



Annual Report and Accounts

2014/15

“This has been a terrific first year for Dixons Carphone. We have seen excellent increases in both sales and profitability and we have made very encouraging progress with the tricky job of integrating these two great companies. At the same time, we have continued to generate strong customer satisfaction numbers, made significant strides in our Connected World Services business including our agreement with Sprint, and launched a brand new mobile network.

The job is far from done. I am acutely aware that there is no room for complacency in a sector which has seen unprecedented change, bringing both opportunities and challenges. We have set ourselves ambitious goals, not only financial, but also in terms of driving customer happiness, building a completely integrated company and delivering a brand new global services business with CWS. To achieve these, we will need to exhibit creativity, energy, resilience and toughness of purpose. Nevertheless we are very optimistic about the road ahead, and Dixons Carphone is lucky to have such a fantastic team of people – in every part of the business – to deliver these goals. My sincere thanks to them for everything that has been done so far.”

A handwritten signature in black ink, appearing to read 'Sebastian James', with a stylized flourish at the end.

Sebastian James
Group Chief Executive
16 July 2015

Cautionary statement

Certain statements made in this Annual Report and Accounts are forward looking. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future events or results referred to in these forward looking statements. Unless otherwise required by applicable laws, regulations or accounting standards, we do not undertake any obligation to update or revise any forward looking statements, whether as a result of new information, future developments or otherwise. Nothing in this Annual Report and Accounts should be regarded as a profit forecast.

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Investor information

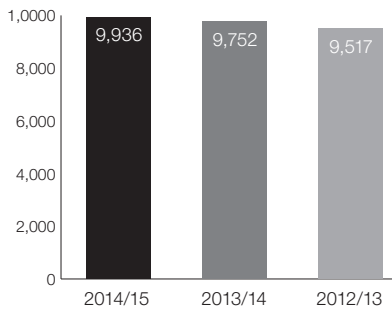
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Highlights of the year

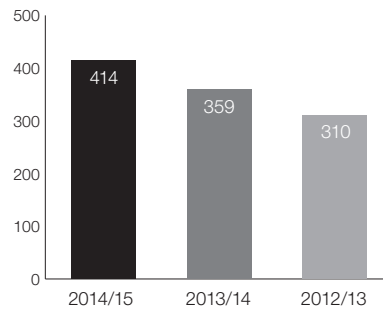
Dixons Carphone plc is Europe's leading specialist electrical and telecommunications retailer and services company, employing over 40,000 people in 9 countries.

- Group like-for-like revenue up 6%
- UK like-for-like revenue up 8%
- Group pro forma PBT of £381 million, up 21%
- Group pro forma EPS of 25.5p
- Strong balance sheet with year end pro forma net debt of £260 million
- Final dividend of 6.0p proposed, taking total dividends for the year to 8.5p
- Integration progressing well
- Disposals of non-core operations

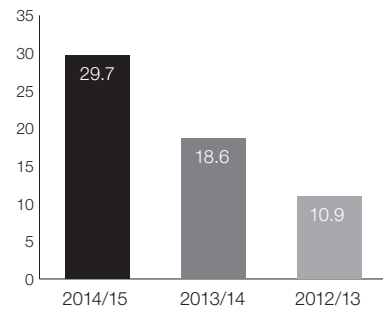
Pro forma revenue (£million)



Pro forma Headline EBIT (£million)



Headline basic EPS (pence)



Our European store presence

Store numbers	Own	Franchised	Total
● UK and Ireland	1,328	—	1,328
● Nordics	257	131	388
● Southern Europe	369	223	592
	1,954	354	2,308



Headline and pro forma performance measures are as defined in the Performance Review. Pro forma results are presented as if the CPW Europe Acquisition and the Merger had occurred at the start of the comparative period. Headline figures for the year ended 29 March 2014 have been re-presented to exclude the results of discontinued operations.

Business segments

We operate four segments as follows:

	Brands	Websites
<p>UK & Ireland</p> <ul style="list-style-type: none"> • Currys and PC World are the largest specialist electrical retailing and services operators in the UK & Ireland. • Carphone Warehouse is the largest independent telecommunications retailer in the UK & Ireland. • Dixons Travel operates in major UK airports and Dublin. • KNOWHOW is our market leading services brand. • Geek Squad is the repairs and support provider for the Carphone Warehouse. • PC World Business provides computing products and services to business to business (B2B) customers. 	<p>Currys</p> <hr/> <p>PC World</p> <hr/> <p>Carphone Warehouse</p> <hr/> <p>Dixons Travel</p> <hr/> <p>KNOWHOW</p> <hr/> <p>Geek Squad</p> <hr/> <p>PC World Business</p>	<p>currys.co.uk currys.ie</p> <hr/> <p>pcworld.co.uk pcworld.ie</p> <hr/> <p>carphonewarehouse.com carphonewarehouse.ie</p> <hr/> <p>dixonstravel.com</p> <hr/> <p>knowhow.co.uk</p> <hr/> <p>geeksquad.co.uk</p> <hr/> <p>pcworldbusiness.co.uk</p>
<p>Nordics</p> <ul style="list-style-type: none"> • The Elkjøp Group is the leading specialist electrical retailer across the Nordics. • Elkjøp and Lefdal stores operate in Norway, Elgiganten in Sweden and Denmark and Gigantti in Finland. • Phone House is a leading independent telecommunications retailer in Sweden. • KNOWHOW has now been launched in the Nordic region. 	<p>Elkjøp</p> <hr/> <p>Elgiganten</p> <hr/> <p>Gigantti</p> <hr/> <p>Lefdal</p> <hr/> <p>Phone House</p>	<p>elkjop.no</p> <hr/> <p>elgiganten.se elgiganten.dk</p> <hr/> <p>gigantti.fi</p> <hr/> <p>lefdal.com</p> <hr/> <p>phonehouse.se</p>
<p>Southern Europe</p> <ul style="list-style-type: none"> • Kotsovolos is Greece's leading specialist electrical retailer. • Phone House stores operate in Spain where the Group is the leading independent telecommunications retailer. • Geek Squad is the repairs and support provider for the Phone House in Spain. 	<p>Kotsovolos</p> <hr/> <p>Phone House</p> <hr/> <p>Geek Squad</p>	<p>kotsovolos.gr</p> <hr/> <p>phonehouse.es</p> <hr/> <p>geeksquad.es</p>
<p>Connected World Services</p> <ul style="list-style-type: none"> • The Group has 25 years experience in the mobile industry and several decades in consumer electronics, and has developed sophisticated IT systems and operating processes to help customers navigate through the extensive range of network package plans and other ancillary products and services. It has also evolved bespoke customer relationship management tools which enable services such as upgrade reminders, data storage and tariff checks. • Connected World Services is the B2B division that packages the core systems, expertise and relationships into a range of services and provides these to other businesses. • Connected World Services organises its services into five product towers: <ul style="list-style-type: none"> – Connected Retailing – Services and Support – Technology Platform – Product Solutions – MVNO 		<p>connectedworldservices.com</p>

Chairman's Statement

I am pleased to be reporting on a very encouraging first year since the merger of Carphone Warehouse and Dixons Retail. We have had a strong start, with pro forma Headline profit before tax rising 21% to £381 million. Progress has been good across the board and in virtually all territories, with excellent market share gains in all core countries in all key categories, and record customer satisfaction numbers. Some important strategic goals have also been achieved, most notably the disposals of non-core operations in France, Germany, the Netherlands and Portugal. In addition, it is good to see real traction with some key new clients in our Connected World Services business including our agreement with Sprint. In short, it has been a good year and the Board is pleased to recommend a final dividend of 6.0p per share to be paid on 25 September 2015.

At the same time, the team have made really good progress in bringing our two great companies together. Much has been achieved on this vital journey and, in particular, it gives me enormous pleasure to see so many fully-functioning Carphone Warehouse stores doing so well inside CurrysPCWorld stores up and down the country. I believe that the team are doing something that is both hard to do and relatively rare: creating a genuine merger of equals where the best parts of each company are preserved.

While this is very encouraging so far, I am also aware that getting this right is not optional. We brought the businesses together because we believed that increasingly interconnected customers were going to require something new from us: a powerful partner to help them navigate these new technologies. Over the last year we have started to think about our customer needs very hard and how we will address them going forward – not only through the products that we offer, but also through the services that we believe will bring these products to life. This is a long-term strategy but I am convinced that it will bear fruit in the end and it is exciting to be at the forefront of these developments.

In recent years we have experienced unprecedented changes in our marketplace, and this year is not shaping up to be an exception. There is no doubt that technology is evolving, consumer behaviour is shifting, the supplier landscape is changing and, of course, in the telecommunications world, that there are a number of important M&A transactions pending. We believe that change creates opportunity for us as consumers turn more and more to those who can offer genuine impartial advice and service at very competitive prices, and as suppliers rely more and more on us to tell their stories fairly and well to their customers. It is our job to make customers' lives better through technology, and, if we are successful, this will lead to continued growth and success for Dixons Carphone.

Finally, I am conscious that all we have achieved – and all of our future – is down to the skills and commitment of our people. On behalf of the Board and our shareholders, I would like to thank them for their hard work and dedication.



Sir Charles Dunstone
Chairman
16 July 2015

Group Chief Executive's Statement

I am very proud to be reporting on the first year of the newly merged Dixons Carphone Group. In eleven months we have established the new organisational structures of the Group, UK & Ireland, and Sweden, rolled out almost 250 Carphone Warehouse SWAS, exited retail operations in Germany and the Netherlands, signed material contracts in Connected World Services, and launched a new MVNO in the UK under the iD brand. More importantly, during this time we have also delivered very strong trading, taken market share in all territories and delivered record customer satisfaction right across the business.

The business has also had a strong first year financially. We have delivered PBT ahead of guidance, increasing pro forma Headline PBT from £316 million to £381 million, resulting in an increase in pro forma Headline basic EPS from 20.5p to 25.5p. Pro forma net debt is also lower than expectation at £260 million.

In the UK & Ireland, like-for-like sales were up 8% (13% in Q4) and EBIT grew by 26% to £306 million, reflecting strong performances in both electricals and mobile. In electricals, white goods and TVs sold particularly well with customers responding to our range, pricing and - above all - service initiatives. Our mobile business in the UK & Ireland also saw very encouraging sales growth. Postpay volumes and market share continued to grow year-on-year in relatively quiet markets as the business benefited from the exit of Phones 4u and successful product launches. We are also - cautiously - encouraged by the impact on ARPU from higher levels of data usage.

Also in the UK, we launched our new MVNO, iD, in May. Enabled by an innovative IT platform, it will target a number of specific customer segments, with a particular focus on personalising plans with flexible tariffs and introducing shared data tariffs, market-leading roaming and the re-introduction of - already very popular - 12 month contracts. iD will also be launching in Ireland later in the summer.

Our Nordics business had a good year with like-for-like sales up 4%. EBIT declined in sterling by 16% to £86 million but this was largely due to the devaluation of the Norwegian Kroner (£11 million). We have a very strong business in the Nordics and continue to gain share in all key markets. We continue to focus on pricing and new product and service offerings, such as our 'epoq' kitchen range and the rollout of KNOWHOW. In Sweden we are building a cutting edge small box distribution centre to support the growth of multi-channel throughout the Nordics and across the region we are expanding our range of private label products. We believe that these and many other initiatives will continue to drive profitable growth in the years to come.

Like-for-like sales in Southern Europe were down 5%, but exited the year up 8% in Q4. EBIT grew 40% to £14 million. As you are aware, this has been a time of some fluidity in the political and economic situation in Greece. Nevertheless, Kotsovolos gained significant market share and exited the year back in profitability for the first time in 5 years. What the future holds in the immediate term is necessarily less certain, but with a really excellent team and a strong market position, we feel that this situation may end up proving the aphorism that all crisis leads to opportunity. Meanwhile, the market in Spain remains tough, but our stores saw improved trading during the final quarter boosted by the distribution of Movistar quad play offerings.

In December we announced that we plan to deliver at least our synergy target of £80 million by financial year 2016/17 - one year ahead of plan. The integration continues to progress well. During the year we have announced our joint UK head office and moved into one head office in both Sweden and Ireland, integrated most support functions, begun consultations on moving our logistics and our repair centres and opened almost 250 Carphone Warehouse SWAS. We have opened a number of co-branded Elgiganten Phone House stores in Sweden and launched the Phone House in Norway. In both cases the performance of these stores has been very encouraging.

The Connected World Services management team have put in place a newly-configured organisational structure to deliver on an already strong pipeline and we now have the sales team to develop our pipeline. Post the year end we were very pleased to announce a partnership with Sprint in the US, and subject to the successful completion of a pilot phase, we will open up to 500 new stores, as well as a separate agreement to provide services to support their existing retail business. In addition, following the success of honeyBee in the UK, we are also preparing for launch in Canada.

Our focus on markets where we have scale and relevance led to the decision to exit from our retail businesses in Germany and the Netherlands, whilst retaining long-term contracts for the provision of insurance services in these markets through CWS. On 16 July 2015 we also announced plans to dispose of our operations in Portugal.

A great deal has been achieved this year, but there is still much to do. Delivery options, IT investment, extending our free warranty programme, further training for our colleagues, completion of the integration, building on our MVNO and CWS businesses, creating a new services business and even stronger pricing in some territories are just some of the initiatives in our sights to build on our long-term sustainability and grow the value of the Company.

Group Chief Executive's Statement

The consumer electronics and mobile phone landscapes are in a constant state of flux – and never more so than today. This creates challenges of course, but also some exciting opportunities. The growth of smartphones, tablets and the speed of internet access both in and out of the home, together with an increasing number of connected devices, are changing the way people live their lives, communicate, and use technology. This has made a number of new markets available to Dixons Carphone, including wellness, security, content and home management. We are focused on building strong positions in these markets in the next few years.

On top of this, the growing complexity and interconnectivity of products means that customers are increasingly demanding help and support throughout a product's lifecycle, from choosing the right product at the outset through to installation, connection, and repair. This provides an increasing opportunity for our Geek Squad and KNOWHOW services, as customers ask for help in getting their products working – and keeping them working.

Behind our end-to-end service operation we have a comprehensive - and unique - infrastructure, including technical support, delivery, installation, repair and recycling. We plan to leverage this infrastructure to widen our services customer base right across our core markets.

Finally, every team and every individual will have been affected by the many changes that the organisation has navigated this year. I began by listing some of the many achievements we have accomplished in the year, but to do all this whilst ensuring we did not take our eye off the ball is a testament to the creativity, skill, fortitude and hard work of the very talented men and women that make up Dixons Carphone. I would like to take this opportunity to offer my humble and heartfelt thanks to them.



Sebastian James
Group Chief Executive
16 July 2015

Our markets

The integration of connectivity, products and services was central to the Merger rationale for Carphone Warehouse and Dixons Retail into Dixons Carphone, and we operate across a variety of distinct marketplaces such as mobile; consumer electronics; and business to business operations via the Connected World Services division.

In mobile, the Group is well placed, in particular in the UK, to offer impartial advice on a vast array of propositions. The markets in which the Group operates are served by mobile network operators and independent and generalist retailers. In the UK we have seen a major market withdrawal with the exit of Phones 4u. As a result our market share improved, in particular in the higher value post-pay segments. The Group is positioned to improve this further, as the only nationwide independent channel with multi-year contracts with all the major MNOs.

Mobile telephony has evolved rapidly, from simple mobile devices to sophisticated hardware with advanced computing functionality. There is a wide choice of operating platforms and network options for customers, which makes the Group's expert and impartial proposition particularly relevant.

MNOs across Western Europe have been investing significantly in the development of their 4G network infrastructures. 4G technology facilitates much faster downloads, providing comparable levels of performance to many Wi-Fi networks, and providing a much better platform for streaming than 3G. MNOs have seen significantly increased levels of data usage, a trend which we see continuing as network quality improves, and more and more devices become capable of communicating with one another. MNOs will continue to roll out their 4G networks, with nationwide coverage expected in the UK by the end of 2015.

To benefit from 4G services, customers need 4G-enabled devices and as 4G network coverage improves in Western Europe, there is an incentive for customers to upgrade their services, providing a stimulus to the replacement cycle as penetration of 4G devices and tariffs increase. After several years of downward pressure on ARPU, increased data usage provides an exciting opportunity for MNOs.

The internet plays an important part of customers' purchasing journey for mobile. The majority of customers research online before making a purchase. Online sales continue to grow as a proportion of sales and represent between 5% and 20% of total retail sales for the Group's markets. Customers continue to value the advice available within stores, on the many choices open to them.

The electrical retail market can be split between specialist electrical retailers, such as Dixons Carphone, and general retailers which sell certain 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, such as Dixons Carphone, 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 are 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. The market is served by a relatively small number of global manufacturers supplying goods to local, regional, national and international electrical retailers.

We have seen some significant shifts in capacity in many of our markets in recent years with some mass merchandisers reducing space for electrical products, some single channel internet operators de-emphasising certain segments, as well as some specialists exiting the market. These shifts have helped 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 a fundamental part of the retail landscape. It brings enhanced product information as well as price comparability. It is becoming an important part of the buying process for customers, particularly for large ticket discretionary products. Larger retailers, with an integrated multi-channel 'bricks and clicks' offer, with scalable distribution and systems, together with proven after sales service and support are increasingly attractive to customers. Our *collect@store* service, where customers can order on the internet and collect from a convenient store at a time to suit them, and 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, are both proving to be increasingly popular.

The UK and Nordic markets have high broadband penetration and a maturing online sales platform. 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.

Innovation brings new products with improved functionality that drive sales growth. These include 4K Ultra High Definition and Smart TVs, wearable technology, tablets as well as converging products that combine the flexibility of a tablet with a keyboard. Content, such as social media, apps, digital media and cloud computing, also help to drive hardware innovation and replacement. Product sales are driven by structural shifts, such as analogue to digital and standard format through to Ultra HD television. In addition, innovation drives new service requirements, including TV installation, data backup, computer set up and instructional *Showhow* teach-ins. In this increasingly 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.

Our markets

Electrical products, and in particular 'brown goods', are predominantly discretionary purchases. However, increasing penetration of digital technology in the home drives faster replacement cycles as these products become less discretionary. The economic backdrop also determines whether customers trade up or down. Accordingly, the electrical market tends to grow at a rate which is at or exceeding the economy during years of economic growth. While the opposite can be true during a downturn, this may be influenced by new innovation and products.

The rapid innovation cycle may lead to price deflation in 'brown goods' and computing, but also drive volume 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.

The sale of 'white goods' is underpinned by the replacement cycle. Due to higher costs of repair, it often makes better economic sense for consumers to replace 'white goods' outright rather than to arrange for their repair. The sale of 'white goods' is also driven by the dynamics of the housing market as new construction, house sales and refurbishment trigger new purchases.

We are one of the largest specialist electrical retailing and services companies in Europe with leading market shares in the UK, Ireland, the Nordic region and Greece. We benefit from long established and widely recognised brands. In each of our markets there are varying numbers of specialist retailers who compete in the assisted market. While we do compete against general retailers, this is usually limited to certain lower price categories as these retailers do not offer the full range of products, assisted sale or the other services we are able to provide.

Technology and the digitised world increasingly embed themselves into our customers' lives through social media, online gaming, watching movies on the move, sharing pictures with others, backing up files in the cloud or controlling energy efficiency. The latest technology allows our customers to do all this and more with tablets, Smart TVs and apps. The ecosystems behind the current digital revolution are simplifying our customers' lives. Customers come to us not just for the enabling technology, but to find a solution.

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

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

Connected World Services aims to leverage the specialist skills, operating processes and technology of the business to provide services to third parties looking to develop their own connected world solutions. CWS already provides managed services to a number of businesses and is actively exploring further opportunities. Connected retailing has become one of the five areas of expertise, along with services and support, technology platform, product solutions and MVNO.

CWS is active in five different areas summarised as follows:

	Suite of services	Why so complicated?	Example services	Existing clients
Connected Retailing	Multi-channel consultancy and support for connected product and service propositions, ranging from specific managed services through to full retail partnerships	<ul style="list-style-type: none"> • MNO and supplier relationships • Complex propositions • Exposure to fraud • Complex remuneration structures • Need for highly trained consultants 	<ul style="list-style-type: none"> • Sales processes and proposition design • Store format design • Employee blueprint and reward model • Customer fulfilment and loyalty 	Samsung Sprint
Services and Support Partner Aviva	Provision of insurance services, including policy administration, claims administration and fulfilment, and provision of technical support solutions for connected devices	<ul style="list-style-type: none"> • Regulation • Exposure to fraud • Repairs: manufacturer accreditation 	<ul style="list-style-type: none"> • Insurance and claim management • Trade-ins • Repairs • Delivery • Remote technical support 	BT RBS TalkTalk
Technology Platform Partner Accenture	Provision of technology platforms and managed services to support complex transactions, connections to service providers and customer relationship management	<ul style="list-style-type: none"> • Capital intensive in initial stages • Requires interfaces to networks • Tracking serialised stock • Credit checking 	<ul style="list-style-type: none"> • honeyBee assisted sales tool • Activation services • Web solutions • Data security suite • Customer relationship management 	
Product solutions	Leverages Dixons Carphone's scale and commercial relationships, enabling partner retailers to source hardware	<ul style="list-style-type: none"> • Scale is key to buying power • Short supply of popular devices • Rapid product cycles 	<ul style="list-style-type: none"> • Commercial relationships • Scale advantages • Purchasing benefits 	TalkTalk The Good Guys
MVNO	Leverage Dixons Carphone's expertise in MVNO builds to aggregate services via white label	<ul style="list-style-type: none"> • Significant upfront investment in platform 	<ul style="list-style-type: none"> • Virtual mobile network provision 	

Strategy and business model

The Merger of Carphone and Dixons brought two market leading businesses together with an unrivalled offer for the new connected world, as mobile, electricals and connectivity increasingly integrate. The Group now has a unique independent position in the UK for mobile telephones, offering impartial and personal service via the pioneering tablet based assisted sales tool Pin Point.

Furthermore, as evidenced by recent announcements in Germany, the Netherlands and Portugal, we continue to be relentless in managing our business portfolio, focusing on territories in which we are the market leader and growing market share.

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

The strategic priorities are:

1. **Continue to enhance and drive successful and sustainable retail business models in a multi-channel world;**
2. **Complete the integration process and achieve our synergy targets;**
3. **Leverage our scale, our knowhow, and our unique asset base to drive growth in new product areas including growth in services; and**
4. **Continue to develop the Connected World Services model and establish it as a material contributor to earnings.**

Looking at each of these in turn:

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

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

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

- i. Work closely with suppliers to harness benefits available to our business model: Suppliers want to ensure that customers not only choose their brands, but also experience the benefits of the latest products. As a multi-channel operator we work with our suppliers to ensure we can explain the benefits of these products and demonstrate them to customers in our stores and our suppliers support us in this work in a variety of ways.
- ii. Focus on complete solutions for customers: The Pin Point tool enables the personalisation of the mobile customer experience. Using tablets in store, we ask customers a few simple questions to help them find the right deal. The tool will identify the preferred network via its coverage checker, handset and operating system, check bundle options including data requirements and ensure this is future proofed. In consumer electronics, customers buy products in order to achieve something, such as washing clothes, or entertaining the children. This does not just mean buying the hardware, but increasingly includes delivery, explanation and peace of mind through product support and after sales services, as well as accessories and eventually, recycling. The conversations our colleagues have in store with customers gives us an opportunity to explain the benefits of these solutions and sell more of them than our single-channel competition.
- iii. Drive our service proposition: We need to be able to stand shoulder to shoulder with our customers and for them to know they can come to our stores and get knowledgeable advice and great service to help them buy the right product. They need to be confident that we will solve their problem quickly and efficiently. Geek Squad and KNOWHOW in the UK offer customers services and technical support that can help them with their product throughout its lifetime.
- iv. Reduce costs: The scale of our operations across stores, ranges, logistics, distribution, repairs and services means that we can continually improve processes to reduce costs. We have removed a considerable amount of cost from the business over the last few years by making the business simpler, easier to operate and more efficient and we remain relentlessly focused on managing costs to make our business more efficient.

2. Complete the integration process and achieve our synergy targets

At our interim results we were pleased to announce that our synergies plan was firmly on track. We confirmed the total figure of £80 million and that this would be achieved a year earlier than anticipated in 2016/17.

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

3. Leverage our scale, our knowhow, and our unique infrastructure to drive growth in new product areas including growth in services

The Merger allows us 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.

The Group has many best practices in each of its business divisions and we are sharing them across the Group, such as the co-branded Elgiganten / Phone House stores in Sweden, new store formats, use of Pin Point, supplier relationships and, to a limited degree, own brands.

Growing complexity and interconnectivity of products means that customers are increasingly demanding help and support, not just in choosing the right product, but also installation, connection, support and repair. Our Geek Squad and KNOWHOW services are at the forefront of this in the UK and we have started to roll out our KNOWHOW services across the Nordics.

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

4. Continue to develop the Connected World Services model and establish it as a material contributor to earnings

We can leverage the specialist skills, operating processes, technology and infrastructure of the enhanced group to provide services to third parties to support their connected world solutions.

The consumer electronics and mobile phone retail landscapes have evolved significantly over the last few years. In particular, the growth of smartphones, tablets and the speed of internet access both in and out of the home, together with an increasing number of connected devices, are altering the way people live their lives, communicate and use technology. This applies to a number of market segments, including health, security, content and home management. Linked to this market development will be a need for a raft of new services that will ensure that these technologies work.

Strategy and business model

Business model

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

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

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

Multi-channel

The shopping trip for customers is constantly evolving.

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

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

Our training programmes combined with our product learning centres and customer journeys provide our colleagues with the right tools to understand customers' needs and to provide them with the complete solution to properly meet those needs. We will continue to improve the training of our colleagues and the ways in which we can make them experts in the products we sell. For example they have recently undertaken a new training programme focusing on selling multi-play.

Products

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

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

After sales services and support

Our customers need help with their products, whether it be delivery and installation, help keeping their products up and running or repair should things go wrong. Our business in the UK & Ireland sets the benchmark for our services infrastructure under our Geek Squad and KNOWHOW brands, the latter of which is also available across the Nordics.

We operate the largest network of two-man deliveries in the UK with an average of 50,000 deliveries per week enabling us to provide customers with the convenience of next day delivery in a four hour time slot or the option of a free delivery at a later date. We repair more than 1 million handsets per year and provide over 11 million insurance or service agreements, carry out approximately 500,000 computing set-ups per year and take 125,000 technical support calls each week.

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

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

Our resources

- Customers
- People
- Suppliers
- Distribution and logistics
- Store portfolio
- Intellectual property
- Energy
- Cash and capital

Customers

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

To deliver on this value and to ensure we continue to respond to customers' needs, we must listen and respond effectively to them. We have comprehensive customer research programmes spanning a variety of tools including exit surveys, mystery shoppers and focus groups as well as effective data gathering through, for example, our 'Happy or Not' tools launched in our Elkjøp business and now introduced to CurrysPCWorld. Within our Carphone Warehouse stores, our Each and Every Customer Counts programme and Net Promoter Scores (NPS) are integral to our internal reward system. We are pleased that customer satisfaction scores across the business are at record levels.

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

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

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

People

Dixons Carphone is an organisation spanning Europe, with over 40,000 colleagues in over 2,300 stores, offices, call centres and distribution centres and one of our key priorities following the Merger has been to build one culture, one vision and one future.

To support this we have launched our company values:

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

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

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

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

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

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

During the year we launched the first Dixons Carphone Sharesave scheme giving employees the chance to own a part of the Company and share in its success.

Suppliers

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

In a complex multi-channel environment, suppliers trust us with their new product releases and stock allocations, as they appreciate the superior service and advice offered by our stores and indeed our websites, as well as the exciting

Our resources

environments offered by our transformed stores in which customers can experience their brands and products.

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

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

Distribution and logistics

The Group sees distribution as one of the keys to success in maintaining highly competitive margins and delivering outstanding, market beating service to customers. We operate a centralised system of distribution centres 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.

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 our Nordic operations (Jönköping, Sweden) and the UK (Newark), we operate two of the largest distribution centres of their kind in Europe. In the UK alone we now make 50,000 deliveries per week, including some 500,000 installations per year.

Store portfolio

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

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

In the Nordic region as well as Greece and Spain we also operate a number of franchise stores. This arrangement allows our brands to be present in a wider range of catchments, while increasing the volume of purchases and therefore buying power of the Group.

Intellectual property

Within our Connected World Services division we have developed our pioneering multi-channel assisted sales tool Pin Point powered by honeyBee. We are also utilising our intellectual property to assist third parties, such as Samsung and now Sprint, in connected retailing.

In the UK & Ireland we operate through Carphone Warehouse, Currys and PC World brands, in the Nordics through its various Elkjøp and Phone House brands and in Greece through Kotsovolos and in Spain through Phone House. These brands are extremely well-established and respected in their markets. The Group also has two strong service businesses, KNOWHOW and Geek Squad, aiming to delight customers from end to end while generating significant new business opportunities.

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

Energy

Saving energy is good for the business, good for customers and of course good for the environment. We take energy efficiency extremely seriously and whilst we have already made progress in a number of areas, we are investing in a wider range of initiatives to significantly reduce our consumption going forward. These include Variable Speed drives to optimise the efficiency of in-store heating, ventilation and air conditioning systems and new efficient fluorescent lighting in a number of stores. Efficient LED lighting has been trialled in back of house areas which we intend to roll out to further stores and the 65,000 sq ft Customer Call Centre in Sheffield has been upgraded to LED lighting throughout.

Cash and capital

It remains the Group's policy to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. Through careful working capital and balance sheet management, a focus on cost reduction as well as efficient use of capital, management is focused on ensuring we deliver a sustainable business with strong cash generation.

As a Group we need to make the right choices as to how each division utilises or preserves cash, whether it be in determining ranges and stock held in store, growing mobile share with accompanying working capital utilisation or managing returns and related processes.

Key performance indicators

Financial and operational

	Definition	Performance	
Total Headline sales*	Growth in total Headline sales. The ability to grow sales is an important measure of a brand's appeal to customers and its competitive position.	2014/15 £9,936m	2013/14† £9,752m
Like-for-like sales	Like-for-like sales are calculated based on Headline store and internet sales 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. Sales 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. Revenue from Carphone Warehouse SWAS are included in like-for-like.	2014/15 6%	2013/14† 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 or number two specialist electrical retailer in their market, measured by market share.	Market leading positions in: UK & Ireland Nordics Greece	
Headline EBIT*	Continued growth of Headline EBIT enables the Group to invest in its future and provide a return for shareholders. Targets are set relative to expected market performance.	2014/15 £414m	2013/14† £359m
Headline profit before tax*	Continued growth of Headline profit before tax represents a measure of Group performance to external investors and shareholders. Targets are set relative to expected market performance.	2014/15 £381m	2013/14† £316m
Free Cash Flow*	The Group defines Free Cash Flow as net cash generated from operations, less net finance costs, taxation and net capital expenditure and excluding certain discrete items such as special pension contributions. The management of cash usage, in particular working capital employed in the business, optimises resources available for the Group to invest in its future growth and to generate shareholder value.	2014/15 £(112)m	2013/14† £280m
Return on Capital Employed (ROCE)	The Group calculates ROCE on a pre-tax and lease adjusted basis. The return is based on Headline EBIT, adjusted to add back the estimated interest component associated with capitalising operating lease costs. Capital employed is based on net assets including capitalised leases, but excluding goodwill, cash, tax and the defined benefit pension obligations. The calculation is performed on a moving annual total in order to best match the return on assets in a year with the assets in use during the year to generate the return.	2014/15 20%	2013/14† N/A

Shareholder

	Definition	Performance	
Headline basic earnings per share* (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. The Group targets growth in EPS commensurate with growth in earnings.	2014/15 25.5p	2013/14† 20.5p
Total shareholder return (TSR)	This metric provides a relative performance measure over the longer term of the Group's ability to deliver returns for shareholders. The Group previously used the FTSE 250 index but in 2015 changed to measure itself against the FTSE 350 index reflecting the Group's increased market capitalisation.	3 Year Compound Annual Growth Dixons Carphone plc 44% FTSE 350 Index 12%	

* Headline performance measures are as defined in the Performance Review. These have been reported on a pro forma basis as if the CPW Europe Acquisition and the Merger had occurred at the start of the comparative period.

† Headline figures for the year ended 29 March 2014 have been re-presented to exclude the results of discontinued operations.

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. Risks have evolved for the Group as a result of the Merger. A comprehensive post Merger risk assessment has been undertaken resulting in a revised set of principal risks. The principal risks and uncertainties, together with their potential impacts, are set out in the tables below along with an illustration of what is being done to mitigate them. The Group's overall risk environment is relatively unchanged since last year, notwithstanding changes to specific risks.

