Dixons Carphone

Annual Report & Accounts
2018/19

WE HELP EVERYONE ENJOY AMAZING TECHNOLOGY

STRATEGIC REPORT

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WE HELP EVERYONE ENJOY AMAZING TECHNOLOGY

Chairman's Statement

Lord Livingston of Parkhead
Chairman

"We are reshaping the business to create a long term and sustainable business for colleagues, customers and shareholders alike".

Last year was the start of a huge transformation for Dixons Carphone. We have achieved a lot over the last year but I know that there is a lot more to do and that we have the team to achieve it.

We are reshaping the business to create a long term and sustainable business for colleagues, customers and shareholders alike. Our management team, led by Alex Baldock in his first year as Group Chief Executive, has outlined our new vision and strategy and made good progress in our transformation as we lay the foundations for future growth.

We have delivered another strong performance in our International business which accounts for over 40% of our profits and delivered progress in both revenues and market share across all of our Electricals business, extending our leading market positions. Early signs of our progress in our transformation journey have been encouraging with notable improvements in customer satisfaction.

The mobile market remained challenging last year. There is much to do here, and it will take time but we are making good progress in the development of our new model to return Mobile to being a profitable category.

Headline profit before tax was £298 million with debt increasing only 6% to £265 million despite additional investment in our transformation programme. The loss before tax on a statutory basis was £259 million mainly as a result of non-cash goodwill impairments in the Carphone Warehouse arising from the changing UK mobile market. Following on from the half year where we took the difficult decision to return the dividend cover to 3 times earnings, the Board has recommended that the Company pay a dividend of 6.75p per share for the full year, with a final payment of 4.50p to be paid on 27 September 2019.

People and purpose

The long term success of our business, however, is not just about commercial performance. Nor is it possible without all 42,000 of our capable and committed colleagues feeling engaged and invested in our future.

For a business to thrive, it should have a clear purpose and embody a strong culture and values to animate its strategy in a way that resonates with society and is meaningful to colleagues and stakeholders.

We want our colleagues to have a stake in our future success and benefit from it. Accordingly, we launched a new share ownership scheme, costing £10 million per year over the next three years, to give all colleagues at least £1,000 worth of shares. This is in addition to other ways to increase colleague share ownership and a proper recognition of the importance of our people in achieving our plans. I was delighted by the positive response to these proposals from our institutional shareholders – a real sign that the need to recognise all stakeholders is the best way to achieve long term shareholder value.

Corporate Responsibility

This year we made further progress in tackling economic and social issues. This was recognised by FTSE4GOOD, who listed us in their FTSE4GOOD index.

On energy use, our continued commitment to managing climate-related concerns was reflected in our 'CDP' (Carbon Disclosure Project) score, which improved from a 'C' to a 'B'. Energy efficiency initiatives such as the solar panel installation on our Newark Distribution Centre contributed to us achieving our 2020 energy reduction target ahead of schedule and work continues to understand and manage impacts within our supply chain. Sustainability performance is now an important factor when selecting suppliers or renegotiating contracts.

A number of teams are making great progress in tackling the issue of plastic packaging. We are already the largest collector and recycler of expanded polystyrene (EPS) in the UK. We have also made changes to some own label gaming accessories to remove tens of thousands of plastic bags and CDs. And we are identifying where we can reduce plastic packaging in our direct sourced products.

We continue to embrace and celebrate diversity by ensuring we're a business that attracts top talent whatever one's background. We have still some way to go in terms of gender diversity but we've made strides in this area and have appointed more great women to the Executive Committee and the Board and improved senior female representation to 26%.

Community

One of the highlights of my year is the Chairman's Shield Awards, which is awarded to stores or parts of our business that not only deliver great results and give wonderful customer service but critically do amazing things for our colleagues and the communities in which they operate. We aspire to be a valuable part of the community whether that be by raising money for good causes, supporting health and wellbeing, helping disadvantaged people or reducing damage done to the environment through award-winning recycling initiatives.

We want everyone to have access to amazing technology, which is happening through supplier and charity collaborations, including the donation of hundreds of thousands of pounds worth of Grundig appliances to local food-related charities nominated by our store colleagues. We have also provided professional training to local reuse charities, so they can make refurbished white goods affordable to low income families.

Being a responsible company is our duty and has the power to influence how it feels to work and shop with us. It really matters.

Shareholders

At Dixons Carphone, we have an open and constructive dialogue with shareholders and have meetings throughout the year. Our purpose is simple – it is about creating a more valuable business for shareholders by understanding all stakeholder expectations, respecting our environment, making the right decisions and determining to always do the right thing, in everything we do. In this spirit we welcomed the publication of the 2018 UK Corporate Governance Code and will report in full against its principles and provisions in this report next year. I believe that strong corporate governance is at the heart of any well managed business.

Board Changes

We have seen a number of changes to the composition of the Board this year, with Jonny Mason joining us as Chief Financial Officer on 13 August 2018 and Eileen Burbidge as a Non-Executive Director on 1 January 2019. Jonny brings listed company experience from finance leadership roles in both the UK and the Nordics and a wealth of retail and consumer experience. Eileen has a diverse and impressive background in the technology sector and has already proven an important contributor at Board level on the subjects of innovation and the digital consumer. We're delighted to have them join us.

Andrew Harrison having left the board earlier in 2018, left the Company in December 2018. He played a critical role in the growth of Carphone Warehouse over a number of years.

Jock Lennox stepped down as Non-Executive Director on 31 December 2018 after six years on the Board and I'd like to thank him for his contribution to the Board and in his role as Chair of the Audit Committee. I am delighted that Fiona McBain has taken on the chairmanship bringing her considerable experience to the role.

Outlook

Looking ahead, this year brings with it many challenges but also the opportunity to create the sustainable growing business we all want. We have a lot to do but we've already made important steps on that journey.

I would like to thank Alex and his leadership team, who over the last year have brought about significant change in the business, positioning it for long term sustainable growth. Together, with the continued hard work and tremendous enthusiasm of our colleague shareholders, we will create a world-class business for our customers and therefore for our shareholders.

Lord Livingston of Parkhead
Chairman
19 June 2019

> "A number of teams are making great progress in tackling the issue of plastic packaging. We're already the largest collector and recycler of expanded polystyrene (EPS) in the UK".

Financial
Key Performance Indicators[3]

These are the Key Performance Indicators (KPIs) that are used in the business.

HEADLINE REVENUE [1,2]

£10,433m

2018/19	£10,433m
2017/18	£10,525m

The ability to grow revenue is an important measure of a brand's appeal to customers and its competitive position. It is a key measure of the Group's progress against our strategic priority to continue to enhance and drive successful and sustainable retail business models in a multi-channel world.

FREE CASH FLOW[1]

£153m

2018/19	£153m
2017/18	£172m

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.

LIKE-FOR-LIKE REVENUE GROWTH[1]

1%

2018/19	1%
2017/18	4%

Like-for-like revenue enables the performance of the Group to be measured on a consistent year-on-year basis.

(1) Definitions of measurement for Key Performance Indicators are given in the glossary and definitions on pages 188 to 192

(2) Headline performance measures are as defined in the Performance Review on pages 26 to 31

(3) Statutory performance for the year is discussed on pages 29 to 30

HEADLINE BASIC EPS (PENCE)[1,2]

20.4p

2018/19	20.4p
2017/18	26.2p

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.

HEADLINE EBIT[1, 2]

£322m

2018/19	£322m
2017/18	£400m

Continued growth of headline EBIT enables the Group to invest in its future and provide a return for shareholders. It is a key measure of progress against our strategic priority to continue to enhance and drive successful and sustainable retail business models in a multi-channel world.

HEADLINE PROFIT BEFORE TAX[1, 2]

£298m

2018/19	£298m
2017/18	£382m

Continued growth of headline profit before tax represents a measure of Group performance to external investors and stakeholders against our strategic priorities.

RETURN ON CAPITAL EMPLOYED (ROCE)[1]

15%

2018/19	15%
2017/18	18%

ROCE is a key measure of the efficiency of the capital invested by the Group and the long-term value created for our stakeholders.

Non-Financial Key Performance Indicators

MARKET SHARE

We are a market leader in the areas in which we operate, and our objective is to continue to grow market share

NET PROMOTER SCORE ('NPS')

64%

Customer satisfaction is vital to delivering our strategy and building a sustainable business

Net Promoter Score, a rating used by the Group to measure customers' likelihood to recommend its operations.

COLLEAGUE ENGAGEMENT

64%

Capable and committed colleagues are key to delivering our strategy

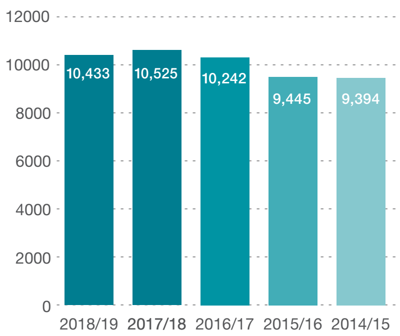
Our 'Make a Difference' survey which had a completion rate of 94% allowed our colleagues to provide honest and open feedback on what it is like to work at Dixons Carphone.

Business
at a Glance

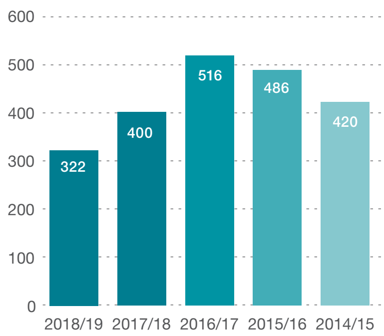
Dixons Carphone plc is a leading multinational consumer electrical and mobile retailer and services company, employing over 42,000 people in nine countries. Our vision is We Help Everyone Enjoy Amazing Technology and this is underpinned by strategic levers to deliver it.

- Group like-for-like* revenue up 1%, statutory revenue down 1%, gained market share in electricals in all territories
- UK & Ireland electricals like-for-like* revenue up 1%; reported revenue up 1%
- UK & Ireland mobile like-for-like* revenue down 4%; reported revenue down 11%
- Strong revenue growth in International
- Nordics like-for-like* up 3%; reported up by 1%,
- Greece like-for-like* up 13%; reported up by 12%
- Group headline* PBT of £298 million (2017/18: £382 million)
- Headline basic EPS* 20.4p (2017/18: 26.2p), statutory basic EPS (26.8p) (2017/18: 20.4p)
- Total statutory loss before tax of £259 million (2017/18: £289 million profit) after non-headline charges of £557 million (2017/18: £93 million)
- Free cash flows* of £153 million (2017/18: £172 million) and net debt increased by £16 million to £265 million. Cashflows from operating activities of £286 million (2017/18: £312 million)
- Final dividend of 4.50p proposed meaning full year dividend at 6.75p (2017/18: 11.25p)

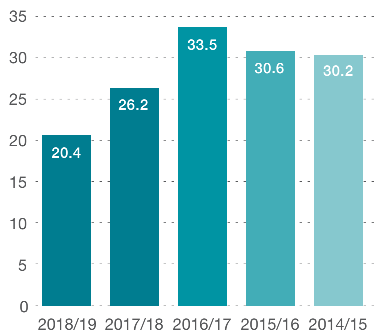
Headline* revenue (£ millions)



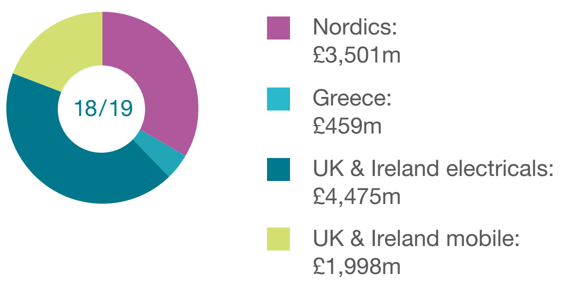
Headline* EBIT (£ millions)



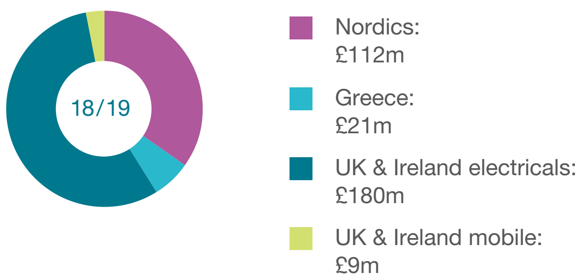
Headline* basic EPS (pence)



Headline revenue by division[1]



Headline EBIT by division[1]



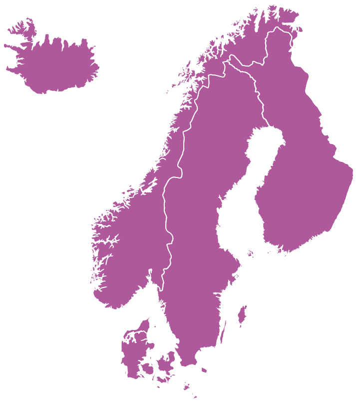
*See glossary for definition of terms including headline performance measures.
Figures presented in charts for 2014/15 are 'pro forma' results as defined in the glossary

1 During the period, the reportable segments of the Group have been changed and comparatives restated accordingly; see note 2.

Business
Segments

Our European store presence

UK & IRELAND		
Own	Franchise	Total
991	–	991



NORDICS		
Own	Franchise	Total
250	161	411

GREECE		
Own	Franchise	Total
70	25	95

We operate four segments as follows:

UK & Ireland

Electricals

- Currys PC World is the largest specialist electrical retailing and services operator in the UK & Ireland.
- Dixons Travel is a leading airport electrical retailer, with stores across the UK & Ireland and Oslo.
- Team Knowhow is our services brand.
- PC World Business provides computing products and services to business to business ('B2B') customers.

Brands	Websites
Currys PC World	currys.co.uk currys.ie pcworld.co.uk pcworld.ie
Dixons Travel	dixonstravel.com
Team Knowhow	teamknowhow.com
PC World Business	pcworldbusiness.co.uk

Mobile

- Carphone Warehouse is the largest independent telecommunications retailer in the UK & Ireland.
- iD Mobile is our MVNO offering innovative and flexible propositions.
- Carphone Warehouse Business provides telecommunications products and services to business to business ('B2B') customers.

Brands	Websites
Carphone Warehouse	carphonewarehouse.com carphonewarehouse.ie
iD Mobile	idmobile.co.uk
Carphone Warehouse Business	business.carphonewarehouse.com

Nordics

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

Brands	Websites
Elkjøp	elkjop.no
Elgiganten	elgiganten.se elgiganten.dk
Gigantti	gigantti.fi
Phone House	phonehouse.se phonehouse.no
InfoCare	infocareworkshop.no

Greece

- Kotsovolos is Greece's leading specialist electrical retailer.

Brands	Websites
Kotsovolos	kotsovolos.gr

Group Chief Executive's Statement

Alex Baldock
Group Chief Executive

"This is a business with great strengths and big opportunities. That's what I've learned over the past 14 months. I've been all over this business, meeting thousands of our capable and committed colleagues, listening to our customers and suppliers as we've set the strategy for a long term sustainable and valuable future, all grounded in our vision of We Help Everyone Enjoy Amazing Technology".

We have a lot of great people here, strong retail capabilities and in services, we can do things our competitors simply cannot match.

We've set the vision – and the strategy to deliver it – after listening closely to many customers. What we've heard boils down to one central customer insight: we know customers find technology incredibly exciting but confusing and expensive. They value help, not only discovering and choosing the right technology for them, but also getting the most out of it through its life. They value help to afford, install, connect, protect, repair, trade-in, upgrade and maintain technology as well choosing it in the first place. There's an opportunity to play a big, valuable and central role in customers' lives beyond traditional retail, but without straying from the core of what we're good at. There is no one better placed than us to seize that opportunity. We are market leaders wherever we operate; UK & Ireland, Nordics and Greece. Nobody gets close to our customer numbers - around 200 million visits to stores a year, 700 million visits to sites, 5 million deliveries and installations, 11 million warranty and protection policies, more than 900k credit customers and 2 million repairs.

Our strategy will give customers what they value in the way that makes the most of our strengths. We will transform this business while performing along the way; meeting our promises to shareholders, colleagues and customers.

As to performance, Group headline PBT was £298 million in the year, down from £382 million last year. Like-for-like revenue was up 1% and we maintained our market leading shares. With net debt increasing only 6% to £265 million despite additional investment in our transformation. Statutory loss before tax was £259 million, down from £289 million profit last year, largely reflecting the write down of intangible assets in the Carphone Warehouse as a result of the changing mobile market.

The International businesses that make up 40% of profits had an excellent year. Like-for-like revenue was up 3% in the Nordics and 13% in Greece. Both achieved record levels of market share, extending their leadership while increasing operating margins.

In the UK & Ireland Electricals, full year like-for-like revenue was up 1% and we maintained our market leading share. Online sales saw another year of growth, ahead of the market. Mobile remains challenging with headwinds faced in market share and profitability all impacting 2018/19 results.

Of course, nobody at Dixons Carphone thinks that this performance is anywhere close to what we're capable of. We also have a responsibility to do the right thing. We must protect our customers' data; an area we fell short of in the past and where we continue to increase investment. We must treat our customers fairly; as the FCA fine for historic mobile phone insurance practices reminded us in March 2019. We have it in us to be a much more sustainably valuable business. We also believe that the way to achieve that is by delivering our strategy to make our vision a reality. That will take time. I said in December that three years of heavy lifting lay ahead, before the full benefits of that transformation can be enjoyed. I stand by that.

We're underway delivering on our transformation that's grounded in our vision - We Help Everyone Enjoy Amazing Technology. More details on the strategy and our early progress can be found on the following pages. It's a strategy that focuses on our core business. It refocuses on two big priority growth opportunities (credit and online); on making customer relationships stickier and more valuable through our customer experience and through our services; and on revitalising our mobile business. To enable all this, we're working hard to have the most capable and committed colleagues, working in One Business and (completing the merger), with stronger infrastructure. We are encouraged by substantial early progress.

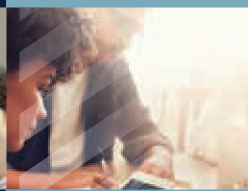
It matters that we deliver on our promises to create a long-term sustainable business here; it matters to our 42,000 colleagues, their families and the communities where they live and work. It matters for our millions of customers, whose lives we can enrich by helping them choose and afford the right technology for them: we passionately believe in the power of technology to improve people's lives. And of course, a more valuable and sustainable business matters to our shareholders (who can of course include our colleagues). This is a business that matters, that's why my colleagues and I are approaching our transformation with a sense of responsibility as well as excitement at the road ahead.

Finally, I'd like to say thank you to all those capable and committed colleagues, whose energy, ideas and passion make me proud to work here, and who have performed this year while also getting underway with the transformation of this great business. We believe we are on the path to achieving something big and worthwhile here.

Alex Baldock
Group Chief Executive
19 June 2019

Our Strategy

Dixons Carphone plc is a leading multinational consumer electrical and mobile retailer and services company, employing over 42,000 people in nine countries. Our vision is We Help Everyone Enjoy Amazing Technology and this is underpinned by strategic levers to deliver it.

We	Help	Everyone	Enjoy	Amazing Technology
				
Capable and committed **colleagues**	We offer amazing advice to our customers through **assisted selling**	We are big – we have something for everyone; **range**	We have an **easy** end-to-end customer experience	Our sites and stores are amazing
We work together as **One Business**	We understand technology and our customers **data**	We are affordable: trusted on price and through **credit**	We are with our customers throughout the life of the product – via our **Services**	Our partnerships with suppliers make a big difference
Stronger infrastructure		We serve our customers however they want to shop: **online** or in store		**Mobile** is central to our vision

We help, let's start there. If we are to help customers discover and choose the right technology for them then that is through the assisted sale and it is through the data that feeds that assisted sale. If we help **everyone** we need to make the most of being big and that means having a range, a much larger range than we currently have so that we do have something for everyone. We need to make that range accessible through making it affordable, both by being trusted on price and through credit, which is a big profitable growth opportunity for us.

We need to make that accessible to everyone however they want to shop, whether it is online, in a store or both. Online is another big profitable growth opportunity for us. In order for customers to **enjoy** their technology, it needs to be easy. We need to make the end to end customer experience much easier than it is today, take the friction out of that experience as well as make the most of our services to help the customer make the most of their technology.

Finally, we help everyone enjoy **amazing technology** and it should be amazing. We want to make our stores and sites exciting as well as easy places to shop. Our privileged relationships with suppliers play a large part here. Finally, mobile is central to our vision, as one of the most, if not the most important, piece of tech in all of our lives.

All of this requires some changes to our business and we intend to have the most capable and committed colleagues of all, working in truly one, joined up business, with much stronger infrastructure than we have today. Everything in the strategy matters and we're going to do all of it. However, some things matter most – if we land credit, online, mobile and easy, and the enablers that make that possible, we will be a long, long way towards a business that has more engaged colleagues, more satisfied customers and a more valuable and sustainable business for shareholders.

