187)**	(242)
Other investing cash flows	**65**	42
Cash flows from investing activities	**(132)**	(246)
Dividends paid	**(130)**	(115)
Other financing cash flows	**(62)**	(51)
Cash flows from financing activities	**(192)**	(166)
Increase / (decrease) in cash and cash equivalents and bank overdrafts	**(12)**	(49)

The statutory EBIT decrease, dividend cash flows, capital expenditure and working capital outflows in the year are for those reasons previously outlined in this report

Other operating cash flows relate to pension contributions of £46 million, taxation cash flows of £62 million offset by the non-cash impairment of honeybee assets in the year The decrease year on year is principally due to the current year honeybee asset impairment

Acquisition cash outflows comprise £7 million of deferred consideration payments for the acquisitions of Simplifydigital of £5 million and the 'Epoq' kitchen business in the Nordics of £2 million (2016/17: £10 million and £2 million respectively), together with £3 million of capital injected into the US joint venture with Sprint prior to disposal (2016/17: £29 million). The prior year also included £5 million for the acquisition of ten FONA stores in Denmark

Other investing cash flows relate to proceeds received following the disposal of the Group's Spanish operations and the disposal of the Sprint joint venture in the period and additional consideration received in relation to prior period disposals.

Other financing cash out flows of £62 million relate to interest and finance lease payments in the year and repayment of external borrowing The increase in out flows from the prior year relates to repayments of borrowings under the revolving credit facilities of £4 million in 2017/18 and higher interest costs in the current year

Comprehensive income / changes in equity

Total equity of the Group has increased from £3,055 million to £3,196 million primarily reflecting the total statutory profit of £166 million, the gain on retranslation of overseas operations of £8 million and actuarial gain (net of taxation) relating to the defined benefit pension scheme of £71 million offset by the payment of dividends of £130 million

Other matters

Pensions

The IAS 19 accounting deficit of the defined benefit section of the UK pension scheme of Dixons Retail amounted to £470 million at 28 April 2018 compared to £589 million at 29 April 2017. Contributions during the period under the terms of the deficit reduction plan amounted to £46 million (2016/17: £43 million), with future contributions under the current agreement with the Trustees of the fund, of £46 million per annum to be paid until 2028/29, with a further payment of £25 million in 2029/30. The deficit has decreased during the year as a result of changes in market based financial assumptions, primarily the discount and inflation rates.

Dividends

The Board declared an interim dividend of 3 5p per share, in line with last year The interim dividend was paid on 26 January 2018

We are proposing a final dividend of 7.75p per share, maintaining the total dividend for the year at 11 25p per share The final dividend is subject to shareholder approval at the Company's forthcoming Annual General Meeting. The ex-dividend date is 23 August 2018, with a record date of 24 August 2018 and an intended final dividend payment date of 21 September 2018.

Going concern

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position, are set out within this Strategic Report including the risk management section. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are shown in the balance sheet, cash flow statement and accompanying notes to the Annual Report and Accounts.

The directors have reviewed the future cash and profit forecasts of the Group, including seasonal borrowing requirements and available facilities on a monthly basis, which they consider to be based on prudent assumptions. Based on these forecasts, the Directors consider that it is appropriate to prepare the Group financial statements on the going concern basis.

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code 2016, the Directors have assessed the viability of the Group over a period longer than the 12 months covered by the "Going Concern" provision above.

In assessing the viability of the Group, the Directors have considered the Group's current position and prospects, risk appetite, and those principal risks and mitigating actions as described on pages 15 to 18 of the Strategic Report.

The Board concluded that a period of three years was appropriate for this assessment as it is consistent with the period of focus of the annual strategic plans of each

Performance review

business and reflects a period of greater certainty over forecasting assumptions

The strategic plan considers the forecast revenue, EBITDA, working capital, cash flows and funding requirements on a business by business basis, which are assessed in aggregate with reference to the available borrowing facilities to the Group over the assessment period including seasonal cash flow and borrowing requirements on a monthly basis and the financial covenants to which those facilities need to comply. The model assessed by the Directors has been derived from the Board-approved annual Group budget for 2018/19, and the locally approved strategic plans of each business for the remaining two year period These forecasts have been subject to robust stress-testing modelling the impact of a combination of severe but plausible adverse scenarios based on those principal risks facing the Group Examples include the impact of regulation or information security incidents and reduced forecast profitability and cash flow as a result in a significant change in consumer behaviour. The model assumes no further funding facilities are required over and above those currently committed to the Group as disclosed in note 18 to the Annual Report and Accounts.

Based on the results of this analysis, the Directors have an expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of their assessment In doing so, it is recognised that such future assessments are subject to a level of uncertainty and as such future outcomes cannot be guaranteed or predicted with certainty

Humphrey Singer
Group Finance Director
20 June 2018

Corporate Responsibility

Dixons Carphone is committed to high standards of corporate and social responsibility across the Group

We are creating a rewarding place to work and make a positive social impact, while building trust and brand loyalty across all our brands. We operate an ethical business that supports rights and prosperity across our value chain and continually strive for a sustainable environment with minimal waste and optimum efficiency

Live Earth Neutral

In 2017/18 we set out to coordinate activity and improve visibility of our progress through a new sustainability strategy and programme, *Live Earth Neutral*.

Underpinned by key performance indicators across our People, Environment and Social Impact, *Live Earth Neutral* provides a framework to set long term targets and strategy with enhanced reporting.

With stakeholder engagement at its heart, *Live Earth Neutral* is designed to instil a sense of purpose for our people and across all our brands and geographies. The programme facilitates discussion around material issues and enables us to engage and empower employees, encourage grass root idea generation and successful delivery.

LIVE	EARTH	NEUTRAL
The power to build a better future through collaboration, innovation and investment		
People	**Environment**	**Circular economy**
Creating a diverse, happy, healthy and rewarding place to work and do business with	Limiting our effects on the environment and reducing our dependency on finite resources	Championing sustainable business practices and making a relevant, valuable impact within our communities

In March 2018, we signed up to the British Retail Consortium's Better Retail, Better World initiative, pledging to contribute to society, the planet and prosperity through shared knowledge, learning and best practice To cement our participation we incorporated five targets supporting UN sustainability goals into *Live Earth Neutral* covering modern slavery, sustainable economic growth, inequalities, climate change and responsible consumption and production

In 2018/19 we will be responding to the Carbon Disclosure Project ('CDP') questionnaire on Climate Change for the third consecutive year with the aim of leveraging our *Live Earth Neutral* framework to further improve on our scoring. We will use CDP to disclose activity being taken to implement the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD') and will include further details on our approach in future annual reports. Our progress in developing and reporting our Economic Social Governance ('ESG') performance has been recognised by FTSE4GOOD with our inclusion in the FTSE4GOOD UK Index from June 2018 We are also working towards independent ISO50001 energy management system certification.

Dixons Carphone remains an active member of the Government's All Party Corporate Responsibility Group and the British Retail Consortium, engaging on areas such as the Minimum Energy Efficiency Standards ('MEES') regulations.

Approach

Guided by our values and code of ethics, we are building a sustainable, responsible and ethical business through understanding best practice and stakeholder expectations and making sure they are reflected in our business decisions We aim to deliver transformative change through innovation, collaboration with stakeholders as partners, and directly or indirectly investing in initiatives which leverage our unique capabilities to benefit the communities in which we operate

Governance

Live Earth Neutral is driven and delivered by a Working Group made up of subject matter experts who are fully integrated across the business. This work is coordinated by the Head of Corporate Responsibility and supported by a formal sign off process and accountability through a dedicated Committee This comprises a broad mix of people from different levels across the business from Board member, Andrea Gisle Joosen, through to senior managers and store colleagues.

LIVE

Our people are our biggest asset and as a business we are passionate about attracting, recruiting and retaining the best talent to help drive our growth and keep us at the forefront of innovation and outstanding customer experience.

Our priorities

- Making sure stakeholder views and expectations are reflected in our business decisions
- Equality of opportunity across all our employment practices
- Empowering our people and creating experts our customers can trust
- Attracting, retaining and recruiting the best talent to drive our growth
- A healthier and more productive workforce and ensuring optimum levels of energy and resilience
- Recognised as a valued and responsible member of our communities

Organised to deliver

For 2018/19 a new Group Executive Committee ('ExCo') has been established to simplify how we run our business and give clear and consistent direction. To help ExCo shape and deliver our future, a new Group Leadership Team ('GLT') has also been formed consisting of our top 100 leaders Together, we are developing a clear vision to give customers what they value, while making the most of our exceptional strengths and what matters most.

Corporate Responsibility

Learning and development

All new starters follow a 90-day induction plan and every colleague has regular one to one meetings with their managers, as well as twice yearly formal performance reviews to discuss future development and career plans

In 2017/18 we recorded over 300,000 learning hours with over 80% of this completed digitally. A big focus of this activity is to ensure our colleagues are well equipped to deliver our customers a great experience, helping them with product and technology expertise and building great customer relationships. We also run talent and leadership development programmes to progress high achievers and hone management leadership skills

We also encourage colleagues to take accountability for their own development and career planning by giving them access to a host of digital learning content that they can access at a time to suit them.

We expect high standards in our employment practices to strengthen stakeholder trust. Our comprehensive suite of employment policies and procedures includes anti-corruption and bribery, ethical conduct, whistleblowing, working time, young worker and work experience, family friendly guidance, colleague dispute management, as well as diversity and equal opportunities. All colleagues are required to read and digitally acknowledge key company policies, which are continually reviewed

We increased our intake of UK apprentices in 2017/18 from 135 to 267. This follows the introduction of new entry level career programs originating within transport and warehousing. Apprentices are recruited through learning providers, colleges and social media and are employed across many different roles, brands and functions, providing the business with fresh talent. In 2018/19 we will launch a pioneering management retail apprenticeship scheme, enabling participants to earn a degree over a bespoke four year programme.

Our graduate scheme is now well established, with 19 university leavers given the opportunity to establish and grow their careers at Dixons Carphone in 2017/18, through a mix of bespoke training, on the job experience and management coaching.

In 2017/18, we launched Aspire across our services business after a successful introduction to retail in 2016/17. This targeted talent development programme prepares colleagues for their first line manager role and has already resulted in 70% of manager vacancies being filled internally

We are also evolving our approach to developing managers in 2018/19 with improved digital content and a structured programme to better support managers in the critical role they play in keeping our colleagues engaged

Engaging our people

We are committed to open and honest communication across the Group and listen to the views of every colleague through channels such as our annual engagement survey, Make a Difference. Administered externally and in confidence, this balanced scorecard gauges how our people feel about working for the company and is used to monitor and improve performance while helping us to make decisions and recognise success In 2017/18 we recorded an 85% response rate, with engagement remaining the same year on year at 61%.

Colleagues can access news and information through a variety of channels, with an emphasis on collaboration and peer-to-peer communication. 'Workplace' by Facebook provides an intuitive channel for colleague engagement and collaboration

We also continue to produce *360 Magazine* specifically for Team Knowhow and *Connected*, a magazine available online and in hard copy format to all colleagues.

We also have a feedback mechanism collecting input from across the company on sustainability issues and communicating it to the senior management from all retail stores.

Employee Benefits

Our employee benefits packages are continually reviewed to help retain and attract talented individuals. Colleagues are able to build a personal stake in our business with our Sharesave scheme, with 20% of our UK & Ireland workforce currently signed up A new benefits platform will allow colleagues in the UK access to our core company benefits and additional benefits suited to their personal needs and lifestyle, such as childcare vouchers, eye care vouchers and dental plans For 2018/19 we will introduce a new cycle to work scheme to support wellbeing and environmental objectives

Minimum Wage

We pay a minimum hourly rate of £7 20 to all colleagues in the United Kingdom under 21 Colleagues aged 21 and over in the United Kingdom are paid a minimum hourly rate of £7 90 In addition to basic pay we pay location allowance, where applicable, and bonus Salaries for apprentices also exceed the national minimum wage.

Inclusion and Diversity

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

We encourage all colleagues to be their true-self at work as we value the benefits a diverse workplace brings and the importance diversity plays in achieving the right mix of skills, knowledge and experience our organisation needs to reach its potential Diversity in terms of age and gender remains a key priority with network groups and recruitment guidelines in place to support these areas. We also have mentoring programmes, line manager training and a #trueself communication and awareness campaign for all colleagues planned to drive diversity further over the coming year.

Diversity across the Group

Work Level	All Employees		Senior Managers		Directors	
	Number	%	Number	%	Number	%
Male	29,989	69.8	106	75 7	6	75%
Female	12,985	30 2	34	24 3	2	25%
Total	**42,974**		**140**		**8**	

Gender Pay

Making sure colleagues feel valued, are treated fairly and have the same access to opportunities at work is a priority In April 2018, we welcomed new legislation requiring every employer to publish its Gender Pay Gap

Our median pay gap is 6 1% and while significantly lower than the national median pay gap, we are looking more closely at how we attract, recruit and develop colleagues to see how we can improve. In many of our roles, flexible working options attract a diverse range of colleagues who can balance their hours by finding a shift, work pattern or overtime options to suit them, however, we recognise the need to further address our gender balance and are fully committed to designing and implementing a coordinated approach to close our gap

Health, Safety and Wellbeing

Control standards for key risks as well as responsibilities to our customers, colleagues and other stakeholders (franchisees, agency workers, supply chain and contractors) are set out in our Group Health and Safety ('H&S') Policy Compliance with this policy is regularly audited

Through our employee wellbeing strategy, we aim to create a happier, healthier and more productive workforce, while reducing time off through sickness and ensuring optimum levels of energy and resilience

Mental health management training has been introduced for HR Business Partners and all colleagues receive regular updates and information on health, resilience and wellbeing. In addition, ergonomics advice and equipment is provided to prevent musculoskeletal injuries, along with training and protective equipment for installers and delivery teams

Road Safety

Our fleet compliance team works with Health and Safety to ensure all management and drivers are made aware of our policies and procedures regarding precautions for climate-related physical risks, such as extreme weather conditions. To promote safer defensive driving techniques and further improve fuel efficiency, we are installing a new in-cab driver safety alert system We are also members of road safety organisation, Brake, and in the UK participate in national Road Safety Week. Our driver assessors also provide safer driver training in extreme weather conditions and official advice is always heeded as driver safety is always of paramount importance

Britain's Healthiest Workplace

In 2017/18, we achieved 'Most Improved Large Organisation' in the Britain's Healthiest Workplace awards, sponsored by the Financial Times and Vitality Health. Approximately 600 colleagues completed a comprehensive survey, personal to their health and wellbeing at work. The resulting independent report and recommendations have helped us to identify additional ways to protect employee welfare and further improve our ranking in 2018/19.

Corporate challenge initiatives encourage healthy living, while on-site fitness facilities include a gym in our main support centre, shower facilities, secure bicycle storage and restaurants offering a balanced menu and range of healthy nutritionist-approved foods. An Employee Assistance Programme operates 24/7 offering support for a range of issues such as stress, smoking cessation and debt management

Dixons Carphone Race to the Stones 2017

In July 2017, over 2,600 people chose to run, trek or walk along the ancient Ridgeway to Avebury Stone Circle, raising over £310,000 for 166 good causes This included 200 colleagues who raised over £38,000 for our charity partner, The Mix This two-day 100km ultra challenge won 'Best Endurance Race' in the 2018 Running Awards and was shortlisted for a 2018 Corporate Engagement Award.

We also introduced a 'half way hub' where suppliers including Fitbit, Go Pro and Nutri Bullet engaged participants with their latest fitness tech and wellness products We are working with our suppliers to further enhance this experience in July 2018.

Since our headline sponsorship in 2014, this event has raised over £1.15 million for charity.

Ultimate Workplace

For 2018/19 we are building on our successful UK wellbeing initiatives, Average to Awesome and Ultimate Workforce to deliver a 12-week health programme to directly improve the fitness of 100 colleagues across the company and the wider business indirectly using Workplace as an interactive platform to post work out videos and monitor performance. This will be our most innovative and ambitious programme yet, with cutting edge fitness tech being used to gamify and reward wellbeing.

EARTH

We are fully committed to meeting our environmental responsibilities and limiting the impact of our operations in a way that is both practical and economically feasible. Our environmental policy is endorsed by the Board and covers material issues including energy consumption, carbon emissions, supply chain and operational waste. Activities to address each of these areas and our progress this year is contained within this report

Corporate Responsibility

Our priorities

- *Manage our UK energy consumption and corresponding CO_2 emissions for optimal efficiency*
- *Help our customers reduce their environmental impact through improved product knowledge and awareness of services*
- *Range high quality products and services that have minimal adverse environmental impacts at competitive prices*
- *Be industry leading for our Waste Management and Recycling services*

At Group level, we have a formalised enterprise risk management process including climate change as a risk category. At store level, climate change risks are identified as part of business contingency / continuity processes, with the identified risks mainly relating to extreme weather events.

Green energy

From April 2018, 90% of Dixons Carphone properties on the UK Mainland and Northern Ireland are now powered by 100% renewable electricity fully backed by Renewable Electricity Guarantee of Origins ('REGOs') and independently verified.

Energy Management

Thanks to our energy management performance over the last two years, we have achieved our UK energy consumption reduction target. At the end of 2017/18, energy consumption had reduced overall by 33% and corresponding CO_2 emissions by 47% against our 2013/14 baseline year.

UK Energy Consumption Reduction target

Dixons Carphone has an agreed target of reducing its UK energy consumption by 35% by 2020, and corresponding CO_2 emissions 50% (Measured from a 2013/14 baseline, the year prior to the merger between Dixons Retail and Carphone Warehouse)

Our embedded Energy Management Strategy continues to deliver great results, reducing our carbon emissions, while optimising our efficiency and minimising wastage

Through 2017/18, we invested a further £0 5 million in energy efficiency projects, which are forecast to reduce our annual energy consumption by over 1,400 mWh, saving over 500 tonnes of CO_2 emissions per year

Emission savings were also made from reusing canteen cooking oil. In 2017/18 we saved 7.8 tonnes of CO_2e from our operations in London, Warrington and Loughborough

Our solar PV installations allowed us to use over 730mWh of our own solar PV energy in 2017/18 The greatest contribution came from our Newark Distribution warehouse at over 540 mWh where approximately 10% of the buildings energy requirements were provided from the solar PV Another similar sized PV scheme on our second warehouse building in Newark is in an advanced planning stage.

Electric Vehicles

We are championing the use of electric vehicles ('EV') and are in discussions with our company car fleet provider for an EV option. We have also installed EV charging stations at our Acton Head Office and are set to roll out to other offices, starting with Newark, in 2018/19 In addition, we have reviewed our company car policy and capped CO_2e emissions for the fleet making it cleaner, with more vehicles available

Our UK property refurbishment program is delivering solid energy efficiency improvements, with over 25% of our UK retail portfolio using LED technology as the main source of lighting Our exceptions monitoring also continues to perform well across both our legacy Dixons Retail and Carphone Warehouse estate, where this work has helped to mitigate consumption of approximately 2,234mWh through 2017/18. We have also rolled out enhanced strategies to our building management systems for improved efficiencies.

The energy consumption and corresponding CO_2 emissions of our business have reduced year on year. For the UK & Ireland portfolio in isolation, we have achieved a reduction in electricity usage of 3 5% on a like-for-like basis with the largest mWh contribution from retail space down 3.9% LFL The energy consumption for the UK & Ireland portfolio has reduced by 9 3% on an absolute basis.

Total company-wide kWh energy consumption is as follows:

Energy consumption (kWh)	2017/18	2016/17	Change (%)
Electricity	251,225,719	279,189,910	(10.0%)
Gas	30,989,326	30,185,349	2.7%
Fuel Oil	152,322	246,555	(38.2%)
Total	**282,367,367**	309,621,814	(8 8%)

Energy consumption (UK&I)

Energy consumption (kWh)	2017/18	2016/17	Change (%)
Electricity	150,343,973	168,599,606	(10 8%)
Gas	29,775,875	29,882,655	(0.4%)
Fuel Oil	145,962	246,555	(40.8%)
Total	**180,265,810**	198,728,816	(9.3%)

Carbon Emissions

Dixons Carphone plc: Mandatory Greenhouse Gas ('GHG') Report 2017/18

This section provides our emission data and supporting information required by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, Part 7: Disclosures Concerning Greenhouse Gas Emissions.

This report covers the international operations of the Dixons Carphone plc Group, including the UK & Ireland, Nordics and Greece Operations in Spain are not included in 2017/18 as they are no longer part of the company. Spanish operations accounted for 1.4% of emissions in 2016/17.

Operational control has been used to determine organisational boundary All scope one and two emissions are included except where noted The period covered is May 2017 to April 2018.

We are reporting our 2017/18 Scope 2 emissions on a Location and Market basis this year. This will help us accurately report the emissions based on our procurement of 100% green electricity across the UK from April 2018.

The GHG emissions for the Dixons Carphone business are as follows:

Emissions on location basis:

Reporting period 1 May 2017 – 30 April 2018

Category	**Tonnes of CO_2e emitted 2017/18**	*Increase (decrease) %*	Tonnes of CO_2e emitted 2016/17	Tonnes of CO_2e emitted 2015/16	Tonnes of CO_2e emitted 2014/15
Emissions from combustion of fuel[2]	23,178	7	21 698	20 614	19 760
Emissions from purchase of electricity[3]	67,795	(23%)	88 496	109 534	127 607
Emissions from *the operation of* any facility[5]	2,525	5%	2 399	2 797	3 661
Total:	***93,496***	**(17%)**	**112,593**	**132,945**	**151,028**

Emissions on market basis:

Reporting period 1 May 2017 – 30 April 2018

Category	**Tonnes of CO_2e emitted 2017/18**	*Increase (decrease) %*	Tonnes of CO_2e emitted 2016/17	Tonnes of CO_2e emitted 2015/16	Tonnes of CO_2e emitted 2014/15
Emissions from combustion of fuel[2]	*23,178*	7%	21 698	20 614	19 760
Emissions from purchase of electricity[3]	*82,294*	*(33%)*	121 995	146,531	161 965
Emissions from *the operation of* any facility[5]	2,525	5%	2 399	2 797	3 661
Total:	***107,997***	**(26%)**	**146,092**	**169,942**	**185,386**

Intensity measures. The emissions per unit area of occupied space are as follows.

Emissions on Location basis:

	Tonnes of CO_2e emitted per 1,000 ft² *of floor* area[1] 2017-18	Tonnes of CO_2e emitted per 1 000 ft² *of floor* area 2016 17	Tonnes of CO_2e emitted per 1 000 ft² *of floor* area 2015 16
Dixons Carphone plc total	**4 45**	5 33	6 36

Emissions on market basis:

	Tonnes of CO_2e emitted per 1,000 ft² of floor area[1] 2017 18	Tonnes of CO_2e *emitted per* 1 000 ft² of floor area 2016 17	Tonnes of CO_2e *emitted per* 1 000 ft² of floor area 2015 16
Dixons Carphone plc total	***5.14***	6 92	**8.14**

Notes

(1) Overall floor area of the Dixons Carphone business is estimated *to be 21,014,914 ft². This is split between the Dixons Retail* business which is estimated to be 19,648,862 ft² and the overall floor area of the Carphone Warehouse business is estimated to be 1,366,052 ft² Carphone Warehouse floor space now includes back of house areas, contributing to the small increase in this division's floor area since last year

(2) 'Emissions from combustion of fuel', includes a proportion of private cars being used for business travel, which would be classified as Scope 3 It is not practical to exclude this data from the company's expense records so in keeping with the previous years it has been included to provide a conservative view of emissions For *a proportion of our company cars, we moved from using claimed* business mileage to fuel card purchases (litres of fuel) in 2016/17. This is more accurate but has led to a small increase in overall emissions

a We have identified a potential duplication of expenses claims, relating to private car usage for business travel, for previous years This has been removed for 2017/18. This duplication accounted for only 0 3% of total emissions in 2016/17, so previous years have not been restated.

(3) The electricity consumption figure includes Scope 2 generation emissions but not Scope 3 transmission and distribution losses

(4) *Electricity and gas usage is based on supplier bills* Manual gap filling was conducted for April 2018 in the UK & Ireland for smaller electricity supplies, using an average of the consumption year to date This is because this report was due before some electricity and gas bills had been provided by the suppliers. This report does not include electricity consumption through supplies where the landlord procures the energy, which represents only 1% of total energy consumption

(5) Refrigerant data processing methodology and exclusions

a Where refrigerant top-ups are reported, we assume this covers all leakage across the area of the estate under that *contractor's responsibility, so have not estimated leakage* from other units where no top-ups were carried out.

b In previous years, some refrigerant charges for new installations were reported as leakage This practice was stopped for 2016/17 onwards, which accounts for most of the reduction in leakage compared to 2015/16.

(6) The calculations use the methodology set out in Defra's updated greenhouse gas reporting guidance, Environmental Reporting Guidelines (ref PB 13944), issued in June 2013

Water

In collaboration with our Water Bureau and Consultancy Services provider, we delivered a number of water-saving projects in 2017/18, most notably through leak detection and rectification where individual site consumption/m3 is higher than average This is an ongoing project, with approximately 35,000m3 per annum of water savings implemented to date We are close to achieving an additional 10,000m3 of annual savings.

Waste Electrical and Electronic Equipment ('WEEE') Recycling

We are the biggest recycler of waste electricals in UK Retail, recycling 69% of waste electricals collected by all retailers in 2017/18.

We strive to deliver continuous improvements to our recycling and sustainability programme and have several schemes in place to encourage and enable WEEE recycling. Online customers buying white goods or a TV larger than 39" are prompted with the option of having their old *appliance collected for recycling for a small fee* At this point, customers can also click through to our recycling page, which provides details of our free in-store take back which covers all electronics. Our in store sales teams are also trained to inform customers about our collection and *recycling service*

Corporate Responsibility

All recyclables from our stores are backhauled to our national recycling facility at Newark. Our 20 Customer Service Centre depots deliver consistent grades of cardboard, plastic and expanded polystyrene to our recyclers, ensuring minimal transportation and the best return for our material.

We actively encourage our employees to recycle through information campaigns and the provision of recycling facilities at all sites.

Our collective efforts have resulted in 62,000 WEEE tonnes being collected in 2017/18 in the UK, saving an estimated 69,310 tonnes of CO_2. In the Nordics we collected 27,043 tonnes and Greece 2,776 tonnes.

We also work with twelve UK reuse charities and organisations who select WEEE from our Customer Service Centres for repair and sale through our reuse charity partners. Through this operation, we helped 11,470 low income households save an estimated £2,148,976 and 1,177 tonnes of CO_2 in 2017/18. This translates to a reuse percentage of 7%.

End-of-life treatment of sold products

Every three fridges Dixons Carphone recycles save the equivalent of the average car's annual emission.

In 2017 we recycled 331,441 fridges, equating to 110,480 cars.

We collected and refurbished approximately 345,000 phones in the UK in 2017/18.

In 2017/18, our UK operation generated a total of 15,610 tonnes of waste. 85% was diverted for recycling (5% increase on 2016) and 2% to energy recovery. We are currently working on projects within the business to reduce the remaining 13% currently going to landfill down to 0% by end the of 2020.

Reuse and Recycling in Greece

In Kotsovolos, we launched the Second Home (Deutero Spiti) initiative which collects electrical appliances of domestic use, such as fridges and washing machines, that households do not need and would normally dispose and find a 'second home' for them with families that couldn't afford to buy them. Dixons Carphone collects the appliances, checks them, repairs them if needed and then distributes them to their new household.

Recycling initiative

We raise awareness, encourage and facilitate WEEE recycling in three ways:

- We facilitate in-store customer recycling solutions for small electricals, ink cartridges and batteries
- Replacement of electric appliances: We commit to collecting WEEE for every appliance we deliver to replace an old one that no longer works
- Customers in all our markets can have bulky WEEE collected from their homes

Saving at home

Dixons Carphone enables customers in Greece to invest in domestic energy efficiency through providing incentives to low-income families to improve the energy efficiency of their homes through participating in an EU funded programme. The Saving at Home (Exoikonomo kat'oikon) initiative subsidizes up to 70% of the cost of energy efficiency measures.

NEUTRAL

Dixons Carphone strives for continuous, sustainable, improvement throughout our business operation and is committed to ensuring we contribute to society in a mutually beneficial way that uniquely reflects our capabilities.

Under *Live Earth Neutral* we are increasing focus on understanding and managing the impacts within our supply chain. We will look to grow the range of products we sell, that come from ethically and responsibly aware supply chains. We will also consider sustainability performance including energy efficiency, climate change impact, water use or biodiversity impacts when selecting suppliers or renegotiating contracts.

Our priorities:

- *Collaborating with our suppliers to ensure the highest ethical standards*
- *A business and supply chain free of exploitation and forced labour*
- *Distributing our products efficiently*
- *Leveraging our unique capabilities to benefit our communities and be recognised as a valued and responsible member*

Ethical sourcing

Our Ethical Sourcing Policy reflects our commitment to acting with integrity in our business relationships and is based on the Social Accountability 8000 standard, FTSE4Good criteria. We also work closely with organisations such as SEDEX and the British Retail Consortium to ensure our policies and procedures remain relevant.

Our Original Equipment Manufacturer ('OEM') in Hong Kong sources many product types sold under our own or licensed brand names. This well established part of our operation has been subject to ethical auditing and risk assessment for many years. OEM suppliers are required to comply with our strict trading terms and operational procedures, and to implement and enforce effective systems and controls to meet our minimum standards in respect of Health and Safety, wages, working hours, equal opportunities, freedom of association, collective bargaining and disciplinary procedures. Employing forced or child labour is strictly against our terms of operation

Adherence to our policies is monitored by assessors who audit our suppliers prior to selection and on an ongoing basis. Where working practice failures have been identified, we work with suppliers to help them improve their working practices including ethical sourcing, health and safety and quality management. Where this is not possible or no improvements are made, they will not be approved as a supplier or delisted During the year under review, three of the 11 suppliers classified as red failed to make improvements and therefore the Group did not approve them to supply our branded products or they were delisted.

The results of ethical supply chain audits carried out during the period under review are in the table below

Performance indicators 2017/18

	Green	Amber	Red	Total	Delisted not approved
Audit status	14	72	11	97	3

Sustainable Supply Chain

Office supplies for our retail stores in UK and Ireland accounting for more than £3 million for the period 1 March 2017 to 28 February 2018 are supplied by a Level 1 Social Value Quality mark from a Social Enterprise awarded supplier

- 55% of products ordered classified as green products
- 39% easy to recycle and from a sustainable source
- 15% with an environmental accreditation or is sourced / produced in a low carbon way
- 1.5% with multiple environmental accreditation environmental benefits

Modern Slavery and Human Rights

Our Board fully supports the Modern Slavery Act and is committed to combatting slavery and human trafficking

Modern Slavery and Ethical Sourcing policy

We have created our Group's Modern Slavery policy and are actively introducing it to our business, suppliers, agents and other partners with the clear expectation it is universally adhered to

The Group also has an Ethical Sourcing Policy which includes anti-slavery and reflects our commitment to human rights, acting ethically and with integrity in all our business relationships. We require our OEM suppliers to implement and enforce effective systems and controls to ensure slavery and human trafficking is not taking place.

During 2017/18 we mapped our entire operation and are in the process of contacting suppliers in relevant languages and requesting they complete our workers' rights questionnaire so we can better understand the risks of modern slavery and decide where we need to focus our efforts going forward. Our Statement and Policy on Modern Slavery can be found on www dixonscarphone.com

Slave Free Alliance and Bright Future Project

We are proud to be the first retailer to sign up to the Slave Free Alliance, a best practice scheme operated by Hope For Justice which helps to ensure workers providing and producing products and services we sell are not exploited. We are also the first non-food retailer to join the Co-Op led Bright Future project, giving victims of slavery the opportunity for a paid work placement leading to full time employment.

Product and Service responsibility

We continually look for ways to help our customers reduce their environmental impact, through providing low carbon products and offering Waste Electrical and Electronic Equipment ('WEEE') re-use schemes.

In May 2017, we switched our Gift Card material from PVC to sustainable board at no additional cost and estimate this small change will reduce our carbon footprint by 15.6 tonnes within a year.

For 2018/19, a key part of *Live Earth Neutral* is to further improve our product and service knowledge, by engaging suppliers to understand environmental attributes of products and services we sell, including the social and ethical merits of manufacturers. More collaborative programmes are also planned, for example, we are working with Beko and Grundig to donate £200,000 worth of products through our stores to community causes by 2020, while highlighting the environmental and social benefits of their products and operation.

Awards

Our Greece business collected 15 awards in 2017/18 across Best Digital Experience for the opening of Stadiou's Store, to Marketing Excellence, HR and Manager of the Year for CEO Antreas Athanassopoulos.

In the Nordics, Elkjop Customer Centre was awarded Best Customer Service 2018 in the Electronics category.

Corporate Responsibility

Much of our own label range is energy efficient, for example, all of our OEM TV's are rated 'A' or above with 90% of those rated A+ and above. By purchasing our OEM LED light bulbs customers can save on their energy bills or they can make savings through our energy switching service Other energy saving products we sell, such as Nest and Hive. help consumers reduce their environmental footprint

High quality products with minimal adverse environmental impacts
Our own brand large white goods, including fridges, dishwashers, laundry, cookers (both integrated and free standing) are rated as follows
- 98% rated A or better
- 85% rate A+ or better

Own brand TVs:
- 100% rated A or better
- 95% rated A+ or better

Energy efficiency in Greece
Providing access to energy efficient products suitable for local market

Energy efficiency is a major challenge in Greece as it reduces the total cost of property ownership We support our customers through providing them access to a wide range of products including solar water heating systems (panels fitted to roof) or new generation of air conditioners.

Four day VAT-Back for energy efficient TVs in Greece
We help our clients acquire energy efficient TVs VAT-free, which leads to a 24% discount.

Packaging innovation

We recognise the harmful effects excessive packaging can have on our environment and are in the early stages of developing an innovative concept for reusable packaging which we hope will eliminate single use product packaging within our supply chain As well as significantly reducing CO_2 emissions and minimising our impact on the environment, we also anticipate considerable cost savings. We offer our home delivery customers a free packaging recycling service and we are the UKs largest recycler of polystyrene.

In total, over 11,500 tonnes of packaging recycled which is an estimated 13,000 tonnes of CO_2 saved (figures from our waste management agency responsible for all cardboard, plastic, polystyrene and wood recycled across our estate).

Distributing our products efficiently

For 2018/19 we will provide a new fleet of 150 7 2 tonne vehicles to our franchisee partners, who deliver to up to 70% of our customers' homes The fleet is Euro 6 compliant and meets all emissions regulations including the new low emissions zone for London. The new model is an Iveco Daily which will deliver a fuel economy of approx 22 24 mpg. reducing our fuel consumption by approximately 800.000 litres per annum.

We are working with suppliers to investigate alternate fuel commercial vehicles with a view to trialing them by April 2019 and plan to trial electric / hybrid commercial vehicles, vans. 3 5 tonne and 7 5 tonne by April 2019.

All management and drivers are made aware of our policies and procedures regarding precautions to take in extreme weather conditions. We operate in extreme temperatures, high winds and heavy rain, so relevant briefs and mail drops reminding drivers of the necessary vehicle checks, essential equipment and potential risks are regularly issued.

We have procedures in place for dealing with extreme weather, e g. during our peak trading period we take on additional warehousing to hold stock, maintain supply chain efficiencies and cope better with larger quantities of products enabling us to move more efficiently if specific centres cannot be accessed

Community and Social Impact

Every decision we make is driven by insights and our ambition to provide unparalleled expertise and services to help customers and businesses navigate the digital era, while building brand loyalty and trust We are committed to being a responsible member of every community we do business in: whether it is by match-funding employee fundraising, community initiatives or charity partnerships, we leverage our unique capabilities to make a positive impact locally

Volunteering

For 2018/19 we will trial a new volunteering scheme in collaboration with national care and housing charity, Abbeyfield who run 350 homes across the UK. Dixons Carphone and Abbeyfield are well established and both share a passion to remain active and relevant within our local communities. This partnership allows us to leverage our unique assets, e.g skills, experience, products, services and position on every high street, to create bespoke experiences for older residents and spend quality tech time to help them remain independent and well connected, while combatting the effects of loneliness and isolation.

Kotsovolos holds an annual 'Good Deed Day' when teams across Greece agree locally how they will spend a day supporting local causes In 2017, more than 1,160 employees participated in 53 separate volunteering activities

Founding Partner of Heads Together

Dixons Carphone is proud to be one of three Founding Corporate Partners of Heads Together. This mental health initiative of The Royal Foundation, spearheaded by The Duke and Duchess of Cambridge and Prince Harry (The Duke of Sussex), combines a campaign to tackle stigma and change the conversation on mental health with fundraising for a series of innovative mental health services. To date, Heads Together has made a significant progress with tackling stigma. In May 2017, when the campaign was at its peak, 1.5 million more people were talking about mental health, compared to three months earlier. In 2018, The Royal Foundation is rolling out a range of new mental health programmes to ensure that the right help is available to anyone seeking mental health support Our long-term charity partner, The Mix, is one of the eight mental health charities comprising Heads Together

Heads Together will be the main beneficiary of Pennies, which will roll out in Carphone Warehouse stores from June 2018. This digital upgrade of the traditional charity box, will offer customers the opportunity to make a 25p charitable donation when they pay by chip and pin at point of sale. We conservatively estimate a charitable revenue of £100,000 per annum across 300 stores (Phase 1 roll-out) and £520,000 per annum across 1,000 outlets. Longer term, we aim to support our relevant local causes through this fundraising mechanism.

The Mix

We continued our long term support of The Mix (registered charity number 1048995) Just as Dixons Carphone matches customers with the most suitable equipment and services for their needs, The Mix supports the physical and mental wellbeing of young people under 25 across the UK, whatever their issue, through the technology of their choice The Mix operates a free, confidential support service. available 24/7, 365 days a year, via phone, text, web, social media and counselling. In 2017/18 we gave a total of £355,000 gift in kind to The Mix for their office and helpline accommodation as well as legal support services, and fundraising through employee events and initiatives such as our charity dinner which raised £195,878. Our support over 2017/18 has enabled The Mix to help almost 250,000 young people.

The Dixons Carphone Foundation ('Foundation')

The Group operates two charitable foundations, The DSG International Foundation, registered with the Charities Commission, and a Dixons Carphone Foundation fundraising account established under the Charities Aid Foundation ('CAF') for the benefit of the charity or charities selected by Dixons Carphone and approved by CAF

The Dixons Carphone fundraising account was set up post-Merger to deliver our ambition of improving lives through technology and facilitates employee match-funding applications and one-off donations to emergencies and disaster funds. In 2017/18 we gave £83,272 through the Charities Aid Foundation to a wide variety of causes, including £37,186 via our 475 Give As You Earn donors

Elkjøp Foundation

In the Nordics, for 2018/19 we are establishing the Elkjøp Foundation to enable us to develop our own projects and support other established projects / initiatives, with a focus on helping people to "enjoy the amazing world of technology". Funded by Elkjøp, suppliers and sales of branded carrier bags, colleagues, consumers and external institutions will be eligible to apply for grants.

Over Christmas, £63,000 worth of technology was donated to 44 worthwhile causes across the Nordic region. Beneficiaries were wide ranging and included the child cancer treatment unit at Akershus University hospital, Lørenskog, Norway, and Vid Din Sida, a charity that helps elderly homeless people in Stockholm, Sweden

Responding to emergencies

Grenfell Tower

When tragedy struck just two miles from our North Acton headquarters in June 2017, the business responded immediately, sending essential tech including mobile phones, SIMs, power packs, chargers and fans to the scene and pledging 'starter packs' to help displaced families resettle. We were also quick to identify customers based in the tower, compile a product list to support authorities and write off any outstanding debts Our Chairman and Executive Team led fundraising efforts across the business to raise £54,590 to support the mental health of those affected £14,590 was donated to the local Harrow Youth Club, £20,000 to MIND to support fire fighters and £20,000 was given to Place2Be in support of their work with children in three community schools who lost pupils in the fire For 2018/19 we will work with the charity, Electrical Safety First to promote product safety.

Mobiles for Manchester

Following the act of terror on the Manchester Arena on 22 May 2017, we collaborated with The Daily Mail to support the We Love Manchester Emergency Fund, run by the Red Cross to raise funds for families whose lives have been devastated in the wake of the attack. Our Mobiles for Manchester appeal invited the public to drop their old handsets into any of our Carphone Warehouse stores for recycling, raising £118,326 for the provision of practical and professional emotional support.

Other charitable support

We donated over £150,000 worth of gift in kind stock to local Save the Children charity shops. This 'nearly new' stock was generated through our Christmas 2017 'Tech Tree' marketing promotion.

Our B2B & Strategic Partnerships teams have supported 495 charities as well as 1096 schools with over £100k of discount over 2017/2018

Corporate Responsibility

Within UK Retail, we are working with the British Heart Foundation to remove their third party WEEE recycling costs by allowing them to transact directly through us Since January 2018, we have saved the charity £19,000 and plan to roll the scheme out from 20 to all 100 of their stores from July 2018. As part of this partnership we are also looking to facilitate access to defibrillators in our stores

During 2017/18, colleagues also raised thousands of pounds for good causes via a variety of fundraising events and activities For example, colleagues in our Birmingham 3-in-1 store raised over £24,000 for community causes, including Edwards Trust, a charity supporting bereaved families. The store also facilitates a weekly 'Tech Club' for local children

Employees at Sheffield Contact Centre raised over £31 000 for 17 different local and national charitable causes, including a charity that provides life-saving equipment and funds for research at The Sheffield Children's Hospital

Online safety

We took part in a trial with Victim Support and South Wales police to help raise awareness of Child Sexual Exploitation and online safety among children and young people Uniformed police officers joined representatives from Victim Support to train store colleagues and engage customers in four stores. Over two weekends, 120 parents and carers were actively engaged, with leaflets handed out to approximately 7,000 customers and the activity shared with South Wales Police's 113k Twitter followers.

We also continue to work with Child Internet Safety experts, Internet Matters.

Newark Distribution Centre

During 2017/18 Dixons Carphone maintained its positive presence within the local Newark community through a range of employee led social and environmental initiatives Over £51,000 was raised for local charitable causes, including the Guide Dogs and Lincs and Notts Air Ambulance. Colleagues also supported community projects, such as the construction of an eco-greenhouse at Chuter Ede Primary School and renovation works at Beaumond House Hospice Newark is also committed to local employment, and with 4,000 colleagues it is the largest employer in the local Newark area.

Approval of Strategic Report

This Strategic Report was approved by the Board and signed on its behalf by.

Alex Baldock
Group Chief Executive
20 June 2018

Humphrey Singer
Group Finance Director
20 June 2018

Board of Directors

Lord Livingston of Parkhead
Chairman N

Lord Livingston of Parkhead is the Chairman of Dixons Carphone and the Nominations Committee He joined the Board as Deputy Chairman and Non-Executive Director in 2015. He was previously Minister of State for Trade and Investment from 2013 to 2015 and chief executive officer at BT Group plc from 2008 to 2013 Prior to that he was chief executive officer, BT retail and group chief financial officer of BT He is a chartered accountant and previously held the position of chief financial officer of Dixons Group plc between 1996 and 2002, having served in a number of roles over more than a decade with the company He is chairman of Man Group plc, a non-executive director of Belmond Ltd and a trustee of Jewish Care

Tony DeNunzio CBE
Deputy Chairman and
Senior Independent Director N R

Tony DeNunzio CBE is Deputy Chairman and Senior Independent Director of Dixons Carphone Tony is Chairman of the Remuneration Committee and a member of the Nominations Committee He held the position of president and chief executive officer of Asda / Walmart UK from 2002 to 2005, having previously served as chief financial officer of Asda PLC He started his career in the fast-moving consumer goods sector with financial positions in Unilever PLC, L'Oréal and PepsiCo, Inc He was also previously non executive director of Alliance Boots GmbH, chairman of Maxeda Retail Group BV, and deputy chairman and senior independent director of MFI Furniture Group plc (now Howden Joinery Group Plc) He has also been chairman of the advisory board of Manchester Business School and was awarded a CBE for services to retail in 2005 Tony is non-executive chairman of Pets at Home Group Plc, senior adviser at *Kohlberg, Kravis, Roberts & Co L P , and a non-executive director of* PrimaPrix SL.

Alex Baldock
Group Chief Executive D

Alex Baldock joined the Board as Group Chief Executive of Dixons Carphone on 3 April 2018 He was group chief executive of Shop Direct from 2012 to early 2018 Prior to that, Alex was managing director of Lombard (a division of Royal Bank of Scotland), and was commercial director and corporate director at Barclays Bank His earlier career included consultancy roles with Bain & Company and Kalchas

Humphrey Singer
Group Finance Director D

Humphrey Singer has resigned from Dixons Carphone to become *chief finance officer of* Marks & Spencer Group PLC, and will be stepping down from the Board at the end of June 2018 Humphrey was appointed Group Finance Director of Dixons Carphone on 6 August 2014 following the merger of Dixons Retail with Carphone Warehouse He was appointed group finance director of Dixons in September 2011, having joined its board in July 2011 Since joining Dixons in 2007 he has held a number of finance roles, namely finance director of Currys group financial controller, and finance director of the UK & Ireland division Prior to joining Dixons, he held a number of finance roles at Cadbury Schweppes plc and Coca-Cola Enterprises UK Limited, including finance director at the latter. *Humphrey is also a non-executive director of Taylor Wimpey plc*

Jonny Mason
Group Chief Financial Officer Designate

Jonny Mason is expected to join the Board as Group Chief Financial Officer by September 2018 Jonny has been chief financial officer of Halfords plc since 2015 and was interim chief executive officer between September 2017 and January 2018 Prior to that, Jonny was chief financial officer of Scandi Standard AB, chief financial officer at Odeon and UCI Cinemas and finance director of Sainsbury s Supermarkets His early career included finance roles *with Shell and Hanson plc*

Key
- A Audit Committee
- D *Disclosure Committee*
- N Nominations Committee
- R Remuneration Committee

Andrea Gisle Joosen
Independent Non-Executive Director **N R**

Andrea Gisle Joosen was appointed as a Non-Executive Director of Dixons Carphone on 6 August 2014 following the merger of Dixons Retail with Carphone Warehouse. Andrea joined Dixons as a non-executive director on 1 March 2013. Her former roles include chairman of Teknikmagasinet AB, non-executive director of Lighthouse Group, chief executive of Boxer TV Access AB in Sweden and managing director (Nordic region) of Panasonic, Chantelle AB and Twentieth Century Fox. Her early career involved several senior marketing roles with Procter & Gamble and Johnson & Johnson. She is currently a non-executive director of ICA Gruppen AB, James Hardie Industries plc, Mr Green & Co AB and BillerudKorsnas AB.