Specific risks and potential impacts

Principal risk	Specific risks	Potential impacts
1. Dependence on networks and key suppliers	<ul style="list-style-type: none"> The Group is dependent on relationships with key suppliers to source products on which availability may be limited Changes in Mobile Network Operator (MNO) strategies in relation to the Group, or more generally, and / or their performance, could materially affect the revenues and profits of the business 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow Reduced market share
2. Consumer environment and sustainable business model	<ul style="list-style-type: none"> Failure to respond with a business model that enables the business to compete against a broad range of competitors on service, price and / or range in a changing economy Failure to respond effectively to changes in the industry, economic and / or competitor landscape Failure to accommodate changes in consumer preferences and behaviours Some markets may not have the scale required to compete effectively against increased competition, although we are exiting from some of these 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow Reduced market share Loss of competitive advantage
3. Greek Exit from the Euro	<ul style="list-style-type: none"> Possible exit of Greece from the Euro could lead to a deterioration in consumer confidence and disposable income resulting in a significant impact on our Greek business, Kotsivolos 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow
4. IT systems and infrastructure	<ul style="list-style-type: none"> Failure to invest adequately and appropriately in IT systems and infrastructure, or an inability to effectively integrate IT assets across the Group constrains the Group's ability to grow and / or adapt quickly A key system becomes unavailable for a period of time 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow Loss of competitive advantage Restricted growth and adaptability Reputational damage
5. Information security	<ul style="list-style-type: none"> Major loss / breach of customer, colleague, or business sensitive data Vulnerability to attack, malware, and associated cyber risks owing to under investment in people, systems, and safeguarding processes 	<ul style="list-style-type: none"> Reputational damage Financial penalties Reduced revenue and profitability Deteriorating cash flow Loss of competitive advantage

Example mitigating actions and related strategic priorities

Principal risk	Example mitigating actions	Related strategic priorities
1. Dependence on networks and key suppliers	<ul style="list-style-type: none"> • New multi-year commercial agreements with all the major MNOs have been agreed this year, which closely align interests and drives value for both of us • Continuing to leverage the scale of operations to strengthen relationships with key suppliers and maintain a good supply of scarce products 	<ul style="list-style-type: none"> • Sustainable retail business model in a multi-channel world
2. Consumer environment and sustainable business model	<ul style="list-style-type: none"> • Strategic and business planning takes into account varying economic scenarios, with ongoing monitoring by finance and senior executives • Close scrutiny of product performance, trading results, competitor activity and market share • Use of customer insight / advocacy to monitor success of initiative and actions • Continued focus on driving cost improvements through both merger synergy and “business as usual” cost-efficiency initiatives • Ongoing evolution of our multi-channel proposition • Differentiation from competitors through strategic partner relationships, innovative propositions, and high quality customer service • Working to leverage expertise and scale to build partnerships with other retailers and businesses through Connected World Services 	<ul style="list-style-type: none"> • Sustainable retail business model in a multi-channel world
3. Greek Exit from the Euro	<ul style="list-style-type: none"> • A number of exit scenarios have been modelled in order to understand and mitigate the potential impact on the Group’s business • Review of local funding arrangements including factoring of debtor receivables 	<ul style="list-style-type: none"> • Sustainable retail business model in a multi-channel world
4. IT systems and infrastructure	<ul style="list-style-type: none"> • Significant investment being made in IT systems and infrastructure, supported by rigorous testing processes • Individual system recovery plans in place in the event of failure which are tested regularly, with full recovery infrastructure available for critical systems • Long term partnerships with ‘tier 1’ application and infrastructure providers 	<ul style="list-style-type: none"> • Leverage scale, knowhow and unique asset base to drive growth
5. Information security	<ul style="list-style-type: none"> • Investment in information security safeguards, monitoring, in-house expertise and resources • Committee comprising senior management responsible for oversight, co-ordination and monitoring of information security policy and risk • Ongoing training and awareness programmes for employees 	<ul style="list-style-type: none"> • Sustainable retail business model in a multi-channel world

Principal risks to achieving the Group's objectives

Specific risks and potential impacts

Principal risk	Specific risks	Potential impacts
6. FCA Regulation	<ul style="list-style-type: none"> Failure to manage the business of the Group in compliance with Financial Conduct Authority (FCA) regulation to which the Group is subject in a number of areas including the mobile insurance operations of The Carphone Warehouse Limited 	<ul style="list-style-type: none"> Reputational damage Financial penalties Reduced revenues and profitability Deteriorating cash flow Customer compensation
7. Colleague retention and capability	<ul style="list-style-type: none"> The organisational structure and related accountabilities restrict the ability to run the business effectively and adapt to market change Failure to attract, develop and retain quality and depth of necessary leadership and management talent 	<ul style="list-style-type: none"> Reputational damage Reduced revenue and profitability Deteriorating cash flow Loss of competitive advantage
8. Business continuity plans are not effective and major incident response is inadequate	<ul style="list-style-type: none"> A major incident impacts the Group's ability to trade and business continuity plans are not effective resulting in an inadequate incident response 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow Reputational damage Loss of competitive advantage
9. Health and Safety	<ul style="list-style-type: none"> Failure to effectively protect customers and / or colleagues from injury or loss of life 	<ul style="list-style-type: none"> Employee / customer injury or loss of life Reputational damage Financial penalties

Example mitigating actions and related strategic priorities

Principal risk	Example mitigating actions	Related strategic priorities
6. FCA Regulation	<ul style="list-style-type: none"> • Senior management perform oversight, co-ordination and monitoring of governance, ensuring regulatory compliance and adherence to policy and monitoring of mitigating actions • Internal committees and control structures to manage requirements, to ensure appropriate compliance (e.g. undertaking quality assurance procedures for samples of mobile phone sales) and to react swiftly should issues arise • Active monitoring of changes in legislation / regulation 	<ul style="list-style-type: none"> • Sustainable retail business model in a multi-channel world
7. Colleague retention and capability	<ul style="list-style-type: none"> • Ongoing review to ensure appropriate and effective roles, responsibilities, and accountabilities • Defined and standardised performance management frameworks in place, with talent and succession plans maintained and reward aligned to attract and retain the best talent • Store structures which provide a clear career path for colleagues, retaining and developing the best retail talent • Bonus plans which include components relating to both business and personal performance • Continued improvements in the quality of training courses and development programmes with specialist focus on core business areas 	<ul style="list-style-type: none"> • Sustainable retail business model in a multi-channel world
8. Business continuity plans are not effective and major incident response is inadequate	<ul style="list-style-type: none"> • Business continuity and crisis management plans in place and tested for key business locations • Disaster recovery plans in place and tested for key IT systems and data centres • Crisis team appointed to manage response to significant events • Major risks insured 	<ul style="list-style-type: none"> • Sustainable retail business model in a multi-channel world
9. Health and Safety	<ul style="list-style-type: none"> • Dedicated team responsible for ensuring health and safety risks are understood, controlled and monitored against applicable regulations, who report on a regular basis to senior management • Clear policies and procedures are in place detailing the controls required to manage health and safety risks across the business • Quality checks and factory audits for own-brand products 	<ul style="list-style-type: none"> • Sustainable retail business model in a multi-channel world

Performance review

Highlights: 13 months to 2 May 2015

- Group like-for-like revenue⁽³⁾ up 6% (UK & Ireland up 8% and Nordics up 4%)
- Strong profit performance:
 - Group pro forma Headline PBT⁽¹⁾ of £381 million (2013/14: £316 million), up 21%
 - Group pro forma Headline basic EPS⁽¹⁾⁽²⁾ 25.5p (2013/14: 20.5p)
 - Total statutory profit of £97 million (2013/14: £48 million) after Non-Headline⁽¹⁾ charges of £188 million (2013/14: £55 million) which include a loss from discontinued operations of £114 million (2013/14: £10 million)
- Strong balance sheet with year end pro forma net debt of £260 million⁽⁸⁾
- Final dividend of 6.0p (2013/14: 4.0p) proposed, taking total dividends for the year to 8.5p (2013/14: 6.0p), up 42% year-on-year
- Integration progressing well, expecting to deliver at least £80 million of synergies by 2016/17, one year ahead of plan
- Disposals of non-core operations in France, Germany, the Netherlands and Portugal

Pro forma results – continuing business

	Note	Headline revenue ⁽¹⁾		Headline profit / (loss) ⁽¹⁾			
		2014/15 £million	2013/14 £million	Local currency % change	Like-for-like ⁽³⁾ % change	2014/15 £million	2013/14 £million
UK & Ireland	(4)	6,451	6,011	8%	8%	306	242
Nordics	(5)	2,718	2,895	4%	4%	86	102
Southern Europe	(6)	637	768	(10)%	(5)%	14	10
Connected World Services	(7)	130	78	67%	N/A	8	5
Group		9,936	9,752	6%	6%	414	359
Net finance costs						(33)	(43)
Profit before tax						381	316
Tax						(88)	(80)
Profit after tax						293	236

See notes on page 21 for basis of preparation

Basis of preparation – pro forma information

On 26 June 2013 the Carphone Warehouse Group plc acquired the 50% of CPW Europe which it did not already own from Best Buy Co. Inc., and on 6 August 2014 an all share merger of Carphone Warehouse and Dixons Retail plc (the Merger) took place. The information in the highlights and performance review sections refer, unless otherwise stated, to pro forma Headline⁽¹⁾ information for continuing businesses, reflecting the results of both Carphone Warehouse and Dixons Retail throughout both the current and comparative periods as if the CPW Europe Acquisition and the Merger had occurred at the start of the comparative period.

The Group has changed its year end to be the Saturday closest to 30 April. The current year end therefore comprises the 13 months to 2 May 2015 for the Carphone Warehouse business with a comparative period of the 12 months ended 29 March 2014 in line with previously reported results. As such the current year includes an additional five weeks of results from the Carphone Warehouse business. The prior period results of Carphone Warehouse have been restated to exclude the results of its retail operations in France, Germany, the Netherlands and Portugal which are treated as discontinued operations following the decision to exit these businesses.

Prior year comparatives for Carphone Warehouse have also been restated to reclassify the unwind of discounts for the time value of money on network commissions receivable from pro forma Headline EBIT to interest, in line with the treatment in the current period and with the classification in the statutory results. This item had a value of £9 million for the prior year and the reclassification has the impact of reducing pro forma Headline EBIT.

Current period pro forma results for the Dixons Retail business comprise the 12 months ended 2 May 2015 with a comparative period of the 12 months ended 30 April 2014.

Notes

- (1) Headline results exclude amortisation of acquisition intangibles, merger integration and transaction costs, CPW Europe Acquisition related items, Phone House France operating and closure costs whilst it formed part of the CPW Europe joint venture, net interest on defined benefit pension schemes and discontinued operations (comprising Virgin Mobile France and Phone House operations in France, Germany, the Netherlands and Portugal). Such excluded items are described as 'Non-Headline'. For further details see notes 4 and 24 to the Group financial statements.
- (2) Pro forma EPS has been calculated assuming the number of shares existing at 2 May 2015, adjusted for the number of shares held by the Group ESOT, apply from the start of the current and comparative periods.
- (3) Like-for-like sales are calculated based on Headline store and internet sales 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. Sales 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. Revenue from Carphone Warehouse SWAS are included in like-for-like. Like-for-like revenue reflects performance for the Carphone Warehouse business for the 13 months to 2 May 2015 compared to the 13 months to 3 May 2014 and for the Dixons Retail business for the 12 months ended 2 May 2015 compared to the 12 months ended 30 April 2014.
- (4) UK & Ireland comprises operations in the UK and Ireland and the Dixons Travel business.
- (5) Nordics comprises operations in Norway, Sweden, Finland, Denmark, and Iceland. Prior to the announced disposals of operations in Germany and the Netherlands which previously formed part of this segment, it was named Northern Europe.
- (6) Southern Europe comprises operations in Spain and Greece. This now excludes the results of Portugal which are presented as discontinued operations.
- (7) Connected World Services comprises the Group's B2B operation 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.
- (8) Pro forma net debt reflects the consolidated net debt of the Group at 2 May 2015 including net funds recognised within assets held for sale of £53 million.

Performance review

Group

Group pro forma Headline revenue was up 2% to £9,936 million (2013/14: £9,752 million) and up 6% on a local currency basis, with both including a 2% benefit due to an extra five weeks of trading from the Carphone Warehouse business. Like-for-like revenue growth was 6% reflecting growth in our UK & Ireland, Nordic and Greek businesses, partially offset by performance in the Spanish market. The difference between the total revenue growth on a local currency basis (adjusted for the additional weeks from the Carphone Warehouse business) and like-for-like is predominantly due to a reduction in stores.

Despite operating in a highly competitive market place, the Group has continued to grow market share and maintain stable gross margin across the year.

Pro forma Headline EBIT was up 15% to £414 million (2013/14: £359 million) driven by the strong operating performance in the UK & Ireland. Pro forma Headline profit before tax was £381 million (2013/14: £316 million) reflecting the improved EBIT and a lower interest charge year-on-year following the redemption of the bonds previously held by Dixons Retail in August 2014.

As a part of the Merger we carried out a thorough analysis of the opportunities that combining the two businesses could bring and, as previously communicated, our stated target of a minimum £80 million of synergies by 2017/18 has now been brought forward by one year to 2016/17. Integration of the two businesses continues to progress well with 244 new Carphone Warehouse SWAS now open and our head office teams combined and operating as one. We are also rationalising down to one single head office location in each of the UK, Ireland and Sweden and we have announced the integration of our UK logistics and repair centres to the legacy Dixons Retail site in Newark.

UK & Ireland

The UK & Ireland had a very strong year with pro forma revenue up by 7% to £6,451 million (2013/14: £6,011 million) including a 2% benefit of the additional five weeks of trading from the Carphone Warehouse business. Like-for-like revenue for the year was up 8% reflecting strong performances in both electricals and mobile and the roll-out of the Carphone Warehouse SWAS which have delivered strong revenue growth on existing floor space, contributing 1% of the like-for-like increase. The difference between the total revenue growth (as adjusted for the additional five weeks of trading from the Carphone Warehouse business) and like-for-like predominantly reflects a reduction in stores.

Pro forma Headline EBIT up 26% versus last year, to £306 million. The business continued to gain market share with strong sales driving increased profitability.

The electricals business had a very positive year supported by record advocacy and customer net promoter scores and our pricing being at its most competitive ever. The peak period, which now stretches six weeks from 'Black Friday' into the new year, was particularly strong with both small and large white goods, as well as large screen TVs, selling very well.

Our mobile business in the UK & Ireland also performed well. Postpay volumes and market share continued to grow year-on-year, driven by the exit of Phones 4u and some very successful product launches. During the year all the major networks have moved the majority of their customers onto 4G tariffs. These factors have helped drive a better customer experience and have led to higher data usage.

In May 2015, the Group launched iD, a new mobile network focused on providing users with increased contract flexibility, greater access to free data roaming and competitively priced 4G tariffs. The initial performance of iD and the customer response, so far, has been very promising indeed.

Nordics

Nordics revenue, expressed in Sterling was affected by a significant movement on foreign exchange rates in the region. As a result pro forma Headline revenue in the Nordics was down 6% to £2,718 million (2013/14: £2,895 million). Pro forma Headline revenue on a local currency basis was up 4%.

Nordics pro forma Headline EBIT was £86 million (2013/14: £102 million) reflecting a negative impact of foreign exchange of £11 million and the investments noted below.

The Nordics business has had a sound year, continuing to consolidate and grow its position as market leader in all of the countries in which it operates. The business has invested in various areas during the year to strengthen its market position further and drive customer satisfaction which is at an all-time high in each of its countries.

The team has launched co-branded Elgiganten Phone House stores with very positive results. In addition the 'Epoq' kitchen business has provided very encouraging results with strong revenue growth, driving market share and appliance sales. We expect that this operation will also provide opportunities in smart home and integrated products.

The Phone House operations in Sweden encountered tough trading conditions during the year, but its integration with the Elgiganten business has been swift, driving synergy savings and we expect both the businesses to benefit greatly from the Merger.

Southern Europe

Revenue expressed in Sterling was affected by a significant movement on foreign exchange rates in the region. Pro forma revenue on a local currency basis was down 10% including a 3% benefit of the additional five weeks of trading from the Phone House Spain business. The difference between the local currency revenue growth and like-for-like predominantly reflects the closure of stores in Spain explained below.

Southern Europe pro forma Headline EBIT was £14 million (2013/14: £10 million).

The business in Greece delivered strong like-for-like revenue growth during the year, with most categories performing well, in particular large screen TVs. The strong performance in this market saw the business return to profitability during the year. We do however remain very mindful of the uncertain economic and political situation in the country and the effect this may have on our business. The team have been very active in planning for every contingency.

Our business in Spain continues to operate in a tough marketplace. Although it has been negatively impacted by these pressures, we have a strong management team in place, which continues to innovate and develop the business. During the year we reached agreement with Telefonica to distribute the products and services of Movistar in our stores which has been a positive force. We have also focused the business model to a greater extent on franchise operations and reduced our own store portfolio. In total we closed a net 35 stores during the year reflecting an increase of 20 franchise stores and a reduction in own stores of 55. These activities resulted in restructuring costs and the disposal of some non-core assets all of which have been included within pro forma Headline results.

Connected World Services

Connected World Services (CWS) pro forma Headline revenue was £130 million (2013/14: £78 million) with the increase predominantly reflecting the revenue from our Samsung Experience Stores which launched at the end of last year, in addition to the benefit of the additional five weeks of trading from the legacy Carphone Warehouse business. Pro forma Headline EBIT was £8 million (2013/14: £5 million).

The CWS management team has worked hard during the year to grow its strong pipeline and to build on relationships with blue-chip partners including Samsung, Aviva, RBS and TalkTalk. It has also continued to develop its omni-channel platform, honeyBee.

On 2 July 2015, CWS announced that it had entered into an agreement with Sprint Corporation, a leading US mobile network operator, to open and manage Sprint-branded stores in the US. CWS will supply retail expertise to Sprint who will initially open around 20 retail stores, and if this trial is successful, the parties will progress to a second phase which will involve CWS investing equally with Sprint in a joint venture to support roll-out plans of up to 500 stores in the US. During the second phase, Dixons Carphone has agreed to invest up to \$32 million to obtain a 50% interest in the new venture. Dixons Carphone will also provide support across the whole of the Sprint estate as part of a wider know-how sharing arrangement. We believe this is a very exciting opportunity for the future and provides a platform for the Group to return to the US marketplace.

Performance review

Net finance costs

Pro forma Headline net finance costs were £33 million (2013/14: £43 million). The reduction in financing costs was primarily due to the redemption of the bonds previously held by Dixons Retail on 21 August 2014.

Tax

The Headline pro forma rate of tax for the full year is 23% (2013/14: 25%). This rate is higher than the UK statutory rate of 21% predominantly reflecting higher statutory rates in the Nordics and certain non-deductible costs primarily in the UK.

Statutory results

The explanation of the Group's results presented above is on a pro forma basis as if the group structure following the CPW Europe Acquisition and the Merger had been in place throughout the current and comparative periods. Group results as reported in the financial information are prepared on a statutory basis, consolidating the results of CPW Europe from 26 June 2013 and Dixons Retail from 6 August 2014. These results are summarised below:

Headline income statement – continuing operations – statutory basis

	2014/15 £million	2013/14 ⁽¹⁾ £million
Revenue	8,255	1,943
EBIT	400	137
Net finance costs	(24)	(9)
Profit before tax	376	128
Tax	(91)	(25)
Profit after tax	285	103
Basic EPS	29.7p	18.6p
Diluted EPS	28.7p	18.3p

(1) Results for 2013/14 have been restated to reclassify the results of the operations in Germany, the Netherlands and Portugal as discontinued operations.

Headline profit before tax increased from £128 million to £376 million predominantly reflecting the inclusion of a full period of earnings from CPW Europe and the inclusion of Dixons Retail results from 6 August 2014. The tax charge increased from £25 million to £91 million reflecting the higher pre-tax earnings described above.

This in turn resulted in an increase in basic Headline EPS from 18.6p to 29.7p for the period. This EPS reflects the growth in profit after tax explained above but also the fact that the number of shares in issue approximately doubled following the Merger.

Non-Headline items

Headline profit before tax is reported before Non-Headline charges of £89 million (2013/14: £51 million). These charges are analysed below and are reported on a statutory basis with the Dixons Retail business only consolidated from completion of the Merger on 6 August 2014.

	2014/15 £million	2013/14 £million
Headline profit before tax – continuing operations – statutory basis	376	128
Merger related costs	(41)	–
Amortisation of acquisition intangibles	(35)	(13)
Share of JVs – France exit	–	(23)
CPW Europe Acquisition	–	(15)
Net pension interest	(13)	–
Total profit before tax – continuing operations – statutory basis	287	77

Costs incurred in relation to the Merger include transaction costs of £9 million, predominantly reflecting banking and professional fees, and merger integration costs of £32 million primarily being professional fees, employee severance and property costs associated with the integration process. Further integration costs will be incurred during 2015/16 as the integration of the two businesses continues.

The charge for the amortisation of acquisition intangibles was £35 million (2013/14: £13 million) with the current period including a full 13 months of amortisation of intangible assets recognised following the CPW Europe Acquisition and, since 6 August 2014, the amortisation of intangible assets recognised as a result of the Merger.

Net pension interest was £13 million reflecting the charge incurred in relation to the Dixons Retail UK pension scheme following completion of the Merger.

Non-Headline items included within Dixons Retail total results in the period prior to the Merger comprised £11 million in respect of the acceleration of share-based payment charges which vested on the Merger, £12 million of merger related professional fees and £5 million of merger integration planning costs committed to prior to completion of the Merger, £42 million of debt restructuring costs in respect of early repayment of the bonds previously held by Dixons Retail, £5 million of provision releases relating to discontinued operations and £4 million of pension interest costs. As these items were incurred prior to the Merger they do not form part of the Group's consolidated results.

Discontinued operations

On 16 May 2014 the Group announced that it had entered into an agreement to sell its interest in Virgin Mobile France and completed the disposal on 4 December 2014 for gross consideration of £104 million and generated a profit of £87 million.

Following the Merger, the Group put in place a strategy of focusing on market leadership positions, while engaging in other markets through partnerships with its Connected World Services division. The Group carried out detailed strategic assessments of its Phone House operations, which led to the decision to exit certain markets.

- On 15 April 2015, the Group announced that it had agreed to the sale of its operations in Germany to Drillisch AG, a leading mobile virtual network operator in Germany. The sale completed on 5 May 2015.
- On 24 April 2015, the Group entered into an agreement to dispose of a majority stake (83%) in its operations in the Netherlands to Relevant Holdings BV, a company set up by the shareholders of Optie1 which has extensive telecom retailing experience in the Dutch market. The sale completed on 30 June 2015.
- On 16 July 2015, the Group announced its commitment to dispose of its operations in Portugal following the completion of a strategic review during 2014/15. Discussions, which commenced with potential acquirers during 2014/15, are advanced and an announcement confirming details of the disposal is expected in due course.

The closure of the Phone House operations in France, which was announced in 2013/14, was completed during the year ended 2 May 2015 and is therefore now treated as a discontinued operation.

Prior to the Merger, Dixons Retail agreed to sell its operations in the Czech Republic and Slovakia (Central Europe). The net assets held for sale associated with this business were included within the fair value of assets and liabilities acquired through the Merger and the sale completed on 11 August 2014.

The above businesses have been treated as discontinued operations and a net loss of £114 million (2013/14: £10 million) has been recognised in relation to them. Comparative information has been restated to reflect this classification.

Cash and movement on net funds

The information provided below is on a pro forma basis and aggregates the net funds / (debt) and cash flows of the Group, Dixons Retail and CPW Europe, as though Dixons Retail and CPW Europe had been 100% owned by the Group throughout the current and prior periods, to enable a complete understanding of cash flows.

Free Cash Flow – pro forma basis

	2014/15 £million	2013/14 £million
Headline EBIT	414	359
Depreciation and amortisation	141	170
Working capital	(366)	5
Capital expenditure	(186)	(142)
Taxation	(65)	(64)
Interest	(47)	(53)
Other items	13	11
Free cash flow before restructuring items – continuing operations	(96)	286
Restructuring costs	(16)	(6)
Free Cash Flow	(112)	280

Pro forma Free Cash Flow before restructuring was an outflow of £96 million (2013/14: inflow of £286 million). The Group experienced a working capital outflow of £366 million (2013/14: inflow of £5 million) on a pro forma basis with the year-on-year increase largely reflecting timing issues associated with the change of year end and the day on which month end fell, as well as the unwind of certain supplier funding arrangements previously in place.

Capital expenditure in the period was £186 million on a pro forma basis (2013/14: £142 million), with the year-on-year increase reflecting significant capital expenditure on honeyBee and investment in relation to merging the two businesses.

Restructuring costs in 2014/15 relate to Merger integration costs and primarily reflect professional fees and employee severance costs.

Funding – pro forma basis

	2014/15 £million	2013/14 £million
Free Cash Flow – pro forma basis	(112)	280
Dividends	(52)	(30)
Merger transaction costs	(90)	–
Acquisitions and disposals including discontinued operations	(41)	(441)
Pension contributions	(28)	(20)
Other items	–	(6)
Movement in net funds / (debt) – pro forma basis	(323)	(217)
Opening net funds – pro forma basis ⁽¹⁾	63	280
Closing net (debt) / funds – pro forma basis⁽²⁾	(260)	63

(1) Opening net funds in the current period reflects net funds for Carphone Warehouse at 29 March 2014 and for Dixons Retail at 30 April 2014. Opening net funds in the prior period reflects net funds for Carphone Warehouse (including CPW Europe) at 31 March 2013 and for Dixons Retail at 30 April 2013.

(2) Pro forma net debt reflects the consolidated net debt of the Group at 2 May 2015 including net funds recognised within assets held for sale of £53 million.

Performance review

At 2 May 2015 the Group had pro forma net debt of £260 million compared to prior period pro forma closing net funds of £63 million. Pro forma net debt at the end of April 2014 for both businesses was £181 million.

Free cash flow was an outflow of £112 million (2013/14: inflow of £280 million) for the reasons described above.

Merger transaction costs reflect professional and banking fees, the cash cost of share option exercises as a result of the Merger and the cost of redeeming the bonds previously held by Dixons Retail.

Net cash outflows from acquisitions and disposals in the current year were £41 million reflecting the first payment of deferred consideration for the CPW Europe Acquisition and cash outflows in discontinued operations. Cash flows in the prior period were £441 million predominantly reflecting cash flows associated with the CPW Europe Acquisition, as well as those associated with discontinued operations.

The Group has a total of £875 million of committed borrowing facilities comprising: i) a £625 million multi-currency term and revolving credit facility; and ii) a £250 million revolving credit facility, both of which mature in April 2017. The £625 million facility is split into two tranches: a £400 million revolving tranche and a term loan tranche of £225 million. The term loan was amortised by £25 million during the period and is due to reduce by a further £50 million on 30 June 2016. These facilities mature in 2017 and we expect to complete refinancing of our facilities during 2015/16.

Goodwill

The goodwill of £2,629 million arising from the Merger reflects the fact that the value of Dixons Retail is based on its cash generating potential rather than its existing assets and the fact that many of its key strengths, such as its scale and expertise, do not represent intangible assets as defined by IFRS.

Pensions

The IAS 19 accounting deficit of the defined benefit section of the UK pension scheme of Dixons Retail amounted to £486 million at 2 May 2015 compared to £429 million at the date of the Merger on 6 August 2014. The assumptions used for determining the accounting valuation use a consistent basis to that adopted within the financial statements of Dixons Retail for the year ended 30 April 2014 and which build from the most recent actuarial valuation as at 31 March 2013, which was completed during the period being reported. Contributions during the period under the terms of the deficit reduction plan amounted to £28 million on a pro forma basis (2013/14: £20 million).

The deficit has increased largely as a result of the changes in financial assumptions which determine liabilities, partially offset by an increase in the asset values.

Dividends

The Board declared an interim dividend of 2.5p per share, up from 2.0p per share last year. The interim dividend was paid on 23 January 2015.

We are proposing a final dividend of 6.0p per share, taking the total dividend for the year to 8.5p per share, a 42% increase on the previous year (2013/14: 6.0p). The final dividend is subject to shareholder approval at the Company's forthcoming Annual General Meeting. The ex-dividend date is 27 August 2015, with a record date of 28 August 2015 and an intended final dividend payment date of 25 September 2015.

Going concern

A review of the Group's business activities, together with the factors likely to affect its future development, including consideration of the continuing uncertainty in Greece, 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 Group financial statements.

The directors have reviewed the future cash and profit forecasts of the Group, 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.



Humphrey Singer
Group Finance Director
16 July 2015

Corporate responsibility

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

We recognise good sustainability practices make sound business sense, helping us to achieve our corporate objectives, fulfil our business plan and minimise costs.

For Dixons Carphone, sustainability is about strengthening our business by way of meaningful engagement with stakeholders, reducing our impact on the environment and benefiting the communities in which we operate. As we grow we will continue to listen to, and learn from our stakeholders and strive to reward them with consistently transparent and positive outcomes and experiences.

What we care about

Our priorities are to:

- Provide a safe and healthy environment for employees, customers and visitors to our sites;
- Engage colleagues through rewarding workplace environments and careers;
- Continually improve customer service and satisfaction levels;
- Improve operational energy efficiency;
- Reduce our impact on the environment;
- Cut costs and raise revenue through improved waste recycling;
- Enhance and promote our customer proposition in relation to product reuse and recycling;
- Monitor and reduce carbon emissions;
- Offer safe and reliable own-brand products achieved as a result of our expert technical knowledge with products sourced from manufacturers which are audited against our ethical requirements; and
- Engage stakeholders through the support of community activity and charitable causes.

Our approach to sustainability means taking business decisions that reflect these priorities, based on our values and guided by our values and code of business ethics.

People

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

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

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

Our employee benefits packages are regularly reviewed to remain attractive and conducive to the recruitment and retention of talented individuals. Colleagues are encouraged to participate in our SAYE Scheme to build a personal stake in the business. Our first combined Dixons Carphone SAYE scheme in the UK and Ireland was launched with 20% of colleagues electing to join.

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

We have a dedicated Corporate Responsibility function and are a member of the UK Government's All-Party Parliamentary Corporate Responsibility Group.

Our Values

Our culture supports the discovery of new and better ways of working, two-way communication and the speedy resolution of concerns and queries.

We are cultivating a high performance environment where each employee performs to the best of their ability, working together to achieve untold possibilities.

Our Dixons Carphone Shared Values are:

We put the customer first, always

- Everything starts with the customer
- It's how we start every day, every conversation, every new idea
- It's how we win

We stand together as one

- We love to win. It feels great
- We treat everyone on our team as family, our suppliers as partners
- We act with humility, respect and kindness

We act bravely, challenge convention and do the right thing

- We embrace the unknown, are pacey, ambitious, but never reckless
- Never scared to fail, it's how we learn
- When faced with a difficult decision, we do the right thing

We know everyone can make a difference

- The best ideas come from unexpected sources
- Great people with passion and determination
- Do a great job and you'll feel you can build an amazing career at Dixons Carphone

We believe anything is possible

- We make the impossible possible, every day by achieving the unthinkable
- Opportunities always lie ahead
- We enjoy celebrating success
- We're never complacent, "Great job... What's next?"

Corporate responsibility

The Dixons Carphone Ethical Conduct Policy applies to all employees and relevant managers are required to sign an annual statement to confirm their compliance.

Our employees' performance and engagement is measured via a balanced scorecard, and alongside our values and strategy, this scorecard is used to run our business, help us to make the right decisions and recognise success. This is done at a company, market and on an individual level.

One Dixons Carphone Team

One of our key priorities post-Merger is to build one culture, one vision and one future. A major step towards this is locating support centre colleagues in one site.

The decision to choose Acton as our main support function site was made based on a set of criteria which included square footage, car parking facilities and access to public transport.

We will relocate up to 1,000 colleagues from our Hemel Hempstead site by November 2015, before the site closes on 31 December 2015.

Our Acton site remains fully functional while refurbishment work takes place. This is aided by the introduction of Smart Working - a flexible approach to time spent in the office, designed to drive greater efficiency and effectiveness as well as creating a more fluid working environment. We are building a workplace tailored for the needs of our people.

'Change Champions' for each function have been identified to help the move run smoothly and all colleagues have been surveyed for their input and are being communicated with throughout the process.

We are working to achieve the following design principles:

- One Dixons Carphone Team
- Tech Enabled colleagues
- Flexibility and Healthy Work-Life Balance
- Improved facilities
- A vibrant working environment.

Colleague Communications

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

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

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

Strengthening Capabilities

To help our people to grow their careers at Dixons Carphone and develop the skills needed to perform well in their role and help to grow our business we provide formal training, on the job experience and management coaching.

We have a learning strategy to support our business strategy and individuals have regular one-to-ones and a formal review twice a year with their manager to assess their performance and set clear goals and development plans for the year ahead.

Across Dixons Carphone around 96,000 learning hours were recorded last year with over 80% of this learning completed online. This year, we launched our Retail Academy for all new store colleagues joining our business. We also run talent and leadership development programmes to develop high achievers and to improve leadership skills across our management population.

Health and Wellbeing

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

Healthy living is encouraged through a number of initiatives and facilities. On-site gyms are available in many of our main support centres and a new fitness centre is planned as part of the refurbishment of our Head Office building in North Acton.

Relaxation rooms where employees can watch TV, play pool, play video games or take time out are provided in Support Functions along with on-site restaurants offering a range of foods, which are reviewed regularly to ensure they offer a balanced menu.

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

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

Specific areas of the business also offer support in other ways too. For example, at our Support Centre in Acton a physiotherapist comes in regularly and offers treatments to employees at reduced rates.

Average to Awesome

This wellbeing initiative focused on twelve employees from our UK business with the aim of transforming their overall aptitude to health and fitness. With the help of a dedicated personal trainer and tailored nutrition plan, we recorded their combined weight loss at 30.7kg over the 12 week period. These employees developed a strong bond and have continued positive changes to their lifestyle habits, resulting in the easing of conditions such as breathlessness and type 2 diabetes in individuals, while all twelve are enjoying increased energy levels and enhanced performance. We are repeating this programme again in 2015 introducing the latest wearable technology.

Equal Opportunities

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

Disability

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

Diversity

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

Diversity in terms of age and gender remains a key performance indicator. Statistics for the UK, Ireland and Nordics are as follows:

	All employees		Senior managers		Directors	
	Number	%	Number	%	Number	%
Male	27,803	71%	254	72%	10	77%
Female	11,157	29%	99	28%	3	23%

Customers

Every decision we make is driven by our ambition to provide unparalleled expertise and services to help customers and businesses navigate the new digital era.

Each and Every Customer Counts programme

Our Each and Every Customer Counts (EECC) programme is supported by a full suite of customer insight measures, driving daily, weekly and monthly improvements in our customer experience. Each employee is accountable on some level for our lead customer measure. Our NPS features in all our internal reward schemes and is central to our company balanced scorecard. We have seen NPS improvements of 9% year on year to March 2015.

We run a weekly and monthly EECC dash board with key measures and targets laddering up to NPS and completing our omni-channel customer journey. Our customer insight programme collects feedback from over 850,000 customers per year via each of our channels and touch points. Feedback mechanisms include mystery shopping, exit surveys and SMS feedback via text messages immediately following a customer purchase. This programme allows us to track a further 15 customer KPIs, out of which seven hit or exceeded targets for the year and a further four showed improvement.

Our governance programme for customer experience sits at executive and senior level within our business, underlining its importance to our strategy and day to day thinking. Weekly Voice of the Customer meetings are used to implement improvement plans when performance targets are not being reached.

We want to be the preferred brand and within our key target market we have seen an 8% improvement year on year for the three months to April 2015. Our ultimate goal is to drive both preference and real loyalty with our customers. Improving customers' value for money is also critical in a highly competitive market and again we have seen significant improvements on value for money ratings across the year within our key target customers, with a 16% improvement year on year.

Corporate responsibility

Customer retention is another measure we take very seriously, reflected by beating our target by 6%. Our customer experience plan has identified key areas for improvement and we have invested heavily to fix these. We constantly communicate with customers through dedicated panels and every new initiative starts with customer insight. This year we ran over 100 customer focus groups using a combination of qualitative focus groups and co-creation sessions. Large quantitative and online surveys are also run for additional data and customer review sites are tracked and used to inform how we can continually improve.

We have been recognised by customers and independent third parties for the customer experience we strive to create for each and every customer. Our rating on Trust Pilot is now 7.2/10 and is the highest in the mobile industry.

Carphone Warehouse Customer Service Awards include BT Retail Week Technology Awards: Best Customer Experience for Pin Point, Mobile Industry Awards: Best High Street Retailer, Mobile Choice Awards: Best High Street Retailer, What Mobile Awards: Best Services and Repairs for Geek Squad.

KNOWHOW

At the KNOWHOW Contact Centre in Sheffield we support the UK & Ireland retail customer base on behalf of both the Currys and PC World brands in every step of their journey with our business.

Prior to purchase our Sales team support with product selection and advice, post purchase we have teams to support every step of the way from Delivery enquiries to Technical advice including our dedicated Careplan Team.

Our team of over 1,300 colleagues support customers seven days a week, with our Technical homeworking team covering 365 days around the clock for support with PC and connectivity issues. Across the teams in our busiest week this year we handled enquiries from over 300,000 customers and have significantly improved our response times across all areas of contact, with particular focus on our Social Media and Email channels.

We offer a great career path across Home Services, with Apprenticeships in our Technical team, through to a Pathway programme for all colleagues, giving all of our team an opportunity to develop their career, through to becoming an expert colleague, before moving into coaching and line management roles. Many of our First Line Managers, Customer Operations Managers and indeed our leadership team have followed a career in such a way, there are no limits to a career across our business.

We ask our team to work with a simple three stage process:

1. Understand the customer need or concern
2. Propose a solution product or service
3. Thank you and feedback

We work to ensure we are fair and reasonable in all proposed solutions for our customers and ask our team to always consider how we can improve our process to deliver clear and consistent responses.

Across our E-Commerce and Insight teams we work with Reevoo, one of the leading independent Customer Review sites to share customer reviews of our services and over the past 6 months we have scored 78% for Customer Service from over 18,000 customer reviews.



Contact Centres are known for working within a framework built upon Average Handling Time for a response and within the KNOWHOW site we have changed the way we look at this 'AHT' measure. We coach our colleagues on taking the Appropriate Handling Time with every customer, allowing us to train our colleagues to handle customers more personally as we strive to never leave a customer to fend for themselves.

We also provide SMS surveys to our customers across our sites to define the Advocacy, Care and Knowledge scores for our colleagues and use these as critical KPIs to improve process and performance for the future.

This year KNOWHOW and Carphone Warehouse colleagues will work closely to understand their strengths and define the future support modelling for our new business across our entire Contact Centre Portfolio. We now have over 2,500 Contact Centre colleagues supporting our customers.

Information Security

The Group is committed to protecting both electronic and physical information from unauthorised access, processing, modification or destruction. There are a number of pieces of legislation relevant to information security to which the Group adheres, including the Data Protection Act 1998 and EU's Data Protection Directive 95/46/EC. The Group has a dedicated information security team. Security controls and awareness remain an area of significant focus for the Board.

Data protection

The Group has a responsibility to ensure all information is collected, stored, processed and disposed of in a secure way. In the UK, we are required to adhere to the UK Data Protection Act 1998. This legislation was enacted to bring UK law in line with the EU Data Protection Directive, which is applicable to the rest of the Group's European markets. The European Commission is in the process of implementing a European Data Protection Regulation which will supersede the Directive. Ahead of the adoption of the new regulation, the business is working closely with the Group Data Protection Officer to prepare for the changes in this area. The Group is committed to the on-going monitoring of its data protection policies and procedures, and the implementation of improvements where necessary.

Environment

Energy Management

Dixons Carphone continues its advanced activities surrounding energy efficiency. Our portfolio continues to be predominantly supplied through half hourly metering which allows us to monitor our sites accurately, minimise wastage, optimise our efficiency and invest with energy efficiency projects in targeted areas.

As we move into 2015/16, we are working to extend this half hourly monitoring programme to over 600 Carphone Warehouse stores.

To realise immediate benefits, our energy efficiency programme continues to utilise internal capital expenditure funding for energy efficiency projects. We continue to explore new technologies and advanced strategies to assist in our programme of energy reduction and through 2014/15, a further £1.4 million has been invested in new energy efficiency initiatives including:

1. Variable Speed drives have rolled out to a further 80 Currys and PC World superstores to optimise the efficiency of their heating, ventilation and air conditioning systems
2. New efficient fluorescent lighting has been fitted in 27 large Currys and PC World superstores.
3. Energy-efficiency projects have been completed in an additional 26 stores to further optimise our energy usage which include fine adjustments to temperature set points, controlled heating and lighting strategies and the installation of lighting controls.
4. Efficient LED lighting has been trialled in back of house areas which we intend to roll out to further stores.
5. The 65,000 sq ft Customer Call Centre in Sheffield has been upgraded to LED lighting throughout.

The resulting reduction in our energy consumption from the above initiatives will be approximately 7,000 mWh per annum and will reduce our carbon emissions by over 3,500 tonnes of CO₂ in the next year.

Energy Efficiency Initiative

Dixons Carphone is delighted to have been selected to participate in the Department of Energy & Climate Change – EDR (Energy Demand Reduction) pilot scheme. This initiative is linked to the large scale rollout of energy efficient LED lighting to one of our 750,000 sq ft National Distribution Centre buildings in Newark. It represents our largest investment in a single energy efficiency project to date and is on schedule to complete by September 2015.

Our water leak detection programme continues through consumption analysis to highlight irregularities and ensures optimum efficiency.