Our Strategy continued

Big Four Levers of Value

Our strategy focuses on our core and on four things that matter most; two big profitable growth opportunities in credit and online; giving our customers an easy experience and revitalising our mobile business.

Credit	Online	Easy	Mobile
We are affordable: trusted on price and through credit	We serve our customers however they want to shop: online or in store	We have an easy end to end customer experience	Mobile is central to our vision

Credit Online Easy Mobile

Credit is a big and attractive growth opportunity for us. It is the largest and the fastest-growing service and it is easy to see why.

With credit, customers can spread the cost, affording more and better technology. From our point of view, it gives customers a reason to shop with us, rather than with somebody else, which is why we see a greater number of incremental new customers with credit. They spend more, both more frequently and with a higher average basket value. We retain them much better. The retention rates on credit customers are significantly higher than on cash customers. They have more reason to stay in touch with us more frequently as they manage their account, which gives us yet further opportunities to sell to them.

Of course, paying by instalment also facilitates the add-on sale of other services. We see higher warranty, insurance, protection and repair product penetration going along with credit customers than we do with cash. Lastly, of course, if you do it right, credit is profitable in its own right and we do fully intend to do it right. This point is certainly not the least important. We intend to be a responsible lender. We take our obligations to do the right thing seriously. We now have 21,000 fully credit-trained, front-line colleagues and we work in a responsible way with our partners. That will not change.

We are building on some strong foundations. We have a decent size credit business; already over 900,000 customers and over £420 million of credit sales.

We have already signed a much improved partnership deal with our partner bank and are also underway developing a new credit offer and a new IT platform to go with it. We now have at the top of the organisation people who are very experienced in consumer financial services as well as our broader trained colleagues. For all of these reasons, credit is a big opportunity where we have strong foundations and headroom for growth.

Credit Online Easy Mobile

Online is another big growth opportunity for us.

You have to go with the flow of how customers are buying products and services. More than 100% of the growth in retail is coming from online. We start with some strong foundations to go after this opportunity. We have £2 billion of online sales a year. Our online sales are growing faster than the online market and we have some interesting capabilities. However, we are still underweight. Less than a third of our sales are online today, compared to getting on for half of the market. We have headroom for growth and we are going after it.

We are already accelerating our online growth. First, by making it easy for customers. We are making it easier for customers to find, buy and get what is right for them. A much larger range, moving from 4,000 to 40,000 products over time is super-important online. That is going to be a big contributor.

We are now focused on the priority channel within online – mobile. Sales on a mobile phone, the phone as a channel, account for more than 100% of online growth. So we are 100% focused on that now including the coming development of a transactional app.

We are putting a lot more money into online now. It has a much greater priority when it comes to allocating resources. We are working differently and we are making some improvements to the online platform. But it is also about making the most of what we have got that others have not, which is being multichannel and being multichannel at scale. It is extremely important for us to have online and stores working closer together because together we are stronger. For example, if you are a store customer when you come into the store you will no longer see a choice of at the very most 2,000 or 3,000 products. You will eventually have access to a choice of 40,000 products due to the roll out of Store Mode tablets. 5,500 tablets were rolled out this year. These are vital because the colleague can now access that whole range and bring it to the customer.

We have made good progress over the year with 11% Group growth in online, and we expect further progress across the Group in 2019/20.

Credit Online **Easy** Mobile

We want to give our customers an ever-easier experience.

The easier you make it the more people buy. The more friction you can take out of people's experience the less reasons exist to go elsewhere. The easy experience and the services that allow customers to make the most of their product throughout its life are two good reasons for our customer relationships to become stickier and more valuable.

Our intention is to become known for reliability and consistency. We will build a cast iron reputation for reliability. We are not trying to make the most extravagant promises, for example, on delivery. We will obsess about keeping those promises and we will build that reputation for reliability that will give us a competitive edge.

Then there are services. Services are the means of making our customer relationships stickier and more valuable. We have focused on the services that matter most to our customers and that best play to our strengths. Helping customers set up and connect, protect, maintain, repair, trade-in and upgrade their product. On repair we are moving towards having a nationwide, competitive, accredited, same-day mobile repair capability which will really allow us to stand out in the market.

We are starting to see early signs that our efforts to give customers an easy experience are being noticed, with NPS in Currys PC World up by 7% in store, and up by 4% online. Carphone Warehouse NPS is also up 6% and 8% for store and online respectively.

Credit Online Easy **Mobile**

Mobile is part of amazing technology and it is central to our vision.

We are committed to it. This is the number one category in the market. It is the biggest category for us. It is arguably the single-most important technology product for the customer. We are still, despite our challenges, number one in this market. We are committed to it but clearly this is not a profitable part of the business today and that needs to change.

There are three main challenges that we are facing in mobile and that we are dealing with:

- Market: Total volumes are down in the market as customer behaviours change away from traditional 24 month post pay, towards buying handset and connectivity separately, or towards more flexible 36 month credit based contracts;
- Share: Those shifts also impact our share as we are weaker in SIM Only and absent on 36 month credit contracts in mobile; and
- Profitability: We make less money, but we also have legacy network volume commitments and a cost base that is inflexible and too high.

So we are underway with addressing this:

- We have renegotiated all our legacy network contracts to get them onto a more sustainable footing;
- We are revamping our offer so we're selling what our customers want to buy through better terms for our MVNO, iD, which has now reached 1 million customers. And we're developing more offers and choice to launch when we are no longer constrained by the network volume commitments; and
- Dealing with our cost base to be genuinely One Business.

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

Our Strategy continued

Core Enablers

Our vision and strategy will be delivered through three core enablers; capable and committed colleagues, working in one joined up business and strong infrastructure.

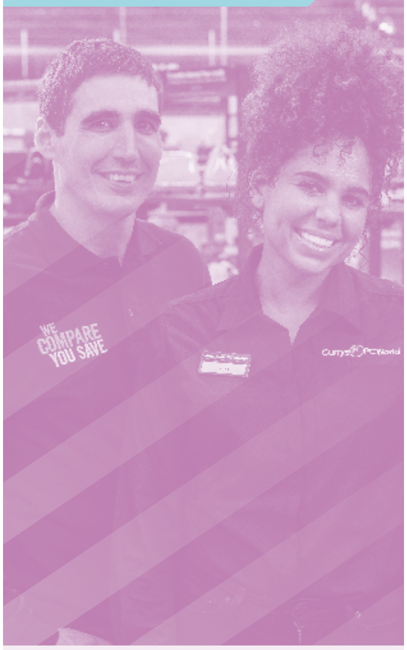
Capable & committed colleagues	Working as One Business	Stronger Infrastructure

Capable & Committed Colleagues

Capable and committed colleagues are our greatest advantage – and we have increased our investment in front-line training, for example, with better induction, better product training and Customer First assisted sales training.

Colleagues also now have more tools to do the job – like store mode tablets, and there is more to come. Another highlight is the Colleague Shareholder Scheme designed to align and energise all colleagues behind this strategy, and bring together different people from different businesses into truly one business in a concrete way. We've made all our colleagues future shareholders, by awarding them at least £1,000 of shares – something we are particularly proud and excited about.

Working as One Business



Joining up the business for customers and being better joined up behind the scenes.

We are going to make much more of a currently largely unexploited cross-selling opportunity between Carphone and Currys/PC World customers for top-line benefit. However, there is also a significant bottom-line, cost benefit as we bring the two businesses together. One Business is what we are calling it. That is effectively making one business of Dixons Carphone in people, process, data, technology and the like to complete the merger.

Stronger Infrastructure

A big part of infrastructure is better IT; our IT will go from being a constraint, to an enabler, to an accelerant for us.

That starts with a stronger supply chain and some improvements in the IT infrastructure. We have started to build a single IT platform which will provide us with new, modern commerce capabilities, enabling significant improvements in our ways of working, greater efficiency, and will ultimately support us in delivering a much easier, joined up multichannel end to end experience for our customers and colleagues behind the scenes, that allows us to deliver on our promises.

CASE STUDY

A well invested store estate

Our stores should be exciting places of discovery, where customers can discover and choose the amazing technology that is right for them.

That is why we are investing in our stores. We are going to improve our range on offer and give more space to our categories that customers want more of; large screen TVs, Smart Home and gaming.

We will introduce experience zones bringing technology to life with demo areas for cooking, laundry and gaming. Our Gaming Battlegrounds will allow customers to engage with products in an exciting way.

Through our Store Mode tablets, we will bring the online experience into stores and increase our range so there is something for everyone.

Our Markets

WE ARE THE MARKET LEADER IN EVERY MARKET THAT WE OPERATE IN

Our brands

Currys PC World

Carphone Warehouse

iD Mobile

Dixons Travel

Elkjøp

Elgiganten

Kotsovolos

Gigantti

We have strong customer franchise reflecting our relevance to customers

Store visits
205 MILLION

Website visits
700 MILLION

Where we operate

We are the market leader in every market that we operate in. Our brands, which include Currys PC World, Carphone Warehouse and iD Mobile in the UK & Ireland, Elkjøp, Elgiganten and Gigantti in the Nordic countries and Kotsovolos in Greece all provide nationwide presence. We also operate under the Dixons Travel brand within UK airports as well as in Dublin and Oslo.

Our service brand is Team Knowhow in the UK, Ireland and the Nordics. We have extensive after sales service capabilities and we focus on the services that matter most to our customers and that best play to our strengths.

The Group's core retail focus is the sale of consumer electricals including mobile phone products. We have a significant services capability providing finance, delivery and installation, set up and connectivity, protection, maintenance, repair and trade-in and upgrade services to help customers throughout the life of their products.

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

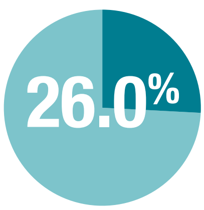
These suppliers can access markets directly through their own branded stores and online channels, or more widely, via partnering with third parties. Established businesses like ours, with well-regarded brands, sizeable market shares and nationwide store footprints and significant after sales service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

Our B2B function operates in clearly defined channels within the Currys PC World and Carphone Warehouse store network as well as on two independent websites and in a dedicated UK call centre. It sells a wide range of mixed electrical and connectivity products across its two websites.

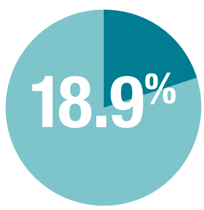
In addition to our well established relationships with MNO and Mobile Virtual Network Operator (MVNO) partners, we also operate our own MVNO, iD Mobile, in partnership with the MNO Three. iD Mobile continues to grow its customer base and reached 1 million customers at May 2019. It also recently agreed a new deal with Three allowing it to be more competitive in the SIM only market.

Clear market leader[1]

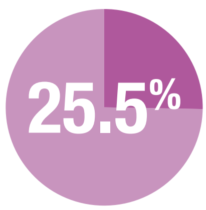
UK & Ireland electricals



UK & Ireland mobile (postpay)



Nordics



Greece

[1] GfK. DC internal analysis of market share and supplier data for 2018/19

CASE STUDY

Dixons Carphone Race to the Stones 2018

£600k+

raised for 100+ UK charities

AWARD WINNING

Best use of employee engagement in sponsorship at the 2018 European Sponsorship Awards

In July 2018, we activated our headline sponsorship of the multi-award winning Dixons Carphone Race to the Stones for the 5th year. Over 2,800 people chose to run, trek or walk along the ancient Ridgeway to Avebury Stone Circle, raising over £600k for over 100 UK charities, including £20k for our charity partner, *The Mix,* by 156 participating colleagues who also raised funds for their own community causes.

This two-day 100km ultra challenge won the ‘UK’s best endurance event’ at the Running Awards for a record breaking third time. It also won the ‘Best use of employee engagement in sponsorship’ at the 2018 European Sponsorship Awards and it won bronze for ‘the best engagement of an internal audience in a CSR programme’ at the 2019 Corporate Engagement Awards.

The Dixons Carphone ‘half way hub’ provided a live environment for our suppliers including Fitbit, Go Pro and Nutri Bullet to engage participants with their amazing fitness technology and wellness products.

Since our collaboration in 2014, this event has raised over £1.7 million for charity and in January 2018 was profiled in the Financial Times Health at Work supplement as a best practice example.

We continue our headline sponsorship in 2019 with the event on track for a sell-out year with more female than male participants for the first time; an unprecedented example in the endurance event marketplace.

Our Business Model

We have developed a clear vision underpinned by strategic levers of value, We Help Everyone Enjoy Amazing Technology.

The customer is central to our model. We want to provide the end to end journey needs of our customers with a seamless and personalised experience where convenience, ease of navigation and simplicity are key in attracting customers to shop with us whether its online, instore or a combination of both. By building a sustainable business, we will create long term value for our shareholders as well as delivering our promises to customers and colleagues.

THE OPPORTUNITY STARTS WITH THE CUSTOMER

They find tech exciting and amazing...

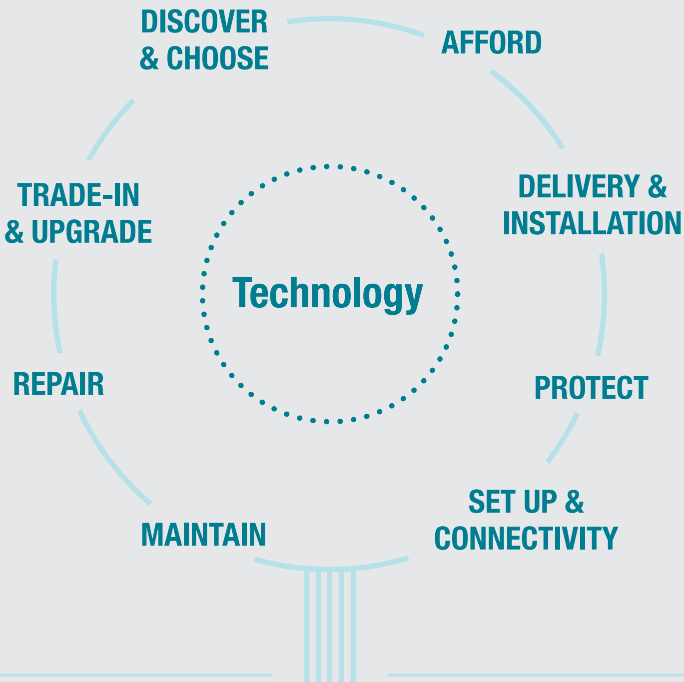
but also confusing and expensive.

They value help to discover and choose...

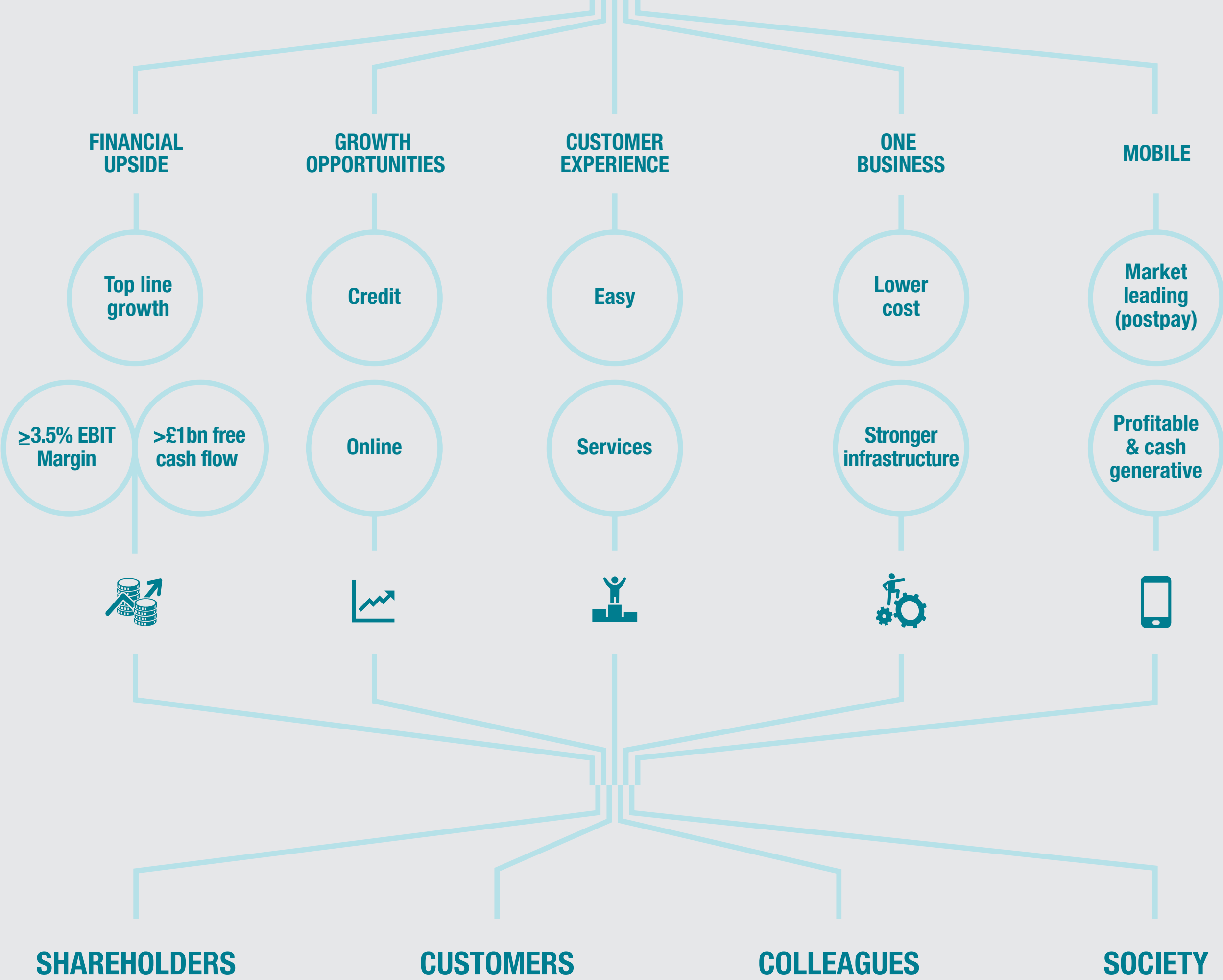
and to afford the item they really want...

to get the most out of it.

Dixons Carphone is uniquely placed to help customers



Building a sustainable business



Our Capabilities

Multi-channel retailing at scale

Strong capabilities

Our Colleagues

Capable and committed colleagues are our greatest advantage and will be a key enabler of our strategy. We want Dixons Carphone to be a magnet for talent. We have a new leadership team in place with fewer layers, bringing management closer to the heart of the business; the customer. We have improved training programmes which encompass induction, better product training and the Customer First assisted sales training. We must help our colleagues help customers and we are investing more in the colleague experience. We are seeing good improvements following investment in our colleagues both in terms of training and contact centre capabilities with significant declines in complaints and escalations.

Flexible Well Invested Stores

We continue to invest to make our stores best in class and provide a consistent experience with the latest product categories and look-and-feel right across our estate.

In the UK & Ireland our 3-in-1 stores are well invested, with a reducing average lease length remaining of 4 years and in the Nordics we have successfully consolidated our Norwegian brands over the year. We also intend to roll out additional gaming and experience zones throughout our stores, as well as move towards larger category representation in higher growth areas, such as smart technology.

We have an ongoing process of reviewing our store estate where our objective is to have the right estate for each territory in which we operate and to best utilise our 3-in-1 stores in the UK & Ireland. To this end, we closed 105 standalone Carphone stores during 2018/19.

New Capabilities

We are developing new capabilities in relation to data, analytics and digital. We have strong foundations in online and are continuing to develop progressive capabilities in areas like data, insight and analytics in digital marketing, technology and also more advanced services in order to enable and boost our strong market leadership position. We aim to improve our data capabilities to personalise pricing at high speed through analytics and deep customer insights.

Core Retail Skills

Our distribution is one of the keys to success in maintaining competitive margins and delivering an outstanding, market-beating service to customers. It is one of our scale assets, delivering a competitive multichannel retail proposition which cannot be replicated by pure play online competitors and retailers with a smaller footprint. 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 and when to deliver and a more efficient home delivery network for both us and our customers.

Assisted selling is at the heart of why customers come to us, and with capable and committed colleagues we are equipped to assess customer needs. Being a leader in each of our markets is a key driver of our strong and longstanding relationships with key technology suppliers. These relationships enable us to secure supply of the latest product releases and showcase the latest technology, connectivity and products in store with areas dedicated to key suppliers such as Apple, Samsung, Microsoft and many others. These formats are highly valued by suppliers because they provide an attractive and differentiated “shop window” that cannot be replicated by pure play online competitors.

Services

Customers value help, not just in discovering and choosing the right technology for them but also in getting the most out of it over its life. They also value affording it, having it delivered, installed, set up, connected, protected, maintained, traded-in and upgraded. Our ability to deliver these services stems primarily from our scale.

We are the UK’s leading technology support business with more than 11.0 million warranty and insurance customers; 1.0 million mobile repairs per year; 4.0 million home visits per year; 475k computer and TV repairs per year and 390k white goods repairs. We are moving toward a nationwide, competitive, accredited, same day mobile repair capability which will differentiate us from our competitors. In 2018/19, we made 3.6 million big box deliveries, 4.0 million small box deliveries and performed 1.9 million installations.