Jock Lennox [1]
Independent Non-Executive Director **A**

Jock Lennox was appointed as a Non-Executive Director of Dixons Carphone on 6 August 2014 following the merger of Dixons Retail with Carphone Warehouse and is Chairman of the Audit Committee. Jock joined Dixons Retail as a non-executive director on 10 January 2012. He is a chartered accountant and worked for over 30 years (20 years as a partner) for EY (formerly Ernst & Young) in the UK and globally. He retired from EY in 2009 and has subsequently acted as a non-executive director of a number of companies. Jock is the non-executive chairman of EnQuest PLC and Hill & Smith Holdings PLC, a non-executive director of Barratt Developments PLC, and chairman of trustees of the Tall Ships Youth Trust.

Nigel Paterson
General Counsel and Company Secretary **D**

Nigel Paterson was appointed General Counsel and Company Secretary in April 2015. He has a strong background in UK and international telecoms and held several senior legal roles at BT Group plc before joining Dixons Carphone. These included general counsel of BT consumer, head of competition & regulatory law, and vice president and chief counsel for UK and major transactions. Prior to BT, Nigel was engaged as legal counsel at ExxonMobil International Limited. He trained and qualified as a solicitor with Linklaters.

Fiona McBain
Independent Non-Executive Director **A** [2]

Fiona McBain joined the Board as a Non-Executive Director on 1 March 2017. Fiona was chief executive officer of Scottish Friendly Group until December 2016, having joined the company in 1998. She was previously engaged in the finance functions at Prudential plc and Scottish Amicable. She qualified as a chartered accountant with Arthur Young (now EY) in London, working across a number of industry sectors in the UK and then in the US. Fiona is currently chairman of Scottish Mortgage Investment Trust PLC, vice-chair of Save the Children, and a trustee of the Humanitarian Leadership Academy.

Gerry Murphy
Independent Non-Executive Director **A R**

Gerry Murphy is a Non-Executive Director of Dixons Carphone and joined Carphone Warehouse as a non-executive director on 2 April 2014. He is a former Deloitte LLP partner and was leader of its Professional Practices Group with direct industry experience in consumer business, retail and technology, media and telecommunications. He was a member of the Deloitte board and chairman of its audit committee for a number of years and also chairman of the Audit & Assurance Faculty of the Institute of Chartered Accountants in England and Wales. Gerry is senior independent director of Capital & Counties Properties PLC and a non-executive board member of the Department of Health and Social Care.

1 Jock Lennox will be stepping down from the Board with effect from 31 December 2018 and will remain as Audit Committee Chairman until the conclusion of the Annual General Meeting ('AGM') on 6 September 2018.
2 Fiona McBain will take over as Chair of the Audit Committee at the conclusion of the AGM, subject to her re-election by shareholders.

Board skills and experience

Corporate Governance Report

Chairman's introduction

I am pleased to present my introduction to the Corporate Governance section of the Annual Report and Accounts 2017/18. I set out below how the Company is committed to good corporate governance practice and effective stewardship as the foundation of long-term shareholder value creation.

Corporate governance

Good governance is at the heart of any well-run business. Our Board policies, such as diversity, time commitment, the roles of the Chairman, Group Chief Executive and Senior Independent Director, external appointments and external advice are reviewed and refreshed annually. The Board has reviewed our policies and practices against the 2016 UK Corporate Governance Code (the 'Code'), ensuring continuing alignment with best practice.

Changes to the Board

The Board has been streamlined in the last year to enable it to function more effectively. Tim How and Sally Morgan stepped down as Non-Executive Directors at the conclusion of the annual general meeting on 7 September 2017. Andrew Harrison resigned as Deputy Chief Executive and as a Director on 21 December 2017 to become Chairman of The Carphone Warehouse Limited and focus on the challenges in that business.

Sebastian James resigned as Group Chief Executive on 2 April 2018 and left the Company on 27 April 2018. On 10 January 2018, Humphrey Singer notified the Board that he would be stepping down as Group Finance Director at the end of June 2018. Finally, Katie Bickerstaffe stepped down from the Board on 28 April 2018. We are immensely grateful to Sebastian, Humphrey and Katie for their inspiring leadership since the Merger of Dixons Retail and Carphone Warehouse in 2014, and wish all of them well in their new roles.

Alex Baldock joined the Board as Group Chief Executive on 3 April 2018. Alex brings strong retailing and e-commerce experience from his previous role as group chief executive of Shop Direct and we look forward to working with him. On 27 March 2018, the Company announced that Jonny Mason would be appointed Group Chief Financial Officer, with effect from a date to be determined. Jonny brings valuable listed company experience from finance leadership roles in both the UK and the Nordics.

Jock Lennox will be stepping down from the Board with effect from 31 December 2018. Fiona McBain will take over as Chair of the Audit Committee at the conclusion of the Annual General Meeting ('AGM') on 6 September 2018. Jock has made a great contribution to the Company's success, as a valued member of both the Dixons Retail and the Dixons Carphone boards, and as Audit Committee Chairman. On behalf of the Board, I would like to thank Jock for his service over the last six years.

Role and composition of the Board

The members of the Board are as set out on pages 36 and 37 of this Report.

The Nominations Committee reviews each year the composition of the Board, including the independence and commitment to the Company shown by the non-executive directors during the year. That review encompasses all forms of diversity, including gender, professional, international and ethnic diversity. At year end, the Board had two female directors, one of whom is based outside the UK and who provides strong support on matters relating to the European business environment and corporate social responsibility.

After this year's review, it was again concluded that the Board possessed the necessary skills and experience to discharge its duties fully and to challenge management effectively.

As part of the annual reviews, the non-executive directors were asked to confirm that they continue to have enough time to dedicate to Company business and all have formally done so. As a unitary Board, the directors acknowledge their joint responsibility for the business's success. We have clearly differentiated the roles between executive management running the business and our non-executives, who provide the appropriate level of scrutiny and oversight. In this way, the directors work together to challenge as well as support each other with the aim being effective decision-making, leadership and accountability for all aspects of the business.

Development and induction

The directors have continued to widen their knowledge of the business as a whole through formal presentations, visits to stores and facilities, and informal discussions. Alex Baldock participated in a tailored induction programme upon joining the Board, including meetings with management at different levels and visits to sites worldwide. Jonny Mason will take part in a similar, tailored induction programme when he joins the Board.

Board evaluation

The triennial external Board evaluation in 2016 was followed by internal Board evaluations last year and this year. This evaluation involved an in-depth review of the Board's activities and those of its committees, the directors' interaction and their effectiveness in carrying out their roles. Further information can be found on pages 43 and 44.

Committee structure

The main committees of the Board are the Audit, Disclosure, Nominations and Remuneration committees. Each has a dedicated section in this Report. Beneath Board level, the Group Executive Committee delegates actions and reports back to the Board as necessary.

Conclusion

We possess a strong, balanced and diverse Board supported by sound policies and procedures. This provides us with a good framework to support future business success. My fellow directors and I look forward to meeting you at this year's AGM in September.

Lord Livingston of Parkhead
Chairman
20 June 2018

Corporate Governance statement

The Board confirms that throughout the year ended 28 April 2018 and as at the date of this Annual Report and Accounts, the Company has been fully compliant with the Code.

This Report, together with the Directors' Report and the reports from the Audit, Disclosure, Nominations and Remuneration committees, provides details of how the Company has applied the principles and complied with the provisions of the Code during the year The Code can be obtained from the Financial Reporting Council's website. www.frc.org.uk

Board responsibilities

The overriding responsibility of the Board is to provide clear and responsible leadership to the Group, giving due weight to the views of all stakeholders. within a framework of efficient and effective controls so as to allow the key issues and risks facing the business to be assessed and managed

Composition of the Board

At the year end, the Board comprised eight members the Chairman, two executive directors and five non-executive directors, each of whom is determined by the Board to be independent in character and judgement and who provide effective challenge to the Board and the business These independent non-executive directors are Tony DeNunzio CBE, Andrea Gisle Joosen, Jock Lennox, Fiona McBain and Gerry Murphy. More than half the directors (excluding the Chairman, Lord Livingston of Parkhead) are considered to be independent in accordance with the Code.

In accordance with the Code, all directors who remain in office will stand for election or re election at the Company's AGM. Biographical information is shown on pages 36 and 37. Alex Baldock was appointed as Group Chief Executive and joined the Disclosure Committee on 3 April 2018 Jonny Mason will be appointed as Group Chief Financial Officer and will join the Disclosure Committee by September 2018 Both Alex and Jonny will stand for election at the AGM on 6 September 2018

The division of responsibility between the Chairman and the Group Chief Executive is formally defined, set out in writing and is reviewed by the Board on an annual basis, as it was in March 2018 The Chairman is responsible for the overall operation, leadership and governance of the Board. The Group Chief Executive is responsible for the executive management of the Group's business and for implementing the Group's strategic and commercial objectives.

The role of the Senior Independent Director ('SID') is also set out in writing and reviewed annually by the Board, as it was in March 2018 The SID's role is to support the Chairman, be available to any shareholders who feel they are unable to raise issues with the Chairman directly, and to discuss with the Chairman the results of the latter's performance review.

Corporate Governance Report

Board topics considered in the financial year 2017/18

2017

May

- Q4 trading statement
- corporate strategy discussion
- budgetary approval
- internal Board effectiveness review
- Health and Safety
- diversity policy approval
- pension update
- corporate governance review and update
- annual review of conflicts
- Audit and Nominations committees Terms of Reference approval
- Board policies approval
- executive shareholding policy approval

June

- preliminary announcement and annual report and accounts 2016/17
- annual general meeting documents
- final dividend approval
- IT infrastructure
- cyber security
- banking facilities
- EU General Data Protection Regulation ('GDPR') programme plan
- environmental matters
- modern slavery statement approval
- Disclosure and Remuneration committees Terms of Reference approval

July

- investor relations activities
- honeybee update
- competition law update
- tax update
- Delegation of Authority approval
- share dealing code approval

September

- annual general meeting
- risk register review*
- consumer multiplay and energy switching strategies
- talent review and succession planning update
- diversity reporting
- Information Commissioner's Office ('ICO') update
- Payment Card Industry ('PCI') compliance

October

- contracts approval
- network relationships
- property rationalisation
- banking facilities
- ICO update
- insurance update

December

- interim announcement approval
- interim dividend approval
- commercial systems upgrade
- contract approvals
- risk register update*
- GDPR progress update
- FCA training
- Schedule of Matters Reserved for the Board approval
- Nordics strategy session

2018

January

- Christmas trading update guide
- business to business update
- iD Ireland update
- regulatory relationship and oversight
- EU Market Abuse Regulation training
- Disclosure Committee Terms of Reference approval

March

- risk register and risk appetite review*
- commercial systems upgrade
- Nordics update
- honeybee update
- corporate social responsibility ('CSR') update
- diversity policy and reporting
- gender pay gap reporting
- employee engagement
- non-executive director fees
- data protection policy approval
- Delegation of Authority approval

April

- property rationalisation

Standing items

- Carphone Warehouse trading model
- regulated businesses' compliance

Exceptional items covered during 2017/18

- disposal of the Company's Spanish operations
- August trading statement
- appointments and resignations of executive directors

* Topic refers to principal risks on pages 15 to 18

The Board's areas of focus in 2018/19 are expected to include:

- alignment of the Group's purpose, values and culture;
- review of Group strategy and priorities;
- financial and operational performance;
- review of the Carphone Warehouse;
- review of principal risks and risk appetite;
- the implications of Brexit on the Group's activities;
- regulatory compliance;
- IT infrastructure;
- cyber security and data protection;
- leadership and succession planning;
- diversity and inclusion;
- Health and Safety;
- CSR; and
- updates on corporate governance best practice.

Reserved matters

There are documented schedules of matters reserved for the Board and matters delegated to committees of the Board The formal Schedule of Matters Reserved for the Board was last reviewed in March 2018 and includes

- approval of published financial statements dividend policy and other disclosures requiring Board approval;
- declaration of interim and recommendation of final dividends,
- approval of budget and Group strategy and objectives,
- appointment and remuneration of directors Company Secretary and other senior executives
- approval of major acquisitions and disposals,
- approval of authority levels for expenditure
- approval of Group policies,
- approval of treasury / internal control and risk management policies, and
- approval of shareholder communications

Chairman's responsibilities

- manage the Board;
- represent all stakeholders' interests,
- lead the Board in reviewing and approving the Group's strategy, budget and business proposals,
- ensure Board and committee effectiveness;
- promote (with the Company Secretary) the highest standards of corporate governance;
- facilitate effective contributions of the non-executive directors,
- ensure constructive relations between the executive and non-executive directors; and
- oversee induction, development, performance evaluation, and succession planning of the Board

Group Chief Executive's responsibilities

- formulate the Group strategy and direction (with the Chairman) and develop Group objectives,
- deliver Group financial performance;
- provide leadership to the Group and senior management and ensure effective performance and succession,
- identify business development opportunities,
- manage Group risk profile and ensure internal controls and risk mitigation measures are in place;
- represent the Company with key stakeholders,
- oversee the operational and support functions, and
- set standards of performance throughout the Group.

Senior Independent Director's responsibilities

- be available to communicate with shareholders,
- appraise the performance of the Chairman annually;
- oversee an orderly succession for the position of Chairman;
- support the Chairman in the performance of his duties; and
- work with the Chairman, other directors and shareholders to resolve significant issues and to maintain Board and Company stability in periods of stress

Board attendance

The Board attended eight scheduled meetings and one unscheduled meeting during the period under review. The Board has met three times since the year end

Member	Appointed	Resigned	Attendance
Alex Baldock[1]	3 Apr 2018		1 of 1
Tony DeNunzio CBE			8 of 8
Andrea Gisle Joosen[2]			7 of 8
Jock Lennox			8 of 8
Lord Livingston of Parkhead			8 of 8
Fiona McBain[3]			7 of 8
Gerry Murphy			8 of 8
Humphrey Singer			8 of 8
Former directors[4]			
Katie Bickerstaffe		28 Apr 2018	8 of 8
Sir Charles Dunstone		30 Apr 2017	0 of 0
Andrew Harrison		21 Dec 2017	6 of 6
Tim How		7 Sep 2017	4 of 4
Sebastian James		2 Apr 2018	8 of 8
Baroness Morgan of Huyton		7 Sep 2017	4 of 4

(1) Alex Baldock attended the only Board meeting following his appointment
(2) Andrea Gisle Joosen was unable to attend one Board meeting due to medical reasons.
(3) Fiona McBain was unable to attend one Board meeting due to a commitment that was planned before she joined the Board and could not be changed
(4) Former directors attended all Board meetings (if any) prior to their respective resignations.

Corporate Governance Report

Committee members

There are four main Board committees: Audit, Disclosure, Nominations and Remuneration. The committees are provided with sufficient resources via the Company Secretary and, where necessary, have direct access to independent professional advisors to undertake their duties

	Audit (pages 51 to 58)	Disclosure (page 59)	Nominations (pages 60 to 62)	Remuneration (pages 63 to 91)
Lord Livingston of Parkhead(1)			Chairman	
Tony DeNunzio CBE(2)			Member	Chairman
Andrea Gisle Joosen			Member	Member
Jock Lennox	Chairman			
Fiona McBain(3)	Member			
Gerry Murphy(4)	Member			Member
Humphrey Singer		Chairman		
Alex Baldock(5)		Member		
Nigel Paterson		Member		
Former directors				
Sir Charles Dunstone(1)				
Tim How(6)				
Sebastian James(7)				
Baroness Morgan of Huyton(6)				

(1) Lord Livingston of Parkhead succeeded Sir Charles Dunstone as Chairman of the Nominations Committee following the latter's resignation from the Board on 30 April 2017 Lord Livingston was Chairman of the Remuneration Committee until 30 April 2017, and was a member of the Disclosure Committee between 27 June 2017 and 6 November 2017.
(2) Tony DeNunzio CBE succeeded Lord Livingston as Chairman of the Remuneration Committee on 30 April 2017
(3) Fiona McBain was appointed to the Audit Committee on 7 September 2017
(4) Gerry Murphy was appointed to the Remuneration Committee on 9 May 2017
(5) Alex Baldock was appointed to the Disclosure Committee upon his appointment to the Board on 3 April 2018
(6) Tim How and Baroness Morgan stepped down from the Board and committees at the conclusion of the annual general meeting on 7 September 2017
(7) Sebastian James was a member of the Disclosure Committee until his resignation from the Board on 2 April 2018

Board governance matters

The Chairman is responsible for ensuring that all directors are properly briefed on issues arising at Board meetings and that they have full and timely access to relevant information. The Company uses an electronic board paper system which enables the safe and secure dissemination of quality information to the Board All Board and committee papers are sent out on a timely basis with sufficient information for the directors to be able to discharge their duties The format, content and timely production of Board papers is a continually evolving process to ensure relevance and clarity of communication Formal minutes of the Board and committee meetings are prepared by the Company Secretary, or his nominee, and approved by the Board and committees at their next meeting.

The Chairman maintains regular communications with the non-executive directors, both between meetings and at Board dinners, which are usually held on an evening prior to a Board meeting. This provides the opportunity to discuss, amongst other matters, corporate strategy and business performance

Board meetings are usually held at the Company's head office and occasionally at other Group locations, to assist all Board members in gaining a deeper understanding of the business and to provide senior management across the Group with the opportunity to meet the Board. This year, a Board meeting was held in Sheffield, UK. Visiting our various operational locations also enables the Board to meet other members of the team, and to visit stores throughout the business's portfolio.

New directors appointed to the Board receive a personal induction programme, together with guidance and training appropriate to their level of previous experience. Each director is given the opportunity to meet with senior management and store colleagues and to visit the Group's key sites This enables familiarisation with the businesses, operations, systems and markets in which the Group operates New directors are also encouraged to meet with the Group's auditor and advisors.

As a newly appointed Executive Director, Alex Baldock was given an individual induction programme tailored to his responsibilities and past experience Jonny Mason will take part in a similar, tailored induction programme when he joins the Board

A typical induction programme includes the following elements, as appropriate for each individual director:

Training and information provided	People to meet
Business and strategy • business model and strategy • markets and competitive landscape • overview of each business area • opportunities **Finance and audit** • finance, treasury and tax overviews • current financial position and future projections • budget • accounting issues • audit report and findings • risk and internal controls **Investor relations** • shareholder base and communications • analyst coverage and perspectives • communication policies **Governance** • overview of committees • UK Corporate Governance Code and other best practice guidance • UK listed company requirements • directors' duties	• directors • committee chairpersons • General Counsel and Company Secretary • members of the Group Executive Committee • senior management, including the Head of Internal Audit and the Group IT Director • members of the external audit team • store and distribution centre colleagues **Sites to visit** • various stores and operational locations around the Group

In accordance with the Code's requirement for directors to regularly update and refresh their skills and knowledge, training is provided as appropriate to individual directors and to the Board as a whole. The Board receives regular updates on governance, compliance and company knowledge in the form of training sessions from external advisors and in-house briefings from senior management The Board has set aside time on the current Board agenda as appropriate for these training and briefing sessions to occur.

Succession planning

In recent years, succession planning has been identified as an area where greater focus is required This was addressed in the refreshing of the Board, including the appointment of a new Group Chief Executive and Group Chief Financial Officer Planning continues for the future. In seeking an optimal balance of skills, experience, independence, knowledge and diversity required at Board level, the directors endeavour to satisfy themselves that adequate plans are in place to ensure an orderly succession of appointments to the Board and senior management The Board reviewed in detail succession and talent management plans for senior management at the September 2017 Board meeting.

Performance evaluation

The Code recommends that the performance of the Board be reviewed externally every three years The last external evaluation of the Board was carried out in 2015/16

This year, the Company Secretary facilitated an internal evaluation of Board performance and that of the Audit, Nominations and Remuneration committees The Disclosure Committee will be individually evaluated as part of the externally facilitated Board evaluation next year.

The review examined the level of skills, knowledge and experience of the Board which involved all directors responding to questionnaires about themselves, the Chairman, the Board, and its committees. A summary of the results together with anonymised comments, was collated into a comprehensive report. The Company Secretary submitted the draft report to the Chairman and presented it to the Board for consideration at its May 2018 meeting.

The report addressed all matters relating to the performance of the Board which included, but were not limited to, the roles of the executive and non-executive directors, the Board, committees, preparation for and performance at meetings, the effectiveness of each director and the Chairman, leadership, culture, strategy and corporate governance. The report also included a year-on-year comparison showing to what extent the areas identified for further focus in the 2016/17 report had improved. The results of this comparison are included in the table on the next page

The Board is of the opinion that the Chairman had no other commitments during the year that adversely affected his performance in his role, that his effectiveness in leading the Board was not impaired and that he cultivated an atmosphere for positive, challenging and constructive debate Following the results of the evaluation, the Board confirms that all directors, including the Chairman, continue to be effective and demonstrate commitment to the role, including having time to attend all necessary meetings and to carry out other appropriate duties.

The conclusion of the evaluation was that there were no major areas for action Some of the themes identified for further improvement, together with agreed associated actions, are set out in the table below:

Key areas of focus in 2017/18	*Actions for implementation (from annual report and accounts 2016/17)*	*Change from 2016/17 to 2017/18*	*Actions for implementation in 2018/19*
1 Board composition, succession planning and talent management	• continuing to focus on diversity in all its forms including diversity of thought • reinforcing the pipeline of future appointments of the Board and senior management	• more time was spent at both Board and Nominations Committee meetings in 2017/18 discussing succession planning, talent management and diversity • succession planning has been evident across key roles including several Board and executive appointments	• continuing to focus on diversity in all its forms, including ethnic diversity • reinforcing succession and talent planning for senior management, including providing more opportunities for Board interaction
2 Stakeholder management and customer engagement	• considering how best to utilise key performance indicators to aid and encourage further discussion	• key performance indicators measures and targets are currently being reviewed to align with the Group's refreshed strategy	• ensuring that Board sessions during the course of the year cover all key stakeholder groups
3 Format of Board meetings	• committing more time to strategy discussions • further increasing the frequency of informal non-executive director discussions	• the Board is in the process of refreshing the Group's vision and strategy following the appointment of new executive directors and senior management • the Board schedule now includes more informal non-executive director meetings and dinners	• lengthening Board meetings to allow more time for strategy discussions and other topics
4 Company vision and values	• scheduling more frequent Board discussions dedicated to this topic	• the Board scheduled more time within the Board agenda in 2017/18 for this topic	• working with the new Group Chief Executive to re-define the Company's vision and values
5 Corporate Social Responsibility ('CSR')	• greater focus on CSR topics in the Board schedule	• the Board had an extended session on CSR topics this year and provided the support required to set up the new sustainability strategy and programme *Live Earth Neutral* further details of which can be found on pages 25 to 34	• spending more time on CSR initiatives under the guidance of the new *Live Earth Neutral* committee, which is attended by a non-executive director
6. Devoting more time to reviewing lessons learnt from previous decisions	• N/A – new this year		• committing more time to reviewing previous decisions to ensure 'lessons learned' are captured • ensuring that debriefs are provided to the Board as appropriate on key projects

Capital and constitutional disclosures

Information on the Company's share capital and constitution required to be included in this Corporate Governance statement is contained in the Directors' Report on pages 48 to 50 Such information is incorporated into this Corporate Governance statement by reference and is deemed to be part of it

Risk and internal controls

Committed to effective risk management

The Board has overall responsibility for the Group's system of risk management and internal control, and for reviewing its effectiveness.

Effective risk management requires collective responsibility and engagement across the entire business Dixons Carphone's senior management team, operating through the Group Risk & Compliance Committee, is accountable for:

- identifying, mitigating and managing risk in their areas of responsibility,
- implementing and monitoring controls which are designed to mitigate the risks to which their area of the business is exposed The controls by their nature are designed to manage rather than eliminate risk and can only provide reasonable but not absolute assurance against material misstatement or loss, and
- ethical and policy compliance.

The system of risk management and internal control

Dixons Carphone's system of risk management and internal control consisted of a number of components, which are described below.

Framework		Activities
The Board and its various sub-committees have defined • a delegation of authorities that cascades throughout the Group, and • the risk appetite which sets out the boundaries within which risk-based decision-making can occur and outlines the expectations for the operation of the control environment.	The Board	The Group Risk & Compliance Committee meets quarterly and reports to the Audit Committee to review the management of risk arising out of the Group's activities and to monitor the status of key risks and actions at Group and business unit level.
Senior management undertakes • annual business planning. • objective setting and performance reviews, and • establishes the policy framework for the business	Senior Management	Quarterly business reviews covering financial and operational performance by each business unit, which involved comparison of actual results with the original budget and the updating of a full year forecast.
A risk management policy and framework which outlined the principles and approach to risk management within the business	Risk Management	The Group risk process which identifies the principal risks faced by the business, their potential impact and likelihood of occurrence (assessed on a gross and net basis), together with an evaluation of the key controls and risk mitigation plans. Each business unit operates a risk management process in accordance with the risk management framework and maintains a risk register.
A 'How We Do Business' framework and Minimum Control Standards that outline the requirements of the control environment that each business unit has to follow	Internal Control	An annual control self assessment over operation of the Minimum Control Standards. There are ongoing control improvements to enhance control design and effectiveness.
Control procedures operate over the Company's operations and IT general controls. Fraud and loss prevention operates across our retail online and logistic activities	People, process and procedures	Training is provided to colleagues to cover their risk and compliance obligations. A 24/7 whistleblowing hotline enables colleagues to report breaches of ethics or policy.
An internal audit function and an annual plan approved by the Audit Committee	Assurance	Internal audit executed the annual audit plan. External audit conducted statutory audits of the Group's financial statements

Corporate Governance Report

Group Risk Management Structure

The diagram above shows the governance structure in place over the Group's risk management activities, as at 28 April 2018.

From 1 May 2018, the membership of the Group Executive Committee ('ExCo') was reconstituted to comprise:

- Group Chief Executive;
- Group Finance Director;
- Chief Customer Officer and CEO Financial Services;
- Chief Commercial Officer;
- Chief Operations Officer,
- Managing Director, Carphone Warehouse;
- Group HR Director;
- Strategy & Transformation Director,
- IR, PR & Corporate Affairs Director
- CEO International, and
- General Counsel and Company Secretary.

The members of the Group ExCo now comprise the Group Risk & Compliance Committee.

Statement on risk management and internal control

The system of risk management and internal control described above was in place and effective throughout the period under review and up to the date of approval of the Annual Report and Accounts ('ARA') 2017/18

The effectiveness of these systems is regularly monitored and reviewed by the Audit Committee and the systems refined as necessary to meet changes in the Group's business and associated risks The system of risk management and internal control can only provide reasonable and not absolute assurance against material errors, losses, fraud or breaches of laws and regulations

The Board also monitors the Company's system of risk management and internal control, and conducts a review of its effectiveness at least once a year. This year's review covered all material controls during the year and up to the date of approval of the ARA 2017/18, which were approved by the Audit Committee and the Board.

The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A description of these risks, together with details of how they are managed or mitigated, is set out on pages 15 to 18.

Risk appetite

Dixons Carphone faces a broad range of risks reflecting the business environment in which it operates The risks arising from the Dixons Carphone business environment and operating model can be significant. Successful financial performance for the business is achieved by managing these risks through intelligent decision-making and an effective control environment that details the processes and controls required to mitigate risk.

Dixons Carphone's general risk appetite is a balanced one that allows taking measured risk as the Company pursues its strategic objectives, whilst aiming to manage and minimise risk in its operations Dixons Carphone recognises that it is not possible or necessarily desirable to eliminate all of the risks inherent in its activities. Acceptance of some risk is often necessary to foster innovation and growth within its business practices.

Internal audit

The Group has an internal audit department which conducts audits of selected business processes and functions each year. The Group's internal audit plan set out the internal audit programme for 2017/18, which was prepared taking into account the principal risks across the Group and input from management and the Audit Committee The three-year rolling assurance plan is designed each year to test the robustness of financial and operational controls and determine whether operating procedures are designed and operating effectively. The Committee approves the internal audit plan and considers the alignment of the audit plan with the principal risks faced by the Group as part of its approval process.

The Audit Committee Chairman receives and reviews all reports from the internal audit department detailing its material findings from testing performed and any recommendations for improvement The Audit Committee receives a summary of these reports at each meeting, with the full reports available to all members on request The internal audit team tracks and reports on the progress and implementation of action plans agreed with management Once closed, the action plans agreed with management are eligible for follow-up procedures to determine whether new controls and / or procedures have been implemented effectively.

The Audit Committee considered the effectiveness of the internal audit department by holding discussions with management and external auditors, considering the quality of reports submitted, the timeliness of the clearance of action points and the perceived impartiality of the internal audit team The Committee concluded that the internal audit department has in all respects been effective during the period under review

Authorisation of conflicts of interest

The Company has procedures in place to identify, authorise and manage conflicts of interest, and these procedures have operated effectively Potential conflicts are approved by the Board, or by two independent directors if authorisation is needed quickly, and then reported to the Board at its next meeting A register of directors' conflicts is maintained.

Communication with investors

The Board supports the initiatives set out in the Code and the UK Stewardship Code and encourages regular engagement with both existing and potential institutional shareholders and other stakeholders It believes that it is important to explain business developments and financial results to the Company's shareholders and to understand shareholder concerns The principal communication media used to impart information to shareholders are news releases (including results announcements), investor presentations and Company publications

The Group Chief Executive has principal responsibility for investor relations. He is supported by a dedicated investor relations department that, amongst other matters, ensures there is a full programme of regular dialogue with major institutional shareholders and potential shareholders as well as sell-side analysts throughout the year In all such dialogue, care is taken to ensure that no price-sensitive information is released.

The Chairman ensures that the Board receives updates on investor relations matters at each Board meeting. The Board also receives periodic reports on investors' views of the performance of the Company. The Chairman and non-executive directors are available to meet with major shareholders if such meetings are required, and the Chairman of the Remuneration Committee communicates with major shareholders on matters of remuneration.

The Company is committed to fostering effective communication with all of its members, be they institutional investors, private or employee shareholders. The Company communicates formally to its members when its full year and half year results are published. These results are posted on the 'Investors' section of the corporate website, as are other external announcements and press releases.

The annual general meeting is an important medium by which the Company communicates with shareholders, at which an account of the progress of the business over the last year, along with a review of current issues facing the business, is given. Shareholders are encouraged to ask questions and the directors, including the Chairmen of the Board committees, are in attendance to answer them. In accordance with the Code, formal notification of the Company's annual general meeting is sent to shareholders at least 20 working days in advance of the meeting.

Further financial and business information is available on the Group's corporate website, www.dixonscarphone.com.

Lord Livingston of Parkhead
Chairman
20 June 2018

Directors' Report

Corporate Governance statement

As required by Rule 7.2 1 of the Financial Conduct Authority ('FCA') Disclosure Guidance and Transparency Rules ('DTR'), the Corporate Governance statement is set out on page 39 of this Annual Report and Accounts ('ARA') All information detailed in the Corporate Governance statement is incorporated by reference into this Directors' Report and is deemed to form part of this Directors' Report

Disclosure Guidance and Transparency Rules

For the purposes of DTR 4.1 5R(2) and DTR 4 1 8, this Directors' Report and the Strategic Report on pages 2 to 34 comprise the management report

Employee involvement

The Group places significant emphasis on its employees' involvement at all levels of the organisation Employees are kept informed of issues affecting the Group through formal and informal meetings and through the Group's internal publications. The management team regularly communicates matters of current interest and concern with employees. Further information on employee engagement is included in the Corporate Responsibility report on pages 25 to 34. Details of the employees' involvement in the Group's share plans are contained in the Remuneration Report.

Employment of disabled people

The business is committed to providing equal opportunities in recruitment, training and development, and promotion. We encourage applications from individuals with disabilities who can do the job effectively and candidates will be considered for each role for which they apply All efforts are made to retain disabled colleagues in our employment including making any reasonable re-adjustments to their roles. Every endeavour is made to find suitable alternative employment and to re-train any employee who becomes disabled while serving the Group.

Information on greenhouse *gas emissions*

The information on greenhouse gas emissions that the Company is required to disclose is set out in the Corporate Responsibility report on pages 28 and 29 This information is incorporated into this Directors' Report by reference and is deemed to form part of this Report

Donations

No political donations were made during the period by the Group.

Directors

Gerry Murphy was appointed to the Remuneration Committee on 9 May 2017 Lord Livingston was appointed to the Disclosure Committee on 27 June 2017, and stepped down from the Committee on 6 November 2017. Baroness Morgan and Tim How stepped down from the Board at the conclusion of the annual general meeting on 7 September 2017. Andrew Harrison stepped down as Deputy Chief Executive and from the Board on 21 December 2017 to become Chairman of The Carphone Warehouse Limited

Alex Baldock was appointed as Group Chief Executive and a director on 3 April 2018 Sebastian James resigned on 2 April 2018, and left the Company on 27 April 2018 to join Walgreens Boots Alliance as senior vice president, and president and managing director of Boots.

On 10 January 2018, Humphrey Singer notified the Board that he would be stepping down as Group Finance Director to take up the position of chief finance officer at Marks & Spencer Group PLC On 27 March 2018, the Company announced the appointment of Jonny Mason as Group Chief Financial Officer, with effect from a date to be determined*

On 6 April 2018, Katie Bickerstaffe informed the Board of her decision to step down from the Board to take up the position of chief executive designate at the new energy supply business recently announced by SSE plc and Innogy SE Katie stepped down from the Board on 28 April 2018 and will be taking up her new role at a date to be determined later this year.

Jock Lennox will be stepping down from the Board with effect from 31 December 2018. Fiona McBain will take over as Chair of the Audit Committee at the conclusion of the Annual General Meeting ('AGM') on 6 September 2018.

The names, biographies and dates of appointment of the current Board of Directors are provided on pages 36 and 37.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association ('Articles'), the UK Corporate Governance Code (the 'Code'), the Companies Act 2006 (the 'Act') and related legislation

The Articles themselves may be amended by special resolution of the shareholders The Board has the power to appoint new directors to fill a vacancy as long as the total number of directors does not exceed the maximum of 15 as set out in the Articles. Any director appointed by the Board will be appointed until the next annual general meeting where they shall stand for election by shareholders.

* From 21 May 2018 until Jonny Mason joins the Company, Clare Pettitt is *Interim Group Chief Financial Officer* (though not a director of the Company)

In line with best practice and the Code, the Company has determined that all directors will retire and offer themselves for election or re-election on an annual basis. The Remuneration Report provides details of applicable service agreements for executive directors and terms of appointment for non-executive directors. All the directors proposed by the Board for either election or re-election are being unanimously recommended for their skills, experience and contribution they can bring to the Board. This recommendation follows an internal performance evaluation of the Board, its committees, and the contribution of individual directors.

During the year, no director had any material interest in any contract of significance to the Group's business. Their interests, including those of any connected persons, in the shares of the Company are outlined in the Remuneration Report.

Subject to the Company's Articles, the Act and any directions given by the Company by special resolution, the business of the Company will be managed by the Board which may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. The matters reserved for the Board are detailed in a specific schedule, which is reviewed annually and details are provided in the Corporate Governance Report.

Directors' indemnities and insurance

The Company has made qualifying third-party indemnity provisions (as defined in the Act) for the benefit of its directors during the year: these provisions remain in force at the date of this Report.

In accordance with the Articles, and to the extent permitted by law, the Company may indemnify its directors out of its own funds to cover liabilities incurred as a result of their office. The Group holds directors' and officers' liability insurance cover for any claim brought against directors or officers for alleged wrongful acts in connection with their positions, to the point where any culpability for wrongdoing is established. The insurance provided does not extend to claims arising from fraud or dishonesty.

Information required by Listing Rule 9.8.4R

Details of long term incentive schemes as required by Listing Rule 9.4.3R are located in the Directors' Remuneration Report on pages 63 to 91. Details of dividends waived by shareholders are given on page 50 of this Directors' Report. There is no further information required to be disclosed under Listing Rule 9.8.4R.

Directors' responsibilities

The directors' responsibilities for the financial statements contained within this ARA and the directors' confirmations required under DTR 4.1.12 are set out on page 92.

Capital structure

The Company's only class of share is ordinary shares. Details of the movements in issued share capital during the year are provided in note 22 to the Group financial statements. The voting rights of Dixons Carphone shares are identical, with each share carrying the right to one vote. Dixons Carphone holds no shares in treasury.

Details of employee share schemes are provided in note 5 to the Group financial statements. As at 28 April 2018, the Dixons Carphone plc Employee Benefit Trust ('EBT') held 650,721 shares. The EBT did not undertake any market purchases of the Company's shares during the year under review.

Restrictions on transfer of securities of the Company

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Change of control – significant agreements

All of the Company's share incentive scheme rules contain provisions which may cause options and awards granted under these schemes to vest and become exercisable in the event of a change of control.

The Group's main committed borrowing facility has a change of control clause whereby the participating banks can require the Company to repay all outstanding amounts under the facility agreement in the event of a change of control. There are a number of significant agreements which would allow the counterparties to terminate or alter those arrangements in the event of a change of control of the Company. These arrangements are commercially confidential and their disclosure could be seriously prejudicial to the Company.

Furthermore, the directors are not aware of any agreements between the Company and its directors or employees that provide for compensation for loss of office or employment that occurs in the event of a takeover bid.

Corporate Governance

Directors' Report

Significant shareholdings

As at 28 April 2018, the Company had been notified of the following voting interests in the ordinary share capital of the Company in accordance with Chapter 5 of the FCA's DTR. Percentages are shown as notified, calculated with reference to the Company's disclosed share capital as at the date of the notification.

Name	Number of shares	Percentage of share capital
Standard Life Aberdeen	162,450,169	14 03%
Sir Charles William Dunstone CVO	126,965,305	10.96%
Ruffer	62,845,115	5 43%
Lansdowne Partners	57,675,527	5 00%
D P J Ross	55,738,699	4.83%
Legal & General Investment Management	43,359,831	3.76%
Newton Investment Management	41,792,133	3 62%
Capital Group	35,711,000	3 10%
Cobas Asset Management	35,289,062	3 05%

Following the year end, on 16 May 2018, Cobas Asset Management disclosed to the Company a holding of 34,601,321 ordinary shares, representing 2 99% of the Company's share capital. On 18 June 2018, Standard Life Aberdeen disclosed to the Company a holding of 159,153,007 ordinary shares, representing 13 74% of the Company's share capital.

At 20 June 2018, being the last practicable date prior to the publication of this ARA, no other changes to the shareholdings reported above had been notified to the Company in accordance with DTR 5

Directors' interests in the Company's shares and the movements thereof are detailed in the Annual Remuneration Report on pages 76 to 91.

Dividend

The Board has proposed a final dividend for the year ended 28 April 2018 Details of this and other dividends paid for the year are as follows

	Year ended 28 April 2018	Year ended 29 April 2017
Interim dividend	**3.50p**	3.50p
Final dividend	**7.75p**	7 75p
Total dividends	**11.25p**	11.25p

The right to receive any dividend has been waived by the trustees of the Company's EBT over a holding of 650,721 shares

Issue of shares

In accordance with section 551 of the Act, the Articles and within the limits prescribed by The Investment Association, shareholders can authorise the directors to allot shares in the Company up to one third of the issued share capital of the Company Accordingly, at the annual general meeting in 2017 shareholders approved a resolution to give the directors authority to allot shares up to an aggregate nominal value of £384,445 The directors have no present intention to issue ordinary shares, other than pursuant to obligations under employee share schemes. This resolution remains valid until the conclusion of this year's AGM.

Authority was given by the shareholders at the annual general meeting in 2017 to purchase a maximum of 115,333,528 shares, such authority remaining valid for 15 months or until the conclusion of the Company's AGM in 2018. The authority was not exercised during the period or prior to the date of this Report. The Company will seek the usual renewal of this authority at the forthcoming AGM but has no current intention to make such purchases.

Use of financial instruments

Information about the use of financial instruments is given in note 25 to the Group financial statements

Post-balance sheet date events

Events after the balance sheet date are disclosed in note 32 to the Group financial statements

Auditor

Each director at the date of approval of this ARA confirms that.

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Act.

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint it will be proposed at the forthcoming AGM

Certain information required to be included in this Directors' Report may be found within the Strategic Report.

By Order of the Board

Nigel Paterson
Company Secretary
20 June 2018

Audit Committee Report

Chairman's statement

Introduction

I am pleased to present the Report of the Audit Committee for the year ended 28 April 2018. In this covering letter I set out our key areas of activity in delivering on our objective of ensuring that the Committee provides independent scrutiny of the Company's financial reporting and risk management systems of internal control, and that they remain effective and appropriate

This year the Committee has continued to oversee the continuing development of reporting and controls as well as responding to specific matters that have arisen. The assurance activities encompass, in proportionate measure, non-regulated and regulated operations, the international footprint and the risk profile of the Group. We have also considered the Terms of Reference and workings of the Group Risk & Compliance Committee

Key activities

The Committee's work, carried out during the year and subsequently, included:

- fully considering the requirements of the Code and its application to the Annual Report and Accounts ('ARA') 2017/18;
- considering significant accounting and reporting judgements, appropriateness of taxation disclosures, including the appropriateness of the Group s going concern position and longer term viability statement more information on which can be found on pages 23 and 24,
- considering and recommending that the ARA 2017/18, when taken as a whole, are fair balanced and understandable;
- reviewing the effectiveness of the risk management system and internal controls, operated by management.
- considering the increased risks of cyber-attacks and complexity of the external threat environment and management's corresponding IT security controls and recovery plans;
- reviewing the Financial Reporting Council ('FRC') Audit Quality Review team's review of Deloitte LLP's audit of the Company's 2016/17 financial statements
- considering and challenging management's judgements and estimates relating to the planned implementation of IFRS 15 and IFRS 9;
- reviewing the trading statements on 24 August 2017 and 29 May 2018, and considering any subsequent impacts on accounting judgements and valuations,
- providing oversight of the businesses regulated by the FCA and other regulators, including reviewing reports from the FCA Compliance Committee ('FCACC'),
- approving the internal audit annual plan, considering internal audit reports and management actions, and monitoring the effectiveness of internal audit in line with the approved internal audit charter,
- receiving presentations and subsequent updates from management on such matters as the finance transformation programme, minimum control improvements, MNO data assurance plans, Hong Kong sourcing office and risks, HR control systems, Brexit update, anti-bribery and corruption, data protection, and IT strategy and governance; and
- monitoring the robustness of the information security environment and its vulnerabilities, and the longer term strategic transformation of the Company's information security capabilities

Looking ahead

Fiona McBain joined the Audit Committee on 7 September 2017, bringing with her a wealth of regulated sector experience, as well as significant general management and finance expertise. Humphrey Singer notified the Board that he would be stepping down as Group Finance Director and the Company also announced on 27 March 2018 that Humphrey will be succeeded by Jonny Mason from a date to be determined*. I would like to thank Humphrey for his leadership of the Company and its finance team, and wish him all the best in his new role We look forward to working with Jonny and providing support and challenge in this period of change

Having served on the boards of Dixons Retail and Dixons Carphone since 2012, I have agreed with the Board that I should step down as a director at the end of the calendar year. Fiona McBain will succeed me as Chair of the Audit Committee at the conclusion of our Annual General Meeting ('AGM') on 6 September 2018. I am proud to have been a member of a well-regarded and effective Board in a period of great change through the Merger and subsequently. I am confident that I leave the Committee in the capable hands of Fiona, who has provided insightful contributions in her first year Fiona will be well supported by Gerry Murphy as I have been

As the Group continues to refine its strategy and business plans, the Committee continues to provide support and oversight in key and evolving areas of financial reporting and risk management and has requested management to prepare and present its assessment of the structure, governance and control environment across the Group's businesses

The work programme will continue to be responsive to the changing risk landscape, the developing business model, the regulatory environment, and the changing shape of the systems (including IT) architecture. In particular, the Committee will continue to receive reports and updates from management on the IT security improvement actions and plans. In light of the recent data breach, these have been re-assessed and accelerated.

I will be in attendance at the forthcoming AGM and will be available to talk to you then In the meantime, if you have any questions, please do get in touch.

Jock Lennox
Chairman of the Audit Committee
20 June 2018

* From 21 May 2018 until Jonny Mason joins the Company, Clare Pettitt is Interim Group Chief Financial Officer (though not a director of the Company)

Audit Committee Report

Members

In compliance with the Code, the Committee continues to consist exclusively of independent non-executive directors who, along with their attendance at scheduled meetings are set out in the table below. Biographical details on each member can be found on pages 36 and 37.

Meetings

The Committee met four scheduled times during the period under review. Since the year end there have been two further meetings. All eligible members attended each of the meetings during which they were a member of the Committee. The Chairman of the Board, Group Chief Executive, Group Finance Director, Group Financial Controller (who attended as Interim Group Chief Financial Officer from 21 May 2018), Group Director of Internal Audit, Deputy Company Secretary, other senior management and representatives of the Company's external auditor (Deloitte LLP) attended the relevant Committee meetings by invitation.