Carbon Management

During Phase 2, year 1 of the Carbon Reduction Commitment (CRC) energy efficiency scheme, Dixons Carphone combined reported emissions show a reduction against 2013/14 of approximately 7% which represents a reduction in excess of 9,000 tonnes of CO₂.

Dixons Carphone will merge its reporting against the Carbon Reduction Commitment (CRC) energy efficiency scheme for 2015/16. Reporting for 2014/15 will be completed in line with previous years under Dixons Retail plc (CRC registration number 8584817) and Carphone Warehouse Group plc (CRC registration number 6030144).

Green Energy in the Nordics

We have made the decision to implement the exclusive use of 'Green Energy' produced by hydropower and wind turbines across our sites in the Nordics. At present, energy is derived from nuclear and oil (fossil) sources which generate a CO₂ output of 42,604 tonnes per annum. This initiative will dramatically reduce this figure. Each store will receive a certificate as proof of the environmental contribution and we will use this in national, regional and local media to promote our green profile.

Carbon Disclosure Project (CDP) – due to the merger and the associated challenges of identifying a complete baseline year, the Group will not be participating in the Carbon Disclosure Project for 2014/15. We are currently considering whether to respond to the CDP Climate Change Information Disclosure questionnaire and the CDP Road to Paris 2015 Commitments in 2015/16.

Corporate responsibility

Mandatory Greenhouse Gas (GHG) Reporting

This section provides the 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 Group, including the UK & Ireland; Nordics and Southern Europe. Operational control has been used to determine organisational boundary. All scope one and two emissions are included except where noted.

The GHG emissions for the Dixons Retail business are:

Category / source of emissions	2014/15		2013/14
	Tonnes of CO ₂ emitted ⁽¹⁾	Increase / (decrease) %	Tonnes of CO ₂ emitted ⁽¹⁾
Emissions from combustion of fuel ⁽²⁾	18,019	18.2%	15,239
Emissions from operation of any facility	3,132	74.7%	1,793
Emissions from purchase of electricity	97,129	(4.5)%	101,757
	118,280	(0.4)%	118,789

Intensity measure	2014/15	2013/14
	Tonnes of CO ₂ emitted per 1,000 sq ft of floor area ⁽⁴⁾	Tonnes of CO ₂ emitted per 1,000 sq ft of floor area ⁽⁴⁾
	7.02	6.97

The GHG emissions for the Carphone Warehouse business are:

Category / source of emissions	2014/15		2013/14
	Tonnes of CO ₂ emitted ⁽¹⁾	Increase / (decrease) %	Tonnes of CO ₂ emitted ⁽¹⁾
Emissions from combustion of fuel	3,058	33.6%	2,289
Emissions from operation of any facility	548	7.2%	511
Emissions from purchase of electricity	33,690	0.8%	33,408
	37,296	3.0%	36,208

Intensity measure	2014/15	2013/14
	Tonnes of CO ₂ emitted per 1,000 sq ft of floor area ⁽⁴⁾	Tonnes of CO ₂ emitted per 1,000 sq ft of floor area ⁽⁴⁾
	17.70	Data unavailable ⁽⁵⁾

- (1) Exclusions comprise: Franchises as they do not fall directly under the Group's operational control. Emissions from Carphone Warehouse's retail operations in France have been excluded as an agreement in principle has been reached for the sale of Dixons Carphone's operations in this territory. Following Dixons Carphone's announcements on 15 April and 24 April, business

interests in Germany and the Netherlands have been included in this 2014/15 GHG reporting, however will be excluded from future reporting.

- (2) Emissions generated within properties occupied by the Group but operated by the relevant landlord and refrigerant data from Nordics are excluded as data was not available (although this is estimated to be approximately 1% of total emissions for the Group).
- (3) Emissions from the combustion of fuel comprises an increased data set due to identified wider scope from 2013/14.
- (4) Overall floor area of the Dixons Retail business is estimated to be 16,845,934 sq ft (2013/14: 17,052,000 sq ft) and 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.
- (5) We have synchronised the emissions intensity measure for the Carphone Warehouse portfolio to tonnes CO₂ emitted per 1,000 sq ft of floor area for this reporting year. As such, an intensity measure comparison against last year would be difficult, however, this will allow data to be merged in future. Overall floor area of the Carphone Warehouse business is estimated to be 2,106,753 sq ft and as with Dixons Retail, 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.
- (6) 2014/15 Carphone Warehouse GHG reporting includes emissions from directly owned and leased vehicles, company cars, and delivery fleets which were not included in 2013/14.

Waste and recycling

We have driven sustainability and efficiencies through refuse and recycling across the Group. In the last year, 75% of material generated by our stores now goes to recycling schemes and not into landfill.

We now backhaul our recyclables from 386 CurrysPCWorld stores, an increase of 239 stores year on year, to our recycling machinery in Newark. Stores return these recyclable materials via the return leg of the delivery vehicles. In addition to cardboard, polythene and expanded polystyrene we recycled from our stores last year, we have extended the programme to include paper recycling. As a group we are now one of the UK's single biggest recyclers of expanded polystyrene.

We have increased the volume of card, expanded polystyrene and polythene recycle processed from our customer service centres and Newark sites by 25% or 1,347 tonnes.

In the Nordics we participate in national take-back schemes, in addition to handling waste at store and home deliveries. There are also strict procedures in place for sorting and reporting in all markets.

Waste Electrical and Electronic Equipment (WEEE)

Over 66,000 tonnes of WEEE was recycled in 2014/15, which is an increase of 5,000 tonnes (8%) on 2013/14. Our volume represents over 15% of the total UK WEEE market. We recycled over 1.2 million white goods last year and backfilled over 10,000 trailers that would have returned to base empty.

We have allowed a wide range of re-use companies and FRN charities access to all 16 of our CSC depots to select white goods units they feel are reuseable resulting in over 60,000 units last year being diverted from a scrap yard for destruction to be cleaned, refurbished and reused, for example, by low income families in many different regions of the UK. Not only is there a social benefit to reuse, it also has an environmental benefit and saved around 6,000 tonnes of carbon.

The Group processed 16,381 handsets and 248 non-mobile items, with the proceeds paid into the CPW Foundation to support charitable activity.

The total WEEE collected in the Nordics is 93,606 tonnes with a recovery rate of 77% material, 22% thermic / incineration and 1% landfill.

Transport and Delivery

Our Home Delivery Fleet continues to grow in response to increasing demand. We carried out 1,426,577 deliveries in 2014/15 by our operated fleet compared to 957,630 in 2013/14. The fleet covered 19,871,184 km which is an increase of 32.6% year on year, with CO₂ emissions at 9,311 tonnes, an increase of 44% on last year. These increases are due mainly to the higher proportion of deliveries carried out on our own operated fleet versus fleet operated by our franchises, in comparison to last year.

We took delivery of a further fifty 7.5 tonne Euro 5 vehicles – the last batch we will procure before switching to the new Euro 6 vehicles in line with new emissions legislation. These vehicles have been fitted with forward facing cameras and tracking which has also been rolled out to our white goods repair vans to help us with accident reduction initiatives. Also this year, we consolidated the Carphone Warehouse branch delivery fleet with a specific element of the Currys and PC World branch delivery network utilising the existing fleet, enabling us to realise some of the benefits of the combined network.

Combined DHL Fleet

Although our carbon emissions are up year on year, we have driven efficiencies on the combined DHL fleet.

Fleet emissions are at 16,311 tonnes for 2014/15, this is an increase of 11% year on year with miles driven also up 11% at 14,041,859. Transported volume is up by 12% year on year and 31% over two years. Cube delivered per mile driven has decreased by 1.14%. Overall combined trailer fill is up by 1.03m³ per vehicle year on year or 1.79%. This efficiency has saved an additional 500 road trips.

For 2015/16, we will look to capitalise on year on year and two year performances and progress. A complete review of the existing tractor and trailer fleet has been undertaken and we will remove and replace older trailers. We will also introduce more premium cube trailers into the network with a greater carrying capacity and are involved in on-going discussions in relation to tractor units. As part of our on-going Network Design review for 2015/16, strategic locations will be introduced to allow us to reduce our stem mileage from the central distribution point in Newark.

In the Nordics, the number of kilometres driven from our Nordic Distribution centre to stores is 11.85 million which is up 2.5%.

Supplier relationships

We are committed to upholding and respecting human rights. While we do not operate a separate human rights policy, these values are reflected in our equal opportunity practices throughout the Group and in our ethical policies and processes. We expect all our suppliers to operate in a fair

and honest way towards their employees and those with whom they do business.

Charity and Community

We aim to be a responsible member of every community we do business in, whether it's by match-funding employee fundraising, community initiatives or charity partnerships, we will implement new ideas to make a positive impact locally.

The business contributed a total of £935,000 to charitable causes in the UK & Ireland and a further NOK 1.9 million (£154,000) in the Nordics.

Get Connected

Dixons Carphone continued Carphone Warehouse's long term support of Get Connected. This registered charity is the UK's only free, confidential helpline for under 25s who need help with any issue, providing support and counselling for those experiencing problems with mental and emotional health. Young people can access Get Connected by phone, email, web-chat or text. They may also use WebHelp 24/7, the online help directory.

Last year we raised £323,000 for Get Connected through activities such as Carphone Warehouse Race to the Stones, a supplier quiz, Give As You Earn and individual colleague fundraising. The majority of these funds were raised through the Dixons Carphone Charity Dinner and Auction.

In 2014/15 Dixons Carphone also contributed £160,000 to accommodate the Get Connected helpline service in office space.

We have worked closely with Get Connected to reduce their dependency on our business. As a result, the charity has secured funding from The Cabinet Office and The Department of Education and continues to grow its trading income.

In response to business demand, Get Connected now offer remote helpline volunteering opportunities for local communities and employees, including those with mobility restrictions who are prevented from participating in many traditional forms of volunteering.

In 2014/15, Get Connected helped 250,000 children and young people in crisis which is an increase of 100,000 year on year.

Dixons Carphone Foundation Charity Dinner and Auction

March 2015 saw our first joint fundraising event in aid of our new Dixons Carphone Foundation. This event was supported and attended by suppliers and partners from across the business, raising a record breaking net total of £427,000. This figure includes a donation of £213,000 by Dixons Carphone after we pledged to triple the income taken during the live Auction.

From these proceeds, Get Connected received £214,000, Tablets for Schools will receive £200,000 with £14,000 being paid into the Foundation to support causes that leverage technology to address social issues.

Corporate responsibility

Tablets for Schools

We believe the use of technology in education can inspire children with a lifelong love of learning, motivate them to know more and empower independent thinking. Tablets for Schools is a registered charity behind the largest independent research programme in the world into the use of 1:1 technology to transform education.

The real benefits have been defined, the major issues for schools uncovered and robust data around pedagogy, attainment, cost savings and the impact on behaviour / attendance is being gathered.

In 2014/15 Dixons Carphone continued its support of the work of this charity, donating a total of £210,000. The Company also made the charity a loan of £150,000 in lieu of income from our Charity Dinner and Auction.

In January 2015, Tablets for Schools relaunched as Techknowledge for Schools with the aim of helping schools by providing a united vision and blueprint for the successful deployment of technology in education to transform learning outcomes.

The Dixons Carphone Foundation

The Foundation is a fundraising account established under the Charities Aid Foundation (registered charity number: 268369) for the benefit of the charity or charities selected by Dixons Carphone and approved by the Charities Aid Foundation.

This account was set up in March 2015 to deliver our ambition of making lives better through technology. The Dixons Carphone Foundation will also facilitate employee match-funding applications and one off donations to emergencies and disaster funds.

Through the Dixons Carphone Foundation, employees can apply for support with sponsorship. The Foundation will match the amount an employee has raised for their chosen charity by up to £100 or £300 for a team fundraising for the same event. In 2013/14 we donated £36,000 to a variety of causes through the CPW Foundation.

We are in the process of closing the CPW Foundation and transferring the balance of £41,000 to the new Dixons Carphone Charities Aid Foundation (CAF) Account.

The DSG international Foundation

The DSG international Foundation is a charity in its own right, registered with the Charities Commission. For the time being we will continue to operate charitable activities through our new CAF account Dixons Carphone Foundation.

During 2014/15, a total of £73,000 was transacted through the DSG international Foundation for Children in Need. The balance of this account stands at £18,000.

Give As You Earn

We encourage employees to contribute to charities of their choosing through our payroll giving scheme. In 2014/15 Dixons Carphone employees donated a combined total of £49,000 benefitting a wide range of causes.

Other charitable support

Dixons continued their support of Children in Need enabling colleagues across our store, service and logistics networks to get behind fundraising efforts for a nationally branded fundraising event that supports causes across the UK and local to their places of work. As a result of a number of activities, total fundraising and donations to Children in Need were £75,000.

Senior Dixons Carphone executives took to the tennis courts for a charity tennis tournament at The Queens Club raising £50,000 for the Dallaglio Foundation and their work to inspire and change the lives of young people through sport.

Our Sheffield Contact Centre supported the live Comic Relief television appeal by taking donation calls. 150 colleagues, friends and family gave up their free time to take £62,000 in pledges.

The Company responded to the Ebola Crisis at the request of the World Health Organisation (WHO) through the provision of 200 fully functioning smartphones, allowing WHO field operatives to collect key data in real time in Sierra Leone, Guinea and Liberia. The gift in kind value to our business was £20,000.

Carphone Warehouse Race to the Stones

On 19 and 20 July 2014 over 1,600 public participants ran, trekked or walked 100km from Chinnor in Oxfordshire along the Ridgeway to the ancient stone circle in Avebury. This was the first time Carphone Warehouse sponsored a charity sporting event and over 130 employees signed up to get fit and raise over £45,000 for our charity partner, Get Connected. Sponsorship of this event continues for 2015 as the Dixons Carphone Race to the Stones. Over 250 employees from across Dixons Carphone will take part, many of them trialling wearable technology for training.

Spring Online

This initiative run by the charity Digital Unite, aims to help the 6.4 million people who are digitally excluded in the UK. Carphone Warehouse's sponsorship in 2014 enabled this work to continue and amplified the work of the charity resulting in a 426% increase (32,800 views) in traffic to our branded smartphone and tablets area of the Digital Unite website.

We saw a five-fold increase in store participation year on year providing us with the opportunity to engage with the over 50's and establish trust in a rapidly expanding market with no previous brand loyalty. The Spring Online taster sessions created a unique way in which to show prospective customers how to use products through employee engagement and initiated an advocacy through staff, attendees, event holders and communities across the UK.

Outside the UK

Elkj p continues to support the Red Cross Water for Life (Vann for Livet) project and donated approximately NOK 1.9 million (£154,000) to the Red Cross Water for Life Project during 2014/15.

Key Performance Indicators

The performance criteria reported above are largely focused on the Group's UK & Ireland and the Nordics businesses which represent 92% of the Group revenues from continuing operations in the period.

This strategic report was approved by the Board and signed on its behalf by:



Sebastian James
Group Chief Executive
16 July 2015



Humphrey Singer
Group Finance Director
16 July 2015

Board of directors

Sir Charles Dunstone – Chairman

Sir Charles Dunstone is the Chairman of Dixons Carphone and the Nominations Committee. He is the founder of Carphone Warehouse and was chairman of Carphone Warehouse since 28 January 2010. He was chief executive officer of Old Carphone Warehouse from 1989 to 2010 where he led its growth to become one of Europe's largest independent telecommunications retailers. Sir Charles was also appointed chairman of TalkTalk in 2010. He was a non-executive director of Daily Mail and General Trust plc from 2001 until 2012 and a non-executive director of Independent Media Distribution Plc (now Independent Media Distribution Limited) from 2002 until 2011. Sir Charles has been chairman of The Prince's Trust since 2009 and a member of its Council since 2000. Sir Charles is a partner in Freston Road Investments LLP and also chairman of Royal Museums Greenwich.

Roger Taylor – Deputy Chairman

Roger Taylor is the Deputy Chairman of Dixons Carphone and was appointed deputy chairman of Carphone Warehouse on 24 July 2013. From 28 January 2010 to 24 July 2013 he was chief executive officer of Carphone Warehouse. During this time he was responsible for new business development, strategic initiatives and investor relations. He was chief financial officer of Old Carphone Warehouse from 2000 to 2010 where he played a key role in the growth of Old Carphone Warehouse across Europe and the construction and completion of the transactions with Best Buy. He was also a director of Virgin Mobile France until its sale in 2014 and non-executive deputy chairman of TalkTalk from 2010 until 2012. In addition Roger is a partner in Freston Road Investments LLP which invests in a number of private businesses including Student Castle Ltd, Five Guys UK Ltd and Housesimple Ltd amongst others.

Sebastian James – Group Chief Executive

Sebastian James was appointed Group Chief Executive of Dixons Carphone on 6 August 2014 following the merger of Dixons Retail with Carphone Warehouse. He joined Dixons in April 2008 and held various roles, including group operations director prior to his appointment as group chief executive in February 2012. Before joining the Dixons Group, Sebastian was CEO of Synergy Insurance Services Limited and gained wide retail experience as strategy director responsible for developing and implementing the turnaround strategy at Mothercare. He started his career at The Boston Consulting Group. Sebastian is also a non-executive director of Direct Line Insurance Group plc and trustee of the charities Save the Children and Techknowledge for schools.

Andrew Harrison – Deputy Chief Executive

Andrew Harrison was appointed Deputy Chief Executive of Dixons Carphone on 6 August 2014. Before this, Andrew had been with Carphone Warehouse since 1995 and became a plc board member in 2006, a role he held until the formation of the joint venture with Best Buy in 2008. Andrew played key roles in establishing the TalkTalk business and in expanding the highly successful Best Buy Mobile operation in the US. He also retained responsibility for both the Carphone Warehouse and Phone House operations and, in 2010 he was appointed Chief Executive Officer of the Best Buy Europe joint venture. Following the ending of the joint venture in 2013, Andrew became Group Chief Executive of Carphone Warehouse plc. Andrew is a trustee of both Techknowledge for Schools and Get Connected.

Humphrey Singer – Group Finance Director

Humphrey Singer was appointed Group Finance Director of Dixons Carphone on 6 August 2014, upon completion of the merger of Dixons Retail and Carphone Warehouse. He was appointed group finance director of Dixons Retail in July 2011 and joined the Dixons board in September 2011. Since joining the Dixons Group 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 the Dixons Group, he was finance director of Coca Cola Enterprises (UK) Ltd and prior to that also held a number of finance roles at Coca Cola Enterprises (UK) Ltd and Cadbury Schweppes plc.

Katie Bickerstaffe – Chief Executive UK & Ireland

Katie Bickerstaffe was appointed an executive director of Dixons Carphone on 6 August 2014, upon completion of the merger of Dixons Retail and Carphone Warehouse. She retained her responsibilities as chief executive of UK & Ireland for the Dixons business on merger and from 1 May 2015 assumed responsibility for the whole UK and Ireland business. Katie joined the Dixons Retail plc board on 20 February 2012 and was the chief executive of UK & Ireland for the Dixons Group. She joined the Dixons Group as director of marketing, people and property in June 2008. In addition to her executive position she is also non-executive director of Scottish and Southern Energy plc. Previously, Katie was managing director of Kwik Save Ltd and group retail director and group HR director at Somerfield plc. Her earlier career included roles at Dyson Ltd, PepsiCo Inc. and Unilever plc.

Graham Stapleton – Chief Executive Carphone Warehouse UK & Ireland

Graham Stapleton was appointed an executive director of Dixons Carphone on 6 August 2014, upon completion of the merger of Dixons Retail and Carphone Warehouse. He has retained his responsibilities as chief executive officer of UK & Ireland for Carphone Warehouse. He joined the Carphone Group in 2005 and has held a variety of board positions in both the UK and Europe. Graham is also a Trustee at the children's charity Make a Wish. Previously Graham worked for Kingfisher plc and Marks and Spencer plc.

John Gildersleeve**Independent non-executive director** **R** **N**

John Gildersleeve is non-executive director of Dixons Carphone and is Chair of the Remuneration Committee. He joined the Carphone Warehouse board on 28 January 2010 and was non-executive deputy chairman until July 2013. He was a director of Old Carphone Warehouse until 2010 and non-executive chairman from 2005. He was appointed as a non-executive director of the British Land Company PLC in September 2008 and became chairman in January 2013. He has been a non-executive director of TalkTalk since January 2010 (Deputy Chairman since 16 May 2013) and was previously an executive director of Tesco plc until he retired in February 2004. He is also a non-executive director of Pick n Pay Stores Limited, which is listed on the Johannesburg Stock Exchange in South Africa. John is also non-executive deputy chairman and senior independent director of Spire Healthcare Group plc.

Andrea Gisle Joosen**Independent non-executive director** **R** **N**

Andrea Gisle Joosen was appointed as a non-executive director of Dixons Carphone on 6 August 2014, upon the completion of the merger of Dixons Retail and Carphone Warehouse. Andrea joined Dixons Retail plc as a non-executive director on 1 March 2013. She is currently chairman of Teknikmagasinet, a non-executive director of ICA Gruppen AB, James Hardie Industries plc, Mr Green & Co plc and BillerudKorsnäs AB. Former roles include 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.

Tim How**Independent non-executive director** **R**

Tim How was appointed as a non-executive director of Dixons Carphone on 6 August 2014, upon completion of the merger of Dixons Retail and Carphone Warehouse. Tim joined Dixons Retail plc as a non-executive director on 8 September 2009 and became senior independent director on 9 May 2012. He holds a variety of external board positions, including chairman of Woburn Enterprises Limited, senior independent director of Henderson Group plc and the Norfolk and Norwich University Hospitals NHS Foundation Trust and Chairman of Roys (Wroxham) Limited. Former roles include chairman of Rayner and Keeler Limited and Enotria Wine Group, and non-executive director of Peabody Capital plc. Tim served as chief executive of Majestic Wine plc, where he led the management buy-out of the business and subsequent Alternative Investment Market (AIM) flotation. Prior to this, he was managing director of Bejam Group plc.

Jock Lennox**Independent non-executive director** **A**

Jock Lennox was appointed as a non-executive director of Dixons Carphone on 6 August 2014, upon completion of the merger of Dixons Retail and Carphone Warehouse and is Chair of the Audit Committee. Jock joined Dixons Retail plc as a non-executive director on 10 January 2012. He is a Chartered Accountant and has extensive accounting and finance experience having worked for over 30 years (20 years as a partner) for EY (formerly Ernst & Young) where he led a number of relationships with international clients and held a number of leadership positions 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. He was also a council member of the Institute of Chartered Accountants of Scotland. He is currently a trustee of the Tall Ships Youth Trust and non-executive director of A&J Mucklow Group plc, Enquest plc and Hill and Smith Holdings plc. He is senior independent director of Oxford Instruments plc.

Baroness Morgan of Huyton**Independent non-executive director** **A**

Baroness Morgan of Huyton is a non-executive director of Dixons Carphone and joined the Carphone Board as a non-executive director on 28 January 2010. She was a non-executive director of Old Carphone Warehouse from 2005 to 2010. From 2001 to 2005, she was director of government relations at 10 Downing Street. Prior to this, Baroness Morgan was political secretary to the Prime Minister from 1997 to 2001 and was appointed Minister for Women and Equalities in 2001. In 2006, she was appointed as a board member of the Olympic Delivery Authority. She is an advisor to the board of the children's charity ARK and a member of the advisory committee of Virgin Group Holdings Limited. She was previously chair of Ofsted.

Gerry Murphy**Independent non-executive director** **A**

Gerry Murphy is a non-executive director of Dixons Carphone and joined the Carphone Board 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 was appointed as a non-executive board member of the Department of Health on 1 August 2014 and a non-executive director of Capital & Counties Properties plc on 1 March 2015.

Key:

- N** Nominations Committee
- A** Audit Committee
- R** Remuneration Committee

Corporate Governance report

Chairman's introduction

It is with great pleasure that I present to you my introduction to the Corporate Governance section of the first Annual Report and Accounts as Dixons Carphone plc. The bringing together and alignment of two great businesses with a joint strategy and direction is truly exciting but it is never more important than now, in this time of change, that our corporate governance practices and procedures are well designed and implemented. It is my intention to set out how the Company has embraced good corporate governance practice and how we will use this to form a stable foundation to the building of shareholder value.

Corporate Governance

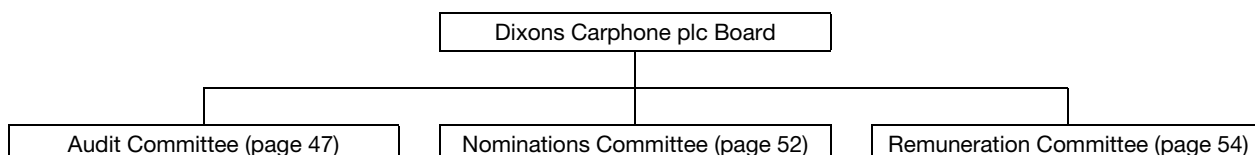
Good corporate governance is at the heart of any well-run business. We receive a corporate governance update at every other board meeting from our internal experts and have reviewed and updated our policies and procedures, following the Merger, to comply with the latest best practice standards. We have clearly differentiated the roles of Group Chief Executive (to run the business) and Chairman (to run the Board). Our role descriptions (including that of the Senior Independent Director) and our other board policies, such as diversity, time commitment, external appointments and external advice have all been renewed and refreshed. The Board will look to adopt the 2014 version of the UK Corporate Governance Code and will report against it in its 2015/16 annual report and accounts. The Board, in conjunction with the Audit Committee, is considering the business viability statement.

Board composition and role

The members of the Board were announced at the time of the Merger and remain the same except for the departure of John Allan. Consideration is currently being given to replacement for John Allan as Senior Independent Director and the Board will update shareholders once a decision has been taken. The resignation of the Senior Independent Director (SID), coming swiftly as it did following the Merger, has illustrated the need for succession planning which will have an increased focus over the next year.

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 also includes gender, professional and international diversity. The Board has three female directors, one of whom is based out of the UK and provides strong support on matters relating to the European business. Following this year's review it was concluded that the Board had all necessary skills and experience to discharge its duties fully and to challenge management effectively where necessary.

The Board and Committee Structure



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 our success. We have clearly differentiated the roles between executive management running the business and our non-executives, who provide the appropriate level of scrutiny. In this way, the Board works together to challenge and interrogate as well as support each other with the aim being effective decision making, leadership and accountability for all aspects of the business.

Induction

Following the Merger, each director was given the opportunity to get to know each side of the business, through a combination of formal presentations, store visits and informal discussions. The Audit Committee had its own induction process including access to auditor's reports and full supporting documentation for both sides of the business which provided an excellent understanding of the inherited position.

Board evaluation

The Board agreed that an internal review would be appropriate for the Board evaluation this year. It was conducted by the Company Secretary and took the form of a questionnaire completed by all Directors on several aspects of the Board and its organisation. The main finding was that the Board had come together well in support of the business and that there was an atmosphere of openness enabling effective challenge and debate. In 2016 the external board evaluation is due for Dixons Carphone. This timing will provide the newly merged Board and its procedures ample time and opportunity to embed fully, with the next evaluation process providing valuable insight and results which will be reported to shareholders in the 2015/16 annual report and accounts.

Committee structure

The main board committees are the Audit, Nominations and Remuneration Committees, and a section of this report is dedicated to each of them. Beneath Board level there are further management level committees which report back to the Board as necessary.

Conclusion

We have a strong, balanced board supported by sound policies and procedures and I believe it is well placed to take the opportunities that the future will bring. I look forward to meeting you, along with my fellow directors, at this year's Annual General Meeting.

Sir Charles Dunstone
Chairman
16 July 2015

Corporate Governance statement

The Board confirms that during the period ended 2 May 2015 and as at the date of this Annual Report and Accounts, the Company has, except to the extent stated below, been in compliance with the 2012 UK Corporate Governance Code (the Code).

It is noted that the Company has not had a named director operating as Senior Independent Director (SID) since the resignation of John Allan. During that time the remaining independent directors have all been available to discuss items with the Chairman as necessary and to discuss matters with shareholders should this be required. The Company is currently considering the replacement for John Allan and will update shareholders once the ongoing exercise has been completed.

This report, together with the Directors' report and the reports from the Audit, Nominations and Remuneration Committees together provide 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, entrepreneurial and responsible leadership to the Group 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

The Board has 13 members, six of whom are considered by the Company to be independent non-executive directors. These directors are John Gildersleeve, Andrea Gisle Joosen, Tim How, Jock Lennox, Baroness Morgan of Huyton and Gerry Murphy. Half the directors excluding the Chairman are therefore considered to be independent in accordance with the Code.

It is noted that John Gildersleeve was a non-executive director of Old Carphone Warehouse for more than nine years but the Board does not believe this affects his independence having given detailed consideration to his performance and the extent to which he has shown himself to be independent of management in thought and action during the period under review. As a result, the Company confirms that John Gildersleeve continues to show independence in his scrutiny and challenge to the Company and directors and therefore continues to be classified as an independent non-executive director.

Each of the directors will stand for election / re-election at the Company's Annual General Meeting. Biographical information is shown on pages 36 and 37.

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 on 9 March 2015. 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 SID is to support the Chairman and be available for approach or representation from shareholders who feel they are unable to raise issues with the Chairman directly. Since the resignation of John Allan the Board has operated without a SID. The Board has a strong line up of independent non-executive directors who have all been available for the shareholders to contact in absence of a formal SID. Under the role of the SID, which is clearly defined, set out in writing and reviewed annually by the Board, the SID also discusses, with the Chairman the results of his performance review. This role was undertaken by Jock Lennox for the 2015 review.

Corporate Governance report

Reserved matters

There are documented schedules of matters reserved to the Board and matters delegated to Committees of the Board. Such reserved matters include:

- approval of published financial statements and dividend policy;
- declaration of interim and recommendation of final dividends;
- approval of budget and strategy;
- 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; and
- approval of treasury / internal control and risk management policies.

Board attendance

The Board held two strategy sessions in addition to meeting on ten scheduled occasions during the period under review:

Member	Appointed	Resigned	Attendance
Charles Dunstone			10 of 10
Roger Taylor			10 of 10
Sebastian James	6 Aug 2014		7 of 7
Andrew Harrison			10 of 10
Humphrey Singer	6 Aug 2014		7 of 7
Katie Bickerstaffe	6 Aug 2014		7 of 7
Graham Stapleton	6 Aug 2014		7 of 7
John Gildersleeve			10 of 10
Andrea Gisle Joosen	6 Aug 2014		7 of 7
Tim How	6 Aug 2014		7 of 7
Jock Lennox	6 Aug 2014		7 of 7
Baroness Morgan of Huyton ⁽¹⁾			9 of 10
Gerry Murphy			10 of 10
Former Directors			
John Allwood ⁽²⁾		6 Aug 2014	3 of 3
John Allan ⁽²⁾	6 Aug 2014	17 Feb 2015	6 of 6
Nigel Langstaff		6 Aug 2014	3 of 3

(1) Baroness Morgan of Huyton missed one scheduled meeting due to a prior commitment that had been arranged before the Merger and the subsequent change of Board dates.

(2) John Allwood was the Senior Independent Director until his resignation when John Allan took on this role until his resignation on 17 February 2015.

Committee members

There are three main Board Committees: Audit, 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 (page 47)	Nominations (page 52)	Remuneration (page 54)
Sir Charles Dunstone			C
John Gildersleeve			M C
Andrea Gisle Joosen			M M
Tim How			M
Jock Lennox	C		
Gerry Murphy	M		
Baroness Morgan of Huyton	M		
Roger Taylor			M
Former Directors			
John Allwood (resigned 6 August 2014)	C		M
John Allan (resigned 17 February 2015)	M	M	

C – Chair M – Member

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 fast dissemination of quality information in a safe and secure manner. All Board papers are sent out on a timely basis with sufficient information for the directors to be able to discharge their duties. Formal minutes of the Board and Committee meetings are prepared by the Company Secretary and approved by the Board / Committees at their next meeting.

The Chairman meets regularly with all the non-executive directors, usually on an evening prior to a Board meeting when board dinners are held. This provides the opportunity to discuss amongst other matters, corporate strategy and business performance.

The Board holds meetings at a variety of the Group's locations to help all Board members gain a deeper understanding of the business. This also provides senior management from across the Group with the opportunity to meet the Board. Whilst no visits took place for the period under review, in May 2015, the Board held a meeting at its distribution centre in Newark and in June 2015 held another meeting at its headquarters in Norway. This enabled the Board to meet members of the team and senior management and to visit stores and other elements of the Group's business.

New directors appointed to the Board receive a tailored 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 sites both in the UK and overseas. 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.

The Board receives an update on corporate governance best practice at every other meeting.

Performance evaluation

The internal annual review of Board effectiveness and the balance of skills, knowledge and experience of the directors was conducted as usual during the period under review. In addition, the Code recommends that the performance of the Board be reviewed externally every three years. The last external review of the Company was carried out by NJMD Corporate Services in May 2013; therefore the next external evaluation is due in 2016.

The internal review this year involved:

- individual directors responding to separate questionnaires which were collated by the Company Secretary. The results were then presented to and discussed by the Board and a plan of action established to address any areas of improvement. The areas covered included, but were not limited to, the roles of the executive and non-executive directors, the Board, Board Committees, the Chairman, preparation for and performance at meetings, the effectiveness of each director, leadership, culture and corporate governance. As part of this evaluation, the Chairman discussed any personal development needs that were identified with each director;
- In the absence of a SID at the time of the performance evaluation, Jock Lennox reviewed the results of the performance evaluation questionnaire completed by all of the directors apart from the Chairman on the Chairman's performance. He then discussed the results of that review with the Chairman and an action plan was prepared. The Board is of the opinion that the Chairman had no other significant commitments during the year that adversely affected his performance in his role and that he continues to lead the Board effectively whilst creating an atmosphere of

Corporate Governance report

open discussion where challenge and debate is welcomed; and

- The Committees each performed a self-evaluation of their obligations on the basis of a detailed questionnaire relating to each area of responsibility. No major areas for action were identified.

Following the results of the evaluation, the Board confirms that all directors continue to be effective and demonstrate a commitment to the role, including having time to attend all necessary meetings and to carry out other appropriate duties.

It was noted that one area for greater emphasis coming out of this review was succession planning. At the time of the Merger careful consideration was given to what skills were needed to best lead the Group during this period of integration. The Board was appointed accordingly. With the integration well underway, the evaluation found that more emphasis now needs to be placed on succession planning for these critical board roles.

Capital and constitutional disclosures

Information on the Company's share capital and constitution required to be included in this Corporate Governance statement are contained on page 45 of this report. Such information is incorporated into this Corporate Governance statement by reference and is deemed to be part of it.

Risk and internal controls

Risk management

The Group has established a risk management programme that assists management to identify, assess and mitigate business, financial, operational and compliance risks. The Board views risk management as integral to good business practice and protecting the best interests of shareholders. Executive management of the Group has direct responsibility for the risk management programmes of their businesses. The Board's focus is primarily on reviewing the effectiveness of these processes, rather than involving itself in the processes themselves. Specific controls and processes are detailed further below.

The Group's risk management framework aims to:

- assist management to implement effective means of risk identification, assessment and mitigation;
- instil a risk-based approach and awareness into the Group's culture;
- encourage accountability for identifying and managing the risks specific to line managers' respective areas of the business; and
- create and implement risk management strategies which address all types of risks.

The Group maintains a risk register the principal risks of which are set out on pages 16 to 19. Senior managers within the business are responsible for managing and monitoring the risks identified within their areas, and identifying new risks as they arise. Each risk identified is ranked according to a score based on the likelihood of an event occurring and its impact on the business should it occur due to either failure or absence of mitigating controls. Mitigating controls in place are also documented.

Internal control

As in any business, the Group faces a number of risks and uncertainties on a daily basis, and a detailed internal control framework exists so as to mitigate these risks and protect the interests of shareholders. The directors have overall responsibility for the Group's systems of internal control and for reviewing effectiveness, and they discharge this responsibility by performing the following:

- determining the Group's risk appetite and tolerance;
- overseeing the risk management strategy; and
- ensuring that management implements effective systems of risk identification, assessment and mitigation.

The Board delegates to executive management the responsibility for designing, operating and monitoring these systems. The systems are based on a process of identifying, evaluating and managing significant risks and include the risk management processes set out above.

The systems of internal control described in this report were in place throughout the period under review and up to the date of approval of the annual report and financial statements. The effectiveness of these systems is periodically reviewed by the Audit Committee in accordance with the Code, and the other good practice guidance issued by the FRC in relation to internal control. These systems are also refined as necessary to meet changes in the Group's business and associated risks. They can only provide reasonable and not absolute assurance against material errors, losses, fraud or breaches of laws and regulations.

The Company has conducted an annual review of the effectiveness of the systems of risk management and internal control in operation during the year and up to the date of the approval of the Annual Report and Accounts which was approved by the Audit Committee and the Board.

At each of its meetings the Audit Committee reviewed and considered reports on the status of the Group's risk management systems, findings from reviews of internal controls and reports on the status of any weaknesses in internal controls identified by the internal or external auditors.