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

CASE STUDY

International business achievements and milestones

Key achievements in 2018/19

Credit

– Introduced RenewIt

Online

– Online growth in the Nordics of 24%

Easy

– Launched 1 hour click & collect and in store repair service

Key milestones for 2019/20

– Rolling out SmartHome concept and marketing

– Continue to grow product range and invest in employee training

– Continue to roll out new and more exciting store concepts, including gaming, smart home and kitchen zones

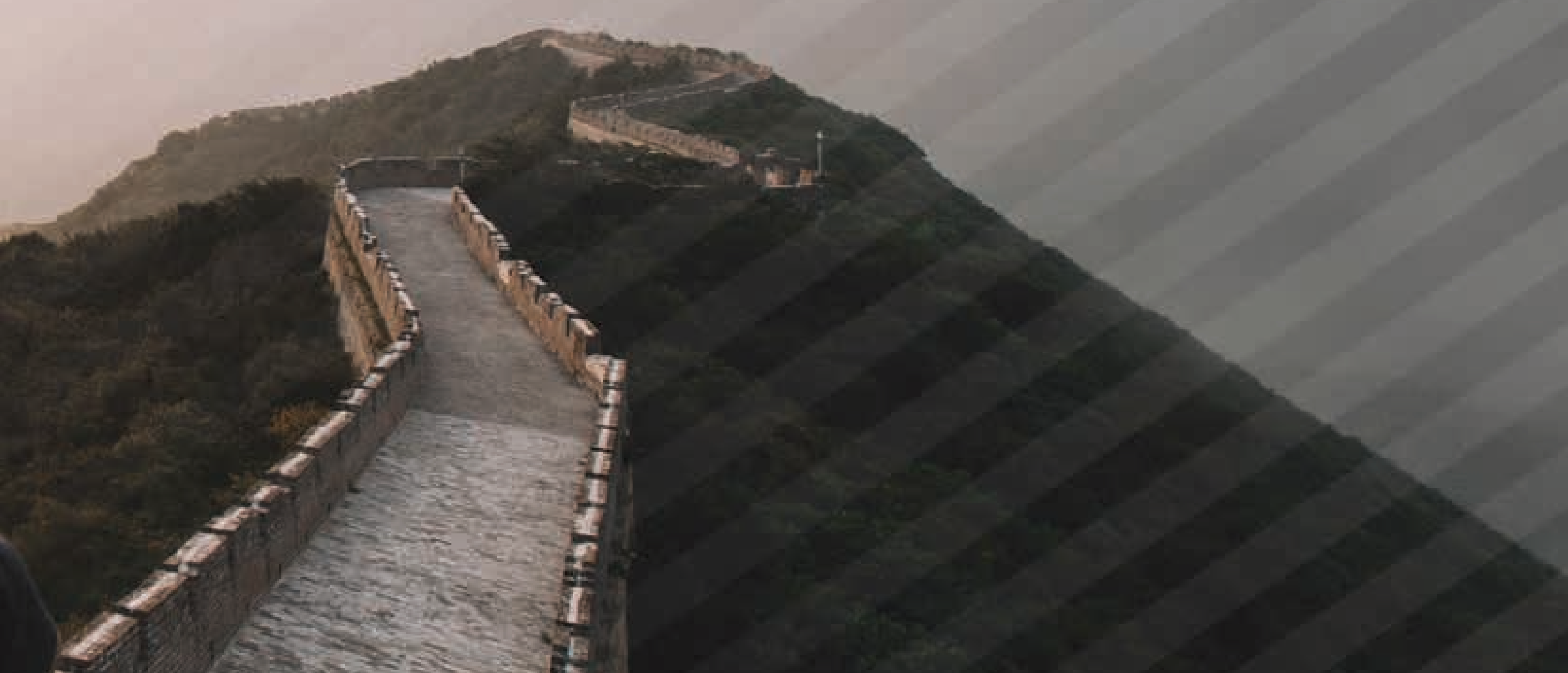
We have a strong international business in the Nordics and Greece generating around 40% of the Group's profits and continuing to grow its market leading positions.

Full year results show good top and bottom line trajectory with strong management teams in place. The focus of our transformation today is on the UK & Ireland but we have a clear, locally tailored plan that is consistent with the UK. This includes growth opportunities in B2B, online, credit, an easy customer experience and focused on two growth categories, smart home and kitchen.

Strategy Roadmap and Milestones

Strategic Levers	2018/19 Milestones
Credit	New agreement with BNP Paribas New credit leadership team Launched credit monthly payment point of sale solution online and in store
Online	Up to 30% improvement in on-site speed Midnight cut-off for small box next day delivery Launched a "Point & Place" app – allowing customers to visualise products in their own home
Easy	Improvements in right first time delivery and installation in supply chain Improvements in first time contact resolution in contact centres Development of sustainable product service, embedded across customer training programmes
Mobile	Renegotiated mobile network contracts 1 million customers for iD Mobile Expanded offer of SIM-only propositions

2019/20 Milestones	Principal risks* to achieving 2019/20 Milestones
Improvement in customer journey including account opening Roll out further specific training More tailored offers to meet customer needs	3, 4, 5, 6, 7
Grow range by additional 5,000 products Development of smartphone app Further improvements around navigation, personalised journeys and new ways to drive services growth online	1, 5, 6, 7, 11
Development of further self service features to reduce contact centre call rates Relaunch our product protection proposition this year, becoming an insurer in the UK Enhanced flexible services to make it easier for customers to enjoy their product throughout its life	1, 2, 5, 6
Acceleration towards One Business Roll-out credit offering to mobile handsets Expanding connectivity offering	1, 3, 4



* Principal risks to achieving the Group's objectives on pages 22–24

Principal Risks to Achieving the Group's Objectives

The Group recognises that taking risks is an inherent part of doing business and that competitive advantage can be gained through effectively managing risk. The Group continues to develop robust risk management processes, integrating risk management into business decision-making. The Group's approach to risk management is set out in the Corporate Governance Report on pages 57 to 59. The risks are linked to the strategy on pages 9 to 12. The principal risks and uncertainties, together with their potential impacts and changes in net risk since the last report, are set out in the tables below along with an illustration of what is being done to mitigate them.

Risks and potential impacts

1 Dependence on key suppliers		Risk owner: Chief Commercial Officer	Risk category: Strategic
What is the risk? The Group is dependent on relationships with key suppliers to source products on which availability may be limited.	**What is the impact?** – Reduced revenue and profitability – Deteriorating cash flow – Reduced market share	**How we manage it** Ensuring alignment of Key Suppliers to the opportunities presented through the Future DC Strategy Continuing to leverage the scale of operations to strengthen relationships with key suppliers and maintain a good supply of scarce products	**Changes since last report** This risk has remained stable over 2018/19.

2 Impact of Brexit		Risk owner: Group Chief Executive	Risk category: Strategic
What is the risk? Economic uncertainty and impact on consumer confidence caused by the decision of the UK to leave the European Union ('Brexit'). Longer term changes in regulation and other frameworks that may impact our ability to operate across our European businesses.	**What is the impact?** – Reduced revenue and profitability – Deteriorating cash flow – Reduced market share	**How we manage it** – Contingency planning to address immediate operational impacts – Monitoring of wider regulatory and legislative changes – Strategic and business planning – Credit facilities in place – Foreign exchange hedging to mitigate impact of currency fluctuation	**Changes since last report** This risk has increased over the period 2018/19 given the uncertainty associated with Brexit.

3 Business Transformation		Risk owner: Group Chief Executive	Risk category: Strategic
What is the risk? Failure to respond with a business model that enables the business to compete against a broad range of competitors on service, price and / or product range. Failure to respond effectively to shifting market dynamics in the mobile sector such as network and hardware disintermediation. Failure to respond to changes in consumer preferences and behaviours.	**What is the impact?** – Reduced revenue and profitability – Deteriorating cash flow – Reduced market share	**How we manage it** – Future DC Strategy defined and communicated – New Executive Committee in place and Global Leadership team established – Management and Operating Model restructured to create joined up business – Transformation Programme office established and delivering key strategic objectives – Renegotiated contracts with the MNOs – Launch of new customer credit proposition	**Changes since last report** This risk has remained unchanged over 2018/19, although delivery of the Transformation Plan will aim to reduce this risk over the 2019/20 period.

4 Non-compliance with Financial Conduct Authority ('FCA') and other financial services regulation		Risk owner: Chief Customer Officer	Risk category: Regulatory
What is the risk? Failure to manage the business of the Group in compliance with FCA regulation and other financial services regulation to which the Group is subject in a number of areas including the mobile insurance operations of The Carphone Warehouse Limited and the consumer credit activities of DSG Retail Limited.	**What is the impact?** – Reputational damage – Financial penalties – Reduced revenues and profitability – Deteriorating cash flow – Customer compensation – Loss of competitive advantage	**How we manage it** – Board oversight and risk management structures actively monitor compliance and ensure that the Company's culture puts customer outcomes first – Approved Persons perform oversight, monitoring of compliance, adherence to policy and monitoring of any required mitigating actions – Internal committees, including a dedicated FCA compliance committee, and control structures to ensure appropriate compliance (e.g. undertaking quality assurance procedures for samples of mobile phone sales) and to react swiftly should issues arise – Continuous review of the operation and effectiveness of compliance standards and controls, with the development of control improvement plans where required – Compliance training programmes for colleagues	**Changes since last report** This risk has remained stable over 2018/19.

5 **Data Protection**

Risk owner: Chief Customer Officer

Risk category: Regulatory

What is the risk?
Major loss of customer, colleague, or business sensitive data.

Adequacy of internal systems, policy, procedures and processes to comply with the requirements of EU General Data Protection Regulation ('GDPR').

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

How we manage it
- The operation of a Data Management Function to ensure compliance with GDPR compliant operational processes and controls
- The operation of a Data Protection Office to ensure appropriate governance and oversight on the Group's data protection activities. Control activities operate over management of customer and employee data in accordance with the Group's data protection policy and processes
- Investment in information security safeguards and IT security controls and monitoring

Changes since last report
The risk has decreased over 2018/19 as GDPR compliance processes have begun BAU operation.

6 **IT systems and infrastructure**

Risk owner: Chief Customer Officer

Risk category: Technology

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

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

How we manage it
- Ongoing IT transformation to align IT infrastructure to Future DC strategy
- Significant investment being made in IT systems and infrastructure across the Group, 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 established

Changes since last report
This risk has increased in 2018/19 as a result of deficiencies arising from the implementation of the new finance system

7 **Information security**

Risk owner: Group Chief Financial Officer

Risk category: Risk Operational

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

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

How we manage it
- Investment in information security safeguards, IT security controls, monitoring, in-house expertise and resources as part of a managed information security improvement plan
- Information Security and Data Protection Committee comprising senior management, set up with responsibility for oversight, co-ordination and monitoring of information security policy and risk
- Information security policy and standards defined and communicated
- Training and awareness programmes for employees
- Audit programme over key suppliers' information security standards
- Introduction of enhanced security tooling
- Ongoing programme of penetration testing

Changes since last report
Despite substantial investment in this area, our overall information security risk position has increased in 2018/19 as a result of a background of an increasing external threat environment

8 **Health and Safety**

Risk owner: Chief Operating Officer

Risk category: Operational

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

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

How we manage it
- Group Health and Safety strategy
- Group Health and Safety policy
- Health and Safety management / governance committee
- Comprehensive set of policies and standards supporting continued improvement
- Operational Health and Safety teams located across business units
- Risk assessment programme covering retail, support centres, distribution and home services
- Health and Safety training and development framework
- Health and Safety inspection programme
- Audit programme including factory audits for own brand products and third-party supply chains

Changes since last report
This risk has decreased in 2018/19 as a result of continuing action to improve our Health and Safety processes.

Principal Risks to Achieving the Group's Objectives

9 Business Continuity

Risk owner: Chief Operating Officer

Risk category: Operational

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

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

How we manage it
- Business continuity and crisis management plans in place and tested for key business locations
- Disaster recovery plans in place and tested for key IT systems and data centres
- Crisis team appointed to manage response to significant events
- Major risks insured

Changes since last report
This risk has remained stable over 2018/19.

10 Tax liabilities

Risk owner: Group Chief Financial Officer

Risk category: Financial

What is the risk?
Crystallisation of potential tax exposures resulting from legacy corporate transactions, employee and sales taxes arising from periodic tax audits and investigations across the various jurisdictions in which the Group operates.

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

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

Changes since last report
The Group continues to co-operate with HMRC in relation to open tax enquiries. Whilst the quantum of the risk has remained stable, the likelihood of litigation has increased over 2018/19.

11 Product Safety

Risk owner: Chief Operating Officer

Risk category: Operational

What is the risk?
Unsuitable procedures and due diligence regarding product safety, particularly in relation to OEM sourced product, may result in poor quality or unsafe products provided to customers which pose risk to customer health and safety.

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

How we manage it
- Factory Audits conducted over OEM suppliers
- Technical Evaluation of OEM products prior to production
- Product inspection of OEM products prior to shipment
- Monitoring of reported incidents
- Safety Governance reviews conducted by internal by Technical and Business Standards teams

Changes since last report
This risk was added to the Group risk profile in 2018/19 as disclosed in the 12 December 2018 interim statement.

12 Long term and diversification of funding

Risk owner: Group Chief Financial Officer

Risk category: Financial

What is the risk?
Ensuring that the nature and structure of the Group's committed funding activities remain optimal.

What is the impact?
- Restricted growth and adaptability
- Reputational damage

How we manage it
- Unsecured credit/loan facilities
- Regular review of the long term and short-term cash flow projections for the business
- Regular review of the Group's capital structure

Changes since last report
This risk was added to the Group risk profile in 2018/19 following the new management team decision to explore the potential for more diverse sources of funding.

WE HELP EVERYONE ENJOY AMAZING TECHNOLOGY

Performance Review

Highlights: 12 months to 27 April 2019

- Gained market share in electricals in all territories
- Group FY like-for-like revenue[3] up 1%; UK & Ireland electricals like-for-like revenue[3] up 1%; International like-for-like revenue[3] up 4%; UK & Ireland mobile like-for-like revenue[3] down 4%
- Statutory revenue down 1% to £10,433 million
- Group headline PBT[1] of £298 million (2017/18: £382 million):
- Statutory loss before tax of £259 million (2017/18: profit of £289 million), including non-headline charges of £557 million (2017/18: £93 million), primarily non-cash impairments relating to the changing UK mobile market, as outlined in December interim results, mainly goodwill[4]
- Free cash flow[5] of £153 million (2017/18: £172 million). Operating cash flow of £286 million (2017/18: £312 million)
- Net debt[6] of £265 million (2017/18: £249 million)
- Final dividend of 4.50p proposed (2017/18: 7.75p), full year dividend at 6.75p (2017/18: 11.25p)

Headline results[1]

		Headline revenue[1]					Headline profit / (loss)[1]	
	Note	2018/19 £million	2017/18 £million	Reported rate % change	Local currency[2] % change	Like-for-like[3] % change	2018/19 £million	2017/18 £million
UK & Ireland electricals	(4)	**4,475**	4,412	**1%**	**1%**	**1%**	**180**	231
UK & Ireland mobile	(4)	**1,998**	2,233	**(11)%**	**(11)%**	**(4)%**	**9**	43
UK & Ireland		**6,473**	6,645	**(3)%**	**(3)%**	**–**	**189**	274
Nordics		**3,501**	3,470	**1%**	**4%**	**3%**	**112**	106
Greece		**459**	410	**12%**	**13%**	**13%**	**21**	20
International		**3,960**	3,880	**2%**	**5%**	**4%**	**133**	126
Group		**10,433**	10,525	**(1)%**	**–**	**1%**	**322**	400
Net finance costs							**(24)**	(18)
Profit before tax							**298**	382
Tax							**(62)**	(79)
Profit after tax							**236**	303
Total non-headline items							**(556)**	(137)
Statutory (loss)/profit after tax							**(320)**	166
Headline basic EPS							**20.4p**	26.2p

Notes.

(1) Headline results exclude amortisation of acquisition intangibles, significant reorganisation costs, significant impairments, businesses to be exited, property rationalisation costs, acquisition-related costs, net interest on defined benefit pension schemes and discontinued operations. Such excluded items are described as 'non-headline'. For further details see note 4 of the Group financial statements.

(2) Change in local currency revenue reflects total revenues on a constant currency and period basis, as defined in the glossary on page 189.

(3) Like-for-like revenue is defined in the glossary on page 188.

(4) During the period, the reportable segments of the Group have been changed and comparatives restated accordingly. The restatement is detailed in note 2 to the Group financial statements. As part of the strategic review, the Group has separated the previous UK & Ireland operating segment into the separate electricals and mobile operating segments. Given the challenges in the mobile market, and the corresponding change in the UK & Ireland mobile performance in the period, the Group has changed the information presented to the Board to provide greater clarity over the relative performance of the two UK & Ireland businesses and to support decisions related to the allocation of the Group's resources. This change has included the provision of separate financial information being provided in respect of the UK & Ireland mobile and electricals segments. As a result of the change, the goodwill previously allocated to the UK & Ireland has been separated into UK & Ireland electricals and UK & Ireland mobile and an impairment review was then performed over the new segments. This identified a material non-cash impairment charge of £225 million recorded over the goodwill of the UK & Ireland mobile segment, together with impairment of related assets of £122 million and additional onerous lease charges of £36 million to be recorded against individual stores.

(5) Free cash flow is defined in the glossary on page 190.

(6) Net debt is defined in the glossary on page 190.

Certain statements made in this Annual Report 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. Dixons Carphone has in place substantial contingency plans to mitigate the expected operational disruption that could arise in the event of a 'hard Brexit'. However, all financial guidance is provided on the basis that there is no significant change in macroeconomic outlook. 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. Information contained on the Dixons Carphone plc website or the Twitter feed does not form part of this Annual Report and should not be relied on as such.

Headline performance review

The performance review below refers, unless otherwise stated, to headline information for continuing businesses. The basis for the preparation of this information, including restatements due to businesses to be exited, discontinued operations and segmental classification, is described above. Statutory results are described on page 29.

Group

Group headline revenue decreased by 1% in Sterling terms to £10,433 million (2017/18: £10,525 million) and was flat on a local currency basis. Like-for-like revenue growth was 1%, reflecting strong performance in Greece (like-for-like growth of 13%) and the Nordic region (like-for-like growth of 3%). UK & Ireland electricals delivered 1% like-for-like growth whilst UK & Ireland mobile declined by 4%.

Headline EBIT has decreased £78 million to £322 million, as higher headline EBIT in our International businesses was more than offset by lower UK & Ireland electricals and UK & Ireland mobile.

UK & Ireland electricals

Headline revenue increased by 1% to £4,475 million (2017/18: £4,412 million), with full year like-for-like revenue growth of 1%. Overall market share increased and growth was predominantly driven in large screen TVs, gaming, small white goods and smart home and fitness products. Softer categories included imaging and audio. Our online business continued to grow strongly with revenue growth of 9% and, increasingly, customers took advantage of the ability to order online and collect in store.

Headline EBIT decreased by £51 million to £180 million (2017/18: £231 million). Gross margins were down 100bps, with the majority of this in the first half, negatively impacted by changes in channel mix which drove higher demand for delivery and installation, and lower services adoption rates as we reconfigured our service proposition. Year-on-year EBIT was impacted by prior year systems reconciliation releases (£16 million), prior year benefit from changes in the cost profile of customer support agreements (£4 million) and negative impact from the current year implementation of IFRS15 on revenue from customer support agreements (£5 million). In total these items accounted for £25 million of the year-on-year decline, of which £15 million occurred in the second half of the year. There were also benefits from the previously announced reorganisation offset by higher depreciation from IT systems brought online during the year.

UK & Ireland mobile

Total headline revenue of £1,998 million was recognised in the year (2017/18: £2,233 million) which included £7 million of out of period revenue (2017/18: £3 million). Like-for-like revenue for the full year were down 4%. The like-for-like decrease reflected the decline in the 24 month postpay market during the period. Online continued to grow as a share of business and our MVNO, iD Mobile, saw good growth to reach a million customers. Overall revenue was impacted by store closures, network commissions income and lower Connected World Services activity.

Headline EBIT decreased by £34 million to £9 million (2017/18: £43 million) reflecting the decrease in sales. Overall gross margins were up 50bps year-on-year. Headline EBIT included negative revaluations of £32 million (2017/18: £30 million) due to changes in customer behaviour and legislative impacts on previously recognised transactions. In year network commissions income was impacted by the recent implementation of customer bill capping and provisions for future regulatory changes (£31 million). Current year EBIT included an £18 million depreciation benefit from asset impairments recognised in the first half, cost savings from store closures and benefits flowing from the previously announced reorganisation whilst prior year EBIT included £9 million benefit from systems reconciliation releases which have not been repeated in the current year.