Current members	Scheduled meetings
Jock Lennox (Chairman)	4 of 4
Fiona McBain	4 of 4
Gerry Murphy	4 of 4

The Board continues to be satisfied that the Chairman of the Committee, a member of the Institute of Chartered Accountants of Scotland, and Fiona McBain and Gerry Murphy both members of the Institute of Chartered Accountants in England and Wales, all meet the requirement for recent and relevant financial experience. The Committee as a whole has competence relevant to the sector in which the Company operates. The Company Secretary, or his nominee acts as Secretary to the Committee and attends all meetings. The Committee's deliberations are reported by its Chairman at the subsequent Board meeting and the minutes of each meeting are circulated to all members of the Board following approval.

In order to allow discussion of private matters which the auditor may wish to raise, at each meeting, discussion may be held between the Committee members and the external auditor without the presence of management. If appropriate, a discussion may be held amongst Committee members, the external auditor and the Group Director of Internal Audit. An informal pre-discussion is held by Committee members prior to the Committee meetings.

In undertaking its duties, the Committee has access to the services of the Group Director of Internal Audit, the Group Finance Director, the Company Secretary and their respective teams, as well as external professional advice as necessary. In addition, the Chairman meets regularly with the external auditor and the Group Director of Internal Audit outside of formal meetings and without management present.

External advice

The Board makes funds available to the Committee to enable it to take independent legal, accounting or other advice when the Committee believes it necessary to do so.

Responsibilities

The Committee assists the Board in fulfilling its oversight responsibilities by acting independently from the executive directors. There is an annual schedule of items which are allocated to the meetings during the year to ensure the Committee covers fully those items within its Terms of Reference. These items are supplemented throughout the year as key matters arise.

The principal duties of the Committee are:

Accounting and financial reporting matters

- monitoring the integrity of the interim statement and annual report and accounts, and any formal announcements relating to the Group's financial performance;
- reviewing significant financial reporting judgements and accounting policies,
- advising the Board on whether, as a whole, the annual report and accounts are fair, balanced and understandable,
- considering the going concern statement;
- considering and reviewing the statement of the Company's viability over a specified period;

Risk management and internal control

- reviewing the Group's financial controls and internal control effectiveness and maturity,
- reviewing the Group's risk management systems and risk appetite,

Internal audit

- monitoring and reviewing the effectiveness of the Company's internal audit function,
- considering whistleblowing arrangements by which employees may raise concerns about possible improprieties in financial reporting or other matters,
- considering the major findings of internal investigations

External audit

- considering recommendation of the external auditor's appointment to the shareholders in general meeting and approving their remuneration,
- reviewing the results and conclusions of work performed by the external auditor;
- reviewing and monitoring the relationship with the external auditor, including their independence, objectivity, effectiveness and terms of engagement,

General matters

- any specific topics as defined by the Board, and
- referring matters to the Board which, in its opinion, should be addressed at a meeting of the Board.

The Committee's Terms of Reference are reviewed annually. In the 2017/18 financial year, they were reviewed in May 2017 and subsequently approved by the Board. The Committee's Terms of Reference will once again be reviewed and aligned with the FRC's revised corporate governance code upon its publication. The Terms of Reference reflect all the recent legislative and regulatory changes as well as recently published best practice guidance and are available on the Group's corporate website, www.dixonscarphone.com

Key matters considered during the year

Accounting and financial reporting matters

The Committee is responsible for considering reports from the external auditor and monitoring the integrity of the interim statement and annual report and accounts in conjunction with senior management. During the year ended 28 April 2018, consideration was given to the suitability and application of the Group's accounting policies and practices, including areas where significant levels of judgement have been applied or significant items have been discussed with the external auditor.

Accounting and financial reporting matters	Matters considered and how the Committee discharged its duties
Going concern and viability statements	The Committee reviewed the processes and assumptions underlying both the going concern and longer term viability statements made on pages 23 and 24 of the ARA 2017/18. In particular, the Committee considered: • management's assessment of the Group's prospects including its current position, assessment of principal business risks and its current business model, future cash forecasts, historical cash flow forecasting accuracy, profit projections, available financing facilities, facility headroom and banking covenants; • the appropriateness of the three-year time period under assessment, noting the alignment of the period with the Company's strategic planning process, as well as the shorter-term nature of the retail market in which the Company operates; and • the robustness and severity of the stress-test scenarios with reference to the Group's risk register, those principal risks and mitigating actions as described on pages 15 to 18 of the ARA 2017/18, the latest Board-approved budgets, business unit approved strategic plans, and indicative headroom under the current facilities available – examples of which included the impact of regulatory, taxation or information security incidents and reduced forecast profitability and cash flow as a result of a significant change in consumer behaviour. The Committee concurred with management's conclusions that the viability statement, including the three-year period of assessment disclosed on pages 23 and 24 of the ARA 2017/18 is appropriate. The Board was advised accordingly.
IFRS 15 / 9	The Committee arranged specific review meetings with management to challenge the key judgements and accounting estimates underlying the adoption of IFRS 15 (new accounting standard for revenue recognition) and IFRS 9 (new accounting standard for classification and measurement of financial instruments). Due to the complexity, a number of further discussions were held with financial management to review the development of the proposals to implement IFRS 15 and 9. The Committee considered the robustness of the process undertaken, the appropriate expertise and experience of management performing the implementation project and the use of third-party experts engaged to assist in the most complex, judgemental and material revenue streams. The Committee reviewed detailed accounting papers prepared by management and third-party experts in relation to commission income from MNOs, third-party insurance providers and revenues associated with customer support agreements. The papers included consideration of all judgements and estimates for each of the five steps of the IFRS 15 model; particular attention was paid to the valuation and level of constraint associated with variable commission revenues, identification of individual performance obligations and therefore the timing of revenue recognition and conclusions reached with regard to agent versus principal judgements. Following these reviews, discussions with management and the external auditor, the Committee approved the proposed accounting treatment which will be adopted for the year ending 27 April 2019 and the transitional impact as disclosed in the ARA 2017/18.
Trading statements	During the year, on 24 August 2017, and subsequently on 29 May 2018, the Company issued two trading statement updates. The Committee carefully considered the impacts of these on the financial statements. In particular the Committee considered the reliability of cash flow forecasts used by management in assessing the carrying value of goodwill (specifically the UK & Ireland cash-generating unit), the appropriateness of the going concern assumption and viability assessment, and both the current accounting key estimates underlying the valuation of network commission receivable and the proposed accounting estimates under IFRS 15. In addition, the Committee considered the appropriate disclosure of the key contributing factors to the trading announcements in the Strategic Report when assessing the fair, balanced and understandable nature of the ARA 2017/18. Following detailed review of the underlying models as described elsewhere in this report and the ARA 2017/18 as a whole, the Committee agreed with management's conclusions that the judgements and estimates undertaken and disclosures given remain appropriate.
Review by the FRC's Audit Quality Review team (the 'Review team')	The Review team selected to review the audit of the Company's 2016/17 financial statements as part of the Review team's 2017/18 annual inspection of audit firms. The focus of the review and the Review team's reporting is on identifying areas where improvements are required rather than highlighting areas performed to or above the expected level. The Chairman of the Committee had a meeting with the FRC review team leader to discuss the audit prior to the review commencing, received a full copy of the Review team's findings and has discussed these with the external auditor. There were no significant areas for improvement identified within the report. The Committee is also satisfied that there is nothing within the report which might have a bearing on the audit appointment.

Audit Committee Report

Fair, balanced and understandable	In ensuring that the Group's reporting is fair balanced and understandable, the Committee reviewed the classification of items between headline and non headline including consideration of the £93 million pre-tax non-headline charges disclosed in note 4 to the Group financial statements, including tax impact thereon The assessment considered whether items fell within the Group's definition of non-headline as well as the consistency of treatment of such items year on year In addition, the Committee gave due consideration to the integrity and sufficiency of information disclosed in the ARA 2017/18 along with other relevant matters to ensure that they explained the Group's position performance business model and strategy An assessment of narrative reporting was included to ensure consistency with the financial reporting section including appropriate disclosure of material one-off items, and appropriate balance and prominence of statutory and non-statutory performance measures In response to the guidelines on *Alternative Performance Measures* ('APMs') issued by the European Securities and Markets Authority ('ESMA') the Committee considered the use of such measures and the additional information on those APMs used by the Group is provided in the glossary on pages 163 to 165 The Committee concluded that the ARA 2017/18, taken as a whole, are fair, balanced and understandable, and that the measures used and disclosures made were appropriate to provide users of the ARA 2017/18 with a meaningful assessment of the performance of the underlying operations of the Group, the Board was advised of the conclusion

Matters of significance and areas of judgement

The Committee received reports and recommendations from management and the external auditor setting out the significant accounting issues and judgements applicable to the following key areas These were discussed and challenged, where appropriate, by the Committee Following debate the Committee concurred with management's conclusions

Matters of significance and areas of judgement	Matters considered and how the Committee discharged its duties
Revenue recognition	Revenue recognition is considered to be a critical accounting policy and the judgements are set out in notes 1e) and 1t) to the Group financial statements Key components of judgement are largely in relation to the recognition of network commission receivable The Committee reviewed management's assessment of these policies with reference to contractual terms, the Group's historical experience of customer behaviour, reliability of information received from MNOs legislative changes and changes in the general mobile industry Particular attention was paid to the consistency of application of the underlying assumptions used significant changes in inputs to the valuation model historical forecasting accuracy and the sensitivity to the carrying value of ongoing network receivables recognised to changes in key assumptions and the disclosure of the impact of changes in assumptions as presented in note 25h) to the Group financial statements The carrying value of ongoing network commission receivables at the balance sheet date was £1,057 million (2016/17· £1,014 million)
Supplier funding	A number of arrangements exist relating to supplier funding across the Group, including promotional support and volume rebates The Committee has continued to challenge and debate with management its approach to its recognition and accounting treatment of supplier funding In addition, the Committee continues to monitor the effectiveness of the controls in place to mitigate the risk of material misstatement of supplier funding recognition, no major issues were noted Further information in relation to supplier funding can be found in note 1d) to the Group financial statements
Impairment testing of goodwill and intangible assets within the UK & Ireland	The Group has significant goodwill and intangible assets associated with the UK & Ireland cash generating unit which are reviewed for impairment annually or where there is an indicator of impairment The Committee reviewed appropriateness and accuracy of business unit approved cash flow forecasts, discount rates and long-term growth rates used in the impairment review performed at both the year end and interim dates Specific attention was paid to cash flow forecasts used in light of the August 2017 and May 2018 trading statements and the level of sensitivities applied by management in determining reasonably possible changes to cash flows The Committee also considered the appropriateness of disclosures made in note 9
Taxation	The Group operates across multiple tax jurisdictions The complex nature of tax legislation in certain jurisdictions can necessitate the use of judgement The Committee reviewed the judgements and assumptions concerning any significant tax exposures, including progress made on matters being discussed with tax authorities and, where applicable, advice provided by external advisors The total provisions recognised at the balance sheet date amounted to £66 million (2016/17 £66 million) The Committee also reviewed the appropriateness of the disclosures made around tax provisions, and the disclosure of related contingent liabilities

Risk management and internal control

The Committee is responsible for reviewing the Group's risk management and internal control systems. Details of the overall risk management and governance policies and procedures are given in the Corporate Governance Report on pages 38 to 47 of this ARA 2017/18. The Committee reviewed management's assessment of risk and internal control, results of work performed by the second lines of defence and internal audit, and the results and controls observations arising from the annual audit and interim review procedures performed by the external auditor. The Committee also ensured that all topics are appropriately covered, as defined by its Terms of Reference, with deep-dives of risk topics scheduled throughout the year to ensure good visibility of any potential areas of concern.

Specific matters considered by the Committee to discharge its duties are detailed below.

Risk management and internal control	Matters considered and how the Committee discharged its duties
Regulated activities	• The Committee reviewed the nature of financial services regulated activities across the Group's business operations and the governance and oversight arrangements for the operation of an effective FCA compliance regime in the business. The Committee considered compliance and regulatory reports prepared by the FCACC and monitored key developments and ongoing activities for the compliance team in areas of governance, policy and compliance monitoring. • The Committee was reassured that the compliance programme was being embedded throughout the Group, noted current arrangements at both Group and local levels and concurred with the business plans for further investment in centralised compliance capability. This included consideration of the impact of business re-organisations which have impacted regulated businesses.
Information security and IT controls framework	• The Committee regularly reviews the progress of the ongoing information security improvement programme and periodically considers and reviews the IT controls framework and related improvement initiatives progressed by the management team, in order to ensure that appropriate actions are taken. • At its meeting on 18 June 2018, the Committee received a report from the security leadership on the data breach announced on 13 June 2018. The Committee, in conjunction with the Board, had been kept informed as the existence of the breach emerged. In particular, discussion focused on understanding alignment with the pre-existing security improvement plans and the adequate resourcing for the updated and accelerated plans. Reporting of progress against plans will continue for the foreseeable future.
Data protection	• The Committee reviewed data protection throughout the Group, particularly in relation to the implementation of new policies, procedures and processes in light of the coming into effect of the new EU General Data Protection Regulation ('GDPR'). • The Committee concurred with the business's plans to undertake a comprehensive GDPR readiness assessment and has requested management to present its findings and recommendations in the coming year.
Whistleblowing arrangements	• The Committee reviewed twice yearly a summary of all whistleblowing calls received by the Group, both through the independently operated hotline and other channels. • The Committee confirmed that the calls had been appropriately dealt with (both individually and in aggregate) in accordance with the Group's whistleblowing policy.
Internal controls	• As per the obligations placed on the Committee under the Code, the Committee formally considered a review of the system of risk management and internal control. The Committee noted developments in the system of risk management and internal control, management plans for 2018/19 and agreed the statements contained in the ARA 2017/18. The Committee continues to request that internal audit verify the self-assessment returns that are made by the businesses to confirm the implementation of internal controls. This verification forms part of the annual audit plan approved by the Committee.

The table below shows the number of times specific matters were considered by the Committee in 2017/18.

Audit Committee topics coverage 2017/18

Audit Committee Report

Internal audit

Internal audit is an independent objective assurance function that impartially appraises the Company's control activities Internal audit works with management to help improve the overall control environment and assist Group management, the Audit Committee and the Board in discharging their respective duties relating to maintaining an adequate and effective system of internal control and risk management and safeguarding the assets activities and interests of the Group

Internal audit	Matters considered and how the Committee discharged its duties
Audit reviews of significant risk areas	• The Committee considered the alignment of the annual internal audit plan with the key risks of the business. • During the period, internal audits included coverage of the following significant risk areas of the business — information security and data protection; — IT resilience, integrity and disaster recovery; — relationships with major suppliers; — Greek business, — Health and Safety, — business continuity and — regulatory compliance • The Committee considered the key trends and material findings arising from internal audit's work and the adequacy of the agreed management actions in relation to those findings
Assurance programme	• The Committee approved the annual internal audit plan and received an update relating to the execution of the annual plan at each Committee meeting • As part of the three-year rolling assurance programme, audits were performed over the following processes to provide assurance to the Committee that controls were operating within these areas — general business controls relating to UK & Ireland operations including the Hong Kong sourcing office, customer support agreements, SimplifyDigital, Dixons Travel and Currys PC World business to business — Nordics revenue, payroll supplier funding warehousing and distribution processes and controls — general IT controls in the UK and Nordics, — general business controls in Greece; and — the Group's treasury activities • The Committee considered the actions taken by management in relation to the audit findings • The Committee considered the results from these audits during its assessment of the effectiveness of the system of internal control operated by management. The Committee concluded that the system of internal control was appropriately monitored and managed.
Effectiveness of internal audit and adequacy of its resources	• The Committee approved the internal audit charter, concluding the role and mandate were appropriate to the current needs of the organisation The Committee has approved a third-party review of the effectiveness of internal audit The results will be considered at the September 2018 Committee meeting • The Committee monitored the work of internal audit and formally reviewed the effectiveness of internal audit and the adequacy of its resources, considering — scope, resources and access to information as laid out in the internal audit charter, — the reporting line of internal audit, — the annual internal audit work plan, and — the results of the work of internal audit • The Committee concluded that the internal audit department had in all respects been effective during the period under review and performed its duties in accordance with its agreed charter.

External audit

The external auditor is appointed by shareholders to provide an opinion on the annual report and accounts and certain disclosures prepared by Group management. Deloitte LLP acted as the external auditor to the Group throughout the year. The Committee is responsible for oversight of the external auditor, including approving the annual audit plan and all associated audit fees. The key matters in relation to external audit that were considered by the Committee were:

External audit	Matters considered and how the Committee discharged its duties
Effectiveness of the external auditor	• The Committee reviewed and agreed the annual audit plan, specifically considering the appropriateness of the key risks identified and proposed audit work, the scope of the audit and materiality levels applied which are detailed in the Independent Auditor's report on pages 93 to 99. • As part of the reporting of the half year and full year results, the Committee reviewed the reports presented by Deloitte LLP in assessing the Group's significant accounting judgements and estimates, and considered the audit work undertaken, level of challenge and quality of reporting. • The Committee also considered the findings of the Review team's review of Deloitte LLP's 2016/17 audit and the FRC report on the conduct of Deloitte LLP UK's audit work taken as a whole. • Feedback on the effectiveness of the audit process in addressing areas of key audit risk was obtained from members of the Committee and regular attendees, members of the finance team and senior management within the businesses via a specifically designed questionnaire. The responses were then considered by the Committee in conjunction with the outputs received and responsiveness of the auditor during the audit process. The results showed a favourable view of the audit process and of Deloitte LLP as the external auditor, specifically in relation to the consistent performance noted for quality of audit delivery, integrity and service of the team, the constructive relationship and the effectiveness of the communication. • Following due consideration of the above, the Committee continues to be satisfied with the quality and effectiveness of the external audit.
Auditor independence	• The Committee considered the external auditor's assessment of and declaration of independence presented in the annual audit plan and final audit report, and those safeguards in place to make such declarations. • The Committee considered the annual audit fee and fees for non-audit services, with due regard to the balance between audit and non-audit fees and the nature of non-audit fees undertaken in accordance with the policy as set out on the next page. • The Committee reviewed and approved the Group policy on the employment of former employees of the external auditor in September 2017, and subsequently in June 2018.

Audit Committee Report

Policy on provision of non-audit services provided by the external auditor

Under the Company's policy on auditor independence the auditor may only provide services which include

a) audit services comprising issuing audit opinions on the Company's consolidated financial statements and on the statutory financial statements of subsidiaries and joint ventures;

b) audit-related services comprising review of the Company's consolidated interim financial statements and opinions / audit reports on information provided by the Company upon request from a third party such as prospectuses, comfort letters and rent certificates, etc and

c) services otherwise required of the auditor by local law or regulation.

Any exceptions are subject to pre-approval by the Group Finance Director, and such permission is only granted in exceptional circumstances. Where the non-audit assignment is expected to generate fees of over £100,000 prior approval must be obtained from the Committee

During the period under review, the non-audit services performed by the external auditor primarily arose from the interim financial review procedures and the requirement in Greek law for the external auditor of the company to provide certain taxation services The Committee has reviewed the services performed by the external auditor during the year and is satisfied that these services did not prejudice the external auditor's independence and that it was appropriate for them to perform these services

The level of non-audit fees paid to the external auditor which was approved by the Committee, is set out in note 3 to the Group financial statements and amounted to £0.4 million (2016/17: £0 3 million) compared with £1.6 million (2016/17: £1 8 million) of audit fees The non audit fees as a percentage of audit fees were 22% (2016/17 17%), which reflects the restrictive policy governing the use of Deloitte LLP for non-audit services

Consideration of auditor appointment and independence

The Committee continues to consider the appropriateness of the re-appointment of the external auditor, including rotation of the audit partner. Deloitte LLP has been the Company's external auditor since August 2002, prior to Carphone Warehouse's demerger from TalkTalk Deloitte LLP was also the external auditor of Dixons Retail. In accordance with the Auditing Practices Board Ethical Standards, there is a five-year rotation of the lead audit partner Stephen Griggs, the current lead audit partner, was appointed for the 2016/17 audit

In accordance with the Competition and Markets Authority ('CMA') Statutory Audit Services Order, which is designed to align with provisions of the EU Regulations on external audit tender and rotation, and current guidance, the Company is required to conduct a competitive audit tender by June 2023 This will be the latest period that Deloitte LLP may remain as auditor The Committee will continue to evaluate annually the performance of the auditor, in particular at each five-year rotation of the lead audit partner, and will recommend a tender for this service if the circumstances so warrant

In accordance with FRC's International Standards on Auditing (UK and Ireland) 260 and Ethical Standard 1 issued by the Accounting Practices Board, and as a matter of best practice, at year end Deloitte LLP formally confirmed to the Board its independence as auditor of the Company.

In determining whether to recommend the auditor for re-appointment this year, the Committee considered the firm's internal control procedures, the most recent audit effectiveness review and the tenure of the current lead audit partner, and thereby affirmed that the audit processes are effective and that the appropriate independence continues to be met Accordingly, the Company confirms that it complied with the provisions of the CMA Statutory Audit Services Order for the financial year under review and the Committee concluded that it was in the best interests of the Company's shareholders to re-appoint Deloitte LLP as the independent auditor of the Company. The Committee's recommendation, that a resolution to re-appoint Deloitte LLP be proposed at this year's AGM, was accepted and endorsed by the Board

Jock Lennox
Chairman of the Audit Committee
20 June 2018

Disclosure Committee Report

Chairman's overview

The Disclosure Committee's principal role is to ensure that adequate procedures, systems and controls are maintained to enable the Company to fully comply with its obligations regarding the timely and accurate identification and disclosure of all information to meet the Company's legal and regulatory obligations

The Committee comprises the Group Finance Director (Chairman), the Group Chief Executive and the General Counsel and Company Secretary The Company Secretary, or his nominee, acts as Secretary to the Committee The Committee's deliberations are reported by its Chairman at the following Board meeting and the minutes of each meeting are circulated to all members of the Board following approval

The Committee will review its performance constitution, Terms of Reference and responsibilities periodically and at least once a year. The Terms of Reference were last reviewed in January 2018. The Committee will be individually evaluated as part of the externally facilitated Board evaluation next year

More information about the Committee and its position in the Company's governance framework is shown below

Humphrey Singer
Chairman of the Disclosure Committee
20 June 2018

Meetings

- The Committee meets as and when required, and at least annually.
- The Committee met three times during the period under review Since the year end there have been two further meetings.

Committee membership and attendance

The members of the Committee are shown in the table below along with their attendance at meetings for the period under review. Biographical details on each member can be found on pages 36 and 37

Current members	Scheduled meetings
Humphrey Singer (Chairman)	3 of 3
Alex Baldock[1]	0 of 0
Nigel Paterson	3 of 3
Former members	
Sebastian James[2]	2 of 3
Lord Livingston[3]	1 of 1

(1) Alex Baldock was appointed to the Committee on 3 April 2018
(2) Sebastian James was unable to attend one meeting due to an unavoidable diary clash He stepped down from the Committee on 2 April 2018
(3) Lord Livingston was appointed to the Committee on 21 June 2017 and stepped down on 6 November 2017

The Committee receives input as appropriate from other directors senior management and the IR, PR and Corporate Affairs Director The Committee may invite them to attend all or part of any meeting, as and when appropriate and necessary

Responsibilities

The principal duties of the Disclosure Committee are to.

- establish and maintain adequate procedures, policies, systems and controls to enable the Company to fully comply with its legal and regulatory obligations regarding the timely and accurate identification and disclosure of all information;
- implement and monitor compliance with the policies, including arranging training where appropriate;
- identify inside information for the purposes of maintaining insider lists,
- determine whether inside information requires immediate disclosure or can be legitimately delayed, subject to ongoing assessment and recording of the delay;
- monitor communications received from any regulatory body in relation to the conduct of the Group, and review any proposed responses;
- consider generally the requirement for announcements, including in relation to the delayed disclosure of inside information, substantive market rumours, and leaks of inside information;
- consider and give final approval for trading statements and or results to be released in order to meet legal and regulatory requirements, and
- review the content of all material regulatory announcements, transactional shareholder circulars, prospectuses, and any other documents issued by the Company, and ensure that these comply with all applicable requirements.

The Committee's Terms of Reference were last reviewed and approved by the Board in January 2018. The Committee's Terms of Reference are available on the Group's corporate website, www.dixonscarphone.com.

Key matters considered

During the year ended 28 April 2018, the Committee met to consider the following key matters:

- the preliminary results and the annual report and accounts for the financial year ended 29 April 2017;
- the interim results for the 26 weeks ended 28 October 2017
- the Christmas trading update, and
- the announcement of the appointment of a new Group Chief Executive

Nominations Committee Report

Chairman's overview

The Nominations Committee has an important role in the Dixons Carphone governance structure, evaluating the skills required to lead the business effectively and ensuring the right talent and experience is available In order to ensure continuity of purpose and effective leadership, it is important to ensure succession planning obligations are met

The Committee regularly reviews its obligations under governance guidelines, the last review in February 2018, included an appraisal of Board experience, composition, diversity, time commitments of each director, and director independence.

As previously announced, Sir Charles Dunstone stepped down as Chairman, and I was appointed as Chairman with effect from 30 April 2017 from my previous role as Deputy Chairman, and Chairman of the Remuneration Committee On the same day, Tony DeNunzio CBE became Deputy Chairman and Senior Independent Director, and Chairman of the Remuneration Committee Gerry Murphy joined the Remuneration Committee on 9 May 2017 I was appointed to the Disclosure Committee on 27 June 2017, and stepped down from that Committee on 6 November 2017 Tim How and Baroness Morgan stepped down as Non-Executive Directors at the Company's annual general meeting on 7 September 2017, and Fiona McBain joined the Company's Audit Committee at the same time Andrew Harrison stepped down as Deputy Chief Executive and from the Board on 21 December 2017 to become Chairman of The Carphone Warehouse Limited.

Alex Baldock was appointed as Group Chief Executive and a director on 3 April 2018 Sebastian James resigned on 2 April 2018, and left the Company on 27 April 2018

On 10 January 2018, Humphrey Singer notified the Board that he would be stepping down as Group Finance Director. On 27 March 2018, the Company announced the appointment of Jonny Mason as Group Chief Financial Officer, with effect from a date to be determined* Katie Bickerstaffe stepped down from the Board on 28 April 2018

The Board has become more streamlined, reducing in size from 13 members at the end of the last financial year to eight members at year end

Jock Lennox will be stepping down from the Board with effect from 31 December 2018 Fiona McBain will take over as Chair of the Audit Committee at the conclusion of the Annual General Meeting ('AGM') on 6 September 2018 Jock has made a great contribution to the Company's success, as a valued member of both the Dixons Retail and the Dixons Carphone boards, and as Audit Committee Chairman.

More information about the Nominations Committee and its position in the Company's governance framework is shown on the right

Lord Livingston of Parkhead
Chairman of the Nominations Committee
20 June 2018

Meetings

- The Committee meets as and when required and at least twice a year
- The Committee held three scheduled meetings during the period under review. One of the scheduled meetings was postponed from March 2017 to May 2017

Committee membership and attendance

The members of the Committee are shown in the table below along with their attendance at scheduled meetings for the period under review Biographical details on each member can be found on pages 36 and 37

Current members	Scheduled meetings
Lord Livingston of Parkhead (Chairman)	3 of 3
Tony DeNunzio CBE	3 of 3
Andrea Gisle Joosen	3 of 3

The majority of the members are independent non-executive directors as required by the Code. Other members of the Board or senior management may be invited to attend meetings at the request of the Chairman

The Company Secretary, or his nominee, acts as Secretary to the Committee The Committee's deliberations are reported by its Chairman at the following Board meeting and the minutes of each meeting are circulated to all members of the Board following approval

Responsibilities

The principal duties of the Nominations Committee are to:

- review the structure, size and composition of the Board, and recommend changes as necessary;
- identify evaluate and nominate candidates to fill vacancies on the Board,
- Board succession planning,
- carry out a formal selection process of candidates;
- evaluate the skills, knowledge and experience of the Board, including reviewing the results of any Board performance evaluation;
- consider other commitments of directors relative to the time required for them to fulfil their duties; and
- make recommendations to the Board regarding the continuation in office of a director upon the expiry of any specified terms of appointment

* From 21 May 2018 until Jonny Mason joins the Company, Clare Pettitt is Interim Group Chief Financial Officer (though not a director of the Company)

The Committee's Terms of Reference are reviewed annually. In the 2017/18 financial year they were reviewed in May 2017 and subsequently approved by the Board The Committee's Terms of Reference will once again be reviewed and aligned with the Financial Reporting Council's revised corporate governance code upon its publication The Committee's Terms of Reference are available on the Group's corporate website, www dixonscarphone.com

Key matters considered

In addition to the principal duties noted above, the Committee (excluding any member whose potential appointment was being discussed) also considered the appointments of Gerry Murphy to the Remuneration Committee, and the appointments of Alex Baldock and Jonny Mason.

The Committee also considered these matters

- an evaluation of the size, composition and structure of the Board and its committees,
- the Company's diversity policy and considerations of the Hampton-Alexander Review, Parker Review, and McGregor-Smith Review,
- independence and time commitments of the directors,
- the external appointments policy
- directors retiring and being elected re-elected at the 2018 AGM,
- the Committee's performance and Terms of Reference,
- a review of the role descriptions of the Chairman, Senior Independent Director and the Group Chief Executive,
- corporate governance updates relating to the Committee's work, and
- the increased governance guidance on stakeholder voice in Board decision-making and the boardroom actions required to strengthen various stakeholder perspectives and visibility.

Board evaluation

During 2017/18 the Board evaluation was conducted internally again, following the 2015/16 review which was undertaken by an independent external company and the internal review in 2016/17 The internal review included the Board and the Audit, Nominations and Remuneration committees and examined all aspects of the Board's procedures and activities Further details of the evaluation process can be found on pages 43 and 44

Appointments to the Board

The Committee has a formal, rigorous and transparent procedure for the appointment of new directors Appointments are made to the Board based on objective criteria and with due regard to the benefits of diversity and the leadership needs of the Company External search consultancies are usually retained when recruiting directors An independent global search firm, JCA Associates was appointed to consider the list of potential new Group Chief Executives and Group Chief Financial Officers Candidate profiles were developed indicating the skills, knowledge and experience required for each role, taking into account the Board's existing composition and skill sets. The Committee, led by the Chairman, relied on the specific candidate profile developed. Both internal and external candidates were considered for the roles of Group Chief Executive and Group Chief Financial Officer The Committee and the Board were unanimous in their decisions to appoint Alex Baldock and Jonny Mason

Succession planning

The business requires a talented Board with appropriate experience, expertise and diversity. This process will need to be refreshed following the new executive appointments The Board considers no additional appointment is necessary at this time but remains mindful of each of the Board member's tenures. Board succession and composition will remain a priority, as the Board is conscious that it must look further and wider for the leaders of the future In securing the long-term prosperity of the business, the Board must look deeper within the organisation to identify a wider range of talent, for potential directors with the appropriate skill-sets to meet the demands of an ever more complex business environment

Jock Lennox will be stepping down from the Board with effect from 31 December 2018. Fiona McBain will take over as Chair of the Audit Committee at the conclusion of the AGM on 6 September 2018 Jock has made a great contribution to the Company's success, as a valued member of both the Dixons Retail and the Dixons Carphone boards and as Audit Committee Chairman.

Diversity

The Company is committed to developing a diverse workforce and equal opportunities for all. The Board recognises the importance of diversity in achieving the right mix of skills, knowledge and experience to help the organisation reach its full potential. The Board acknowledges the November 2016 Hampton-Alexander Review on FTSE Women Leaders, which recommends a voluntary target of 33% female directors in FTSE 350 companies by 2020 As at the year end, 25% of the Board, and 6% of the Group senior management team, are female. The Committee also considered the recommendation of the Parker Review that each FTSE 250 board should have at least one director of colour by 2024, and the recommendations of the McGregor-Smith Review.

Whilst noting the recommendations of the reviews mentioned above, the Board does not establish targets on gender balance or ethnicity as it believes that candidates should be appointed on merit The Board recognises the benefits of greater diversity, which is not just gender or ethnicity specific but also encompasses age, background and diversity of thought The Board is conscious of the need to give weight to these factors in future appointments.

Nominations Committee Report

A new Inclusion and Diversity ('I&D') Committee was recently established to raise the profile of I&D matters throughout the organisation. The I&D Committee which comprises members of the Executive Committee and senior management:

- ensures that I&D remains at the forefront of the Group's day-to-day activities,
- champions I&D and acts as ambassadors,
- sets the programme's objectives, and
- ensures that changes are adopted and embedded across the business

More information on employee diversity can be found on pages 26 and 27

In performing its annual review, the Board also looked at other aspects of diversity relevant to the Group With a large proportion of the business in the Nordics, we have a Swedish Non-Executive Director on the Board to provide knowledge of these international markets, and a newly appointed Group Chief Financial Officer who also brings a broad range of financial experiences both in the UK and the Nordics.

Election and re-election

At the forthcoming AGM, all directors as listed on pages 36 and 37, except Humphrey Singer, will present themselves for election or re-election. Each of the directors is being unanimously recommended by the other members of the Board due to their experience, knowledge and wider management and industry experience, continued effectiveness and commitment to their role

Remuneration Report

Chairman's statement

On behalf of the Board, I am pleased to present the 2017/18 Directors' Remuneration Report setting out our philosophy and policy for directors' remuneration, which was approved by shareholders in 2016, together with the activities of the Remuneration Committee for this financial year ending 28 April 2018.

The past year has been another challenging one for the business, as we faced both economic and political uncertainty. It has also been a year of significant leadership change. Whilst we regret the departure of many of the senior team who brought about the successful Merger of our two businesses, the resulting recruitment of new leadership talent is an important part of transforming the business. The new team is focused on meeting the opportunities and challenges of Dixons Carphone as it moves forward into its next phase of growth.

Pay and performance for 2017/18

The Committee is aware that much of the success of the Group is due to the dedication and hard work of all our colleagues competing in a challenging economic environment. The Committee is also mindful of the broader context in which executive remuneration decisions are taken. In evaluating the overall Company results the Committee has determined that no cash bonus should be paid to the executive directors and other senior managers this year, this outcome is consistent with the majority of the UK & Ireland workforce. Full details of the performance targets and actual performance are provided in the Annual Remuneration Report on pages 85 to 86. There are no payments made to directors in 2017/18 relating to long term incentive plans other than those in relation to the Share Plan, discussed below. The Company did implement a restricted share plan to management levels below the executive directors for retention purposes.

Pay and performance for 2018/19

As a result of their recent appointments, neither of the newly-appointed executive directors will receive an increase in base pay this year. In line with our strategic intent to enhance our focus on customers' and colleagues' experience, we have increased the weighting of these elements of the annual bonus. We have also simplified the financial measures to two: EBIT and average net debt. For the 2018 LTIP cycle we have retained the TSR measure whilst introducing free cash flow (in place of earnings per share) in order to underscore the business's focus on cash generation.

Board Changes

Over the course of this year we made two executive director appointments and four executives left the Board.

In January 2018, we announced the appointment of Alex Baldock as Group Chief Executive effective from 3 April 2018, to succeed Sebastian James who stepped down from his position on 2 April 2018 after six years in the role. Sebastian remained in the business to work part of his notice and ensure a smooth transition with Alex, for which the Board is grateful. The Committee considered the appropriate termination terms for Sebastian on his departure. It applied the principle of mitigation in limiting these payments to four months' salary and benefits following his termination date, representing payment up to the time he will be joining Walgreens Boots Alliance.

Alex joins us from Shop Direct, the UK's second largest pure-play online retailer, where he held the position of group chief executive from 2012. Whilst at Shop Direct Alex led the business through one of UK retail's fastest, most far-reaching and successful digital transformations, delivering five consecutive years of record financial performance, with strongly rising sales and an almost tenfold increase in profits. We are already seeing the impact as Alex brings his leadership skills to the Group, as we build on our market-leading position. The Committee agreed the remuneration package for Alex on his appointment. His package and the buy out awards, which were necessary to compensate for awards lost from his previous employer, are consistent with our Remuneration Policy and, we believe, represent an excellent investment in securing a leader with Alex's experience and capabilities. Full details of his remuneration package and the buy-out award are set out on page 76.

In January 2018 our Group Finance Director Humphrey Singer advised the Board of his intention to leave the Group. Humphrey is expected to continue in his role until the end of June 2018 with no salary payments thereafter or pay in lieu of notice. He will not be entitled to any bonus for 2017/18 and his outstanding share awards will lapse. In March 2018 the Board announced the appointment of Jonny Mason as Group Chief Financial Officer, with a joining date to be confirmed. Jonny had been CFO of Halfords plc since 2015 and was interim chief executive officer of Halfords plc between September 2017 and January 2018. As with Alex, the Committee agreed the remuneration package for Jonny, within the parameters of our Remuneration Policy. Full details of his remuneration package and the buy-out award are set out on page 76.

We also announced that Katie Bickerstaffe will be leaving the Company on 20 September 2018 to take up a role as chief executive designate at the new energy supply business recently announced by SSE plc and Innogy SE. She will not be entitled to any bonus for 2017/18 and her outstanding share awards will lapse.

In addition to these changes, in December 2017, we announced that Andrew Harrison had stepped down from his role as Deputy Chief Executive in order to become Chairman of The Carphone Warehouse Limited under a new contract with a minimum term of 12 months. With the ongoing changes to the mobile market, this appointment allows Andrew the opportunity to focus fully on the Carphone Warehouse business as it now enters the next stage of its development.

I would also like to thank Tim How for his contribution to the Remuneration Committee. Tim stepped down as a Non-Executive Director in September 2017 and was replaced on the Remuneration Committee by Gerry Murphy.

Remuneration Report

The Share Plan

We set out in last year's Chairmen's statement, the performance of the previous long term plan (the 'Share Plan') which was measured in July 2017, and the proposed treatment of the plan.

The Share Plan consisted of two separate awards the Carphone award that was granted pre-Merger in December 2013 and the Dixons award that was granted in October 2014, after the Merger. Although the two awards had the same performance conditions and measurement date, their different start dates meant that their performance was assessed separately.

The Carphone award met the threshold for vesting and 60% of the resulting award vested in July 2017, with the remaining 40% due to vest on 29 June 2018 A total of 60% of the loans that were made to participants to purchase participation shares in a subsidiary company (plus accrued interest) were repaid by the participants in July 2017 and the remaining 40% (plus accrued interest) will be repaid when the remaining portion of the awards vest

As expected, and as stated in last year's report due to the performance of the Group's share price in the 12 months prior to vesting, the Dixons awards did not meet the performance conditions required for vesting and as a result the awards lapsed. On the lapsing of the Dixons awards, the loans that were provided by the Group to participants became repayable. Under the Share Plan rules, where an award has lapsed, repayment of 90% of the loan (plus accrued interest) was an obligation of the Group (and not the individual participants) and therefore this portion of the loans made to participants with Dixons awards was waived The remaining 10% of the loans (plus accrued interest) were repaid by the executive directors in July 2017 In addition, the waiving of the loans triggered a benefit in kind income tax and social security charge for the participants Participants had not been informed of this potential tax liability at the time the awards were made participants were advised that the maximum they would have to repay would be 10% of the loan (plus accrued interest) As disclosed in last year's report, the Company was advised that participants could claim against the Group for losses arising out of these unforeseen set of circumstances, and that according to legal advice, such claims would have a strong likelihood of success. On that basis the Company compensated the participants for the tax and social security charges that were incurred. The compensation payments were made to the executive directors in February and March 2018.

Further information on the Share Plan awards, loan and compensation payment amounts are set out on pages 86 to 88

Gender Pay

During the year, in preparation for the Gender Pay Gap reporting regulations, the Committee reviewed the gender pay gap for the business and discussed approaches to minimising the gap

The combined gender pay gap for the two parts of our business was 6 1%. Analysis of this data suggests that the gap arises from the higher number of men who have built their career with the Company and, over time, progressed to more senior positions Another key driver is the proportionately higher number of women who have embraced our flexible working arrangements and chosen to work part time Closing the pay gap will take some time before we see significant movement in the numbers, but it is something we are committed to doing as a business. We have already begun this journey and have set up an Inclusion and Diversity Committee that will be monitoring and driving initiatives across the business

Looking ahead

The current Remuneration Policy was approved by shareholders at the 2016 annual general meeting. It is effective for three years and will therefore fall due for renewal next year In the coming year the Committee plans to conduct a full review of the Policy to ensure that it continues to align with the Company strategy and motivates our high performing people to deliver long-term growth for the business whilst reflecting best market practice and compliance with the UK Corporate Governance Code. As part of this review, we will be looking to engage our major shareholders to ensure that any proposed changes to the Policy will align with shareholder expectations

As always we would welcome any feedback or comments on this Report The Remuneration Committee remains firmly committed to the principle of pay for performance, ensuring that rewards to the senior leadership team are aligned with the returns of long-term shareholders

Tony DeNunzio
Chairman of the Remuneration Committee
20 June 2018

Remuneration Report – Remuneration Policy

Introduction

The purpose of this Report is to inform shareholders of the Company's directors' remuneration for the year ended 28 April 2018. This Report is divided into two sections

- the Remuneration Policy; and
- the Annual Remuneration Report

The current Remuneration Policy was approved by shareholders at the annual general meeting on 8 September 2016 and was effective from that date The Annual Remuneration Report will be put to an advisory vote at the Annual General Meeting on 6 September 2018

The role of the Remuneration Committee (the Committee') is to determine on behalf of the Board a remuneration policy for executive directors and senior management which promotes the long-term success of the business through the attraction and retention of executives who have the ability experience and dedication to deliver outstanding returns for our shareholders.

The Committee has adopted the principles of good governance relating to directors remuneration as enshrined in section D of the Corporate Governance Code (the 'Code') and has complied with those principles in the year under review

These reports have been prepared by the Committee on behalf of the Board in accordance with the Companies Act 2006, Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the Listing Rules of the Financial Conduct Authority. The Remuneration Policy (which is not subject to audit) details the role of the Committee, the principles of remuneration and other matters The Annual Remuneration Report (elements of which are audited) details the directors' and former directors' fixed and variable pay share awards, share options and pension arrangements

The policy set out here is the version approved by shareholders other than minor updates to certain sections such as the Remuneration Committee objectives, illustration of remuneration policy, shareholder and employee consultation, service agreements and dilution limits The actual version which was approved by shareholders can be found in the annual report and accounts 2015 16

Remuneration Policy – unaudited information

The Remuneration Policy was approved overwhelmingly by shareholders at the annual general meeting on 8 September 2016. In line with the authority given by shareholders, the Policy may remain in force for up to three years

Remuneration Committee objectives

The Board has delegated to the Committee responsibility for determining policy in relation to the remuneration packages for executive directors and other senior management This delegation includes their terms and conditions of employment in addition to the operation of the Group's share-based employee incentive schemes The Committee's Terms of Reference are reviewed annually. In the 2017/18 financial year, they were reviewed in June 2017 and subsequently approved by the Board The Committee's Terms of Reference are available on the Group's corporate website www.dixonscarphone.com. The Terms of Reference reflect all the recent legislative and regulatory changes as well as recently published best practice guidance

Remuneration strategy

Put simply, our aim is to generate superior returns for our shareholders and the key to achieving this is our people. Our remuneration strategy is therefore designed to motivate high-performing people to deliver our business strategy.

The objectives of our remuneration strategy are to:

- attract, motivate and retain high quality talent;
- be transparent and align the interests of senior management and executive directors with those of shareholders, by encouraging management to have a significant personal stake in the long-term success of the business.
- weight remuneration to variable pay that incentivises outperformance particularly over the long term whilst discouraging inappropriate risk-taking,
- ensure that superior rewards are only paid for exceptional performance against challenging targets,
- apply policies consistently across the Group to promote alignment and teamwork.
- recognise the importance of delivering across a balanced set of metrics to ensure the right behaviours are adopted and the long-term health of the business is protected; and
- avoid rewarding failure

In developing its policy the Committee has regard to.