Internal audit

The Group has an internal audit department which conducts reviews of selected business processes each year. The internal audit programme for 2014/15 consisted of reviews across a range of areas documented and prioritised in the Group's internal audit plan, which was prepared and approved with input from management and the Audit Committee. The plan is designed each year to test the robustness of mitigating controls and procedures are designed to identify any areas of improvement. Part of the approval process of this plan involves the Audit Committee's consideration of alignment of the plan with the principal risks faced by the Group. As such this plan was revised and re-presented to the Audit Committee again following the Merger to capture the key risks of the combined Group.

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 progress and implementation of ensuing action plans are tracked to completion by the internal audit department, and follow up procedures performed where additional controls have been put in place to ensure that the new controls have been implemented effectively.

The Audit Committee considered the effectiveness of the internal audit department through holding discussions with management, considering the quality of reports submitted to the Committee, the timeliness of the clearance of action points, and the perceived impartiality of the audit team itself. 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 which have operated effectively. Potential conflicts are approved by the Board or two independent directors where authorisation is needed quickly and then reported to the main 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 Stewardship Code and actively encourages engagement with major institutional investors 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 lead responsibility for investor relations. He is supported by a dedicated investor relations department that, amongst other matters, organises presentations for analysts and institutional investors. There is a full programme of regular dialogue with major institutional shareholders and potential shareholders as well as sell-side analysts. In all such dialogue, care is taken to ensure that no price sensitive information is released.

The Chairman ensures that the Board receives regular updates at Board meetings on investor relations matters. 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 and has conducted various remuneration consultations during the period under review. For more information on the remuneration consultations, please refer to the Remuneration report on pages 54 to 74.

The Company is committed to communication with all of its members, whether institutional investors, private or employee shareholders. The Company reports formally to its members when its full year and half year results are published. These results are posted on the investor relations part of the corporate website in addition to other external announcements and press releases.

The Company also communicates with shareholders through the annual general meeting, at which an account of the progress of the business over the last year is given in addition to a review of current issues. This also provides the opportunity for shareholders to ask questions. The directors, including the chairmen of the Audit, Nominations and Remuneration Committees attend the annual general meeting. 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.



Sir Charles Dunstone
Chairman
16 July 2015

Directors' report

Corporate Governance statement

The Corporate Governance statement as required by Rule 7.2.1 of the UKLA's Disclosure and Transparency Rules (DTRs) is set out on page 39 of this Annual Report and Accounts. 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.

FCA's Disclosure 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 35 comprise the management report.

Employee involvement

The Group places significant emphasis on its employees' involvement in the business at all levels. Managers are remunerated according to results wherever possible and 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 report on corporate responsibility on pages 27 to 29. Details of the Group's employee share plans are contained in the Remuneration report.

Employment of disabled people

It is the Group's policy to encourage application for employment from disabled people and to assist with their training and career development, having regard to particular aptitudes and abilities. Every endeavour is made to find suitable alternative employment and to retrain 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 on page 32 of this Annual Report and Accounts. 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.

Change of name

On 6 August 2014 the Company changed its name from Carphone Warehouse Group Public Limited Company to Dixons Carphone plc.

Directors

The names, biographies and dates of appointment of the current Board of directors are provided on pages 36 and 37. Former directors include John Allan (appointed 6 August 2014 and resigned 17 February 2015), John Allwood (resigned 6 August 2014) and Nigel Langstaff (resigned 6 August 2014).

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Code, the Companies 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 shall 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 re-election by shareholders.

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 at the 2015 Annual General Meeting. The Remuneration report provides details of applicable service agreements for executive directors and terms of appointment for non-executive directors. Each of the directors proposed for re-election / election by the Board by virtue of their skills, experience and contribution to the Board. This recommendation follows a performance evaluation of the Board 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 Annual Remuneration report.

Subject to the Company's Articles of Association, the Companies Act and any directions given by the Company by special resolution, the business of the Company will be managed by the Board who 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 Companies Act 2006) for the benefit of its directors during the year; these provisions remain in force at the date of this report.

In accordance with the Company's Articles of Association, 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 wrongful acts in connection with their positions. The insurance provided does not extend to claims arising from fraud or dishonesty.

Information required by Listing Rule 9.8.4R

There is no information required to be disclosed under Listing Rule 9.8.4R.

Directors' responsibilities

The directors' responsibilities for the financial statements contained within this Annual Report and Accounts and the directors' confirmations required under Disclosure and Transparency Rule 4.1.12 are set out on page 75.

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 21 to the Group financial statements. The voting rights of Dixons Carphone plc shares are identical with each share carrying the right to one vote. Dixons Carphone plc holds no shares in treasury and did not make any market purchases of its own shares during the year under review.

Details of employee share schemes are provided in note 5 to the Group financial statements. The Carphone Warehouse ESOT held 791,100 shares on 2 May 2015 (2014: 4.9 million shares) and the Dixons Retail plc ESOT held 151,829 shares. Both ESOTs have waived their right to receive dividends.

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 of Association 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

The Company does not have any significant agreements which contain change of control clauses other than for its borrowings. Further details are disclosed in note 17 to the Group financial statements. Such information is incorporated into this Directors' report by reference and is deemed to form part of this report.

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

Significant shareholdings

At 2 May 2015, the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules of the UK Financial Conduct Authority, of the following interests of over 3% in the voting rights of the Company:

Name	Number of shares	Percentage of share capital
BlackRock, Inc.	64,226,251	5.58%
Standard Life Investments	57,001,657	4.95%
D P J Ross	56,388,699	4.89%

At 16 July 2015 no change in these shareholdings had been notified.

Directors' interests in the Company's shares and the movements thereon are detailed in the Remuneration report on pages 71 to 73.

Dividend

The Board has proposed a final dividend for the year ended 2 May 2015. Details of this and other dividends paid for the year are as follows:

	13 months ended 2 May 2015	Year ended 29 Mar 2014
Interim dividend	2.5p	2.0p
Final dividend	6.0p	4.0p
Total ordinary	8.5p	6.0p

The right to receive any dividend has been waived in part by the Trustees of the Company's Employee Share Ownership Trusts over a combined holding of 942,929 shares.

Issue of shares

In accordance with section 551 of the Companies Act 2006, 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 2014 annual general meeting shareholders approved a resolution to give the directors authority to allot shares up to an aggregate nominal value of £192,022.59. The directors were also authorised to allot shares in relation to the Merger up to an aggregate nominal amount of £576,067.77.

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 Annual General Meeting when a resolution will be proposed to renew the authority.

Authority was given by the shareholders at the 2014 annual general meeting to purchase a maximum of 57,606,776 shares, such authority remaining valid for 15 months or until the conclusion of the Company's 2015 Annual General Meeting. 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 Annual General Meeting but has no current intention to make such purchases.

Directors' report

Use of financial instruments

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

Auditor

Each director at the date of approval of this Annual Report and Accounts confirms that:

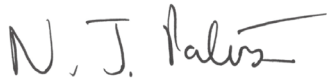
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that 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 Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

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
16 July 2015

Audit Committee report

Chairman's statement

Introduction

I present to you the report of the Audit Committee, the first of the merged Carphone Warehouse and Dixons Retail. In this covering letter I have set out our key areas of activity within our overarching objective of ensuring that the systems and controls relating to the financial management and reporting of Dixons Carphone plc are appropriate.

The Merger has been a significant undertaking. The activities of integration to create the new organisation have had a major bearing on our work. We have focused on ensuring that, notwithstanding the significant change that has been taking place, the Group has the appropriate internal control and risk management systems in place to satisfy the financial reporting and management requirements. We are grateful to our financial management and internal and external auditors for the unstinting efforts they have made in this regard.

Merger and induction

All members of the Audit Committee were previously members of the Carphone Warehouse or Dixons Retail audit committees. We have therefore had the benefit of significant experience of the legacy businesses.

We recognised that we needed to inform the committee members about the entire merged group so embarked upon an early induction process. This involved sharing papers on key judgements and significant accounting policies in the legacy businesses; arranging briefings with management on topics relating to 'the other side'; and participating in broader induction activities on strategy, store visits and the like. Each committee member was encouraged to request any further induction information that they required.

Key activities

In addition to assimilating the various sources of information on the Group, the Audit Committee's work included the following:

- considered reports by management on how the financial organisation would be structured and how the financial reporting would be prepared in the short and longer term;
- debated the accounting and financial reporting for the Merger, receiving reports from financial management and the external auditor to support the conclusions reached;
- approved the formation of the merged internal audit group and the plan of work;
- requested and considered a review by internal audit, supported by the appropriate commercial management, on the supplier rebate terms and processes across the Group; the review concluded that the accounting being adopted is satisfactory;
- received presentations from management on topics from the risk agenda including IT strategy (including security and control) and HR; and
- considered the various corporate transactions that have taken place in addition to the Merger, the accounting for these and overall that the financial reporting for the Group is fair, balanced and understandable.

Looking ahead

It has been a busy year for the Group with much of the financial reporting priority being on the Merger itself and the need to maintain a controlled environment across the legacy businesses.

The Group's activity will now turn to building the longer term systems, processes and organisation as well as conforming with the new requirements of the 2014 UK Corporate Governance Code and the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. This will include adopting the longer term viability statement for the first time. The development of the IT strategy and control framework will remain an area of focus for the committee in the year ahead.

I will be in attendance at the Annual General Meeting 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
16 July 2015

Audit Committee report

Members

In compliance with the Code, the Committee comprises exclusively non-executive directors, who, along with their attendance at scheduled meetings, are set out in the table below.

Meetings

The Committee met three scheduled times with one additional ad-hoc meeting called during the period. Since the year end there have been two further Committee meetings. All eligible members attended each of the meetings during which they were a member of the Committee, except as outlined below. The Group Chief Executive, Group Finance Director, Group Director of Internal Audit, other senior management and representatives of the Company's external auditor (Deloitte LLP) attended the Audit Committee meetings by invitation.

Current members	Scheduled Meetings
Jock Lennox ⁽¹⁾	2 of 2
Baroness Morgan of Huyton ⁽²⁾	2 of 3
Gerry Murphy	3 of 3
Former members	
John Allan ^{(1) (3)}	2 of 2
John Allwood ⁽⁴⁾	1 of 1
John Gildersleeve ⁽⁵⁾	1 of 1

(1) Appointed 6 August 2014.

(2) Baroness Morgan of Huyton missed one scheduled meeting due to a prior commitment that had been arranged before the Merger and the subsequent change of committee dates.

(3) Resigned 17 February 2015.

(4) Resigned 6 August 2014.

(5) Resigned from the Committee – 6 August 2014.

The Board is satisfied that the Chairman of the Committee, a member of the Institute of Chartered Accountants of Scotland, meets the requirement for recent and relevant financial experience. The Company Secretary acts as Secretary to the Committee and attends all meetings. The Committee's deliberations are reported by its Chairman to the following Board meeting and the minutes of each meeting are circulated to all members of the Board following approval.

At each meeting there may be a discussion between the Committee members and the external auditor without the presence of management in order to allow discussion of private matters which the auditor may wish to raise. Occasionally a discussion may be held between Committee members, the external auditor and the Group Director of Internal Audit if appropriate.

In undertaking its duties the Committee has access to the services of the Group Finance Director, his team and the Company Secretary, as well as external professional advice as necessary. In addition the Chairman meets with the external auditor 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 to fulfil its oversight responsibilities by acting independently from the executive directors. There is an annual schedule of items which are shared across 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 Committee has the following principal duties:

- monitoring the integrity of the half year and full year financial statements and any formal announcements relating to the Group's financial performance;
- review the results and conclusions of work performed by the external auditor;
- advising the Board on whether, as a whole, the Annual Report and Accounts is fair, balanced and understandable;
- reviewing significant financial reporting judgements;
- reviewing the Group's financial controls and internal control and risk management systems;
- monitoring and reviewing the effectiveness of the Company's internal audit function;
- making recommendations to the Board in relation to the appointment of the external auditor;
- reviewing and monitoring the relationship with the external auditors, including their independence, objectivity, effectiveness, remuneration and terms of engagement;
- considering whistleblowing arrangements by which employees may raise concerns about possible improprieties in matters of financial reporting or other 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 terms of reference of the Audit Committee are reviewed annually by the Board 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 monitoring the integrity of the half year and annual financial statements in conjunction with both senior management and the external auditor. Following the Merger, management presented the Committee with the accounting policies and practices of both legacy businesses. These were then debated and a combined set of policies and practices agreed with no significant adjustments required in respect of either business. During the period ended 2 May 2015 consideration was given to the following matters:

- the suitability of the Group's accounting policies and practices;

- compliance with financial reporting and governance standards;
- areas where significant levels of judgement have been applied or items which have been discussed with the external auditor;
- updated accounting and corporate governance regulations; and
- whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides sufficient information necessary for shareholders and other users of the accounts to assess the Group's performance, business model and strategy. To assist with discharging these responsibilities, the Committee considers documents prepared by management and reports received from the external auditor on the outcomes of their annual and half year audit procedures.

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	How the issue was addressed by the Committee
Revenue recognition	<p>Revenue recognition is considered to be a critical accounting policy and the judgements are set out in note 1 u) of the Group financial statements. Key components of judgement are in relation to the recognition of network commission receivable and also in relation to customer support agreements.</p> <p>The Committee reviewed management's assessment of these policies with reference to contractual terms, the Group's historical experience of customer behaviour and information received from third parties as well as historical claims data in respect of customer support agreements.</p>
Accounting for the Merger	<p>The Committee discussed, challenged and assessed the assumptions made in relation to valuing the assets and liabilities acquired as part of the Merger which concluded in net liabilities acquired of £647 million. In addition, the Committee reviewed the consideration for the Merger transaction and the allocation of goodwill between the different Cash Generated Units acquired.</p> <p>This valuation exercise included external as well as internal valuations which incorporated management judgement. The Committee reviewed and, where relevant, challenged the methodologies used in calculating the fair values which have been recognised as set out in note 23 to the Group financial statements.</p>
Disposal accounting	<p>The Committee reviewed the judgements taken in the calculation of gains and losses made in respect of the disposal transactions of Virgin Mobile France as well as the operations in Germany, the Netherlands and Portugal. The Committee also assessed the appropriateness of their treatment as assets held for sale then further as discontinued operations as concluded by management, as set out in note 24 to the Group financial statements.</p>
Supplier funding	<p>A number of arrangements exist relating to supplier funding across the Group, including promotional support and volume rebates. This topic received increased focus by management which culminated in a presentation to the Committee from the Group Director of Internal Audit. Additional testing in this area was also carried out by the external auditor. The Committee challenged and debated with management its approach to supplier funding and its recognition and accounting treatment and no major issues were noted. Further information in relation to supplier funding can be found in note 1 u) to the Group financial statements.</p>
Inventory provisioning	<p>Inventory is a significant balance for the Group, as set out in note 12 to the Group financial statements and contains managerial judgement for such items as obsolescence and shrinkage. As part of the general committee procedures managerial judgement was assessed and no major issues noted.</p>
Impairment testing of goodwill and intangible assets	<p>Significant goodwill and acquisition intangibles were recognised as part of the accounting for the Merger which comprised goodwill of £2,629 million and acquisition intangibles of £373 million. The Committee considered the judgements which had been made in relation to the values held in the balance sheet, in addition to the methodology used in assessing the supportability of the year end goodwill balance and assessing for any potential impairment. A sensitivity analysis was then reviewed regarding the impact of a reasonably possible change in the key assumptions. These assumptions are set out in note 9 to the Group financial statements.</p>

Audit Committee report

Matters of significance and areas of judgement

How the issue was addressed by the Committee

Fair, balanced and understandable	<p>As part of this assessment, as well as evaluating the narrative reporting attributable to the Headline results and financial position of the Group, the Committee reviewed the key judgement concerning the classification of items between Headline and Non-Headline, including consideration of the £89 million pre-tax Non-Headline charges. This 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.</p> <p>This assessment was central to the Committee's consideration of the integrity and sufficiency of information disclosed in the Annual Report and Accounts along with other salient matters to ensure that, taken as a whole, it is fair, balanced and understandable and explains the Group's performance, business model and strategy. This included an assessment of narrative reporting to ensure consistency with the financial reporting section.</p>
Taxation	<p>The Group operates across multiple tax jurisdictions. The complex nature of tax legislation in certain jurisdictions can necessitate the use of judgement. In addition, management also uses assumptions and judgements to assess the likelihood of utilisation of available tax losses.</p> <p>The Committee also reviewed judgements and assumptions concerning any significant provisions, including progress made on matters being discussed with tax authorities and where applicable advice provided by external advisors.</p>
Going concern	<p>The Committee was presented with an assessment of the Group's future cash forecasts and profit projections, available facilities, facility headroom, banking covenants and the results of a sensitivity analysis performed, including having regard to the current uncertainties in the Greek economy. The Committee discussed this with management in addition to management's analysis which was performed with reference to budgeted revenue and earnings levels for the coming years. The Committee was satisfied that the going concern basis of preparation continues to be appropriate for the Group.</p>

Internal control and risk management

The Committee is responsible for reviewing the Group's internal control and risk management systems. In order to discharge its responsibilities in this area, in addition to its other responsibilities, the Committee reviewed the following key items:

- the annual Audit Committee agenda;
- common control themes identified throughout the business, including key management dependencies. Where this was identified subsequent action has been taken to minimise the risk;
- the assessment of the Group's response to information security and data protection risks;
- the combined Group's responsibilities relating to those aspects of the Group that are regulated;
- the financial controls framework and its subsequent assessment by internal audit; and
- the new governance and risk management framework put in place throughout the merged Group.

Internal audit

The Committee is also responsible for monitoring and reviewing the effectiveness of its internal audit function. During the period the following significant risk areas of the business were included within internal audit reviews:

- information security and data protection;
- IT governance and IT risk management; and
- business continuity.

In addition, as part of a three year rolling programme, audits were performed over the following financial processes to provide assurance to the Audit Committee that controls were operating within these areas:

- supplier funding;
- payroll;
- procurement and purchase to pay.

In addition to considering any significant issues arising from the results of the audits shown above, the Committee also formally reviewed the effectiveness of internal audit and the adequacy of its resources.

External audit

The external auditor is appointed by shareholders to provide an opinion on the financial statements 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:

- the annual audit plan;
- the annual audit fee and fees for non-audit services which are set out in note 3 to the Group financial statements, with due regard to the balance between audit and non-audit fees and the policy for approval of non-audit fees paid to the Group's auditor;

- the effectiveness of the external auditor. Feedback on the effectiveness of the audit process in addressing areas of key audit risk was obtained from members of the Audit 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 positive view of the audit process and of Deloitte as the external auditor, specifically in relation to the high quality and integrity of the team, the constructive relationship and effectiveness of the communication. Following due consideration the Committee continues to be satisfied with the quality and effectiveness of the audit; and
- significant issues and areas of judgement arising from reports from the external auditor, which in addition to those matters referred to above, included IT controls and risks. These areas were set out in the reports from the external auditor and were discussed with the Committee. The Committee concluded that the judgements taken and assumptions made were all fair and reasonable.

Provision of non-audit services provided by the external auditor

The Committee has a formal policy on auditor independence which specifies the types of work from which the external auditor is excluded and those which the auditor may perform. In July 2015 the Audit Committee approved a change to this policy, further restricting non-audit services, so that after a short transitional period the only services permitted by the external auditor will be audit services and certain other audit related services (primarily those related to the role of reporting accountant and or audit reports on financial information provided by the Group). All non-audit fee proposals are subject to pre-approval and must be submitted to the Group Financial Controller. Where assignments are expected to generate fees of over £100,000, approval must be obtained from the Audit Committee in advance.

During the period under review, the non-audit services performed by the external auditor primarily related to activities in relation to the Merger, assignments which were closely related to the annual audit or work of such a nature that a detailed understanding of the Group was necessary. The Audit Committee reviewed the services performed by the external auditor during the year and are 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 £1.9 million compared to £2.0 million of audit fees. Excluding the effect of acting as reporting accountants for the Merger, the proportion of non-audit fees vs audit fees was 28%.

Due to the change in the auditor independence policy detailed above, and following the completion of the Merger, non-audit fees incurred by the Group are expected to reduce in the future.

Consideration of auditor appointment and independence

On an ongoing basis the Committee considers the appropriateness of the re-appointment of the external auditor, including rotation of the audit partner. Deloitte LLP has been the external auditor since the Group's formation in 2010 (following the demerger of TalkTalk Group). Deloitte LLP was also the external auditor of Dixons Retail. The current lead audit partner has been in place for four years (partner rotation is required on a five yearly basis).

The Committee will continue to consider the requirements of the Code and also the recent Competition & Markets Authority's Final Order which is now designed to align with the new European Union Regulation 547/2014 (which allows companies greater flexibility) on audit tendering and rotation timings. Under current guidance Deloitte can continue to be reappointed for year ends beginning before June 2023, at which point we would be required to change. A tender process would then be undertaken and a proposal made accordingly. In addition to this, the Group will consider retendering the external audit at each partner rotation.

In light of the assessments and review undertaken, the Audit Committee recommended to the Board that Deloitte LLP be retained as auditors of the Company. This recommendation was endorsed by the Board.



Jock Lennox
Chairman of the Audit Committee
16 July 2015

Nominations Committee report

Chairman's overview

The Nominations Committee has an important role in the Dixons Carphone plc 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. Since the Merger the Committee has met once to perform a thorough review of the balance of the Board and its Committees and other governance obligations.

At Merger a thorough review of the Board structure and membership was performed. Also at the year end the Committee performed a further review of the skills required to successfully lead the Company and matched those skills to the current Board membership. No further need for appointments were identified other than an appointment of a Senior Independent Director. More about this process is shown below along with further details on the Nominations Committee and its position in the Company's governance framework.



Sir Charles Dunstone
Chairman of the Nominations Committee
16 July 2015

Meetings

- The Nominations Committee meets as and when required and at least once a year.
- The Nominations Committee met once during the period under review.

Committee membership and attendance

The members of the Nominations Committee are shown in the table below along with their attendance at scheduled meetings for the period under review.

	Scheduled meetings
Sir Charles Dunstone	1 of 1
John Gildersleeve	1 of 1
Andrea Gisle Joosen	1 of 1

The majority of the members are independent NEDs 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 acts as Secretary to the Committee. The Committee's deliberations are reported by its Chairman to the following board meeting and the minutes of each meeting are circulated to all members of the Board.

Responsibilities

The principal duties of the Nominations Committee are to:

- review the structure, size, composition of the Board and to recommend changes as necessary;
- identify, evaluate and nominate candidates to fill vacancies on the Board;
- review the leadership needs with a view to ensuring the continued ability of the organisation to compete effectively and be responsible for succession planning;
- consider other commitments of directors relative to the time required for them to fulfil their duties;
- evaluate the skills, knowledge and experience of the Board; and
- make recommendations to the Board regarding the continuation in office of a director upon the expiry of any specified terms of appointment.

The terms of reference of the Nominations Committee are reviewed annually and a recommendation made to be Board accordingly. The current 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 also considered the following:

- an evaluation of the size, composition and structure of the Board and its Committees;
- the Company's diversity policy;
- the external appointments policy;
- the Committee's performance and terms of reference; and
- a review of the role descriptions of the Chairman, Senior Independent Director and the Group Chief Executive in the light of the newly merged entity.

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 on merit, against objective criteria and with due regard to the benefits of diversity and the leadership needs of the Company.

Succession planning

At the time of the Merger consideration was given to creating a talented board with appropriate experience and expertise to lead the Company in its strategy. The Board has been successful in coming together but over the next year or so emphasis will be placed on ensuring that a full succession planning exercise is performed to ensure continuity.

Diversity

The Board recognises the importance of diversity, including but not limited to gender, in achieving the right mix of skills, knowledge and experience in order to help the organisation reach its potential. Currently 23% of the Board and 25% of the Group Executive team are female.

The Board does not set out a target on gender balance as it believes that candidates should be appointed on merit. The Board will take opportunities to increase diversity as suitable candidates present themselves. For more information on employee diversity see page 29.

In performing its annual review the Board also looks at other aspects of diversity relevant to the Group. For example, 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.

Re-election

All directors will present themselves for election or re-election at the Annual General Meeting. Each of the directors are 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

The period since we last reported has seen significant change especially in relation to the Merger. The Prospectus and Circular have already set out details in respect of the existing incentive schemes of Carphone Warehouse Group plc and Dixons Retail plc and how these were impacted by the Merger. This Remuneration report sets out the Group's proposed future Remuneration policy of the new combined Company which is broadly in line with the Remuneration policy approved by shareholders in 2014.

We have used the opportunity of the Merger to review our approach to remuneration to ensure it is aligned to our strategic direction, appropriate for a FTSE 100 company and focused on driving superior shareholder returns.

After careful consideration we have decided to continue to align our executive pay structure for the combined Group to a more leveraged approach focused on creating shareholder value. This is reflected in our long term incentive plans (LTIPs) and our shareholding policy, which was strengthened to require executive directors to hold 200% of their base salary in the Company's shares.

We have also maintained our approach of providing a strong link between our levels of annual bonus with the performance and delivery of our strategic priorities. When setting targets for our annual bonus and our LTIPs, we start with the strategy of the business and the behaviours we want to encourage and design metrics around them. In order to keep overall remuneration weighted towards variable pay that incentivises outperformance we are providing a modest level of benefits.

In order to harmonise we have had to adjust some elements of pay for all executive directors, such as reducing the annual bonus which existed previously within Carphone from 200% of base salary to 125% and reducing pension contributions for the former Dixons executive directors from 20% to 10%.

At the time of the Merger we gained, by special resolution, shareholder agreement to make adjustments to existing awards and grant additional awards under our long term incentive plans. This was to ensure the existing participants were no better or worse off following the Merger and to make awards to the new executive directors and other senior leaders. These plans align the interests of our management with our shareholders, providing the opportunity for them to earn significant value but only if superior shareholder returns are delivered.

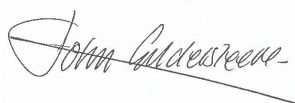
We have also responded to the feedback received on the policy during 2014 and have excluded the executive directors from being eligible to participate in the mid term incentive plan introduced following the Merger.

Although no substantial changes have been made to the remuneration policy following the Merger, we have taken the opportunity to make some administrative changes, such as updating the provisions in our LTIPs to include the ability for the Remuneration Committee to apply malus and clawback conditions in certain specified circumstances.

Due to the changes made to the components of the remuneration packages of the executive directors at the time of the Merger, no further changes are proposed to base salaries as part of the annual pay review process this year. Bonus payments this year will reflect the positive business performance and will be paid at 125% of base salary. No LTIPs vested during the year for executive directors serving on the Board.

We are also acutely aware that our success is largely down to the dedication and hard work of all our employees and that it is vital that they continue to feel fairly and appropriately rewarded and that they are able to share in the success of the business. We are therefore very pleased this year to have been able to launch a combined Dixons Carphone plc Sharesave plan for all UK and Ireland employees, which has enjoyed a take-up rate of approximately 20% of the combined UK and Ireland workforce.

The proposed Remuneration policy set out in this Annual Report and Accounts will be put to shareholders for approval in a binding vote at the Annual General Meeting on 10 September 2015 where they will be asked to approve the policy for a period of three years.



John Gildersleeve
Chairman of the Remuneration Committee
16 July 2015

Remuneration report – Remuneration Policy report

Introduction

The purpose of these reports is to inform shareholders of the Company's directors' remuneration for the period ended 2 May 2015 and the Remuneration policy for subsequent years. This report is divided into two sections:

- the Remuneration Policy report; and
- the Annual Remuneration report

The remuneration policy set out will be put to shareholders for approval in a binding vote at the Annual General Meeting on 10 September 2015 and the policy will be effective from that date. Shareholders will be asked to approve the policy for a period of three years starting from the effective date. The Annual Remuneration report will also be put to an advisory vote at the Annual General Meeting.

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 in order to attract and retain 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 Code and has complied with those principles in the year under review unless otherwise noted.

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 report (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.

Remuneration policy report – unaudited information

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 has clearly defined terms of reference which are available on the Company's corporate website.

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 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 over the short and 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;
- information and surveys from internal and independent sources;
- the economic environment and financial performance of the Company; and
- corporate governance good 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.

Remuneration Policy report

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 experience and importance to the business. |
| • Operation | Reviewed annually.

The review reflects a range of factors including merit levels, internal relativity and cost. Our overall policy, having due regard to the factors noted, is normally to target salaries up to the median level.

Salaries for new appointments as executive directors will be set in accordance with the Recruitment Policy set out on page 63 of this Remuneration Policy report.

The Committee takes into consideration the impact of base salary increases on the package as a whole, as bonuses as well as some other elements of pay (such as pension contributions) are generally worked out 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 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: <ul style="list-style-type: none"> • 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 holidays. 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.

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 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 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.

Clawback and malus provisions apply for material misstatement, misconduct and reputational damage enabling performance adjustments and / or recovery of sums already paid.
 - 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, with other measures representing the balance.
-

Remuneration Policy report

Long term incentive schemes (variable pay): Share Plan

- Purpose and link to strategy

Long term incentive schemes are transparent and demonstrably aligned with the interests of shareholders over the long term.

The Share Plan 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

The executive directors participate in the Dixons Carphone (formerly Carphone Warehouse Group plc) Share Plan approved by Carphone Warehouse shareholders. The intention is to use this plan for the most senior management of the Company.

New executive directors appointed from time to time may participate in the Dixons Carphone Share Plan or the Share Option Plan described on page 59.

Participants acquire at market value participation shares in a subsidiary company that holds the Company's interests in the Group's main operating businesses. The Group grants loans to participants at a commercial rate of interest to acquire the shares. Loans are ordinarily repayable in full if performance conditions are met.

The performance of the plan will ordinarily be measured at the end of the performance period (in or around July 2017 for the current participants), when 60% of the shares vest, with 40% deferred for a further year. When the awards vest, the value of the shares held by participants will be based on the incremental value (if any) of Dixons Carphone plc in excess of the opening valuation together with the minimum return on invested capital. These shares will then be purchased by the Company for cash and / or the Company's ordinary shares.

A 'bad leaver' will be 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 (and any accrued interest). 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 only be a 'good leaver' at the sole discretion of the Committee and may be permitted to retain an award notwithstanding the termination of their employment.

The Committee has the ability to apply malus and clawback provisions to any awards made after March 2015.

The mechanics of the plan may be varied by the 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 reorganisation.

Further details on the operation of the Share Plan following the Merger are provided in note (1) below this policy table.
 - Maximum opportunity

The total pool for distribution to participants is subject to a cap of 4% of the total issued share capital of the Company on the measurement date.

Under the Share Plan there are now two pools, one for the original grant in December 2013 and one for the second grant in September 2014, each being subject to a cap of 2% of the total issued share capital of the Company.

The allocation for the Group Chief Executive is 11% of the pool created by the second set of awards.

The allocations for other executive directors are set out in the Annual Remuneration report.
 - Performance assessment / targets

The Share Plan is 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 is also underpinned by a minimum annual compound TSR growth of 5% and outperformance of the median TSR of the FTSE 250.
-

Long term incentive schemes (variable pay): Share Option Plan

- Purpose and link to strategy

Long term incentive schemes are transparent and demonstrably aligned with the interests of shareholders over the long term.

The Share Option Plan 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 either nil-priced or market priced options are granted over Dixons Carphone plc shares. Approved options may be granted subject to HMRC limits.

The current strategy is to grant a single award of share options with phased vesting rather than annual grants, but the Committee reserves the right to change this approach.

The level of vesting is dependent on achievement of performance targets, usually over a three year period from the date of grant.

Awards do not vest until the third anniversary of the date of grant and may have a deferral element.

The Committee has applied malus and clawback provisions to awards made after March 2015.

If employment ceases during the vesting period, awards will ordinarily lapse in full, unless the Committee exercises its discretion.

No executive director currently holds any interest in the share option plan.

There is currently no intention to grant any options under this plan to executive directors whilst they participate in the Share Plan, but the share option plan may be used for recruitment purposes for any executive directors should this be necessary or desirable.
- Maximum opportunity

Grants under the Dixons Carphone Share Option Plan are subject to overall dilution limits.

The maximum grant per participant in any financial year is a market value of 200% of base salary. However in exceptional circumstances an award of up to 300% of salary may be granted.
- Performance assessment / targets

Performance targets are reviewed by the Committee prior to each grant.

The Committee determines the targets from a range of measures, including but not limited to absolute TSR and TSR relative to an appropriate comparator group.

The current metrics in use are a combination of absolute TSR performance and relative TSR performance against either the FTSE 250 or the FTSE 350.

All Employee Share Plans including SAYE

- 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.

A new grant under the Dixons Carphone HMRC approved SAYE scheme was made in the UK and Ireland in February 2015.
 - 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 performance of the scheme will be determined by the share price of the Company at the end of the relevant savings period.
-

Remuneration Policy report

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 growth and performance.
 - Operation The Company requires executive directors to retain a certain percentage of base salary in the Company's shares. Directors have a five year period to reach these limits.
The shares which count towards this requirement are unfettered, beneficially owned shares only.
 - Maximum opportunity Not applicable.
 - Performance assessment / targets The Company requires all executive directors to retain 200% of base salary in the Company's shares.
-

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 reviewed on an annual basis. Factors taken into consideration include the required time commitment and specific experience.
Additional fees are payable for acting as Chair of any Board committee, or for acting as the Senior Independent Director.
Non-executive directors do not participate in the annual performance bonus or the long term incentive plans, however, a historical arrangement exists for Roger Taylor who continues to receive private medical insurance.
 - 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, Committee Chair or Senior Independent Director fees).
 - Performance assessment / targets Not applicable.
-

Notes:

(1) Long term incentives - Share Plan: The first awards under the Share Plan were made in December 2013 and further awards were made in September 2014 after the Merger. At the same time adjustments were made to the first awards to ensure participants were no better or worse off as a result of the Merger. The two sets of awards have different opening valuations reflecting the value of the Company at appropriate times prior to the grants. Each set of awards has its own pool, which are each subject to a cap of 2% of the total issued share capital of Dixons Carphone. The total pool for distribution to all of the participants remains subject to an overall cap of 4% of the total issued share capital of the Company on the measurement date.

There are no plans to issue further awards under this Share Plan until such time as these awards vest when the Committee will review the programme of long term incentives for the Group.

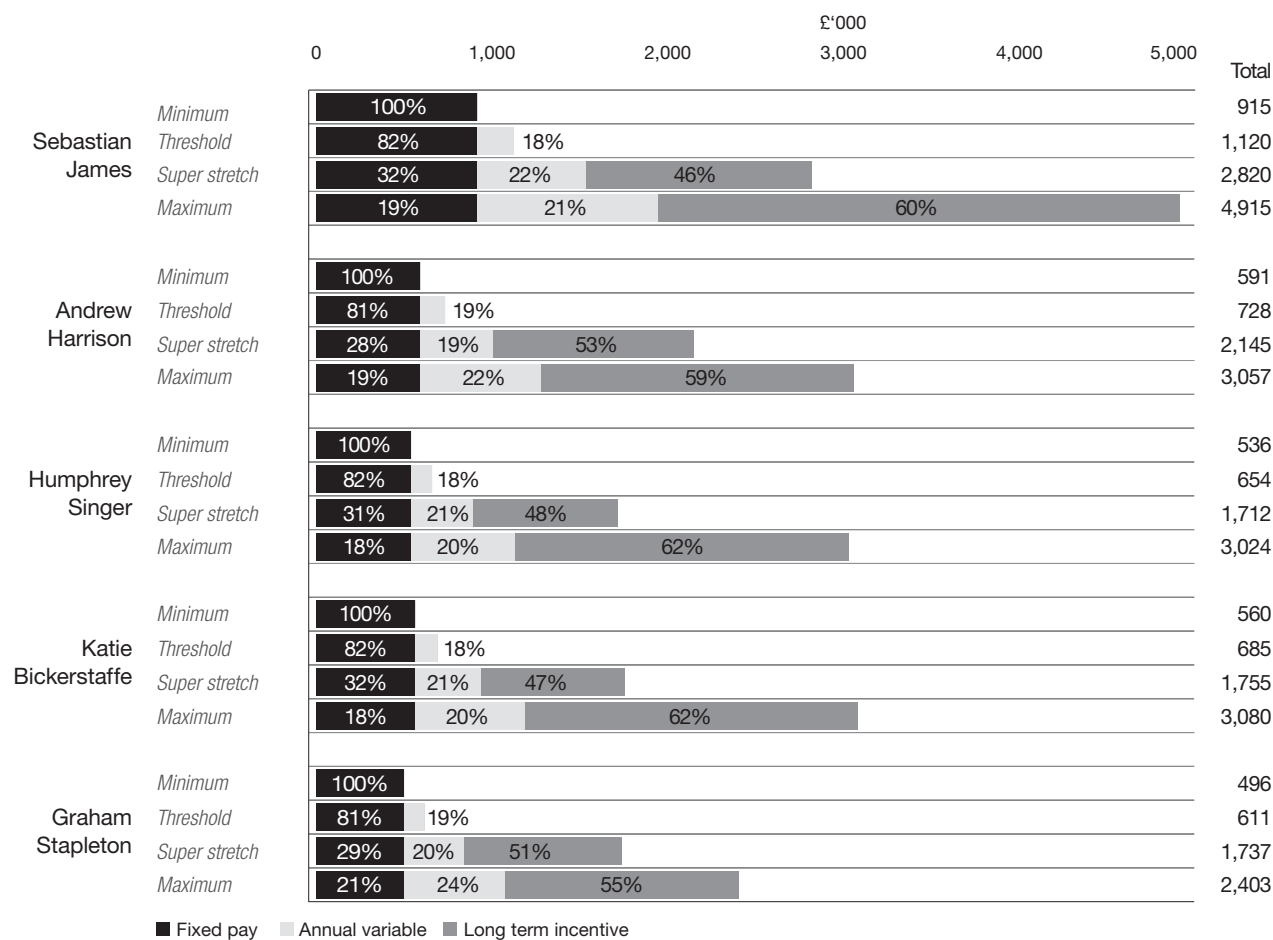
(2) The following changes have been made to the Remuneration Policy in order to align the pay of executive directors following the Merger and to reflect the remuneration strategy of the new combined Group:

- reducing the annual bonus which existed previously within Carphone from a maximum of 200% of base salary to 125% of base salary;
- reducing the pension contributions for the Dixons executive directors from 20% to 10% of base salary;
- strengthening our shareholding policy to require executive directors to hold 200% of their base salary in the Company's shares;
- excluding the executive directors from being eligible to participate in the mid term incentive plan introduced following the Merger; and
- including the ability for the Remuneration Committee to apply malus and clawback conditions in certain specified circumstances.