Nordics

The year saw a strong performance in the Nordics with 4% local currency revenue growth. Reported revenue was up 1% to £3,501 million (2017/18: £3,470 million), the difference from local currency due to the strengthening in the Pound.

Like-for-like revenue grew by 3%, and market share increased, with good growth in most categories particularly in telecoms, gaming and white goods, supported by strong online growth of 24%. Softer categories included computing and consumer electronics.

Gross margin improved c.10bps, coupled with improved distribution cost efficiencies following the previously announced investments in the Jönköping distribution centre, as well as efficiencies resulting from the consolidation of brands in Norway, with the rebranding of Lefdal.

As a result, Nordics headline EBIT improved by £6 million to £112 million (2017/18: £106 million).

Performance Review continued

Greece

Greece continued to grow strongly, with like-for-like revenue increasing 13%, local currency revenue increasing 13% and reported revenue increasing 12% to £459 million (2017/18: £410 million), with market share increasing across all categories. Gross margins remained stable, and reported EBIT increased to £21 million (2017/18: £20 million), reflecting continued investment in core operations to support future growth.

Net finance costs

Headline net finance costs were £24 million (2017/18: £18 million). The increase in net financing costs reflected higher usage of the revolving credit facility as the supplier funding working capital facility was used less. Finance income included within the net finance cost reduced by £3 million to £11 million due to the financing element of network income declining with total network income.

Tax

The headline effective tax rate for the full year was 21% (2017/18: 21%). The rate was higher than the UK statutory rate of 19% mainly due to higher statutory rates in the Nordics and certain non-deductible items mainly in the UK.

Cash and movement on net debt

Free Cash Flow

	2018/19 £million	2017/18 £million
Headline EBIT	**322**	400
Depreciation and amortisation	**146**	160
Working capital	**24**	(80)
Capital expenditure	**(166)**	(173)
Taxation	**(45)**	(63)
Interest	**(30)**	(25)
Other items	**9**	–
Free cash flow before exceptional items – continuing operations	**260**	219
Exceptional costs	**(107)**	(47)
Free Cash Flow	**153**	172

Free Cash Flow was an inflow of £153 million (2017/18: £172 million), a decrease of 11% for the reasons described below.

The Group experienced a working capital inflow of £24 million (2017/18: £80 million outflow), largely as a result of the unwind of the capitalised network debtor. This was partly offset by an increase in the UK & Ireland electricals inventory of £37 million including a buffer in case of 'hard Brexit', lower than planned sales at year end because of the unusually warm Easter weekend, favourable payment timings last year not repeated and adverse debtor timing this year end. Overall £30 million of this working capital movement will reverse in FY20.

Capital expenditure in the period was £166 million (2017/18: £173 million). The year-on-year decrease reflected a small pause whilst new strategy plans were completed. Investment will build in FY20 as the transformation accelerates.

Taxation paid in the year reduced from £63 million to £45 million due to overpayments in prior periods recovered in the year and the impact of reduced profitability.

The increase in interest paid was primarily as a result of higher usage on the revolving credit facility as explained above.

Exceptional costs primarily comprised of the cash costs associated with the transformation activities, the property rationalisation programme and the regulatory fine noted below within non-headline items.

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

Funding

	2018/19 £million	2017/18 £million
Free Cash Flow	**153**	172
Dividends	**(116)**	(130)
Acquisitions and disposals including discontinued operations	**(1)**	24
Special pension contributions	**(46)**	(46)
Other items	**(6)**	2
Movement in net debt	**(16)**	22
Opening net debt	**(249)**	(271)
Closing net debt	**(265)**	(249)

At 27 April 2019 the Group had net debt of £265 million, an increase of £16 million from £249 million in the prior year. Free Cash Flow was an inflow of £153 million (2017/18: £172 million) for the reasons described above.

Dividend cash outflows decreased from £130 million in the prior year to £116 million in current year reflecting a year-on-year decrease in FY 2018/19 interim dividend paid.

Net cash outflows of £1 million from acquisitions and disposals in the current year primarily related to deferred consideration paid for the historical acquisition of the Epoq kitchen business, consideration received for the sale of honeybee of £8 million, offset by £5 million of additional payments for honeybee related costs, £3 million payment for warranties in relation to previously disposed operations in Portugal. Prior year cash outflows related to cash received following the sale of the Group's Sprint joint venture and Spanish operations, net of the operating and investing cash flows associated with the now discontinued honeybee operations. The pension contributions reflected the agreed deficit reduction plan following the 2016 triennial valuation. Other items primarily related to foreign exchange movements on net debt.

The average net debt during the year was £439 million (2017/18: £405 million) up year-on-year because of the lower usage of the supplier funding working capital facility. The year end net debt balance was £265 million with the difference between this and the average net debt representing the seasonal funding requirements of the Group.

Statutory performance review

Income statement – continuing operations

	2018/19 £million	2017/18 £million
Revenue	**10,433**	10,531
EBIT	**(223)**	321
Net finance costs	**(36)**	(32)
(Loss)/profit before tax	**(259)**	289
Tax	**(52)**	(53)
(Loss)/profit after tax – continuing operations	**(311)**	236
Loss after tax – discontinued operations	**(9)**	(70)
(Loss)/profit after tax for the period	**(320)**	166
Basic (Loss)/Earnings per share	**(27.6)p**	14.4p
Diluted (Loss)/Earnings per share	**(27.6)p**	14.3p

Revenue decreased 1% to £10,433 million due to the reasons discussed earlier in this report.

Profit before interest and tax decreased from £321 million to a loss of £223 million in the current period, largely due to the reasons discussed above and the non–headline costs incurred as described later in this report.

Net finance costs were £4 million higher than the prior year at £36 million for those reasons described earlier in this report offset by a reduction in the net interest on defined benefit obligations as a result of the lower opening discount rates year-on-year.

The tax charge was flat year-on-year. There was a tax provision in the year of £46 million as outlined below, offset by additional tax credits due to the non-headline charges recorded.

Basic and diluted EPS both decreased year-on-year reflecting the loss after tax in the current year.

Non-headline items

Statutory loss before tax of £259 million (2017/18: £289 million profit) includes non-headline charges of £557 million (2017/18: £93 million). These charges are analysed below. Further details can be found in note 4 to the Group financial statements.

	2018/19 £million	2017/18 £million
Acquisition and disposal related items	**(23)**	(29)
Strategic change programmes	**(67)**	(52)
Data Incident costs	**(20)**	–
Regulatory costs	**(52)**	–
Impairment losses and onerous leases	**(383)**	–
Share plan taxable benefits	**–**	2
Total non-headline items before interest and tax	**(545)**	(79)
Net pension interest	**(12)**	(14)
Total non-headline items before tax	**(557)**	(93)
Tax regulatory matters	**(46)**	–
Tax on other non-headline items	**56**	26
Profit / (loss) after tax – discontinued operations	**(9)**	(70)
Total non-headline items	**(556)**	(137)

Acquisition and disposal related costs in the current year related to amortisation of acquisition intangibles and the release of contingent consideration for a previous acquisition. Prior year costs related to amortisation of acquisition intangibles, results of businesses to be exited and income received from previously disposed businesses.

Strategic change programmes relate to significant reorganisation, additional property rationalisation costs provided and costs to exit non-core businesses. Prior year costs included functional transformation costs and property rationalisation costs.

Data incident costs related to costs associated with the data incident announced on 13 June 2018, regulatory matters included an increase in pension liabilities as a result of Guaranteed Minimum Pension equalisation of £15 million, on-going employee related matters, £30 million FCA fine imposed following the conclusion of an investigation into historical Geek Squad mobile phone insurance selling process and other ongoing regulatory matters.

As part of the strategic review, the Group separated the previous operating segment in the UK & Ireland into the separate electricals and mobile operating segments. Given the challenges in the mobile market, and the corresponding change in the UK & Ireland mobile performance in the period, the Group changed the information presented to the Board to provide greater clarity over the relative performance of the two UK & Ireland businesses and to support decisions related to the allocation of the Group's resources. This change included the provision of separate financial information in respect of the UK & Ireland mobile and electricals segments. As a result of the change, the goodwill previously allocated to the UK & Ireland was

Performance Review continued

separated into UK & Ireland electricals and UK & Ireland mobile and an impairment review was then performed over the new segments. This change, together with a deterioration in the forecast performance of the UK & Ireland mobile business identified a material non-cash impairment charge of £225 million to be recorded over the goodwill of the UK & Ireland mobile segment, together with impairment of related assets of £122 million and additional onerous lease charges of £36 million to be recorded against individual stores.

Net pension interest was £12 million (2017/18: £14 million) reflecting the charge incurred in relation to the Dixons Retail UK pension scheme. Further details on the pension scheme can be found in the Pensions section later in this performance review.

The tax credit of £10 million represented a tax credit on the above non-headline items of £56 million, offset by an additional tax provision of £46 million in relation to pre-merger legacy corporate transactions.

Discontinued operations

On 4 May 2018, the Group agreed to sell the honeybee operations through an asset sale, which was completed on 31 May 2018. These operations were classified as a disposal group held for sale in the year ended 28 April 2018. During year ended 27 April 2019, additional costs of £7 million have been recorded following the sale in relation to onerous contracts and compensation to previous employees. Other items in the current year relate to settlement of warranty provisions, provision for employee related matters in previously disposed businesses and tax credits relating to capital allowances.

Balance Sheet

	2018/19 £million	2017/18 £million
Goodwill	**2,840**	3,088
Other fixed assets	**740**	872
Working capital (note 26b)	**(159)**	(96)
Net debt	**(265)**	(249)
Tax, pension & other	**(516)**	(419)
	2,640	3,196

Goodwill and other fixed assets have decreased primarily due to the non-cash impairments described above.

Working capital has decreased in the year by £63 million as a result of the unwind of the capitalised network debtor and an increase in provisions in the period as a result of the non-headline charges described above mostly offset by a decrease in trade payables from a change in mix of supplier terms, timing of payments and an increase in inventory held at the year end.

Net debt has increased as described above.

Other net liabilities (tax, pension & other) have increased as a result of the increase in the IAS19 accounting pension deficit described below, and an increase in income tax payable as a result of a provision in relation to pre-merger legacy corporate transactions.

Cash flow statement

	2018/19 £million	2017/18 £million
EBIT – continuing operations	**(223)**	321
EBIT – discontinued operations	**(14)**	(83)
Depreciation and amortisation	**174**	204
Working capital	**72**	(92)
Impairments	**347**	
Other operating items	**(70)**	(38)
Cash flows from operating activities	**286**	312
Acquisitions	**(1)**	(10)
Capital expenditure	**(166)**	(187)
Other investing cash flows	**17**	65
Cash flows from investing activities	**(150)**	(132)
Dividends paid	**(116)**	(130)
Other financing cash flows	**(93)**	(62)
Cash flows from financing activities	**(209)**	(192)
Decrease in cash and cash equivalents and bank overdrafts	**(73)**	(12)

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

Other operating items related to pension contributions and taxation cash outflows, offset by the reversal of non-cash share based payment charges included in EBIT.

Acquisition outflow of £1 million (2017/18: £10 million outflow) related to deferred consideration payments in the Nordics for the 'Epoq' kitchen business. Prior year acquisition cash outflows comprised £7 million of deferred consideration payments for the acquisitions of Simplifydigital of £5 million and the 'Epoq' kitchen business in the Nordics of £2 million together with £3 million of capital injected into the US joint venture with Sprint prior to disposal.

Other investing cash flows related to proceeds on disposal being consideration for a property sold in the previous period and the consideration received for the honeybee assets. Prior year inflow related to proceeds received following the disposal of the Group's Spanish operations and the disposal of the Sprint joint venture and additional consideration received in relation to prior period disposals.

Other financing cash outflows of £93 million related to interest and finance lease payments in the year and repayment of external borrowing. The increase in outflows from the prior year related to repayments of borrowings under the revolving credit facility and higher interest cost.

Comprehensive income / changes in equity

Total equity of the Group has decreased from £3,196 million to £2,640 million primarily reflecting the total statutory loss of £320 million, the loss on retranslation of overseas operations of £30 million and actuarial loss (net of taxation) relating to the defined benefit pension scheme of £107 million and the payment of dividends of £116 million.

Other matters

Pensions

The IAS 19 accounting deficit of the defined benefit section of the UK pension scheme of Dixons Retail amounted to £579 million at 27 April 2019 compared to £470 million at 28 April 2018. Contributions during the period under the terms of the deficit reduction plan amounted to £46 million (2017/18: £46 million), with future contributions under the current agreement with the Trustees of the fund, of £46 million per annum to be paid until 2028/29, with a further payment of £25 million in 2029/30. The deficit has increased during the year as a result of changes in market based financial assumptions, primarily the discount and inflation rates.

Dividends

The Board declared an interim dividend of 2.25p per share which was paid on 25 January 2019.

We are proposing a final dividend of 4.50p per share. The final dividend is subject to shareholder approval at the Company's forthcoming Annual General Meeting. The ex-dividend date is 5 September 2019, with a record date of 6 September 2019 and an intended final dividend payment date of 27 September 2019.

Going concern

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

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

Viability statement

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

In assessing the viability of the Group, the Directors have considered the Group's current position and prospects, risk appetite, and those principal risks and mitigating actions as described on pages 22 to 24 of the Strategic Report.

The Board concluded that a period of three years was appropriate for this assessment as it is consistent with the period of focus of the annual strategic plans of each business, falls within the period of committed financing facilities and reflects a period of greater certainty of cash flows associated with the Group's major revenue streams.

The strategic plan considers the forecast revenue, EBITDA, working capital, cash flows and funding requirements on a business by business basis, which are assessed in aggregate with reference to the available borrowing facilities to the Group over the assessment period including seasonal cash flow and borrowing requirements on a monthly basis and the financial covenants to which those facilities need to comply. The model assessed by the Directors has been derived from the Board-approved annual Group budget for 2019/20, and Board-approved strategic plan for the remaining two year period. These forecasts have been subject to robust stress-testing, modelling the impact of a combination of severe but plausible adverse scenarios based on those principal risks facing the Group. Examples include the potential adverse impact of UK EU exit, regulation or information security incidents and reduced forecast profitability and cash flow as a result in a significant change in consumer behaviour. The model assumes no further funding facilities are required over and above those currently committed to the Group as disclosed in note 18 to the Annual Report and Accounts.

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

Jonny Mason
Group Chief Financial Officer
19 June 2019

Sustainable Business

Early in 2018 we established a new approach towards achieving our Economic, Social & Governance (ESG) ambitions with a strategy and programme called Live Earth Neutral.

Comprising 14 sustainable business priorities across our People, Environment and Social Impact, Live Earth Neutral created a framework from which to engage stakeholders with issues material to our business and support the achievement of associated goals.

Key Priorities from Live Earth Neutral (2018/19)

1. Making sure stakeholder views and expectations are reflected in our business decisions.
2. Attracting, retaining and recruiting the best talent to drive our growth.
3. Empowering our people and creating experts our customers can trust.
4. Recognised as a valued and responsible member of our communities.
5. Manage our UK energy consumption and corresponding CO_2 emissions for optimal efficiency.
6. Be industry leading for our waste management and recycling services.
7. Help our customers reduce their environmental impact through improved product knowledge and awareness of services.
8. Equality of opportunity across all our employment practices.
9. Range high quality products and services that have minimal adverse environmental impacts at competitive prices.
10. Distributing our products safely & efficiently.
11. Collaborating with suppliers and manufacturers to ensure the highest ethical standards.
12. A business and supply chain free of exploitation and forced labour.
13. A healthier, more productive workforce ensuring optimum levels of energy and resilience.
14. Leveraging our unique capabilities to benefit our communities and be recognised as a valued and responsible member.

With the launch of our new Group vision and strategy in September 2018 and in the spirit of working together as one business to create a clearer, faster place to work, we set about integrating Live Earth Neutral into We Help Everyone Enjoy Amazing Technology, thereby leveraging its momentum and gaining greater stakeholder engagement with our ESG activities.

We

We collaborate with stakeholders as a force for good.

What matters to our stakeholders, matters to us.

Help

We help colleagues and customers reduce their environmental impact.

Everyone

We are accessible: whatever a colleague, customer or other stakeholder needs.

Enjoy

We collaborate with manufacturers and suppliers to give customers peace of mind.

We look after ourselves and each other so we stay healthy, happy and energised.

Amazing technology

We use amazing technology for good.

Non-Financial Information Statement

We aim to comply with the new Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The below is intended to help stakeholders understand our position on key non-financial matters:

a) environmental matters (including impact of business on the environment) – Pages 38 - 42

b) company's employees – Pages 35 – 38

c) social matters – Pages 46 - 47

d) respect for human rights – Pages 43 - 44

e) anti-corruption and anti-bribery matters – Page 69

Sustainable Business continued

"Every decision we make is driven by insights and our ambition to provide unparalleled expertise and services to help customers navigate the digital era, while building brand loyalty and trust."

Strategy and programme

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

As part of the British Retail Consortium's (BRC) Better Retail, Better World initiative, in 2018 we pledged to support UN sustainability goals (SDGs) 8, 10,11, 12 and 13 covering modern slavery, sustainable economic growth, inequalities, responsible consumption and production and climate change. Examples of supporting work are highlighted throughout this report. For 2019/20 we will set sustainability targets underpinning the UN SDGs and align them with our revised sustainability strategy.

We continue to respond to the Carbon Disclosure Project ('CDP') questionnaire on Climate Change and are pleased to see our score improve from a 'C' to 'B', demonstrating our continued commitment to identifying, assessing and managing climate-related risks and opportunities across the Group.

We will use CDP to disclose details of how our risk governance processes are used to implement the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'). These processes include analysing physical and transition risks to our business and adapting our business continuity plans accordingly.

Our progress in developing and reporting our Economic Social Governance ('ESG') performance has again been recognised by FTSE4GOOD with our repeated inclusion in the FTSE4GOOD UK Index. We are also in the process of implementing an ISO 50001-certified energy management system with an independent verification body.

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

Governance

Our Sustainability strategy is driven and delivered by a Working Group made up of subject matter experts who are fully integrated across our business. This work is coordinated by the Head of Sustainable Business and supported by a formal sign off process and accountability through a dedicated Committee. This comprises representatives from different levels across the business from Board member, Andrea Gisle Joosen, through to senior managers and store colleagues.

WE

WE COLLABORATE WITH OUR STAKEHOLDERS AS A FORCE FOR GOOD

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

WHAT MATTERS TO OUR STAKEHOLDERS, MATTERS TO US

Every decision we make is driven by insights and our ambition to provide unparalleled expertise and services to help customers navigate the digital era, while building brand loyalty and trust.

Culture and Values

To achieve our vision and move towards truly being One Business, we recognise the need for a unified set of values. By defining the attitudes and behaviours that are us at our best and are best-suited to deliver our vision and then embedding these into everything we do, we will make a big step forward in creating a place where our capable people want to work.

We are embarking on a programme of work to define and embed a new set of values for our business. We will understand our current strengths, including how they vary across our different areas, sites and brands and these insights, along with the requirements necessary to deliver our vision will then be used to engage our colleagues in defining and embedding our new values across our organisation to guide us in the way we do things.

Colleague Engagement

Our business is helping customers enjoy amazing technology and our colleagues are key to this. To deliver our promises to customers and shareholders we need engaged colleagues, capable and committed to helping our customers.

All colleagues are invited to take part in our Making a Difference survey in Greece and UK & Ireland and a colleague engagement survey is carried out in our Nordics region. These surveys are administered externally and in confidence to encourage open and honest feedback. Our response rate for Making a Difference increased by 10 points to 94%. In the next financial year we will move to one survey for all territories.

These surveys provide a benchmark and actions to make our business a world class workplace. Our Dixons Carphone executive team is committed to a constructive response to feedback through an improvement plan which will be delivered by working closely with local teams.

In 2018/19, our key colleague engagement focus was around our new vision and strategy. Other activities included:

- Refreshing our internal communications approach to ensure transparency and provide open lines of communications. Linked to this, we established a monthly colleague questions and answers session with our Group Chief Executive, Alex Baldock.
- Keeping colleagues up to date on our transform and perform priorities via regular Townhalls, Newsletters, Senior Leadership Blogs and via our digital tool Workplace (by Facebook). Townhalls are also livestreamed to all colleagues.
- Continued our use of Workplace in the UK & Ireland and Nordics to allow communication, engagement and collaboration top-down, bottom-up and between colleagues for our geographically dispersed workforce.
- Annual colleague events such as our UK & Ireland Peak Conference for managers and events for Supply Chain Leaders. In the Nordics, we invite suppliers and colleagues to 'Campus', our playground to experience the amazing world of technology. Approximately 7,000 colleagues visited this learning and engagement event in 2019.
- Establishing a national UK & Ireland colleague forum attended by our Group Chief Executive, Chief HR Officer and Senior Board Director.