- the performance, roles and responsibilities of each executive director or member of senior management;
- arrangements which apply below senior management levels, including average base salary increases across the workforce;
- information and surveys from internal and independent sources,
- the economic environment and financial performance of the Company, and
- good corporate governance practice

Guidelines on responsible investment disclosure

In line with the Investment Association Guidelines on responsible investment disclosure, the Committee is satisfied that the incentive structure and targets for executive directors do not raise any environmental, social or governance risks by inadvertently motivating irresponsible or reckless behaviour. The Committee considers that no element of the remuneration package will encourage inappropriate risk-taking by any member of senior management

Corporate Governance

Remuneration Policy

Remuneration Policy table

The individual elements of the remuneration packages offered to executive directors are summarised in the following table:

Base salary (fixed pay)	
• Purpose and link to strategy	To aid the recruitment, retention and motivation of high-performing people. To reflect their skills, experience and importance to the business.
• Operation	Normally reviewed annually The review reflects a range of factors including merit levels, internal relativity, external market data and cost Our overall policy, having due regard to the factors noted is normally to target salaries up to the mid-market level Salaries for new appointments as executive directors will be set in accordance with the Recruitment Policy set out on pages 72 to 74 of this Remuneration Policy. The Committee takes into consideration the impact of base salary increases on the package as a whole, as other elements of pay (such as pension contributions) are generally based on a percentage of salary
• Maximum opportunity	Ordinarily increases for executive directors will be in line with increases across the Group Increases beyond those granted across the Group may be awarded in certain circumstances such as changes in responsibilities, progression in the role and significant increases in the size complexity or value of the Group. Salary levels for current directors are shown in the Annual Remuneration Report
• Performance assessment / targets	Salaries are normally reviewed annually by the Committee at the appropriate meeting having due regard to the individual's experience, performance and added value to the business

Benefits (fixed pay)	
• Purpose and link to strategy	In line with the Company's strategy to keep remuneration weighted to variable pay that incentivises outperformance, a modest range of benefits is provided. Benefits may vary based on the personal choices of the director. Provision of relocation or other related assistance may be provided to support the appointment or relocation of a director
• Operation	Executive directors are entitled to a combination of benefits which include, but are not limited to: • car allowance • private medical cover, • long-term incapacity cover • life assurance • holiday and sick pay, and • a range of voluntary benefits including the purchase of additional holiday. Executive directors will be eligible for other benefits which are introduced for the wider workforce on broadly similar terms Any reasonable business-related expenses (including the tax thereon) can be reimbursed if determined to be a taxable benefit Should an executive director be recruited from or be based in a non-UK location, benefits may be determined by those typically provided in the normal country of residence and / or reflect local market legislation Relocation or other related assistance could include, but is not limited to, removal and other relocation costs, tax equalisation, tax advice and accommodation costs.
• Maximum opportunity	The cost to the Group of providing such benefits will vary from year to year in accordance with the cost of providing such benefits, which is kept under regular review
• Performance assessment / targets	Not applicable

Pension (fixed pay)	
• Purpose and link to strategy	A pension is provided which is consistent with that provided to managers across the Group and in line with our strategy to keep remuneration weighted to variable pay that incentivises outperformance
• Operation	Defined contribution plans are offered to all employees. A defined benefit pension plan continues in operation for Dixons' longer-serving employees, which is now closed to new participants and future accrual. Executive directors may choose to receive a cash allowance in lieu of pension contributions
• Maximum opportunity	Normal Company pension contribution of up to 10% of base salary, which can be taken in whole or in part as a cash allowance in lieu of pension. However, a greater contribution of up to 20% may be made where necessary to recruit or retain an executive director
• Performance assessment / targets	Not applicable

Annual performance bonus (variable pay)	
• Purpose and link to strategy	Annual performance bonuses are in place to incentivise the delivery of stretching, near-term business targets based on our business strategy These bonuses provide a strong link between reward and performance and drive the creation of further shareholder value The principles and approach are consistently applied across the Group ensuring alignment to a common vision and strategy They are based on a balanced approach ensuring appropriate behaviours are adopted and encouraging a longer-term focus.
• Operation	Bonus payments are determined after the year end and subject to a minimum profit threshold being achieved before payment is due For threshold level of performance a bonus of up to 25% of base salary is payable. A sliding scale determines payment between the minimum and maximum bonus payable The annual bonus is typically paid in July / August in cash and is non-pensionable, based on the audited performance over the previous financial year The annual bonus can instead be settled in shares or a mixture of cash and shares which could be deferred, at the discretion of the Remuneration Committee Performance is reviewed by the Committee using its judgement where necessary to assess the achievement of targets The Committee retains the discretion to adjust downwards bonus payments where achievement of targets would result in a payment of a bonus at a level which would not be consistent with the interests of the Company and its shareholders Recovery and withholding provisions apply for material misstatement, misconduct and reputational damage enabling performance adjustments and / or recovery of sums already paid These provisions will apply for up to three years after payment.
• Maximum opportunity	Maximum annual bonus potential for all executive directors is 125% of base salary. No bonus is payable if the minimum profit threshold is not achieved.
• Performance assessment / targets	All measures and targets are reviewed and set by the Committee at the beginning of the financial year with a view to supporting the achievement of the Group strategy The bonus scheme has targets based on a balanced scorecard The balanced scorecard may include both financial and non-financial measures, such as employee, customer and strategic measures The weighting of measures will be determined by the Committee each year Financial measures (such as profit and cash) will represent the majority of the bonus opportunity, with other measures representing the balance

Remuneration Policy

Long term incentive scheme (variable pay): Long Term Incentive Plan ('LTIP')	
• Purpose and link to strategy	Long term incentive schemes are transparent and demonstrably aligned with the interests of shareholders over the long term The LTIP is designed to reward and retain executives over the longer term whilst aligning an individual's interests with those of shareholders and in turn delivering significant shareholder value
• Operation	Discretionary awards of nil-priced options or conditional share awards are granted over Dixons Carphone shares Awards will be granted annually and will usually vest after three years subject to continued service and the achievement of performance conditions. The level of vesting is dependent on achievement of performance targets, usually over a three-year period The post tax number of share awards vesting will be subject to a further two-year holding period, during which they cannot be sold, unless in exceptional circumstances and with the Committee's permission Dividend equivalents may be accrued on the shares earned from any award. Awards will be subject to recovery and withholding provisions for material misstatement, misconduct and reputational damage enabling performance adjustments and / or recovery of sums already paid. These provisions will apply for up to three years after vesting If employment ceases during the vesting period, awards will ordinarily lapse in full, unless the Committee exercises its discretion The Committee has the discretion in certain circumstances to grant and / or settle an award in cash For the executive directors this would only be used in exceptional circumstances In the event of a change of control, any unvested awards will vest immediately, subject to satisfaction of performance conditions and reduction on a time-apportioned basis
• Maximum opportunity	Grants under the LTIP are subject to overall dilution limits. The normal maximum grant per participant in any financial year will be a market value of 275% of base salary, with up to 375% in exceptional circumstances, e.g recruitment More details on the award levels for executive directors in 2018/19 are set out in the Annual Remuneration Report on page 79
• Performance assessment / targets	Performance targets are reviewed by the Committee prior to each grant and are set to reflect the key priorities of the business at that time The Committee determines the metrics from a range of measures, including but not limited to, market-based performance measures such as TSR and internal financial metrics such as EPS The Committee retains the flexibility to introduce new measures in the future if considered appropriate given the business context, although TSR will not be weighted any less than 40% of the total award. Material changes will be subject to consultation with major shareholders The actual metrics for awards will be set out in the Annual Remuneration Report

All employee share plans	
• Purpose and link to strategy	Encourages employees to make a long-term investment in the Company's shares and therefore be aligned to the long-term success of the Company.
• Operation	Executive directors are eligible to participate in any all employee share plans operated by the Company which have been approved by shareholders on the same terms as other eligible employees Currently share options are granted under the Dixons Carphone HMRC-approved SAYE scheme, subject to three- or five-year vesting periods.
• Maximum opportunity	Participants can save up to £500 per month for either three or five years, and in return receive a share option granted at up to 20% discount to the market price at the time of the invitation *The Committee reserves the right to increase this savings limit for future schemes in accordance with the statutory limits in place from time to time*
• Performance assessment / targets	The SAYE scheme is not subject to any performance conditions.

Share ownership guidelines	
• Purpose and link to strategy	Provides close alignment between the longer-term interests of executive directors and shareholders in terms of the Company's long-term success.
• Operation	The Company requires executive directors to retain a certain percentage of base salary in the Company's shares Executive directors have a five year period to reach these limits The shares which count towards this requirement are beneficially-owned shares (both directly and indirectly)
• Maximum opportunity	Not applicable
• Performance assessment / targets	*The Company requires all executive directors to retain 200% of base salary in the Company's shares*

Details of the directors' shareholdings are shown in the table on page 90

Remuneration Policy

Non-executive directors and Chairman / Deputy Chairman fees	
• Purpose and link to strategy	To provide a competitive fee for the performance of non-executive director duties, sufficient to attract high calibre individuals to the role
• Operation	The fees are set to align with the duties undertaken, taking into account market rates and are normally reviewed on an annual basis Factors taken into consideration include the expected time commitment and specific experience Additional fees are payable for acting as the Senior Independent Director or for acting as Chair of any Board committee, and for membership of a Board Committee Non-executive directors do not participate in the annual performance bonus or the long term incentive plans or pension arrangements Any reasonable business-related expenses (including the tax thereon) can be reimbursed if determined to be a taxable benefit For material, unexpected increases in time commitments, the Board may pay extra fees on a pro-rated basis to reflect additional workload
• Maximum opportunity	Aggregate annual limit of £2,000,000 imposed by the Articles of Association for directors' fees (not including fees in relation to any executive office or Chairman, Deputy Chairman, Senior Independent Director or Committee Chair fees).
• Performance assessment / targets	Not applicable

Notes:

(1) The Committee intends to honour all commitments previously provided to executive directors and current employees, including the terms and conditions of outstanding long term incentives such as those previously approved by shareholders under the Dixons Carphone Share Plan Details of these awards for executive directors are set out on pages 86 to 88

The Remuneration Policy scenario chart below illustrates the level and mix of potential total remuneration the ongoing executive directors could receive under the Remuneration Policy at three levels of performance minimum, target and *maximum*.

Remuneration Policy scenario chart

Notes:

(1) Fixed pay is based on the basic salary payable as at the start of the current year, taxable benefits and pension contributions

(2) Annual variable pay represents the annual bonus entitlement No bonus is assumed at the minimum performance level Target performance assumes a payment of 75% of salary (i e 60% of maximum) and at maximum performance a payment of 125% of base salary

(3) Long term incentives relate to the Long Term Incentive Plan, which was approved in the remuneration policy in 2016 These are illustrative amounts and the actual outcomes may differ depending on share price growth No awards vest at the minimum performance level Target *performance assumes a vesting of 151% of salary (i e 55% of maximum award) and maximum performance vesting of 275%* of salary.

Corporate Governance

Remuneration Policy

Remuner[illegible]

The Committee operates the annual bonus plan, long term incentive and all-employee plans in accordance with their respective rules, the Listing Rules and HMRC rules (or overseas equivalent) where relevant. The Committee retains discretion, consistent with market practice, over a number of areas relating to the operation and administration of these plans. These include but are not limited to:

- entitlement to participate in the plan;
- when awards or payments are to be made;
- size of award and / or payment (within the rules of the plans and the approved policy);
- determination of a good leaver for incentive plan purposes and the appropriate treatment based on the rules of each plan;
- discretion as to the measurement of performance conditions and pro-rating in the event of a change of control;
- any adjustment to awards or performance conditions for significant events or exceptional circumstances; and
- the application of recovery and withholding provisions.

Shareho[illegible]

The Committee has a policy to consult with its major shareholders when making any significant changes to the Remuneration Policy of the Company. Any feedback received is taken into consideration when determining future policy.

The Committee also takes into consideration remuneration guidance issued by large investor bodies, in addition to the principles of good governance relating to directors' remuneration as set out in the Code.

Whilst employees are not formally consulted on executive remuneration, a number of them are shareholders and as such are able to exercise their influence. We also monitor our employee discussion boards and employee forums to ensure employee feedback in general is considered in all our strategy execution. The Company also conducts regular employee surveys throughout the business. The Committee is kept informed of general employment conditions across the Group, including the annual pay review outcomes.

Remune[illegible]

Dixons Carphone employs a large number of people across different countries. Our reward framework is structured around a set of common principles with adjustments made to suit the needs of the different businesses and employee groups. Reward packages differ for a variety of reasons including the impact on the business, local practice, custom and legislation.

In determining salary increases to apply across the wider workforce, the Company takes into consideration Company performance and other market metrics as necessary. When setting the policy for executive directors the Committee takes into consideration salary increases throughout the Company as a whole.

Discretionary share plans are extended to both senior management and other key members of the workforce, as the Company feels that it is important to incentivise and retain these employees over the longer term in order for the Company to continue to grow.

The Company encourages wide employee share ownership, and as such the Group's UK & Irish employees, who meet the eligibility criteria, are also invited to join the Company's UK & Ireland approved SAYE.

On appointment or promotion, base salary levels will be set taking into account a range of factors including market levels, experience, internal relativities and cost. If an individual is appointed on a base salary below the desired market positioning, the Committee retains the discretion to re-align base salary over one to three years, contingent on individual performance, which may result in a higher rate of annualised increase above ordinary levels. If the Committee intends to rely on this discretion, it will be noted in the first Remuneration Report following an individual's appointment. Other elements of annual remuneration will be in line with the policy set out in the Remuneration Policy table. As such, variable remuneration will be capped as set out in the Policy table.

The following exceptions will apply:

- in the event that an internal appointment is made or an executive director joins as a result of a transfer of an undertaking, merger, reconstruction or similar reorganisation, the Committee retains the discretion to continue with existing remuneration provisions, including pension contributions and the provision of benefits;
- as deemed necessary and appropriate to secure an appointment, the Committee retains the discretion to make additional payments linked to relocation (including any tax thereon);
- for an overseas appointment, the Committee will have discretion to offer cost-effective benefits and pension provisions which reflect local market practice and relevant legislation;
- the Committee may set alternative performance conditions for the remainder of the initial annual bonus performance period, taking into account the circumstances and timing of the appointment; and
- the Committee retains the discretion to provide an immediate interest in Company performance by making a long term incentive award on recruitment (or shortly thereafter if in a prohibited period) in accordance with the Policy Table under its existing long term incentive schemes or such future schemes as may be introduced by the Company with the approval of its shareholders. The Committee will determine the level of the award, the performance conditions and time horizon that would apply to such awards at the time of award, taking into account the strategy and business circumstances of the Company.

Service contracts will be entered into on terms similar to those for the existing executive directors, summarised in the recruitment table below. However, the Committee may authorise the payment of a relocation and / or repatriation allowance, as well as other associated international mobility terms and benefits, such as tax equalisation and tax advice.

In addition to the annual remuneration elements noted above, the Committee may consider buying out, on a like-for-like basis, bonuses and / or incentive awards that an individual forfeits from a previous employer in accepting the appointment. The Committee will have the authority to rely on Listing Rule 9.4.2(2) or exceptional limits of awards of up to 375% of base salary within the Long Term Incentive Plan. If made, the Committee will be informed by the structure, time horizons, value and performance targets associated with any forfeited awards, while retaining the discretion to make any payment or award deemed necessary and appropriate. The Committee may also require the appointee to purchase shares in the Company in accordance with its shareholding policy.

With respect to the appointment of a new Chairman or non-executive director, terms of appointment will be consistent with those currently adopted. Variable pay will not be considered and as such no maximum applies. With respect to non executive directors, fees will be consistent with the policy at the time of appointment. If necessary, to secure the appointment of a new Chairman not based in the UK, payments relating to relocation and / or housing may be considered.

Elements of remuneration on appointment are set out in the Recruitment table below.

A timely announcement with respect to any director's appointment and remuneration will be made to the regulatory news services and posted on the Company's corporate website.

[illegible]

Area	Feature	Policy
Service contract and incentive plan provisions	Notice period	• Up to 12 months from either side.
	Entitlements on termination	• As summarised in the Policy on loss of office.
	Restrictive covenants	• Provisions for mitigation and payment in lieu of notice.
	Variable elements	• Gardening leave provisions.
		• Non-compete, non-solicitation, non-dealing and confidentiality provisions.
		• The Committee has the discretion to determine whether an individual shall participate in any incentive in the year of appointment.
		• The Committee shall have the discretion to determine appropriate bonus performance targets if participating in the year of appointment.

Remuneration Policy

Annual remuneration	Salary	• To be determined on appointment, taking into account factors including market levels, experience, internal relativities and cost
	Salary progression	• If appointed at below market levels, salary may be re-aligned over the subsequent one to three years subject to performance in role. In this situation, the Committee reserves the discretion to make increases above ordinary levels • This initial market positioning and intention to increase pay above the standard rate of increase in the Policy table (subject to performance) will be disclosed in the first Remuneration Report following appointment
	Benefits and allowances	• The Committee retains the discretion to provide additional benefits as reasonably required. These may include, but are not restricted to relocation payments, housing allowances and cost of living allowances (including any tax thereon).

Policy on exit

Service contracts contain neither a liquidated damages nor a change of control clause.

The Company shall have a right to make a payment in lieu of notice in respect of basic salary, benefits, including car allowance and pension contributions, only for the director's contractual period of notice or, if termination is part way through the notice period, the amount relating to any unexpired notice to the date of termination. There is an obligation on directors to mitigate any loss which they may suffer if the Company terminates their service contract. The Committee will take such mitigation obligation into account when determining the amount and timing of any compensation payable to any departing director.

A director shall also be entitled to a payment in respect of accrued but untaken holiday and any statutory entitlements on termination. No compensation is paid for dismissal, save for statutory entitlements.

A director shall be entitled to receive a redundancy payment in circumstances where in the judgement of the Committee they satisfy the statutory tests governing redundancy payments. Any redundancy payment shall be calculated by reference to the redundancy payment policy in force for all employees in the relevant country at the time of the redundancy and may include modest outplacement costs.

If a director's employment terminates prior to the relevant annual bonus payment date, ordinarily no bonus is payable for that financial year. The Committee shall retain discretion to make a pro-rated bonus payment in circumstances where it would be appropriate to do so having regard to the contribution of the director during the financial year, the circumstances of the departure and the best interests of the Company.

Any entitlements under long term incentive schemes operated by the Company shall be determined based on the rules of the relevant scheme. The default position under the Dixons Carphone Share Plan is that awards will lapse on the termination of employment unless the Committee exercises the discretion set out in the scheme rules. The Committee retains the discretion to prevent awards from lapsing depending on the circumstances of the departure and the best interests of the Company. The default position of the Long Term Incentive Plan is that awards will lapse on termination of employment, except where certain good leaver circumstances exist (e.g. death, ill-health, injury, disability, redundancy, transfer of an undertaking outside of the Group or retirement or any other circumstances at the Committee's discretion) whereby the awards may vest on cessation or the normal vesting date, in both cases subject to performance and time pro-rating. Although, the Committee can decide not to pro-rate an award (or pro-rate to a lesser extent) if it regards it as appropriate to do so in the particular circumstances.

The Committee shall be entitled to exercise its judgement with regard to settlement of potential claims, including but not limited to wrongful dismissal, unfair dismissal, breach of contract and discrimination, where it is appropriate to do so in the interests of the Company and its shareholders.

In the event that any payment is made in relation to termination for an executive director, this will be fully disclosed in the following Annual Remuneration Report.

A timely announcement with respect to the termination of any director's appointment will be made to the regulatory news service and posted on the Company's corporate website.

Service agreements for executive directors

Each of the executive directors' service agreements provides for:

- the reimbursement of expenses incurred by the executive director in performance of their duties;
- 25 days' paid holiday each year for Alex Baldock and Jonny Mason;
- sick pay; and
- notice periods whereby Alex Baldock has a notice period of 12 months from either party and Jonny Mason has a notice period of 12 months from the Company and six months from him.

In situations where an executive director is dismissed, the Committee reserves the right to make additional exit payments where such payments are made in good faith such as:

- in discharge of a legal obligation; and
- by way of settlement or compromise of any claim arising in connection with the termination of the director's office and employment.

Letters of appointment
Each of the non-executive directors has a letter of appointment. The Company has no age limit for directors. Non-executive directors derive no other benefit from their office, except that the Committee retains the discretion to continue with existing remuneration provisions, including pension contributions and the provision of benefits, where an executive director becomes a non-executive director. It is Company policy not to grant share options or share awards to non-executive directors. The Chairman, Deputy Chairman and the other non-executive directors have a notice period of three months from either party.

Appointments are reviewed annually by the Nominations Committee and recommendations made to the Board accordingly.

External appointments
The Board supports executive directors taking non-executive directorships as a part of their continuing development, and has agreed that the executive directors may retain their fees from one such appointment. Further details on current external directorships and fees can be found in the Annual Remuneration Report on page 78.

Availability for inspection
The service agreements for the executive directors and the letters of appointments for the non-executive directors are available for inspection during business hours at the Company's registered office and at the venue for the Annual General Meeting, 15 minutes prior to and during the meeting.

Legacy arrangements
For the avoidance of doubt, in approving the Remuneration Policy, authority is given to the Company to honour any commitments previously entered into with the current or former directors.

All the Company's equity-based incentive plans incorporate the current Investment Association Share Capital Management Guidelines ('Guidelines') on headroom which provide that overall dilution under all plans should not exceed 10% over a ten-year period in relation to the Company's issued share capital (or reissue of treasury shares). In addition, the Long Term Incentive Plan operates with a 5% in ten-year dilution limit (excluding historic discretionary awards). The Company regularly monitors the position and prior to making any award the Company ensures that it will remain within these limits. Any awards which will be satisfied by market purchase shares are excluded from such calculations. As at 20 June 2018, the Company's dilution position, which remains within the current Guidelines, was 4.2% for all plans (against a limit of 10%) and 2.4% for the Long Term Incentive Plan (against a limit of 5%).

Remuneration Report – Annual Remuneration Report

Introduction

This part of the Report has been prepared in accordance with Part 3 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), and contain those elements required by section 9.8.6R and stipulated in 9.8.6 of the Listing Rules. This Annual Remuneration Report will be put to an advisory vote at the Annual General Meeting on 6 September 2018.

The following sections set out how the Remuneration Policy was implemented during 2017/18 and how it will be implemented for the following year.

Leavers and joiners

Alex Baldock

In January 2018, we announced the appointment of Alex Baldock as Group Chief Executive from 3 April 2018. As outlined in the Remuneration Committee Chairman's letter, Alex joined the Company from Shop Direct, the UK's second largest pure-play online retailer, where he held the position of group chief executive since 2012. The Committee agreed the remuneration package for Alex on his appointment.

His salary from date of appointment is £850,000. He is eligible to receive a pension of 10% of base salary. In line with policy, he is eligible for a maximum bonus of 125% of base salary. His normal LTIP will be 275% of base salary per annum. Alex is on a 12-month notice period from either side.

On 3 April 2018 he received an award equal to 100% of base salary under the 2016 LTIP. Details of the performance conditions can be found on page 84. In addition, Alex received buy-out awards which were necessary to compensate for awards lost from his previous employer. Under the Listing Rule 9.4.2 (2) he received an award with a reference value of £1,938,000. The details of this compensatory award can be found on page 85. These awards are consistent with our Remuneration Policy and we believe, represent an excellent investment in securing a leader with Alex's experience and capabilities.

Jonny Mason

In March 2018 the Board announced the appointment of Jonny Mason as Group Chief Financial Officer, with a joining date to be confirmed. As outlined in the Remuneration Committee Chairman's letter, Jonny had been chief financial officer of Halfords plc since 2015 and was interim chief executive officer of Halfords plc between September 2017 and January 2018.

His salary from date of appointment will be £470,000. He is eligible to receive a pension of 10% of base salary. In line with policy, he is eligible for a maximum bonus of 125% of base salary. His normal LTIP will be 275% of base salary per annum. Jonny is on a 12 month notice period from the Company and a 6 months' notice period from the Executive.

Upon joining, Jonny will receive 275% of base salary under the 2016 LTIP for the financial year 2018/19. In addition, he will receive an award equal to 100% of base salary as an additional LTIP and a buy-out award of nil cost options in order to compensate for awards lost from his previous employment, up to a maximum value of £390,000 subject to confirmation of the actual loss incurred from his previous employment. Details of the performance conditions will be disclosed on grant. These awards are consistent with our Remuneration Policy and necessary to secure an individual of Jonny's calibre.

Sebastian James

Sebastian stepped down from the Board on 2 April 2018 and remained as an employee until he departed from the business on 27 April 2018 to join Walgreens Boots Alliance. The Committee considered the appropriate termination terms for Sebastian on his departure. His termination arrangements were in line with the approved Remuneration Policy. He did not receive a bonus for 2017/18. The remuneration he received in respect of services as Executive Director is set out in the Single Figure Table in respect of the year ending 28 April 2018.

In agreeing an exit date of the 27 April 2018, the Committee applied the principle of mitigation in limiting pay in lieu of notice payments to four months' salary and benefits from the date of his termination to the time he will be joining Walgreens Boots Alliance. This resulted in a payment of £317,000, paid on leaving the Company. The Committee has determined that Sebastian will receive good leaver status in respect of his outstanding LTIP awards which are due to vest in September 2019 and June 2020, pro-rated for his period of employment.

Humphrey Singer

In 2018 Humphrey Singer advised the Board of his intention to leave the Group. Humphrey is expected to continue in his role until the end of June 2018, with no salary payments thereafter or pay in lieu of notice. He will not be entitled to any bonus for 2017/18 and his outstanding share awards will lapse. His remuneration arrangements were in line with the approved Remuneration Policy. The remuneration he received in respect of services as Executive Director are set out in the Single Figure Table in respect of the year ending 28 April 2018.

Katie Bickerstaffe

Katie Bickerstaffe stepped down from the Board on 28 April 2018, after resigning from the business. Katie will be leaving the Group on 20 September 2018, with no salary payments thereafter or pay in lieu of notice, to take up a role as chief executive designate at the new energy supply business recently announced by SSE plc and Innogy SE. She was not entitled to any bonus for 2017/18 and her outstanding share awards will lapse. Her remuneration arrangements were in line with the approved Remuneration Policy.
The remuneration she received in respect of services as Executive Director are set out in the Single Figure Table in respect of the year ending 28 April 2018.

Andrew Harrison

On 21 December 2017 Andrew Harrison stepped down from his role as Deputy Chief Executive to become Chairman of Carphone Warehouse Limited under a new contract with a minimum term of 12 months. With the ongoing changes to the mobile market, this appointment allows Andrew the opportunity to focus on the Carphone Warehouse business as it now enters the next stage of its development. The remuneration he received in respect of services as

Executive Director are set out in the Single Figure Table in respect of the year ending 28 April 2018

Graham Stapleton
Graham Stapleton stepped down from the Board on 27 April 2017 In accordance with the Share Plan outcomes detailed on pages 86 to 87, Graham received an award value of £713,788 in the year in respect of the Carphone award and a compensation payment of £94,852 in respect of the income tax and employee national insurance contributions that were due in respect of his loan on the lapse of the Dixons award These payments are reported in respect of his services as an Executive Director in prior years

Service contracts
The following table summarises key terms of the service contracts in place with the executive directors

	Date of contract
Alex Baldock	3 Apr 18
Humphrey Singer	2 Sep 11

Humphrey Singer was appointed to the Board on 6 August 2014.

Andrew Harrison, Sebastian James and Katie Bickerstaffe stepped down from the Board as executive directors with effect from 21 December 2017, 2 April 2018 and 28 April 2018, respectively

More details are set out in the single figure of directors' remuneration tables on pages 82 to 83

Letter of appointment
Non-executive directors are normally appointed for three-year terms, subject to annual re-election at the annual general meetings, although appointments may vary depending on length of service and succession planning considerations. Appointments are reviewed annually by the Nominations Committee and recommendations made to the Board accordingly The contracts in respect of the Chairman's, Deputy Chairman's and non-executive directors' services can be terminated by either party, the Company or the director, giving not less than three months' notice

The date of the letters of appointment are shown below

Tony DeNunzio	16 Dec 15
Andrea Gisle Joosen	6 Aug 14
Jock Lennox	6 Aug 14
Lord Livingston of Parkhead	16 Dec 15
Fiona McBain	1 Mar 17
Gerry Murphy	6 Aug 14

Tim How and Baroness Morgan stepped down from the Board on 7 September 2017

More details are set out in the single figure of directors remuneration tables on pages 82 to 83

Meetings

- The Remuneration Committee meets as and when required and at least twice a year.
- The Committee attended five scheduled meetings and two unscheduled meetings during the period under review.
- The Committee has met twice since the year end

Members
Committee membership and attendance
The members of the Remuneration Committee are shown in the table below along with their attendance at scheduled meetings for the period under review. Biographical details on each member can be found on pages 36 to 37.

Current members	***Scheduled meetings***
Tony DeNunzio CBE (Chairman)	5 of 5
Andrea Gisle Joosen	5 of 5
Gerry Murphy	5 of 5
Former member	
Tim How	3 of 3

(1) Gerry Murphy was appointed to the Committee on 9 May 2017

(2) Tim How attended all scheduled meetings up to the date of leaving the Committee on 7 September 2017

Only members of the Remuneration Committee are entitled to attend Committee meetings The Chairman of the Board, Group Chief Executive, Group Finance Director, Deputy Company Secretary, Group Human Resources Director, Group Reward Director, other members of senior management, and representatives from the Company's remuneration advisor (Aon Hewitt) attended the relevant Committee meetings by invitation.

No director participates in discussions about their own remuneration

The Company Secretary, or his nominee, acts as Secretary to the Committee and attends all meetings. The Committee's deliberations are reported by its Chairman at the subsequent Board meeting and the minutes of each meeting are circulated to all members of the Board following approval

Responsibilities
Responsibility for the establishment of an overall remuneration policy for the Group lies with the Board. The Remuneration Committee has the following principal duties:

- making recommendations to the Board on the Company's framework of executive remuneration,
- determining the fees of the Chairman and Deputy Chairman,
- considering and making recommendations to the Board on the remuneration of the executive directors and senior management relative to performance and market data;

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- approving contracts of employment which exceed defined thresholds of total remuneration or have unusual terms or termination periods;
- considering and agreeing changes to the Remuneration Policy or major changes to employee benefit structures, and
- approving and operating employee share-based incentive schemes and associated performance conditions and targets.

Activities during the year
The principal activities of the Committee during 2017/18 included:

- reviewing and approving the Directors Remuneration Report;
- approving share awards to senior management under the 2016 Long Term Incentive Plan,
- approving the Sharesave grant,
- assessing the performance of executive directors against pre-determined targets set for the 2016 17 annual bonus and approving the payments,
- agreeing design of the 2017/18 annual bonus including performance measures and targets,
- assessing the performance of the Share Plan at the vesting date and confirming the actions to be taken in respect of the awards under the Share Plan which did not vest;
- assessing the performance of the 2010 Long Term Incentive Plan at the vesting date for senior managers
- applying good leaver treatment to participants transferring out of the business following the sale of the Spanish business;
- agreeing the remuneration packages for Alex Baldock and Jonny Mason;
- agreeing the termination terms for the exiting executive directors;
- assessing retention options for the senior managers
- reviewing the Gender Pay submission
- monitoring the developments in the corporate governance environment and investor expectations and
- noting remuneration practices across the Group

Advice
The Committee retained Aon Hewitt throughout 2017/18 as independent advisors Aon Hewitt is engaged to provide advice to the Committee and to work with the directors on matters relating to the Group's executive remuneration and its long-term incentives They are members of the Remuneration Consultants Group and operate under its code of conduct in relation to the provision of executive remuneration advice in the UK and have confirmed that they adhered to the Code during 2017/18 for all remuneration services provided to the Group Aon Hewitt received fees of £136,400 (2016/17: £92,000) in relation to the provision of those services. In addition, during the year, the Committee took external legal advice from Aon Hewitt and Freshfields Bruckhaus Deringer LLP with respect to the awards made under the Share Plan.

External directorships
The policy relating to external directorships is outlined in the Remuneration Policy, the following external directorships were undertaken and the fees retained by the executive directors

- Andrew Harrison has been a non-executive director of Ocado Group plc during 2017/18 and was paid a fee of £32,000 for the period to 21 December 2017
- Sebastian James has been a non-executive director of Direct Line Insurance Group plc during 2017/18 and was paid a fee of £84,000 for the period to 2 April 2018
- Katie Bickerstaffe has been a non-executive director of Scottish and Southern Energy plc during 2017/18 and was paid a fee of £85,000 for the period to 28 April 2018
- Humphrey Singer has been a non-executive director of Taylor Wimpey plc during 2017/18 and was paid a fee of £65,000 for the year to 28 April 2018.

Executive directors

The following salaries will apply during the 2018/19 financial year, with effect from 28 April 2018:

	Salary at 28 April 2018 £'000	Increase in salary in 2018/19 £'000	Salary at 1 August 2018 £'000
Current directors			
Alex Baldock (1)	**850**	**0**	**850**
Humphrey Singer	**494**	**0**	**494**
Jonny Mason (1)	**470**	**0**	**470**

(1) Salary is effective from date of appointment

Company pension contributions or allowance in lieu of 10% of base salary will be paid

The maximum annual bonus for 2018/19 will be 125% of base salary and will operate on a similar basis as in the previous year The measures have been selected to reflect the Group's key objectives and for 2018/19 include an increased weighting on the customer and employee experience, and a simplified approach to the financial element with just two measures EBIT and average net debt. A minimum profit threshold must be achieved before any bonus is paid out The proposed target levels for the year have been set to be challenging relative to the business plan The Committee feels that specific targets relating to the 2018/19 bonus scheme are currently commercially sensitive and as such will not be disclosed. Retrospective disclosure of the targets and performance against them will be provided in next year's Remuneration Report

The performance metrics and their weightings for 2018/19 are shown in the table below

	Weighting as a percentage of maximum bonus opportunity
EBIT	50%
Average net debt	20%
Customer Net Promoter Score	15%
Employee engagement	15%

Recovery and withholding provisions apply for material misstatement, misconduct and reputational damage enabling performance adjustments and / or recovery of sums already paid. These provisions will apply for up to three years after payment

In line with the LTIP as approved by shareholders at the annual general meeting on 8 September 2016, the Committee intends to make an award of 275% of base salary to Alex Baldock shortly after the announcement of the results for the 2017/18 financial year and 375% to Jonny Mason on joining the Company These awards will vest after three years based on continued service and the achievement of the performance measures noted below

These awards will be subject to a further two year post vesting holding period, during which the executive director is not permitted to sell any shares vesting, other than those required to settle any tax obligations

For 2018/19 the awards of 275% of base salary to Alex Baldock and 275% to Jonny Mason will be subject to two equally weighted performance conditions Half of the awards will be subject to the achievement of a relative TSR performance condition, measured against the companies ranked FTSE 51-150 *at the start of the performance period* The remaining half of the awards will be subject to the achievement of a cumulative free cash flow target

The additional 100% of base salary, awarded to Jonny Mason as a buy-out of awards from his previous employer, will be subject to the achievement of the relative TSR performance condition only, measured against the companies ranked FTSE 51-150 at the start of the *performance period*

The relative *TSR* condition will be assessed over a three-year period, with vesting determined as follows.

Rank of Company TSR against Comparator Group TSR	% of TSR element vesting
Below Median	0%
Median	25%
Between Median and Upper-Quartile	Pro rata between 25% and 100% on a straight-line basis
Upper Quartile or above	100%

For this coming cycle, the second element of LTIP performance will be free cash flow, measured cumulatively over the three-year performance period. This measure, which replaces EPS, provides an additional focus on cash generation The Board believes this has the potential to drive enhanced performance The percentage of the award *vesting will be as follows*

Cumulative free cash flow up to the end of the 2020/21 financial year	% of the free cash flow element vesting
Below £517m	*0%*
£517m	10%
Between £517m and £574m	Pro rata between 10% and 25% on a straight-line basis
£574m	25%
Between £574m and £689m	Pro rata between 25% and 100%
Above £689m	100%

The free cash flow targets take into account a number of inputs including market consensus at the time of the award and the market within which the Company is operating. Calculations of the achievement against the targets will be *independently performed and approved by the Committee* Free cash flow is defined in the glossary on page 165; however the Committee will retain discretion to adjust *for exceptional items which impact cash flow during the* performance period and will make full and clear disclosure of any such adjustments in the directors' remuneration report together with details of the achieved levels of performance, as determined by the above definitions, at the end of the performance period

Awards will be subject to recovery and withholding provisions for material misstatement, misconduct and reputational damage enabling performance adjustments and / or recovery of sums already paid. These provisions will apply for up to three years after vesting.

No award will be made to Humphrey Singer as he has resigned from the Company

Annual Remuneration Report

Remuneration details for 2017/18

Performance graph

The graph below shows the Group's performance measured through TSR on a holding of £100 in the Company's shares, compared with the FTSE 350 Index, since 29 March 2010. The FTSE 350 has been used as it is a broad market which includes the Company and a number of its competitors.

Total shareholder return
Source: Datastream (Thomson Reuters)

This graph shows the value, by 28 April 2018, of £100 invested in Dixons Carphone on 29 March 2010, compared with the value of £100 invested in the FTSE 350 Index on the same date.
The other points plotted are the values at intervening financial year ends.
The start date of the graph reflects the date of admittance to the London Stock Exchange of Dixons Carphone, previously called Carphone Warehouse Group plc.

The following table shows, over the same eight year period as the performance graph, the Group Chief Executive's single total figure of remuneration, the amount of bonus earned as a percentage of the maximum remuneration possible, and the vesting of long term awards as a percentage of the maximum number of shares that could have vested where applicable.

Year		CEO single figure of remuneration[1] £000	Annual bonus payout against maximum %	Long term incentive vesting rates against maximum opportunity %
	Alex Baldock	**75**	**0%**	**n/a**
	Sebastian James	**2,716**[3]	**0%**	**n/a**
2017/18	Total	**2,791**		
2016/17	Sebastian James	1,795	83%	n/a
2015/16	Sebastian James	1,616	68%	n/a
	Sebastian James	1,687	100%	n/a
	Andrew Harrison	420	100%	n/a
2014/15	Total	2,107		
	Andrew Harrison	679	54%	n/a
	Roger Taylor	159	n/a	n/a
2013/14	Total	838		
2012/13	Roger Taylor	958	55%	n/a
2011/12	Roger Taylor	474	0%[2]	n/a
2010/11	Roger Taylor	1,193	82%	n/a

(1) Excludes remuneration received from long term incentive schemes established by Old Carphone Warehouse prior to the demerger from TalkTalk because that company is not part of the current Group. Details of remuneration associated with Old Carphone Warehouse incentive schemes were provided in that company's annual report for the year ended 31 March 2012. Future reports will include long term incentives operated by the current Group when they have vested.
(2) Roger Taylor waived a bonus of 25% maximum potential and instead chose for it to be paid directly to charity.
(3) The single figure includes the taxable benefit relating to the waiving of the loan from the Dixons Share Plan award.

[illegible]

The table below provides the percentage change in remuneration for the Group Chief Executive and the percentage change for all UK head office-based employees as this group provides the best like-for-like comparison. The majority of the *UK head office-based employees (c 85%) work for the UK & Ireland business and are bonused against the performance* of that business. No bonus was paid out for 2017/18 for either the UK & Ireland or Group, due to the EBIT performance threshold not being met by the business areas Other smaller business groups also based in the UK head office did *however receive a bonus, as their performance thresholds were met*

	Group Chief Executive	UK head office employees
Salary and fees	0%	2%(1)
Taxable benefits(2)	0%	0%
Annual bonuses(3)	(100%)	(90%)

(1) Changes in salary relating to changes in roles and or responsibilities have been excluded from the increase presented for the wider Group
(2) The percentage change in taxable benefits is considered to be 0%, since there have been no material changes in Group benefits.
(3) No bonus was paid out for 2017/18 for either the UK & Ireland or Group, due to the EBIT performance threshold not being met by the business areas Other smaller business groups also based in the UK head office did however receive a bonus, as their performance thresholds were met

[illegible]

The following table sets out both the total cost of remuneration for the Group compared with pro forma Headline EBIT and profits distributed for 2017/18 and the prior year

	2017/18 £million	Restated 2016/17 £million(1)	Change %
Dividends paid(2)	**130**	115	13 04%
Headline EBIT	**400**	516	(22.48%)
Total staff costs – continuing operations(3)	**1,138**	1,120	1.61%

	Number	Number	Change %
Average employee numbers – continuing operations(3)	**43,760**	44,432	(1.51%)

(1) 2016/17 numbers have been restated to reflect the current period classification of the Spanish operations and the honeybee operations as discontinued operations
(2) Extracted from note 23 to the Group financial statements
(3) Extracted from note 5 to the Group financial statements

Annual Remuneration Report

Audited information

Single [illegible]

	Basic salary and fees £'000	Pension contributions[3] £'000	Annual bonus £'000	Taxable benefits[4] £'000	Total emoluments £'000	LTIP payments[7] £'000	Total remuneration £'000
Executive							
Current directors							
Alex Baldock[1]	67	7	–	1	75	–	75
Humphrey Singer[5][6]	492	49	–	1,181	1,722	–	1,722
Former directors							
Sebastian James[1][5][6]	790	79	–	1,847	2,716	–	2,716
Andrew Harrison[1][3][6][7]	411	21	–	343	775	1,388	2,163
Katie Bickerstaffe[1][2][5][6]	508	51	–	1,178	1,737	–	1,737
	2,268	207	–	4,550	7,025	1,388	8,413
Non-executive							
Current directors							
Tony DeNunzio	140	–	–	1	141	–	141
Andrea Gisle Joosen	70	–	–	4	74	–	74
Jock Lennox	75	–	–	–	75	–	75
Lord Livingston of Parkhead[8]	300	–	–	2	302	–	302
Fiona McBain	65	–	–	10	75	–	75
Gerry Murphy	70	–	–	–	70	–	70
Former directors		–	–	–	–		–
Tim How[1]	23	–	–	2	25	–	25
Baroness Morgan of Huyton[1]	23	–	–	1	24	–	24
	766	–	–	20	786	–	786
	3,034	207	–	4,570	7,811	1,388	9,199

(1) Remuneration is shown for the period served on the Board. Alex Baldock was appointed to the Board on 3 April 2018. Sebastian James stepped down from the Board on 2 April 2018 and left the Company on 27 April 2018. Andrew Harrison and Katie Bickerstaffe stepped down from the Board on 21 December 2017 and 28 April 2018 respectively. Tim How and Baroness Morgan stepped down from the Board on 7 September 2017.

(2) Katie Bickerstaffe purchased annual leave under the Group's holiday purchase scheme reducing her salary by £10,000 in 2017/18.

(3) Pension contributions comprise the Company's contribution or allowance in lieu together with the salary supplement which is based on the difference between basic salary and the scheme earnings cap set by the Company. The contribution amount was 10% of salary for Alex Baldock, Sebastian James, Humphrey Singer and Katie Bickerstaffe and 5% for Andrew Harrison.

(4) Taxable benefits for executive directors include private medical insurance, car allowances and loan waiver benefit amounts. For non-executive directors they include routine travel expenses relating to travel, accommodation and subsistence costs incurred in connection with attendance at Board meetings and other Board business during the year, which are considered to be taxable by HMRC.

(5) Taxable benefits for Sebastian James, Andrew Harrison, Humphrey Singer and Katie Bickerstaffe include the benefit amount relating to the loan waived in respect of the Share Plan (Dixons award). The loan waiver amounts are £1,835,000, £334,000, £1,168,000, and £1,168,000 for Sebastian James, Andrew Harrison, Humphrey Singer and Katie Bickerstaffe respectively. Further details relating to the loan waiver can be found in the Directors' interest in Share Plan section on pages 87 to 88.

(6) Details of the Share Plan compensation payments (Dixons award) are not included in the single figure table as they are not deemed to be emoluments. Further information relating to these payments are set out in the Directors' interest in Share Plan section on pages 87 to 88.

(7) LTIP payments comprise of the amount paid out in respect of the Share Plan (Carphone award). Further information relating to this payment has been set out in the Directors' interests in Share Plan section on pages 86 to 87.

(8) Ian Livingston has a deferred pension in the Dixons Retirement and Employee Security Scheme.

Single figure

	Basic salary and fees £000	Pension contributions £000	Annual bonus £000	Taxable benefits £000	Total emoluments £000	LTIP payments £000	2016/17 Total remuneration £000
Executive							
Current directors							
Sebastian James	832	83	867	13	1,795	—	1,795
Andrew Harrison	558	28	581	13	1,180	—	1,180
Humphrey Singer	482	48	502	13	1,045	—	1,045
Katie Bickerstaffe[2]	498	51	528	11	1,088	—	1,088
Graham Stapleton[1,5]	467	23	486	76	1,052	—	1,052
	2,837	233	2,964	126	6,160	—	6,160
Non-executive							
Current directors							
Sir Charles Dunstone[1]	280	—	—	—	280	—	280
Tony DeNunzio	90	—	—	—	90	—	90
Andrea Gisle Joosen	70	—	—	—	70	—	70
Tim How	65		—	—	65	—	65
Jock Lennox	75		—	—	75	—	75
Lord Livingston of Parkhead[7]	140	—	—	—	140	—	140
Baroness Morgan of Huyton	65	—	—	—	65	—	65
Gerry Murphy	65	—	—	—	65	—	65
Fiona McBain[1]	11		—	—	11	—	11
	861	—	—	—	861	—	861
	3,698	233	2,964	126	7,021	—	7,021

(1) Remuneration is shown for the period served on the Board. Fiona McBain was appointed to the Board on 1 March 2017 and the fees shown were from appointment to 29 April 2017. Graham Stapleton stepped down from the Board on 27 April 2017. Charles Dunstone stepped down from the Board on 30 April 2017.

(2) Katie Bickerstaffe purchased annual leave under the Group's holiday purchase scheme, reducing her salary by £10,000 in 2016/17.

(3) Pension contributions comprise the Company's contribution or allowance in lieu together with the salary supplement which is based on the difference between basic salary and the scheme earnings cap set by the Company. The contribution amount was 10% of salary for Sebastian James, Humphrey Singer and Katie Bickerstaffe and 5% for Andrew Harrison and Graham Stapleton.

(4) Taxable benefits include private medical insurance and car allowances.

(5) Taxable benefits for Graham Stapleton include expenses of £63,000 paid by the Company in relation to spousal and family travel.

(6) LTIP payments would comprise amounts under the Share Plan; however, the performance period does not end until July 2017. Further information has been set out on pages 86 to 88.

(7) Ian Livingston has a deferred pension in the Dixons Retirement and Employee Security Scheme.

(8) No payments were made to former directors and no payment for loss of office was made during the year.

Annual Remuneration Report

Long term incentives

LTIP Awards made during 2017/18

Nil cost option awards were made to executive directors on 29 June 2017. Half of each award is subject to the achievement of a relative TSR performance condition, measured against the companies ranked FTSE 51-150 at the start of the performance period. The remaining half of each award will be subject to the achievement of adjusted EPS growth targets.

The vesting level of the relative TSR condition will be determined as follows.