Illustration of remuneration policy

The remuneration policy scenario chart below illustrates the level and mix of potential total remuneration the current executive directors could receive under the remuneration policy at four levels of performance including an annualised potential payout for the Share Plan. As described in the policy table above, our long term incentive arrangements are designed to align executives' interests with those of shareholders and incentivise and reward for the delivery of significant shareholder value. Our arrangements are intentionally more leveraged than a standard UK performance share plan: no payouts would be due at a threshold level of performance and the higher payout levels would result only where significant shareholder value had been created (for example, £1.6 billion of incremental shareholder returns at the Maximum level).

Remuneration policy scenario chart



The assumptions underlying the chart in respect of the percentage of maximum opportunity payable are set out below:

Notes:

- (1) Fixed pay comprises basic salary, taxable benefits and pension contributions.
- (2) Annual variable pay represents the annual bonus entitlement. No bonus is assumed at the minimum performance level. Threshold performance assumes a payment of 25% of base salary, super stretch performance a payment of 75% of base salary and maximum performance a payment of 125% of base salary.
- (3) Long term incentives relate to the Share Plan, in which the executive directors participate. These are illustrative amounts and the actual outcomes may differ depending on share price growth.
- (4) The Share Plan vests partly in 2017 and partly in 2018 and therefore the total value of the scheme has been annualised over the performance period which is five years for the first set of awards, and four years for the second set of awards made following the Merger. For Sebastian James, Humphrey Singer and Katie Bickerstaffe the Share Plan has been annualised over four years. Andrew Harrison and Graham Stapleton were granted a second set of awards to align their overall awards with other Dixons participants and therefore the Share Plan has been partially annualised over five years and partially over four years.
- (5) No Share Plan payout is assumed at the minimum performance level. Threshold performance for the Share Plan is an annual rate of return of 7% on invested capital and therefore there will be no payout at threshold. Super stretch performance reflects the generation of £1 billion of incremental shareholder returns over the term of the scheme. Maximum performance is fixed at the point at which the overall dilution cap of 4% is expected to apply (each set of awards being subject to a 2% dilution cap), representing £1.6 billion of incremental shareholder returns.
- (6) The value of the Share Plan at vesting has been reduced by the value of the loan outstanding (excluding interest payments).

Remuneration Policy report

Remuneration Committee discretions

The Committee retains discretion consistent with market practice over a number of areas relating to the operation and administration of the bonus plans and long term incentive share 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);
- 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 clawback and malus provisions.

Shareholder and employee consultation

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. For example, in contemplation of the Merger in 2014 a consultation took place with major shareholders on various amendments to the remuneration policy. As a direct result of that consultation, the executive directors were removed from the mid term incentive plan. Prior to this, in 2013 an extensive consultation exercise took place with the shareholders to seek their views on the Carphone Warehouse Share Plan and as a result a number of changes were made to the scheme design, including the introduction of a cap.

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.

Remuneration policy for the wider workforce

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 in order for the Company to continue to grow.

The Group's UK and Irish employees who meet the eligibility criteria are also invited to join the Company's UK and Ireland approved SAYE.

Recruitment or promotion policy

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 an exceptional 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 Policy Table. As such, short term 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; and
- the Committee retains the discretion to provide an immediate interest in Company performance by making a long term incentive award on recruitment 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. 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 in accepting the appointment. The Committee will have the authority to rely on Listing Rule 9.4.2(2) or exceptional limits within the existing shareholder approved Share and Share Option Plans to make awards. 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 can be considered.

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

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.

Recruitment table

Area	Feature	Policy
Service contract and incentive plan provisions	Notice period	<ul style="list-style-type: none"> Up to 12 months from either side.
	Entitlements on termination	<ul style="list-style-type: none"> As summarised in the Policy on loss of office. Provisions for mitigation and payment in lieu of notice.
	Restrictive covenants	<ul style="list-style-type: none"> Gardening leave provisions. Non-compete, non-solicitation, non-dealing and confidentiality provisions.
	Variable elements	<ul style="list-style-type: none"> 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.
Annual remuneration	Salary	<ul style="list-style-type: none"> To be determined on appointment, taking into account factors including market levels, experience, internal relativities and cost.
	Salary progression	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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.

Policy on loss of office

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.

Remuneration Policy report

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 and / or payment of a retention bonus 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 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

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 Sebastian James, Humphrey Singer and Katie Bickerstaffe (full time equivalent); 27 days for Andrew Harrison and Graham Stapleton;
- sick pay; and
- notice periods whereby Sebastian James, Humphrey Singer and Katie Bickerstaffe each have a notice period of 12 months from the Company and six months from the director. Andrew Harrison has a notice period of 12 months and Graham Stapleton six months from either party.

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.

Availability for inspection

The service agreements for the executive directors and the letters of appointments for the non-executive directors are available for inspection 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 report, authority is given to the Company to honour any commitments previously entered into with the current or former directors which have been disclosed previously to shareholders.

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 9.8.8 of the Listing Rules. This Annual Remuneration report will be put to an advisory vote at the Company's 2015 Annual General Meeting.

The following sections set out how the Remuneration Policy was implemented during 2014/15 and how it will be implemented for the following year.

Service Agreements

Service contracts

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

	Date of contract
Sebastian James	29 Mar 12
Andrew Harrison	29 Oct 13
Humphrey Singer	2 Sep 11
Katie Bickerstaffe	29 Mar 12
Graham Stapleton	5 Oct 11

With the exception of Andrew Harrison, all the above executive directors were appointed to the Board on 6 August 2014. Nigel Langstaff resigned from the Board as executive director on 6 August 2014. More details are set out in the Directors' remuneration tables on page 68 and 69.

Letter of appointment

Non-executive directors are normally appointed for three year terms, 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 date of the letters of appointment and expiry of current terms are shown below.

	Letters of appointment	Expiry of current term
Sir Charles Dunstone	17 Jun 14	16 Jun 17
John Gildersleeve	17 Jun 14	16 Jun 17
Andrea Gisle Joosen	17 Jun 14	16 Jun 17
Tim How	17 Jun 14	16 Jun 17
Jock Lennox	17 Jun 14	16 Jun 17
Baroness Morgan of Huyton	17 Jun 14	16 Jun 17
Gerry Murphy	17 Jun 14	16 Jun 17
Roger Taylor	17 Jun 14	16 Jun 17

Tim How, Jock Lennox and Andrea Gisle Joosen were appointed to the Board on 6 August 2014 and at the same date John Allwood resigned from the Board. John Allan was appointed to the Board on 6 August 2014 and resigned on 17 February 2015. More details are set out in the single figure of total Directors' remuneration tables on pages 68 and 69.

Remuneration committee membership and attendance

Members

Membership of the Committee comprises four non-executive directors, their names and attendance record are set out in the table below and their biographies and qualifications are set out on pages 36 and 37. The Company's Deputy Chairman is a member of the Committee but is not its Chair. The Committee's terms of reference are available on the Company's corporate website.

Meetings

The Remuneration Committee met four scheduled times during the period under review and since the year end there have been a further three meetings.

	Scheduled meetings
<i>Members during the year</i>	
John Gildersleeve (Chairman)	4 of 4
Andrea Gisle Joosen ⁽¹⁾	3 of 3
Tim How ⁽¹⁾	3 of 3
Roger Taylor ⁽¹⁾	3 of 3 ⁽⁴⁾
<i>Former members</i>	
John Allwood ⁽²⁾	1 of 1
Baroness Morgan of Huyton ⁽³⁾	1 of 1
Gerry Murphy ⁽³⁾	1 of 1

(1) Appointed to the Committee 6 August 2014.

(2) Resigned 6 August 2014.

(3) Resigned from the Committee on 6 August 2014.

(4) Roger Taylor also attended the fourth meeting but by invitation not as a member.

Annual Remuneration report

Only members of the Committee are entitled to attend Committee meetings but the Group Chief Executive and Group Finance Director (or other senior management) may attend meetings by invitation and in an advisory capacity only. Meetings are also regularly attended by the Company Secretary (who acts as Committee secretary), Deputy Company Secretary and the Group Human Resources Director.

No director participates in discussions about their own remuneration.

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

Advice

The Committee retained Towers Watson throughout 2014/15 as independent advisors. Towers Watson 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. Towers Watson is a member of the Remuneration Consultants Group and operates under its code of conduct in relation to the provision of executive remuneration advice in the UK. Towers Watson has confirmed that it adhered to the Code throughout 2014/15 for all remuneration services provided to the Group. Towers Watson received fees of £82,000 (2013/14: £84,000) in relation to the provision of those services. Towers Watson also provided actuarial services on behalf of the defined benefit pension scheme; however, the Committee has satisfied itself that Towers Watson's advice was objective and independent. The Committee may also take external legal advice, where required, to assist it in carrying out its duties.

External directorships

The policy relating to external directorships is outlined in the Remuneration Policy report. For 2014/15, the following external directorships were undertaken and the fees retained by the executive directors:

- Sebastian James was appointed a non-executive director of Direct Line Insurance Group plc on 28 August 2014 and was paid a fee of £53,000 from appointment to 2 May 2015.

- Katie Bickerstaffe has been a non-executive director of Scottish and Southern Energy plc during 2014/15 and was paid a fee of £57,000 for the period to 2 May 2015.

How the remuneration policy will be applied in 2015/16

Executive directors

i) Base Salary

The Committee reviewed the executive directors' salaries in 2014 as part of the Merger. Where individuals were appointed to new roles, in line with our recruitment policy, base salary levels were set taking into account a range of factors including market levels, experience and internal relativities.

Due to the changes in base pay at Merger, no changes are proposed to the base salaries of the executive directors during 2015/16.

	Salary at 2 May 2015 £'000	Increase in Salary at 7 August 2014 £'000	Salary at 30 March 2014 ⁽¹⁾ £'000
Current directors			
Sebastian James ⁽²⁾	820	—	820
Andrew Harrison	550	15.8%	475
Humphrey Singer ⁽²⁾	475	—	475
Katie Bickerstaffe ⁽²⁾	500	—	500
Graham Stapleton ⁽²⁾	460	—	460

(1) Date of appointment, if later.

(2) Appointed 6 August 2014.

ii) Pension Contributions

Company Contributions or allowance in lieu will continue in 2015/16 at their current levels of 10% for Sebastian James, Humphrey Singer and Katie Bickerstaffe and 5% Andrew Harrison and Graham Stapleton.

iii) STIP (Annual performance bonus)

The maximum annual bonus for 2015/16 will be 125% of base salary and will operate on a similar basis as for the previous year. That is, the measures have been selected to reflect our key strategic objectives and are aligned to our Group balanced scorecard, with a minimum profit gate that 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 2015/16 bonus scheme are currently commercially sensitive and as such will not be disclosed. However, retrospective disclosure of the targets and performance against them will be provided in next year's Remuneration report to the extent that they do not remain commercially sensitive at that time.

The performance metrics and their weightings for 2015/16 are shown in the table below:

	Weighting (as a percentage of maximum bonus opportunity)
EBIT	60%
Net Debt	10%
ROCE	10%
Customer net promoter score	10%
Employee engagement	10%

iv) LTIP

There will be no further LTIP grants for executive directors during 2015/16.

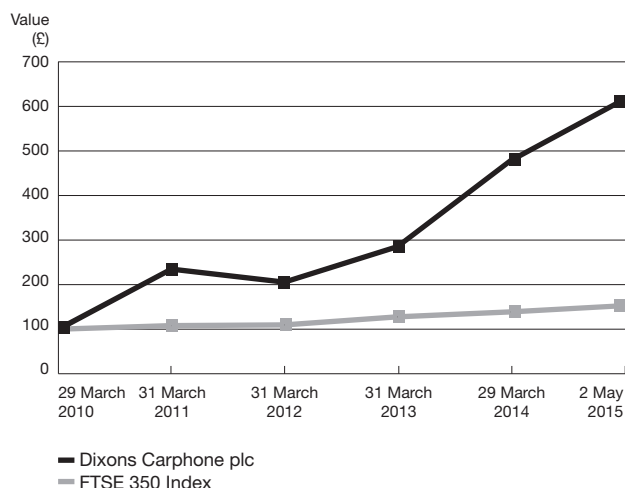
Remuneration details for 2014/15

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 when the Company was first admitted to the London Stock Exchange. The FTSE 350 has been used as it is a broad market which includes the Company and a number of its competitors. The Company's performance up until the period ended 29 March 2014, which was prior to the Merger, relates to Carphone Warehouse plc. After the Merger on 6 August 2014, the Company was renamed Dixons Carphone plc.

Total shareholder return

Source: Datastream



Group Chief Executive pay

The following table shows, over the same five year period as the performance graph above, 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 %	
2015	Sebastian James	1,687	100	n/a
	Andrew Harrison	420	100	n/a
2015	Total	2,107		
2014	Andrew Harrison	679	54%	n/a
	Roger Taylor	159	n/a	n/a
2014	Total	838		
2013	Roger Taylor	958	55%	n/a
2012	Roger Taylor	474	0% ⁽²⁾	n/a
2011	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 the 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.

Annual Remuneration report

Audited information

Single figure of Directors' remuneration for the period ended 2 May 2015

2014/15

	Basic salary and fees £'000	Pension contributions ⁽²⁾ £'000	Annual bonus ⁽³⁾ £'000	Taxable benefits ⁽⁴⁾ '000	Total emoluments £'000	LTIP payments ⁽⁵⁾ £'000	Total remuneration £'000
Executive							
Current directors							
Sebastian James ⁽¹⁾	590	59	1,025	13	1,687	—	1,687
Andrew Harrison	570	28	745	14	1,357	—	1,357
Humphrey Singer ⁽¹⁾	342	34	594	13	983	—	983
Katie Bickerstaffe ⁽¹⁾	360	36	625	12	1,033	—	1,033
Graham Stapleton ⁽¹⁾	343	17	623	10	993	—	993
Former director							
Nigel Langstaff ⁽¹⁾	117 ⁽⁶⁾	6	—	4	127	—	127
	2,322	180	3,612	66	6,180	—	6,180
Non-executive							
Current directors							
Sir Charles Dunstone	290	—	—	—	290	—	290
Roger Taylor	179	—	—	1 ⁽⁷⁾	180	—	180
Andrea Gisle Joosen ⁽¹⁾	50	—	—	—	50	—	50
John Gildersleeve	87	—	—	—	87	—	87
Tim How ⁽¹⁾	47	—	—	—	47	—	47
Baroness Morgan of Huyton	70	—	—	—	70	—	70
Jock Lennox ⁽¹⁾	54	—	—	—	54	—	54
Gerry Murphy	67	—	—	—	67	—	67
Former directors							
John Allan ⁽¹⁾	75	—	—	—	75	—	75
John Allwood ⁽¹⁾	28	—	—	—	28	—	28
	947	—	—	1	948	—	948
	3,269	180	3,612	67	7,128	—	7,128

- (1) Remuneration is shown for the period served on the Board. The following directors were appointed on 6 August 2014: Sebastian James, Humphrey Singer, Katie Bickerstaffe, Graham Stapleton, Andrea Gisle Joosen, Tim How and Jock Lennox. Remuneration / fees for these directors is shown from appointment to 2 May 2015. John Allan was appointed to the Board on 6 August 2014 and resigned on 17 February 2015 and the fees shown are for this period. Nigel Langstaff and John Allwood resigned from the Board on 6 August 2014 and remuneration / fees are from 1 April 2014 to date of leaving.
- (2) 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. This additional amount was 10% for Sebastian James, Humphrey Singer and Katie Bickerstaffe and 5% for Andrew Harrison, Nigel Langstaff and Graham Stapleton.
- (3) Annual bonus for Graham Stapleton and base salary and annual bonus for Andrew Harrison represents the amount earned over 13 months following the alignment of the financial year end. Annual bonuses for Sebastian James, Humphrey Singer and Katie Bickerstaffe represent the amount earned over the 12 months to 2 May 2015, which includes the period prior to the Merger. All bonuses are calculated based on the directors' annual salary as at 2 May 2015.
- (4) Taxable benefits include private medical insurance, car allowance and Sharesave gains of £4,000 for Sebastian James, Humphrey Singer and Katie Bickerstaffe in respect of options granted on 26 February 2015 as set out in the table on page 72.
- (5) LTIP payments would comprise amounts under the Share Plan, however, the vesting periods end in July 2017 and July 2018.
- (6) In addition to the above remuneration and subsequent to resigning from the Board on 6 August 2014, Nigel Langstaff received a redundancy payment of £247,000 upon leaving the business in December 2014. Nigel also received £350,000 as a payment in lieu of notice in respect of basic salary, £19,700 in respect of benefits (including car allowance, permanent health insurance and life cover) and £17,500 in respect of pension contributions. There was no payment for accrued holiday untaken. These amounts were in line with contractual entitlements and the Group's redundancy payments policy and no discretion was applied in their determination. The Committee determined to apply discretion to pay a bonus of £437,500 in respect of the period of service in the 2014/15 financial year and in respect of ongoing support up to the announcement of the preliminary results for 2014/15.
- (7) Roger Taylor continues to receive private medical insurance benefits.

Single figure of Directors' remuneration 2013/14

	2013/14						
	Basic salary and fees ⁽⁶⁾ £'000	Pension contributions ⁽¹⁾ £'000	Annual bonus £'000	Taxable benefits £'000	Total emoluments £'000	LTIP payments ⁽²⁾ £'000	Total remuneration £'000
Executive							
Andrew Harrison ⁽³⁾	317	15	339	8	679	—	679
Nigel Langstaff	325	16	375	10	726	—	726
	1,175	38	714	23	1,950	—	1,950
Non-executive							
Sir Charles Dunstone ⁽⁴⁾	240	—	—	—	240	—	240
Roger Taylor ^{(4) (5)}	293	7	—	5	305	—	305
John Allwood	74	—	—	—	74	—	74
John Gildersleeve	81	—	—	—	81	—	81
Baroness Morgan of Huyton	60	—	—	—	60	—	60
Gerry Murphy	—	—	—	—	—	—	—
	215	—	—	—	215	—	215
	1,390	38	714	23	2,165	—	2,165

(1) Pension contributions comprise the Company's contribution to a defined contribution pension scheme or allowance in lieu of contribution to a pension scheme. This additional amount was 5%.

(2) LTIP payments would comprise amounts under the Share Plan, however, the vesting periods end in July 2017 and July 2018.

(3) Andrew Harrison joined the Board on 24 July 2013 and the remuneration shown is for the period he was a director.

(4) Sir Charles Dunstone and Roger Taylor were employed by the Company during this period and their pay was reviewed by the Remuneration Committee.

(5) Roger Taylor's remuneration relates to his tenure both as an executive director until 24 July 2013 and subsequently as Deputy Chairman.

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

Long term incentive plans (LTIP)

The Share Plan awards made during 2014/15 vest in July 2017 (60%) and July 2018 (40%).

Details of the awards made and the loans granted to the directors to enable them to subscribe for shares under the Share Plan are detailed later in this report.

No LTIPs have vested during the year for the directors whilst serving on the Board. Nigel Langstaff's share entitlements under the Share Plan lapsed on leaving the Group.

Annual bonus for 2014/15

During the year the maximum bonus opportunity for all executive directors was aligned to 125% of base salary. In addition, due to the Merger and the change to the financial year end the annual bonus measures and targets were reset (as shown below) to reflect the new merged business. All targets are expressed and will be measured on a pro forma basis, as though the Merger had occurred at the beginning of the financial year, and reflecting the respective 12 and 13 month periods for Dixons and Carphone, respectively.

The Committee determined at the beginning of the year that the disclosure of performance targets were commercially sensitive and these were therefore not disclosed. 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.

Bonus payments will be at maximum levels and will be paid at 125% of base salary. The bonus amounts to be paid to the executive directors in respect of 2014/15 are set out in the directors' remuneration table on page 68.

Annual Remuneration report

Annual bonus for 2014/15

Measure	As a percentage of maximum bonus opportunity	Threshold	Target	Maximum	Actual	Payout
Pro forma Headline EBIT	55%	n/a	£385 million	£405 million	£414 million	55%
Pro forma average net (debt) / funds – variance vs budget	25%	£(50) million	Budget	£50 million	£80 million	25%
Return on Capital Employed (ROCE)	20%	15.4%	15.9%	16.4%	20.0%	20%

The maximum annual bonus of 125% of base salary is payable at the maximum level of performance and 75% of base salary on achievement of target performance.

Non-executive directors' and chairman's fees

The fees for the independent non-executive directors 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. The Deputy Chairman's fee is set by the Remuneration Committee with the Deputy Chairman being absent. 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.

For 2015/16, independent non-executive directors will receive a basic fee of £60,000 (2014/15: £45,000) and additional fees as set out in the table below for chairing or membership of committees. The increase in fees paid to non-executive directors reflects the increased size and complexity of the Group following the Merger.

	2014/15 £'000	2013/14 £'000
Chair of Audit Committee	15	15
Member of Audit Committee	5	5
Chair of Nomination Committee ⁽¹⁾	8	8
Member of Nomination Committee	5	5
Chair of Remuneration Committee	15	10
Member of Remuneration Committee	5	5
Chair of Consumer Regulatory and Compliance Committee ⁽²⁾	—	3

(1) The Chairman has chaired the Nominations Committee since 7 August 2014 and receives no further fee.

(2) This Committee ceased to operate as a Board Committee on 13 November 2014.

Percentage change in remuneration (not audited)

Increase percentage figures have not been given for the role of Group Chief Executive as, due to the Merger and change in incumbent, the figures are not directly comparable. The relevant figures for 2015/16 will be shown in next year's Remuneration report. We have however, set out below, the percentage change for all UK head office based employees as this Group provides the best like-for-like comparison. Changes in salary relating to changes in roles and / or responsibilities have been excluded from the increase presented for the wider group.

	Group Chief Executive	UK head office employees
Salary and fees	N/A	2.5%
Taxable benefits ⁽¹⁾	N/A	0%
Annual bonuses	N/A	0%

(1) Taxable benefits have not been separately measured since there have been no material changes in Group benefits year on year.

Relative importance of spend on pay

The following table sets out both the total cost of remuneration for the Group compared with pro forma Headline EBIT and profits distributed for 2014/15 and the prior year.

	2014/15 £million	2013/14 £million	Change (%)
Dividends paid ⁽¹⁾	52	30	73%
Total staff costs – continuing operations ⁽²⁾	900	230	291%

	Number	Number	Change (%)
Employee numbers – continuing operations ^{(2), (3)}	32,834	6,980	370%

(1) Extracted from note 22 to the Group financial statements.

(2) Extracted from note 5 to the Group financial statements.

(3) The average number of employees has been provided for context.

Directors' interests in shares

Share ownership guidelines

The Company has a policy of encouraging executive directors to build shareholdings in the Company. Following the Merger the Committee reviewed the shareholding policy and as a result all executive directors are required within five years to build up 200% of their salary as a holding in the Company. Other key senior management roles are required to build up 100% of salary. The actual shareholdings of the executive directors are set out in the Directors' shareholding table below.

Directors' interests in the Share Plan

The table below shows the allocation to the executive directors of participation shares in the subsidiary, New CPW Limited, in relation to the Share Plan, together with details of the loans issued to enable the directors to subscribe to the participation shares. As set out in the policy table there are two pools under the share plan, one for the original grant in December 2013 and one for the second grant post Merger. The calculation of the pools is set out on pages 58 and 60 of the Policy Table and in particular the performance period ends in July 2017, when 60% of the shares vests with 40% being deferred for a further year.

	A Shares in subsidiary allocated as at 29 March 2014 ^{(1),(2)} Number	A Shares in subsidiary allocated as at 2 May 2015 ⁽²⁾ Number	B Shares in subsidiary allocated as at 2 May 2015 ⁽³⁾ Number	Allocation of A pool as at 29 March 2014 ^{(1),(2)} (%)	Allocation of A pool as at 2 May 2015 ^{(1),(2)} (%)	Allocation of B pool as at 2 May 2015 ⁽³⁾ (%)	Loan outstanding as at 29 March 2014 £'000	Loan outstanding as at 2 May 2015 £'000
Current directors								
Sebastian James	—	—	1,100	—	—	11%	—	2,239
Andrew Harrison	700	700	200	7%	7%	2%	389	810
Humphrey Singer	—	—	700	—	—	7%	—	1,425
Katie Bickerstaffe	—	—	700	—	—	7%	—	1,425
Graham Stapleton	600	600	100	6%	6%	1%	334	549
Former director								
Nigel Langstaff ⁽⁴⁾	600	600	—	6%	—	—	334	—

(1) Date of appointment, if later.

(2) 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. Further details of the operation of the Share Plan, including performance conditions for vesting are set out on page 58.

(3) 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. Further details of the operation of the Share Plan, including performance conditions for vesting are set out on page 58.

(4) Nigel Langstaff's share entitlements under the Share Plan remained on resignation from the Board but lapsed on leaving the Group.

Annual Remuneration report

Directors' Share Options

As part of the Merger participants of the Dixons Retail Sharesave Plan were offered the opportunity to roll over their sharesave awards into options over Dixons Carphone plc. Those awards rolled over by the directors, in addition to other options owned by the directors over the Company are shown in the table below:

	Date of grant	Exercise price (p)	At 30 March 2014 ⁽²⁾	Awarded in the period	Lapsed or forfeited in the period	Exercised in period	At 2 May 2015	Date from which first exercisable	Expiry of the exercise period
Sebastian James									
Sharesave	23 Jul 2013 ⁽¹⁾	209.35	601	—	—	—	601	1 Oct 2016	31 Mar 2017
	26 Feb 2015 ⁽⁴⁾	344.00	—	4,866	—	—	4,866	1 Apr 2018	30 Sep 2018
			601	4,866	—	—	5,467		
Andrew Harrison									
Sharesave	10 Jan 2014	224.00	4,017	—	—	—	4,017	1 Mar 2017	31 Aug 2017
			4,017	—	—	—	4,017		
Humphrey Singer									
Sharesave	22 Jul 2011 ⁽¹⁾	83.93	1,505	—	—	(1,505) ⁽³⁾	—	1 Oct 2014	31 Mar 2015
	23 Jul 2012 ⁽¹⁾	91.48	1,377	—	—	—	1,377	1 Oct 2015	31 Mar 2016
	23 Jul 2013 ⁽¹⁾	209.35	601	—	—	—	601	1 Oct 2016	31 Mar 2017
	26 Feb 2015 ⁽⁴⁾	344.00	—	4,500	—	—	4,500	1 Apr 2018	30 Sep 2018
			3,483	4,500	—	(1,505)	6,478		
Katie Bickerstaffe									
Sharesave	22 Jul 2011 ⁽¹⁾	83.93	1,505	—	—	(1,505) ⁽³⁾	—	1 Oct 2014	31 Mar 2015
	23 Jul 2012 ⁽¹⁾	91.48	1,377	—	—	—	1,377	1 Oct 2015	31 Mar 2016
	23 Jul 2013 ⁽¹⁾	209.35	601	—	—	—	601	1 Oct 2016	31 Mar 2017
	26 Feb 2015 ⁽⁴⁾	344.00	—	4,500	—	—	4,500	1 Apr 2018	30 Sep 2018
			3,483	4,500	—	(1,505)	6,478		

(1) Share options that were granted under the Dixons Retail Sharesave Plan and rolled over into options over Dixons Carphone plc shares. The exercise price shown is the roll over price over Dixons Carphone plc shares.

(2) Date of appointment, if later.

(3) The options exercised by Katie Bickerstaffe and Humphrey Singer on 7 October 2014 had a market price of £3.685 on the date of exercise.

(4) The face value of awards granted on 26 February 2015 for the executive directors was £16,739 for Sebastian James and £15,480 for Humphrey Singer and Katie Bickerstaffe.

Directors' shareholding

Details of directors' interests in shares of the Company are shown in the following table:

	Beneficially Owned		Restricted interests in share plans			Total beneficial interests under share ownership guidelines 2 May 2015	Total beneficial share interests as a % of salary ⁽⁴⁾ 2 May 2015	Exercised during 2014/15
	2 May 2015 ⁽⁵⁾	29 March 2014 ⁽¹⁾	Share Plan ⁽²⁾ as at 2 May 2015 ⁽⁵⁾	Share Plan ⁽³⁾ as at 2 May 2015	Sharesave as at 2 May 2015			
Executive directors								
Current directors								
Sebastian James	908,234	908,234	—	1,100	5,467	908,234	475%	—
Andrew Harrison	5,000,000	5,000,000	700	200	8,883	5,000,000	3,902%	—
Humphrey Singer	617,770	616,265	—	700	6,478	617,770	558%	1,505
Katie Bickerstaffe	657,590	656,085	—	700	6,478	657,590	564%	1,505
Graham Stapleton	880,034	880,034	600	100	—	880,034	821%	—
Former director								
Nigel Langstaff	3,654,180	3,654,180	600	—	—	N/A	N/A	—
Non-executive directors								
Current directors								
Sir Charles Dunstone ⁽⁶⁾	134,758,481	135,083,481	—	—	—	—	—	—
Roger Taylor	9,808,554	9,808,554	—	—	—	—	—	—
John Gildersleeve	122,568	122,568	—	—	—	—	—	—
Andrea Gisle Joosen	6,076	6,076	—	—	—	—	—	—
Tim How	12,400	12,400	—	—	—	—	—	—
Jock Lennox	11,625	11,625	—	—	—	—	—	—
Baroness Morgan of Huyton	991	991	—	—	—	—	—	—
Gerry Murphy	20,000	—	—	—	—	—	—	—
Former directors								
John Allan	183,026	183,026	—	—	—	N/A	N/A	—
John Allwood	10,000	10,000	—	—	—	N/A	N/A	—

(1) Date of appointment, if later.

(2) The shares listed here are in 'A' ordinary shares New CPW Limited as part of the shares purchased in relation to the Share Plan. These have been subscribed for by the Directors. 'A' ordinary shares have a different opening valuation to 'B' ordinary shares, as described in note (3), reflecting the value of the Company at appropriate times prior to the grants.

(3) The shares listed here are in 'B' ordinary shares New CPW Limited as part of the shares purchased in relation to the Share Plan. These have been subscribed for by the Directors. 'B' ordinary shares have a different opening valuation to 'A' ordinary shares, as described in note (2), reflecting the value of the Company at appropriate times prior to the grants.

(4) Not including the Share Plan participation shares or sharesave options. Based on basic salary as at 3 May 2015 and an average share price over the month to 2 May 2015 of £4.292.

(5) Date of resignation, if earlier.

(6) On 22 January 2015 Sir Charles Dunstone transferred 325,000 ordinary shares for nil consideration to the Charles Dunstone Charitable Trust. He is not a trustee or beneficiary of this trust.

There were no changes in the directors' restricted or unrestricted share interests between 2 May 2015 and the date of this report.

Annual Remuneration report

Statement of voting at shareholder meetings (not audited)

The Company is committed to ongoing shareholder dialogue in respect of directors' remuneration, and takes an active interest in voting outcomes and in particular we have consulted with our shareholders on the remuneration policy being put to the vote at the Annual General Meeting. Where there are substantial votes against resolutions, explanatory reasons will be sought, and any actions in response will be communicated to shareholders.

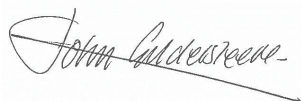
The following tables set out the voting results in relation to the resolutions put to the 2014 annual general meeting:

Resolution	Votes for	%	Votes against	%	Withheld
Approval of Remuneration Policy	457,425,221	90.66	47,152,293	9.34	2,127,987
Approval of Annual Remuneration report	418,120,856	91.40	39,357,141	8.60	49,227,504

Following feedback received on the policy during 2014 the Company has reduced the level of annual bonus for executive directors and has excluded them from being eligible to participate in the mid term incentive plan introduced following the Merger.

Compliance

As required by the Regulations, a resolution to approve this Remuneration report will be proposed at the Annual General Meeting to be held on 10 September 2015.



John Gildersleeve
Chairman of the Remuneration Committee
16 July 2015

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 and Article 4 of the IAS Regulation and have elected to prepare the Company financial statements in accordance with UK GAAP. 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 applicable UK GAAP 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



Sebastian James
Group Chief Executive
16 July 2015



Humphrey Singer
Group Finance Director
16 July 2015

Independent Auditor's report

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 2 May 2015 and of the Group's profit for the period 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 (UK GAAP); and
- the Group 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.

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 30, and the parent Company balance sheet and the related notes C1 to C12. 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 (UK GAAP).

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the Group financial statements, in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, the Group has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Going concern

As required by the Listing Rules we have reviewed the Directors' statement contained on page 26 that the Group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks and material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. The key risks we identified are:

- Acquisition accounting;
- Impairment of goodwill and other intangible assets;
- Assets held for sale, discontinued operations and disposal accounting;
- Revenue recognition - network commissions;
- Supplier funding;
- Inventory provisioning; and
- Taxation.