In the lead up to 2020, we continue to focus on engaging and involving our colleagues in our transformation journey. In addition, we will:

- Introduce an *Adopt a Leader* scheme, where our 80 Group Leadership and Executive Committee team members will spend at least 4 days per year working in stores, contact centres and our supply chain to better understand our customers and colleagues.
- Send all Head Office new joiners to spend a week working on our front-line operation to gain perspective on our colleagues' working experiences and customer interactions.
- Launch *Solve It*, where colleagues will work together, via Workplace, to solve business challenges and *Networks of Knowledge* to bring our colleague expertise on specific product and service categories together to share best practice, knowledge and expertise

Our colleague listening strategy is subject to an ongoing evaluation to ensure colleague views and insights are fed into our decision making.

Sustainable Business continued

Attracting, recruiting and retaining the best talent to drive our growth

We work hard to attract, recruit and retain capable and committed colleagues to keep us at the forefront of innovation and outstanding customer experience.

We want to be an employer of choice, where everyone feels respected, involved, heard, well led and valued, regardless of race, gender, religion, national origin, disability, sexual orientation, age, or any other characteristic.

Recruitment

As local employers with 42,000 colleagues operating in local communities across the Group, we play a significant role in supporting local economies and recognise the benefits a diverse workforce that reflects local customers can bring.

We are proud to have a non-bias recruitment process, through which we have offered thousands of new colleagues exciting opportunities to build a successful career within a variety of roles, brands and functions.

Successful candidates have two common characteristics - a positive attitude and people skills, both of which are fundamental in achieving our vision of helping everyone enjoy amazing technology.

Apprenticeship scheme

Our apprenticeship scheme allows us to bridge skills gaps, cultivate loyalty and compete in the modern marketplace. In 2018, we enrolled 302 apprentices, comprising school leavers and young people aged 17-25 in their first jobs, along with existing colleagues of varying ages, wanting to further develop their career in skilled roles, such as gas engineers or heavy goods drivers.

We are finding future leaders through higher level programmes across areas including commercial, procurement, human resources and retail management, as well making level 7 finance apprenticeships available to graduates. For 2019/20, we will introduce an IT degree programme to ensure a talent pipeline for our growing digital business.

Graduate programme

We welcomed 14 university leavers onto our 2018/19 graduate programme, which includes a comprehensive induction, a series of face to face workshops and targeted training plans across multiple business functions. To further support their development as future leaders, we also saw a significant investment in our Online training resources, providing around the clock access to digital content. Graduates completing the programme move into critical commercial roles as middle managers.

Talent management

Talent reviews take place regularly and focus on succession, reviewing the capabilities we need to deliver and identify our leaders of the future. We use this insight to invest in the most impactful development. This includes group approaches to building generic capabilities and personalised plans for colleagues in key roles.

We consider leadership a core capability and offer targeted development interventions to cultivate it. In 2018/19 we introduced a new *Leading Leaders* programme to support middle management and *Elevate* for first line operational managers. These programmes focus on the importance of leadership and encouraging capable and committed teams.

To strengthen our first-time line manager pool and promote home grown talent, 190 colleagues with management aspirations participated in the management development programme, *Aspire*. Within UK Retail alone, 62% of colleagues taking part were promoted within a year.

Investing in training

We invest in outstanding learning to bolster colleague knowledge about our products and services with the aim of ensuring they can provide personalised solutions for our customer's needs. Over 470,000 colleague learning hours were recorded in the UK & Ireland alone, comprising a blend of classroom training and online learning.

Colleagues joining our Carphone Warehouse business attend a three-day learning Academy before embarking on a 90-day development plan, including digital learning and management support. In September 2018, the Academy extended to incorporate all Curry PC World, Dixons Travel and colleagues from The Republic of Ireland. We have a brand new facility, designed to reflect our changing business and ensuring all new store colleagues are fully equipped to provide our customers with outstanding service from their first day in store and have the best possible start to their career with us.

2019/20 also sees us making a step change in the investment in all customer facing colleagues through our Customer First behavioural learning, teaching life skills around relationships, empathy and service and ensuring a consistent quality of customer interaction.

My Learning Live events for consumer electronics and major domestic appliances occur annually and in 2018/19, approximately 200 colleagues took part in face to face learning with key suppliers from our sales categories. Participating stores have seen a significant uplift in sales as a result. This year, we will more than double this capacity, providing more opportunities for key strategic suppliers to help boost their product knowledge, including new environmentally friendly features of products and services.

In Kotsovolos, 90% of colleagues participated in online training in 2018/19. All new starters experience 16 days of classroom training, followed by a 90 day digital programme which can be accessed remotely and flexibly. In cooperation with the commercial department and strategic suppliers, they also receive ten full days of training across the year. A development program with universities and experienced professors is also available for colleagues with leadership potential.

Across the Group, all colleagues have bi-annual face to face, formal reviews with their line manager. These conversations provide an opportunity to review and refine performance and discuss the necessary steps to achieving career aspirations.

Flexible learning

In 2019 we launched a new MyLearning platform, which allows us to automatically release targeted learning to colleagues depending on their department and role. Colleagues are also encouraged to take advantage of the thousands of resources available to them through this system. In 2018/19, colleagues accessed over 1.46 million learning resources through MyLearning. We also utilise Workplace to encourage shared and social learning, through best practice videos, top skills and tips as well as new product launches to our colleagues in store. Sharing knowledge is becoming a core part of our learning strategy.

Employee benefits

Our employee benefits packages are continually reviewed to help retain and attract talented individuals.

In February 2019, we awarded every permanent colleague, Grade 5 or below, with a minimum of 12 months' service, Dixons Carphone plc shares worth at least £1,000 at grant. Over 31,000 colleagues were granted this Shareholder Award which vests in March 2021. 16% of colleagues in the UK & Ireland are also building on this personal stake in the business through our *Sharesave* scheme.

In July 2018 we launched our new benefits portal, giving easy access to a variety of colleague offers, including private medical insurance, eye care vouchers, dental plans and our employee assistance program. In July 2018, our new Cycle to Work scheme saw 419 colleagues sign up. 2019/20 will see the addition of discounts for restaurants, beauty and fitness as well as personal accident insurance, travel insurance and family activity passes.

Colleagues and their families receive a standard 10% discount on our own products and services and may purchase our gift cards and eGift cards to gain further discounts while driving business into our stores and online.

Minimum Wage

We pay a minimum hourly rate of £7.60 to all colleagues in the United Kingdom under 21. Colleagues aged 21 and over in the United Kingdom are paid a minimum hourly rate of £8.30. In addition to basic pay we pay location allowance, where applicable, and bonus where targets are met. Salaries for apprentices also exceed the national minimum wage.

Employment practices

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

United Nations Sustainable Development Goal (SDG 8): Decent work & economic growth

8 DECENT WORK AND ECONOMIC GROWTH

We are committed to respecting human rights, supporting sustainable markets and developing skills

Functional Skills in our Newark Distribution Centre, UK

We deliver functional skills workshops to colleagues working at Team Knowhow Distribution and Repair Centre in Newark, Nottinghamshire, where a high proportion of colleagues were not born in UK and English is not their first language. This training gives colleagues the chance to develop, practice and apply life skills in their work context, thereby improving their standard of work and enhancing their career development opportunities.

To date, 96 colleagues have successfully completed their English qualification, with many choosing to continue to the next level to further improve their competency. In 2018/19, 188 colleagues enrolled onto an English course and in 2019 we aim to expand our functional skills offering with courses in mathematics.

A valued and responsible member of our local communities

Healthy communities are fundamental to the sustainability of our business and community engagement is actively encouraged across the Group.

Chairman's Shield

The Chairman's Shield is an annual colleague award which recognises outstanding team performance and exemplary community engagement. Teams are nominated through our leadership structure and are subject to a rigorous judging process, culminating in visits from our Group Chief Executive, Alex Baldock and Chairman, Ian Livingston. Our *Stores of the Year* must demonstrate a positive contribution to their local community through initiatives such as volunteering or fundraising, and winners are announced in our annual colleague conference.

Volunteering

We continued to build on our volunteering partnership with national care and housing charity, Abbeyfield, who run 350 homes across the UK. Dixons Carphone and Abbeyfield are both well-established and share a passion to remain active and relevant within local communities. A volunteering platform has been developed which can match UK Retail stores with their nearest Abbeyfield home and we are working with Google to create bespoke workshops with an emphasis on how technology can help with everyday tasks and alleviate loneliness.

Sustainable Business continued

This collaboration allows us to leverage our unique assets, e.g. skills, experience, products, services and position on every high street, to create bespoke experiences for older residents and spend quality tech time to help them remain independent and well connected, while combatting the effects of loneliness and isolation. As well as showcasing the amazing technology Dixons Carphone and Google have to offer, we are gaining insights into how this audience interacts with specific products, which provide valuable information which can be fed back into colleague training.

Our Elkjøp business is working with the Norwegian tech start-up *No Isolation* to develop, market and sell their video-communications device KOMP, which is specially designed to cater to the elderly. KOMP is an easy-to-use device that connects elderly users with their families and friends. Elkjøp is working with politicians, NGOs and suppliers to help bridge digital divides and bring everyone the amazing world of technology.

Good Deed Day

Our Kotsovolos holds an annual '*Good Deed Day*' when teams across Greece agree locally how they will spend a day supporting local causes. In 2018, over 1,400 employees participated in separate volunteering activities.

Knowledge sharing

In November 2018, our installation experts at Team KnowHow piloted training for members of the registered UK Charity, Reuse Network, which works to alleviate poverty and tackle climate change through the refurbishment and resale of white goods and furniture to low income families across the UK. Through this initiative, the Reuse Network gain professional training in the safe installation of items such as free-standing cookers and Team KnowHow are able to operate off-peak courses at capacity. The success of this private and third sector collaboration has led the way for a full roll-out in 2019/20 with Team Knowhow opening up access to training for all Reuse Members across the UK.

HELP

WE HELP COLLEAGUES AND CUSTOMERS REDUCE THEIR ENVIRONMENTAL IMPACT

We are fully committed to meeting our environmental responsibilities and limiting the impact of our operations in a way that is both practical and economically feasible. Our environmental policy is endorsed by the Board and covers material issues including energy consumption, carbon emissions, supply chain and operational waste.

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

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

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

UK Energy Reduction Target

Our progressive energy management performance has enabled us to achieve our target of reducing our UK energy consumption by 35% by 2020, and corresponding CO_2 emissions by 50% (measured from a 2013/14 baseline, prior to the merger between Dixons Retail and Carphone Warehouse). At the end of 2018/19, energy consumption had reduced overall by 40.9% and corresponding CO_2 emissions by 60.4% against our 2013/14 baseline year. For 2019, we will reset our targets beyond 2020.

Green energy

98% of Dixons Carphone properties on the UK Mainland are now powered by 100% renewable electricity fully backed by Renewable Electricity Guarantee of Origins ('REGOs') and independently verified.

United Nations Sustainable Development Goal (SDG 13): Climate Change

We are committed to combatting climate change and its impacts.

Solar power

Over the last 12 months, we increased our Solar PV capacity from 1,000 kW to 2,000 kW, a 100% increase, which should result in a total of approximately 1,600,000 kWh per year, or 1% of the total UK consumption, generated directly from renewable energy. This is equivalent to a reduction of approximately 790 tonnes of CO_2 released to the atmosphere.

A large part of these efficiencies came about in April 2019, when we completed the installation of a total of 6,645 high quality solar panels on Buildings 1 and 2 of our Distribution Centre in Newark, making it the biggest landlord-funded rooftop solar installation on a distribution warehouse in the UK. This work will cut site CO_2 emissions by 483.6 tonnes* and energy consumption from the National Grid by 15% per annum, while significantly reducing energy costs.

This initiative was carried out in collaboration with our landlords *LondonMetric and Tritax Big Box REIT*, through their agents *Syzygy Consulting* and the system was installed by *SAS ENERGY*. For 2019/20, we are actively exploring solar panel installations on more of our UK properties.

*calculation using UK 2018 conversion factor for greenhouse gas reporting = 0.3072kg CO_2e /kWh

Property Refurbishment Programme

Over 25% of the UK retail portfolio uses LED technology as the main source of lighting. In 2018/19 Dixons Carphone invested into energy/resource maintenance and upgrade projects, which have provided energy savings in the order of 806 MWh, equating to approximately 398 tonnes of CO_2 avoided.

Energy Consumption

The energy consumption and corresponding GHG emissions of our business have reduced year on year. For the UK & Ireland portfolio in isolation, we have achieved a reduction in electricity usage of 5% since in FY2017/18. The energy consumption for the UK & Ireland portfolio has reduced by 10% on an absolute basis.

Dixons Carphone – UK&I Consumption 2017-18 vs 2018-19

Energy consumption (kWh)	**2018/19**	Change (%)	2017-18	2016-17	2015-16
Electricity	142,286,908	-5%	150,343,973	168,599,606	187,930,892
Gas	19,503,987	-34%	29,775,875	29,882,655	36,724,101
Fuel Oil	236,130	62%	145,962	246,555	217,368
Total	**162,027,025**	**-10%**	**180,265,810**	**198,728,816**	**224,872,361**
Intensity (MWh/1,000 sqft)	**13.50**	**-2%**	**13.82**	**n/a**	**n/a**

Total company-wide kWh energy consumption is as follows:

Energy consumption (kWh)	**2018/19**	Change (%)	2017-18	2016-17	2015-16
Electricity	241,815,670	-4%	251,225,719	279,189,910	303,551,007
Gas	20,490,148	-34%	30,989,326	30,185,349	36,725,630
Fuel Oil	242,130	59%	152,322	246,555	217,368
Total	**262,547,948**	**-7%**	**282,367,367**	**309,621,814**	**340,494,005**
Intensity (MWh/1,000 sqft)	**13.50**	**0.5%**	**13.44**	**14.67**	**16.30**

Sustainable Business continued

Carbon Emissions

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 Dixons Carphone plc Group, including the UK & Ireland; Nordics and Greece. Operations in Spain have not been included in 2017-18 onwards as they are no longer part of the company. Spanish operations accounted for 1.4% of emissions in 2016-17.

Operational control has been used to determine organisational boundary. All scope 1 and 2 emissions are included except where noted. The period covered is 1st May 2018 to 30th April 2019. The data has been externally verified and which standard has been applied (GHG Protocol etc). Dixons Carphone is currently seeking external verification of the data.

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

Emissions on location basis:

Reporting period: 1 May 2018 – 30 April 2019

Category	**Tonnes of CO_2e emitted 2018/19**	Increase/ Decrease (%)	Tonnes of CO_2e emitted 2017/18	Tonnes of CO_2e emitted 2016/17	Tonnes of CO_2e emitted 2015/16	Tonnes of CO_2e emitted 2014/15
Emissions from combustion of fuel [(2)]	22,271	-4%	23,178	21,698	20,614	19,760
Emissions from the operation of any facility [(5)]	1,818	-28%	2,525	2,399	2,797	3,661
Emissions from purchase of electricity [(3,4)]	60,659	-11%	67,795	88,496	109,534	127,607
Total:	**84,624**	**-9%**	**93,498**	**112,593**	**132,945**	**151,028**

Emissions on market basis:

Reporting period: 1 May 2018 – 30 April 2019

Category	**Tonnes of CO_2e emitted 2018/19**	Increase/ Decrease (%)	Tonnes of CO_2e emitted 2017/18	Tonnes of CO_2e emitted 2016/17	Tonnes of CO_2e emitted 2015/16	Tonnes of CO_2e emitted 2014/15
Emissions from combustion of fuel [(2)]	22,271	-4%	23,178	21,698	20,614	19,760
Emissions from the operation of any facility [(5)]	1,818	-28%	2,525	2,399	2,797	3,661
Emissions from purchase of electricity [(3,4)]	36,495	-56%	82,294	121,995	146,531	161,965
Total:	**60,584**	**-44%**	**107,997**	**146,092**	**169,942**	**185,386**

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

Emissions on location basis:

	Tonnes of CO_2e emitted per 1,000 ft2 of floor area [(1)] 2018-19	Tonnes of CO_2e emitted per 1,000 ft2 of floor area [(1)] 2017-18	Tonnes of CO_2e emitted per 1,000 ft2 of floor area [(1)] 2016-17	Tonnes of CO_2e emitted per 1,000 ft2 of floor area 2015-16	Tonnes of CO_2e emitted per 1,000 ft2 of floor area 2014-15
Dixons Retail	4.15	4.07	4.81	5.76	5.73
Carphone Warehouse	7.53	9.90	11.27	13.75	17.41
Dixons Carphone plc total	**4.36**	**4.45**	**5.33**	**6.36**	**n/a**

Emissions on market basis:

	Tonnes of CO_2e emitted per 1,000 ft2 of floor area [(1)] 2018-19	Tonnes of CO_2e emitted per 1,000 ft2 of floor area [(1)] 2017-18	Tonnes of CO_2e emitted per 1,000 ft2 of floor area [(1)] 2016-17	Tonnes of CO_2e emitted per 1,000 ft2 of floor area 2015-16	Tonnes of CO_2e emitted per 1,000 ft2 of floor area 2014-15
Dixons Retail	3.28	4.87	6.33	n/a	n/a
Carphone Warehouse	0.71 [1]	8.94	13.56	n/a	n/a
Dixons Carphone plc total	**3.12**	**5.14**	**6.92**	**8.14**	**8.14**

Notes:

(1) Overall floor area of the Dixons Carphone business is estimated to be 19,446.063 ft2. This is split between the Dixons Retail business which is estimated to be 18,229,050ft2 and the overall floor area of the Carphone Warehouse business is estimated to be 1,217,013ft2.

(2) "Emissions from combustion of fuel", includes a proportion of private cars being used for business travel, which would be classified as Scope 3, in keeping with previous years.

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

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

(5) Refrigerant data processing methodology and exclusions:

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

b. In previous years, some refrigerant charges for new installations were reported as leakage. This practice was stopped for FY2016/17 onwards, which accounts for most of the reduction in leakage compared to FY2015/16.

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

Recycling Excellence

We are proud to be the biggest recycler of waste electricals in UK Retail, recycling 51% of all major domestic waste electricals collected by all retailers in 2018.

Water

We continued to collaborate with our Water Bureau and Consultancy Services provider, to deliver water saving projects including large leak repairs, installation of water efficiency devices along with the maintenance repairs to domestic fittings. This ongoing project is currently saving approximately 45,000m3 per annum of water.

Electric Vehicles (EV) and alternative fuels

We continued our efforts to reduce the environmental impact of our logistical operation and as well as the introduction of Electric Vehicles (EV), we expanded our strategy to look at alternative fuels in general.

While we recognise technology in the motor industry is moving faster than the alternative fuel infrastructure to support it, we are working with Iveco to secure a trial on a Compressed Natural Gas (CNG) Iveco Daily 4.2t vehicle. We are also in discussions with our company car fleet provider for an EV option and have agreed Original Equipment Manufacturer (OEM) terms with Ford on a Hybrid Mondeo to expand our options.

EV charging points are now available at our Acton Head Office, our Newark National Distribution Centre and at our new Customer Service Centre (CSC) in Snodland.

Waste Electrical and Electronic Equipment ('WEEE') Recycling

Our award-winning waste management programme is constantly evolving to help colleagues, customers and wider communities reduce their environmental impact. In 2018, our efforts resulted in 58,942 WEEE tonnes being collected in the UK, saving an estimated 65,898 tonnes of CO_2. In the Nordics we collected 26,573 tonnes of WEEE and 2,590 tonnes in Greece.

We actively encourage colleagues to recycle through information campaigns and the provision of recycling facilities at all our sites, along with several schemes to enable easy WEEE recycling.

Our in-store sales teams are trained to tell customers about our collection and recycling service and customers buying white goods or a TV larger than 42" online, are prompted with the option of having their old appliance collected for recycling for a small fee. We also provide a free in-store take back which covers all electronics.

In 2018 we rolled out the UK's first collection service for small waste electricals as part of our existing home delivery service, providing customers with a free and convenient solution to recycling smaller items. This service has been very well received by the waste and recycling industry and in May was recognised with an Excellence in Recycling and Waste Management Award. In addition, the service has been shortlisted for MRW (Materials Recycling World) National Recycling Award and Business Green Leaders Awards, to be announced on 27th and 28th June 2019 respectively.

All recyclables from our UK stores are backhauled to our national recycling facility at Newark and our 22 Customer Service Centre (CSCs) depots deliver consistent grades of cardboard, plastic and expanded polystyrene to our recyclers, ensuring minimal transportation and the best return for our material. Our CSCs are each partnered with a reuse charity or an organisation through which we repair and sell selected WEEE items collected during home deliveries. Through this collaboration in 2018/19 we helped 11,951 low income households save an estimated £2,240,850 and 1,246 tonnes of CO_2 with a reuse percentage of 6%.

We also partner with the *British Heart Foundation*, helping this registered charity to recycle unwanted electrical donations. This collaboration, which has also been shortlisted for recognition at the 2019 MRW National Recycling Awards, saves us recycling levies by offsetting our obligation and saves the charity disposal costs.