Rank of Company TSR against Comparator Group TSR	% of TSR element vesting
Below Median	0%
Median	25%
Between Median and Upper Quartile	Pro rata between 25% and 100% on a straight-line basis
Upper Quartile or above	100%

The vesting level of the EPS condition will be determined as follows

Three-year adjusted EPS growth to the end of the 2019/20 financial year	% of EPS element vesting
Below 7.5%	0%
7.5%	25%
Between 7.5% and 20%	Pro rata between 25% and 100% on a straight-line basis
20% or above	100%

The table below sets out the LTIP awards made to the executive directors on 29 June 2017

	Nil cost Options Awarded	Share Price at date of Award £	Face Value £	End of Performance Period	Vesting Date
Sebastian James[2]	783,146	2 937	2 300,100	2 May 2020	29 Jun 2020
Andrew Harrison[3]	525,280	2 937	1,542,747	2 May 2020	29 Jun 2020
Humphrey Singer[4]	453,652	2 937	1 332,376	2 May 2020	29 Jun 2020
Katie Bickerstaffe[3][4]	477 528	2 937	1,402,500	2 May 2020	29 Jun 2020

(1) The face value is calculated based on the number of options awarded multiplied by the share price at the date of award
(2) Sebastian James stepped down from the Board on [illegible] April 2018 and left the Company on 27 April 2018 The Remuneration Committee exercised its discretion to allow good leaver treatment in respect of this award The award will be pro-rated for service
(3) Andrew Harrison and Katie Bickerstaffe stepped down from the Board on 21 December 2017 and 28 April 2018 respectively
(4) Awards made to Humphrey Singer and Katie Bickerstaffe will lapse in full on termination

On joining the Company on 3 April 2018, Alex Baldock received an award equal to 100% of base salary under the LTIP. 100% of the award is subject to the achievement of a relative TSR performance condition only, measured against the companies ranked FTSE 51-150 at the start of the performance period

The vesting level of the relative TSR condition will be determined as follows

Rank of Company TSR against Comparator Group TSR	% of TSR element vesting
Below Median	0%
Median	25%
Between Median and Upper Quartile	Pro rata between 25% and 100% on a straight-line basis
Upper Quartile or above	100%

This element was based solely on a TSR performance measure, as it was clear to the Committee that, with this recruitment, the business would be entering into a period of transformation and setting an EPS target at that time would be challenging, but TSR reflects Alex's clear mandate to improve shareholder returns

The table below sets out the detail of the award

Grant date	No. of Options awarded	Share Price at date of award £	Face Value £(1)	End of Performance Period	Vesting Date
3 April 2018	455,641	1 8655	850,000	2 April 2021	3 April 2021

(1) The face value is calculated based on the number of options awarded multiplied by the share price at the date of award.

In addition, on 3 April 2018 the Company granted Alex Baldock a buy out award to facilitate his recruitment and compensate for awards lost from his previous employer

The award was granted under a one-off award agreement in accordance with Listing Rule 9.4 2(2) of the Listing Rules.

The award comprises a nil cost option over 989,078 shares in the Company. The award was calculated based on a reference value of £1,938,000, with the number of shares subject to the award based on the price of £1.9594, being the average market price of the Company's shares in the week prior to the announcement of his appointment.

The award will ordinarily vest three years from the grant date (the "vesting date"), subject to continued service and that neither party has served notice to terminate employment prior to such time.

The award will then ordinarily become exercisable in three tranches as set out below

As from an exercise period commencing	No. of related vested shares exercisable
3 April 2021	329,692 (Tranche 1)
3 April 2022	329,693 (Tranche 2)
3 April 2023	329 693 (Tranche 3)

Other significant terms of the awards are as follows

Once exercisable, the respective tranches shall ordinarily remain exercisable until the tenth anniversary of the grant date.

Additional shares may be added to each tranche on exercise, by reference to the value of dividends that would have been payable between the grant of the award and the commencement of the relevant exercise period

The award is non-pensionable and will be satisfied with existing shares other than treasury shares.

In the event of cessation of service or notice being served prior to the vesting date, the award shall lapse unless in exceptional circumstances the Committee determines otherwise (in which case, it shall specify to what extent and on what terms the award may continue)

In the event of cessation of service or notice on or following the vesting date, the award shall remain capable of becoming exercisable on normal timetable, but the exercise period for each tranche shall be shortened to six months

In the event of a qualifying change of control prior to the vesting date, the award shall vest early, to such extent as the Committee determines appropriate but as to no less than a pro-rata extent based on time elapsed into the normal vesting period. In the event of a qualifying change of control on or following the vesting date, the award shall become exercisable early (as relevant) at such time Early vesting may also exceptionally arise at the discretion of the Committee in response to a demerger, delisting, special dividend or similar event which, in the opinion, would affect the market price of the Company's shares to a material extent

The number of shares subject to the award may be adjusted in the event of a variation of share capital.

No further award will be made under this arrangement and no amendments will be made to the advantage of Alex Baldock in relation to (i) the basis for determining his entitlement to, and the terms of, shares to be provided under the award; and (ii) any adjustment that may be made for any variation of share capital or special dividend without prior shareholder approval in general meeting except for minor amendments to benefit the administration of the award, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment

The award is personal to Alex Baldock and cannot be transferred, assigned or otherwise disposed of by him (other than to his personal representative following his death)

Annual

The maximum bonus opportunity for all executive directors is 125% of base salary based on performance in the 12-month period to the end of the financial year

The Committee determined at the beginning of the year that the disclosure of performance targets were commercially sensitive and therefore these were not disclosed in last year s directors' remuneration report This was because targets were set within the context of a longer term business plan and this disclosure could give information to competitors to the detriment of business performance The Committee has, however disclosed in the table below the targets on a retrospective basis and the actual performance against these

The maximum annual bonus of 125% of base salary is payable at the maximum level of performance, 25% of base salary on achievement of threshold performance and 75% of base salary on achievement of target performance.

Measure	As a percentage of maximum bonus opportunity	Threshold	Target	Maximum	Actual	Potential Bonus % Achieved
Headline EBIT	60%	£501 million	£521 million	£541 million	£400 million	0%
Average net (debt) / funds ~ variance vs budget	10%	£(50) million	£0 0	£50 million	>£50 million	10%
Return on Capital Employed	10%	19.5%	20%	20.5%	18.1%	0%
Customer Net Promoter Score	10%	84 5%	85%	85 5%	85.8%	10%
Employee engagement score	10%	64%	65%	66%	63%	0%
Total						20%

Due to overall business performance the EBIT threshold was not met and therefore the Committee has determined that, notwithstanding the performance of the underlying measures, there will be no annual bonus paid for 2017/18.

Directors' Share Plan

The Share Plan, created in 2013 was designed to share 10% of the incremental value created in Dixons Carphone in excess of an opening valuation (assessed over an appropriate period) and beyond an annual rate of return of 7% on invested capital. The plan was also underpinned by a minimum annual compound TSR growth of 5% and outperformance of the median TSR of the constituents of the FTSE 250 Index

The participants were offered the opportunity to subscribe for an agreed number of participation shares ('the participation shares') in Dixons Carphone Holdings Limited (previously known as New CPW Limited) ('DCHL') The participants funded the subscription price for the participation shares via a loan from the Group The price paid by the participants for the participation shares was equal to the full unrestricted market value of the participation shares at the date of subscription.

Under the Share Plan, two pools were created, one for the original grant in December 2013 (the 'Carphone award') and one for the second grant in October 2014 (the 'Dixons award') each being subject to a cap of 2% of the total issued share capital of the Company

At the end of the performance period in July 2017 the performance conditions for each award were measured from their respective start dates.

TSR underpin

The plan was underpinned by a minimum annual compound TSR growth of 5% and outperformance of the median TSR of the constituents of the FTSE 250 Index

Dixons award

Dixons Carphone TSR	TSR growth underpin	FTSE 250 TSR underpin
-0 59%	15 3%	33 2%

The Dixons award did not satisfy either TSR underpin, and therefore no pool was created for this award

Carphone award

Dixons Carphone TSR	TSR growth underpin	FTSE 250 TSR underpin
54.2%	21 7%	53 50%

The Carphone award met both TSR underpins and therefore a pool was created equal to the value growth above the hurdle value (being the opening valuation plus an annual rate of return of 7% on invested capital)

Incremental value

Opening valuation £000	Hurdle value £000	Final valuation £000	Incremental value created £000	Allocation to participants £000
1,132,569	1 283,813	1 537,088	253,274	25.327

(1) Calculation Opening valuation + annual rate of return (7%) on invested capital
(2) Calculation final valuation – hurdle value
(3) Calculation 10% of incremental value created

An incentive pool value of £25 327m was therefore created in respect of the Carphone award

The pool value was then apportioned according to the number of participation shares awarded at grant and 60% of the participation shares which had been allocated vested The participation shares were then purchased by the Company for cash, in order to repay 60% of the loan (plus accrued interest), and the remainder of the participation shares were purchased by the Company in exchange for the Company's ordinary shares The remaining 40% of the Carphone award will vest on 29 June 2018 and the remaining 40% of the loan (plus accrued interest) will be repaid at that time The value of the award to the participants is equal to the value of the participation shares on vest after the deduction of the original *purchase price of the participation shares paid at grant*

Details of the value of the Carphone award to the director are shown in the table below

Former directors	[illegible] value	[illegible] of pool	[illegible]	Original purchase price of A allocation of A shares £'000	100% Award value £'000	Value of 60% Award at vest on *6 July 2017* £'000	Value of 40% Award at vest on *29 June 2018* £'000
Andrew Harrison [1]	**25,327**	**7%**	**1,773**	**385**	**1,388**	**833**	**555**

(1) Andrew Harrison stepped down from the Board on 2[illegible] December 2017

Details of the outstanding loan issued to enable the director to subscribe for the participation shares relating to the Carphone award are set out in the table below

	A ordinary shares in subsidiary allocated as at 30 April 2017 Number	A ordinary shares subsidiary vesting in July 2017 Number	**A ordinary shares in subsidiary allocated as at 28 April 2018[1] Number**	**Original Loan in respect of purchase price of 7% Allocation of A shares £'000**	**Total Interest accrued to 30 April 2017 £'000**	**Total Loan plus outstanding interest as at 30 April 2017 £'000**	**Loan Repaid (plus interest accrued) to 28 April 2018 £'000**	**Loan outstanding (plus interest accrued) as at 28 April 2018 £'000**
Andrew Harrison [2]	700	**(420)**	**280**	385	42	**427**	**(252)**	**175**

(1) Allocation relates to the pre-Merger pool in respect of A ordinary shares Face value is not included as due to the structure of the Share Plan it is not considered a representative figure
(2) Andrew Harrison stepped down from the Board on 21 December 2017

As the Dixons award did not meet the performance conditions required for vesting the Dixons award lapsed On the lapsing of the Dixons award the loans that were provided by the Group to participants in order to purchase participation shares in a subsidiary company became repayable Under the Share Plan rules for the Dixons award, repayment of 90% of the loan (plus accrued interest) was an obligation of the Group (and not the individual participants) and therefore this portion of the loan was waived The remaining 10% of the loan (plus accrued interest) was repaid by the executive directors in July 2017.

Prior to vesting, the Committee received detailed advice from Aon Hewitt, Freshfields Bruckhaus Deringer LLP and Daniel Oudkerk QC on the position of the Company in the event that the performance conditions were not met. This advice concluded that the satisfaction by the Group of the loans would trigger a benefit in kind income tax charge and social security contributions for the participants on the portion of the loan met by the Group The Committee determined, on the basis of this advice, that as participants were not informed of this possible outcome at the time the loans were taken out, and as they were advised that the maximum they would have to repay would be 10% (plus accrued interest), the Company would compensate them for any income tax charge and social security contributions incurred. Otherwise participants would have claims against the Group for losses arising out of the unforeseen set of circumstances, which according to the legal advice would have a strong likelihood of success Compensation payments were therefore made to the participants in 2017/18 in order to compensate them for the income tax and social security contributions that they incurred

Annual Remuneration Report

Corporate Governance

Details of the loan repayments and compensation payments made are set out in the table below

	B ordinary shares in subsidiary allocated as at 30 April 2017 Number	B ordinary shares in subsidiary transferred to the Company Number	B ordinary shares in subsidiary allocated as at 28 April 2018 Number	Loan outstanding as at 30 April 2017 £'000	Loan outstanding as at 6 July 2017 £'000	10% of Loan repaid £'000	90% of Loan waived £'000	Loan outstanding as at 28 April 2018 £'000	Compensation payment made £'000
Current directors									
Humphrey Singer	700	**(700)**	–	**1,292**	**1,298**	**(130)**	**(1,168)**	**–**	**549**
Former directors									
Sebastian James[2]	1,100	**(1,100)**	–	**2,030**	**2,039**	**(204)**	**(1,835)**	**–**	**863**
Andrew Harrison[3]	200	**(200)**	–	**369**	**371**	**(37)**	**(334)**	**–**	**157**
Katie Bickerstaffe[4]	700	**(700)**	–	**1,292**	**1,298**	**(130)**	**(1,168)**	**–**	**549**

(1) Allocation relates to the post-Merger pool in respect of B ordinary shares Face value is not included as due to the structure of the Share Plan it is not considered a representative figure
(2) Sebastian James stepped down from the Board on 2 April 2018 and left the Company on 27 April 2018
(3) Andrew Harrison stepped down from the Board on 21 December 2017
(4) Katie Bickerstaffe stepped down from the Board on 28 April 2018

Directors' [illegible]

	Date of grant	At 30 April 2017	Awarded in the year	Lapsed or forfeited in the year	Exercised in the year	At 28 April 2018	Date from which first exercisable	Expiry of the exercise period	Exercise Price (p)
Current directors									
Alex Baldock[1]									
2016 LTIP	3 Apr 2018	–	**455,641**	–	–	**455,641**	3 Apr 2021	3 Apr 2028	–
Section 9.4.2	3 Apr 2018	–	**989,078**	–	–	**989,078**	3 Apr 2021	3 Apr 2028	–
Humphrey Singer									
2017 LTIP	29 Jun 2017	–	**453,652**	–	–	**453,652**	29 Jun 2020	29 Jun 2027	–
2016 LTIP	9 Sep 2016	**342,512**	–	–	–	**342,512**	9 Sep 2019	9 Sep 2026	–
Former directors									
Sebastian James[2]									
2017 LTIP	29 Jun 2017	–	**783,146**	**567,353**	–	**215,793**	29 Jun 2020	29 Jun 2027	–
2016 LTIP	9 Sep 2016	**591,284**	–	**269,993**	–	**321,291**	9 Sep 2019	9 Sep 2026	–
Andrew Harrison[3]									
2016 LTIP	29 Jun 2017	–	**525,280**	–	–	**525,280**	29 Jun 2020	29 Jun 2027	–
2016 LTIP	9 Sep 2016	**396,592**	–	–	–	**396,592**	9 Sep 2019	9 Sep 2026	–
Katie Bickerstaffe[4]									
2016 LTIP	29 Jun 2017	–	**477,528**	–	–	**477,528**	29 Jun 2020	29 Jun 2027	–
2016 LTIP	9 Sep 2016	**360,538**	–	–	–	**360,538**	9 Sep 2019	9 Sep 2026	–

(1) Alex Baldock joined the Company on 3 April 2018
(2) Sebastian James stepped down from the Board on 2 April 2018 and left the Company on 27 April 2018 The Remuneration Committee exercised its discretion to allow good leaver treatment in respect of these awards The awards were pro-rated for service in accordance with the plan rules.
(3) Andrew Harrison stepped down from the Board on 21 December 2017
(4) Katie Bickerstaffe stepped down from the Board on 28 April 2018

	Date of grant	Exercise price (p)	At 30 April 2017	Awarded in the year	Lapsed or cancelled in the year	Exercised in the year	At 28 April 2018	Date from which first exercisable	Expiry of the exercise period
Current directors									
Humphrey Singer									
Sharesave	22 Feb 2017	252.00	7,142	–	–	–	**7,142**	1 Apr 2020	30 Sep 2020
			7,142	–	–	–	**7,142**		
Former directors									
Sebastian James[1]									
Sharesave	22 Feb 2017	252.00	7,142	–	**(7,142)**	–	–	1 Apr 2020	30 Sep 2020
			7,142	–	**(7,142)**	–	–		
Andrew Harrison[2][4]									
Sharesave									
	10 Jan 2014	224.00	4,017	–	–	**(4,017)**	–	1 Mar 2017	31 Aug 2017
			4,017	–	–	**(4,017)**	–		
Katie Bickerstaffe[3][5][6]									
Sharesave									
	26 Feb 2015	344.00	4,500	–	**(4,500)**	–	–	1 Apr 2018	30 Sep 2018
	25 Feb 2016	377.00	334	–	**(334)**	–	–	1 Apr 2019	30 Sep 2019
	22 Feb 2017	252.00	500	–	–	–	**500**	1 Apr 2020	30 Sep 2020
	21 Feb 2018	165.00		**10,145**	–	–	**10,145**	1 Apr 2021	30 Sep 2021
			5,334	**10,145**	**(4,834)**	–	**10,645**		

(1) Sebastian James stepped down from the Board on 2 April 2018 and left the Company on 27 April 2018. All awards lapsed on leaving.
(2) Andrew Harrison stepped down from the Board on 21 December 2017.
(3) Katie Bickerstaffe stepped down from the Board on 28 April 2018.
(4) The options exercised by Andrew Harrison on [illegible] July 2017 had a market price of £2.646 on the date of exercise. The gain made on the date of exercise was £1,631.
(5) Katie Bickerstaffe cancelled the 2015 and 2016 year Sharesave contracts in order to participate in the 2018 award.
(6) The face value of awards granted on 21 February 2018 was £16,739 for Katie Bickerstaffe. The exercise price was set at a 20% discount to the mid-market closing share price at 23 January 2018 of £2.0625.

Corporate Governance

Annual Remuneration Report

Directors' shares
Details of directors' interests in shares of the Company are shown in the following table

	28 April 2018	30 April 2017	Total beneficial interests under share ownership guidelines 28 April 2018	Total beneficial share interests as a % of salary[12] 28 April 2018
Executive directors				
Current directors				
Alex Baldock	—	—	**0**	**0%**
Humphrey Singer[2]	**444,748**	419,748	**444,748**	**179%**
Former directors				
Sebastian James[2][11]	**631,835**	606,835	—	**N/A**
Andrew Harrison[3][11]	**4,285,762**	5,000,000	—	**N/A**
Katie Bickerstaffe[4][11]	**369,568**	359,568	—	**N/A**
Non-executive directors				
Current directors				
Tony DeNunzio[5]	**100,000**	50,000	—	—
Andrea Gisle Joosen[6]	**20,176**	9,076	—	—
Jock Lennox	**22,625**	11,625	—	—
Lord Livingston of Parkhead[7]	**105,631**	31,889	—	—
Gerry Murphy[8]	**50,000**	20,000	—	—
Fiona McBain[9]	**19,129**	—	—	—
Former directors				
Tim How[10]	**12,400**	12,400	—	—
Baroness Morgan of Huyton[10]	**8,183**	8,183	—	—

(1) Date of appointment, if later
(2) On 25 August 2017 Humphrey Singer and Sebastian James purchased 25,000 shares each. The purchase price was £1.7780 per share.
(3) On 10 July 2017 Andrew Harrison sold 1,000,000 shares. The sale price was £2.7825 per share. In addition Andrew Harrison acquired 281,745 ordinary shares on 6 July 2017 following the vesting of the CPW Share Plan and 4,017 ordinary shares on 25 July 2017 following the exercise of the 2014 Sharesave
(4) On 6 September 2017 Katie Bickerstaffe purchased 10,000 shares. The purchase price was £1.6524 per share
(5) On 25 August 2017 Tony DeNunzio purchased 50,000 shares. The purchase price was £1.7792 per share
(6) Andrea Gisle Joosen purchased 2,600 and 8,500 shares on 25 August 2017 and 12 September 2017 respectively. The purchase price per share was £1.7790 and £1.6572 respectively
(7) Lord Livingston purchased 19,087 and 54,655 shares on 14 July 2017 and 25 August 2017 respectively. The purchase price per share was £2.60 and £1.8160 respectively
(8) *Gerry Murphy purchased 30,000 shares on 30 August 2017. The purchase price was £1.7610 per share*
(9) Fiona McBain purchased 19,129 shares on 25 August 2017. The purchase price was £1.8160 per share
(10) Tim How and Baroness Morgan both stepped down from the Board on 7 September 2017.
(11) Sebastian James, Andrew Harrison and Katie Bickerstaffe stepped down from the Board on 2 April 2018, 21 December 2017 and 28 April 2018, respectively
(12) The percentage is based on base salary as at 28 April 2018 and an average share price over the month to 28 April 2018 of £1.9847

There were no changes in the directors' restricted or unrestricted share interests between 28 April 2018 and the date of this Report

[illegible]

The fees for the independent non-executive directors, including the Deputy Chairman, are determined by the Board (excluding non-executive directors) after considering external market research and are reviewed on an annual basis. Factors taken into consideration include the required time commitment, specific experience and / or qualifications A base fee is payable and additional fees are paid for chairing and membership of committees The Chairman is not involved in the setting of his own salary, which is dealt with by the Remuneration Committee annually. Non-executive directors receive no variable pay and receive no additional benefits, except in situations where an executive director becomes a non-executive director, and benefit and pension arrangements continue

The Chairman and Deputy Chairman receive all-inclusive fees reflecting their duties Other independent non-executive directors received a basic fee of £60 000 (2016/17 £60,000) and additional fees as set out in the table below for chairing or membership of committees Fees will remain unchanged for 2018/19

	2017/18 £'000	2016/17 £ 000
Chairman[1]	**300**	280
Deputy Chairman[2]	**140**	140
Chair of Audit Committee	**15**	15
Member of Audit Committee	**5**	5
Member of Nominations Committee	**5**	5
Member of Remuneration Committee	**5**	5

(1) The Chairman's fee includes Chairmanship of the Nominations Committee

(2) The Deputy Chairman's fee includes the Senior Independent Director Chairmanship of the Remuneration Committee, and membership of the Nominations Committee fees

[illegible]

The Company is committed to ongoing shareholder dialogue in respect of directors' remuneration, and takes an active interest in voting outcomes Where there are substantial votes against resolutions explanatory reasons will be sought, and any actions in response will be communicated to shareholders

The following table sets out the voting results in relation to the approval of the remuneration policy when it was last put to shareholders at the annual general meeting 2016

Resolution	Votes for	%	Votes against	%	Withheld
Approval of directors' remuneration policy	880 154 462	98 86	10 177,401	1 14	1,579,648

The following table sets out the voting results in relation to the resolutions put to the annual general meeting 2017:

Resolution	Votes for	%	Votes against	%	Withheld
Approval of annual remuneration report	717,538,187	85 14	125,204,961	14 86	1,719,340

Compliance

As required by the Regulations, a resolution to approve this Remuneration Report will be proposed at the Annual General Meeting on 6 September 2018

Tony DeNunzio
Chairman of the Remuneration Committee
20 June 2018

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the consolidated financial statements in accordance with IFRS as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period.

In preparing the Company 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 Financial Reporting Standard 101 'Reduced Disclosure Framework' has 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.

In preparing the consolidated financial statements, IAS 1 Presentation of Financial Statements' requires that directors:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and the Company's performance, business model and strategy.

By Order of the Board

Alex Baldock
Group Chief Executive
20 June 2018

Humphrey Singer
Group Finance Director
20 June 2018

Independent Auditor's report

Report on the audit of the financial statements

Opinion on the financial statements of Dixons Carphone plc

In our opinion,

- **the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 28 April 2018 and of the Group's profit for the year then ended;**
- **the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;**
- **the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 'Reduced Disclosure Framework'; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.**

We have audited the financial statements of Dixons Carphone plc (the 'parent company') and its subsidiaries (the 'Group') which comprise

- the Consolidated Income Statement,
- the Consolidated Statement of Comprehensive Income,
- the Consolidated and Company Balance Sheets,
- the Consolidated and Company Statement of Changes in Equity,
- the Consolidated Cash Flow Statement, and
- the related notes 1 to 32 and C1 to C11

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Financial Statements

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 Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • impairment of goodwill of the UK & Ireland (UK&I) cash generating unit, • revenue recognition - valuation of UK network receivables, • tax provisioning, and • data breach Last year our report included key audit matters in relation to inventory provisioning and UK supplier funding These are no longer matters which are of most significance in our audit of the financial statements and therefore are no longer reported
Materiality	The materiality that we used for the Group financial statements was £16 0 million which was determined on the basis of 5% of adjusted headline profit before tax, consistent with the previous year
Scoping	Our full scope audit procedures provided coverage at the Group's key locations, being the retail operations in the UK and Nordics, representing 94% of the Group's revenue and 94% of headline profit before tax
Significant changes in our audit approach	There have been no significant changes in our audit approach in the current year other than the changes in key audit matters as set out above

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 1a to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9 8 6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the directors statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors assessment of the Group's and the Company s ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to

- the disclosures on pages 15-18 that describe the principal risks and explain how they are being managed or mitigated
- the directors' confirmation on page 46 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance solvency or liquidity, or
- the directors' explanation on pages 23-24 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
Impairment of goodwill of the UK&I cash generating units Goodwill of £2,065 million (2017: £2,066 million) was held on the Group's balance sheet and allocated to the UK&I group of cash generating units as at 28 April 2018. For a number of years the Group's results have been in line with management's forecast cash flows. However in the current year there was a decline in UK&I profitability. Our work is therefore focused on the accuracy of the short to medium term UK&I forecast cash flows including forecasts relating to network receivables. The key judgements and estimates involved are described in more detail in the Audit Committee report and in notes 1k and 9 to the Group financial statements.	We evaluated the design and implementation of controls around the preparation of management's impairment models. We assessed the assumptions used by management to generate the short to medium term UK&I cash flow projections against management's historical forecasting accuracy, the historical performance of the UK&I and against market rates. We also considered the appropriateness of the sensitivities applied by management. We validated the mechanics of the impairment models prepared by management.	We concur with the treatment adopted in relation to the impairment of goodwill and are satisfied that the assumptions in the impairment model are within an acceptable range. We are satisfied with the sensitivities applied by management and concur that headroom remains following the application of these sensitivities.

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
Revenue recognition – valuation of UK network receivables The monetary value of commission receivable on sales (£1,057 million at 28 April 2018, 2016/17: £1,014 million) being commission for which there is a contractual entitlement based on mobile phone connections already made, and for which there are no ongoing performance obligations, is dependent on management estimates of customer behaviour beyond the point of sale The valuation of the expected receivable is determined by four key assumptions expected level of customer spend, the level of customer default rate within the contract period, customer renewals and customer behaviour beyond the initial contract period Due to the high level of judgements involved, we have determined that there was a potential for fraud through possible manipulation of this balance. The key judgements and estimates involved are described in more detail in the Audit Committee report and in notes 1e, 1t and 25h to the Group financial statements	We evaluated the design and implementation of both the relevant manual and automated controls over the revenue recognition process in respect of commission receivable, utilising IT specialists to assist with testing of automated controls. In addition we tested whether these controls were operating effectively throughout the period. We tested the valuation of revenue recognised through review of the contractual arrangements and performed substantive testing of the four key management assumptions to data received from networks together with testing of cash receipts. We reviewed the status of settlement agreements with the networks to ensure amounts have been recognised appropriately We reviewed management's assessment of the accuracy of historical estimates against subsequent cash received to consider the appropriateness of the historical data as a proxy for future behaviours. We also benchmarked management assumptions against relevant external market data to determine any future trends We assessed any changes in estimate in comparison to the prior year and reviewed year on year movement in key assumptions	We consider the treatment adopted in relation to the valuation of the UK network commission receivable and the related assumptions applied by management to be appropriate. As described on pages 145-147 an adjustment is made to the amount of UK network commission receivable following an assessment of a variety of risk factors including the risk of potential changes in consumer behaviour We reported to the Audit Committee that while we consider the amount of the adjustment to be reasonable, in our view, the level of adjustment is less prudent than the prior year. We also agree that the disclosures relating to network commissions, including disclosure of the reasonably possible change in estimates, as summarised in note 25 provide an appropriate understanding of the estimates taken by management.
Tax Provisioning The Group operates in a number of different tax jurisdictions The nature of the Group's operations and related transactions can give rise to uncertain tax treatments, thereby requiring the use of estimates and assumptions which may be subsequently challenged by the relevant tax authorities. The Group has recognised provisions in relation to uncertain tax positions as set out in note 30 Our key audit matter is focussed on the valuation and disclosure of certain open matters with HMRC Further information in this area is discussed in the Audit Committee report and in note 1t to the financial statements.	We used our internal tax specialists to evaluate and test management's assumptions in respect of these tax related provisions including assessment against local tax legislation and review of supporting documentation In assessing the provisions we have considered the tax environment in which the Group operates, the outcome of past settlements and the status of matters being discussed with tax authorities Our tax specialists reviewed correspondence with tax authorities as well as reviewing the opinions or other support received from external advisors which management have utilised in calculating the provisions	We concur with the treatment adopted and amounts recognised in relation to taxation provisioning for these certain open matters, and believe that management's provisioning methodology includes a reasonable consideration of all uncertain positions.

Financial Statements

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
Data Breach As referred to within the Audit Committee report, the Group announced on 13 June 2018 that they were the subject of a data breach There is a risk that the Group has not identified and incorporated the potential impact on cash flow forecasts arising from the data breach, which are used in support of the conclusions made by management in respect of goodwill impairment and going concern The existence of such a data breach could also impact the nature and extent of our audit procedures in respect of the Group's IT systems and applications that are relevant to our audit of the financial statements	Supported by our IT specialists, we have reviewed and assessed the incident reports prepared by management in order to understand the nature of the breach In light of the data breach, we have evaluated the appropriateness of the downside sensitivities applied within management's going concern assessment; and re-evaluated the conclusions management reached in their annual assessment of goodwill impairment We have challenged the assumptions used in these assessments through consideration of the potential impact on the Group's forecast cash flows and the headroom available in each model We also considered the possible impact of the data breach on the IT systems and applications that are relevant to our audit and whether our audit approach remained appropriate	We are satisfied that the additional audit procedures undertaken in response to the data breach provide sufficient assurance in respect of the matters described above.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work Based on our professional judgement, we determined materiality for the financial statements as a whole as follows

	Group Financial statements	Parent company financial statements
Group materiality	£16 0 million (2016 17. £21 5 million)	£15 2 million (2016/17: £20.4 million)
Basis for determining materiality	We have determined materiality on the basis of 5% of adjusted headline profit before tax In using adjusted headline profit before tax we have followed the Group's definition of headline results in note 1a and adjusted this to add back the amortisation of acquisition intangibles and pension finance costs due to their recurring nature. We have determined materiality on a consistent basis with the previous year and the decrease in materiality in the current year is due to the decrease in the Group's Headline profit before tax	We have determined materiality on the basis of net assets, taking into account Group materiality Materiality is approximately 0.5% of net assets
Rationale for the benchmark applied	We have assessed the use of a headline measure to be appropriate as this continues to be a key driver of business value, is a critical component of the financial statements, and the main measure which management uses to monitor the performance of the business and communicate this to shareholders	Net assets was selected as an appropriate benchmark for determining materiality, as the parent company does not trade, and only acts as a holding company

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.8 million (2016/17 £1.0 million) for the Group as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level Based on that assessment, we focused our Group audit scope primarily on the audit work of the retail operations in the UK and the Nordics, which is consistent with the previous year. Each of these components requires a local statutory audit

These locations represent the principal business units and account for approximately 94% of the Group's revenue from continuing operations (2016/17: 90%) and 94% of the Group's headline profit before tax (2016/17: 87%). Each location was selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at these locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £10.0 million to £10.4 million (2016/17: £11.8 million to £12.9 million).

At the Dixons Carphone plc parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team is closely involved in the audit of the UK components, being the largest part of the Group, throughout the year including attendance at key audit planning and closing meetings. In addition, the Group audit team continued to follow a programme of planned visits to overseas components that has been designed so that a senior member of the Group audit team visits the most significant locations where the Group audit scope was focused at least once each year. For the year ended 28 April 2018 senior members of the Group audit team visited Norway, where the Nordics head office is located and a sub consolidation is performed, on two occasions.

Other information

We have nothing to report in respect of these matters.

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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibility 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 Group's and the parent 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 Group or the parent 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 Financial Reporting Council's website at: www frc.org uk/auditorsresponsibilities This description forms part of our auditor's report

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

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006

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 Group and of the parent company and their 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

Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion

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

We have nothing to report in respect of these matters.

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns

We have nothing to report arising from these matters.

Other matters

Audit tenure
Following the recommendation of the audit committee, we were appointed by the Board on 31 July 2003 to audit the financial statements for the year ending 29 March 2003 and subsequent financial periods The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 16 years, covering the years ending 2003 to 2018

Consistency of the audit report with the additional report to the audit committee
Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK)

Stephen Griggs (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditors
London, United Kingdom
20 June 2018

Consolidated income statement

	Note	Year ended 28 April 2018 Headline* £million	Non-headline* £million	Total £million	Year ended 29 April 2017 (restated) Headline (restated)* £million	Non-headline (restated)* £million	Total £million
Continuing operations							
Revenue	2	**10,525**	**6**	**10,531**	10,242	5	10,247
Profit / (loss) before interest and tax	2,3	**400**	**(79)**	**321**	516	(80)	436
Finance income		**14**	**–**	**14**	17	–	17
Finance costs		**(32)**	**(14)**	**(46)**	(33)	(16)	(49)
Net finance costs	6	**(18)**	**(14)**	**(32)**	(16)	(16)	(32)
Profit / (loss) before tax		**382**	**(93)**	**289**	500	(96)	404
Income tax (expense) / credit	7	**(79)**	**26**	**(53)**	(114)	17	(97)
Profit / (loss) after tax – continuing operations		**303**	**(67)**	**236**	386	(79)	307
Loss after tax – discontinued operations	24	**–**	**(70)**	**(70)**	–	(12)	(12)
Profit / (loss) after tax for the period		**303**	**(137)**	**166**	386	(91)	295
Earnings per share (pence)	8						
Basic – continuing operations		**26.2p**		**20.4p**	33.5p		26.7p
Diluted – continuing operations		**26.1p**		**20.3p**	33.4p		26.6p
Basic – total				**14.4p**			25.6p
Diluted – total				**14.3p**			25.5p

* Headline results exclude amortisation of acquisition intangibles, Merger integration and transformation costs, property rationalisation costs, acquisition related costs, net interest on defined benefit pension schemes, businesses to be exited and discontinued operations. Such excluded items are described as 'non-headline' as discussed in note 4. The headline and non-headline results have been restated for year ended 29 April 2017 to reflect the current period classification of the Sprint Joint Venture operations, Spanish operations and the honeybee operations as discontinued as discussed in note 31.

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Consolidated statement of comprehensive income

	Note	Year ended 28 April 2018 £million	Year ended 29 April 2017 £million
Profit after tax for the period		**166**	295
Items that may be reclassified to the income statement in subsequent years:			
Cash flow hedges			
Fair value movements recognised in other comprehensive income	25	**(5)**	20
Reclassified and reported in income statement		**(11)**	(18)
Amount recognised in inventories		**29**	22
Available-for-sale financial assets			
(Losses) / gains arising during the period	12	**(2)**	19
Exchange gain arising on translation of foreign operations		**8**	76
Tax on items that may be subsequently reclassified to profit or loss		**–**	(3)
		19	116
Items that will not be reclassified to the income statement in subsequent years			
Actuarial gains / (losses) on defined benefit pension schemes - UK	21	**87**	(144)
Overseas	21	**(1)**	–
Tax on actuarial gains / (losses) on defined benefit pension schemes	7	**(15)**	21
		71	(123)
Other comprehensive income / (expense) for the period (taken to equity)		**90**	(7)
Total comprehensive income for the period		**256**	288

Consolidated balance sheet

	Note	28 April 2018 £million	29 April 2017 £million
Non-current assets			
Goodwill	9	**3,088**	3,111
Intangible assets	10	**478**	553
Property, plant & equipment	11	**394**	420
Investments	12	**17**	19
Interests in joint ventures and associates	12	**1**	18
Trade and other receivables	14	**507**	531
Deferred tax assets	7	**240**	253
		4,725	4,905
Current assets			
Inventory	13	**1,145**	1,101
Deferred consideration		**–**	3
Trade and other receivables	14	**1,154**	1,133
Derivative assets	25	**27**	17
Assets held for sale	24	**17**	–
Cash and cash equivalents	15	**228**	209
		2,571	2,463
Total assets		**7,296**	7,368
Current liabilities			
Trade and other payables	16	**(2,505)**	(2,502)
Derivative liabilities	25	**(7)**	(13)
Deferred and contingent consideration	17	**(1)**	(8)
Income tax payable		**(72)**	(94)
Loans and other borrowings	18	**(63)**	(10)
Finance lease obligations	19	**(3)**	(3)
Liabilities held for sale	24	**(2)**	–
Provisions	20	**(67)**	(84)
		(2,720)	(2,714)
Non-current liabilities			
Trade and other payables	16	**(318)**	(368)
Deferred and contingent consideration	17	**(12)**	(14)
Loans and other borrowings	18	**(329)**	(381)
Finance lease obligations	19	**(82)**	(86)
Retirement benefit obligations	21	**(472)**	(591)
Deferred tax liabilities	7	**(135)**	(138)
Provisions	20	**(32)**	(21)
		(1,380)	(1,599)
Total liabilities		**(4,100)**	(4,313)
Net assets		**3,196**	3,055
Capital and reserves	22		
Share capital		**1**	1
Share premium reserve		**2,263**	2,260
Accumulated profits		**1,643**	1,513
Translation reserve		**39**	31
Demerger reserve		**(750)**	(750)
Equity attributable to equity holders of the parent company		**3,196**	3,055

The financial statements were approved by the directors on 20 June 2018 and signed on their behalf by.

Alex Baldock
Group Chief Executive

Humphrey Singer
Group Finance Director

Consolidated statement of changes in equity

	Note	Share capital £million	Share premium reserve £million	Accumulated profits £million	Translation reserve £million	Demerger reserve £million	Total equity £million
At 1 May 2016		1	2,256	1,398	(45)	(750)	2,860
Profit for the period		—	—	295	—	—	295
Other comprehensive income and expense recognised directly in equity		—	—	(83)	76	—	(7)
Total comprehensive income and expense for the period		—	—	212	76	—	288
Ordinary shares issued		—	4	—	—	—	4
Equity dividends	23	—	—	(115)	—	—	(115)
Net movement in relation to share schemes		—	—	17	—	—	17
Tax on items recognised directly in reserves		—	—	1	—	—	1
At 29 April 2017		1	2,260	1,513	31	(750)	3,055
Profit for the period		—	—	**166**	—	—	**166**
Other comprehensive income and expense recognised directly in equity		—	—	**82**	**8**	—	**90**
Total comprehensive income and expense for the period		—	—	**248**	**8**	—	**256**
Ordinary shares issued		—	**3**	**(2)**	—	—	**1**
Equity dividends	23	—	—	**(130)**	—	—	**(130)**
Net movement in relation to share schemes		—	—	**14**	—	—	**14**
Tax on items recognised directly in reserves		—	—	—	—	—	—
At 28 April 2018		**1**	**2,263**	**1,643**	**39**	**(750)**	**3,196**

Financial Statements

Consolidated cash flow statement

	Note	Year ended 28 April 2018 £million	Year ended 29 April 2017 £million
Operating activities			
Cash generated from operations	26	**420**	478
Special contributions to defined benefit pension scheme		**(46)**	(43)
Income tax paid		**(62)**	(72)
Net cash flows from operating activities		**312**	363
Investing activities			
Interest received		**–**	2
Net cash outflow arising from acquisitions		**(7)**	(17)
Proceeds from disposal of property, plant & equipment		**2**	9
Proceeds on sale of business		**63**	23
Dividends received from available for sale investments		**–**	8
Acquisition of property, plant & equipment and other intangibles		**(187)**	(242)
Investment in joint venture		**(3)**	(29)
Net cash flows from investing activities		**(132)**	(246)
Financing activities			
Interest paid		**(19)**	(17)
Repayment of obligations under finance leases		**(10)**	(8)
Issue of ordinary shares		**1**	4
Equity dividends paid		**(130)**	(115)
Decrease in borrowings		**(32)**	(28)
Facility arrangement fees paid		**(2)**	(2)
Net cash flows from financing activities		**(192)**	(166)
Decrease in cash and cash equivalents and bank overdrafts		**(12)**	(49)
Cash and cash equivalents and bank overdrafts at beginning of the period		**199**	233
Currency translation differences		**(2)**	15
Cash and cash equivalents and bank overdrafts at end of the period	26	**185**	199

Notes to the Group financial statements

1 Accounting policies

a) Basis of preparation

Dixons Carphone plc (the Company) is a public company limited by shares incorporated in the United Kingdom, which is registered in England and Wales under the Companies Act 2006

The consolidated financial statements have been prepared on a going concern basis in accordance with IFRS as adopted by the EU, IFRS issued by the International Accounting Standards Board those parts of the Companies Act 2006 applicable to those companies reporting under IFRS and Article 4 of the IAS Regulation

The financial statements have been presented in UK Sterling, the functional currency of the Company, and on the historical cost basis except for the revaluation of certain financial instruments, as explained below All amounts have been rounded to the nearest £1 million, unless otherwise stated. The principal accounting policies adopted are set out below

The Group's income statement and segmental analysis identify separately headline performance and non-headline items. Headline performance measures reflect adjustments to total performance measures The directors consider 'headline' performance measures to be an informative additional measure of the ongoing trading performance of the Group and believe that these measures provide additional useful information for shareholders on the Group's performance and are consistent with how business performance is measured internally.

Headline results are stated before the results of discontinued operations or exited to be exited businesses, amortisation of acquisition intangibles acquisition related costs, any exceptional items considered so one-off and material that they distort underlying performance (such as reorganisation costs, impairment charges property rationalisation costs and non-recurring charges), income from previously disposed operations and net pension interest costs. Businesses exited or to be exited are those which the Group has exited or committed to or commenced to exit through disposal or closure but do not meet the definition of discontinued operations as stipulated by IFRS and are material to the results and/or operations of the Group.

A reconciliation of headline profit and losses to total profits and losses is shown in note 2, a description of the nature of the non-headline results recorded is shown in note 4 Items excluded from headline results can evolve from one financial year to the next depending on the nature of exceptional items or one-off type activities described above. Headline performance measures and non-headline performance measures may not be directly comparable with other similarly titled measures or 'adjusted revenue or profit measures used by other companies

The accounting policy for the use of these measures is outlined in the 'Alternative Performance Measures' section of the Glossary.

Going concern

The Group's funding arrangements and processes for managing its exposure to liquidity risk are set out in notes 18 and 25

In their consideration of going concern, the directors have reviewed the Group's future cash forecasts and profit projections, which are based on market data and past experience. The directors are of the opinion that the Group s forecasts and projections, which take into account reasonably possible changes in trading performance, show that the Group is able to operate within its current facilities and comply with its banking covenants for the foreseeable future In arriving at their conclusion that the Group has adequate financial resources, the directors were mindful of the level of borrowings and facilities as set out in note 18 to the Group financial statements and that the Group has a robust policy towards liquidity and cash flow management.

Accordingly the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future and consequently the directors continue to apply the going concern basis in the preparation of the financial statements.

The principal accounting policies are set out below.

b) Accounting convention and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power over the investee; is exposed, or has rights, to variable return from its involvement with the investee, and has the ability to use its power to affect its returns

The results of subsidiaries and joint ventures acquired or sold during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate, which is the date from which the power to control passes. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group All intercompany transactions and balances are eliminated on consolidation.

c) Foreign currency translation and transactions

Material transactions in foreign currencies are hedged using forward purchases or sales of the relevant currencies and are recognised in the financial statements at the exchange rates thus obtained Unhedged transactions are recorded at the exchange rate on the date of the transaction. Material monetary assets and liabilities denominated in foreign currencies are hedged, mainly using forward foreign exchange contracts to create matching liabilities and assets, and are retranslated at each balance sheet date. Hedge accounting as defined by IAS 39 'Financial Instruments: Recognition and Measurement' has been applied by marking to market the relevant financial instruments at the balance sheet date and recognising the gain or loss in reserves in respect of cash flow hedges, and through profit or loss in respect of fair value hedges

Notes to the Group financial statements

The results of overseas operations are translated each month at the monthly rate, and their balance sheets are translated at the rates prevailing at the balance sheet date Goodwill and acquisition intangible assets are held in the currency of the operation to which they relate Exchange differences arising on the translation of net assets, goodwill and results of overseas operations are recognised in the translation reserve. All other exchange differences are included in profit or loss in the year in which they arise except where the Group designates financial instruments held for the purpose of hedging the foreign currency exposures that result from material transactions undertaken in foreign currencies as cash flow hedges, hedge accounting as defined by IAS 39 'Financial Instruments Recognition and Measurement' is applied The effective portion of changes in the fair value of financial instruments that are designated as cash flow hedges is recognised in other comprehensive income The gain or loss relating to the ineffective portion is recognised in profit or loss Amounts previously recognised in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss

Where a foreign operation is disposed of the gain or loss on disposal recognised in profit or loss is determined after taking into account the cumulative currency translation differences that are attributable to the operation The principal exchange rates against UK Sterling used in these financial statements are as follows

	Average		[illegible]	
	2018	[illegible]	**2018**	[illegible]
Euro	**1.13**	1.18	**1.14**	1.18
Norwegian Krone	**10.73**	10.86	**10.98**	11.11
Swedish Krona	**11.10**	11.32	**11.94**	11.47
US Dollar	**1.34**	1.29	**1.38**	1.29

d) Revenue and supplier income

Revenue

Revenue comprises sales of goods and services excluding sales taxes. The following accounting policies are applied to the principal revenue generating activities in which the Group is engaged:

- network commission revenue is recognised with reference to the stage of completion of the service under the individual contract with the MNO, as outlined in section (e),
- revenue from the sale of goods is recognised at the point of sale or, where later, upon delivery to the customer and is stated net of returns,
- revenue earned from the sale of customer support agreements is recognised over the term of the contracts when the Group obtains the right to consideration as a result of performance of its contractual obligations Revenue in any one year is recognised by reference to the stage of completion of the contractual terms at the balance sheet date The stage of completion is estimated with reference to the proportion of the expected costs of fulfilling the Group's total obligations under the agreements, determined by reference to extensive historical claims data. Reliance on historical data assumes that current and future experience will follow past trends. The directors make an annual assessment of this data to ensure this continues to reflect the best estimate of expected future trends;
- revenue arising on services (including delivery and installation, product repairs and product support) is recognised when the relevant services are provided; 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, to the extent that it can be reliably measured and there are no ongoing service obligations Revenue from the provision of insurance administration services is recognised over the life of the relevant policies. Changes in contractual terms for the sale of third party insurance contracts resulted in additional revenue recognised of £nil in the current year (2016/17: £22 million)

Income received from suppliers such as volume rebates

The Group has provided enhanced disclosure on supplier funding following guidance issued by the Financial Reporting Council in December 2015 This disclosure is aimed at assisting the users of the financial statements in understanding the judgements and estimates made in the recognition of supplier funding in the Group's financial statements

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

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

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

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

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

e) Network commissions

The Group operates under contracts with a number of *Mobile Network Operators ('MNOs'). Over the life of these* contracts the service provided by the Group to each MNO is the procurement of connections to the MNOs' networks. The individual consumer enters into a contract with the MNO for the MNO to supply the ongoing airtime over that contract period.