Risk	How the scope of our audit responded to the risk
<p>Acquisition accounting</p> <p>The identification and determination of the fair value of intangible assets arising from the acquisition of Dixons Retail plc and the recognition of fair value adjustments through the associated purchase price allocation process involves complex accounting considerations. Management engaged external valuation experts in relation to this process. £3,002 million of intangible assets, including brand names of £365 million, customer relationships of £8 million and goodwill of £2,629 million have been recognised in the period. The intangible asset identification and valuation process requires management judgement in respect of estimates of future cash flows and associated discount rates in addition to economic lives.</p> <p>Fair value adjustments, in particular those arising from property, plant & equipment, pre-existing intangible assets and property operating leases, require significant judgement in relation to fair value at the date of acquisition, for which management also engaged external valuation experts.</p> <p>Further information in relation to this area is discussed in notes 1u) and 23 to the Group financial statements.</p>	<p>We tested the design and implementation of the controls around management's process for both the identification and valuation of intangible assets and fair value adjustments. We used our internal valuation specialists to consider and evaluate the appropriateness of the methodologies applied and to test the inputs to the valuation models used to determine the value of the intangible assets, including the discount rates, growth rates and useful economic lives, through comparing these against industry benchmarks on similar assets and our understanding of the future prospects of the business. We also tested the appropriateness of the cash flow projections used in the valuations.</p> <p>For the other significant fair value adjustments, we obtained appropriate support for the adjustments, reviewed any assumptions against relevant industry and company data to assess the appropriateness of the adjustments, and utilised internal valuation specialists where appropriate.</p>
<p>Impairment of goodwill and other intangible assets</p> <p>The Group has significant acquisition related intangible assets, including goodwill, (£3,351 million at 2 May 2015 including £2,989 million of goodwill and £362 million of acquisition intangibles, related to the CPW Europe Acquisition in the prior year and in the current year the acquisition of Dixons Retail plc). The Group's assessment of impairment of acquisition related intangible assets, primarily arising from the CPW Europe and Dixons Retail plc acquisitions, is a judgemental process which requires estimates concerning the future cash flows and associated discount rates and growth rates based on management's projections of future business performance and prospects. The key judgements and estimates involved are described in more detail in notes 1l), 1m) and 1u) to the Group financial statements.</p>	<p>We assessed the assumptions used by management in the impairment models for goodwill and acquisition related intangible assets, including the allocation to cash generating units described in note 9 to the Group financial statements, and more specifically the cash flow projections, discount rates (utilising the assistance of our valuation specialists), and long term growth rates used against historical performance, our understanding of the future prospects of the business and comparison against market rates and the prevailing Group cost of capital at the year end. We have audited the mechanics of the impairment models prepared by management.</p>
<p>Assets held for sale, discontinued operations and disposal accounting</p> <p>The classification and valuation of net assets in the Phone House operations in the Netherlands, Germany and Portugal as held for sale at the balance sheet date is a key area of management judgement. In addition, the classification of these businesses as discontinued operations must be carefully considered in line with the relevant accounting standard. Further information is included in note 24 to the Group financial statements.</p>	<p>We tested the design and implementation of controls which management have in place around planned and completed disposal activities.</p> <p>We challenged management's judgement on the classification and valuation of assets held for sale through understanding the status of the sales process and reviewing correspondence from purchasers and prospective purchasers. This included consideration of any relevant disposal provisions with reference to the sales agreements and supporting documentation. We also assessed the classification of disposed businesses and other assets held for sale as discontinued operations against the relevant criteria in the accounting standard.</p>

Independent Auditor's report

Risk	How the scope of our audit responded to the risk
<p>Revenue recognition – network commissions</p> <p>Commission receivable on sales, being commission which is contractually committed, and for which there are no ongoing performance obligations, is dependent on customer behaviour beyond the point of sale. Management is therefore required to exercise judgement in respect of the level of customer default within the contract period, expected levels of customer spend and customer behaviour beyond the initial contract period. The key judgements and estimates involved are described in more detail in notes 1d) and 1u) to the Group financial statements.</p>	<p>We evaluated the design and implementation of both the manual and automated controls over the revenue recognition process in respect of commissions receivable, utilising IT specialists to assist with testing of automated controls. In addition we tested that these controls were operating effectively throughout the period.</p> <p>We have tested the valuation of revenue recognised through review of the Group's contractual arrangements, substantive testing of management assumptions including tenure, line rental, and churn to third party network data and testing of subsequent cash receipts. We have also assessed any changes in estimate in comparison to the prior year and reviewed year on year movement in key assumptions.</p>
<p>Supplier funding</p> <p>The Group holds a number of significant funding arrangements with suppliers. Agreements in relation to supplier funding are based predominantly on volume-related targets, for both purchases and sales, and are most commonly agreed as a fixed percentage of targets upfront. These targets are generally a mix of quarterly and annual targets and are mostly coterminous with the Group's year end. The timing of recognition of this income is sometimes judgemental, in particular where the target period for measuring achievements spans the year end and it is necessary to ensure there is sufficient formal documentation justifying recognition. As a result, and given the increased focus on this area by management and investors, we have elevated the treatment of supplier funding to be a significant risk area this year. The key judgements and estimates involved are described in more detail in note 1u) to the Group financial statements.</p>	<p>We obtained an understanding of the key supplier funding arrangements across the Group. As part of this, we met with the key commercial and finance process owners, we tested the design and implementation of the Group's key controls in operation, principally focused on those that determine the appropriate timing of recognition for supplier funding balances, and we performed an analytical assessment of movements in supplier funding throughout the current year to historical trends.</p> <p>To ensure there is sufficient evidence to support the recognition of supplier funding, we substantively tested and recalculated a sample of amounts with reference to third party contracts. We also obtained confirmations received following circularisation of a sample of suppliers.</p>
<p>Inventory provisioning</p> <p>Inventory is a significant balance for the Group (£920 million at 2 May 2015) and there are a number of judgemental areas including obsolescence and shrinkage provisioning. This risk has a significant effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team in the legacy Dixons side of the business only, given the nature and relative significance of the inventory balances within each part of the Group. Further information in relation to this area is discussed in notes 1q) and 1u) to the Group financial statements.</p>	<p>We have performed testing of the operating effectiveness of controls around the inventory business cycle and attended a sample of inventory counts at 31 stores and distribution centres across the UK and Nordics, including visiting the Group's main distribution centre in Newark on five separate occasions, which enables us to assess management's processes for monitoring inventory. We performed audit tests to assess whether inventory is valued at the lower of cost and net realisable value. We reviewed, recalculated and assessed the inventory ageing and provisioning for reasonableness, including challenging the appropriateness of provisioning with reference to both historical and post year end performance and a review of the provision as a percentage of gross stock year on year. We have also considered the impact of range changes and other specific known areas of over-stock on the required provision calculation.</p>
<p>Taxation</p> <p>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, including with respect to transfer pricing, thereby requiring the use of estimates and assumptions which may be subsequently challenged by the relevant tax authorities.</p> <p>Further information in relation to this area is discussed in notes 1k) and 1u) to the Group financial statements.</p>	<p>We used our internal tax specialists to evaluate and test management's assumptions in respect of tax related provisions, including assessment against local tax legislation and review of supporting documentation.</p>

Last year our report included one other risk which is not included in our report this year and related to the Group's announcement of its planned exit from the French retail market in April 2013. The Dixons Retail plc audit report also included risks related to non-underlying items, defined benefit pension assumptions and customer support agreement revenue recognition. In the new enlarged Group, these risks do not represent areas that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 49 and 50.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

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.

We determined materiality for the group to be £14.0 million, which is below 5% of adjusted Headline profit before tax, and below 1% of equity. In using adjusted headline profit before tax, we have followed the Group's definition of Headline results in note 1a) and adjusted this to include the impact of the amortisation of acquisition intangibles and pension finance costs due to their recurring nature. 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.

In 2013/14 materiality was £6.0 million, below 5% of Headline profit before tax and below 2% of equity.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £500,000 (2013/14: £120,000), 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

We have reassessed our group audit scope following the acquisition of Dixons Retail plc and accordingly have no longer performed full scope audits in Portugal or Ireland.

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 operating under the Dixons and Carphone brands in the UK, and those operations in the Nordics, Germany, Spain and the Netherlands. Each of these components requires a local statutory audit. These locations represent the principal business units and account for approximately 93% of the Group's revenue arising from continuing operations (2013/14: 95%). In addition, an audit of specified account balances was performed in Greece. 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 a level of materiality applicable to each individual entity which was lower than group materiality and ranged from £1.0 million to £8.0 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 two 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 each year. For the period ended 2 May 2015, a senior member of the Group audit team visited Norway, Spain, and Germany. In years when we do not visit a particular significant component we will include the component audit team in our team briefing, discuss their risk assessment, and review documentation of the findings from their work.

Independent Auditor's report

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; and
- 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.

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.

Corporate Governance statement

Under the Listing Rules we are also required to review the part of the Corporate Governance statement relating to the company's compliance with 10 provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report and Accounts

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report and Accounts is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the Annual Report and Accounts appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.



John Adam (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
16 July 2015

Consolidated income statement

	Note	13 months ended 2 May 2015			Year ended 29 March 2014		
		Headline* £million	Non-Headline* £million	Total £million	Headline* £million	Non-Headline* £million	Total £million
Continuing operations							
Revenue	2	8,255	—	8,255	1,943	—	1,943
Profit / (loss) from operations before share of results of joint ventures		400	(76)	324	134	(28)	106
Share of results of joint ventures	23	—	—	—	3	(23)	(20)
Profit / (loss) before interest and tax	2,3	400	(76)	324	137	(51)	86
Finance income		15	—	15	8	—	8
Finance costs		(39)	(13)	(52)	(17)	—	(17)
Net finance costs		(24)	(13)	(37)	(9)	—	(9)
Profit / (loss) before tax		376	(89)	287	128	(51)	77
Income tax (expense) / credit	7	(91)	15	(76)	(25)	6	(19)
Profit / (loss) after tax – continuing operations		285	(74)	211	103	(45)	58
Loss after tax – discontinued operations	24	—	(114)	(114)	—	(10)	(10)
Profit / (loss) after tax for the period		285	(188)	97	103	(55)	48
Earnings per share (pence)	8						
Basic – continuing operations		29.7p		22.0p	18.6p		10.4p
Diluted – continuing operations		28.7p		21.2p	18.3p		10.3p
Basic – total				10.1p			8.6p
Diluted – total				9.8p			8.5p

* Headline results exclude amortisation of acquisition intangibles, Merger integration and transaction costs, CPW Europe Acquisition related items, Phone House France operating and closure costs whilst it formed part of the CPW Europe joint venture, net interest on defined benefit pension schemes and discontinued operations (comprising Virgin Mobile France and Phone House operations in France, Germany, Netherlands and Portugal). Such excluded items are described as 'Non-Headline'. For further details see notes 4 and 24 to the financial information.

† The results for the year ended 29 March 2014 have been restated to recognise the results of the operations in France, Germany, Netherlands and Portugal as discontinued operations.

Consolidated statement of comprehensive income

	13 months ended 2 May 2015 £million	Year ended 29 March 2014 £million
Profit after tax for the period	97	48
<i>Items that may be reclassified to the income statement in subsequent years</i>		
Cash flow hedges		
Fair value remeasurement losses	(14)	—
Gains transferred to carrying amount of inventories	4	—
Movements in relation to interest rate hedges	—	2
Exchange differences arising on translation of foreign operations	(107)	(8)
Other foreign exchange differences	3	(3)
	(114)	(9)
<i>Items that will not be reclassified to the income statement in subsequent years:</i>		
Actuarial losses on defined benefit pension schemes		
— UK	(72)	—
— Overseas	(1)	—
Deferred tax on actuarial losses on defined benefit pension schemes	15	—
Foreign exchange movements	(1)	—
	(59)	—
Other comprehensive expense for the period (taken to equity)	(173)	(9)
Total comprehensive (expense) / income for the period	(76)	39

Consolidated balance sheet

	Note	2 May 2015 £million	29 March 2014 £million
Non-current assets			
Goodwill	9	2,989	481
Intangible assets	10	525	136
Property, plant & equipment	11	327	90
Trade and other receivables	13	318	191
Deferred tax assets	7	263	54
		4,422	952
Current assets			
Inventory	12	920	240
Trade and other receivables	13	907	821
Cash and cash equivalents	14	163	283
		1,990	1,344
Assets held for sale	24	137	11
Total assets		6,549	2,307
Current liabilities			
Trade and other payables	15	(1,961)	(869)
Deferred consideration	16	(25)	(25)
Income tax payable		(89)	(36)
Loans and other borrowings		(55)	—
Finance lease obligations	18	(2)	(1)
Provisions	19	(54)	(50)
		(2,186)	(981)
Liabilities associated with assets held for sale	24	(68)	—
		(2,254)	(981)
Non-current liabilities			
Trade and other payables	15	(496)	(113)
Deferred consideration	16	(6)	(25)
Loans and other borrowings	17	(330)	(290)
Finance lease obligations	18	(89)	—
Retirement benefit obligations	20	(489)	—
Deferred tax liabilities	7	(101)	(18)
Provisions	19	(21)	—
		(1,532)	(446)
Total liabilities		(3,786)	(1,427)
Net assets		2,763	880
Capital and reserves			
Share capital	21	1	1
Share premium reserve		2,256	283
Accumulated profits		1,369	1,355
Translation reserve		(113)	(9)
Demerger reserve		(750)	(750)
Equity attributable to equity holders of the parent company		2,763	880

The financial statements were approved by the directors on 16 July 2015 and signed on their behalf by:



Sebastian James,
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 April 2013		1	170	1,238	2	(750)	661
Profit for the period		—	—	48	—	—	48
Other comprehensive income and expense recognised directly in equity		—	—	2	(11)	—	(9)
Total comprehensive income and expense for the period		—	—	50	(11)	—	39
Ordinary shares issued		—	113	103	—	—	216
Net purchase of own shares		—	—	(12)	—	—	(12)
Equity dividends	22	—	—	(30)	—	—	(30)
Tax on items recognised directly through reserves		—	—	6	—	—	6
At 29 March 2014		1	283	1,355	(9)	(750)	880
Profit for the period		—	—	97	—	—	97
Other comprehensive income and expense recognised directly in equity		—	—	(69)	(104)	—	(173)
Total comprehensive income and expense for the period		—	—	28	(104)	—	(76)
Ordinary shares issued	21	—	1,973	—	—	—	1,973
Equity dividends	22	—	—	(52)	—	—	(52)
Net movement in relation to share schemes		—	—	21	—	—	21
Tax on items recognised directly in reserves		—	—	17	—	—	17
At 2 May 2015		1	2,256	1,369	(113)	(750)	2,763

Consolidated cash flow statement

	Note	13 months ended 2 May 2015 £million	Restated Year ended 29 March 2014 £million
Operating activities – continuing operations			
Cash generated from operations	26	110	413
Special contributions to defined benefit pension scheme		(28)	–
Income tax paid		(39)	(15)
Net cash flows from operating activities		43	398
Investing activities – continuing operations			
Interest received		1	2
Net cash outflow arising from CPW Europe Acquisition		(25)	(317)
Cash acquired on the Merger		347	–
Proceeds from disposal of property, plant & equipment		11	10
Proceeds on sale of business and short term investments		8	5
Acquisition of property, plant & equipment and other intangibles		(166)	(57)
Net receipts from joint ventures		–	2
Net cash flows from investing activities		176	(355)
Financing activities – continuing operations			
Settlement of financial instruments		–	3
Interest paid		(30)	(14)
Repayment of obligations under finance leases		(7)	(2)
Issue of shares		–	124
Net purchase of own shares		–	(12)
Equity dividends paid		(52)	(30)
(Decrease) / increase in borrowings		(211)	19
Bond redemption premium		(38)	–
Facility arrangement fees paid		(4)	(6)
Net cash flows from financing activities		(342)	82
(Decrease) / increase in cash and cash equivalents			
Continuing operations		(123)	125
Discontinued operations	24	3	41
		(120)	166
Cash and cash equivalents at beginning of the period		283	117
Currency translation differences		–	–
Cash and cash equivalents at end of the period	26	163	283

Notes to the Group financial statements

1 Accounting policies

a) Basis of preparation

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.

As described in note 23, on 6 August 2014, the Group completed the merger of Dixons and Carphone, which was implemented by way of a scheme of arrangement of Dixons. The Company has been renamed Dixons Carphone plc. Under the terms of the Merger, Dixons Shareholders received 0.155 of a new Dixons Carphone Share in exchange for each Dixons share. In accordance with the criteria set out in IFRS 3 'Business Combinations' it has been determined that Carphone acquired Dixons.

Certain line item descriptions within the income statement and balance sheet have been adapted to better represent the newly merged group and are intended to be presented on this basis going forwards.

Historically, the Group prepared its financial statements to the Saturday closest to its accounting reference date of 31 March. Following the Merger, the Group changed its accounting reference date to 30 April which was the accounting reference date of Dixons, but will continue to draw up accounts to the nearest Saturday. Accordingly the current financial period is for the 13 months ended 2 May 2015 whilst the comparative period is for the 12 month period ended 29 March 2014.

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 a more accurate reflection 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, any exceptional items considered so one off and material that they distort underlying performance (such as reorganisation costs, impairment charges and other non-recurring charges) 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 operations of the Group.

Non-Headline items in the current and prior year comprise amortisation of acquisition intangibles, Merger integration and transaction costs, CPW Europe Acquisition related items, Phone House France operating and closure costs whilst it formed part of the CPW Europe joint venture, net interest on defined benefit pension schemes and discontinued operations (comprising Virgin Mobile France and Phone House operations in France, Germany, Netherlands and Portugal). A reconciliation of Headline profit and losses to total profits and losses is shown in note 2. 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 and the exclusion of pension interest is such an item applicable to the 13 months ended 2 May 2015. 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 results for the year ended 29 March 2014 have been restated to recognise the results of the operations in France, Germany, Netherlands and Portugal as discontinued operations. Therefore financial information in the income statement, cash flows statement and associated notes have been restated to reflect this classification.

Gains on disposal of non-core businesses in Southern Europe have been included in Headline results net of restructuring costs. The net impact of these activities totalled £5 million.

Since the period ended 2 November 2014, the Group applied adjustments to the fair values of assets and liabilities acquired through the Merger. These adjustments resulted in the fair value of identifiable net liabilities acquired reducing from £656 million to £647 million resulting in a reduction in the goodwill recognised from £2,638 million to £2,629 million.

Going concern

The Group's funding arrangements and processes for managing its exposure to liquidity risk are set out in notes 17 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. This review considered the implications of the Merger and the continuing uncertainty in Greece, including the effect on forecast cash flows and changes to the Group's financing facilities. 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 17 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.

Notes to the Group 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.

The results of overseas operations are translated at the average foreign exchange rates for the year, and their balance sheets are translated at the rates prevailing at the balance sheet date. Goodwill is held in the currency of the operation to which it relates. 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		Closing	
	2015	2014	2015	2014
Euro	1.28	1.19	1.35	1.21
Norwegian Krone	10.86	—	11.51	—
Swedish Krona	11.85	10.36	12.72	10.82

d) 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:

- 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 customer support agreements is recognised over the life of the agreement by reference to the stage of completion of the transaction at the balance sheet date;
- revenue arising on services is recognised when the relevant services are provided;
- commission receivable on sales, being commission which is contractually committed, and for which there are no ongoing performance obligations, is recognised when the sales to which the commission relates are made, net of any provision for promotional offers and network operator performance penalties. Commission includes a share of customer airtime spend, to the extent that it can be reliably measured and there are no ongoing service obligations. Where the time value of money has a material impact, an appropriate discount is applied such that revenue is recognised at an amount equal to the present value of the future consideration to be received;
- other ongoing revenue is recognised as it is earned over the lives of the relevant customers;
- volume bonuses receivable from network operators are recognised when the conditions on which they are earned have been met;
- insurance premiums are typically paid either monthly or quarterly in advance. Sales commission paid by 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. Insurance premium income for the provision of ongoing insurance services is recognised over the lives of the relevant policies;
- revenue from the sale of prepaid credits is deferred until the customer uses the airtime or the credit expires; and
- revenue generated from the provision of fixed and mobile network services is recognised as it is earned over the lives of the relevant customers.

e) Other income, including non-operating income

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

obtains the right to consideration by performance of its contractual obligations. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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 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.

If a share-based payment scheme is cancelled, any remaining part of the fair value of the scheme is expensed through the income statement. If a share-based payment scheme is forfeited, no further expense is recognised and any charges previously recognised through the income statement are reversed.

Charges also arise on loans that are provided to employees to fund the purchase of shares as part of long term incentive plans. To the extent to which the loans are not, in certain circumstances, repayable, the cost of the relevant part of such loans is expensed over the course of the relevant incentive plans.

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 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) Dividends

Interim dividends are recognised in the year in which they are paid. Final dividends are recognised as a liability in the year in which they are approved by shareholders.

j) 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

Finance leases

Assets held under finance leases are capitalised at their fair value on acquisition or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease and depreciated over their estimated useful lives or the lease term if shorter. The corresponding obligation to the lessor is included in the balance sheet as a liability. Lease payments are apportioned between finance charges and reduction of the lease obligation. Finance charges are charged to the income statement over the term of the lease in proportion to the capital element outstanding.

Notes to the Group financial statements

Operating leases

Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Contingent rentals arising under operating leases are recognised as an expense in the 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.

k) 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 reserves, in which case it is recognised directly in reserves.

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

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

l) 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 Cash Generating Unit (CGU) 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 CGUs to which the goodwill relates. Where the future 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.

m) 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.

In respect of customer relationships, the value attributed is based on the future economic benefit that is expected to be derived from them, calculated as the present value of future cash flows after a deduction for contributory assets.

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

Brands	7% to 20% per annum
Customer relationships	13% to 50% per annum

Software and licences

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

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

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

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

n) 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.

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

Land and buildings	1½% – 4% per annum
Fixtures, fittings and equipment	10 – 33½% 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.

o) Financial assets and investments

The Group's financial assets comprise cash and cash equivalents, and those receivables which involve a contractual right to receive cash from external parties. Financial assets comprise all items shown in notes 13 and 14 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 17 and 25, are classified as 'loans and receivables' and 'held for trading unless designated in a hedge relationship', respectively. Trade and other receivables (excluding derivative financial assets) are classified as 'loans and receivables'.

Investments, other than subsidiaries and joint ventures, are initially recognised at cost, being the fair value of the consideration given plus any transaction costs associated with the acquisition. Investments are categorised as available-for-sale and are then recorded at fair value. Changes in fair value, together with any related taxation, are taken directly to reserves, and recycled to the income statement when the investment is sold or determined to be impaired.

p) Interests in joint ventures

Interests in joint ventures are accounted for using the equity method. The consolidated income statement includes the Group's share of the post-tax profits or losses of the joint ventures based on their financial statements for the year. In the consolidated balance sheet, the Group's interests in joint ventures are shown as a non-current asset in the balance sheet, representing the Group's investment in the share capital of the joint ventures, as adjusted by post-acquisition changes in the Group's share of the net assets or liabilities less provision for any impairment. Any associated goodwill is included within the carrying value of the investment and is assessed for impairment as part of that investment.

Where a joint venture has net liabilities, any loans advanced to it are included in the Group's equity accounted investment in it. Where a joint venture has net assets, any loans advanced to it are shown separately in the balance sheet, as a receivable to the Group.

q) Inventories

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

r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, bank overdrafts and short term highly liquid deposits with a maturity of three months or less and which are subject to an insignificant risk of changes in value. Bank overdrafts, which form part of cash and cash equivalents for the purpose of the cash flow statement, are shown under current liabilities.

s) 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 15 to 18 with the exception of other taxation and social security, deferred income and other non-financial creditors.

Borrowings

Borrowings in the Group's balance sheet represent committed and uncommitted bank loans. Borrowings are initially recorded at the consideration received less directly 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.

Notes to the Group financial statements

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 recorded at cost. Derivative financial instruments, are initially recorded at fair value and then subsequently remeasured to fair value at each balance sheet date and are held within assets or liabilities as appropriate. Gains and losses arising from revaluation at the balance sheet date are recognised in the income statement unless the derivatives are designated as hedges and such hedges are proved to be effective.

t) 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.

Provisions fall into the following categories:

Reorganisation

Reorganisation provisions relate principally to the costs of onerous leases, redundancy costs and other onerous contracts, 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

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.

Other

Other provisions relate mainly 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 costs associated with onerous contracts.

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

u) Critical accounting judgements and key sources of estimation uncertainty

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

Whilst every effort is made to ensure that such estimates and assumptions are reasonable, by their nature they are uncertain, and as such changes in estimates and assumptions may have a material impact. The principal items subject to such estimates and assumptions are as follows:

Revenue recognition

Commission receivable on mobile phone sales depends for certain transactions on customer behaviour after the point of sale. Assumptions are therefore required, particularly in relation to levels of customer default within the contract period, expected levels of customer spend, and customer behaviour beyond the initial contract period. Such assumptions are based on extensive historical evidence, and provision is made for the risk of potential changes in customer behaviour. Changes in estimates recognised as an increase to revenue may be made, where for example more reliable information is available, and any such changes are required to be recognised in the income statement. Changes of estimates in relation to commission receivable after the initial contract term for sales originating in previous years totalled £33 million (2013/14: £18 million). The total value of ongoing revenues receivable was £629 million (2013/14: £525 million).

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 to match the proportion of the expected costs of fulfilling the Group's total obligations under the agreements. An estimate of the degree of performance of these contractual obligations is determined by reference to extensive historical claims data.

For both commission receivable on mobile phone sales and revenue from customer support agreements, reliance on historical data assumes that current and future experience will follow past trends. The directors consider that the quantity and quality of data available provides an appropriate proxy for current trends.

Income received from suppliers such as volume rebates

The Group has provided enhanced disclosure on supplier funding following guidance issued by the Financial Reporting Council in December 2014. 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.

Inventory valuation

Inventories are valued at the lower cost and net realisable value. Cost comprises direct purchase cost and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated and directly attributable costs of completion and costs to be incurred in marketing, selling and distribution. Net realisable value includes, where necessary, provisions for slow moving and damaged inventory. The provision represents the difference between the cost of stock and its estimated net realisable value, based on ageing and other factors. Calculation of these provisions requires judgements to be made which include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

Recoverable amount of non-current assets

All non-current assets, including goodwill and other intangible assets, are reviewed for potential impairment using estimates of the future economic benefits attributable to them. Any estimates of future economic benefits made in relation to non-current assets may differ from the benefits that ultimately arise and materially affect the recoverable value of the asset. The methodology used in assessing the carrying value of goodwill is set out in note 9 and in respect of intangible assets and property, plant & equipment in note 1n).

Acquisition accounting

Accounting for the Merger (2013/14: the CPW Europe Acquisition) involved the use of assumptions in relation to the future cash flows associated with acquisition intangibles, and the use of valuation techniques in order to arrive at the fair value of the other non-current assets and liabilities acquired. The assumptions applied were based on the best information available to management and valuation techniques were supported by third party valuation experts. Nevertheless, the actual performance of these assets and liabilities may differ from the valuations derived through this exercise.

Discontinued operations and assets held for sale

The disposal of businesses and the recognition of assets held for sale at the lower of cost and fair value less costs to sell will often require judgement and estimation in relation to the value of expected future consideration and costs associated with the disposal. Such estimation will be based on the best information available up to the approval of the financial statements, but nevertheless the final outcomes may vary from that assumed.

Trade and other receivables

Provisions for irrecoverable receivables are based on extensive historical evidence and the best available information in relation to specific issues, but are unavoidably dependent on future events.

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. In such circumstances, the Group recognises liabilities for anticipated taxes due based on best information available and where the anticipated liability is probable and estimable. Where the final outcome of such matters differs from the amounts initially recorded, any differences will impact the income tax and deferred tax provisions in the year to which such determination is made. Where the potential liabilities are not considered probable, the amount at risk is disclosed unless an adverse outcome is considered remote.

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

Provisions

The Group's provisions are based on the best information available to management at the balance sheet date. However, the future costs assumed are inevitably only estimates, which may differ from those ultimately incurred.

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 salary increases, inflation rates, discount rates and member longevity. Such assumptions are based on actuarial advice and are benchmarked against similar pension schemes.

Notes to the Group financial statements

v) Recent accounting developments

The Group adopted the following standards during the year, none of which have had a material impact on the disclosures or amounts reported in the financial statements:

- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IAS 27 'Separate Financial Statements'
- IAS 28 'Investments in Associates and Joint Ventures'

The following new standards, which are applicable to the Group, have been published but are not yet effective and have not yet been adopted by the EU:

- IFRS 9 'Financial Instruments'. This standard is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and affects the accounting for financial assets.
- IFRS 15 'Revenue from Contracts with Customers' provides guidance on the recognition, timing and measurement of revenue.

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

Certain other new accounting standards, amendments to existing accounting standards and interpretations which are in issue but not yet effective, either do not apply to the 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.

Following the Merger, the Group operates four operating segments as described below. Comparative periods have been restated to reflect this change.

As explained in note 24, Virgin Mobile France, the Phone House operations in Germany, the Netherlands, Portugal and France as well as Dixons' operations in Czech Republic and Slovakia have been treated as discontinued operations and are therefore excluded from this segmental analysis.

The Group's reportable segments have been identified as follows:

- UK & Ireland comprises operations in the UK and Ireland as well as operations in airports in UK and Ireland.
- Nordics operates in Norway, Sweden, Finland, Denmark and Iceland.
- Southern Europe comprises operations in Spain and Greece.
- Connected World Services is the Group's B2B operation 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.

UK & Ireland, Nordics and Southern Europe are involved in the sale of consumer electronics and mobile technology products and services, primarily through stores or online channels.

Transactions between segments are on an arm's length basis.

2 Segmental analysis continued
(a) Segmental results

	13 months ended 2 May 2015						
	UK & Ireland £million	Nordics £million	Southern Europe £million	Connected World Services £million	Joint ventures £million	Eliminations £million	Total £million
Headline external revenue	5,506	2,055	564	130	—	—	8,255
Inter-segmental revenue	64	—	—	—	—	(64)	—
Total Headline revenue	5,570	2,055	564	130	—	(64)	8,255
Headline EBIT before share of results of joint ventures	313	60	20	7	—	—	400
Share of Headline results of joint ventures (post-tax)	—	—	—	—	—	—	—
Headline EBIT	313	60	20	7	—	—	400

During the 13 months ended 2 May 2015, there were no customers which represent more than 10% of the Group's revenue.

Reconciliation of Headline profit to total profit

	13 months ended 2 May 2015						
	Headline profit / (loss) £million	Amortisation of acquisition intangibles £million	CPW Europe Acquisition £million	Dixons Retail Merger £million	France closure £million	Pension scheme £million	Total profit / (loss) £million
UK & Ireland	313	(22)	—	(13)	—	—	278
Nordics	60	(10)	—	(4)	—	—	46
Southern Europe	20	(2)	—	—	—	—	18
Connected World Services	7	(1)	—	—	—	—	6
Unallocated	—	—	—	(24)	—	—	(24)
EBIT before share of results of joint ventures	400	(35)	—	(41)	—	—	324
Share of results of joint ventures	—	—	—	—	—	—	—
EBIT	400	(35)	—	(41)	—	—	324
Finance income	15	—	—	—	—	—	15
Finance costs	(39)	—	—	—	—	(13)	(52)
Profit / (loss) before tax	376	(35)	—	(41)	—	(13)	287

Unallocated Merger related costs comprise those that are not directly attributable to a specific segment.

Notes to the Group financial statements

2 Segmental analysis continued

(a) Segmental results continued

	Restated Year ended 29 March 2014						
	UK & Ireland £million	Nordics £million	Southern Europe £million	Connected World Services £million	Joint ventures £million	Eliminations £million	Total £million
Headline external revenue	1,427	81	378	57	—	—	1,943
Inter-segmental revenue	—	—	—	—	—	—	—
Total Headline revenue	1,427	81	378	57	—	—	1,943
Headline EBIT before share of results of joint ventures	114	(2)	18	4	—	—	134
Share of Headline results of joint ventures (post-tax)	—	—	—	—	3	—	3
Headline EBIT	114	(2)	18	4	3	—	137

Included within total revenue is income from two MNOs of approximately £450 million and £400 million, respectively. No other customers or MNOs represent more than 10% of the Group's revenue.

Reconciliation of Headline profit to total profit

	Restated Year ended 29 March 2014						
	Headline profit / (loss) £million	Amortisation of acquisition intangibles £million	CPW Europe Acquisition £million	Dixons Retail Merger £million	France closure £million	Pension scheme £million	Total profit / (loss) £million
UK & Ireland	114	(8)	—	—	—	—	106
Nordics	(2)	(1)	—	—	—	—	(3)
Southern Europe	18	(4)	—	—	—	—	14
Connected World Services	4	—	—	—	—	—	4
Unallocated	—	—	(15)	—	—	—	(15)
EBIT before share of results of joint ventures	134	(13)	(15)	—	—	—	106
Share of results of joint ventures	3	—	—	—	(23)	—	(20)
EBIT	137	(13)	(15)	—	(23)	—	86
Finance income	8	—	—	—	—	—	8
Finance costs	(17)	—	—	—	—	—	(17)
Profit / (loss) before tax	128	(13)	(15)	—	(23)	—	77

2 Segmental analysis continued

b) 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.

c) Other information

	Non-current assets*		Capital expenditure		Depreciation/Amortisation	
	13 months ended 2 May 2015 £million	Restated Year ended 29 March 2014 £million	13 months ended 2 May 2015 £million	Restated Year ended 29 March 2014 £million	13 months ended 2 May 2015 £million	Restated Year ended 29 March 2014 £million
UK & Ireland	2,916	744	127	52	106	36
Nordics	1,152	2	30	1	32	2
Southern Europe	86	80	4	4	9	7
Connected World Services	5	—	5	—	2	—
	4,159	826	166	57	149	45

*Non-current assets above exclude deferred tax assets and assets related to discontinued operations.

3 Revenue and profit / (loss) before interest and taxation before share of results of joint ventures

	13 months ended 2 May 2015			Restated Year ended 29 March 2014		
	Headline £million	Non-Headline £million	Total £million	Headline £million	Non-Headline £million	Total £million
Revenue	8,255	—	8,255	1,943	—	1,943
Cost of sales	(6,118)	—	(6,118)	(1,392)	—	(1,392)
Gross profit	2,137	—	2,137	551	—	551
Operating expenses	(1,737)	(76)	(1,813)	(417)	(28)	(445)
Profit / (loss) before interest and taxation	400	(76)	324	134	(28)	106

Revenue can be further analysed as follows:

	13 months ended 2 May 2015			Restated Year ended 29 March 2014		
	Headline £million	Non-Headline £million	Total £million	Headline £million	Non-Headline £million	Total £million
Sale of goods	5,641	—	5,641	394	—	394
Revenue from services	2,614	—	2,614	1,549	—	1,549
	8,255	—	8,255	1,943	—	1,943

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

Notes to the Group financial statements

3 Revenue and profit / (loss) before interest and taxation before share of results of joint ventures continued

Profit / (loss) before interest and taxation for continuing operations is stated after charging / (crediting) the following:

	13 months ended 2 May 2015 £million	Restated Year ended 29 March 2014 £million
Depreciation of property, plant & equipment	83	17
Amortisation of acquisition intangibles	35	13
Amortisation of other intangibles	31	15
Impairment of trade receivables	8	14
Impairment of inventory	68	26
Loss on disposal of property, plant & equipment	5	—
Cost of inventory recognised as an expense	6,069	1,447
Rentals paid under operating leases:		
Non-contingent rent	304	71
Contingent rent	22	—
Rentals received under operating leases – subleases	(5)	(1)
Investment property rental income	(1)	(2)
Net foreign exchange losses	1	—
Share-based payments expense	10	4
Other employee costs (see note 5)	890	226

Auditor's remuneration comprises the following:

	13 months ended 2 May 2015 £million	Year ended 29 March 2014 £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	1.9	1.3
Total audit fees	2.0	1.4
Tax advisory services	0.2	0.5
Tax compliance services	0.2	0.2
Other assurance services	1.3	0.6
Other services	0.2	—
	3.9	2.7

The Group's share of audit fees in the year for joint ventures was £nil (2013/14: £0.1 million) and the Group's share of fees for their tax and other services was £nil (2013/14: £0.1 million). Other assurance services relate primarily to the Merger in respect of which the external auditor acted as reporting accountant whilst 2013/14 related primarily to the CPW Europe Acquisition, in respect of which the external auditor acted as reporting accountant.

4 Non-Headline items

	Note	13 months ended 2 May 2015 £million	Restated Year ended 29 March 2014 £million
Included in profit / (loss) before interest and tax:			
Amortisation of acquisition intangibles	(i)	(35)	(13)
Exceptional items – CPW Europe Acquisition	(ii)	–	(15)
– Dixons Retail Merger	(iii)	(41)	–
Share of results of joint ventures exited (post-tax)	(iv)	–	(23)
		(76)	(51)
Included in net finance costs:			
Net non-cash finance costs on defined benefit pension schemes	(v)	(13)	–
		(89)	(51)
Tax on Non-Headline items			
		15	6
Total impact on profit / (loss) after tax			
		(74)	(45)

Non-Headline items also include discontinued operations, which comprise the results of Virgin Mobile France; the Phone House operations in Germany, the Netherlands, Portugal and France; and Electroworld in the Czech Republic and Slovakia (which had previously formed part of the discontinued operations of Dixons). The post-tax results of these businesses have been reported separately and are further described in note 24.

(i) Amortisation of acquisition intangibles:

A charge of £35 million arose during the year in relation to acquisition intangibles arising on the CPW Europe Acquisition and the Dixons Retail Merger.

(ii) Exceptional items – CPW Europe Acquisition:

	13 months ended 2 May 2015 £million	Year ended 29 March 2014 £million
CPW Europe Acquisition	–	(15)

The CPW Europe Acquisition which occurred on 26 June 2013 gave rise to the following exceptional items in the year ended 29 March 2014:

- Professional fees of £7 million, costs of £11 million associated with the early vesting of incentive schemes (of which £8 million were cash in nature) and a tax credit of £3 million was recognised in respect of these costs.
- A gain of £1 million resulting from the requirement of the Group to fair value its existing 50% interest in CPW Europe, which was considered to be equal to the £500 million gross consideration for Best Buy's 50% interest.
- Arrangements with Best Buy allowed the Group to manage the disposal of the Consideration Shares issued to Best Buy, and to benefit from any gain on disposal above a share price of £1.90. The Consideration Shares were placed at a price of £2.44, resulting in a net cash gain of £23 million for the Group. The gain implied by comparing the share price at completion, being £2.38 and £1.90, was treated as an adjustment to consideration and the remaining gain of £2 million was recorded in the income statement.

Notes to the Group financial statements

4 Non-Headline items continued

(iii) Exceptional items – Dixons Retail Merger:

	13 months ended 2 May 2015 £million	Year ended 29 March 2014 £million
Merger transaction costs	(9)	—
Merger integration costs	(32)	—
	(41)	—

The Dixons Retail Merger is described further in notes 1 and 23. The Merger has given rise to the following costs which have been treated as exceptional items:

- Merger costs comprise banking and professional fees in relation to the transaction.
- Merger integration costs relate to the reorganisation of the Group following the Merger and comprise the rationalisation of certain operational and support functions. These costs mainly comprise professional fees, employee severance and property costs associated with the integration process.

(iv) Share of joint ventures exited – Businesses exited:

In light of an increasingly challenging market, the closure of the Phone House France operations was announced in April 2013. Prior to the CPW Europe Acquisition, when the French operations were part of the CPW Europe joint venture, operating losses of £10 million were incurred and restructuring items comprised asset write-downs of £8 million and provisions for exit costs of £32 million principally covering redundancies and lease exit costs. A tax credit of £3 million was recognised against these items. The Group's post-tax share of these losses, asset impairments and restructuring costs was £23 million. The results of the Phone House France following the CPW Europe Acquisition on 26 June 2013 have been classified as discontinued operations following the completion of the closure during the 13 months ended 2 May 2015.

(v) 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.