In 2018, our UK operation generated a total of 15,282 tonnes of waste, 2.1% less than 2017. 86.3% was diverted for recycling or energy recovery. We are in the process of streamlining our waste management suppliers to a single provider who can deliver consistency across all our operational sites and continue our drive towards a zero waste to landfill business. This is alongside engagement with colleagues to drive behavioural improvements on recycling across our estate.

Recycling in Elkjøp

Each year, 400 Elkjøp stores across the Nordic region, collect over 27,000 tons of electronic waste from customers. The waste is collected by local recycling partners and re-introduced into the circular economy. Waste from discarded products in these stores is close to zero. Display products that are returned or slightly damaged products are sold at a discount and damaged or inoperable electronic products are recycled.

End-of-life treatment of sold products

- Every three fridges Dixons Carphone recycles save the equivalent of the average car's annual emission.
- In 2018 we recycled 315,208 fridges, equating to 105,069 cars.
- We collected and refurbished approximately 426,605 phones in the UK in 2018/19.

Sustainable Business continued

Plastics and Packaging

We recognise the harmful effects of plastic and excessive packaging on our environment and are working with stakeholders as a priority to explore and implement solutions to reduce, recycle and reuse materials that are harmful to our environment.

We offer our home delivery customers a free packaging recycling service and we are one of the largest recyclers in the UK of polystyrene, recycling around 14% of all post-consumer polystyrene recycled in the UK, much of which is sent to be extruded into insulation panels. In total, over 10,000 tonnes of our packaging is recycled, saving an estimated 12,000 tonnes of CO_2 (figures from our waste management agency responsible for all cardboard, plastic, polystyrene and wood recycled across our estate).

Other examples include work by our Procurement and Ethical Sourcing Teams to introduce revised supplier standards in relation to plastics and packaging, removing 75 tonnes of plastic use in the Nordics, by reducing carrier bag usage by 54% and driving improvements in our Gaming category in partnership with ADX through the removal of thousands of plastic bags and CDs.

In 2018/19, we will continue to identify opportunities to reduce Original Equipment Manufacturer (OEM) product packaging and influence our branded suppliers to make their own improvements with the ultimate aim of eliminating unnecessary plastics and packaging from our operation and supply chain.

EVERYONE

WE ARE ACCESSIBLE – WHATEVER A COLLEAGUE, CUSTOMER OR OTHER STAKEHOLDER'S NEEDS

Dixons Carphone exists to help everyone enjoy amazing technology. We are a company for everyone, for every customer, and for every colleague and embrace the best talent, regardless of gender, race, sexual orientation, age or background. We recognise having a colleague base which is diverse in every sense will best reflect and serve our society.

Preventing unlawful discrimination in the workplace is a priority. We promote an honest and open environment and encourage colleagues with concerns to report issues directly through line managers or via an independent, confidential integrity line and encourage all colleagues to be their true-self. In 2018/19 we:

- Increased female senior representation in our Group Leadership Team to 26%
- Updated our corporate recruitment policies and external websites to focus on unbiased selection and promote flexibility
- Implemented a fair and consistent approach for Maternity, Paternity and Adoption policies for all UK colleagues
- Included questions on diversity and inclusion into our engagement survey to give us insight and measurement that we can act on
- Continued sponsorship and collaboration with external network groups such as Timewise Power Part Time list and Retail Week's 'Be Inspired' to keep us close to best practice
- Pioneering a management training programme for female applicants in Elkjøp Norway

Reviewing and implementing an updated Inclusion and Diversity strategy is a key priority for 2019/20, as we know it is vital area of focus to deliver against our strategy.

Gender Diversity across the Group

Work Level	All Employees		Senior Managers		Directors	
	Number	%	Number	%	Number	%
Male	29,122	69	182	66	5	74
Female	12,792	31	81	34	3	26
Total	**41,914**	**100**	**263**	**100**	**8**	**100**

Gender Pay

It is important to us that colleagues feel valued, they are treated fairly and have the same access to opportunities at work. Our median pay gap is 6.3% and while significantly lower than the national median pay gap, we continue to evolve how we attract, recruit and develop colleagues. In many of our roles, flexible working options attract a diverse range of colleagues who can balance their hours by finding a shift, work pattern or overtime options to suit them and are fully committed to designing and implementing a coordinated approach to close our gap.

10 REDUCED INEQUALITIES

United Nations Sustainable Development Goal (SDG 10): Reduced Inequalities

Dixons Travel

Our Dixons Travel business has been running a successful diversity programme with a focus on gender balance since 2015. They have taken steps to prevent unconscious bias in their recruitment process and introduced measures including more flexible working and wider representation in meetings and performance reviews. In three years, the number of female senior leaders has grown from 30% to 60% and the number of female store managers has doubled.

This programme has meant a broader range of experiences and views represented, resulting in more informed decision making and a proposition which better reflects Dixons Travel customers. Sales are up by 25% and customer feedback is wholly positive with '*Happy or Not*' customer satisfaction survey results consistently over 90%.

Distributing our products efficiently

We are committed to ensuring customers receive their products efficiently, wherever they want them.

Since the arrival of 50 new 7.2 tonne vehicles to our fleet in December 2018 we are seeing a 5% improvement in fuel miles per gallon (MPG), compared to our 7.5t fleet. For 2019/20 we are targeting bigger reductions with improved driver training, the use of telematics and a new 'in-cab' driver alert system. Our entire fleet is now 100% Euro 6 compliant and meets all emissions regulations, including the low emissions zone for London. To support our business goal of achieving the ISO50001 standard, our MPG is now recorded each month so we can closely monitor and fine tune our performance.

We have procedures in place for dealing with extreme weather and during our peak trading period we take on additional warehousing to hold stock, maintain supply chain efficiencies and cope better with larger quantities of products, enabling us to move more efficiently if specific centres are inaccessible.

Helping Everyone Enjoy Amazing Technology

For 2019/20, we will make amazing technology accessible and affordable, offering credit responsibly. We will provide opportunities, tools and resources, including our reach, expertise, time and money to help everyone enjoy amazing technology. We will have something to make life more enjoyable for everyone, from greener, cheaper or smarter to recycled, repaired or donated.

ENJOY

COLLABORATING WITH MANUFACTURERS AND SUPPLIERS TO GIVE CUSTOMERS PEACE OF MIND

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

Suppliers are asked to complete a questionnaire for every Request for Proposal (RFP) placed through our procurement system, Ariba. They are asked if they respond to the CDP Climate Change Questionnaire, whether they have targets to reduce their Greenhouse Gas emissions and to supply a copy of their Environmental Policy.

Ensuring the highest ethical standards

Our Responsible Sourcing Policy reflects our commitment to acting with integrity in our business relationships and is based on the Social Accountability 8000 standard and FTSE4Good criteria.

We also work closely with organisations such as *SEDEX*, the *British Retail Consortium* and Hope for Justice's *Slave Free Alliance* to ensure our policies and procedures remain relevant. This year we also became members of the Ethical Trade Initiative (ETI) and have created the Dixons Carphone Standards for Responsible Sourcing which set out the high values we expect from our suppliers and their supply chains. The Standards will be issued to all new and existing suppliers and we will assess supplier performance.

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

Adherence to our policies is monitored by assessors who audit our suppliers prior to selection and on an ongoing basis. Where working practice failures have been identified, we work with suppliers to help them improve their working practices including ethical sourcing, health and safety and quality management. Where this is not possible, or no improvements are made, they will not be approved as a supplier or delisted. During the year under review, 5 of the factories classified as red failed to make improvements and therefore the Group did not approve them to supply our branded products or they were delisted.

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

Performance indicators 2017/18

	Green	Amber	Red	Total	Delisted / not approved
Audit status	11	73	8	92	5

A business and supply chain free of exploitation and forced labour

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

Following our work in 2017/18 to map our first-tier suppliers globally we have issued our workers' rights questionnaire with the aim of better understanding the risks of modern slavery and focus our efforts going forward. Our latest Statement and our Policy on Modern Slavery can be found on www.dixonscarphone.com.

We employed our first colleague as part of the Bright Future programme. Bright Future is an employment programme developed by the Co-op with charity partners, to provide victims of modern slavery with a pathway to paid employment and reintegration into society. We hope to welcome more colleagues through this pioneering scheme in 2019.

Sustainable Business continued

Modern Slavery and Ethical Sourcing policy

Our Group's Modern Slavery policy has now been issued to everyone within our business as well as our suppliers, agents and other partners with the clear expectation it is universally adhered to. Our new Standards for Responsible Sourcing also require our suppliers to work towards full Ethical Trade Initiative (ETI) Base Code compliance in their business and their own supply chains.

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

Looking after ourselves and each other so we stay healthy, happy and energised

The commitment to meet our obligations for health, safety and welfare is set out in the health and safety policy which is reviewed annually and signed by our Group Chief Executive.

Health and Safety

We have arrangements for managing significant risks to our colleagues, contractors, visitors and customers in relation to safety and health. Regular internal inspections and safety tours are also undertaken as well as corporate audits to verify compliance. In 2018 our retail health and safety team were rewarded with a Gold RoSPA award.

Digital training is provided to colleagues covering everything from inductions to workplace violence, as well as face to face training such as first aid, fire marshalling and material handling equipment. In addition, a programme of instruction and assessment is provided for colleagues using display screen equipment, to ensure they can adjust their ergonomic features and achieve a comfortable posture at their workstations while reducing musculoskeletal disorders.

As we near conclusion of our previous three-year plan, we are developing a new plan to take us to 2021, based on a nationally recognised management system model which identifies applicable regulation and the maturity of alignment. Key strategic pillars are to be used to measure progress and allow milestones to be tracked. The plan will consider leading and lagging indicators to allow the appropriate level of focus from the inception to completion.

In order to continually improve safety performance and underpin the strategic plan, our health and safety team has been re-structured to ensure it meets the current business needs. Competency is continually being reviewed and relevant training and support for key personnel provided.

Cross functional collaboration is encouraged to address issues such as violence (e.g. robbery, aggravated burglary), mental health and encourage a healthy workplace.

Road Safety

Our fleet compliance team works with Health and Safety to ensure all management and drivers are made aware of our policies and procedures regarding precautions for climate-related physical risks, such as extreme weather conditions.

A new Driving at Work policy has been issued to provide drivers with safety and wellbeing guidance and help them understand their responsibilities in relation to compliance, vehicle management and driving licence requirements.

We operate in extreme temperatures, high winds and heavy rain, so relevant briefs and mail drops reminding drivers of the necessary vehicle checks, essential equipment and potential risks are regularly issued.

Colleague health and wellbeing

We aim to create a happier, healthier and more productive workforce, while reducing time off through sickness and ensuring optimum levels of energy and resilience. Mental health management training has been introduced for HR Business Partners and all colleagues receive regular updates and information on health, resilience and wellbeing. In addition, ergonomics advice and equipment is provided to prevent musculoskeletal injuries, along with training and protective equipment for installers and delivery teams.

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

Financial inclusion

Financial concerns can impact people at home and work and so in 2018, we launched Salary Finance, where colleagues can apply for loans at affordable rates and receive budgeting and saving tips and tools. Loan repayments are deducted directly from the colleague's salary.

As well as supporting affordable access to our products and services for colleagues, we also support people employed in other organisations such as the NHS with our gift cards and eGift cards being used to facilitate the purchase of products over an extended period of time through third party benefits platforms. Payments are deducted directly from the employee's salary and our relationship remains solely with the agency.

Britain's Healthiest Workplace 2018

We entered this national survey, sponsored by the Financial Times and Vitality Health for the third consecutive year. Approximately 600 colleagues completed a comprehensive survey, personal to their health and wellbeing at work. The resulting independent report and recommendations continue to help us identify and mitigate health risks and support colleague wellbeing.

Dixons Carphone Race to the Stones 2018

In July, we activated our headline sponsorship of the multi-award winning Dixons Carphone Race to the Stones for the fifth consecutive year.

The positive impact of this event is demonstrable, with 82% of colleagues who took part in 2018 feeling preparation for this two-day ultra-challenge improved their overall health.

We continue our headline sponsorship in July 2019 with our General Counsel and Company Secretary, Nigel Paterson and Group Strategy and Corporate Affairs Director, Assad Malic, leading Team Dixons Carphone while fundraising for charities, *Young Minds* and *Sport Relief*.

Step to the Stones

For the first time, colleagues across our Group can take part in the Dixons Carphone Race to the Stones virtually. Step to the Stones is an innovative way of encouraging colleagues to get active and engage with teams and individuals from across our one business. Participants will step the 100km distance over a two week period and have the opportunity to win amazing technology throughout the challenge.

This digital extension is a key part of our ongoing commitment to the support colleague physical and mental wellbeing.

Ultimate Workplace 2018

In September, we delivered a 12-week wellbeing programme to directly improve the mental health and fitness of 100 colleagues - and the wider business indirectly using Facebook and Workplace as interactive platforms.

We enlisted one of the British Army's top fitness coaches who devised bespoke fitness programmes supported by videos and an app. This was our most innovative and ambitious programme to date, with cutting edge fitness tech being used to gamify and reward wellbeing.

MyZone fitness bands were used to track how well a colleague had performed and how much effort they exerted during any set workout, wherever they were based throughout the UK. Those taking part communicated regularly, posting videos and supporting each other's progress.

This initiative had a demonstratable impact on the mental health of participating colleagues and in April 2019 was used as a positive case study in a special feature about the impact of health at work and productivity on BBC Breakfast News.

Sustainable Business continued

AMAZING TECHNOLOGY

WE USE AMAZING TECHNOLOGY FOR GOOD

We are committed to being a responsible member of every community we do business in: whether it is by match-funding employee fundraising, supporting community initiatives or charity partnerships, we leverage our unique capabilities to make a positive impact locally.

Heads Together

Dixons Carphone has been a corporate partner of *Heads Together*, the mental health campaign spearheaded by The Royal Foundation of The Duke and Duchess of Cambridge and The Duke and Duchess of Sussex, since it launched in 2016. *Heads Together* combines a campaign to tackle stigma and change the conversation on mental health with fundraising for a series of innovative mental health programmes.

To build on the progress made by the campaign in tackling stigma, 2018 saw the launch of two new online portals; Mentally Healthy Schools and Mental Health at Work, which provide much-needed resources for employers and primary schools. To support the Armed Forces, *Heads Together* announced a partnership with the Ministry of Defence to introduce mandatory 'mental fitness' training. The charity also granted £3 million to facilitate the launch of the UK's first crisis text line, Shout. Each programme has received an overwhelming response with the Mentally Healthy Schools platform receiving over 150,000 visitors in the first 12 months and the Mental Health at Work gateway getting 100,000 visitors in the first 6 months. This illustrates the demand for high-quality mental health tools and resources. Dixons Carphone will continue its support of *Heads Together* in 2019, as it develops these programmes and targets more groups in need of specialist support.

'Pennies' the digital charity box

Heads Together is the main beneficiary of a customer donation option, thanks to our partnership with *Pennies* (registered charity number 1122489), the award winning fintech charity. *Pennies*' digital charity box rolled out in Carphone Warehouse stores from June 2018 and offers customers the chance to make a 25p charitable donation when they pay by card or digital wallet. To date *Pennies* has raised £75,184 via 300,738 in store customer donations and we are on schedule to raise £100,000 by August 2019.

The Mix

We continued our long-term support of *The Mix* (registered charity number 1048995), helping them to provide instant support to the three million young people who contact them each year.

Just as Dixons Carphone matches customers with the best equipment and services for their needs, *The Mix* supports the physical and mental wellbeing of young people under 25 across the UK, whatever their issue, through the technology of their choice. *The Mix* operates a free, confidential support service, available 24/7, 365 days a year, via phone, text, web, social media and counselling.

In 2017/18 we gave a total of £351,000 gift in kind to *The Mix* for their office and helpline accommodation as well as legal support services and fundraising through employee events and initiatives. This enabled *The Mix* to deliver over 37,000 contacts to 19,000 unique callers, including two ambulances a day for young people in crisis. *The Mix* remains the largest single source of traffic to *Shout*, the lifesaving crisis text service in the UK for vulnerable young people.

Charity dinner 2018

We held a charity dinner at London's Natural History Museum in September 2018, leveraging our corporate sponsorship and fundraising £264,205 for three charitable projects that supported our sustainability priorities. The evening brought together 250 supplier guests and helped enable the facilitation of *Shout* the lifesaving crisis text service for vulnerable young people, through *The Mix*, a project with EcoSchools to mobilise 18,500 schoolchildren to collect unwanted electronic gadgets and use them to bring isolated community members together, and the creation of a national electrical appliance registration initiative for safer homes with Electrical Safety First.

The Dixons Carphone Foundation ('Foundation') and Elkjøp Foundation

The Group operates three charitable foundations, The DSG International Foundation, registered with the Charities Commission, and a *Dixons Carphone Foundation* fundraising account established under the Charities Aid Foundation ('CAF') for the benefit of the charity or charities selected by Dixons Carphone and approved by CAF. In the Nordics, we support good causes through the The Elkjøp Foundation.

The Dixons Carphone fundraising account was set up to deliver our ambition of improving lives through technology and facilitates colleague match-funding applications and one-off donations to emergencies and disaster funds. In 2018/19 we gave £24,069 through the *Charities Aid Foundation* to a wide variety of causes. Colleagues also donated £10,561 through *Give As You Earn*.

The Elkjøp Foundation supports several Nordic and local initiatives to help bridge digital divides by working with organisations to improve technological knowledge and make products available to disadvantaged groups.

In Kind Direct

We donated thousands of pounds worth of nearly new stock generated through our Christmas marketing promotion to *In Kind Direct* (registered charity number 105267), who distribute discounted consumer goods, donated by manufacturers and retailers, to thousands of charities and community groups across the UK.

Community support

Community fundraising is encouraged across the Group and each year, we support hundreds of causes that resonate locally.

Our UK Retail colleagues have climbed, run, cycled, dressed up and challenged themselves to raise thousands of pounds for charities including *St George Rainbows Children's Hospice*, *Macmillan*, *Save the Children*, *Children In Need*, *New Cross Hospital Cancer Ward*, *Cancer Research*, *Comic Relief*, *Derian's House Hospice*, *Diabetes UK*, *Sport Relief*, *The Border Collie Trust*, *Violet Graces Gift*, *Ty Gobaith* (*Hope House Hospice*), *Army Benevolent Fund - The Soldiers Charity*, *St Rocco's Hospice*, *No more Knives*, *Air Ambulance*, *Mary Curie*, *George Alexander*, *West Field School*, *Brain Tumour Research*, *St Leonard's Hospice Sunflower Centre*, *Alder Hey Children's Hospice*, *The Brain Tumour Charity*, *Brian House Children's Hospice*, *Help the Heroes*, *Trust Sober*, *Movember*, *Anthony Nolan Trust*, *The Thistle foundation*, *Edinburgh North East Foodbank*, *SocialBite*, *Children's Hospices Across Scotland (CHAS)*, *St Andrews Hospice*, *Tiny Changes*, *Cash for kids* and *Positive Steps mental health charity*.

Colleagues at Sheffield Contact Centre raised over £37,353 for a variety of local and national causes including the Sheffield Children's Hospital, where the Contact Centre's long-standing support has been nominated for the charity's new Corporate Partnership Awards. This team have also been shortlisted for the prestigious Contact Centre Awards, which recognise excellence and best practice.

Give Back with Grundig

We partnered with *Grundig* to donate £200,000 worth of appliances to local food related charities nominated by our store colleagues. This supplier collaboration supports *Grundig's Respect Food* initiative and the United Nation's Sustainability Goal for Zero Hunger. Hundreds of brand-new cooking, laundry, refrigeration or dishwashing appliances are being donated until 2020, with 75 units to the value of £36,000 donated to local community causes since its launch in September 2018.

Approval of Strategic Report

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

Alex Baldock
Group Chief Executive
19 June 2019

Board of Directors
Biographies

Lord Livingston of Parkhead

Chairman N

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

Ian has over twenty years of board level experience and is able to provide extensive knowledge and understanding of successfully growing a complex international business. He has a strong track record of delivering innovative leadership that is invaluable to the Company.

Tony DeNunzio CBE

Deputy Chairman and
Senior Independent Director N R

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

Tony has extensive retail and financial experience gained in international businesses.

Alex Baldock

Group Chief Executive D

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

Alex has an outstanding track record in leading large, complex consumer-facing businesses. He led Shop Direct through one of UK Retail's fastest, most far-reaching and most successful digital transformations, delivering five consecutive years of record financial performance, with strongly rising sales and an almost tenfold increase in profits. Alex is particularly valued for his strategic clarity, relentless execution and his ability to inspire individuals around him.