The Group earns a commission for the service provided to each MNO ('network commission'). Revenue is recognised with reference to the stage of completion of the service under the individual contract with each MNO. A key judgement associated with this recognition is the unit of account used in recognition. The Group has determined that the number and value of consumers provided to each MNO in any given month ('a cohort') represents the best output measure of stage of completion of each contract. As invoices to MNOs are raised on a monthly basis, the monthly billing cycle has been deemed to be the appropriate unit of account for the purposes of applying IAS 39 to the financial assets arising from the provision of services.

The level of network commission earned is based on a share of the monthly payments made by the consumer to the MNO. The total consideration receivable is determined by both fixed (monthly line rental) and variable elements and is therefore subject to significant judgement and is dependent on consumer behaviour after the point of recognition. See note 25 for further information around this judgement.

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

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 relating to the consumer connection.

Commission revenue is only recognised to the extent it can be reliably measured for each cohort of consumers. Estimates are based on extensive historical evidence obtained from the networks. Reliance on historical data assumes that current and future experience will follow past trends. Management make a quarterly, and the directors a twice-yearly, assessment of this data to ensure this continues to reflect the best estimate of expected future trends.

The associated receivables are subsequently measured at amortised cost with remeasurements due to changes in consumer behaviour recognised in the income statement. 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. Further details of estimates used to initially value revenue recognised and subsequently value commission receivable at the balance sheet date, effects on the current year income statement of changes in estimates and sensitivity analysis of the carrying value can be found in note 25.

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. See note 25 for further detail of these changes recognised in the current period.

In addition to the above, the Group may also receive marketing support and volume incentives from the MNO, which are recognised when the income becomes highly probable.

f) Discontinued operations and assets and liabilities held for sale

A discontinued operation is a component of the Group which represents a significant separate line of business, either through its activity or geographical area of operation, which has been sold, is held for sale or has been closed.

Where the sale of a component of the Group is considered highly probable at the balance sheet date and the business is available for immediate sale in its present condition, it is classified as held for sale. Such classification assumes the expectation that the sale will complete within one year from the date of classification. Assets and liabilities held for sale are measured at the lower of carrying amount and fair value less costs to sell. Once classified as held for sale, intangible assets and property, plant & equipment are no longer amortised or depreciated.

g) Share-based payments

Equity settled share-based payments 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.

h) Retirement benefit obligations

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

For defined benefit pension schemes, the difference between the market value of the assets and the present value of the accrued pension liabilities is shown as an asset or liability in the consolidated balance sheet. The calculation

Notes to the Group financial statements

of the present value is determined using the projected unit credit method.

Actuarial gains and losses arising from changes in actuarial assumptions together with experience adjustments and actual return on assets are recognised in the consolidated statement of comprehensive income and expense as they arise. Such amounts are not reclassified to the income statement in subsequent years

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

i) Leases

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

The Group 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 Group as a lessee

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

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 period 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

j) Taxation

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

Deferred tax
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

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

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 other comprehensive income or reserves, in which case it is recognised directly in other comprehensive income or reserves as appropriate

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 Group intends to settle its current tax assets and liabilities on a net basis Deferred tax balances are not discounted

k) Goodwill

On acquisition of a subsidiary or associate, the fair value of the consideration is allocated between the identifiable net tangible and intangible assets and liabilities on a fair value basis, with any excess consideration representing goodwill. At the acquisition date, goodwill is allocated to each group of Cash Generating Units ('CGUs') expected to benefit from the combination and held in the currency of the operations to which the goodwill relates.

Goodwill is not amortised, but is reviewed annually for impairment or more frequently where there is an indication that goodwill may be impaired Impairment is assessed by measuring the future cash flows of the group of CGUs to which the goodwill relates, at the level at which this is monitored by management. Where the future discounted cash flows are less than the carrying value of goodwill, an impairment charge is recognised in the income statement

On disposal of subsidiary undertakings and businesses, the relevant goodwill is included in the calculation of the profit or loss on disposal

l) Intangible assets

Acquisition intangibles
Acquisition intangibles comprise brand names and customer relationships purchased as part of acquisitions of businesses and 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

Brands	7% – 20% per annum
Customer relationships	13% – 50% per annum

This amortisation is recognised in non headline administrative expenses

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 between three and eight years, and is recorded in administrative expenses

Intangible assets 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 intangible assets form part of a separate CGU, such as a store or business unit, and business indicators exist which could lead to the conclusions that the net book value is not supportable, the recoverable amount of the CGU is determined by calculating its value in use The value in use is calculated by applying discounted cash flow modelling to management's projection of future profitability and any impairment is determined by comparing the net book value with the value in use

m) 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

Land and buildings	1⅔% – 4% per annum
Fixtures fittings and equipment	10% – 33⅓% per annum

Assets capitalised as finance leases are depreciated over the term of the lease

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 CGU, such as a store or group of stores, and business indicators exist which could lead to the conclusions that the net book value is not supportable, the recoverable amount of the CGU is determined by calculating its value in use. The value in use is calculated by applying discounted cash flow modelling to management's projection of future profitability and any impairment is determined by comparing the net book value with the value in use

n) Financial assets and investments

Financial assets are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the investment The Group's financial assets comprise cash and cash equivalents, receivables which involve a contractual right to receive cash from external parties and investments classified as available-for-sale Financial assets comprise all items shown in notes 14 and 15 with the exception of prepayments. Under the classifications stipulated by IAS 39, cash and cash equivalents and derivative financial instruments, which are further described in notes 1r) and 25, are classified as 'loans and receivables' and 'held for trading unless designated in a hedge relationship', respectively Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the Group has substantially transferred the risks and rewards of ownership.

Trade and other receivables
Trade and other receivables (excluding derivative financial assets) are classified as 'loans and receivables'. Trade and other receivables are initially recognised at fair value

Notes to the Group financial statements

and subsequently held at amortised cost, less provision or impairment If there is objective evidence that the Group will not be able to collect the full amount of the receivable, impairment is recognised through the income statement. Significant financial difficulties of the debtor probability that a debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired The impairment is calculated as the difference between the carrying value of the receivable and the present value of the related estimated future cash flows, discounted at the original interest rate.

Available-for-sale investments
The Group has investments in unlisted shares that are not traded in an active market but are classified as available-for-sale financial assets and stated at fair value (because the directors consider that their fair value can be reliably measured). Fair value is determined in the manner described in note 12. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the accumulated profits reserve Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the accumulated profits reserve is reclassified to the income statement. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established

o) Interests in joint ventures

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. These consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures using the equity method less any impairment losses. When the Group's interest in a joint venture has been reduced to £nil because the Group's share of losses exceeds its interest in the joint venture, the Group only provides for additional losses to the extent that it has incurred legal or constructive obligations to fund such losses, or where the Group has made payments on behalf of the joint venture. Any associated goodwill is included within the carrying value of the investment and is assessed for impairment as part of that investment

p) Inventories

Inventories are stated at the lower of 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

q) 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, which form part of cash and cash equivalents for the purpose of the cash flow statement, are shown under current liabilities

r) Borrowings and other financial liabilities

The Group's financial liabilities are those which involve a contractual obligation to deliver cash to external parties at a future date Financial liabilities comprise all items shown in notes 16 to 19 with the exception of deferred income. Financial liabilities are recognised in the Group's balance sheet when the Group 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 or cancelled or expires

Borrowings
Borrowings in the Group's balance sheet represent committed and uncommitted bank loans Borrowings are initially recorded at fair value less attributable transaction costs Transaction fees such as bank fees and legal costs associated with the securing of financing are capitalised and amortised through the income statement over the term of the relevant facility All other borrowing costs are recognised in the income statement in the period in which they are incurred

Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Under the classifications stipulated by IAS 39, borrowings, finance lease obligations and trade and other payables (excluding derivative financial liabilities) are classified as 'financial liabilities measured at amortised cost' Derivative financial instruments, which are described further in note 25, are classified as 'held for trading unless designated in a hedge relationship'

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

Where the Group has right of offset in relation to trade and other receivables and payables under IAS 39, these are presented on a net basis See note 25 for a description of the financial assets and liabilities presented on a net basis.

Derivative financial instruments and hedging activity
The Group uses derivatives to manage its exposures to fluctuating interest and foreign exchange rates These instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value The treatment of the

resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so the nature of the item being hedged. Derivatives that qualify for hedge accounting are treated as a hedge of a highly probable forecast transaction (cash flow hedge) in the case of foreign exchange hedging and a hedge of the exposure arising from changes in the cash flows of a financial liability due to interest rate risk on a floating rate debt instrument in the case of interest rate hedging.

At inception the relationship between the hedging instrument and the hedged item is documented, as is an assessment of the effectiveness of the derivative instrument used in the hedging transaction in offsetting changes in the cash flow of the hedged item. This effectiveness assessment is repeated on an ongoing basis during the life of the hedging instrument to ensure that the instrument remains an effective hedge of the transaction.

1. Derivatives classified as cash flow hedges: the effective portion of changes in the fair value is recognised in other comprehensive income. Any gain or loss relating to the ineffective portion is recognised immediately in the income statement in sales or cost of sales, to match the hedged transaction. Amounts recognised in other comprehensive income are recycled to the income statement in the period when the hedged item will affect profit or loss. If the hedging instrument expires or is sold, or no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income, and is recognised when the forecast transaction is ultimately recognised in the income statement. If the forecast transaction is no longer expected to occur, the cumulative gain or loss in other comprehensive income is immediately transferred to the income statement.
2. Derivatives that do not qualify for hedge accounting: these are classified at fair value through profit or loss. All changes in fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

s) Provisions

Provisions are recognised when a legal or constructive obligation exists 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.

t) 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 – network commissions

For certain transactions with MNOs, commission receivable on mobile phone connections depends on consumer behaviour after the point of sale. Further details of the judgement involved can be found at note 1 (e), and further details of estimates used to value commission receivable, carrying amounts at the balance sheet date, effects on the current year income statement of changes in estimates and sensitivity analysis of the carrying value can be found in note 25.

Revenue recognition – customer support agreements

As set out in note 1(d), revenue relating to customer support agreements is recognised by reference to the stage of completion of the contractual terms at the balance sheet date. The stage of completion is estimated with reference to the proportion of the expected costs of fulfilling the Group's total obligations under the agreements, determined by reference to extensive historical claims data. The estimation techniques used for revenue and profit recognition in relation to the agreements require forecasts to be made of the outcome of the agreements and the timing of costs, based on historical cost profiles for each type of agreement. During the year, changes in estimates relating to contracts entered in previous periods totalled £4 million income, as a credit to revenue in the current year income statement (2016/17: £28 million income).

Defined benefit pension schemes

The surplus or deficit in the UK defined benefit pension scheme that is recognised through the consolidated statement of comprehensive income and expense is subject to a number of assumptions and uncertainties. The calculated liabilities of the scheme are based on assumptions regarding inflation rates, discount rates and member longevity. Such assumptions are based on actuarial advice and are benchmarked against similar pension schemes. Refer to note 21 for further information.

Taxation

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

Notes to the Group financial statements

impact the income tax and deferred tax provisions in the year to which such determination is made The Group has recognised provisions in relation to uncertain tax positions of £66 million at 28 April 2018 (2017 £66 million) Due to the nature of the provisions recorded, the timing of the settlement of these amounts remains uncertain In addition, the Group is currently cooperating with HMRC in relation to several open tax enquiries arising from pre-merger legacy corporate transactions, including a specific enquiry into the tax treatment as a result of the formation of the joint venture with Best Buy Inc. in 2008, which may result in litigation The potential range of tax exposure relating to this specific enquiry is £nil - £40 million excluding interest and penalties for which no provision has been made.

Provisions

The Group's provisions are based on the best information available to management at the balance sheet date Judgement is required to assess the likelihood of success of any claim made against the Group and if any liability will arise. The most significant provision currently is in relation to the store reorganisation programme described in note 4 The costs and timing of cash flows are dependent on exiting the property lease contracts or subletting the property Significant assumptions are used in estimating the ultimate cost to the Group including the nature timing and cost of exiting a lease and the level of sublease income The future costs assumed are inevitably only estimates, which may differ from those ultimately incurred Refer to note 20 for further information.

u) Recent accounting developments

There were no new IFRSs or IFRIC interpretations that had to be implemented during the year that significantly affect these financial statements.

The following new standards, which are applicable to the Group, have been published but are not yet effective

- IFRS 15 'Revenue from Contracts with Customers' provides guidance on the recognition timing and measurement of revenue IFRS 15 is applicable for periods beginning on or after 1 January 2018, and therefore will be applied by the Group in the 2018/19 financial year.

  The Group will apply a modified retrospective approach to application, and therefore comparative amounts will not be restated Any transitional impact will be recognised through reserves in the 2018/19 opening balance sheet

  The majority of Group sales are for goods sold in store and online, where there is a single performance obligation and revenue is recognised at the point of sale or, where later, delivery to the end customer There is no impact from the adoption of IFRS 15 on these sales other than reclassification of returns provisions currently recorded within accruals in the balance sheet, to a gross expected return liability and asset.

  For network commission revenue there is no anticipated significant impact from the adoption of IFRS 15 and it is expected revenue will continue to be recognised in line with the current accounting policy as detailed in note 1e)

For certain other revenue streams, the adoption of IFRS 15 will have an impact on the timing of revenue recognition and the allocation of total transaction price between performance obligations based on relative standalone fair values

- Customer support agreements - under IAS 18 revenue is currently recognised with reference to the stage of completion of the contract based on the contracted term or (for monthly contracts) our estimate of customer tenure, and the profile of total expected costs IFRS 15 introduces new requirements relating to the assessment of the contract length over which revenue is recognised, and recognition over time or at a point in time Due to the cancellation options and customer refund clauses within the agreements, the term has been reassessed to be either monthly or a series of day to day contracts Revenue will therefore be recognised in full as each performance obligation is satisfied For monthly agreements revenue will be recognised in full in the month to which payment relates For arrangements assessed as being a series of day to day contracts revenue will be recognised on a 'straight-line' basis The provisional net impact of these changes will be a release of £25 million of currently recognised deferred income in the FY 2018/19 opening balance sheet for current contracts. This impact is expected to unwind to the income statement over a 5 year period
- The Group receives sales commission from the sale of third-party insurance products and for the provision of brokerage and other claims handling services on behalf of the insurance provider Under IAS 18, sales commission from the sale of these products is recognised when the insurance policies are sold, and revenue from the provision of administration services is recognised over the life of the relevant policies. Under IFRS 15 the Group has re-assessed the standalone selling price of the commission and administration services provided, which will provisionally result in a reduction in the level of commission receivable recognised on the opening balance sheet of £16 million, to reallocate consideration from commission (recognised up front) to other services (recognised over time). We do not currently consider this will have an impact on reported EBIT in 2018/19 or future periods.

The adoption of IFRS15 will have no impact on lifetime profitability or cash flows of any contract. No material impact is expected over all remaining revenue streams

- IFRS 9 'Financial Instruments' becomes effective for periods beginning on or after 1 January 2018, and will be effective for our 2018/19 financial year IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model for recognising impairment provisions based on expected credit losses and new hedge accounting requirements. We have established a new risk management policy and aligned hedge accounting documentation with the new standard, and do not anticipate any impact on our current hedging relationships In relation to credit losses, the primary change relates to provisioning for potential future credit losses on our financial assets We do not expect this to have a significant impact on the Group's financial statements

- IFRS 16 'Leases' is applicable for periods beginning on or after 1 January 2019, and will therefore be applied by the Group in the 2019/20 financial year IFRS 16 will require the Group to recognise a lease liability and a right-of-use asset for most of those leases previously treated as operating leases This will have a material effect on both non-current and current liabilities, fixed assets and the measurement and disclosure of expense associated with the leases which under the new standard will be treated as depreciation and financing expense which were previously recognised as operating expenses over the term of the lease

  The adoption of the standard will materially increase total assets, as leased assets will be recognised on balance sheet, primarily relating to our trading store portfolio There will also be a material increase in liabilities in relation to these committed leases Lease expenditure will be reclassified and split from the current presentation in operating expenditure to depreciation and interest costs This will result in a change to the profile of the net charge taken to the income statement over the period of the lease.

  The Group intends to apply the modified retrospective approach on transition A project continues across the Group to assess the overall impact of the standard including considering the systems and processes required for implementation and key assumptions such as the discount rate to be used. Given the complexities of the standard, and the sensitivities to these key assumptions, it is not yet practicable to provide a full estimate of the impact.

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

2 Segmental analysis

The Group's operating segments reflect the segments routinely reviewed by the Board and which are used to manage performance and allocate resources This information is predominantly based on geographical areas which are either managed separately or have similar trading characteristics such that they can be aggregated together into one segment

The Group operates three operating segments as described below Discontinued operations are excluded from this segmental analysis. Results are reviewed by the Board on a headline basis by segment.

- UK & Ireland comprises operations in the UK and Ireland, the Dixons Travel business and the non-honeybee B2B operations which leverages the specialist skills, operating processes and technology of the Group to provide managed services to third parties looking to develop their own connected world solutions
- Nordics operates in Norway, Sweden, Finland, Denmark and Iceland
- Greece consisting of our ongoing operations in Greece and for non-headline items, our previously disposed operations in Southern Europe.

Non-headline results are allocated to each reportable segment Where these relate to businesses to be exited or income or expense from previously disposed operations, they are allocated where practicable to the region in which the operation was originally held.

UK & Ireland, Nordics and Greece are involved in the sale of consumer electronics and mobile technology products and services, primarily through stores or online channels.

During the period, the reportable segments of the Group have changed, and reflect the updated segments reported to the Board, who are considered the Chief Operating Decision Maker under IFRS 8 "Operating Segments". Previously, segmental results for Connected World Services consisted of both our honeybee and Connected World Services divisions, which was the B2B operations providing managed services to third parties. The Connected World Services division has now been allocated to the respective segmental market (either UK & Ireland, Nordics or Greece), and honeybee has been treated as a discontinued operation In addition, as a result of the disposal of our Spain operations and the Sprint Joint Venture, these results have also been excluded from the segmental result as are treated as discontinued operations

The restatement of comparative information for these segments has been set out in part (b) of this note

Transactions between segments are on an arm's length basis

(a) Segmental results

	Year ended 28 April 2018				
	UK & Ireland £million	Nordics £million	Greece £million	Eliminations £million	Total £million
Headline external revenue	6,645	3,470	410	–	10,525
Inter-segmental revenue	67	–	–	(67)	–
Total headline revenue	**6,712**	**3,470**	**410**	**(67)**	**10,525**
Headline EBIT	***281***	***101***	***18***	**–**	**400**

Notes to the Group financial statements

2 Segmental analysis continued

(a) Segmental results continued

Reconciliation of headline profit to total profit before tax

									Year ended 28 April 2018	
	Headline profit / (loss) £million	Businesses to be exited £million	*Amortisation of* acquisition intangibles £million	*Merger* integration and transformation costs £million	Property rationalisation £million	Pension scheme interest £million	Acquisition related £million	Unieuro income £million	Share plan *taxable* benefit compensation £million	Total profit / (loss) £million
UK & Ireland	281	(9)	(19)	(9)	(29)	—	2	—	2	219
Nordics	101	—	(12)	(14)	—	—	—	—	—	75
Greece	18	—	(1)	—	—	—	—	10	—	27
EBIT	400	(9)	(32)	(23)	(29)	—	2	10	2	321
Finance income	14	—	—	—	—	—	—	—	—	14
Finance costs	(32)	—	—	—	—	(14)	—	—	—	(46)
Profit / (loss) before tax	382	(9)	(32)	(23)	(29)	(14)	2	10	2	289

					Year ended 29 April 2017 (restated)
	UK & Ireland £million	Nordics £million	Greece £million	Eliminations £million	Total £million
Headline external revenue (restated)	6,735	3,159	348	—	10,242
Inter-segmental revenue	81	—	—	(81)	—
Total headline revenue (restated)*	6,816	3,159	348	(81)	10,242
Headline EBIT (restated)*	417	89	10	—	516

* Headline results and total profit / (loss) have been restated to exclude the results of the Sprint Joint Venture operations, Spanish operations and honeybee operations which have been classified as discontinued operations as discussed in note 31

Reconciliation of headline profit to total profit before tax

								Year ended 29 April 2017 (restated)
	Headline profit / (loss) (restated) £million	Businesses to be exited £million	Amortisation of acquisition intangibles £million	Merger integration and transformation costs £million	Pension scheme interest £million	Unieuro Income £million	Share plan taxable benefit compensation £million	Total profit / (loss) £million
UK & Ireland	417	(10)	(21)	(28)	—	—	(10)	348
Nordics	89	—	(12)	(3)	—	—	(1)	73
Greece	10	—	—		—	5	—	15
EBIT	516	(10)	(33)	(31)	—	5	(11)	436
Finance income	17	—	-	-	—	—	—	17
Finance costs	(33)	-		—	(16)	—	—	(49)
Profit / (loss) before tax	500	(10)	(33)	(31)	(16)	5	(11)	404

* Headline results and total profit / (loss) have been restated to exclude the results of the Sprint Joint Venture operations, Spanish operations and honeybee operations which have been classified as discontinued operations as discussed in note 31

b) Restatement of segmental information

As discussed above, during the period the Group's reportable segments have been changed, and comparatives have been restated accordingly. The below tables provide reconciliations for the headline revenue and headline EBIT for the year ended 29 April 2017 The relevant adjustments are

- Removal of honeybee revenue from Connected World Services to discontinued operations
- Allocation of previous B2B operations within Connected World Services to geographic segments
- Removal of Spain results from Southern Europe as treated as a discontinued operation (see note 31) and the segment renamed as Greece

2 Segmental analysis continued

b) Restatement of segmental information continued

Year ended 29 April 2017

	Total headline revenue as previously reported £million	Year ended 29 April 2017 (restated) Remove honeybee revenues £million	Reallocate remaining CWS revenues £million	Remove Spain results £million	Total £million
UK & Ireland	6,550	—	185	—	6,735
Nordics	3,156	—	3	—	3,159
Southern Europe / Greece	661	—	10	(323)	348
Connected World Services	213	(15)	(198)	—	—
Total headline revenue	**10,580**	**(15)**	**—**	**(323)**	**10,242**

	Total headline EBIT as previously reported £million	Year ended 29 April 2017 (restated) Remove honeybee results £million	Reallocate remaining CWS results £million	Remove Spain results £million	Total £million
UK & Ireland	385	–	32	—	417
Nordics	89	–	—	—	89
Southern Europe / Greece	22	—	—	(12)	10
Connected World Services	21	11	(32)	—	—
Total headline EBIT	**517**	**11**	**—**	**(12)**	**516**

c) Geographical information

Revenues are allocated to countries according to the entity's country of domicile. Revenue by destination is not materially different to that shown by domicile

d) Other information

	Non-current assets*		Capital expenditure		Depreciation / Amortisation*	
	Year ended 28 April 2018 £million	Year ended 29 April 2017 (restated) £million	**Year ended 28 April 2018 £million**	Year ended 29 April 2017 (restated) £million	**Year ended 28 April 2018 £million**	Year ended 29 April 2017 (restated) £million
UK & Ireland	**2,670**	2,691	**125**	176	**133**	128
Nordics	**1,266**	1,268	**40**	40	**54**	43
Greece	**24**	20	**8**	6	**5**	3
	3,960	3,979	**173**	222	**192**	174

* Non-current assets above exclude financial assets, deferred tax assets and assets related to discontinued operations. Figures for 2016/17 have been restated to exclude assets related to discontinued operations

Notes to the Group financial statements

3 Revenue and profit / (loss) before interest and taxation

	Year ended 28 April 2018			Year ended 29 April 2017 (restated)		
	Headline £million	Non-headline £million	Total £million	Headline (restated)* £million	Non-headline (restated)* £million	Total £million
Revenue	**10,525**	**6**	**10,531**	10,242	5	10,247
Cost of sales	**(8,365)**	**(6)**	**(8,371)**	(7,986)	(7)	(7,993)
Gross profit	**2,160**	**—**	**2,160**	2,256	(2)	2,254
Operating expenses	**(1,760)**	**(79)**	**(1,839)**	(1,740)	(78)	(1,818)
Profit / (loss) before interest, taxation	**400**	**(79)**	**321**	516	(80)	436

Revenue can be further analysed as follows

	Year ended 28 April 2018			Year ended 29 April 2017 (restated)		
	Headline £million	Non-headline £million	Total £million	Headline (restated)* £million	Non-headline (restated) £million	Total £million
Sale of goods	**8,031**	**—**	**8,031**	7,550	—	7,550
Revenue from services	**2,494**	**6**	**2,500**	2,692	5	2,697
	10,525	**6**	**10,531**	10,242	5	10,247

* Headline results and revenue have been restated as outlined in note 31

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

Profit / (loss) before interest and taxation for continuing operations is stated after charging / (crediting) the following:

	Year ended 28 April 2018 £million	Year ended 29 April 2017 (restated) £million*
Depreciation of property, plant & equipment	**101**	92
Amortisation of acquisition intangibles	**32**	33
Amortisation of other intangibles	**59**	48
Impairment of trade receivables	**1**	8
Impairment of inventory	**67**	49
(Gain) / loss on disposal of property, plant & equipment	**(1)**	3
Cost of inventory recognised as an expense	**7,439**	7,593
Rentals paid under operating leases		
Non-contingent rent	**310**	316
Contingent rent	**24**	24
Rentals received under operating leases - subleases	**(2)**	(3)
Investment property rental income	**(1)**	(1)
Net foreign exchange losses / (gains)	**1**	(2)
Share-based payments expense	**14**	16
Other employee costs (see note 5)	**1,124**	1,104

* Amounts for the year ended 29 April 2017 have been restated to exclude amounts attributable to the Sprint Joint Venture, honeybee and the Spanish operations, which have been classified as discontinued operations in the current year

3 Revenue and profit / (loss) before interest and taxation continued

Auditor's remuneration comprises the following

	Year ended 28 April 2018 £million	Year ended 29 April 2017 (restated)* £million
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.1**	0.1
Fees payable to the Company's auditor and its associates for their audit of the Company's subsidiaries	**1.5**	1.6
Total audit fees	**1.6**	1.7
Tax compliance services	**0.1**	0.1
Other assurance services	**0.2**	0.2
Other services	**0.1**	–
	2.0	2.0

* Amounts for the year ended 29 April 2017 have been restated to exclude amounts attributable to honeybee and the Spanish operations, which have been classified as discontinued operations in the current year

4 Non-headline items

	Note	Year ended 28 April 2018 £million	Year ended 29 April 2017 (restated)* £million
Included in revenue			
Businesses to be exited	(i)	**6**	5
		6	5
Included in profit / (loss) before interest and tax			
Businesses to be exited	(i)	**(9)**	(10)
Amortisation of acquisition intangibles	(ii)	**(32)**	(33)
Exceptional items – Merger and transformation related costs	(iii)	**(23)**	(31)
– *Property rationalisation costs*	(iv)	**(29)**	–
– Acquisition related	(v)	**2**	–
Share plan taxable benefit compensation	(vii)	**2**	(11)
Unieuro income	(viii)	**10**	5
		(79)	(80)
Included in net finance costs			
Net non-cash finance costs on defined benefit pension schemes	(vi)	**(14)**	(16)
Total impact on profit / (loss) before tax		**(93)**	(96)
Tax on non-headline items	(ix)	**26**	17
Total impact on profit / (loss) after tax – continuing operations		**(67)**	(79)
Discontinued operations	24	**(70)**	(12)
Total impact on profit / (loss) after tax		**(137)**	(91)

* Comparative non-headline results for the year ended 29 April 2017 have been restated as set out in note 31

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4 Non-headline items continued

(i) Businesses to be exited:

Comprises the trading result of businesses to be exited where they do not meet the criteria under IFRS 5 for separate disclosure as discontinued operations. In the current period, this comprises of the iD mobile operations in the Republic of Ireland.

(ii) Amortisation of acquisition intangibles

A charge of £32 million arose during the year in relation to acquisition intangibles arising on the CPW Europe Acquisition, the Dixons Retail Merger and the Simplifydigital acquisition (2016/17 £33 million)

(iii) Exceptional items – Merger and transformation related costs

	Year ended 28 April 2018 £million	Year ended 29 April 2017 £million
Merger integration costs	**–**	(18)
Transformation related costs	**(23)**	(13)
	(23)	(31)

The Merger has given rise to the following costs which have been treated as non-headline

- Merger integration costs of £nil (2016/17 £18 million) relate to the reorganisation of the Group following the Merger and primarily comprise professional fees, employee severance and incentive costs associated with the integration process, which are now complete
- Transformation costs of £23 million in the current year relate primarily to the business restructuring and rebranding in the Nordics of £14 million (2016/17 £3 million), together with UK business restructuring and functional transformation costs of £9 million (2016/17 £10 million) primarily related to redundancy and consultancy fees

(iv) Property rationalisation costs

Following the Merger it was announced that the Group would launch a major roll-out of its fully refurbished 3-in-1 store concept in the UK & Ireland This involves merging the remaining PC World and Currys stores and inserting a Carphone Warehouse, reducing the overall store portfolio by 134 The costs associated with this initiative, being early lease termination premiums, onerous lease provisions, dilapidations and fixed asset impairments, have been treated as exceptional items.

An additional £29 million has been provided following a review of the current status of the remaining stores yet to be exited.

(v) Acquisition related:

The Acquisition related credit of £2 million is a result of changes to the fair value of contingent consideration payable in relation to the Simplifydigital acquisition in 2016

(vi) Net non-cash financing costs on defined benefit pension schemes

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

(vii) Share plan taxable benefit compensation

In the prior year a provision was made for compensation payable to participants of the Share Plan for any taxable benefit arising on the waiver of any portion of loans granted under the scheme Following the payment of compensation to the participants in the current year the excess provision has been released

4 Non-headline items continued

(viii) Unieuro income.

In November 2013, the Group disposed of its Unieuro operations, but retained an investment of 14.96% in the operations. The investment was initially recognised at £nil based on the fair value of the retained interest. In March 2017, Unieuro undertook an IPO for 31.8% of its shareholdings, which reduced the Group's investment to 10.2% of the Unieuro operations. As a result of the IPO, the Group received a dividend from the intermediate holding company of £5 million, which was treated as non-headline in 2016/17 as it related to a disposal of a portion of our investment.

In October 2017, IEH announced a corporate restructuring, whereby the Group obtained direct control of the investment of 7.18% of Unieuro, together with a receivable for previous dividends and the share sales. The amount realised as a result of the dividend and share sale of £10 million has been recycled to the income statement.

(ix) Taxation

The effective tax rate on non-headline items of 28% is higher than the statutory UK tax rate of 19% due to a one-off credit in relation to the recognition of previously unrecognised deferred tax assets in Greece of £10 million.

5 Employee costs and share-based payments

a) Employee costs

The aggregate remuneration recognised in the income statement for continuing operations is as follows

	Year ended 28 April 2018 £million	Year ended 29 April 2017 (restated) £million
Salaries and performance bonuses	**982**	970
Social security costs	**116**	110
Other pension costs	**26**	24
	1,124	1,104
Share-based payments	**14**	16
	1,138	1,120

Aggregate remuneration for discontinued operations are salaries and performance bonuses of £22 million (2016/17: £36 million) and social security costs of £4 million (2016/17: £8 million).

The average number of employees for continuing operations is

	Year ended 28 April 2018 Number	Year ended 29 April 2017 (restated) Number
UK & Ireland	**31,479**	32,011
Nordics	**10,014**	10,309
Greece	**2,267**	2,112
	43,760	44,432

The average number of employees for discontinued operations is 835 (2016/17: 1,860)

Compensation earned by key management, comprising the Board of Directors and senior executives, is as follows:

	Year ended 28 April 2018 £million	Year ended 29 April 2017 £million
Short-term employee benefits	**19**	11
Share-based payments	**—**	3
	19	14

Short-term employee benefits includes £11 million (2016/17: £nil) in relation to the satisfaction of share-scheme related loans by the Group on behalf of the employees along with the associated benefit in kind income tax charge and social security contributions.

Notes to the Group financial statements

5 Employee costs and share-based payments continued

a) Employee costs continued

During the 13 months ended 2 May 2015 and year ended 29 March 2014 loans were advanced to members of key management in relation to the Share Plan. At 28 April 2018 loans to key management in relation to these schemes totalled £0.2 million (2017: £8.7 million). Interest is charged on loans at market rates and interest of £0.1 million has been recognised during the period (2016/17: £0.2 million).

Further information about individual directors' remuneration, share interests, share options, pensions and other entitlements, which form part of these financial statements, is provided in the Remuneration Report.

b) Share-based payments

i) Share Plan
During the year ended 29 March 2014, the Group introduced the Share Plan which allowed participants to share 10% of the incremental value created in the Group in excess of an opening value (assessed on the value of CPW over a three-month period prior to approval of the plan by shareholders in June 2013 and, for new entrants during the 13 months ended 2 May 2015, assessed on the aggregated value of CPW and Dixons Retail over a one-month period prior to the announcement of preliminary Merger discussions in February 2015) and beyond an annual rate of return of 7% on invested capital. The plan was underpinned by a minimum annual compound TSR growth of 5% and outperformance of the median TSR of the FTSE 250.

Participants acquired, at market value, participation shares in a subsidiary company that holds the Group's interests in CPW Europe and, since the Merger, Dixons Retail. The Group granted loans to participants at a commercial rate of interest to acquire the shares. Loans were repayable in full if performance conditions are met.

The performance of the scheme was measured after the publication of the preliminary announcement for the year ended 29 April 2017, when 60% of the shares vested, with 40% deferred for a further year. When the awards vested, the value of the shares held by participants was based on the incremental value (if any) of Dixons Carphone in excess of the opening valuation together with the minimum return on invested capital. These shares would then be purchased by the Company for cash and / or the Company's ordinary shares.

A 'bad leaver' is required to transfer the participation shares to such party as the Company designates for an amount equal to the total amount outstanding under the loan. If the market value of the shares is less than the amount of the outstanding loan (and any accrued interest) then the participant may be required to repay up to 20% of the shortfall out of their own resources.

A participant shall be a 'good leaver' at the sole discretion of the Remuneration Committee and may be permitted to retain an award notwithstanding the termination of their employment.

The mechanics of the scheme could be varied by the Remuneration Committee if necessary to ensure that participants are neither advantaged nor disadvantaged by a variation of the share capital of the Company, bona fide merger, reconstruction or similar re-organisation.

As expected, and as stated in last year's report, due to the performance of the Group's share price in the 12 months prior to vesting, the Dixons award did not meet the performance conditions required for vesting and this award lapsed. On the lapsing of the Dixons award the loans that were provided by the Group to participants in order to purchase participation shares in a subsidiary company became repayable. Under the Share Plan rules for the Dixons award, repayment of 90% of the loan (plus accrued interest) was an obligation of the Group (and not the individual participants) and therefore this portion of the loan was waived. The remaining 10% of the loan (plus accrued interest) was repaid by the executive directors in July 2017. In addition, as the waiving of the loans triggered a benefit in kind income tax and social security charge for the participants, and the Remuneration Committee had previously determined that participants were not informed of this possible outcome at the time the loans were taken out, and as they were advised that the maximum they would have to repay would be 10% of the loan (plus accrued interest), the Company compensated the participants for the tax and social security charge arising. Otherwise participants could claim against the Group for losses arising out of this unforeseen set of circumstances, which according to the legal advice would have a strong likelihood of success. The compensation payments were made to the executive directors in February and March 2018.

The Carphone award met the threshold for vesting and 60% of the resulting award vested in July 2017, with the remaining 40% due to vest on 29 June 2018. A total of 60% of the loan (plus accrued interest) was repaid by the participants in July 2017 and the remaining 40% (plus accrued interest) will be repaid when the remaining portion of the award vests.

ii) Share option schemes
During the year ended 29 March 2014, the Group introduced a share option scheme which allows nil-priced options to be offered to senior employees. Options were first granted under the scheme in January 2014. The options are subject to continuing employment and certain awards are subject to performance conditions.

5 Employee costs and share-based payments continued

b) Share-based payments continued

For options granted during 2015/16 and earlier periods, performance conditions are based on a combination of absolute TSR performance and relative TSR performance against the FTSE 250 or FTSE 350 For options granted during the year ended 29 April 2017, performance conditions are based on a combination of EPS growth and relative TSR performance against the constituents of the FTSE 51-150 at 1 May 2016

For options granted during the year ended 28 April 2018, awards granted to executive directors are subject to performance conditions based on relative TSR performance against the constituents of the FTSE 51-150 at the start of the performance period and, for some awards, on a combination of relative TSR performance and EPS growth For options issued to other senior executives, awards are not subject to performance conditions

The following table summarises the number and weighted average exercise price of share options for these schemes:

	Year ended 28 April 2018 Number million	Year ended 28 April 2018 WAEP £	Year ended 29 April 2017 Number million	Year ended 29 April 2017 WAEP £
Outstanding at the beginning of the period	**25**	**—**	14	—
Granted during the period	**13**	**—**	12	—
Forfeited during the period	**(13)**	**—**	(1)	—
Exercised during the period	**(3)**	**—**	—	—
Outstanding at the end of the period	**22**	**—**	25	—
Exercisable at the end of the period	**—**	**—**	—	—

	Year ended 28 April 2018	Year ended 29 April 2017
Weighted average market price of options exercised in the period	**£2.62**	n/a
Weighted average remaining contractual life of awards outstanding	**8.7 yrs**	8 3 yrs
Exercise price for options outstanding	**£nil**	£nil

iii) SAYE scheme

The Group has SAYE schemes which allow participants 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 the Company based on a discounted share price determined at the commencement of the scheme

The following table summarises the number and WAEP of share options for these schemes.

	Year ended 28 April 2018 Number million	Year ended 28 April 2018 WAEP £	Year ended 29 April 2017 Number million	Year ended 29 April 2017 WAEP £
Outstanding at the beginning of the period	**15**	**2.85**	13	3.22
Granted during the period	**14**	**1.65**	9	2.52
Exercised during the period	**—**	**2.24**	(2)	2.21
Forfeited during period	**(10)**	**2.77**	(5)	3 46
Outstanding at the end of the period	**19**	**2.00**	15	2.85
Exercisable at the end of the period	**1**	**3.31**	—	2 29

	Year ended 28 April 2018	Year ended 29 April 2017
Weighted average market price of options exercised in the period	**£2.94**	£3 42
Weighted average remaining contractual life of awards outstanding	**3.1 yrs**	2 9 yrs
Range of exercise prices for options outstanding	**£1.65 – £3.77**	£2 24 – £3.77

iv) Fair value model

The fair value of options was estimated at the date of grant using a Monte Carlo model The model combines the market price of a share at the date of grant with the probability of meeting performance criteria, based on the historical performance of Carphone Warehouse and, for options issued subsequent to the Merger on 6 August 2014, the historical performance of Dixons

Notes to the Group financial statements

5 Employee costs and share-based payments continued

b) Share-based payments continued

The weighted average fair value of options granted during the period was £1 32 (2016/17 £1 40). The following table lists the inputs to the model:

	Year ended 28 April 2018	Year ended 29 April 2017
Exercise price	**£nil – £1.65**	£nil – £2.52
Dividend yield	**0% – 5.8%**	2.6% – 3.0%
Historical and expected volatility	**29% – 35%**	30%
Expected option life	**4 – 10 yrs**	4 – 10 yrs
Weighted average share price	**£2.33**	£3.26

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, including consideration of the historical volatility of Carphone Warehouse and Dixons prior to the Merger

v) Charge to the income statement and entries in reserves
During the year ended 28 April 2018, the Group recognised a non-cash accounting charge to profit and loss of £14 million (2016/17: £17 million) in respect of equity settled share-based payments with a corresponding credit through reserves.

c) Employee Benefit Trust ('EBT')

	28 April 2018			29 April 2017		
	Market value £million	Nominal value £million	Number million	Market value £million	Nominal value £million	Number million
Investment in own shares	**1**	**—**	**0.7**	2	—	0 5
Maximum number of shares held during the period	**11**	**—**	**3.9**	3	—	0.7

The number of shares held by the EBT, which are shown in the table above remain held for potential awards under outstanding plans. The costs of funding and administering the EBT are charged to the income statement in the year to which they relate. Shareholders' funds are reduced by the net book value of shares held in the EBT.

The EBT acquired 4 5 million of the Company's shares during the year ended 28 April 2018 at nominal value (2016/17: no additional shares were acquired)

The EBT has waived rights to receive dividends and the shares have not been allocated to specific schemes.

6 Net finance costs

	Year ended 28 April 2018 £million	Year ended 29 April 2017 £million
Unwind of discounts on trade receivables	**14**	15
Interest receivable	**—**	2
Finance income	**14**	17
Interest on bank overdrafts, loans and borrowings	**(13)**	(12)
Finance lease interest payable	**(6)**	(6)
Net interest on defined benefit pension obligations (i)	**(14)**	(16)
Unwind of discounts on liabilities	**(6)**	(8)
Amortisation of facility fees (ii)	**(1)**	(1)
Other interest expense	**(6)**	(6)
Finance costs	**(46)**	(49)
Total net finance costs	**(32)**	(32)
Headline total net finance costs	**(18)**	(16)

(i) Headline finance costs exclude net interest on defined benefit pension obligations (see note 4)
(ii) All finance costs in the above table represent interest costs of financial liabilities and assets, other than amortisation of facility fees which represent non-financial assets

7 Tax

a) Tax expense

The corporation tax charge comprises

		Year ended 28 April 2018 £million	Year ended 29 April 2017 (restated) £million
Current tax			
UK corporation tax at 19% (2016/17 19.92%)(i)	– Headline	**42**	87
	– Non-headline	**(4)**	(9)
Overseas tax	– Headline	**21**	19
		59	97
Adjustments made in respect of prior years			
UK corporation tax	– Headline	**(4)**	(20)
	– Non-headline	**(2)**	(1)
Overseas tax	– Headline	**1**	5
		(5)	(16)
Total current tax		**54**	81
Deferred tax			
UK tax	– Headline	**10**	13
	– Non-headline	**(3)**	(3)
Overseas tax	– Headline	**8**	3
	– Non-headline	**(17)**	(4)
		(2)	9
Adjustments in respect of prior years			
UK corporation tax	– Headline	**1**	6
Overseas tax	– Headline	**—**	1
		1	7
Total deferred tax		**(1)**	16
Total tax charge		**53**	97
Headline tax charge		**79**	114

(i) The UK corporation tax rate for the year ended 28 April 2018 was 19%. For the year ended 29 April 2017, the UK corporation tax rate was 20% for the 11 months to 31 March 2017 and 19% thereafter

Tax related to discontinued operations is included in the figures set out in note 24

Notes to the Group financial statements

7 Tax continued

b) Reconciliation of standard to actual (effective) tax rate

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

	Year ended 28 April 2018			Year ended 29 April 2017 (restated)		
	Headline £million	Non-*headline* £million	*Statutory* £million	*Headline* £million	Non-*headline* £million	*Statutory* £million
Profit / (loss) before taxation	**382**	**(93)**	**289**	500	(96)	404
Tax at UK statutory rate of 19% (2016/17 19.92%)	**72**	**(18)**	**54**	100	(23)	77
Differences in effective overseas tax rates	**4**	**(1)**	**3**	2	1	3
Adjustments in respect of prior years	**(2)**	**(2)**	**(4)**	(9)	(1)	(10)
Items attracting no tax relief or liability	**6**	**5**	**11**	21	5	26
Movement in unprovided deferred tax	**(1)**	**(10)**	**(11)**	–	1	1
Total tax charge / (credit)	**79**	**(26)**	**53**	114	(17)	97

The effective tax rate on headline earnings of 21% (2016/17 22%) has decreased due to changes in statutory tax rates in both the UK and Nordics.