5 Employee costs and share-based payments

a) Employee costs

The aggregate remuneration recognised in the income statement for continuing operations is as follows:

	13 months ended 2 May 2015 £million	Restated Year ended 29 March 2014 £million
Salaries and performance bonuses	781	197
Social security costs	89	27
Other pension costs	20	2
	890	226
Share-based payments	10	4
	900	230

Aggregate remuneration for discontinued operations are salaries and performance bonuses of £46 million (2013/14: £49 million), social security costs of £8 million (2013/14: £8 million) and other pension costs of £1 million (2013/14: £2 million).

The average number of employees for continuing operation is:

	13 months ended 2 May 2015 Number	Restated Year ended 29 March 2014 Number
UK & Ireland	23,582	5,332
Nordics	6,492	286
Southern Europe	2,675	1,298
Connected World Services	85	64
	32,834	6,980

The average number of employees for discontinued operations is 2,127 (2013/14: 1,727).

Compensation earned by key management, comprising the Board of directors and senior executives, is as follows:

	13 months ended 2 May 2015 £million	Year ended 29 March 2014 £million
Short term employee benefits	15	8
Termination benefits	1	—
Share-based payments	1	1
	17	9

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 Carphone Warehouse Share Plan. In addition, during the year ended 29 March 2014 loans were advanced to key management to cover the tax arising on the exercise of share options that vested as part of the CPW Europe Acquisition. At 2 May 2015, loans to key management in relation to these schemes totalled £16 million (2014: £10 million). Interest is charged on loans at market rates and interest of £0.4 million has been recognised during the period (2013/14: £0.3 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.

Notes to the Group financial statements

5 Employee costs and share-based payments continued

b) Share-based payments

i) Share Plan

During the year ended 29 March 2014, the Group introduced the Share Plan which allows 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 three month period prior to the announcement of preliminary merger discussions in February 2014) and beyond an annual rate of return of 7% on invested capital. The plan is underpinned by a minimum annual compound TSR growth of 5% and outperformance of the median TSR of the FTSE 250.

Participants acquired at market value participation shares in a subsidiary company 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 are ordinarily repayable in full if performance conditions are met.

The performance of the scheme will ordinarily be measured on or around June 2017, when 60% of the shares vest, with 40% deferred for a further year. When the awards vest, the value of the shares held by participants will be based on the incremental value (if any) of Dixons Carphone in excess of the opening valuation together with the minimum return on invested capital. These shares will then be purchased by the Company for cash and / or the Company's ordinary shares.

A 'bad leaver' will be 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 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 plan may 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 reorganisation.

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 who are not participants in the Share Plan.

Options were first granted under the scheme in January 2014. The options are subject to continuing employment and are subject to performance conditions based on a combination of absolute TSR performance and relative TSR performance against the FTSE 250 or FTSE 350.

Following the Merger with Dixons Retail plc on 6 August 2014, the Company assumed the obligation to satisfy outstanding Dixons share options awarded under the Retail Employee Share Option Scheme and Executive Share Option Plan, with employees eligible to acquire 0.155 Dixons Carphone shares for each Dixons option held. All outstanding Dixons awards had vested before the Merger, and were exercisable within six months post Merger.

Prior to the CPW Europe Acquisition, CPW Europe had a share option scheme, under which participants received options over A shares in New CPW and each of Best Buy and the Company had an obligation to acquire 50% of these shares at a value based on the Headline PBT of CPW Europe over the vesting period. The pool was based on earnings in excess of minimum growth targets, against the earnings for the year ended 31 March 2009. The Company and Best Buy agreed a minimum value of the pool, in recognition of the value that had already accrued in the scheme in relation to Best Buy Mobile.

In order to align the interests of participants with those of the Company, the value of the A shares in New CPW were assessed at defined points during the vesting period, and nil-priced options over shares in the Company were granted to participants through the Participation Plan to match this value, so that participants benefited from any growth in the market capitalisation of the Company during the vesting period.

Further to the CPW Europe Acquisition the Remuneration Committee allowed the scheme to vest based on performance achieved to 31 March 2013. In addition to the Group's obligations under the scheme the Group also agreed to satisfy Best Buy's obligations under the scheme. During the year ended 29 March 2014, the Company issued 14 million shares in relation to these obligations.

5 Employee costs and share-based payments continued

b) Share-based payments continued

ii) Share option schemes continued

The following table summarises the number and weighted average exercise price of share options for these schemes:

	13 months ended 2 May 2015		Year ended 29 March 2014	
	Number million	WAEP £	Number million	WAEP £
Outstanding at the beginning of the year	9	—	5	—
Dixons options assumed on Merger	1	—	—	—
Granted during the year	11	—	18	—
Lapsed during the year	(3)	—	—	—
Exercised during the year	(1)	—	(14)	—
Outstanding at the end of the year	17	—	9	—
Exercisable at the end of the year	—	—	—	—
			13 months ended 2 May 2015	Year ended 29 March 2014
Weighted average market price of options exercised in the period			£4.18	£2.48
Weighted average remaining contractual life of awards outstanding			9.1 yrs	9.8 yrs
Exercise price for options outstanding			£nil	£nil

iii) SAYE scheme

During the year ended 29 March 2014, the Group introduced a SAYE scheme which allows 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.

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

The following table summarises the number and WAEP of share options for these schemes:

	13 months ended 2 May 2015		Year ended 29 March 2014	
	Number million	WAEP £	Number million	WAEP £
Outstanding at the beginning of the period	3	2.24	—	—
Dixons options assumed on Merger	6	1.20	—	—
Granted during the period	7	3.44	3	2.24
Exercised during the period	(2)	2.24	—	—
Lapsed during period	(1)	1.76	—	—
Outstanding at the end of the period	13	2.71	3	2.24
Exercisable at the end of the period	—	—	—	—
			13 months ended 2 May 2015	Year ended 29 March 2014
Weighted average market price of options exercised in the period			£3.82	n/a
Weighted average remaining contractual life of awards outstanding			2.8 yrs	3.9 yrs
Range of exercise prices for options outstanding			£0.92 – £3.44	£2.24

Notes to the Group financial statements

5 Employee costs and share-based payments continued

b) Share-based payments continued

iv) Joint venture incentive schemes

Virgin Mobile France issued market-priced and nil-priced share options in Virgin Mobile France to certain employees of the business. These options vested over periods of two to four years. Prior to completion of the disposal of Virgin Mobile France on 4 December 2014, these share options were exercised.

v) Fair value model

The fair value of options with external performance targets 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 Old Carphone Warehouse shares and, for options issued subsequent to the Merger on 6 August 2014, the historical performance of Dixons.

The weighted average fair value of options granted during the period was £1.62 (2013/14: £0.84). The following table lists the inputs to the model:

	13 months ended 2 May 2015	Year ended 29 March 2014
Exercise price	£nil	£nil
Dividend yield	2.2%	2.0%
Historical and expected volatility	33.7%	32.0%
Risk-free interest rate	2.8%	3.5%
Expected option life	10 yrs	10 yrs
Weighted average share price	£3.75	£2.71

vi) Charge to the income statement and entries in reserves

During the 13 months ended 2 May 2015, the Group recognised a non-cash accounting charge to profit and loss of £10 million (2013/14: £4 million) in respect of equity settled share-based payments, which is offset by an entry through reserves. This entry is offset in reserves by the non-recourse element of loans provided to participants in the Carphone Warehouse Share Plan.

c) Employee Share Ownership Trust (ESOT)

	2 May 2015			29 March 2014		
	Market value £million	Nominal value £million	Number million	Market value £million	Nominal value £million	Number million
Investment in own shares	4	—	0.9	16	—	4.9
Maximum number of shares held during the period	18	—	5.2	16	—	4.9

The Group has an ESOT for the purposes of satisfying potential awards to employees under the Group's share plans. The number of shares held by the Trust, which are shown in the table above, remain held for potential awards under outstanding plans. The costs of funding and administering the Trust 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 Trust.

The ESOT has waived its rights to receive dividends and its shares have not been allocated to specific schemes.

6 Net finance costs

	13 months ended 2 May 2015 £million	Year ended 29 March 2014 £million
Interest on cash and cash equivalents	—	1
Interest and other finance income from joint ventures	—	1
Unwind of discounts on trade receivables	15	6
Finance income	15	8
Interest on bank overdrafts and loans	(17)	(11)
Interest on deferred consideration	(1)	(1)
Finance lease interest payable	(4)	—
Net interest on defined benefit pension obligations	(13)	—
Unwind of discounts on liabilities	(11)	(2)
Amortisation of facility fees	(3)	(1)
Other interest expense	(3)	(2)
Finance costs	(52)	(17)
Total net finance costs	(37)	(9)
Headline total net finance costs	(24)	(9)

Headline finance costs exclude net interest on defined benefit pension obligations (see note 4).

Notes to the Group financial statements

7 Tax

a) Tax expense

The corporation tax charge comprises:

		13 months ended 2 May 2015 £million	Year ended 29 March 2014 £million
Current tax			
UK corporation tax at 20.92% ⁽ⁱ⁾ (2013/14 23%)	– Headline	61	10
	– Non-Headline	*	(12)
Overseas tax	– Headline	25	3
	– Non-Headline	*	(3)
		71	13
Adjustments made in respect of prior years:			
UK corporation tax		6	1
Overseas tax		(2)	(6)
		4	(5)
Total current tax			
		75	8
Deferred tax			
UK Tax	– Headline	10	19
	– Non-Headline	*	2
Overseas tax	– Headline	(2)	2
	– Non-Headline	*	(3)
		7	18
Adjustments in respect of prior years:			
UK Corporation tax	– Headline	(8)	(4)
	– Non-Headline	*	1
Overseas tax	– Headline	1	–
	– Non-Headline	*	–
		(6)	(7)
Total deferred tax			
		1	11
Total tax charge			
		76	19
Headline tax charge⁽ⁱⁱ⁾			
		91	25

(i) The UK corporation tax rate for the 13 months ended 2 May 2015 was 21% for the 12 months to 31 March 2015 and 20% thereafter (2013/14: 23% for the year ended 29 March 2014).

(ii) The Headline tax charge excludes those items marked *.

Tax related to discontinued operations is included in the figures set out in note 24.

7 Tax continued

b) Reconciliation of notional 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:

	13 months ended 2 May 2015			Year ended 29 March 2014		
	Headline £million	Non- Headline £million	Statutory £million	Headline £million	Non- Headline £million	Statutory £million
Profit / (loss) before taxation	376	(89)	287	128	(51)	77
Tax at UK statutory rate of 20.92% (2013/14: 23%)	79	(19)	60	29	(12)	17
Differences in effective overseas tax rates	7	(1)	6	—	—	—
Adjustments in respect of prior years	(2)	—	(2)	(9)	(3)	(12)
Items attracting no tax relief or liability	11	5	16	2	9	11
Movement in unprovided deferred tax	(5)	—	(5)	(1)	—	(1)
Exceptional write-off of tax assets and liabilities	—	—	—	—	1	1
Effect of change in statutory tax rate	—	—	—	4	(1)	3
Other differences	1	—	1	—	—	—
Total tax charge (credit)	91	(15)	76	25	(6)	19

The effective tax rate on Headline earnings of 24% (2013/14: 20%) has increased compared to the prior year due mainly to an increase in the proportion of taxable profits arising in higher rate jurisdictions, predominantly the Nordics.

Items attracting no tax relief or liability relate primarily to non-deductible lease exit costs (2013/14: related primarily to French operations).

c) Deferred tax

	Accelerated capital allowances £million	Retirement benefit obligations £million	Losses carried forward £million	Other temporary differences £million	Total £million
At 1 April 2013	—	—	—	1	1
CPW Europe Acquisition	27	—	3	14	44
Charged directly to income statement	(6)	—	—	(5)	(11)
Credited to equity	—	—	—	2	2
At 29 March 2014	21	—	3	12	36
Dixons Retail Merger	(41)	83	—	58	100
Credited / (charged) directly to income statement	3	—	1	(5)	(1)
Credited to equity	—	15	—	12	27
At 2 May 2015	(17)	98	4	77	162

Deferred tax comprises the following balances:

	2 May 2015 £million	29 March 2014 £million
Deferred tax assets	263	54
Deferred tax liabilities	(101)	(18)
	162	36

Notes to the Group financial statements

7 Tax continued

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

	13 months ended 2 May 2015 £million	Year ended 29 March 2014 £million
Actuarial losses on defined benefit pension schemes	15	—
Credited to comprehensive income	15	—
Share-based payments	12	2
	27	2

The Group has total unrecognised deferred tax assets relating to tax losses of £1,444 million (2013/14: £69 million). No deferred tax asset has been recognised in respect of the losses due to the lack of certainty regarding the availability of future taxable profits.

There were no temporary differences associated with undistributable earnings of subsidiaries for which deferred tax liabilities had not been recognised at the end of either year.

8 Earnings per share

	13 months ended 2 May 2015 £million	Restated Year ended 29 March 2014 £million
Headline earnings		
Continuing operations	285	103
Total earnings / (loss)		
Continuing operations	211	58
Discontinued operations	(114)	(10)
Total	97	48
	Million	Million
Weighted average number of shares		
Average shares in issue	964	558
Less average holding by Group ESOT	(3)	(3)
For basic earnings per share	961	555
Dilutive effect of share options and other incentive schemes	32	7
For diluted earnings per share	993	562
	Pence	Pence
Basic earnings per share		
Total (continuing and discontinued operations)	10.1	8.6
Adjustment in respect of discontinued operations	11.9	1.8
Continuing operations	22.0	10.4
Adjustments for Non-Headline – continuing operations (net of taxation)	7.7	8.2
Headline basic earnings per share	29.7	18.6
Diluted earnings per share		
Total (continuing and discontinued operations)	9.8	8.5
Adjustment in respect of discontinued operations	11.4	1.8
Continuing operations	21.2	10.3
Adjustments for Non-Headline – continuing operations (net of taxation)	7.5	8.0
Headline diluted earnings per share	28.7	18.3

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.

Notes to the Group financial statements

9 Goodwill

	2 May 2015 £million	29 March 2014 £million
At beginning of year	481	—
CPW Europe Acquisition (note 23)	—	484
Dixons Retail Merger (note 23)	2,629	—
Impairment	(35)	—
Foreign exchange	(86)	(3)
At end of year	2,989	481
Cost	2,989	481
Accumulated impairment	—	—
	2,989	481

a) Carrying value of goodwill

The components of goodwill comprise the following businesses:

	2 May 2015 £million	29 March 2014 £million
UK & Ireland – Dixons	1,633	—
UK – Carphone Warehouse	406	406
Ireland – Carphone Warehouse	6	8
Nordics	916	—
Spain	28	31
Netherlands	—	36
	2,989	481

The goodwill arising on the Dixons Retail Merger was allocated to the CGUs which were expected to benefit from the acquisition, based on value in use calculations. The Non-Headline impairment charge relates to the operations in the Netherlands as described in note 24.

9 Goodwill continued

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.

The long term projections, which have been approved by management, have been prepared using three year strategic plans as a base extrapolated to five years and which have regard to the relative performance of competitors and knowledge of the current market together with management's views on the future achievable growth in market share and 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:

	2 May 2015				29 March 2014			
	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 – Carphone Warehouse	3.2%	2.5%	2.9%	9.5%	1.9%	1.2%	1.9%	10.1%
UK & Ireland – Dixons	2.3%	2.0%	2.9%	9.5%	—	—	—	—
Nordics	4.9%	4.8%	2.2%	8.5%	—	—	—	—

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 likely 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			Software and licences £million	Total £million
	Brands £million	Customer relationships £million	Sub-total £million		
Balance at 30 March 2014	8	42	50	86	136
Dixons Retail Merger	365	8	373	30	403
Additions	—	2	2	86	88
Amortisation	(21)	(17)	(38)	(32)	(70)
Impairment	(1)	(6)	(7)	(3)	(10)
Disposal of business	—	(1)	(1)	—	(1)
Reclassification to held for sale	—	—	—	(2)	(2)
Foreign exchange	(15)	(2)	(17)	(2)	(19)
Balance at 2 May 2015	336	26	362	163	525
Cost	357	54	411	209	620
Accumulated amortisation and impairment losses	(21)	(28)	(49)	(46)	(95)
Balance at 2 May 2015	336	26	362	163	525

	Acquisition intangibles			Software and licences £million	Total £million
	Brands £million	Customer relationships £million	Sub-total £million		
Balance at 1 April 2013	—	—	—	—	—
CPW Europe Acquisition	10	56	66	54	120
Additions	—	—	—	48	48
Amortisation	(2)	(14)	(16)	(16)	(32)
Balance at 29 March 2014	8	42	50	86	136
Cost	10	56	66	102	168
Accumulated amortisation and impairment losses	(2)	(14)	(16)	(16)	(32)
Balance at 29 March 2014	8	42	50	86	136

Software and licences include assets with a cost of £35 million (2014: £14 million) on which amortisation has not been charged as the assets have not yet been brought into use.

Intangibles acquired as part of the Dixons Retail Merger

Acquisition intangibles included customer relationships and brands. Each class of intangible asset was independently valued by independent experts using appropriate valuation techniques. The primary intangible assets, their net book values and amortisation periods are as follows:

	Net book value £million	Amortisation period Years
CurrysPCWorld	163	15
Elgiganten	66	15
Elkjøp	54	15
Gigantti	32	15

Software and licences were independently valued using an amortised replacement cost method.

11 Property, plant & equipment

	Land and buildings £million	Fixtures, fittings and other equipment £million	Total £million
Balance at 30 March 2014	40	50	90
Dixons Retail Merger	70	196	266
Additions	4	81	85
Depreciation	(8)	(75)	(83)
Disposals	(9)	(5)	(14)
Transferred to assets held for sale	(2)	(2)	(4)
Impairment	(1)	(2)	(3)
Foreign exchange	(1)	(9)	(10)
Balance as at 2 May 2015	93	234	327
Cost	104	319	423
Accumulated depreciation	(11)	(85)	(96)
Balance as at 2 May 2015	93	234	327
Included in net book value as at 2 May 2015			
Land not depreciated	8	—	8
Assets in the course of construction	—	16	16
Assets held under finance leases	65	2	67
	Land and buildings £million	Fixtures, fittings and other equipment £million	Total £million
Balance at 1 April 2013	27	—	27
CPW Europe Acquisition	27	45	72
Additions	2	18	20
Depreciation	(6)	(12)	(18)
Disposals	(10)	—	(10)
Foreign exchange	—	(1)	(1)
Balance at 29 March 2014	40	50	90
Cost	47	62	109
Accumulated depreciation	(7)	(12)	(19)
Balance as at 29 March 2014	40	50	90
Included in net book value as at 29 March 2014			
Land not depreciated	5	—	5
Assets in the course of construction	1	7	8
Assets held under finance leases	—	3	3

Freehold land and buildings predominantly comprise the Group's investment property. The fair value of investment property was determined by an external, independent property valuation expert as £14 million (2014: £22 million). The valuation expert has appropriate recognised professional qualifications as well as recent experience in the location and category of the properties being valued. The valuation of properties was performed by reference to appropriate yield rates and market evidence of recent transactions. Future minimum lease income in respect of the Group's investment properties are set out in note 29.

Notes to the Group financial statements

12 Inventory

	2 May 2015 £million	29 March 2014 £million
Finished goods and goods for resale	920	240

13 Trade and other receivables

	2 May 2015 £million	29 March 2014 £million
Trade receivables	1,010	935
Less provision for bad and doubtful debts	(20)	(20)
	990	915
Prepayments	124	35
Other receivables	74	55
Accrued income	22	5
Derivative financial assets	15	2
	1,225	1,012
Non-current	318	191
Current	907	821
	1,225	1,012

The majority of trade and other receivables are non-interest bearing. Non-current receivables mainly comprise commission receivable on sales. Where the effect is material, trade and other receivables are discounted using discount rates which reflect the relevant costs of financing. The carrying amount of trade and other receivables approximates fair value.

	2 May 2015			29 March 2014		
	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	848	(6)	842	795	(2)	793
Past due:						
Under two months	52	(5)	47	49	(3)	46
Two to four months	17	—	17	39	(1)	38
Over four months	93	(9)	84	52	(14)	38
	162	(14)	148	140	(18)	122
	1,010	(20)	990	935	(20)	915

13 Trade and other receivables continued

Movements in the provision for impairment of trade receivables is as follows:

	2 May 2015 £million	29 March 2014 £million
Opening balance	(20)	—
Dixons Retail Merger	(19)	—
CPW Europe Acquisition	—	(23)
Charged to the income statement	(8)	(19)
Receivables written off as irrecoverable	16	22
Disposals	2	—
Transferred to assets held for sell	8	—
Foreign exchange	1	—
Closing balance	(20)	(20)

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.

	2 May 2015 £million	29 March 2014 £million
Under two months	47	46
Two to four months	17	38
Over four months	84	38
	148	122

14 Cash and cash equivalents

	2 May 2015 £million	29 March 2014 £million
Cash at bank and on deposit	163	283

Cash at bank and on deposit includes short term bank deposits which are available on demand. Within cash and cash equivalents, £92 million (2014: £26 million) is restricted and predominantly comprises funds held under trust to fund potential customer support agreement liabilities as well as by the Group's insurance businesses to cover regulatory reserve requirements. These funds are not available to offset group borrowings.

Notes to the Group financial statements

15 Trade and other payables

	2 May 2015		29 March 2014	
	Current £million	Non- current £million	Current £million	Non- current £million
Trade payables	1,097	—	565	113
Other taxes and social security	205	—	127	—
Derivative financial instruments	26	—	—	—
Other creditors	103	277	—	—
Accruals	384	72	166	—
Deferred income	146	147	11	—
	1,961	496	869	113

Non-current trade and other payables relate principally to property leases that are deemed to be over-rented. These liabilities are unwound over the period of the relevant lease, of up to 22 years. The carrying amount of trade and other payables approximates their fair value.

16 Deferred consideration

	2 May 2015		29 March 2014	
	Current £million	Non- current £million	Current £million	Non- current £million
Deferred consideration	25	6	25	25

Deferred consideration primarily relates to the CPW Europe Acquisition with £25 million payable to Best Buy in June 2015 (2014: payable to Best Buy in equal instalments in June 2014 and June 2015). The amount bears interest at 2.5% per annum.

17 Loans and other borrowings

	2 May 2015 £million	29 March 2014 £million
Non-current liabilities		
Loans and other borrowings	330	290
	330	290

Committed facilities

Until the Merger, the Group had a £650 million multi-currency term and revolving credit facility which matured in April 2017. This facility was split into two tranches: a £400 million revolving tranche and a term loan tranche of £250 million. The term loan facility reduced by £25 million during the year ended 2 May 2015 and amortises by a further £50 million on 30 June 2016.

These facilities were amended on completion of the Merger for specific requirements of Dixons, a temporary loosening of certain covenants and some other provisions specific to the Merger, but which otherwise remained on the same terms as previously agreed and will still mature in April 2017. In addition, the Company arranged a new £250 million revolving credit facility maturing on 29 April 2017.

The rate of interest payable on borrowings is a margin of 1.5% to 2.25% per annum over LIBOR or EURIBOR.

The facilities require guarantees to be provided by certain Group entities under the facilities.

Bank overdraft and other uncommitted facilities

The Group has overdraft and uncommitted money market facilities totalling approximately £157 million (2014: £95 million).

18 Finance lease obligations

	2 May 2015		29 March 2014	
	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	8	8	1	1
In more than one year and not more than five years	33	26	—	—
In more than five years	114	57	—	—
	155	91	1	1
Less future finance charges	(64)	—	—	—
Present value of lease obligations	91	91	1	1
Less amounts due within one year	(2)	(2)	(1)	(1)
Amounts due after more than one year	89	89	—	—

The majority of finance leases relate to properties in the UK which were acquired as part of the Merger where obligations are denominated in Sterling and remaining lease terms vary between 10 and 21 years. The effective borrowing rate on individual leases ranged between 5.51% and 8.15% (2014: 6.1%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

Notes to the Group financial statements

19 Provisions

	2 May 2015				29 March 2014			
	Reorganisation £million	Sales £million	Other £million	Total £million	Reorganisation £million	Sales £million	Other £million	Total £million
At beginning of period	22	10	18	50	—	—	7	7
CPW Europe Acquisition	—	—	—	—	35	11	17	63
Merger	31	—	27	58	—	—	—	—
Additions	39	2	7	48	—	3	4	7
Released in the period	(4)	—	—	(4)	—	—	(3)	(3)
Utilised in the period	(63)	(5)	(4)	(72)	(13)	(4)	(7)	(24)
Reclassification to held for sale	(1)	—	(1)	(2)	—	—	—	—
Disposal of business	—	—	(1)	(1)	—	—	—	—
Foreign exchange	(1)	(1)	—	(2)	—	—	—	—
At end of period	23	6	46	75	22	10	18	50
Analysed as:								
Current	20	6	28	54	22	10	18	50
Non-current	3	—	18	21	—	—	—	—
	23	6	46	75	22	10	18	50

A description of each provision is included in note 1.

Provisions recognised as part of the Merger primarily comprise provisions for onerous property lease contracts (within other) and Merger related costs (within reorganisation).

Additions during the year ended 2 May 2015 relate to restructuring charges arising from the Merger, restructuring provisions recognised by the businesses in Germany and the Netherlands prior to becoming discontinued operations held for sale and provisions recognised by the Group relating to the disposal of discontinued operations.

Other provisions include £25 million in relation to onerous property lease contracts at 2 May 2015.

Non-current provisions are expected to be utilised over a period up to ten years.

20 Retirement and other post-employment benefit obligations

	2 May 2015 £million	29 March 2014 £million
Retirement benefit obligations – UK	486	–
– Nordics	3	–
	489	–

The Group operates a defined benefit and a number of defined contribution schemes which were acquired as part of the Dixons Retail Merger.

The principal scheme which operates in the UK includes a funded defined benefit section whose assets are held in a separate trustee administered fund. The scheme is valued by a qualified actuary at least every three years and contributions are assessed in accordance with the actuary's advice. Since 1 September 2002, the defined benefit section of the scheme has been closed to new entrants and on 30 April 2010 was closed to future accrual with automatic entry into the defined contribution section being offered to those active members of the defined benefit section at that time. Membership of the defined contribution section is offered to eligible employees.

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. There has been a net movement in the obligation since the Merger and this principally relates to an actuarial loss of £1 million.

a) Defined contribution pension schemes

The pension charge in respect of defined contribution schemes was £20 million (2013/14: £4 million).

b) UK Defined benefit pension scheme – actuarial valuation and assumptions

A full actuarial valuation of the scheme was last carried out as at 31 March 2013 and showed a shortfall of assets compared with liabilities of £373 million. A 'recovery plan' based on this valuation was agreed with the Trustee post the Dixons Retail Merger such that contributions in respect of the scheme year end of 31 March of £25 million were made in 2014/15, rising to £35 million for 2015/16. Contributions rise to £47 million by 2024/25. The next triennial valuation will be as at 31 March 2016.

The principal actuarial assumptions as at 31 March 2013 were:

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

[†] 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) over a period of 30 years from 2013 to 2043 so that in 30 years' time the asset portfolio is projected to be 80% invested in matching assets.

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

Notes to the Group financial statements

20 Retirement and other post-employment benefit obligations continued

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 methodologies 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.

	2 May 2015 £million	29 March 2014 £million
Rates per annum		
Discount rate	3.5%	—
Rate of increase in pensions in payment / deferred pensions (pre / post April 2006 accrual)	2.9% / 1.9%	—
Inflation	3.1%	—

The Group uses demographic assumptions underlying the last formal actuarial valuation of the scheme as at 31 March 2013. In particular, post retirement mortality has been assumed to follow the standard mortality tables 'S1' All Pensioners tables published by the CMI, based on the experience of Self-Administered Pension Schemes (SAPS) with multipliers of 100% for males and 105% for females. In addition, an allowance has been made for future improvements in longevity from 2003 by using the new CMI 2013 Core projections with a long term rate of improvement of 1.5% per annum for men and 1.25% per annum for women. Applying such tables results in an average expected longevity of between 87.1 years and 88.8 years for men and between 88.8 years and 90.2 years for women for those reaching 65 over the next 15 years.

(ii) Amounts recognised in consolidated income statement

	13 months ended 2 May 2015 £million	Year ended 29 March 2014 £million
Net interest expense on defined benefit obligation	13	—

(iii) Amounts recognised in the consolidated statement of comprehensive income and expense:

	13 months ended 2 May 2015 £million	Year ended 29 March 2014 £million
Remeasurement of defined benefit obligation – actuarial gains / (losses) arising from:		
changes in financial assumptions	(168)	—
experience adjustments	19	—
change in demographic assumptions	(9)	—
Remeasurement of scheme assets:		
Actual return on plan assets (excluding amounts included in net interest expense)	86	—
Cumulative actuarial loss	(72)	—

20 Retirement and other post-employment benefit obligations continued

(iv) Amounts recognised in the consolidated balance sheet

	2 May 2015 £million	29 March 2014 £million
Present value of defined benefit obligations	(1,431)	—
Fair value of plan assets	945	—
Net obligation	(486)	—

Changes in the present value of the defined benefit obligation:

	2 May 2015 £million	29 March 2014 £million
Opening obligation at date of Dixons Retail Merger	1,259	—
Interest cost	38	—
Remeasurements in other comprehensive income – actuarial losses / (gains) arising from changes in:		
Financial assumptions	168	—
Experience	(19)	—
Demographic assumptions	9	—
Benefits paid	(24)	—
Closing obligation	1,431	—

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

Changes in the fair value of the scheme assets:

	2 May 2015 £million	29 March 2014 £million
Opening fair value at date of Dixons Retail Merger	830	—
Interest income	25	—
Employer special contributions	28	—
Remeasurements in other comprehensive income:		
Actual return on plan assets (excluding interest income)	86	—
Benefits paid	(24)	—
Closing fair value	945	—

Analysis of scheme assets:

		2 May 2015 £million	29 March 2014 £million
Overseas and global equities	– Listed	286	—
Diversified growth	– Listed	182	—
	– Unlisted	10	—
Multi-asset credit funds	– Listed	29	—
	– Unlisted	23	—
Emerging market multi asset funds	– Listed	49	—
	– Unlisted	3	—
Private equity	– Unlisted	47	—
Property	– Unlisted	15	—
Index-linked gilts	– Listed	101	—
Corporate bonds	– Listed	79	—
Liability driven investments (LDI)	– Listed	69	—
Cash and cash instruments	– Unlisted	51	—
Other	– Unlisted	1	—
		945	—

Notes to the Group financial statements

20 Retirement and other post-employment benefit obligations continued

The investment strategy of the scheme is determined by the independent Trustee through advice provided by an independent investment consultant. The scheme invests in a diverse range of asset classes as set out above with matching assets primarily comprising holdings in inflation linked gilts and corporate bonds.

Actual return on the scheme assets was a gain of £111 million (2013/14: £nil).

v) Sensitivities

The value of the UK defined benefit pension scheme assets are sensitive to market conditions, particularly equity values which comprise approximately 67% of the scheme's assets. Changes in assumptions used for determining retirement benefit costs and liabilities may have a material impact on the 2015/16 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	
	13 months ended 2 May 2015 £million	Year ended 29 March 2014 £million	2 May 2015 £million	29 March 2014 £million
Positive / (negative) effect				
Discount rate: 0.25% increase	2	—	73	—
Inflation rate: 0.25% increase [†]	(2)	—	(57)	—
Mortality rate: 1 year increase	(2)	—	(42)	—

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

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 2 May 2015 the net obligation in relation to these benefits was £3 million (2014: £nil). The net movement in the obligation (since the Merger) is not significant.

21 Share capital, retained earnings and reserves

a) Share capital

		2 May 2015 million	29 March 2014 million	2 May 2015 £million	29 March 2014 £million
Allotted, called-up and fully paid ordinary shares of 0.1p each					
		1,151	576	1	1
	Note	2 May 2015 million	29 March 2014 million	2 May 2015 £million	29 March 2014 £million
Ordinary shares of 0.1p each in issue at the beginning of the period					
		576	473	1	1
Issued as consideration to Dixons shareholders	(i)	575	—	—	—
Issued for cash	(ii)	—	47	—	—
Issue of Consideration Shares	(iii)	—	42	—	—
Exercise of share options		—	14	—	—
Ordinary shares of 0.1p each in issue at the end of the period					
		1,151	576	1	1

- (i) During the year, 574.7 million shares with a mid-market price of £3.432 were issued as part of the all share merger with Dixons as described in note 23.
- (ii) On 30 April 2013 the Group placed 47.2 million ordinary shares at £2.22 per share, raising net proceeds of £103 million which were used to fund part of the consideration for the CPW Europe Acquisition.
- (iii) On 25 June 2013 the Group issued 42.1 million Consideration Shares to Best Buy. Best Buy agreed to waive rights to dividends payable on these shares for the period in which they were in their ownership. The Consideration Shares were placed by the Group in July 2013 and from this point held the same rights as other ordinary shares.

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. The demerger reserve arose as part of the demerger of the Group from TalkTalk in 2010.

22 Equity dividends

	2 May 2015 £million	29 March 2014 £million
Amounts recognised as distributions to equity shareholders in the period		
– on ordinary shares of 0.1p each		
Final dividend for the year ended 31 March 2013 of 3.25p per ordinary share	—	19
Interim dividend for the year ended 29 March 2014 of 2.00p per ordinary share	—	11
Final dividend for the year ended 29 March 2014 of 4.00p per ordinary share	23	—
Interim dividend for the 13 months ended 2 May 2015 of 2.50p per ordinary share	29	—
	52	30

The following distribution is proposed but had not been effected at 2 May 2015 and is subject to shareholders' approval at the forthcoming Annual General Meeting:

	£million
Final dividend for the 13 months ended 2 May 2015 of 6.0p per ordinary share	69

Notes to the Group financial statements

23 Merger and acquisition

2014/15: All-share merger of Dixons and Carphone

On 6 August 2014, the Group completed an all-share merger of Dixons and Carphone after which the shareholders of Dixons and Carphone each held 50% of Dixons Carphone on a fully diluted basis taking into account existing share options and award schemes for both companies.

Under the terms of the Merger, Dixons shareholders received 0.155 of a new Dixons Carphone Share in exchange for each Dixons share. In accordance with the criteria in IFRS 3 'Business Combinations' it has been determined that Carphone acquired Dixons.

The merged entity creates a leader in European consumer electricals, mobiles, connectivity and related services. The directors believe that the Merger will deliver significant value to shareholders through a combination of enhanced commercial opportunities, operating synergies and growth opportunities. The integration of the two businesses is being managed by a dedicated integration team, bringing together the best relevant capabilities of both businesses, with the aim of facilitating a smooth integration.

a) Fair value of assets and liabilities

The provisional fair values of identifiable assets and liabilities of Dixons as at the acquisition date were as follows:

	Note	£million
Assets		
Intangible assets		403
Property, plant & equipment		266
Trade and other receivables	(i)	305
Deferred tax assets		190
Inventory		789
Income tax receivable		20
Short term investments		1
Cash and cash equivalents		339
Assets held for sale	(ii)	30
Total assets		2,343
Liabilities		
Loans and other borrowings		(289)
Finance lease obligations		(93)
Retirement benefit obligations		(432)
Trade and other payables		(1,949)
Income tax payable		(49)
Provisions	(iii)	(58)
Deferred tax liabilities		(90)
Liabilities directly associated with assets classified as held for sale		(30)
Total liabilities		(2,990)
Total fair value of identifiable net liabilities acquired	(iv)	(647)
Provisional goodwill	(v)	2,629
Total consideration – fair value of ordinary shares issued	(vi)	1,982

23 Merger and acquisition continued

2014/15: All-share merger of Dixons and Carphone continued

- (i) The fair value of trade and other receivables represents gross trade receivables of £324 million less amounts not considered collectible of £19 million.
- (ii) Assets held for sale included cash and cash equivalents of £8 million.
- (iii) Provisions include the recognition of contingent liabilities of £7 million mainly in relation to lease covenants relating to premises assigned or sublet to third parties and legal claims. It is anticipated that the majority of any utilisation associated with these contingent liabilities will be incurred over the next five years. No utilisation of these provisions has occurred between the acquisition date and 2 May 2015.
- (iv) The finalisation of the fair value of the acquired assets and liabilities will be completed within 12 months of the acquisition and therefore remains provisional until 5 August 2015 owing to the extensive nature of the valuation process as well as the requirement to re-assess the status of contingent liabilities which have been provided for. It is therefore possible that adjustments to goodwill could arise up until 5 August 2015.
- (v) The goodwill arising on acquisition is not deductible for income tax purposes. The provisional goodwill of £2,629 million reflects the fact that Dixons' value is based on its cash generating potential rather than its existing assets and the fact that many of its key strengths, such as its scale and expertise, do not represent intangible assets as defined by IFRS. The goodwill furthermore reflects the main reasons the directors of Dixons and Carphone proposed the Merger, being:
 - The markets in which Carphone and Dixons operate are converging and the combination of the two complementary businesses will create the opportunity for compelling end-to-end propositions and long term relationships with customers;
 - The Group will have improved scale and reach;
 - Significant synergies will arise with operating synergies of at least £80 million on a recurring basis expected to be delivered in full by 2016/17; and
 - The Merger will provide a stronger platform for growth through the provision of services to customers and businesses.
- (vi) On 6 August 2014 the Company issued 574,723,226 shares with a mid-market share price of £3.432 as consideration to Dixons shareholders, resulting in an increase to share capital and share premium of £1,972 million. In addition, the Company assumed the obligation to satisfy outstanding share options within the Dixons Carphone business for which a fair value of £11 million has been included as part of the consideration. This has been partially offset by shares with a value of £1 million included within Dixons Retail Employee Share Trust.

b) Other information

Transaction related charges of £9 million incurred by the Group in respect of the Merger have been included in Non-Headline operating expenses as set out in note 4.