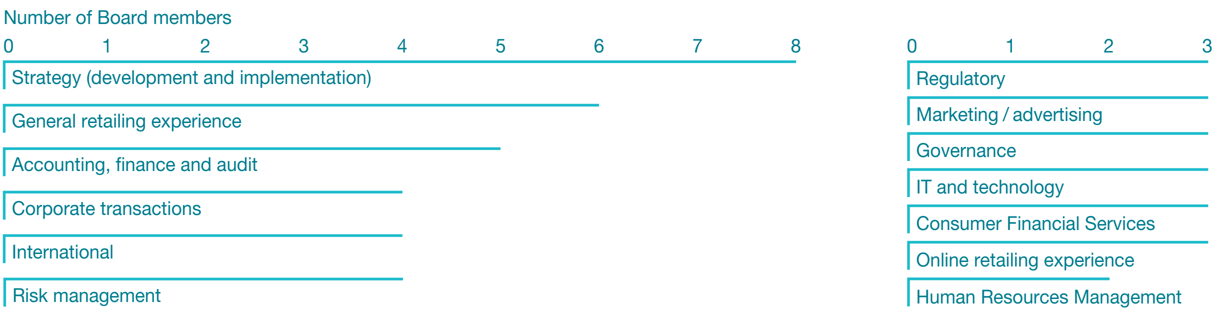
Jonny Mason

Group Chief Financial Officer D

Jonny Mason joined the Board as Group Chief Financial Officer of Dixons Carphone on 13 August 2018. Jonny was chief financial officer of Halfords plc from 2015 and was interim chief executive officer between September 2017 and January 2018. Prior to that, Jonny was chief financial officer of Scandi Standard AB, chief financial officer at Odeon and UCI Cinemas and finance director of Sainsbury's Supermarkets. His early career included finance roles with Shell and Hanson plc.

Jonny has an extensive track record as chief financial officer in diverse businesses and his business experience in Sweden is particularly valued by the Board.

Board skills and experience



Key

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

Andrea Gisle Joosen

Independent Non-Executive Director N R

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

Andrea has extensive international business experience in a variety of sectors including marketing, brand management, business development and consumer electronics.

Nigel Paterson

General Counsel and Company Secretary D

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

Gerry Murphy

Independent Non-Executive Director A R

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

Gerry has extensive audit and finance experience in consumer business, retail and technology and media and communications sectors.

Eileen Burbidge MBE

Independent Non-Executive Director A

Eileen Burbidge MBE joined the Board as a Non-Executive Director on 1 January 2019. Eileen has a university degree in computer science and since a career start in telecoms at Verizon Wireless, she has held various roles at Apple, Sun Microsystems, Openwave, PalmSource, Skype and Yahoo!. Eileen was previously a member of the Prime Minister's Business Advisory Group and is still the HM Treasury Special Envoy for Fintech, Chair of Tech Nation and Tech Ambassador for the Mayor of London's office. Eileen co-founded Passion Capital in 2011 where she is a partner and represents as non-executive/investor director at Monzo Bank along with several other Passion Capital portfolio companies.

Eileen has a strong technology background and is a leader in the development of the UK's increasingly renowned fintech industry. Eileen brings a constructive, challenging and balanced perspective to the Board, with a real focus on technology innovation, value creation and an informed perspective on the digital consumer.

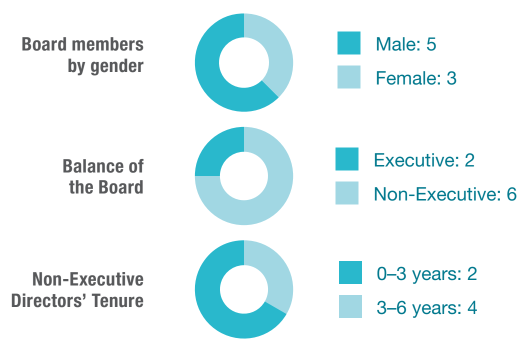
Fiona McBain

Independent Non-Executive Director A

Fiona McBain joined the Board as a Non-Executive Director on 1 March 2017 and was appointed Chair of the Audit Committee on 6 September 2018. Fiona was chief executive officer of Scottish Friendly Group until December 2016, having joined the company in 1998. She was previously engaged in the finance functions at Prudential plc and Scottish Amicable. She qualified as a chartered accountant with Arthur Young (now EY) in London, working across a number of industry sectors in the UK and then in the US. Fiona is currently chairman of Scottish Mortgage Investment Trust PLC and a non-executive director of Direct Line Insurance Group plc.

Fiona has an outstanding record of business leadership and has over 30 years' experience in retail financial services, in the industry and as an auditor.

Board composition



Corporate Governance Report

Chairman's introduction

Dear Shareholder

I am pleased to present the Corporate Governance report for 2018/19. It is my role as Chairman to ensure that the Board operates effectively. This report sets out the approach taken by the Board to achieve high standards of corporate governance as the foundation of long-term value creation for our shareholders and meet our responsibilities to our other stakeholders, in particular to ensure the right outcomes for our customers and colleagues.

Corporate governance

We welcomed the publication of the 2018 UK Corporate Governance Code and will report in full against its principles and provisions in this report next year. I believe that strong corporate governance is at the heart of any well managed business. Each year the Board considers the Group's key policies, committees' structure and terms of reference, the time commitment, external appointments and the duties of all directors including the Chairman, Group Chief Executive and the Senior Independent Director to ensure that our governance framework is operating effectively. The Board reviewed our governance practices against the 2016 UK Corporate Governance Code (the 'Code') again this year and continues to be satisfied that our governance framework is aligned to best practice.

Changes to the Board

During the year the composition of the Board has been further enhanced by the appointments of Jonny Mason and Eileen Burbidge. Jonny was appointed as Group Chief Financial Officer on 13 August 2018 and brings valuable listed company experience from finance leadership roles in both the UK and the Nordics. Eileen joined the Board as a Non-Executive Director on 1 January 2019. She has a strong technology background and is a key contributor to the increasing Board focus on technology innovation and provides an informed perspective on the digital consumer.

Board priorities

The main focus of the Board during the year has been discussing, challenging and agreeing the strategic priorities for the business and the investment and implementation processes needed to successfully deliver them and drive financial performance. The Board has also overseen the Company's preparations for Brexit, the progress of measures to enhance cyber security and regulatory compliance and the transformation of the IT infrastructure. A summary of the Board topics considered during the year is included in this report.

Board performance and evaluation

There have been significant board composition changes over the last 18 months and these have taken place during a transformational time for the business. I am pleased to report that the Board dynamic is working well. The directors act cohesively, all directors invest significant time and energy in their roles both in and between board meetings and there is robust challenge of management and performance. A comprehensive external Board evaluation was carried out during the year. A description of the process and a summary of the findings and follow up actions are included in this report. The evaluation concluded that the Board is operating very effectively but has identified some actions to further enhance the effectiveness of the Board.

Employees

The Board discussed during the year the vital role that our colleagues will play in our transformation and the importance of them being engaged in and being able to benefit from the changes we are making to the business. It was agreed during that employee forums be established in the UK & Ireland and International businesses to help us enhance and streamline our engagement with employees. We look forward to sharing the outcomes of these forums in this report next year. We published our Gender Pay Report in April. While our gender pay gap is significantly narrower than the national average, the Board remains determined to make efforts to close the gap further. The Company has recruited more females at Board, Executive Committee and senior management level during the year and our commitment to promoting and embracing all forms of diversity remains a key priority.

Customers and Community

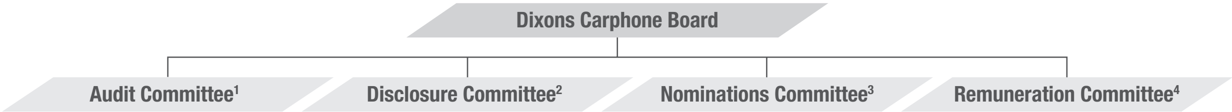
The Board considered the Company's sustainable business practices as part of the strategic discussions this year. Our corporate social responsibility priorities are embedded as part of the Company vision – We Help Everyone Enjoy Amazing Technology (WHEEAT) – and are considered as part of all operational decisions we make. This is described in more detail on page 9 of the Strategic Report. We will share more detail on the impact that the programme has had in respect of each of our stakeholder groups in this report next year.

Conclusion

It has been an important year in our journey to deliver a more valuable business for our shareholders whilst having a positive impact on the wider community. I am confident that the Board is well positioned to provide strong and effective leadership for the next phase of the Company's growth. I hope to see many of you at this year's Annual General Meeting in September.

Lord Livingston of Parkhead
Chairman
19 June 2019

The Board and Committees Structure



1 Audit Committee pages 64 to 72
2 Disclosure Committee page 73
3 Nominations Committee pages 74 to 76
4 Remuneration Committee pages 77 to 102

Corporate Governance statement

The Board confirms that throughout the year ended 27 April 2019 and as at the date of this Annual Report and Accounts ('ARA'), the Company has been fully compliant with the Code. A copy of the Code can be obtained from the Financial Reporting Council's website, www.frc.org.uk. This report, together with the Directors' Report on pages 61 to 63 details how the principles and provisions have been applied.

Corporate Governance Framework

The Dixons Carphone plc Board is supported by four committees: Audit, Remuneration, Nominations and Disclosure. The committees are comprised of members of the Board with the exception of the General Counsel and Company Secretary who is a member of the Disclosure Committee. The day to day management of the business is delegated to the Group Chief Executive who leads the implementation of the strategy approved by the Board. The Group Chief Executive is supported by an Executive Committee which consists of 9 senior leaders in the business and also by a wider Group Leadership Team of approximately 80 colleagues who support the Executive Committee in driving the management agenda.

Board role

The collective duty of the Board is to provide clear, responsible leadership to the Group. The Board ensures the long-term success of the Company within a framework of efficient and effective controls that allow the key issues and risks facing the business to be assessed and managed. The Board sets the Company strategy and oversees its implementation whilst considering the impact on, and the responsibility it has to, all the Company's stakeholders as part of its decision making. The Board delegates clearly defined responsibilities to its committees and the terms of reference for these committees are available on the Company's website at www.dixonscarphone.com/investors

Board composition and independence

At year end, the Board comprised eight members: the Chairman, two executive directors and five non-executive directors, each of whom is determined by the Board to be independent in character and judgement and who provide effective challenge to the Board and the business. The Nominations Committee considers the criteria set out in the Code when considering independence, as well as contributions made during Board deliberations. These independent non-executive directors are Tony DeNunzio, Eileen Burbidge, Andrea Gisle Joosen, Fiona McBain and Gerry Murphy. More than half of the Board (excluding the Chairman, Lord Livingston of Parkhead) is considered to be independent in accordance with the Code. Every year the Board, supported by the Nominations Committee, considers the collective skills, experience and the composition of the Board and assesses whether or not the Board membership enables the effective delivery of the Company's strategy.

In accordance with the Code, all directors will stand for election or re-election at the Company's Annual General Meeting ('AGM'). Biographical information and the committee membership of each of the directors is shown on pages 48 and 49.

Board diversity

The Board composition review takes account of all forms of diversity, including gender, professional, international and ethnic diversity. At year end, the Board had three female directors, one of whom is based outside the UK and two directors with international experience who contribute to the Board knowledge of the European business environment. The review this year again concluded that the Board possessed the necessary skills and experience to discharge its duties fully and to challenge management effectively.

Time commitment

The annual review process includes requiring the non-executive directors to confirm that they continue to have sufficient time available to dedicate to Company business and all have formally done so. The Nominations Committee has considered the commitment shown by the non-executive directors to the Company and is satisfied that all directors devote appropriate time to their roles. The Board directors work together to challenge as well as support each other to deliver effective business decision-making, leadership and oversight for all aspects of the business.

Corporate Governance Report continued

Director responsibilities

In accordance with the Code, there is a clear division of responsibility between the Chairman and the Group Chief Executive. Role descriptions are in place for the Chairman, Group Chief Executive and Senior Independent Director and the Nominations Committee reviews and considers these on an annual basis and recommends any changes to the Board. The role descriptions were last considered in March 2019 and were updated to further clarify the accountability for company culture and stakeholders. The responsibilities of the different components of the Board are set out below.

Chairman's responsibilities

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

Group Chief Executive's responsibilities

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

Senior Independent Director's responsibilities

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

Independent Non-Executive Director's responsibilities

- provide an independent perspective;
- ensure constructive challenge of management;
- consider the effectiveness of the implementation of the strategy within the risk appetite; and
- contribute diversity of experience and backgrounds to Board deliberations.

General Counsel and Company Secretary's responsibilities

- trusted advisor to the Board on corporate governance matters;
- support the Chairman and non-executive directors;
- ensure that the Board and committees have the appropriate type and quality of information they need to make better business decisions; and
- ensure that the corporate governance framework and practices remain fit for purpose.

Board reserved matters

The formal schedule of matters reserved for the decision of the Board is considered on an annual basis. This was last considered in March 2019 and the directors agreed that the balance of matters reserved and matters delegated remain appropriate. The matters reserved for Board decision include:

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

Board topics considered in 2018/19

2018

May
- budget update
- classification of intercompany loan
- hire agreement contract
- network agreements and strategy
- cyber security
- IT infrastructure update
- insurance review
- health and safety review and policy update
- GDPR update
- internal Board evaluation review
- corporate governance review and update
- annual review of conflicts
- delegation of authority approval

June
- final dividend approval
- preliminary announcement and annual report and accounts 2017/18
- annual general meeting documents
- market insights
- business area strategic update
- network agreements and strategy
- Nordic strategy
- modern slavery statement approval
- GDPR internal audit findings
- PDMR approval

July
- audit of networks
- delegation of authority approval
- cyber security
- property update
- competition law update
- litigation update
- supply chain update
- new UK Corporate Governance Code

August
- future vision and strategy

September
- Annual General Meeting
- Q1 trading update
- strategic update
- risk register review*
- cyber security
- Remuneration Committee Terms of Reference approval

October
- contracts approval
- strategic update
- dividend strategy and timetable
- pension strategy and funding update
- post investment review of commercial systems
- workforce engagement and share ownership
- insurance review
- modern slavery statement approval
- banking facilities delegation to committee approval
- cash pooling facility approval
- Nominations Committee Terms of Reference approval

November
- country strategic update
- financial plan cash considerations
- colleague share plan
- pension strategy
- dividend cover

December
- interim announcement approval
- interim dividend approval
- mobile/credit capex approval
- Brexit contingency planning

2019

January
- Christmas trading update
- customer voice findings update
- IT capex approval
- leadership and succession planning
- diversity reporting
- workforce engagement
- colleague shareholder scheme rules approval
- Disclosure Committee Terms of Reference approval
- delegation of authority approval
- compliance investigation update

March
- pricing and value strategy update
- IT capex approvals
- transformation update
- funding update
- gender pay gap reporting
- employee engagement update
- Brexit contingency planning
- corporate social responsibility update
- risk register review*
- Audit Committee Terms of Reference approval
- formal schedule of Matters Reserved for Board approval
- non-executive director fees review
- Chairman, SID, Group Chief Executive role descriptions review
- delegation of Authority approval

Standing items
- Financial performance update
- regulated businesses' compliance
- conflicts of interest
- committee reports
- investor relations updates

Exceptional items covered during 2018/19
- appointment of non-executive director
- additional Board strategy discussion held in August

* Topic refers to principal risks on pages 22 to 24.

The Board's areas of focus in 2019/20 are expected to include:

- alignment of the Group's purpose, values and culture;
- implementation of Group strategy and priorities;
- financial and operational performance;
- review of mobile strategy and performance;
- review of principal risks and risk appetite;
- the implications of Brexit on the Group's activities;
- regulatory compliance;
- IT infrastructure and cyber security;
- leadership and succession planning for Board and senior management;
- diversity and inclusion;
- health and safety;
- corporate social responsibility; and
- updates on corporate governance best practice.

Corporate Governance Report continued

Board & Committee membership and attendance

The Board attended eight scheduled meetings and four unscheduled meetings during the period under review. The Board has met 2 times since the financial year end.

Member	**Board** (unscheduled meetings)	**Audit Committee** (unscheduled meetings)	**Remuneration Committee** (unscheduled meetings)	**Disclosure Committee** Scheduled and unscheduled	**Nominations Committee**
Alex Baldock	8 of 8 (4 of 4)	-	-	Member, 13 of 13	-
Eileen Burbidge(1)	2 of 2 (0 of 0)	Member, 1 of 1 (0 of 0)	-	-	-
Tony DeNunzio	8 of 8 (3 of 4)	-	Chair, 5 of 5 (1 of 1)	-	Member, 2 of 2
Andrea Gisle Joosen	8 of 8 (4 of 4)	-	Member, 5 of 5 (1 of 1)	-	Member, 2 of 2
Lord Livingston of Parkhead	8 of 8 (4 of 4)	-	-	-	Chair, 2 of 2
Jonny Mason(2)	5 of 5 (3 of 3)	-	-	Chair, 8 of 8	-
Fiona McBain(3)	8 of 8 (4 of 4)	Chair, 5 of 5 (2 of 2)	-	-	-
Gerry Murphy	8 of 8 (4 of 4)	Member, 5 of 5 (2 of 2)	Member, 5 of 5 (1 of 1)	-	-
General Counsel and Company Secretary:					
Nigel Paterson	-	-	-	Member, 13 of 13	-
Former directors:					
Jock Lennox(4)	6 of 6	Chair, 4 of 4	-	-	-
Humphrey Singer(5)	2 of 2	-	-	Chair, 3 of 3	-

(1) Eileen Burbidge was appointed to the Board and the Audit Committee with effect from 1 January 2019.

(2) Jonny Mason was appointed to the Board and the Disclosure Committee on 13 August 2018. From 9 September 2018, Jonny was Chair of the Disclosure Committee.

(3) Fiona McBain was appointed Chair of the Audit Committee with effect from 6 September 2018, meetings prior to this date she attended as a member.

(4) Jock Lennox stepped down as Audit Committee Chair on 6 September 2018 and resigned from the Board on 31 December 2018.

(5) Humphrey Singer stepped down as Disclosure Committee Chair and resigned from the Board on 21 June 2018.

(6) The Interim Group Chief Financial Officer attended 2 Disclosure Committee Meetings as a Committee member during the year.

Board meetings and information

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. A comprehensive rolling agenda is in place for the Board and each Committee to ensure that all regular updates and approvals can be considered in sufficient detail whilst leaving appropriate space on meeting agendas for the consideration of topical issues. The Company uses an electronic board paper system which enables the safe and secure dissemination of quality information to the Board. Board and committee papers are normally sent out on a timely basis. Paper templates and guidance is provided prompting paper authors to include the information the directors will need to be able to discharge their duties. Formal minutes of the board and committee meetings are prepared by the General Counsel and Company Secretary, or his nominee, and are approved by the Board and committees at their next meeting.

The Chairman maintains regular communications with the non-executive directors in between meetings. Time is provided before and after every Board meeting for the non-executive directors to meet without the executives present. Board dinners are held usually on an evening prior to a Board meeting to provide the opportunity to discuss corporate strategy, business performance and other matters in an informal setting.

Board meetings are usually held at the Company's head office. When meetings are held at other Group locations, meetings and tours are also arranged to provide Board members with a deeper understanding of the business. These give directors the opportunity to meet and have conversations with various staff members across the Group and to visit stores and operational centres throughout the portfolio.

Board inductions and training

New directors appointed to the Board receive a personal induction programme, together with guidance and training appropriate to their level of previous experience. Each director is given the opportunity to meet with senior management and store colleagues and to visit the Group's key sites. This enables familiarisation with the businesses, operations, systems and markets in which the Group operates. New directors also meet with the Group's auditor and advisors. Jonny Mason and Eileen Burbidge received tailored induction programmes during the year. A typical induction programme includes the following elements, as appropriate for each individual director:

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

The Board receives regular briefings on governance, compliance and company knowledge in the form of training sessions from external advisors and in-house briefings from senior management. During the year, the directors received briefings on the new UK Corporate Governance Code, Cyber and market insights.

Succession planning

There have been substantial changes to the Board composition as the Group Chief Executive and Group Chief Financial Officer were appointed during 2018 and a new Non-Executive Director joined the Board in January 2019. However, the Board, with the support of the Nominations Committee continues to view the need for robust succession plans as a priority. The Nominations Committee will review succession plans for all Board and senior management roles in the coming months and the executive team has been asked to enhance reporting on wider succession planning and talent development plans for key roles below Executive Committee level.

Performance evaluation

The Code recommends that the performance of the Board be reviewed externally every three years and an external evaluation of the Board was carried out in 2018/19. Clare Chalmers Limited carried out the evaluation.

The review was conducted by way of interviews with board members and a number of senior managers, observation of a Board meeting and the review of Board and committee papers, terms of reference and the board skills matrix. Interview scripts were drafted in a standard format to ensure consistency, and bespoke questions were added to personalise the interviews to allow for additional information reflecting function, role, tenure and experience.

Corporate Governance Report continued

A report summarising the findings of the review was tabled at the Board meeting on 8 May 2019 with Clare Chalmers in attendance. The report addressed all matters relating to the performance of the Board and this included the roles of the executive and non-executive directors, the Board, committees, preparation for and performance at meetings, the effectiveness of each director and the Chairman, leadership, culture, strategy and corporate governance. The key findings and results of this process, together with agreed actions, are set out below.