Items attracting no tax relief or liability relate primarily to non-deductible lease exit costs and capital expenditure upon which no tax deduction is available in respect of capital allowances

Movement in unprovided deferred tax in non-headline relates to the recognition of a previously unrecognised deferred tax asset in Greece, which we are now recognising due to strong performance of the Greek business

A further reduction in the UK corporation tax rate to 17% from 1 April 2020 has been substantively enacted by the balance sheet date and has been used in the recognition of deferred tax balances

c) Deferred tax

	Accelerated capital allowances £million	Retirement benefit obligations £million	Losses carried forward £million	Other temporary differences £million	Total £million
At 30 April 2016	(24)	84	3	56	119
Charged directly to income statement	(11)	–	–	(4)	(15)
Credited / (charged) to equity	–	15	–	(4)	11
Reclassification	1	–	–	(1)	–
At 29 April 2017	(34)	99	3	47	115
Credited directly to income statement	**2**	**–**	**–**	**7**	**9**
(Charged) / credited to equity	**–**	**(20)**	**–**	**1**	**(19)**
At 28 April 2018	**(32)**	**79**	**3**	**55**	**105**

Deferred tax comprises the following balances

	28 April 2018 £million	29 April 2017 £million
Deferred tax assets	**240**	253
Deferred tax liabilities	**(135)**	(138)
	105	115

7 ***Tax*** continued

c) Deferred tax continued

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

	Year ended 28 April 2018 £million	Year ended 29 April 2017 £million
Defined benefit pension schemes	**(20)**	15
Share-based payments	**(1)**	(1)
Other temporary differences	**2**	(3)
	(19)	11

The Group has a current tax credit of £4 million (2016/17 £8 million) through equity which consists of a credit of £5 million (2016/17. £6 million) in relation to pensions and a charge of £1 million (2016/17 credit of £2 million) in respect of other items.

The Group has total unrecognised temporary differences relating to gross tax losses of £1,074 million (2016/17: £1,404 million) and the deferred tax asset is estimated as £184 million (2016/17 £253 million). No deferred tax asset has been recognised in respect of the losses due to the majority of the losses being capital losses and, for trading losses, there is lack of certainty regarding the availability of future taxable profits The unrecognised tax losses may be carried forward indefinitely.

There were no temporary differences associated with undistributable earnings of subsidiaries or joint ventures for which deferred tax liabilities had not been recognised at the end of either year

8 Earnings per share

	Year ended *28 April* 2018 £million	Year ended 29 April *2017* (restated) £million
Headline earnings		
Continuing operations	**303**	386
Total earnings / (loss)		
Continuing operations	**236**	307
Discontinued operations	**(70)**	(12)
Total	**166**	295
	Million	Million
Weighted average number of shares		
Average shares in issue	**1,157**	1,152
Less average holding by Group EBT	**(1)**	(1)
For basic earnings per share	**1,156**	1,151
Dilutive effect of share options and other incentive schemes	**4**	4
For diluted earnings per share	**1,160**	1,155
	Pence	Pence
Basic earnings per share		
Total (continuing and discontinued operations)	**14.4**	25 6
Adjustment in respect of discontinued operations	**6.0**	1.1
Continuing operations	**20.4**	26 7
Adjustments for non-headline – continuing operations (net of taxation)	**5.8**	6.8
Headline basic earnings per share	**26.2**	33 5
Diluted earnings per share		
Total (continuing and discontinued operations)	**14.3**	25.5
Adjustment in respect of discontinued operations	**6.0**	1.1
Continuing operations	**20.3**	26.6
Adjustments for non-headline – continuing operations (net of taxation)	**5.8**	6 8
Headline diluted earnings per share	**26.1**	33.4

Notes to the Group financial statements

8 Earnings per share continued

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

9 Goodwill

	28 April 2018 £million	29 April 2017 £million
At beginning of period	**3,111**	3,054
Additions	**—**	4
Disposals	**(33)**	—
Foreign exchange	**10**	53
At end of period	**3,088**	3,111
Cost	**3,088**	3,111
Accumulated impairment	**—**	—
	3,088	3,111

a) Carrying value of goodwill

The components of goodwill comprise the following businesses

	28 April 2018 £million	29 April 2017 £million
UK & Ireland	**2,065**	2,066
Nordics	**1,023**	1,014
Spain	**—**	31
	3,088	3,111

b) Goodwill impairment testing

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

- business acquisitions generate an attributed amount of goodwill.
- the manner in which these businesses are run and managed is used to determine the CGU grouping as defined in IAS 36 'Impairment of Assets',
- the recoverable amount of each CGU group is determined based on calculating its value in use ('VIU'),
- the VIU is calculated by applying discounted cash flow modelling to management's own projections covering a five-year period;
- cash flows beyond the five-year period are extrapolated using a long-term growth rate equivalent to long-term forecasts of Gross Domestic Product ('GDP') growth rates for the relevant market and
- the VIU is then compared to the carrying amount in order to determine whether impairment has occurred

The key assumptions used in calculating value in use are

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

9 **Goodwill** *continued*

b) Goodwill impairment testing continued

The long term projections are based on board approved budgets for 2018/19 together with the CGU management approved three-year strategic plans as a base extrapolated to five years. These projections have regard to the relative performance of competitors and knowledge of the current market together with management's views on the future achievable growth in market share and impact of the committed initiatives The cash flows which derive from these five-year projections include ongoing capital expenditure required to develop and upgrade the store network in order to maintain and operate the businesses and to compete in their markets In forming the five-year projections, management draws on past experience as a measure to forecast future performance

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

The value attributed to these assumptions for the most significant components of goodwill are as follows:

	28 April 2018				29 April 2017			
	Compound annual growth in sales	Compound annual growth in costs	Growth rate beyond five years	Pre-tax discount rate	Compound annual growth in sales	Compound annual growth in costs	Growth rate beyond five years	Pre-tax discount rate
UK & Ireland	1.2%	1.6%	1.8%	8.6%	2 7%	2 6%	2 0%	8 2%
Nordics	2.9%	2.9%	1.7%	8.6%	2.6%	2.6%	1 8%	8.4%

Growth rates used were determined based on third-party long term growth rate forecasts and are based on the GDP growth rate for the territories in which the businesses operate 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 CGUs.

c) Goodwill impairment sensitivity analysis

A sensitivity analysis has been performed on each of the base case assumptions used for assessing the goodwill with other variables held constant Consideration of sensitivities to key assumptions can evolve from one financial year to the next. The directors have concluded that there are no reasonably possible changes in key assumptions which would cause the carrying amount of goodwill to exceed its value in use

Notes to the Group financial statements

10 Intangible assets

	Acquisition intangibles				
	Brands £million	Customer relationships £million	Sub-total £million	Software and licences £million	Total £million
Balance at 30 April 2017	299	23	322	231	553
Additions	—	—	—	90	90
Amortisation	(25)	(7)	(32)	(70)	(102)
Reclassified to assets held for sale	—	—	—	(8)	(8)
Disposed with subsidiary	(1)	—	(1)	(2)	(3)
Impairment	(1)	—	(1)	(54)	(55)
Foreign exchange	2	—	2	1	3
Balance at 28 April 2018	274	16	290	188	478
Cost	374	73	447	459	906
Accumulated amortisation and impairment losses	(100)	(57)	(157)	(271)	(428)
Balance at 28 April 2018	274	16	290	188	478

	Acquisition intangibles				
	Brands £million	Customer relationships £million	Sub-total £million	Software and licences £million	Total £million
Balance at 1 May 2016	317	31	348	192	540
Additions	—	—	—	97	97
Amortisation	(26)	(8)	(34)	(57)	(91)
Impairment	-	—	—	(3)	(3)
Foreign exchange	8	—	8	2	10
Balance at 29 April 2017	299	23	322	231	553
Cost	372	73	445	376	821
Accumulated amortisation and impairment losses	(73)	(50)	(123)	(145)	(268)
Balance at 29 April 2017	299	23	322	231	553

Software and licences include assets with a cost of £20 million (2017 £24 million) on which amortisation has not been charged as the assets have not yet been brought into use

The impairment recognised in 2017/18 primarily represents the impairment of honeybee intangible assets of £54 million on classification as a held-for-sale asset as discussed in Note 24 This has been recorded within discontinued operations in operating expenses

Individually material intangible assets
Customer relationships and brands include intangible assets which are considered individually material to the financial statements. The primary intangible assets, their net book values and remaining amortisation periods are as follows.

	Net book value £million	Remaining amortisation period Years
CurrysPCWorld	128	12
Elgiganten	58	12
Elkjøp	44	12
Gigantti	30	12
Simplifydigital	12	3

11 Property, plant & equipment

	Land and buildings £million	Fixtures, fittings and other equipment £million	Total £million
Balance at 30 April 2017	92	328	420
Additions	4	93	97
Depreciation	(10)	(92)	(102)
Disposals	(9)	(2)	(11)
Disposed with subsidiary	—	(10)	(10)
Impairment	—	(1)	(1)
Foreign exchange	—	1	1
Balance as at 28 April 2018	77	317	394
Cost	109	673	782
Accumulated depreciation	(32)	(356)	(388)
Balance as at 28 April 2018	77	317	394
Included in net book value as at 28 April 2018			
Land not depreciated	—	—	—
Assets in the course of construction	—	72	72
Assets held under finance leases	47	—	47

	Land and buildings £million	Fixtures fittings and other equipment £million	Total £million
Balance at 1 May 2016	100	266	366
Additions	4	147	151
Depreciation	(8)	(87)	(95)
Disposals	(4)	(3)	(7)
Foreign exchange	—	5	5
Balance as at 29 April 2017	92	328	420
Cost	118	606	724
Accumulated depreciation	(26)	(278)	(304)
Balance as at 29 April 2017	92	328	420
Included in net book value as at 29 April 2017			
Land not depreciated	8	—	8
Assets in the course of construction	—	52	52
Assets held under finance leases	51	—	51

12 Interests in joint ventures, associates and investments

Interests in joint ventures

The principal interests in joint ventures are as follows

Name	Country of incorporation or registration	Nature of business	28 April 2018 Interest	29 April 2017 Interest
Sprint Connect LLC	United States of America	Distribution	**0%**	50.0%

The Group's interests in joint ventures and associates are analysed as follows:

	28 April 2018 £million	29 April 2017 £million
Opening balance	**18**	5
Additions	**3**	29
Share of results	**(3)**	(17)
Foreign exchange gain	**—**	1
Disposals	**(17)**	—
Closing balance	**1**	18

On 7 June 2017 agreement was reached to dispose of the Group's 50% interest in the Sprint Connect LLC joint venture to Sprint Corporation £nil gain or loss was recognised in relation to the disposal The share of results of the operation to the date of disposal have been classified as discontinued (£3 million loss, 2016/17 £17 million loss) together with additional costs of £6 million incurred by the Group post closure (see note 24)

The remaining associate investments (£1 million) relate to investments held by our Nordics operations through the franchise network.

Investments

	28 April 2018 £million	29 April 2017 £million
Investments classified as available-for-sale	**17**	19

In November 2013, the Group disposed of it's Unieuro operations, and retained an investment of 14 96% in Italian Electronics Holdings s.r l (IEH), a holding company which in turn owned 100% of the Unieuro operations The investment was initially recognised at £nil based on the fair value of the retained interest In March 2017, Unieuro undertook an IPO for 31.8% of its shareholdings, which reduced the Group s investment to 10 2% of the Unieuro operations. Given the successful IPO, a readily-determinable fair value is available based on the market price of the listed shares, and the investment has therefore been valued at £17 million The movement in investment value has been taken to other comprehensive income as classified as an 'available-for-sale' investment The fair valuation techniques used are outlined in *note 25*.

13 Inventory

	28 April 2018 £million	29 April 2017 £million
Finished goods and goods for resale	**1,145**	1,101

14 Trade and other receivables

	28 April 2018 £million	29 April 2017 £million
Trade receivables	**1,400**	1,436
Less provision for bad and doubtful debts	**(13)**	(18)
	1,387	1,418
Prepayments	**92**	103
Other receivables	**114**	115
Accrued income	**68**	28
	1,661	1,664
Non-current	**507**	531
Current	**1,154**	1,133
	1,661	1,664

The majority of trade and other receivables are non-interest bearing. Non-current receivables mainly comprise commission receivable on sales, as described in note 25. 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.

	28 April 2018			29 April 2017		
	Gross trade receivables £million	Provision £million	Net trade receivables £million	Gross trade receivables £million	Provision £million	Net trade receivables £million
Ageing of gross trade receivables and provisions:						
Not yet due	**1,306**	**(1)**	**1,305**	1,284	(5)	1,279
Past due:						
Under two months	**48**	**(1)**	**47**	108	–	108
Two to four months	**15**	**–**	**15**	22	–	22
Over four months	**31**	**(11)**	**20**	22	(13)	9
	94	**(12)**	**82**	152	(13)	139
	1,400	**(13)**	**1,387**	1,436	(18)	1,418

Movements in the provision for impairment of trade receivables is as follows:

	28 April 2018 £million	29 April 2017 £million
Opening balance	**(18)**	(20)
Charged to the income statement	**(2)**	(8)
Receivables written off as irrecoverable	**2**	10
Amounts recovered during the year	**2**	–
Disposal of businesses	**3**	–
Closing balance	**(13)**	(18)

The Group's trade receivables included the following amounts which were past due, but for which the Group has made no provision based on historical rates of recoverability:

	28 April 2018 £million	29 April 2017 £million
Under two months	**47**	108
Two to four months	**15**	22
Over four months	**20**	9
	82	139

Notes to the Group financial statements

15 Cash and cash equivalents

	28 April 2018 £million	29 April 2017 £million
Cash at bank and on deposit	**228**	209

Cash at bank and on deposit includes short-term bank deposits which are available on demand. Within cash and cash equivalents, £60 million (2017: £62 million) is restricted and predominantly comprises funds held by the Group's insurance businesses to cover regulatory reserve requirements. These funds are not available to offset the Group's borrowings.

16 Trade and other payables

	28 April 2018		29 April 2017	
	Current £million	Non-current £million	Current £million	Non current £million
Trade payables	**1,739**	**—**	1,689	—
Other taxes and social security	**275**	**—**	245	—
Other creditors	**31**	**139**	41	178
Accruals	**300**	**39**	368	49
Deferred income	**160**	**140**	159	141
	2,505	**318**	2,502	368

Non-current other creditors relate principally to property leases that are deemed to be over-rented which arose from acquisitions. These liabilities are unwound over the period of the relevant lease, of up to 20 years. The carrying amount of trade and other payables approximates their fair value.

Included in trade payables are amounts due where extended payment terms have been requested by the Group 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 Group. The total amount outstanding on such extended payment terms at 28 April 2018 is £97 million (2017: £112 million). These arrangements do not provide the Group with a significant benefit of additional financing and accordingly are classified as trade payables.

17 Deferred and contingent consideration

	28 April 2018		29 April 2017	
	Current £million	Non-current £million	Current £million	Non-current £million
Deferred and contingent consideration	**1**	**12**	8	14

	28 April 2018 £million	29 April 2017 £million
Opening balance	**22**	33
Settlements	**(7)**	(11)
Change in valuation (see note 4)	**(2)**	—
Closing balance	**13**	22

Earn-out consideration of up to £13 million is payable in cash (2017: £22 million) and is contingent on the performance of Simplifydigital and the Epoq kitchen business against earnings growth targets over a period of up to three years from the balance sheet date. The fair value of contingent consideration arrangements has been estimated by applying the income approach. A reduction in growth assumptions used in the fair value methodology would result in a reduction in the amount of contingent consideration payable.

18 Loans and other borrowings

	28 April 2018 £million	29 April 2017 £million
Current liabilities		
Bank overdrafts	**43**	10
Loans and other borrowings	**20**	—
	63	10
Non-current liabilities		
Loans and other borrowings	**329**	381
	392	391

Committed facilities

£800 million Revolving Credit Facility

In October 2015 the Group signed a five-year £800 million Revolving Credit Facility ('RCF') with a number of relationship banks; this facility was extended in October 2016 and 2017 by an additional year and the facility currently expires October 2022 The interest rate payable for drawings under this facility is at a margin over LIBOR (or other applicable interest basis) for the relevant currency and for the appropriate period. The actual margin applicable to any drawing depends on the fixed charges cover ratio calculated in respect of the most recent accounting period. A non-utilisation fee is payable in respect of amounts available but undrawn under this facility and a utilisation fee is payable when aggregate drawings exceed certain levels

£250 million Revolving Credit Facility

In October 2016, the Group signed a four-year £250 million RCF with a group of relationship banks, this facility is on broadly similar terms to the £800 million RCF

€50 million term loan

Also in October 2016, the Group signed a four year term loan of €50 million with BBVA The terms of this facility are also broadly similar to the £800 million RCF

Bank overdraft and other uncommitted facilities

The Group also has overdrafts and short-term money market lines from UK and European banks denominated in Sterling, Euro and other European currencies, all of which are repayable on demand Interest is charged at the market rates applicable in the countries concerned and these facilities are used to assist in short-term liquidity management. Total *available facilities are £109 million (2017, £139 million)*

All borrowings are unsecured

19 Finance lease obligations

	28 April 2018		29 April 2017	
	Minimum lease payments £million	Present value of minimum lease payments £million	Minimum lease payments £million	Present value of minimum lease payments £million
Amounts due:				
Within one year	**9**	**8**	9	8
In more than one year and not more than five years	**37**	**27**	37	29
In more than five years	**92**	**50**	103	52
	138	**85**	149	89
Less future finance charges	**(53)**	**—**	(60)	—
Present value of lease obligations	**85**	**85**	89	89
Less amounts due within one year	**(3)**	**(3)**	(3)	(3)
Amounts due after more than one year	**82**	**82**	86	86

The majority of finance leases relate to properties in the UK where obligations are denominated in Sterling and remaining lease terms vary between 8 and 18 years The effective borrowing rate on individual leases ranged between 5 51% and 9.29% (2017 5 51% and 9 29%) Interest rates are fixed at the contract date These obligations are secured over the related leased asset All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments

Notes to the Group financial statements

19 Finance lease obligations continued

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

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 11.

20 Provisions

	28 April 2018					29 April 2017				
	Reorg-anisation £million	Sales £million	Property £million	Other £million	Total £million	Reorg-anisation £million	Sales £million	Property £million	Other £million	Total £million
At beginning of period	12	10	62	21	105	12	8	90	15	125
Additions	18	11	47	2	78	16	30	29	11	86
Released in the period	(1)	–	(16)	(3)	(20)	–	–	(24)	(1)	(25)
Utilised in the period	(15)	(10)	(29)	(9)	(63)	(16)	(29)	(34)	(4)	(83)
Disposed	–	(1)	–	–	(1)	–	–	–	–	–
Foreign exchange	1	–	(1)	–	–	–	1	1	–	2
At end of period	15	10	63	11	99	12	10	62	21	105
Analysed as:										
Current	13	9	34	11	67	12	8	43	21	84
Non-current	2	1	29	–	32	–	2	19	–	21
	15	10	63	11	99	12	10	62	21	105

Reorganisation provisions relate principally to redundancy costs and other onerous contracts arising as a result of *reorganisation, and are only recognised where plans are demonstrably committed and where appropriate communication* to those affected has been undertaken at the balance sheet date

Sales provisions relate to 'cash-back' and similar promotions, product warranties, product returns, and network operator performance penalties The anticipated costs of these items are assessed by reference to historical trends and any other information that is considered to be relevant

Property provisions relate mainly to costs associated with operating lease early exit premiums, onerous leases and provisions for dilapidations. Other provisions relate to warranties provided in relation to business disposals and provisions in respect of the expected costs of insurance claims, contingent liabilities recognised through business combinations, and other onerous contracts

Non-current provisions are expected to be utilised over a period up to ten years

21 Retirement and other post-employment benefit obligations

		28 April 2018 £million	29 April 2017 £million
Retirement benefit obligations	- UK	470	589
	- Nordics	2	2
		472	591

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

In the Nordics division, the Group operates small funded secured defined benefit pension schemes, which are also closed to new entrants, with assets held by a life insurance company as well as an unsecured pension arrangement. In addition, contributions are made to state pension schemes with defined benefit characteristics

21 Retirement and other post-employment benefit obligations continued

The defined benefit pension schemes expose the Group to actuarial risks such as longer than expected longevity of members, lower than expected return on investments and higher than expected inflation, which may increase the liabilities or reduce the value of assets of the plans

a) Defined contribution pension schemes

The pension charge in respect of defined contribution schemes was £26 million (2016/17 £24 million).

b) UK defined benefit pension scheme – actuarial valuation and assumptions

A full actuarial valuation of the scheme was carried out as at 31 March 2016 and showed a shortfall of assets compared with liabilities of £560 million. A 'recovery plan' based on this valuation was agreed with the Trustees such that contributions in respect of the scheme will increase to £46 million per year starting from the 2017/18 financial year until 2028/29, with a final payment of £25 million in 2029/30 As a result of the valuation, during the prior year the Group agreed to pay an amount of £7 million in addition to the previously agreed contribution of £36 million, therefore total contributions paid in 2016/17 were £43 million The next triennial valuation will be as at 31 March 2019

The principal actuarial assumptions as at 31 March 2016 were

		Rate per annum
Discount rate for accrued benefits	Growth portfolio	4.6%
	Matching portfolio	2.2%
Rate of increase to pensions		0% – 3.6%
Inflation		3.0%

† The discount rate is based on a linear de-risking methodology which assumes the Scheme's investment strategy switches investments from growth assets (such as equities) to matching assets (such as bonds) and multi asset credit over a period of 10 years from 2026 to 2036 so that in 20 years' time the asset portfolio is projected to be 90% invested in matching assets and multi-asset credit

At 31 March 2016, the market value of the scheme's investments was £930 million and, based on the above assumptions, the value of the assets was sufficient to cover 62% of the benefits accrued to members with the liabilities amounting to £1,490 million

c) UK Defined benefit pension scheme – IAS 19

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

(i) Principal assumptions adopted

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

	28 April 2018	29 April 2017
Rates per annum		
Discount rate	**2.8%**	2.6%
Rate of increase in pensions in payment / deferred pensions (pre / post April 2006 accrual)	**3.1% / 2.2%**	3.2% / 2 2%
Inflation	**3.1%**	3.3%

The Group uses demographic assumptions underlying the last formal actuarial valuation of the scheme as at 31 March 2016. In particular, post retirement mortality has been assumed to follow the standard mortality tables 'S2' All Pensioners tables published by the CMI based on the experience of Self Administered Pension Schemes (SAPS) with multipliers of 100% for males and 105% for females In addition, an allowance has been made for future improvements in longevity from 2003 by using the new CMI 2015 Core projections with a long term rate of improvement of 1 5% per annum for men and 1 25% per annum for women Applying such tables results in an average expected longevity of between 87.6 years and 89.8 years for men and between 89 0 years and 90 9 years for women for those reaching 65 over the next 20 years.

21 Retirement and other post-employment benefit obligations continued

c) UK Defined benefit pension scheme – IAS 19 continued

(ii) Amounts recognised in consolidated income statement

	Year ended 28 April 2018 £million	Year ended 29 April 2017 £million
Net interest expense on defined benefit obligation (note 4)	**14**	16

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

	Year ended 28 April 2018 £million	Year ended 29 April 2017 £million
Remeasurement of defined benefit obligation actuarial gains / (losses) arising from		
Changes in financial assumptions	**124**	(374)
Experience adjustments	**(10)**	58
Change in demographic assumptions	**–**	(2)
Remeasurement of scheme assets		
Actual return on plan assets (excluding amounts included in net interest expense)	**(27)**	174
Cumulative actuarial gain / (loss)	**87**	(144)

(iv) Amounts recognised in the consolidated balance sheet

	28 April 2018 £million	29 April 2017 £million
Present value of defined benefit obligations	**(1,584)**	(1,714)
Fair value of plan assets	**1,114**	1,125
Net obligation	**(470)**	(589)

Changes in the present value of the defined benefit obligation

	28 April 2018 £million	29 April 2017 £million
Opening obligation	**1,714**	1,395
Interest cost	**44**	48
Remeasurements in other comprehensive income – actuarial losses / (gains) arising from changes in:		
Financial assumptions	**(124)**	374
Experience adjustments	**10**	(58)
Demographic assumptions	**–**	2
Benefits paid	**(60)**	(47)
Closing obligation	**1,584**	1,714

The weighted average maturity profile of the defined benefit obligation at the end of the year is 19 years (2017: 20 years), comprising an average maturity of 23 years (2017: 24 years) for deferred members and 11 years (2017: 12 years) for pensioners.

Changes in the fair value of the scheme assets

	28 April 2018 £million	29 April 2017 £million
Opening fair value	**1,125**	923
Interest income	**30**	32
Employer special contributions	**46**	43
Remeasurements in other comprehensive income		
Actual return on plan assets (excluding interest income)	**(27)**	174
Benefits paid	**(60)**	(47)
Closing fair value	**1,114**	1,125

21 Retirement and other post-employment benefit obligations continued

c) UK Defined benefit pension scheme – IAS 19 continued

Analysis of scheme assets

		28 April 2018 £million	29 April 2017 £million
Overseas and global equities	– Listed	**267**	320
Diversified growth	– Listed	**79**	115
Multi-asset credit funds	– Listed	**76**	45
	– Unlisted	**53**	43
Private equity	– Unlisted	**22**	30
Private credit	– Listed	**61**	70
	– Unlisted	**36**	21
Property	– Unlisted	**2**	14
Corporate bonds	– Listed	**91**	90
Liability driven investments ('LDIs')	– Listed	**357**	310
Cash and cash instruments	– Unlisted	**69**	66
Other	*Unlisted*	**1**	1
		1,114	1,125

The investment strategy of the scheme is determined by the independent Trustees through advice provided by an independent investment consultant The Trustee's objective is to achieve an above average long term return on the Scheme's assets from a mixture of capital growth and income, whilst managing investment risk and ensuring the strategy remains within the guidelines set out in the Pensions Act 1995 and 2004 and the Scheme's Statement of Investment Principles. In setting the strategy, the nature and duration of the Scheme's liabilities are taken into account, ensuring that an integrated approach is taken to investment risk and both short term and long term funding requirements. The scheme invests in a diverse range of asset classes as set out above with matching assets primarily comprising holdings in inflation linked gilts, corporate bonds and liability driven investments

To reduce volatility risk a liability driven investment (LDI) strategy forms part of the Trustee's management of the UK defined benefit scheme's assets, including government bonds corporate bonds and derivatives Repurchase agreements *are entered into with counterparties to better offset the scheme's exposure to interest and inflation rates, whilst remaining* invested in assets of a similar risk profile Interest rate and inflation rate derivatives are also employed to complement the use of fixed and index-linked bonds in matching the profile of the scheme's liabilities

Actual return on the scheme assets was a loss of £27 million (2016/17 gain of £174 million)

(v) Sensitivities

The value of the UK defined benefit pension scheme assets are sensitive to market conditions, particularly equity values *which comprise approximately 33% of the scheme's assets Changes in assumptions used for determining retirement* benefit costs and liabilities may have a material impact on the 2017/18 income statement and the balance sheet. The main assumptions are the discount rate, the rate of inflation and the assumed mortality rate The following table provides an estimate of the potential impacts of each of these variables if applied to the current year consolidated income statement and balance sheet.

	Net finance costs		Net deficit	
	Year ended 28 April 2018 £million	Year ended 29 April 2017 £million	28 April 2018 £million	29 April 2017 £million
Positive / (negative) effect				
Discount rate 0.25% increase	**1**	2	**75**	92
Inflation rate: 0.25% increase†	**(2)**	(2)	**(67)**	(74)
Mortality rate 1 year increase	**(2)**	(1)	**(63)**	(69)

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

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated

Notes to the Group financial statements

21 Retirement and other post-employment benefit obligations continued

d) Other post-employment benefits – IAS 19

The Group offers other post-employment benefits to employees in overseas territories, in particular in Greece. These benefits are unfunded At 28 April 2018 the net obligation in relation to these benefits was £4 million (2017: £3 million).

22 Share capital, retained earnings and reserves

a) Share capital

	28 April 2018 million	29 April 2017 million	28 April 2018 £million	29 April 2017 £million
Authorised, allotted, called-up and fully paid ordinary shares of 0 1p each	**1,158**	1,153	**1**	1

	28 April 2018 million	29 April 2017 million	28 April 2018 £million	29 April 2017 £million
Ordinary shares of 0 1p each in issue at the beginning of the period	**1,153**	1,151	**1**	1
Issued during the period	**5**	2	**—**	—
Ordinary shares of 0.1p each in issue at the end of the period	**1,158**	1,153	**1**	1

During the year ended 28 April 2018, 4,844 233 (2016/17 1,725,661) ordinary shares with nominal value of 0.1p each were issued for consideration of £1 million (2016 17 £1 million) to satisfy exercises of share options awarded under the Group's SAYE schemes.

b) Retained earnings and reserves

Movement in retained earnings and reserves during the reported periods are presented in the consolidated statement of changes in equity.

Retained earnings at 28 April 2018 includes £17 million of gains (2017 £4 million of gains) associated with derivatives which were designated and effective as cash flow hedges and interest rate hedges Own shares held by the Group's EBT are recognised in retained earnings – refer to note 5 for further information The demerger reserve arose as part of the demerger of the Group from TalkTalk in 2010

23 Equity dividends

	28 April 2018 £million	29 April 2017 £million
Amounts recognised as distributions to equity shareholders in the period – on ordinary shares of 0.1p each		
Final dividend for the year ended 30 April 2016 of 6.50p per ordinary share	**—**	75
Interim dividend for the year ended 29 April 2017 of 3.50p per ordinary share	**—**	40
Final dividend for the year ended 29 April 2017 of 7 75p per ordinary share	**89**	—
Interim dividend for the year ended 28 April 2018 of 3 50p per ordinary share	**41**	—
	130	115

The following distribution is proposed but had not been effected at 28 April 2018 and is subject to shareholders' approval at the forthcoming Annual General Meeting

	£million
Final dividend for the year ended 28 April 2018 of 7 75p per ordinary share	**90**

24 Discontinued operations and assets held for sale

Spain

On 29 September 2017, the Group completed the disposal of The Phone House Spain S.L.U., Connected World Services Europe S.L. and Smarthouse Spain S.A. which together represented the trading operations in Spain. Total consideration of 58 million (£51 million) was received and cash of 13 million (£11 million) was disposed. A gain of £1 million arose on the disposal, being the difference between the proceeds of disposal and the carrying amount of the subsidiaries' net assets and attributable goodwill. The trading results of the operations up to the date of disposal have been classified as discontinued (£nil, 2016/17: £9 million profit).

honeybee

On 4 May 2018, the Group agreed to sell the honeybee operations through an asset sale, which was completed on 31 May 2018. These operations have been classified as a disposal group held for sale and presented separately in the balance sheet. An impairment of £55 million was recognised on classification to assets held for sale, representing the difference between the expected proceeds and the book value of the related assets. The impairment, together with the trading loss recognised during the year of £21 million (2016/17: £11 million loss), have been classified as a discontinued operation.

Sprint

On 7 June 2017 agreement was reached to dispose of the Group's 50% interest in the Sprint Connect LLC joint venture to Sprint Corporation. Proceeds of $22 million (£17 million) was received. £nil gain or loss was recognised in relation to the disposal. The share of results of the operation to the date of disposal have been classified as discontinued (£3 million loss, 2016/17: £17 million loss) together with additional costs of £6 million incurred by the Group post closure.

Other

As previously reported the sale of operations in Germany was completed on 5 May 2015, the Netherlands on 30 June 2015 and Portugal on 31 August 2015. A net gain of £1 million has been recognised in relation to reversal of previously held provisions.

For 2016/17, the net profit of £4 million primarily related to a repayment of a previously impaired loan in relation to Unieuro.

a) Profit / (loss) after tax - discontinued operations

	Year ended 28 April 2018				
	honeybee £million	Spain £million	Sprint Joint Venture £million	Other £million	Total £million
Revenue	**3**	**144**	**—**	**—**	**147**
Expenses	**(24)**	**(144)**	**(6)**	**—**	**(174)**
Impairment of assets	**(55)**	**—**	**—**	**—**	**(55)**
Share of results of joint venture	**—**	**—**	**(3)**	**—**	**(3)**
Investment income	**—**	**—**	**—**	**—**	**—**
Profit / (loss) before tax	**(76)**	**—**	**(9)**	**—**	**(85)**
Income tax	**13**	**—**	**—**	**—**	**13**
(Loss) / profit on disposal	**—**	**1**	**—**	**1**	**2**
	(63)	**1**	**(9)**	**1**	**(70)**

	Year ended 29 April 2017 (restated)				
	honeybee £million	Spain £million	Sprint Joint Venture £million	Other £million	Total £million
Revenue	15	323	–	–	338
Expenses	(26)	(312)	(1)	(1)	(340)
Share of results of joint venture	–		(17)	–	(17)
Investment income	–	–	–	5	5
Profit / (loss) before tax	(11)	11	(18)	4	(14)
Income tax	4	(2)	–	–	2
(Loss) / profit on disposal		–	–	–	–
	(7)	9	(18)	4	(12)

24 Discontinued operations and assets held for sale continued

b) Cash flows from discontinued operations

The net cash flows incurred by the discontinued operation during the year are as follows. These cash flows are included within the consolidated cash flow statement

	Year ended 28 April 2018				
	honeybee £million	Spain £million	Sprint Joint Venture £million	Other £million	Total £million
Operating activities	(7)	(3)	(2)	1	(11)
Investing activities	(12)	44	14	—	46
Financing activities	—	—	—	—	—
	(19)	41	12	1	35

	Year ended 29 April 2017 (restated)				
	honeybee £million	Spain £million	Sprint Joint Venture £million	Other £million	Total £million
Operating activities	(12)	14	(1)	(1)	—
Investing activities	(16)	(5)	(29)	22	(28)
Financing activities	—	—	—	—	—
	(28)	9	(30)	21	(28)

c) Assets and liabilities held for sale

The assets and liabilities held for sale relate to the honeybee operations The major classes of assets and liabilities comprising the operations classified as held for sale are as follows.

	28 April 2018 £million
Intangible assets	8
Trade receivables	9
Total assets classified as held for sale	17
Deferred income	2
Total liabilities classified as held for sale	2
Net assets of disposal group	15

25 Financial risk management and derivative financial instruments

Financial instruments that are measured at fair value in the financial statements require disclosure of fair value measurements by level based on the following fair value measurement hierarchy

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities,
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices), and
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group has assessed network commission receivables to meet the definition of loans and receivables as defined in IAS 39 and are therefore accounted for at amortised cost The measurement of certain network commission receivables is a key source of estimation uncertainty, an explanation of the valuation method and an analysis of the sensitivity of the carrying value of receivables to the assumptions and estimates of this method has been provided below in note 25(h) The carrying value of such ongoing network commission receivables (net of commission received at the point of connection) is £1,057 million (2017 £1,014 million) If network commission receivables were alternatively classified at fair value through profit and loss these receivables would be categorised as level 3 in the fair value hierarchy as the valuation requires the use of significant unobservable inputs Under this alternative measurement basis their fair value is approximately equal to their current carrying value

25 Financial risk management and derivative financial instruments *continued*

An explanation of the valuation methodologies and the inputs to the models are provided below for network commission

Available-for-sale financial assets, in relation to listed investments held, are categorised as level 1 in the fair value hierarchy and are valued based on quoted bid prices in an active market

Contingent consideration is categorised as level 3 in the fair value hierarchy as the valuation requires the use of significant unobservable inputs An explanation of the valuation methodologies and the inputs to the valuation model is provided in note 17

The significant inputs required to fair value the Group's remaining financial instruments that are measured at fair value on the balance sheet, being derivative financial assets and liabilities, are observable and are classified as level 2 in the fair value hierarchy. There have also been no transfers of assets or liabilities between levels of the fair value hierarchy.

Fair values have been arrived at by discounting future cash flows (where the impact of discounting is material), assuming no early redemption, or by revaluing forward currency contracts and interest rate swaps to period end market rates as appropriate to the instrument.

The directors consider that the book value of financial assets and liabilities recorded at amortised cost and their fair value are not materially different

The book value and fair value of the Group's financial assets, liabilities and derivative financial instruments are as follows:

	28 April 2018 £million	29 April 2017 £million
Investments (1)	**17**	19
Cash and cash equivalents [illegible]	**228**	209
Trade and other receivables excluding derivative financial assets	**1,569**	1,564
Net derivative financial assets	**20**	4
Net derivative financial liabilities	**—**	—
Trade and other payables [illegible]	**(2,523)**	(2,570)
Finance leases [illegible]	**(86)**	(89)
Deferred and contingent consideration [illegible]	**(13)**	(22)
Loans and other borrowings	**(392)**	(391)

(1) *Held as an available-for-sale asset*
(2) Classified as loans and receivables and held at amortised cost
(3) Held at fair value through profit and loss
(4) Held at amortised cost

Offsetting financial assets and financial liabilities

The Group has forward foreign exchange contracts and cash that are subject to enforceable master netting arrangements.

(i) Financial assets

28 April 2018	Gross amounts of recognised financial assets £million	Gross amounts of recognised financial liabilities set off in the balance sheet £million	Net amounts of financial assets presented in the balance sheet £million	Financial instruments not set off in the balance sheet £million	Net amount £million
Forward foreign exchange contracts	**27**	**—**	**27**	**(7)**	**20**
Cash and cash equivalents	**1,383**	**(1,155)**	**228**	**—**	**228**
	1,410	**(1,155)**	**255**	**(7)**	**248**

29 April 2017	Gross amounts of recognised financial assets £million	Gross amounts of recognised financial liabilities set off in the balance sheet £million	Net amounts of financial assets presented in the balance sheet £million	Financial instruments not set off in the balance sheet £million	Net amount £million
Forward foreign exchange contracts	17		17	(11)	6
Cash and cash equivalents	2,120	(1,911)	209	—	209
	2,137	(1,911)	226	(11)	215

25 Financial risk management and derivative financial instruments continued

(ii) Financial liabilities

	Gross amounts of recognised financial liabilities £million	Gross amounts of recognised financial assets set off in the balance sheet £million	Net amounts of financial liabilities presented in the balance sheet £million	Financial instruments not set off in the balance sheet £million	28 April 2018 Net amount £million
Forward foreign exchange contracts	**(7)**	**–**	**(7)**	**7**	**–**
Cash and cash equivalents	**(1,198)**	**1,155**	**(43)**	**–**	**(43)**
	(1,205)	**1,155**	**(50)**	**7**	**(43)**

	Gross amounts of recognised financial liabilities *£million*	Gross amounts of recognised financial assets set off in the balance sheet *£million*	Net amounts of financial liabilities presented in the balance sheet *£million*	Financial instruments not set off in the balance sheet *£million*	29 April 2017 Net amount *£million*
Forward foreign exchange contracts	(13)	–	(13)	11	(2)
Cash and cash equivalents	(1,921)	1,911	(10)	–	(10)
	(1,934)	1,911	(23)	11	(12)

a) Financial risk management policies

The Group's activities expose it to certain financial risks including market risk (such as foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's treasury function, which operates under treasury policies approved by the Board, uses certain financial instruments to mitigate potentially adverse effects on the Group's financial performance from these risks. These financial instruments consist of bank loans and deposits, spot and forward foreign exchange contracts, foreign exchange swaps and interest rate swaps.

Throughout the period under review, in accordance with Group policy, no speculative use of derivatives, foreign exchange or other instruments was permitted. No contracts with embedded derivatives have been identified and, accordingly, no such derivatives have been accounted for separately.

b) Foreign exchange risk

The Group undertakes certain transactions that are denominated in foreign currencies and as a consequence has exposure to exchange rate fluctuations. These exposures primarily arise from inventory purchases, with most of the Group's exposure being to Euro, Norwegian Krone and US Dollar fluctuations. The Group uses spot and forward currency contracts to mitigate these exposures, with such contracts designed to cover exposures ranging from one month to one year.

The translation risk on converting overseas currency profits or losses is not hedged and such profits or losses are converted into Sterling at average exchange rates throughout the year. The Group's principal translation currency exposures are the Euro and Norwegian Krone.

At 28 April 2018, the total notional principal amount of outstanding currency contracts was £1,718 million (2017: £1,358 million) and had a fair value of £20 million asset (2017: £4 million asset). Monetary assets and liabilities and foreign exchange contracts are sensitive to movements in foreign exchange rates. This sensitivity can be analysed in comparison to year end rates (assuming all other variables remain constant) as follows:

	Year ended 28 April 2018 Effect on headline profit before tax £million	Year ended 28 April 2018 Effect on total equity £million	Year ended 29 April 2017 Effect on headline profit before tax *£million*	Year ended 29 April 2017 Effect on total equity *£million*
10% movement in the US dollar exchange rate	**–**	**13**	–	5
10% movement in the Euro exchange rate	**–**	**59**	–	56
10% movement in the Swedish Krona exchange rate	**–**	**28**	–	24
10% movement in the Danish Krone exchange rate	**–**	**26**	–	13
10% movement in the Norwegian Krone exchange rate	**–**	**17**	–	17
10% movement in the Chinese Yuan Offshore exchange rate	**–**	**6**	–	6

25 Financial risk management and derivative financial instruments continued

c) Interest rate risk

The Group's interest rate risk arises primarily on cash, cash equivalents and loans and other borrowings, all of which are at floating rates of interest and which therefore expose the Group to cash flow interest rate risk. These floating rates are linked to LIBOR and other interest rate bases as appropriate to the instrument and currency. Future cash flows arising from these financial instruments depend on interest rates and periods agreed at the time of rollover. Group policy permits the use of long term interest rate derivatives in managing the risks associated with movements in interest rates.

The effect on the income statement and equity of 1% movements in the interest rate for the currencies in which most Group cash, cash equivalents, loans and other borrowings are denominated and on which the valuation of most derivative financial instruments is based is as follows, assuming that the year end positions prevail throughout the year:

	Year ended 28 April 2018		Year ended 29 April 2017	
	Effect on headline *profit before* tax increase / (decrease) £million	**Effect on *total equity* increase / (decrease) £million**	Effect on headline *profit before* tax increase / (decrease) £million	Effect on *total equity* increase / (decrease) £million
1% increase in the Sterling interest rate	–	–	1	1

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages its exposure to liquidity risk by reviewing regularly the long term and short term cash flow projections for the business against the resources available to it.

In order to ensure that sufficient funds are available for ongoing and future developments, the Group has committed bank facilities, excluding overdrafts repayable on demand, totalling £1,050 million (2017 £1,050 million). Further details of *committed borrowing facilities are shown in note 18*

The table below analyses the Group's financial liabilities and derivative assets and liabilities into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted cash flows, including both principal and interest flows, assuming that interest rates remain constant and that borrowings are paid in full in the year of maturity

	Within *one year* £million	**In more than one year but not more than five *years* £million**	**In more than *five years* £million**	**Total £million**
28 April 2018				
Finance leases	**(9)**	**(38)**	**(92)**	**(139)**
Derivative financial instruments – payable				
Forward foreign exchange contracts	**(1,697)**	**–**	**–**	**(1,697)**
Interest rate swaps	**(1)**	**–**	**–**	**(1)**
Derivative financial instruments – receivable				
Forward foreign exchange contracts	**1,718**	**–**	**–**	**1,718**
Loans and other borrowings	**(70)**	**(357)**	**–**	**(427)**
Deferred consideration	**(1)**	**(12)**	**–**	**(13)**
Trade and other payables	**(2,345)**	**(178)**	**–**	**(2,523)**

25 Financial risk management and derivative financial instruments continued

d) Liquidity risk continued

	Within one year £million	In more than one year but not more than five years £million	In more than five years £million	Total £million
29 April 2017				
Finance leases	(9)	(37)	(103)	(149)
Derivative financial instruments – payable				
Forward foreign exchange contracts	(1,358)	–	–	(1,358)
Interest rate swaps	(1)	(1)	–	(2)
Derivative financial instruments – receivable:				
Forward foreign exchange contracts	1,362	–	–	1,362
Loans and other borrowings	(17)	(408)	–	(425)
Deferred consideration	(8)	(14)	–	(22)
Trade and other payables	(2,343)	(227)	–	(2,570)

e) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations, and arises principally from the Group's receivables from consumers. The Group's exposure to credit risk is regularly monitored and the Group's policy is updated as appropriate.

The majority of the Group's trade receivables are balances due from MNOs, which are generally major multi-national enterprises with whom the Group has well-established relationships and are consequently not considered to add significantly to the Group's credit risk exposure. In addition credit risk is also inherently associated with the MNO end consumers. Details of the sensitivity analysis of a change in credit risk associated with the MNO consumer is detailed below (consumer default rates). Exposure to credit risk associated with the MNO consumer is managed through an extensive consumer credit checking process prior to connection with the network. The large volume of MNO consumers reduces the Group's exposure to concentration of credit risk.

The Group's trade receivables also include balances due from equipment manufacturers, dealers and Connected World Services consumers, business to business consumers and consumer credit receivables. Where it is considered appropriate, the Group obtains credit insurance on accounts receivable. Provision is made for any receivables that are considered to be irrecoverable. Details of trade receivables which are past due but not impaired are provided in note 14.

The credit risks on cash and cash equivalents and derivative financial instruments are closely monitored and credit ratings are used in determining maximum counterparty credit risk.

The Group's funding is reliant on its £1,050 million bank facilities, which are provided by nine banks; these institutions are considered to be adequately capitalised to continue to meet their obligations under the facility.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

f) Capital risk

The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns, whilst maximising the return to shareholders through a suitable mix of debt and equity. The capital structure of the Group consists of cash and cash equivalents, loans and other borrowings and equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated profits. Except in relation to minimum capital requirements in its insurance business, the Group is not subject to any externally imposed capital requirements. The Group monitors its capital structure on an ongoing basis, including assessing the risks associated with each class of capital.

25 Financial risk management and derivative financial instruments continued

g) Derivatives

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

Cash flow hedges
At 28 April 2018 the Group had forward and swap foreign exchange contracts in place with a notional value of £1,485 million (2017: £1,190 million) and a fair value of £19 million asset (2017: £6 million asset) that were designated and effective as cash flow hedges. These contracts are expected to cover exposures ranging from one month to one year. The fair value of derivative foreign exchange contracts and foreign exchange swaps not designated as cash flow hedges was £1 million asset (2017: £2 million liability).