The results of Dixons have been consolidated from 6 August 2014, contributing £5,586 million of revenue and profit after tax of £200 million in the period to 2 May 2015. If the acquisition had completed at the beginning of Dixons' financial year, being 1 May 2014, the Group's revenue would have been £9,936 million and the Group's Headline profit after tax would have been £293 million. Non-Headline items included within Dixons results in the period prior to the Merger comprised £11 million in respect of the acceleration of share-based payment charges which vested on the Merger, £12 million of merger related professional fees, £5 million of merger integration costs, £42 million of debt restructuring costs, £5 million of provision releases relating to discontinued operations and £4 million of pension interest costs. A tax credit of £11 million was recognised against these charges.

Notes to the Group financial statements

23 Merger and acquisition continued 2013/14 CPW Europe Acquisition

On 26 June 2013 the Group completed the CPW Europe Acquisition for a gross consideration of £500 million, bringing the Group's ownership interest to 100%. CPW Europe is one of the largest independent telecommunications specialists in Europe, operating retail stores, principally under the Carphone Warehouse and Phone House brands, together with well-developed online propositions. CPW Europe is also increasingly focused on leveraging its assets and expertise to provide services to third parties through its Connected World Services business.

The primary reasons for the acquisition were to bring a simplified ownership structure, making day-to-day management easier and the strategic decision-making process more streamlined, and enabling the Group to better leverage CPW Europe's asset base and know-how.

c) Fair value of assets and liabilities

The fair values of identifiable assets and liabilities of CPW Europe as at the acquisition date were as follows:

	Notes	£million
Intangible assets		120
Property, plant and equipment		72
Deferred tax assets		44
Stock		343
Trade and other receivables	(i)	1,112
Net cash and cash equivalents		53
Current asset investments		5
Trade and other payables		(836)
Corporation tax liabilities		(48)
Provisions	(ii)	(63)
Loans and other borrowings		(271)
Finance lease obligations		(3)
Identifiable net assets		528
Goodwill	(iii)	484
Total consideration		1,012
Satisfied by:		
Fair value of existing joint venture investment	(iv)	500
Cash	(v)	370
Deferred consideration	(vi)	50
Equity	(vii)	113
Derivative asset	(vii)	(21)
		1,012
Net cash outflow arising on acquisition:		
Cash consideration		370
Less net cash and cash equivalents acquired		(53)
		317

23 Merger and acquisition continued

2013/14 CPW Europe Acquisition continued

- (i) The fair value of trade and other receivables represents gross contractual amounts receivable of £1,135 million, less amounts not considered collectable of £23 million.
- (ii) Provisions include the recognition of contingent liabilities of £8 million in relation to legal claims and other potential exposures. It is expected that any costs associated with these contingent liabilities will be incurred over the next four years.
- (iii) The goodwill of £484 million arising on the acquisition reflects the fact that CPW Europe's value is based on its cash generating potential rather than its existing assets, and the fact that many of its key strengths, such as its scale and expertise, do not represent intangible assets as defined by IFRS. None of the goodwill is expected to be deductible for income tax purposes.
- (iv) IFRS 3 'Business Combinations' requires that the Group's existing 50% interest in CPW Europe be revalued to its fair value as part of the acquisition accounting process. The fair value of this interest is considered to be equal to the gross consideration of £500 million paid by the Group to acquire Best Buy's 50% interest in CPW Europe. As the carrying value of the Group's investment in CPW Europe was £499 million at the acquisition date, a gain of £1 million was recognised in Non-Headline operating expenses in respect of this revaluation.
- (v) Gross cash consideration of £370 million was settled on completion, offset by payments from Best Buy of £29 million in respect of the prepayment or termination of the Group's other interests with Best Buy.
- (vi) The £50 million of deferred cash consideration, which bears interest at 2.5% per annum, is payable to Best Buy in two equal instalments of £25 million in June 2014 and June 2015.
- (vii) A further £80 million of consideration was provided through the issue on completion of 42.1 million shares to Best Buy, at a price of £1.90 per share. The Group had the right to place the Consideration Shares on Best Buy's behalf during the 12 month period to June 2014, and to retain any upside on disposal. The value of the Consideration Shares on completion was £101 million, based on a share price at that date of £2.38, and this value is recorded as consideration, with the value associated with the right to place the Consideration Shares recognised as a derivative financial asset of £21 million. The Consideration Shares were placed in July 2013 at an average price of £2.44, resulting in a net cash gain of £23 million for the Group. The difference between the disposal proceeds and the value of the derivative financial asset has been recognised as a gain of £2 million in Non-Headline operating expenses.

As part of the transaction, the Group agreed to satisfy Best Buy's obligations in relation to certain incentive schemes. Shares with a value of £12 million were issued in respect of Best Buy's obligations and have been included in consideration.

d) Other information

The results of CPW Europe have been consolidated into the Group's income statement from 26 June 2013, contributing £2,561 million of revenue and a profit before tax of £61 million in the period to 29 March 2014. If the acquisition had completed on 1 April 2013, being the first day of the financial year, the Group's revenue would have been £3,402 million and the Group's profit before tax would have been £46 million.

Transaction-related charges of £18 million, comprising banking and professional fees of £7 million and cash and non-cash charges relating to incentive schemes of £11 million have been included in Non-Headline operating expenses. A tax credit of £3 million was also recognised in respect of these costs.

e) Share of results from joint ventures

The Group's share of results of joint ventures within continuing operations relate to CPW Europe prior to its acquisition on 26 June 2013 and is analysed as follows:

	29 March 2014 £million
Headline revenue	777
Headline EBIT†	12
Net finance costs	(2)
Taxation on Headline results	(5)
Headline profit after taxation	5
Group share of Headline profit after taxation	3
Group share of French operations (in process of closure) (post-tax)	(23)
Group share of loss after taxation	(20)

† Headline EBIT includes the unwinding of discounting for the time value of money on network commissions receivable over the life of the customer. This unwinding had a value of £3 million for the period to 26 June 2013 and is treated as finance income in the joint venture's statutory results.

Notes to the Group financial statements

24 Discontinued operations and assets held for sale

On 16 May 2014 the Group announced that it had entered into an agreement to sell its interest in Virgin Mobile France and completed the disposal on 4 December 2014 for gross consideration of £104 million and generated a profit of £87 million.

Following the Merger, the Group put in place a strategy of focusing on market leadership positions while engaging in other markets through partnerships with its Connected World Services division. This led the Group to carry out detailed strategic assessments of its Phone House operations which concluded in the decision to exit certain markets.

- On 15 April 2015 the Group announced that it had agreed the sale of its operations in Germany to Drillisch AG, a leading mobile virtual network operator in Germany. The sale completed on 5 May 2015.
- On 24 April 2015 the Group entered into an agreement to dispose of a majority 83% stake in its operations in the Netherlands to Relevant Holdings BV, a company set up by the shareholders of Optie1 which has extensive telecom retailing experience in the Dutch market. The sale completed on 30 June 2015.
- On 16 July 2015 the Group announced its commitment to dispose of its operations in Portugal following the completion of a strategic review in 2014/15. Discussions which commenced with potential acquirers during 2014/15 are advanced and an announcement confirming details of the disposal is expected in due course.

The closure of the Phone House operations in France, which was announced in 2013/14, was completed during the year ended 2 May 2015 and is therefore now treated as a discontinued operation.

Prior to the Merger, Dixons agreed to sell its operations in the Czech Republic and Slovakia. The net assets held for sale associated with this business were included within the fair value of assets and liabilities acquired through the Merger and the sale completed on 11 August 2014.

All businesses noted above have been presented within discontinued operations and the assets and liabilities associated with Germany, Netherlands and Portugal have been recognised as held for sale at 2 May 2015. The results of the Phone House Germany, Netherlands and Portugal prior to the CPW Europe Acquisition continue to be reported in results of joint ventures within Headline continuing operations. The Group's interest in Virgin Mobile France was presented as an asset held for sale as at 29 March 2014 and equity accounting was ceased from this date.

a) Loss after tax – discontinued operations

The results of discontinued operations are comprised as follows:

	13 months ended 2 May 2015					Total £million
	Virgin Mobile France £million	Phone House France £million	Phone House Germany £million	Phone House Netherlands £million	Phone House Portugal £million	
Revenue	—	—	323	159	47	529
Expenses	—	—	(364)	(239)	(55)	(658)
Loss before tax	—	—	(41)	(80)	(8)	(129)
Income tax	—	—	—	—	—	—
	—	—	(41)	(80)	(8)	(129)
Profit on disposal	87	—	—	—	—	87
Impairment losses recognised on classification as held for sale	—	—	(16)	(43)	(13)	(72)
	87	—	(57)	(123)	(21)	(114)

The profit on disposal of Virgin Mobile France comprises consideration of £104 million, £4 million of costs and £13 million of net assets disposed. The loss before tax of the operations in Germany, the Netherlands and Portugal include restructuring costs and asset impairment charges from reorganisations carried out prior to the businesses being classified as held for sale. Such costs include the Non-Headline exceptional restructuring charges of £67 million, of which £35 million relates to goodwill impairment, recognised in relation to the Phone House Germany and Netherlands. The impairment losses recognised on classification as held for sale on all other businesses reflects the difference between the consideration expected to be received and the net assets held for sale including any impairment of assets to their anticipated net realisable value on completion less any accrued costs to sell.

24 Discontinued operations and assets held for sale continued

	12 months ended 29 March 2014					Restated
	Virgin Mobile France £million	Phone House France £million	Phone House Germany £million	Phone House Netherlands £million	Phone House Portugal £million	Total £million
Revenue	—	71	395	122	45	633
Expenses	—	(77)	(396)	(124)	(46)	(643)
Loss before tax	—	(6)	(1)	(2)	(1)	(10)
Income tax	—	—	—	—	—	—
Loss after tax from discontinued operations	—	(6)	(1)	(2)	(1)	(10)

b) Assets held for sale

The Group's assets held for sale and associated liabilities are analysed as follows:

	2 May 2015 £million	29 March 2014 £million
Investments in joint ventures	—	11
Inventory	16	—
Receivables	66	—
Cash and cash equivalents	55	—
Assets held for sale	137	11
Liabilities associated with assets held for sale - current liabilities	(68)	—
Net assets held for sale	69	11

c) Cash flows from discontinued operations

	13 months ended 2 May 2015 £million	Restated Year ended 29 March 2014 £million
Operating activities	(78)	44
Investing activities	81	(3)
	3	41

Notes to the Group financial statements

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 significant inputs required to fair value all of the Group's financial instruments are observable. The Group only holds Level 2 financial instruments. 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, 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 approximately equal.

The book value and fair value of the Group's financial assets, liabilities and derivative financial instruments are as follows:

	2 May 2015 £million	29 March 2014 £million
Cash and cash equivalents	163	283
Trade and other receivables excluding derivative financial assets	1,086	975
Derivative financial (liabilities) / assets	(11)	2
Loans to Virgin Mobile France (see note 24)	—	18
Trade and other payables	(1,933)	(844)
Finance leases	(91)	(1)
Deferred consideration	(31)	(50)
Loans and other borrowings	(385)	(290)

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.

25 Financial risk management and derivative financial instruments continued

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 US Dollar and Euro 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 2 May 2015, the total notional principal amount of outstanding currency contracts was £1,540 million (2014: £68 million). 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:

	13 months ended 2 May 2015		Year ended 29 March 2014	
	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
10% movement in the US dollar exchange rate	—	5	—	—
10% movement in the Euro exchange rate	—	57	—	—
10% movement in the Swedish Krona exchange rate	—	4	—	—
10% movement in the Danish Krone exchange rate	—	3	—	—
10% movement in the Norwegian Krone exchange rate	—	3	—	—

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:

	13 months ended 2 May 2015		Year ended 29 March 2014	
	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	—	4	—	4

Notes to the Group financial statements

25 Financial risk management and derivative financial instruments continued

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 £875 million (2014: £650 million). Further details of committed borrowing facilities are shown in note 17.

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
2 May 2015				
Finance leases	(8)	(33)	(114)	(155)
Derivative financial instruments – payable:				
Forward foreign exchange contracts	(1,540)	—	—	(1,540)
Interest rate swaps	(2)	(2)	—	(4)
Derivative financial instruments – receivable:				
Forward foreign exchange contracts	1,530	—	—	1,530
Loans and other borrowings	(64)	(337)	—	(401)
Deferred consideration	(25)	(6)	—	(31)
Trade and other payables	(1,584)	(349)	—	(1,933)

	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 March 2014				
Finance leases	(1)	—	—	(1)
Derivative financial instruments – payable:				
Forward foreign exchange contracts	(68)	—	—	(68)
Interest rate swaps	(1)	—	—	(1)
Derivative financial instruments – receivable:				
Forward foreign exchange contracts	68	—	—	68
Interest rate swaps	—	4	—	4
Loans and other borrowings	(8)	(303)	—	(311)
Deferred consideration	(25)	(25)	—	(50)
Trade and other payables	(869)	—	—	(869)

25 Financial risk management and derivative financial instruments continued

e) Credit risk

Credit risk is the risk of financial loss to the Group if a bank fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. 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. The Group's trade receivables also include balances due from equipment manufacturers, dealers and Connected World Services customers, business to business customers 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 13.

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 £875 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.

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 2 May 2015 the Group had forward and swap foreign exchange contracts in place with a notional value of £1,487 million (2014: £nil) that were designated and effective as cash flow hedges. These contracts are expected to cover exposures ranging from one month to one year.

Interest rate swaps

The Group also held interest rate swaps with a notional value of £280 million (2014: £280 million) whereby the Group receives a floating rate of interest based on LIBOR and pays a fixed interest rate. This contract matures in April 2017.

Notes to the Group financial statements

26 Notes to the cash flow statement

a) Reconciliation of operating loss to net cash inflow from operating activities

	13 months ended 2 May 2015 £million	Year ended 29 March 2014 £million
Profit / (loss) before interest and tax – continuing operations	324	86
Depreciation and amortisation	149	40
Share-based payment charge	10	4
Non-cash movements on joint ventures	—	19
Impairments and other non-cash items	4	—
Operating cash flows before movements in working capital	487	149
Movements in working capital:		
Decrease in inventory	6	81
(Increase) / decrease in receivables	(89)	114
(Decrease) / increase in payables	(289)	89
Decrease in provisions	(5)	(20)
	(377)	264
Cash generated from operations – continuing operations	110	413

b) Analysis of net debt

	30 March 2014 £million	Cash flow £million	Merger £million	Other non-cash movements £million	Currency translation £million	2 May 2015 £million
Cash and cash equivalents	283	(120)	—	—	—	163
Short-term investments	—	—	—	—	—	—
	283	(120)	—	—	—	163
Borrowings due within one year	—	(55)	—	—	—	(55)
Borrowings due after more than one year	(290)	249	(289)	—	—	(330)
Obligations under finance leases	(1)	7	(93)	(4)	—	(91)
	(291)	201	(382)	(4)	—	(476)
Net (debt) / funds	(8)	81	(382)	(4)	—	(313)

	1 April 2013 £million	Cash flow £million	Acquisitions £million	Other non-cash movements £million	Currency translation £million	29 March 2014 £million
Cash and cash equivalents	117	166	—	—	—	283
Borrowings due within one year	—	—	—	—	—	—
Borrowings due after more than one year	—	(19)	(271)	—	—	(290)
Obligations under finance leases	—	2	(3)	—	—	(1)
	—	(17)	(274)	—	—	(291)
Net funds / (debt)	117	149	(274)	—	—	(8)

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. Transactions between Group undertakings and associates comprised sales of goods of £8 million (2013/14: £nil).

The Group had the following transactions and balances with its joint venture, Virgin Mobile France (see also note 24):

	2 May 2015 £million	29 March 2014 £million
Revenue for services provided	—	1
Net interest and other finance income	—	1
Loans owed to the Group	—	18

Revenue for services provided to Virgin Mobile France in the prior year related to commissions on sales of Virgin Mobile France connections by the Group's wholly owned operations in France.

All transactions entered into with related parties were completed on an arm's length basis.

28 Capital commitments

	2 May 2015 £million	29 March 2014 £million
Contracted for but not provided for in the accounts	55	—

Notes to the Group financial statements

29 Operating lease arrangements

a) The Group as a lessee

Total undiscounted future committed payments due for continuing operations are as follows:

	2015		2014	
	Land and buildings £million	Other assets £million	Land and buildings £million	Other assets £million
Total undiscounted future committed payments due:				
Within one year	361	7	93	—
Between two and five years	1,227	14	249	—
After five years	1,001	1	130	—
	2,589	22	472	—

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 £42 million (2014: £33 million).

b) The Group as a lessor

The Group has investment properties which are let to third parties on long term leases for which the minimum future income is as follows:

	2 May 2015 £million	29 March 2014 £million
Total undiscounted future minimum lease income receivable:		
Within one year	1	2
In two to five years	5	8
After five years	6	12
	12	22

30 Contingent liabilities

	2 May 2015 £million	29 March 2014 £million
	3	—

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

Company balance sheet

	Notes	2 May 2015 £million	29 March 2014 £million
Fixed assets			
Investments	C4	2,678	753
Current assets			
Cash and cash equivalents		666	28
Debtors: due within one year	C5	223	644
		889	672
Creditors: amounts falling due within one year	C6	(160)	(54)
Net current assets		729	618
Total assets less current liabilities		3,407	1,371
Provisions	C7	(2)	(2)
Loans payable	C8	(330)	(290)
Net assets		3,075	1,079
Equity			
Share capital	C9	1	1
Share premium reserve	C9	2,256	283
Profit and loss account	C9	818	795
		3,075	1,079

The financial statements of the Company were approved by the Board on 16 July 2015 and signed on its behalf by:



Sebastian James,
Group Chief Executive



Humphrey Singer,
Group Finance Director

Notes to the Company financial statements

C1 Accounting policies

a) 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) and in accordance with applicable United Kingdom accounting standards under the historical cost convention, as modified by FRS 26 'Financial Instruments: Measurement'.

Historically, the Company has prepared its financial statements to the Saturday closest to its accounting reference date of 31 March. Following the Dixons Retail Merger, which is described further in note 23 to the Group financial statements, the Company has changed its accounting reference date to 30 April which was the pre-existing accounting reference date of Dixons Retail plc, but will continue to draw up accounts to the nearest Saturday and accordingly the financial period is for the 13 months ended 2 May 2015. The comparative period is for the year ended 29 March 2014.

The Company has applied the exemption available in FRS 1 'Cash Flow Statements' not to present its own cash flow statement.

The following principal accounting policies have been applied consistently throughout both financial periods.

b) Investments

Investments held in subsidiaries and joint ventures are recognised at cost, being the fair value of consideration, acquisition charges associated with the investment and capital contributions by way of share-based payments, less any provision for permanent diminution in value.

Investments where the Company does not have control or significant influence are treated as available-for-sale and recorded at fair value. Changes in fair value, together with any related deferred taxation, are taken directly to reserves, and recycled to the profit and loss account when the investment is sold or is determined to be impaired.

c) Share-based payments

Equity settled share-based payments are measured at fair value at the date of grant and expensed over the vesting period, based on an estimate of the number of shares that will eventually vest.

Fair value is measured by use of a Binomial model for share-based payments with internal performance criteria (such as EPS targets) and a Monte Carlo model for those with external performance criteria (such as TSR targets).

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

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

If a share-based payment scheme is cancelled, any remaining part of the fair value of the scheme is expensed through the profit and loss account. If a share-based payment scheme is forfeited, no further expense is recognised and any charges previously recognised through the profit and loss account are reversed.

Charges also arise on loans that are provided to employees to fund the purchase of shares in the Group as part of long term incentive plans, to the extent to which the loans are not, in certain circumstances, repayable; the cost of the relevant part of such loans is expensed over the course of the relevant incentive plans.

d) Dividends

Dividends receivable from the Company's subsidiaries are recognised only when they are approved by shareholders.

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

e) Foreign currency translation

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 FRS 26 has been applied in the both years.

f) Loans and other borrowings

Bank fees and legal costs associated with the securing of external financing are capitalised and amortised over the term of the relevant facility. All other borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

C1 Accounting policies continued

g) 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.

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 13 months ended 2 May 2015 was £64 million (2013/14: £19 million). Information regarding the audit fees for the Group is provided in note 3 to the Group financial statements.

C3 Equity dividends

	2 May 2015 £million	29 March 2014 £million
Amounts recognised as distributions to equity shareholders in the period – on ordinary shares of 0.1p each		
Final dividend for the year ended 31 March 2013 of 3.25p per ordinary share	—	19
Interim dividend for the year ended 29 March 2014 of 2.00p per ordinary share	—	11
Final dividend for the year ended 29 March 2014 of 4.00p per ordinary share	23	—
Interim dividend for the 13 months ended 2 May 2015 of 2.50p per ordinary share	29	—
	52	30

The following distribution is proposed but had not been effected at 2 May 2015 and is subject to shareholders' approval at the forthcoming Annual General Meeting:

	£million
Final dividend for the 13 months ended 2 May 2015 of 6.0p per ordinary share	69

C4 Fixed asset investments

	2 May 2015 £million	29 March 2014 £million
Opening balance	753	741
Additions	3,965	12
Disposals	(2,040)	—
Closing balance	2,678	753
Cost	2,776	851
Accumulated impairments	(98)	(98)
Net carrying amount	2,678	753

Fixed asset investments comprise investments in subsidiary undertakings, joint venture investments and other minority investments. Details of the Company's investments in subsidiary undertakings are provided in note C12.

2014/15:

On 6 August 2014, the Group completed an all-share merger of Dixons and Carphone after which the shareholders of Dixons and Carphone each held 50% of Dixons Carphone on a fully diluted basis taking into account existing share options and award schemes for both companies.

Under the terms of the Merger, Dixons shareholders received 0.155 of a new Dixons Carphone Share in exchange for each Dixons share. In accordance with the criteria in IFRS 3 'Business Combinations' it has been determined that Carphone acquired Dixons and accounts for the majority of the additions listed. Immediately following the Merger, the shareholding in Dixons was transferred down to the Company's immediate subsidiary, New CPW Limited, and this transaction accounts for the majority of the disposals.

2013/14:

Additions reflected the cost of shares issued to satisfy Best Buy's obligations in relation to incentive schemes (see note 23 to the Group financial statements).

Notes to the Company financial statements

C5 Debtors: amounts falling due within one year

	2 May 2015 £million	29 March 2014 £million
Amounts owed by Group undertakings	194	614
Loans to joint ventures	—	18
Deferred tax asset	3	2
Prepayments	5	5
Other debtors	21	5
	223	644

Amounts owed by Group undertakings are repayable within 12 months of the balance sheet date.

Other debtors include loans of £nil (2014: £1 million) to senior employees of the Group in relation to the Carphone Warehouse Share Plan as explained in note 5 b) to the Group financial statements.

C6 Creditors: Amounts falling due within one year

	2 May 2015 £million	29 March 2014 £million
Amounts owed to Group undertakings	119	21
Other creditors	31	5
Accruals and deferred income	10	28
	160	54

C7 Provisions

	2 May 2015 £million	29 March 2014 £million
Opening balance	2	6
Utilised in the period / year	—	(4)
Closing balance	2	2

C8 Loans payable

Details of loans payable are provided in note 17 to the Group financial statements.

C9 Share capital, reserves and accumulated profits

	2 May 2015 million	29 March 2014 million	2 May 2015 £million	29 March 2014 £million
Share capital				
Allotted, called-up and fully paid ordinary shares of 0.1p each	1,151	576	1	1

During the year, 0.7 million shares were issued in respect of options issued under employee share option plans. In addition, 574.7 million shares were issued as part of the Merger as described further in note 23 to the Group financial statements.

	Share capital £million	Share premium reserve £million	Profit and loss account £million	Capital redemption reserve £million	Total £million
At 1 April 2013	1	170	705	—	876
Net profit for the year	—	—	19	—	19
Other comprehensive income	—	—	2	—	2
Issue of shares	—	113	103	—	216
Equity dividends	—	—	(30)	—	(30)
Net movement in relation to share schemes	—	—	(4)	—	(4)
At 29 March 2014	1	283	795	—	1,079
Net profit for the year	—	—	64	—	64
Other comprehensive income	—	—	(3)	—	(3)
Issue of shares	—	1,973	—	—	1,973
Equity dividends	—	—	(52)	—	(52)
Net movement in relation to share schemes	—	—	14	—	14
At 2 May 2015	1	2,256	818	—	3,075

Note 21 to the Group financial statements provides further details in respect of the issue of shares.

For details of the Company's equity dividends see note C3.

C10 Financial instruments

The Company has applied the exemption under FRS 25 'Financial Instruments: Presentation' not to disclose details of financial instruments held by the Company. Full disclosure of the Group's financial instruments under FRS 29 (IFRS 7) 'Financial Instruments: Disclosures' and IAS 39 'Financial Instruments: Recognition and Measurement' is provided in note 25 to the Group financial statements.

C11 Related party transactions

The Company has taken advantage of the exemption under FRS 8 'Related Party Disclosures' not to provide details of related party transactions with other Group companies.

The Company entered into transactions, in the ordinary course of business, with other related parties as follows:

	2 May 2015		29 March 2014	
	CPW Europe £million	Virgin Mobile France £million	CPW Europe £million	Virgin Mobile France £million
Net interest and other finance income	—	—	—	1
Loans owed to the Company	—	—	—	18

Notes to the Company financial statements

C12 Subsidiary undertakings

a) Principal subsidiaries

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	Country of incorporation or registration	Nature of business
The Carphone Warehouse Limited	England and Wales	Distribution
The Phone House Spain S.L.U.	Spain	Distribution
The Phone House Deutschland GmbH	Germany	Distribution
The Phone House Telecom GmbH	Germany	Distribution
The Phone House Netherlands B.V.	Netherlands	Distribution
GEAB The Phone House AB	Sweden	Distribution
The Carphone Warehouse Limited	Ireland	Distribution
The Phone House Comercio e Aluguer de bens e Serviços Lda	Portugal	Distribution
New Technology Insurance	Ireland	Insurance
Dixons Retail plc	England and Wales	Holding Company
DSG international Holdings Limited	England and Wales	Holding Company
DSG Retail Limited	England and Wales	Retail
DSG Retail Ireland Limited	Ireland	Retail
Dixons South East Europe A.E.V.E	Greece	Retail
El-Giganten AS	Denmark	Retail
El-Giganten AB	Sweden	Retail
Elkjøp Nordic AS	Norway	Retail
Gigantti OY	Finland	Retail
ISE-Net Solutions Limited	England and Wales	IT
New CPW Limited*	England and Wales	Holding company
Carphone Warehouse Europe Limited	England and Wales	Holding company

* Held directly by the Company.

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 above.

Name	Country of incorporation or registration	Name	Country of incorporation or registration
Adiumentum OY	Finland	DSG European Investments Limited	England & Wales
Codic GmbH	Germany	DSG Fleet Management Limited	England & Wales
Coverplan Insurance Services Limited	England & Wales	DSG Hong Kong Sourcing Limited	Hong Kong
Currys Group Limited	England & Wales	DSG international BVBA	Belgium
DISL 2 Limited	Isle of Man	DSG international Insurance Services Limited	Isle of Man
DISL UK Limited	England & Wales	DSG international Retail Properties Limited	England & Wales
Dixagon SA	Switzerland	Dixons Retail SSC s.r.o.	Czech Republic
Dixons Group Limited	England & Wales	DSG international Treasury Management Limited	England & Wales
Dixons Pension Trust Ireland Limited	Ireland	DSG Ireland Limited	England & Wales
Dixons Properties SA	Belgium	DSG KHI Limited	England & Wales
Dixons Retail SSC s.r.o.	Czech Republic	DSG Overseas Investments Limited	England & Wales
Dixons Sourcing Limited	Hong Kong	DSG Retail Norway AS	Norway
Dixons Travel srl	Italy	Electroworld Sverige AB	Sweden
DSG Boxmoor Limited	England & Wales	Elgiganten Logistik AB	Sweden
DSG Card Handling Services Limited	England & Wales		
DSG Corporate Services Limited	England & Wales		

C12 Subsidiary undertakings continued
b) Other subsidiary undertakings continued

Name	Country of incorporation or registration	Name	Country of incorporation or registration
Elkj�p Kleverenga AS	Norway	FM Corporate Communications BV	Netherlands
Elkj�p Norge AS	Norway	FM Development BV	Netherlands
Epoq Holding AB	Sweden	FM Investments BV	Netherlands
Epoq Logistic DC k.s.	Czech Republic	FM Wholesale BV	Netherlands
Kereru Limited	England & Wales	ID Mobile Limited	England & Wales
Lefdal Electromarked AS	Norway	MTIS Limited	Ireland
Leverstock Investments Limited	England & Wales	Osfone – comercio de Aparelhos de Telecomunicacoes LDA	Portugal
Markantalo OY	Finland	Osfone Negocios – Comercio de Aparelhos de Telecomunicacoes LTA	Portugal
Mastercare Service and Distribution Limited	England & Wales	Pelham Limited	Isle of Man
Mohua Limited	England & Wales	Phone House International AB	Sweden
NSS Financials AS	Denmark	Provital Groothandel BV	Netherlands
PC City (France) SNC	France	SG The Phone House AB	Sweden
PC City Norge AS	Norway	Sociedade Gestora de Participcoes Socias SA	Spain
PC City Spain SAU	Spain	Talkm Limited	England & Wales
Petrus Insurance Company Limited	Gibraltar	The Carphone Warehouse (Digital) Limited	England & Wales
Thylin & Ronnlund AB	Sweden	The Carphone Warehouse Resources Limited	Isle of Man
Carphone Warehouse Ireland Mobile Limited	England & Wales	The Carphone Warehouse UK Limited	England & Wales
Charterhouse Management Limited	Isle of Man	The Phone House Holdings (UK) Limited	England & Wales
Compro-Telematics BV	Netherlands	The Phone House Netherlands Business Centres BV	Netherlands
Connected World Services Distributions Limited	England & Wales	The Phone House Netherlands Franchise BV	Netherlands
Connected World Services Europe SL	Spain	The Phone House Netherlands Retail BV	Netherlands
Connected World Services Netherlands BV	Netherlands	The Phone House Netherlands Retail Regio Midden BV	Netherlands
Connected World Services SAS	France	The Phone House Netherlands Retail Regio Zuid BV	Netherlands
Connected World Services LLC	USA	The Phone House Netherlands Services BV	Netherlands
CPW Acton Five Limited	England & Wales	The Phone House Services GmbH	Germany
CPW Acton One Limited	Isle of Man	The Phone House Shop Management GmbH	Germany
CPW Brands 2 Limited	England & Wales	Typhone e-concepts BV	Netherlands
CPW Consultancy Limited	England & Wales		
CPW CP Limited	England & Wales		
CPW GC Holdings BV	Netherlands		
CPW Irlam Limited	England & Wales		
CPW Tulketh Mill Limited	England & Wales		
CWIAB Limited	England & Wales		

Notes to the Company financial statements

C12 Subsidiary undertakings continued

c) Subsidiary undertakings exempt from audit

The following subsidiaries, all of which are incorporated in England and Wales and are all included with section b) above, are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of that Act:

Name	Company registration number
CPW Tulketh Mill Limited	06585719
CPW Irlam Limited	05825842
CPW Brands 2 Limited	07135355
The Carphone Warehouse (Digital) Limited	03966947
CPW Acton Five Limited	05738735
CPW Consultancy Limited	07881879
CWIAB Limited	02441554
The Carphone Warehouse UK Limited	03827277
CPW CP Limited	06585457
DSG Boxmoor Limited	05430014
DSG Card Handling Services Limited	04185110
DSG international Retail Properties Limited	00476440
DSG Ireland Limited	00240621

Five-year record (unaudited)

Headline results – continuing operations

	2014/15 £million	2013/14 £million	2012/13 £million	2011/12 £million	2010/11 £million
Group					
Revenue	8,255	1,943	11	6	6
Share of results of CPW Europe	—	3	48	46	43
Other	285	100	4	3	(1)
Net profit	285	103	52	49	42
Earnings per share					
– Basic	29.7p	18.6p	10.9p	10.7p	9.3p
– Diluted	28.7p	18.3p	10.8p	10.2p	8.9p
Pro forma Headline results⁽¹⁾					
Revenue	9,936	9,752	9,517	8,820	8,822
EBIT	414	359	310	277	259
Interest	(33)	(43)	(33)	(39)	(35)
Profit before taxation	381	316	277	238	224

(1) 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. The Financial Years 2013/14 and prior have been restated to exclude discontinued operations.

Shareholder and corporate information

Dixons Carphone plc is listed on the main market of the London Stock Exchange (stock symbol: DC). It is a constituent of the FTSE 100.

Registrar

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Spencer Road, Lancing
West Sussex BN99 6DA
United Kingdom

0871 384 2089 (UK only)*
+44 (0)121 415 7047 (from outside the UK)

*Calls to the 0871 number cost 8p per minute plus network extras. Lines are open 8.30am to 5.30pm, Monday to Friday.

You can manage your shareholdings via an electronic communications service called Shareview - www.shareview.co.uk. To register, you will need your shareholder reference number, which can be found on your share certificate, dividend tax voucher or proxy card. Registration is free.

Financial calendar

Ex-dividend date (final dividend 2014/15)	27 Aug 2015
Record date (final dividend 2014/15)	28 Aug 2015
Annual General Meeting	10 Sep 2015
Intended dividend payment date (final dividend 2014/15)	25 Sep 2015

Registered office / Head office

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+44 (0)20 8617 6002
www.dixonscarphone.com

Company registration number

07105905

Company Secretary

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Enquiries should be directed to:

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Citigroup Global Markets Limited
33 Canada Square
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Glossary and 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.
ARPU	Average 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 and Wales).
Board	The Board of directors of the Company.
Carphone, Carphone Warehouse or Carphone Group	The Company or Group prior to the Merger on 6 August.
CGU	Cash Generating Unit
Consideration Shares	The 42.1m ordinary shares in the Company issued to Best Buy on 25 June 2013 at a price of £1.90 per share, in connection with the CPW Europe Acquisition.
CPW	The continuing business of the Carphone Group, excluding its interest in Virgin Mobile France.
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 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.
Dixons Retail Merger or Merger	The all share merger of Dixons Retail plc and Carphone Warehouse plc which occurred on 6 August 2014.
Earnings	Profit or loss after taxation, unless the context otherwise requires.
EBIT	Earnings before investment income, interest and taxation.
EBITDA	Earnings before investment income, interest, taxation, depreciation and amortisation.
EPS	Earnings per share (basic unless otherwise indicated).
ESOT	Employee share ownership trust.
Free Cash Flow	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. The directors consider that 'Free Cash Flow' provides additional useful information to shareholders in respect of cash generation and is consistent with how business performance is measured internally.
Headline results	Results before Non-Headline results. The phrases 'Headline earnings', 'Headline EBIT', 'Headline EBITDA' and 'Headline EPS' should be interpreted in the same way. The Headline results of the Group's joint ventures also include certain reclassifications, as detailed in note 24 to the Group financial statements, to aid understanding of underlying performance.
HMRC	Her Majesty's Revenue and Customs.
IFRS	International Financial Reporting Standards as adopted by the European Union.

Glossary and definitions

MNO	Mobile network operator.
MVNO	Mobile virtual network operator.
MTR	Mobile termination rates.
New CPW	New CPW Limited (incorporated in England and Wales).
Non-Headline results	Non-Headline comprise the results of discontinued operations or exited / to be exited businesses, amortisation of acquisition intangibles, any exceptional items considered so one-off and material that they distort underlying performance (such as reorganisation costs, impairment charges and other non-recurring charges) 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 operations of the Group.
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 (formerly "The Carphone Warehouse Group PLC") (incorporated in England and Wales).
Old Carphone Warehouse Group	Old Carphone Warehouse and its subsidiaries and interests in joint ventures prior to the Demerger.
Participation Plan	The Carphone Warehouse Group plc Participation Plan 2011.
PAT	Profit after taxation.
PBT	Profit before taxation.
Pro forma	Results incorporating Dixons Retail plc as if it had been owned by the Group for the entire reporting period and the previous year. In addition, in respect of 2013/14, the results aggregating CPW Europe and the Group's wholly owned businesses, as though CPW Europe had been 100% owned by the Group in the relevant period.
ROCE	Return on capital employed. Net profit as a percentage of capital employed, calculated using Headline earnings and with capital employed defined as average equity and average non-current debt. Averages are calculated based on the opening and closing positions for the relevant year.
RCF	Revolving credit facility.
Sharesave or SAYE	Save as you earn share scheme
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 Finacom S.A.S.
WAEP	Weighted average exercise price.



Designed and produced by Whitehouse Associates London

Printed in the UK by Pureprint Group

This report is printed on Cocoon Offset 100% Recycled board and Soporset paper. Both papers are FSC certified and produced in an ISO 9001 and ISO 14001 certified paper mills.



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