Interest rate swaps
The Group held interest rate swaps with a notional value of £130 million (2017: £60 million) and a fair value of £1 million asset (2017: £nil) whereby the Group receives a floating rate of interest based on LIBOR and pays a fixed interest rate. These contracts mature between June 2018 and June 2021.

h) Network commission receivables consumer behaviour risk

Under certain arrangements with MNOs, the commission receivable for the monthly consumer connections to the MNOs depends on consumer behaviour after the point of connection. A discounted cash flow methodology is used to measure the fair value of the revenue and associated receivables in the month of connection, by estimating all future cash flows that will be received from the MNO and discounting these based on their timing of receipt. Subsequently network commission receivables are measured at the present value of the estimated future cash flows discounted using the effective interest rate determined in the month of connection.

The key inputs to the model are:

- revenue share percentage – the percentage of the consumer's spend (to the MNO) to which the Group is entitled;
- minimum contract period – the length of contract entered into by the consumer;
- out-of-bundle spend – additional spend by the consumer measured as a % 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 % of consumers initially connected by the Group estimated to be subsequently upgraded by an MNO.

The last four inputs are estimated based on extensive historical evidence obtained from the networks, and adjustment is made for the risk of potential changes in consumer behaviour. Reliance on historical data assumes that current and future experience will follow past trends; there is therefore a risk that changes in consumer behaviour reduce or increase the total cash flows ultimately realised over the forecast period. Management make a quarterly, and the directors a twice-yearly assessment of this data to ensure this continues to reflect the best estimate of expected future trends.

25 Financial risk management and derivative financial instruments continued

h) Network commission receivables consumer behaviour risk continued

The tables below provide the sensitivity of the carrying value of the network commission receivables to a reasonably possible change in input to the discounted cash flow model over the next 12 months. The gross value of the network commission receivable subject to the below sensitivities is £1 545 million (2016/17 £1,581 million)

28 April 2018

Unobservable inputs	Relationship of unobservable inputs to remeasurement of carrying value	Sensitivity[1] Favourable £million	Sensitivity[1] Unfavourable £million	Range[2]
Out-of-bundle spend	The higher the spend, the higher the carrying value	**15**	**(15)**	**4.7% - 15.4%**
Consumer default rate	The higher the default rate, the lower the carrying value	**7**	**(7)**	**2.6% - 16.9% - New subscribers 0.5% - 2.4% - Upgrades**
Spend after the initial contract term	The higher the spend the higher the carrying value	**37**	**(37)**	**1.7 months - 4.1 months**
Upgrade propensity	The higher the propensity the higher the carrying value	**27**	**(27)**	**12.2% - 35.6%**

29 April 2017

Unobservable inputs	Relationship of unobservable inputs to remeasurement of carrying value	Sensitivity[1] Favourable £million	Sensitivity[1] Unfavourable £million	Range[2]
Out-of-bundle spend	The higher the spend, the higher the carrying value	57	(57)	7.0% - 22.0%
Consumer default rate	The higher the default rate, the lower the carrying value	29	(29)	1 5% - 15.9% - New subscribers 0 6% - 4.6% - Upgrades
Spend after the initial contract term	The higher the spend the higher the carrying value	25	(25)	1.5 months - 7.7 months
Upgrade propensity	The higher the propensity, the higher the carrying value	35	(35)	10.0% - 36.4%

(1) The sensitivity represents the favourable and unfavourable effect on the income statement of remeasuring the carrying value for a reasonably possible change in the value of the input used Whilst the nature of inputs is consistent across all MNOs the value applied differs on a MNO by MNO basis The sensitivity analysis performed has applied a reasonably possible change on an input by input and MNO by MNO basis The amounts shown above are the cumulative sensitivities for each input across all MNOs
(2) The reasonably possible range disclosed is based on the high and low range of each unobservable input, across all MNOs, based on the movements seen in the last three years and our consideration of reasonable further changes in consumer behaviour in the following 12 months. The sensitivities which fall within this range have been applied to the unobservable inputs on a MNO by MNO basis on the relevant element of the gross receivable
(3) The value of commission receivable used for consumer default rate represents the total of in-contract commissions for the relevant MNOs, as the percentage default rate applied is over this total balance

Changes in range of assumptions

Ranges of assumptions used in the sensitivity analysis above evolve year on year to reflect the latest data provided by the MNOs and actual variances experienced by management and consideration of future changes in consumer behaviour In the current year the range of sensitivities in relation to consumer default rates for new subscribers have decreased reflecting the increasing average consumer quality connected to the MNOs and stabilisation of the default rates seen. Out of bundle spend ranges have decreased to reflect the derecognition of EU roaming related out-of-bundle spend.

We consider that there are significant interdependencies between movements in the various inputs, in particular experience shows an inverse relationship between upgrade propensity and spend after the initial contract term (a decrease in the period of spend after the initial terms leads to an increase in upgrade propensity), and therefore these sensitivities should not be considered in aggregate The significant unobservable inputs in determining the amortised cost carrying values used in the table above are the same significant unobservable inputs that would be required if the network commission receivable was measured at fair value on the balance sheet In addition the fair value would be impacted by changes in interest rates and counterparty credit risk

25 Financial risk management and derivative financial instruments *continued*

h) Network commission receivables consumer behaviour risk continued

Changes in relation to network commission receivable, for consumer connections recognised in previous years, due to changes in assumptions or recognition of previously unrecognised elements of commission resulted in a decrease in revenue of £20 million in the current year (2016/17 £21 million increase in revenue) In the current year, this principally relates to changes in anticipated out-of bundle spend assumptions following EU roaming legislation changes, a net decrease in spend after the initial contract term offset by settlement of receipts due from MNOs for consumers connected in prior periods. In 2016/17, this principally related to changes in anticipated out-of-bundle spend assumptions following EU roaming legislation changes If these amounts relating to consumer connections originating in previous years were not recognised in the current year, certain amounts would have been expected to be recognised in future periods, which would decrease future revenues by £12 million (2016/17 £26 million increase), and decrease current year revenue by £17 million (2016/17: £11 million decrease)

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 The gross commission receivable in any month is settled for certain MNOs net of 1/24th of the amount received on connection. Initial commission received not yet subject to net settlement is subject to clawback should the consumer default on its contract with the MNO. The total gross network commission receivable at 28 April 2018 is £1,545 million (29 April 2017· £1,581 million) which is offset by commission received of £488 million (29 April 2017 £567 million), resulting in a net network commission receivable of £1,057 million (29 April 2017 £1,014 million)

Cash flows in association with the network receivable are received over a period of 1–5 years The expected timing of net cash flow settlement of commission is as follows.

	28 April 2018 £million	29 April 2017 £million
Net network commission receivable in less than 1 year	**587**	526
Net network commission receivable in more than 1 year	**470**	488
Net network commission receivable presented in the balance sheet	**1,057**	1,014

Financial Statements

26 Notes to the cash flow statement

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

	Year ended 28 April 2018 £million	Year ended 29 April 2017 (restated) £million
Profit before interest and tax – continuing operations	**321**	436
Profit before interest and tax – discontinued operations	**(83)**	(19)
Depreciation and amortisation	**204**	186
Investment income	**—**	(8)
Share-based payment charge	**14**	17
Share of results of joint ventures	**3**	17
Profit on disposal of subsidiary	**(2)**	—
Profit / loss on disposal of fixed assets	**(1)**	3
Impairments	**56**	—
Operating cash flows before movements in working capital	**512**	632
Movements in working capital		
Increase in inventory	**(72)**	(112)
Increase in receivables	**(32)**	(130)
Increase in payables	**17**	110
Decrease in provisions	**(5)**	(22)
	(92)	(154)
Cash generated from operations	**420**	478

The presentation of the above reconciliation and statement of cash flows include both continuing and discontinued operations. Comparative amounts have been presented accordingly

26 Notes to the cash flow statement continued

b) Analysis of net debt

	29 April 2017 £million	Cash flow £million	Other non-cash movements £million	Currency translation £million	28 April 2018 £million
Cash and cash equivalents	209	**21**	**—**	**(2)**	**228**
Overdrafts	(10)	**(33)**	**—**	**—**	**(43)**
	199	**(12)**	**—**	**(2)**	**185**
Borrowings due within one year		**(20)**	**—**	**—**	**(20)**
Borrowings due after more than one year	(381)	**52**	**—**	**—**	**(329)**
Obligations under finance leases	(89)	**10**	**(6)**	**—**	**(85)**
	(470)	**42**	**(6)**	**—**	**(434)**
Net (debt) / funds	(271)	**30**	**(6)**	**(2)**	**(249)**

	30 April 2016 £million	Cash flow £million	Other non-cash movements £million	Currency translation £million	29 April 2017 £million
Cash and cash equivalents	233	(39)	—	15	209
Overdrafts	—	(10)	—	—	(10)
	233	(49)	—	15	199
Borrowings due within one year	—	—	—	—	—
Borrowings due after more than one year	(409)	28	—	—	(381)
Obligations under finance leases	(91)	8	(6)	—	(89)
	(500)	36	(6)	—	(470)
Net (debt) / funds	(267)	(13)	(6)	15	(271)

c) Reconciliation of cash inflow from operations to free cash flow

	Year ended 28 April 2018 £million	Year ended 29 April 2017 £million
Cash inflow from operations	**420**	478
Operating cash flows from discontinued operations[1]	**11**	(1)
Taxation	**(63)**	(71)
Interest, facility arrangement fees, dividends from investments and repayment of finance leases	**(24)**	(15)
Capital expenditure	**(173)**	(222)
Proceeds from disposal of fixed assets	**2**	9
Other movements	**(1)**	—
Free cash flow	**172**	178

(1) Operating cash flows from discontinued operations are removed in the above reconciliation as free cash flow is presented on a continuing basis

26 Notes to the cash flow statement continued

d) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities

	29 April 2017 £million	Financing cash flows £million	Disposal of finance leases £million	Other changes[(i)] £million	28 April 2018 £million
Loans and other borrowings (note 18)	(381)	**32**	**—**	**—**	**(349)**
Finance lease liabilities (note 19)	(89)	**10**	**(2)**	**(4)**	**(85)**
Other financing accruals	(1)	**19**	**—**	**(18)**	**—**
	(471)	**61**	**(2)**	**(22)**	**(434)**

(i) Other changes include interest accruals

27 Related party transactions

Transactions between the Group s subsidiary undertakings, which are related parties, have been eliminated on consolidation and accordingly are not disclosed See note 5 (a) for details of related party transactions with key management personnel.

The Group had the following transactions and balances with its associates and joint venture

	28 April 2018 £million	29 April 2017 £million
Revenue from sale of goods and services	**11**	11
Amounts owed to the Group	**2**	6

All transactions entered into with related parties were completed on an arm's length basis

28 Capital commitments

	28 April 2018 £million	29 April 2017 £million
Intangible assets	**29**	18
Property, plant & equipment	**23**	23
Contracted for but not provided for in the accounts	**52**	41

29 Operating lease arrangements

The Group as a lessee

Total undiscounted future committed payments due for continuing operations are as follows.

	28 April 2018		29 April 2017	
	Land and buildings £million	Other assets £million	Land and buildings £million	Other assets £million
Total undiscounted future committed payments due				
Within one year	**324**	**14**	343	14
Between two and five years	**917**	**17**	1,032	24
After five years	**591**	**—**	644	—
	1,832	**31**	2,019	38

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

The future minimum sub-lease payments expected to be received under non-cancellable sub-leases is £6 million (2017. £17 million)

Notes to the Group financial statements

30 Contingent liabilities

In recent years the Group has entered into agreements to dispose of certain operations. As part of these disposal agreements, the Group has provided the acquirer with general and tax-related warranties At the date of signing these financial statements, some of these warranties remain open and it is possible that claims could arise under these warranties. Due to the nature of these contingent liabilities it is not practicable to estimate their timing or possible financial impact.

The Group is subject to periodic tax and regulatory audits and investigations by various authorities covering corporate, employee and sales taxes and other regulations across various jurisdictions in which the Group operates Applicable laws and regulations are subject to differing interpretations and the resolution of a final position, through negotiation or litigation, can take several years to complete

Where it is considered that future liabilities are more likely than not to arise, an appropriate provision is recorded in the financial statements. *Details of uncertain tax provisions, judgements taken and risk of material changes to the value of* associated liabilities in the next financial year are disclosed in note 1(t).

31 Restatement of comparative information

As set out in note 24, the Spain operations the results of the Sprint Joint Venture and the honeybee operations have been classified as discontinued operations in accordance with IFRS 5 '*Non-current Assets Held for Sale and Discontinued Operations*' In accordance with the requirements comparative results for the year ended 29 April 2017 have been restated accordingly

a) Consolidated income statement

The impact of the restatement on the consolidated income statement has been set out below

	Headline results					Non headline results					Total
	2016/17 as previously reported £million	[illegible]	[illegible]	[illegible] Joint venture [illegible]	2016/17 restated £million	[illegible]	honeybee £million	Spain £million	Sprint Joint Venture £million	2016/17 restated £million	2016/17 as restated £million
Continuing operations											
Revenue	10,580	(15)	(323)	—	**10,242**		—	—	—	5	10,247
Profit / (loss) from operations before share of results of joint ventures	517	11	(12)	—	**516**	(82)	—	1	1	(80)	436
Share of results of joint ventures	—			—	—	(17)	—	—	17	—	—
Profit / (loss) before interest and tax	517	11	(12)	—	**516**	(99)	—	1	18	(80)	436
Net finance costs	(16)	—	—	—	**(16)**	(16)	—	—	—	(16)	(32)
Profit / (loss) before tax	501	11	(12)	—	**500**	(115)	—	1	18	(96)	404
Income tax (expense) / credit	(112)	(4)	[illegible]	—	**(114)**	17	—	—	—	17	(97)
Profit / (loss) after tax – *continuing operations*	389		(10)	—	**386**	(98)	—	1	18	(79)	307
Loss after tax – discontinued operations				—	—	1	(7)	9	(18)	(12)	(12)
Profit / (loss) after tax for the period	389		(10)	—	**386**	[illegible]	(7)	10	—	(91)	295
Earnings per share (pence)											
Basic – continuing operations	33.8p				**33.5p**						26.7p
Diluted – continuing operations	33.7p				**33.4p**						26.6p
Basic – total											25.6p
Diluted – total											25.5p

Cost of sales, gross profit and operating expenses measures are disclosed in note 3

31 Restatement of comparative information continued

a) Consolidated income statement continued

Segmental information

The comparative segmental information provided in note 2 has been adjusted to reflect the above reclassifications.

As set out in note 2 (b), during the year the segmental results were restructured. Both the Sprint Joint Venture and the honeybee operations were previously part of the Connected World Services segment, which was split and moved to either the relevant geographic segment or a honeybee segment, which has now been removed. The Spain operations were previously presented within Southern Europe.

b) Other disclosures

In accordance with the policy as set out in note 1, there have been no restatements made to the consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity or consolidated cash flow statement, as these statements do not separately distinguish headline and non-headline measures.

c) Free cash flow

	Year ended 29 April 2017			
	As previously reported £million	honeybee £million	Spain £million	Total £million
Headline EBIT	517	11	(12)	516
Depreciation and amortisation	152	(9)	(3)	140
Working capital	(104)	9	–	(95)
Capital expenditure	(242)	15	5	(222)
Taxation	(72)	–	1	(71)
Interest	(23)	–	–	(23)
Other items	2	–	–	2
Free cash flow before restructuring items	230	26	(9)	247
Restructuring costs	(70)	–	1	(69)
Free cash flow – continuing operations	160	26	(8)	178
Dividends	(115)	–	–	(115)
Acquisitions and disposals including discontinued operations	(25)	(26)	8	(43)
Pension contributions	(43)	–	–	(43)
Other	19	–	–	19
Movement in net debt	(4)	–	–	(4)
Opening net debt	(267)	–	–	(267)
Closing net debt	(271)	–	–	(271)

32 Events after the balance sheet date

As discussed in note 24, the Group completed the sale of the honeybee operations through an asset sale on 31 May 2018.

On 4 May 2018, the Group agreed to close 92 Carphone Warehouse stores in the UK in the 2018/19 financial year as part of wider strategic initiatives. Related costs and provisions will be recorded in the 2018/19 financial year.

Company balance sheet

	Note	28 April 2018 £million	29 April 2017 £million
Fixed assets			
Investments in subsidiaries	C4	**2,677**	2,678
Current assets			
Cash and cash equivalents		**178**	223
Debtors: due within one year	C5	**2,208**	2,194
Derivative assets	C7	**34**	30
		2,420	2,447
Creditors: amounts falling due within one year	C6	**(1,886)**	(1,750)
Derivative liabilities	C7	**(32)**	(32)
Net current assets		**502**	665
Total assets less current liabilities		**3,179**	3,343
Provisions	C8	**—**	(12)
Loans payable	C9	**(329)**	(381)
Net assets		**2,850**	2,950
Capital and reserves			
Called-up share capital	C10	**1**	1
Share premium reserve	C10	**2,263**	2,260
Profit and loss account		**586**	689
		2,850	2,950

The Company's profit for the year was £28 million (2016/17 £18 million)

The financial statements of the Company (registered number 07105905) were approved by the Board on 20 June 2018 and signed on its behalf by

Alex Baldock,
Group Chief Executive

Humphrey Singer,
Group Finance Director

Company statement of changes in equity

	Called-up share capital £million	Share premium reserve £million	Profit and loss account £million	Total equity £million
At 1 May 2016	1	2,256	786	3,043
Profit for the year	—	—	18	18
Total comprehensive income and expense for the year	—	—	18	18
Issue of own shares	—	4	—	4
Equity dividends	—	—	(115)	(115)
At 29 April 2017	1	2,260	689	2,950
Profit for the year	—	—	**28**	**28**
Other comprehensive income	—	—	**1**	**1**
Total comprehensive income and expense for the year	—	—	**29**	**29**
Issue of own shares	—	**3**	**(2)**	**1**
Equity dividends	—	—	**(130)**	**(130)**
At 28 April 2018	**1**	**2,263**	**586**	**2,850**

Notes to the Company financial statements

C1 Accounting policies

Basis of preparation

The Company is incorporated in the United Kingdom The financial statements have been prepared on a going concern basis (see note 1 to the Group financial statements)

The separate financial statements of the Company are presented as required by the Companies Act 2006 The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council, incorporating the Amendments to FRS 101 issued by the Financial Reporting Council in July 2015

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 and certain related party transactions

Where required, equivalent disclosures are given in the consolidated financial statements

The financial statements have been prepared on the historical cost basis except for the re-measurement of certain financial instruments to fair value The principal accounting policies adopted are the same as those set out in note 1 to the Group financial statements except as noted below

Investments in subsidiaries are stated at cost less where appropriate provisions for impairment

C2 Profit and loss account

In accordance with the exemption permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented separately The profit recognised for the year ended 28 April 2018 was £28 million (2016/17: £18 million). Information regarding the audit fees for the Group is provided in note 3 to the Group financial statements

C3 Equity dividends

Details of amounts recognised as distributions to shareholders in the period and those proposed are detailed in note 23 of the Group financial statements.

C4 Fixed asset investments

	28 April 2018 £million	29 April 2017 £million
Opening balance	**2,678**	2,678
Impairments	**(1)**	–
Closing balance	**2,677**	2,678
Cost	**2,776**	2,776
Accumulated impairments	**(99)**	(98)
Net carrying amount	**2,677**	2,678

Fixed asset investments comprise investments in subsidiary undertakings and other minority investments. Details of the Company's investments in subsidiary undertakings are provided in note C11

C5 Debtors: amounts falling due within one year

	28 April 2018 £million	29 April 2017 £million
Amounts owed by Group undertakings	**2,199**	2,183
Deferred tax asset	**1**	1
Prepayments	**6**	7
Other debtors	**2**	3
	2,208	2,194

Amounts owed by Group undertakings are repayable within 12 months of the balance sheet date

C6 Creditors: Amounts falling due within one year

	28 April 2018 £million	29 April 2017 £million

Amounts owed to Group undertakings	**1,598**	1,676
Other creditors	**—**	1
Overdrafts	**267**	72
Short term borrowing	**20**	—
Accruals and deferred income	**1**	1
	1,886	1,750

C7 Derivatives

	28 April 2018 £million	29 April 2017 £million
Cross currency interest rate swaps	**1**	—
Foreign exchange contracts	**33**	30
Derivative assets	**34**	30
Cross currency interest rate swaps	**—**	(1)
Foreign exchange contracts	**(32)**	(31)
Derivative liabilities	**(32)**	(32)

Interest rate swaps convert floating rate debt (3 month Libor plus a margin) to a fixed rate

This value is determined using forward exchange and interest rates derived from market sourced data at the balance sheet date, with the resulting value discounted back to present value (level 2 classification). See note 25 for further details.

C8 Provisions

	28 April 2018 £million	29 April 2017 £million
Opening balance	**12**	1
Additions	**—**	11
Released	**(3)**	—
Utilised	**(9)**	—
Closing balance	**—**	12

The provisions recorded primarily relate to the share plan taxable benefit compensation as discussed in note 4 to the Group financial statements

C9 Loans payable

Details of loans payable are provided in note 18 to the Group financial statements

C10 Called-up share capital and share premium

Details of movements in called up share-capital and share premium are disclosed in note 22 to the Group financial statements

C11 Subsidiary undertakings

a) Principal subsidiaries as at 28 April 2018

The Company has investments in the following principal subsidiary undertakings All holdings are in equity share capital and give the Group an effective holding of 100% on consolidation.

Name	Registered office address	Country of incorporation / registration	Share classes held	% held	Business activity
Carphone Warehouse Europe Limited	1 Portal Way, London, W3 6RS	United Kingdom	A & B Ordinary	100	Holding company
Dixons Carphone Holdings Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary Deferred A Ordinary B Ordinary	100* 100* 84.6** 100*	Holding company
Dixons Retail Group Limited	1 Portal Way, London W3 6RS	United Kingdom	Ordinary Deferred	100 100*	Holding company
Dixons South East Europe A E.V.E.	14th km Athens - Lamia, National Road & 2 Spilias Street 14452 Metamorfosi Attiki, Athens	Greece	Ordinary	100	Retail
DSG International Holdings Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100	Holding company
DSG Retail Ireland Limited	40 Upper Mount Street Dublin 2 D02 PR89	Ireland	Ordinary	100	Retail
DSG Retail Limited	1 Portal Way, London W3 6RS	United Kingdom	Irredeemable Cumulative Preference and Ordinary	100	Retail
Elgiganten Aktiebolag	Box 1264 164, 29 Kista, Stockholm	Sweden	Ordinary	100	Retail
ElGiganten A/S	Arne Jacobsens Alle 16 2 sal Kobenhavn S, 2300 Copenhagen	Denmark	Ordinary	100	Retail
Elkjøp Nordic AS	Nydalsveien 18A, NO-0484 Oslo	Norway	Ordinary	100	Retail
Elkjøp Norge AS	Solheimveien 10, NO 1473, Lorenskog	Norway	Ordinary	100	Retail
Gigantti Oy	Toolonlahdenkatu 2, FI-00100, Helsinki	Finland	Ordinary	100	Retail
Honeybee Digital Solutions Limited[1]	1 Portal Way, London W3 6RS	United Kingdom	Ordinary	100	IT
New Technology Insurance	3rd Floor, Fleming Court, Fleming s Place, Dublin 4, D04 N4X9	Ireland	Ordinary	100	Insurance
The Carphone Warehouse Limited	1 Portal Way London W3 6RS	United Kingdom	Ordinary	100	Retail
The Carphone Warehouse Limited	40 Upper Mount Street, Dublin 2, D02 PR89	Ireland	Ordinary	100	Retail

* Interest held directly by Dixons Carphone plc

** This is the only interest of Dixons Carphone plc, directly or indirectly in this class of shares

1 Honeybee Digital Solutions Limited changed its name to CPW Technology Services Limited on 30 May 2018

C11 Subsidiary undertakings continued

b) Other subsidiary undertakings

The following are the other subsidiary undertakings of the Group, all of which are wholly owned unless otherwise indicated. All these companies are either holding companies or provide general support to the principal subsidiaries listed on the previous page.

Name	Registered office address	Country of incorporation or registration	Share class(es) held	% held
Alfa s.r.l.	Via monte Napoleone n 29, 20121 Milano	Italy	Ordinary	100
Carphone Warehouse Ireland Mobile Limited (in liquidation)	40 Upper Mount Street, Dublin 2, D02 PR89	Ireland	Ordinary	100
CCC Nordic A/S[2]	Arne Jacobsens Alle 15, 8, 2300 Kobenhavn S	Denmark	Ordinary	100
Charterhouse Management Limited (in dissolution)	6th Floor, Victory House Prospect Hill, Douglas, IM1 1EQ	Isle of Man	Ordinary	100
Codic GmbH (in liquidation)	Eschenheimer Anlage 1, 60316 Frankfurt	Germany	Ordinary	100
Connected World Services Distributions Limited	1 Portal Way London W3 6RS	United Kingdom	Ordinary	100
Connected World Services LLC	2711 Centerville Road, Suite 400 Wilmington DE 19808	United States	Ordinary	100
Connected World Services Netherlands BV	Watermanweg 96, 3067 GG Rotterdam	Netherlands	Ordinary	100
Connected World Services SAS	26 rue de Cambaceres, 75008 Paris	France	Ordinary	100
CPW Acton Five Limited	1 Portal Way London W3 6RS	United Kingdom	Ordinary	100
CPW Acton One Limited	6th Floor, Victory House, Prospect Hill Douglas, IM1 1EQ	Isle of Man	Ordinary	100*
CPW Brands 2 Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100*
CPW Consultancy Limited (in dissolution)	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100*
CPW CP Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
CPW GC Holdings BV	Herikerbergweg 238 1101 CM Amsterdam	Netherlands	Ordinary	100*
CPW Tulketh Mill Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100*
DISL 2 Limited	6th Floor, Victory House, Prospect Hill Douglas, IM1 1EQ	Isle of Man	Ordinary	100
DISL Limited	6th Floor, Victory House, Prospect Hill Douglas, IM1 1EQ	Isle of Man	A, B, C & D Preference and Ordinary B	100
Dixons Carphone CoE s.r.o.	Trnita, 491.5, 602 00 Brno	Czech Republic	Business Shares	100
Dixons Deutschland GmbH	Ottostraße 21, 80333 Munich	Germany	Ordinary	100

* Interest held directly by Dixons Carphone plc

2 CCC Nordic A/S was called NSS Financials A/S until 1 May 2017

Financial Statements

Notes to the Company financial statements

C11 Subsidiary undertakings continued

b) Other subsidiary undertakings continued

Name	Registered office address	Country of incorporation or registration	Share class(es) held	% held
Dixons Sourcing Limited	31/F, AXA Tower Landmark East 100 How Ming Street Kwun Tong Kowloon	Hong Kong	Ordinary	100
Dixons Stores Group Retail Norway AS	Nydalsveien 18A, NO-0484 Oslo	Norway	Ordinary	100
Dixons Travel srl (in liquidation)	Foro Buonaparte 70, 20121, Milan	Italy	Ordinary	100
DSG Boxmoor Limited[3] (in dissolution)	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG Card Handling Services Limited	1 Portal Way, London, W3 6RS	United Kingdom	Cumulative C & D Preference and Ordinary	100
DSG Corporate Services Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG European Investments Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG Hong Kong Sourcing Limited	31/F, AXA Tower Landmark East, 100 How Ming Street Kwun Tong Kowloon	Hong Kong	Ordinary	100
DSG International Belgium BVBA	Havenlaan 86C, Box 204, B-1000 Brussels	Belgium	Ordinary	100
DSG International Retail Properties Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG International Treasury Management Limited[4] (in dissolution)	1 Portal Way London, W3 6RS	United Kingdom	Ordinary	100
DSG Ireland Limited	1 Portal Way London W3 6RS	United Kingdom	Ordinary	100
DSG KHI Limited	1 Portal Way London, W3 6RS	United Kingdom	Ordinary	100
DSG Overseas Investments Limited	1 Portal Way London W3 6RS	United Kingdom	Preference, B Preference and Ordinary	100
DSG Retail Ireland Pension Trust Limited	40 Upper Mount Street Dublin 2, D02 PR89	Ireland	Ordinary	100
El-Giganten Logistik AB	Mobelvagen 51, 556 52 Jonkoping	Sweden	Ordinary	100
Elkjøp Kleiverenga AS	Nydalsveien 18A, NO-0484 Oslo	Norway	Ordinary	100
Epoq Logistic DC k s	Evropska 868, 664 42 Modřice	Czech Republic	Ordinary	100
ID Mobile Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
InfoCare CS AB	Arabygatan 9, 35246 Vaxjo Kronobergs lan	Sweden	Ordinary	100
InfoCare Workshop AS	Industrivegen, 53, 2212, Kongsvinger	Norway	Ordinary	100
InfoCare Workshop Oy	Silvastintie 1, 01510, Vantaa	Finland	Ordinary	100

3 DSG Boxmoor Limited was dissolved on 1 May 2018

4 DSG International Treasury Management Limited was dissolved on 1 May 2018

C11 Subsidiary undertakings continued

b) Other subsidiary undertakings continued

Name	Registered office address	Country of incorporation or registration	Share class(es) held	% held
Kereru Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
Kungsgatan Concept Store AB	Box 1264, 164. 29 Kista, Stockholm	Sweden	Ordinary	100
Mastercare Service and Distribution Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
Mohua Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
MTIS Limited	3rd Floor, Fleming Court Fleming's Place, Dublin 4, D04 N4X9	Ireland	Ordinary	100
OSAA – Sociedade Gestora De Participações Sociais, Lda	R. Latino Coelho n°13 1050-132 Lisbon	Portugal	Ordinary	100
Osfone Comercio de Aparelhos de Telecomunicações Lda	R. Latino Coelho n°13 1050-132 Lisbon	Portugal	Ordinary	100
Osfone Negócios – Comercio de Aparelhos de Telecomunicações, Lda	R. Latino Coelho n°13, 1050-132 Lisbon	Portugal	Ordinary	100
PC City (France) SNC	52 rue de la Victoire 75009 Paris	France	Partnership	100
PC City Norge AS	Nydalsveien 18A NO-0484 Oslo	Norway	Ordinary	100
Pelham Limited (in dissolution)	6th Floor, Victory House Prospect Hill, Douglas, IM1 1EQ	Isle of Man	Ordinary	100
Petrus Insurance Company Limited	2 Irish Town	Gibraltar	Ordinary	100
Simplify Digital Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
TalkM Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
Team Knowhow Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
The Carphone Warehouse (Digital) Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100*
The Carphone Warehouse Resources Limited (in dissolution)	6th Floor, Victory House, Prospect Hill, Douglas, IM1 1EQ	Isle of Man	Ordinary	100*
The Carphone Warehouse UK Limited	1 Portal Way London, W3 6RS	United Kingdom	Ordinary	100
The Phone House Holdings (UK) Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100

* Interest held directly by Dixons Carphone plc

c) Other significant shareholdings

The following are the other significant shareholdings of the Company all of which are held indirectly.

Name	Registered office address	Country of incorporation or registration	Share class held	% held	Business activity
Elkjøp Fjordane AS	Fugleskjærgata 10, 6905 Floro	Norway	Ordinary	30	Retail
F Group A/S (in liquidation)	Amerika Plads 37, DK-2100 København O	Denmark	Ordinary	40	Retail

Financial Statements

Notes to the Company financial statements

C11 Subsidiary undertakings continued

d) Subsidiary undertakings exempt from audit

The following subsidiaries, all of which are incorporated in England and Wales are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of that Act.

Name	Company registration number
Carphone Warehouse Europe Limited	06534088
CPW Acton Five Limited	05738735
CPW Brands 2 Limited	07135355
CPW CP Limited	06585457
CPW Tulketh Mill Limited	06585719
DSG Card Handling Services Limited	04185110
DSG European Investments Limited	03891149
DSG International Holdings Limited	03887870
DSG International Retail Properties Limited	00476440
DSG Ireland Limited	00240621
DSG KHI Limited	09012752
DSG Overseas Investments Limited	02734677
The Carphone Warehouse (Digital) Limited	03966947
The Carphone Warehouse UK Limited	03827277
The Phone House Holdings (UK) Limited	03663563

Five year record (unaudited)

Income statement – Headline and Pro forma

	2017/18 £million	2016/17 £million	2015/16 £million	2014/15 £million	2013/14 £million
Headline[1]					
Revenue	**10,525**	10,242	9,445	7,899	1,449
Profit after tax – wholly owned operations	**303**	386	352	290	91
Share of results of joint ventures and associates (after tax)	**—**	–	—	—	3
Net profit after tax	**303**	386	352	290	94
Earnings per share					
– Basic	**26.2p**	33.5p	30.6p	30.2p	17.0p
– Diluted	**26.1p**	33.4p	29.6p	29.2p	16.8p
Pro forma headline results[2]					
Revenue	**10,525**	10,242	9,445	9,394	9,258
EBIT	**400**	516	486	420	344
Interest	**(18)**	(16)	(22)	(33)	(43)
Profit before taxation	**382**	500	464	387	309

(1) Headline results - continuing operations reflect the statutory results of the Group excluding items classified as non-headline.

(2) *Pro forma results are presented as though the Dixons Retail Merger and the CPW Europe Acquisition had occurred at the beginning of the five-year period.* This financial information has been prepared by aggregating the five year records presented by Carphone Warehouse in its 2013/14 annual report and accounts on page 97 and by Dixons Retail in its 2013/14 annual report and accounts on page 127, and adjusting for discontinued operations.

(3) Headline results have been restated to reflect the classification of the Spanish operations and the honeybee operations as discontinued. For further details see note 31 to the financial statements.

Shareholder and corporate information

Dixons Carphone plc is listed on the main market of the London Stock Exchange (stock symbol: DC) and is a constituent of the FTSE 250.

Registrars

Equiniti
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Spencer Road
Lancing
West Sussex
BN99 6DA
United Kingdom

0371 384 2089 (UK only)
+44 (0)121 415 7047 (from outside the UK)

Lines are open from 8.30am to 5.30pm Monday to Friday (UK time), excluding public holidays in England and Wales.

You can manage your shareholdings via an electronic communications service called Shareview at www.shareview.co.uk. To register, you will need your shareholder reference number, which can be found on your share certificate, dividend confirmation or form of proxy. Registration and use of the service is free.

Financial calendar

Ex-dividend date (final dividend 2017/18)	23 Aug 2018
Record date (final dividend 2017/18)	24 Aug 2018
Annual General Meeting	6 Sep 2018
Intended dividend payment date (final dividend 2017/18)	21 Sep 2018

American Depositary Receipts ('ADRs')

Dixons Carphone plc has established a sponsored Level 1 ADR program and has appointed Deutsche Bank Trust Company Americas ('Deutsche Bank') as the depositary bank. The ADRs trade on the US over-the-counter ('OTC') market under the symbol DXCPY (they are not listed on a US stock exchange). Each ADR represents two ordinary shares in Dixons Carphone plc.

Contact details for ADR investors and brokers

Deutsche Bank ADR broker services desks
New York: +1 212 250 9100
London: +44 (0)207 547 6500 (from outside the UK)

Contact details for registered ADR holders

For Deutsche Bank Shareholder Services
American Stock Transfer & Trust Company ('AST')
Operations Center
6201 15th Avenue
Brooklyn, NY 11219
United States

Email: DB@amstock.com
Toll free number: (866) 249 2593 (from within the US)
Direct dial: +1 718 921 8124 (from outside the US)

Registered office / Head office

1 Portal Way
London
W3 6RS
United Kingdom
+44 (0) 203 110 3251
www.dixonscarphone.com

Company registration number

07105905

Company Secretary

Enquiries should be directed to:

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Glossary and definitions

Alternative performance measures ('APMs')

In the reporting of financial information, the Group uses certain measures that are not required under IFRS. 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 Group. 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 IFRS measures, to aid the user in understanding the Group'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, IFRS measures

Headline and non-headline measures

The Group's income statement and segmental analysis identify separately headline performance and non-headline items. Headline performance measures reflect adjustments to total performance measures The directors consider 'headline' performance measures to be an informative additional measure of the ongoing trading performance of the Group. Headline results are stated before non-headline items

Non-headline items consist of the results of discontinued operations or exited / to be exited businesses, amortisation of acquisition intangibles, acquisition related costs any exceptional items considered sufficiently material that they distort underlying performance (such as re-organisation costs, impairment charges, property rationalisation costs and other non-recurring charges), income from previously disposed operations and net pension interest costs.

Items excluded from headline results can evolve from one financial year to the next depending on the nature of exceptional items or one-off type activities Where appropriate for example where a business is classified as exited / to be exited, comparative information is restated accordingly

Local currency

Some comparative performance measures are translated at constant exchange rates, called 'local currency' measures This restates the prior period results at a common exchange rate to the current year in order to provide appropriate year-on-year movement measures without the impact of foreign exchange movements

In response to 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 Group below.

Alternative performance measure	Closest equivalent GAAP measure	Reconciliation to IFRS measure	Definition and purpose
Revenue measures			
Headline / non-headline revenue	Revenue	See note 2 and 4 and note 31 for details of restated amounts for 2016/17	Headline revenues represent the ongoing revenues of the Group, and are adjusted to remove non-headline revenue items In the current and restated comparative periods, this relates to the iD mobile operations in Republic of Ireland, which is classified as a 'business to be exited' and therefore presented in non-headline results
Like-for-like (LFL) % change	No direct equivalent	Not applicable	Like-for-like revenue is calculated based on headline store and internet revenue using constant exchange rates. New stores are included where they have been open for a full financial year both at the beginning and end of the financial period. Revenue from franchise stores are excluded and closed stores are excluded for any period of closure during either period. Customer support agreement, insurance and wholesale revenues along with revenue from Connected World Services and other non-retail businesses are excluded from like-for-like calculations We consider that LFL revenue represents a useful measure of the trading performance of our underlying and ongoing store and online portfolio

Investor information

Glossary and definitions

Alternative performance measure	Closest equivalent IFRS measure	Reconciliation to IFRS measure	Definition and purpose
Local currency % change	Revenue compared to prior period consolidated at a constant exchange rate	Not applicable	Reflects total revenues on a constant currency and period basis. Provides a measure of performance excluding the impact of foreign exchange rate movements.
Profit measures			
Headline / non-headline profit / (loss) before tax, EBIT and profit / (loss) after tax	Profit / (loss) before interest and tax profit / (loss) after interest and tax	See note 2 and 4 and note 31 for details of restated amounts for 2016/17	As discussed above, the Group uses headline profit measures in order to provide a useful measure of the ongoing performance of the Group. These are adjusted from total measures to remove 'non-headline' 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.
Other earnings measures			
Headline / non-headline net finance costs	Net finance costs	See note 4	Headline net finance costs are adjusted from total finance costs to remove non-headline finance cost items. Non-headline finance costs includes the finance charge of businesses to be exited, net pension interest costs, finance income from previously disposed operations not classified as discontinued and other exceptional items considered so one-off and material that they distort underlying finance costs of the Group. Under IAS 19 'Employee Benefits', the net interest charge on defined benefit pension schemes is calculated based on corporate bond yield rates at a specific date, which, as can vary over time, creates volatility in the income statement and is unrepresentative of the actual investment gains or losses made on the liabilities. Therefore this item has been removed from our headline earnings measure in order to remove this non-cash volatility.
Headline / non-headline income tax expense / (credit)	Income tax expense / (credit)	See note 4	Headline income tax expense / (credit) represents the income tax on headline earnings. Non-headline income tax expense / (credit) represents the tax on items classified as 'non-headline', either in the current year, or the current year effect of prior year tax adjustments on items previously classified as non-headline. We consider the headline income tax measures represent a useful measure of the ongoing tax charge / credit of the Group.
Headline / Total effective tax rate	No direct equivalent		The effective tax rate measures provide a useful indication of the tax rate of the Group. Headline effective tax is the rate of tax recognised on headline earnings, and total effective tax is the rate of tax recognised on total earnings.
Earnings per share measures			
Headline basic EPS – continuing operations, headline diluted EPS – continuing operations, headline basic EPS – total, headline diluted EPS – total	Statutory EPS figures	See note 8	EPS measures are presented to reflect the impact of non-headline items in order to show a headline EPS figure, which reflects the headline earnings per share of the Group. We consider the headline EPS provides a useful measure of the ongoing earnings of the underlying Group.

Investor information

Alternative performance *measure*	Closest equivalent GAAP *measure*	Reconciliation to IFRS *measure*	Definition and purpose
Cash flow measures			
Free cash flow	Cash generated from operations	See note 26	Free cash flow comprises cash generated from / (utilised by) continuing operations including restructuring costs, but before cash generated from / (utilised by) businesses exited / to be exited, less *net finance expense*, *less income tax paid*, *less net* capital expenditure and before any special pension contributions and dividends
Net debt	*Cash and cash* equivalents less loans and other borrowings and finance lease obligations	*See note 26*	*Comprises cash and cash equivalents and short* term deposits, less borrowings and finance lease creditors We consider that this provides a useful measure of the indebtedness of the Group.
Other measures			
Return on Capital Employed (ROCE)	No direct equivalent	Not applicable	Calculated on a pre-tax and lease adjusted basis. The return is based on headline EBIT, adjusted to add back the interest component associated with capitalising operating lease costs. Capital employed is based on net assets including capitalised leases, but excluding goodwill, cash, tax and the defined benefit pension obligations. The calculation is performed on a moving annual total in order to best match the return on assets in a year with the assets in use during the year to generate the return We consider this a useful measure to understand how the Group has used the capital employed during the period

Pro forma results

In previous periods (up to the annual report and accounts 2015/16), the Group presented 'pro forma' comparative financial information in order to reflect results of both Carphone Warehouse and Dixons Retail throughout the comparative periods as if the Merger on 6 August 2014 had occurred at the start of the 2013/14 financial year In the current year, pro forma information is not presented as does not affect the comparative periods for the current year, other than in the five year summary. For information on the pro forma financial information and reconciliations please refer to the annual report and accounts 2015/16

Glossary and definitions

Other definitions

The following definitions apply throughout this Annual Report and Accounts unless the context otherwise requires:

Acquisition intangibles	Acquired intangible assets such as customer bases, brands and other intangible assets acquired through a business combination capitalised separately from goodwill. Where businesses have grown organically rather than through acquisition, there is no amortisation of acquired intangibles and therefore the non-cash amortisation charge is removed from our headline earnings measures in order to increase comparability between segments
ADRs	American Depositary Receipts
ARPU	Average monthly revenue per user
B2B	Business to business
Best Buy	Best Buy Co., Inc (incorporated in the United States) and its subsidiaries and interests in joint ventures and associates
Best Buy Europe	Best Buy Europe Distributions Limited and its subsidiaries and interests in joint ventures and associates (incorporated in England & Wales)
Board	The Board of Directors of the Company
Businesses to be exited	Businesses exited or to be exited are those which the Group has exited or committed to or commenced to exit through disposal or closure but do not meet the definition of discontinued operations as stipulated by IFRS and are material to the results or operations of the Group. Comparative results in the statement of comprehensive income and the notes are restated accordingly for the impact of businesses exited or to be exited
Carphone, Carphone Warehouse or Carphone Group	The Company or Group prior to the Merger on 6 August 2014
CGU	Cash Generating Unit
Company or the Company	Dixons Carphone plc (incorporated in England and Wales under the Act, with registered number 07105905), whose registered office is at 1 Portal Way, London W3 6RS
CRM	Customer Relationship Management
CPW	The continuing business of the Carphone Group
CPW Europe	Best Buy Europe's core continuing operations
CPW Europe Acquisition	The Company's acquisition of Best Buy's interest in CPW Europe, which completed on 26 June 2013
CWS	The Connected World Services division of the Company
Dixons or Dixons Retail	Dixons Retail plc and its subsidiary companies
Dixons Carphone or Group	The Company, its subsidiaries, interests in joint ventures and other investments
Dixons Retail Merger or Merger	The all-share merger of Dixons Retail plc and Carphone Warehouse plc which occurred on 6 August 2014
EBT	Employee benefit trust
ESOT	Employee share ownership trust
HMRC	Her Majesty's Revenue and Customs
honeybee	honeybee is our proprietary IT software, developed in-house initially to serve our mobile phone consumers. It is a unique omni-channel, multi-industry software that simplifies the delivery and management of complex digital customer journeys.
IFRS	International Financial Reporting Standards as adopted by the European Union

Market position — Ranking against competitors in the electrical and mobile retail market, measured by market share. Market share is measured for each of the Group's markets by comparing data for revenue or volume of units sold relative to similar metrics for competitors in the same market

MNO — Mobile network operator

MVNO — Mobile virtual network operator

New CPW — Dixons Carphone Holdings Limited, previously called New CPW Limited (incorporated in England and Wales)

NPS — Net Promoter Score, a rating used by the Group to measure customers' likelihood to recommend its operations

Old Carphone Warehouse — TalkTalk Telecom Holdings Limited (previously called The Carphone Warehouse Group PLC) (incorporated in England and Wales)

RCF — Revolving credit facility

Sharesave or SAYE — Save as you earn share scheme

SIMO — Sales of SIM-only contracts, without attached handset

Special pension contributions — Represent contributions made under the schedule of contributions agreed with the scheme trustees following the 2016 triennial review

Sprint JV — The 50% investment held by the Group in Sprint Connect LLC, a distribution joint venture held with Sprint LLC in the USA

SWAS — Stores within a-store

TalkTalk or TalkTalk Group — TalkTalk Telecom Group PLC and its subsidiaries and other investments

TSR — Total shareholder return

UK GAAP — United Kingdom Accounting Standards and applicable law

Virgin Mobile France — Omer Telecom Limited (incorporated in England and Wales) and its subsidiaries, operating an MVNO in France as a joint venture between the Company, Bluebottle UK Limited and Financom S.A.S

WAEP — Weighted average exercise price

Dixons Carphone

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