Findings

The Board and its committees were found to be operating well. Highlighted as areas of strength were:

- a strong focus on company purpose and strategy and on monitoring the progress of the current transformation;
- close attention to matters of governance and control, particularly via the Audit Committee;
- a strong approach to risk;
- a well-led, cohesive Board with excellent skills and highly engaged, thoughtful directors;
- evidence of appropriate challenge in both a constructive and supportive manner enabling robust decision making;
- a strong working relationship between the Chairman and the Group Chief Executive that clearly benefits the company; and
- a 50/50 gender balance of non-executive directors including the Chairman.

Recommendations

The review identified some opportunities for the Board to enhance its effectiveness. The main recommendations and 2019/20 action plan are summarised below:

Recommendations	Action Plan
Improve efficiency of Board meetings	– Review agenda planners to ensure Board meetings are strategically focussed and to avoid duplication across the Board and its committees. – Increase the length of Board meetings to provide more time for discussions on strategy and other topics. – Use additional forums such as Board dinners to provide updates on people, values, recruitment, culture and succession planning.
Enhance the processes for monitoring emerging risks	– Ensure a broader view of emerging risks is embedded across all business topics.
Enhance the processes for driving diversity and inclusion throughout the organisation	– Diversity in all its forms continues to be an area of focus. Diversity across the Board and Executive Committee has improved during the year. Increase the visibility the Board has of diversity and inclusion initiatives throughout the wider organisation.
Enhance oversight of vision, values, culture and people	– Increase Board agenda time allocated to people and culture items and invite the Chief HR Officer to attend for these items. – Increase the Board's visibility of those colleagues that report into Executive Committee by providing more opportunities for interaction. – Consider the appropriate remit of the Nominations Committee. – Ensure comprehensive succession plans are in place for all Board and Executive Committee members.
Improve the quality of Board and committee papers	– Board paper guidelines to be reviewed and improved. – Enhance financial and customer updates provided between meetings to enable more focus on key strategic topics in Board meetings.
Enhance stakeholder engagement and increase the visibility of the Board	– Encourage more frequent interaction between major shareholders and directors. – Ensure that the agenda topics cover all stakeholder groups in sufficient depth.

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

Capital and constitutional disclosures

Information on the Company's share capital and constitution required to be included in this Corporate Governance statement is contained in the Directors' Report on pages 61 to 63. Such information is incorporated into this Corporate Governance statement by reference and is deemed to be part of it.

Risk and internal controls

Committed to effective risk management

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

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

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

The system of risk management and internal control

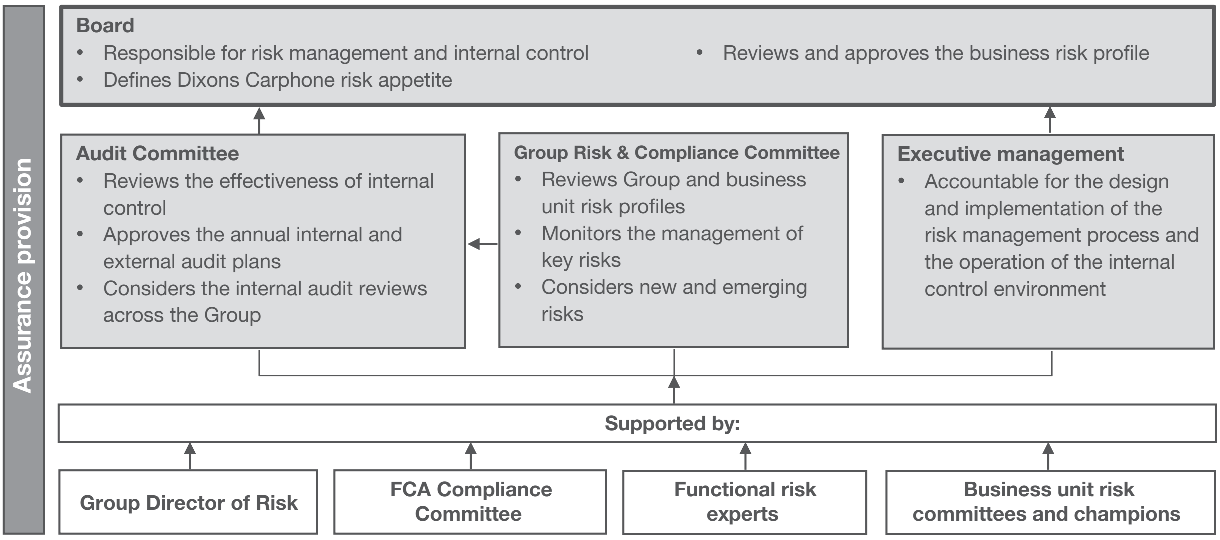
Dixons Carphone's system of risk management and internal control consisted of a number of components, which are described below:

Components of a system of internal control	Dixons Carphone activities
The organisation demonstrates a commitment to integrity and ethical values.	– The company demonstrates its commitment to ethical values through the Live Earth Neutral Initiative and maintaining an Ethical Supply Chain. – Annual Ethical Conduct Declarations are completed by all management. – A 24/7 independent whistleblowing hotline enables colleagues to report breaches of ethics or policy.
The Board of Directors demonstrates independence from management and exercises oversight of the development and performance of internal control.	– The composition of the Board and the roles of its members changed during 2018/19. – The Board reviewed the Group's Principal Risks throughout the period. – The effectiveness of these systems is regularly monitored and reviewed by the Audit Committee and the systems refined as necessary to meet changes in the Group's business and associated risks. – The Board undertakes an annual effectiveness review which includes considerations on the management of risk and internal control.
Management establishes, with Board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.	– The formation of a new Executive Committee and reorganisation of management to support delivery of the Strategy. – The Board and its various committees have defined a delegation of authorities that cascades throughout the Group. – The establishment of a Transformation Management Office to govern the initiatives launched to deliver the business strategy.
The organisation demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.	– The operation of performance management and development processes for colleagues. – Training and development are provided to colleagues to cover their risk and compliance obligations.
The organisation holds individuals accountable for their internal control responsibilities.	– The performance management process holds people accountable for their responsibilities. – Control improvement actions resulting from Internal Audit and Minimum Controls are reviewed are tracked to completion.
The organisation specifies control objectives with sufficient clarity to enable the identification and assessment of risk relating to its objectives.	– Senior management undertakes annual business planning and ongoing management of business performance. – Quarterly business reviews covering financial and operational reporting by each business unit which involves comparison of actual results with the original budget and the updating of a full year forecast.

Corporate Governance Report continued

The organisation identifies risks to the achievement of its objectives across the entity and analyses risk as a basis for determining how the risks should be managed.	– The Board has carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. – A Group risk process which identifies the principal risks faced by the business, their potential impact and likelihood of occurrence (assessed on a gross and net basis), together with an evaluation of the key controls and risk mitigation plans. – The Group Risk & Compliance Committee meets quarterly and reports to the Audit Committee to review the management of risks arising out of the Group's activities. – Each business unit operates a risk management process in accordance with the Group Risk Management Framework and maintains a risk register.
The organisation considers the potential for fraud in assessing risk to the achievement of objectives.	– Fraud and loss prevention operate across our retail, online and logistics activities.
The organisation identifies and assesses changes that could significantly impact the system of internal control.	– Major change initiatives being undertaken in the business consider the requirements for consequent development in the control environment.
The organisation selects and develops control activities that contribute to the mitigation of risk to the achievement of objectives to acceptable levels.	– The Board has defined a risk appetite which sets the boundaries within which risk-based decision-making can occur and outlines the expectations for the operation of the control environment. – The operation of a control self-assessment process to evaluate the operation of the Minimum Control Standards.
The organisation selects and develops general control activities over technology to support the achievement of objectives.	– Control procedures operate over the Company's operations and IT General Controls (ITGC). – The Information Security environment continues to evolve in line with emerging threats.
The organisation deploys control activities through policies that establish what is expected and procedures that put policies into action.	– Senior management has established a policy framework for the business.
The organisation internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.	– Senior management accountabilities and responsibilities are aligned to the Strategic Vision of the business.
The organisation communicates with external parties regarding matters affecting the functioning of internal control.	– The Group communicates external stakeholders, including industry bodies and regulators on the management of risks and issues. – External audit conducts statutory audits of the Group's financial statements.
The organisation selects, develops, and performs on-going and/or separate evaluations to ascertain whether the components of internal control are present and functioning.	– An Internal Audit function and an annual plan approved by the Audit Committee. – Business Management is supported by evaluations conducted by internal or external specialists over the operation of controls for the business' Principal Risks.
The organisation evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action including senior management and the Board of Directors as appropriate.	– There are ongoing control improvements to enhance control design and effectiveness.

Group Risk Management Structure



The diagram above shows the governance structure in place over the Group's risk management activities, as at 27 April 2019.

Statement on risk management and internal control

The system of risk management and internal control described above was in place and reviewed for effectiveness. Following the implementation of a new accounting and finance system during the year, deficiencies in certain user access rights controls and change management controls were identified. This resulted in a programme of remediation and an extension of the scope of the external audit procedures to review remediation activities and ensure no inappropriate changes had been made to relevant databases and systems. The effectiveness of risk management systems is regularly monitored and reviewed by the Audit Committee and the systems refined as necessary to meet changes in the Group's business and associated risks. The system of risk management and internal control can only provide reasonable and not absolute assurance against material errors, losses, fraud or breaches of laws and regulations. The Board also monitors the Company's system of risk management and internal control and conducts a review of its effectiveness at least once a year. This year's review covered all material controls during the year and up to the date of approval of the ARA 2018/19, which were approved by the Audit Committee and the Board. The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A description of these risks, together with details of how they are managed or mitigated, is set out on pages 22 to 24.

Risk appetite

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

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

Internal audit

The Group has an internal audit department which conducts audits of selected business processes and functions.
The Group's internal audit plan sets out the internal audit programme for 2018/19, which was prepared taking into account the principal risks across the Group with input from management and the Audit Committee. The assurance plan is designed each year to test the robustness of financial and operational controls and to determine whether operating procedures are designed and operating effectively. The Audit Committee approved the 2018/19 internal audit plan in May 2018 and considers the alignment of the audit plan with the principal risks faced by the Group as part of its approval process.

Corporate Governance Report continued

The Audit Committee Chair 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 each audit report with a summary at each meeting. The internal audit team tracks and reports on the progress against the audit plan and the implementation of action plans agreed with management. Once closed, the action plans agreed with management can be reviewed to determine whether any new controls and procedures have been implemented effectively.

The Audit Committee considered the effectiveness of the internal audit department by considering; scope, resources and access to information as laid out in the internal audit charter; the reporting line of internal audit; the annual internal audit work plan; and the results of the work of internal audit. A third-party review of the effectiveness of internal audit was commissioned and the result considered at the September 2018 Committee meeting. The Committee concluded that the internal audit department has been effective in all respects during the period.

Authorisation of conflicts of interest

Each director has a duty under the Companies Act 2006 (the 'Act') to avoid a situation where they have or may have a conflict of interest. They are also required to disclose to the Board any interest in a transaction or arrangement that is under consideration by the Company. The General Counsel and Company Secretary supports the directors in identifying potential conflicts of interest and reporting them to the Board. The Board is permitted by the Company's articles of association to authorise conflicts when appropriate. Potential conflicts are approved by the Board, or by two independent directors if authorisation is needed quickly, and then reported to the Board at its next meeting. A register of directors' conflicts is maintained and directors are asked to confirm periodically that the information on the register is correct. The Board is satisfied that the Company's procedures to identify, authorise and manage conflicts of interest have operated effectively during the year.

Communication with investors

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

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

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

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

The AGM is an important forum for the Company to communicate with shareholders and the Board provides an account of the progress made by the business during the year, along with a synopsis of current issues facing the business. Shareholders are encouraged to attend and ask questions and the directors, including the Chairs of the Board committees, are in attendance to answer them.

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

Lord Livingston of Parkhead
Chairman
19 June 2019

Directors' Report

The Directors' Report required by the Act, the corporate governance statement as required by DTR 7.2 and the management report required by DTR 4.1 comprises the Strategic Report on pages 2 to 47, the Corporate Governance Report on pages 50 to 60, together with this Directors' Report on pages 61 to 63. All information is incorporated by reference into this Directors' Report.

Directors

The names, biographies, committee memberships and dates of appointment of each member of the Board are provided on pages 48 and 49. Jonny Mason was appointed Group Chief Financial Officer on 13 August 2018 and Eileen Burbidge joined the Board as a non-executive director on 1 January 2019. Fiona McBain was appointed as Chair of the Audit Committee on 6 September 2018.

Humphrey Singer and Jock Lennox were also directors of the Company during the year prior to stepping down on 21 June 2018 and 31 December 2018 respectively.

The Board is permitted by its Articles of Association ('Articles'), to appoint new directors to fill a vacancy as long as the total number of directors does not exceed the maximum limit of 15. The Articles may be amended by special resolution of the shareholders and require that any director appointed by the Board stand for election at the following annual general meeting. The Company complies with the Code and all directors submit themselves for election or re-election every year.

The Remuneration Report provides details of applicable service agreements for executive directors and terms of appointment for non-executive directors. All the directors proposed by the Board for either election or re-election are being unanimously recommended for their skills, experience and the contribution they can bring to Board deliberations.

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

The Board exercise all the powers of the Company subject to the Articles, the Act and shareholder resolutions. A formal schedule of matters reserved for the Board is in place.

Directors' responsibilities

The directors' responsibilities for the financial statements contained within this ARA and the directors' confirmations as required under DTR 4.1.12 are set out on page 103.

Directors' indemnities and insurance

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

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

Information required by Listing Rule 9.8.4R

Details of long-term incentive schemes as required by Listing Rule 9.4.3R are located in the Directors' Remuneration Report on pages 77 to 102. Details of dividends waived by shareholders are given on page 61 of this Directors' Report. There is no further information required to be disclosed under Listing Rule 9.8.4R.

Dividend

The Board has proposed a final dividend for the year ended 27 April 2019. Details of this and other dividends paid for the year are as follows:

	Year ended 27 April 2019	Year ended 28 April 2018
Interim dividend	**2.25p**	**3.50p**
Final dividend	**4.5p**	**7.75p**
Total dividends	**6.75p**	**11.25p**

The right to receive any dividend has been waived by the trustees of the Company's Employee Benefit Trust ('EBT') over a holding of 647,258 shares.

Employee involvement

The Group places significant emphasis on its employees' involvement at all levels of the organisation. Employees are kept informed of issues affecting the Group through formal and informal meetings and through the Group's internal publications. The management team regularly communicates matters of current interest and concern with employees. The Board agreed during the year that a formal employee forum be established to further streamline engagement with employees and the outcomes of this will be shared in the Corporate Governance Report next year. Further information on employee engagement is included in the Sustainable Business report on pages 32 to 47. Details of the employees' involvement in the Group's share plans are disclosed in the Remuneration Report.

Directors' Report continued

Employment of disabled people

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

Information on greenhouse gas emissions

The information on greenhouse gas emissions that the Company is required to disclose is set out in the Sustainable Business report on pages 32 to 47. This information is incorporated into this Directors' Report by reference and is deemed to form part of this Directors' Report.

Political Donations

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

Capital structure

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

Details of employee share schemes are provided in note 5 to the Group financial statements. As at 27 April 2019, the Dixons Carphone plc EBT held 0.7m shares. The EBT did not undertake any market purchases of the Company's shares during the year under review.

Restrictions on transfer of securities of the Company

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

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

Change of control – significant agreements

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

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

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

Significant shareholdings

As at 27 April 2019, the Company had been notified of the following voting interests in the ordinary share capital of the Company in accordance with Chapter 5 of the FCA's DTR. Percentages are shown as notified, calculated with reference to the Company's disclosed share capital as at the date of the notification.

Name	Number of shares	Percentage of share capital
Standard Life Aberdeen plc	150,426,400	12.97%
Sir Charles Dunstone CVO	115,965,305	9.995%
Ruffer	62,845,115	5.42%
BlackRock	60,261,946	5.19%
Lansdowne Partners	57,675,527	4.97%
Majedie Asset Management	57,324,098	4.94%
D P J Ross	55,738,699	4.80%
Legal & General Investment Management	43,359,831	3.74%
Newton Investment Management	41,792,133	3.60%
Capital Group	35,711,000	3.08%
Cobas Asset Management	34,811,516	3.00%

Following the year end, Standard Life Aberdeen disclosed to the Company holdings of 138,958,761 and 138,430,592 on 3 May 2019 and 8 May 2019, representing 11.98% and 11.93% of the Company's share capital respectively.

At 19 June 2019, being the last practicable date prior to the publication of this ARA, no further changes to the shareholdings reported above had been notified to the Company in accordance with DTR 5.

Directors' interests in the Company's shares and the movements thereof are detailed in the Remuneration Report on pages 77 to 102.

Issue of shares

In accordance with section 551 of the Act, the Articles and within the limits prescribed by The Investment Association, shareholders can authorise the directors to allot shares in the Company up to one third of the issued share capital of the Company. Accordingly, at the AGM in 2018 shareholders approved a resolution to give the directors authority to allot shares up to an aggregate nominal value of £386,010. The directors have no present intention to issue ordinary shares, other than pursuant to obligations under employee share schemes. This resolution remains valid until the conclusion of this year's AGM.

Authority was given by the shareholders at AGM in 2018 to purchase a maximum of 115,803,123 shares, such authority remaining valid for 15 months or until the conclusion of the Company's AGM in 2019. The authority was not exercised during the period or prior to the date of this Report. The Company will seek the usual renewal of this authority at the forthcoming AGM but has no current intention to make such purchases.

Use of financial instruments

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

Post-balance sheet date events

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

Auditor

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

– so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

– the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

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

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

By Order of the Board

Nigel Paterson
Company Secretary
19 June 2019

Audit Committee Report

Chair's statement

Introduction
I am pleased to present my first report as Chair of the Audit Committee (the 'Committee') for the year ended 27 April 2019. This report describes how we as a Committee have delivered on our objective of providing independent scrutiny of the Company's financial reporting and risk management systems of internal control and of determining whether these remain effective and appropriate.

In addition to the scheduled Committee meetings, I have met regularly with the Group Finance Director, Internal Audit and the external Auditor to discuss their reports as well as any relevant issues. I regularly meet with the Deloitte LLP audit team as part of my ongoing review of their effectiveness. As part of my year-end review, I also met Deloitte LLP's Head of Audit Quality and Risk for North, South Europe to discuss their approach to audit quality and assurance in connection with their audit of Dixons Carphone.

There have not been any significant changes to the duties and role of the Committee during this financial year. The Committee continues to monitor with interest the external market reforms designed to enhance the quality of audits. It is likely that these will result in the evolution of the duties of audit committees. The Committee considered its Terms of Reference in March 2019 and updated these to clarify the Committee's role in respect of emerging risks. Following this change, the Committee is satisfied that its Terms of Reference remain appropriate.

This year the Committee has continued to oversee the further development of reporting and controls as well as to respond to specific matters that have arisen. Cyber security, IT infrastructure and data management have been important areas of Committee focus in addition to accounting matters and other duties. The Committee continues to have oversight across the international footprint of the Group.

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

– considering significant accounting and reporting judgements, appropriateness of taxation disclosures, including the appropriateness of the Group's going concern position and longer term viability statement, more information on which can be found on page 31;
– considering and recommending that the Annual Report and Accounts ('ARA') 2018/19, when taken as a whole, are fair, balanced and understandable;
– reviewing the effectiveness of the risk management system and internal controls, operated by management;
– considering the increased risks of cyber-attacks and the complexity of the external threat environment;
– considering management's corresponding IT infrastructure, security controls and recovery plans;
– considering and challenging management's judgement and estimates relating to the planned implementation of IFRS 16;
– reviewing the interim results and strategy update on 12 December 2018 including consideration of any subsequent impact on accounting judgements and valuations;
– providing oversight of the businesses regulated by the Financial Conduct Authority ('FCA') and other regulators, including reviewing reports from the FCA Compliance Committee ('FCACC');
– approving the internal audit annual plan, considering internal audit reports and management actions, and monitoring the effectiveness of internal audit in line with the approved internal audit charter;
– receiving presentations and challenging management on matters such as the Nordics control environment, the finance systems transformation programme, minimum control improvements, MNO data assurance, Brexit update, whistleblowing, national minimum wage, anti-bribery and corruption, data protection, and IT strategy and governance; and
– monitoring the robustness of the information security environment and its vulnerabilities, and the longer term strategic transformation of the Company's information security capabilities.

Membership
Jock Lennox stepped down as Committee Chair on 6 September 2018 and left the Committee on 31 December 2018 after 6 years on the Board. I would like to thank him for his leadership of the Committee and for the comprehensive handover I received from him in the course of assuming the role of Chair. I took over as Committee Chair on 6 September 2018 having been a Committee member since 7 September 2017. The Committee is also very pleased to have welcomed Eileen Burbidge to the Committee on 1 January 2019. Eileen's strong technology background is a valuable enhancement to the Committee. The Committee is also very pleased to have Gerry Murphy continuing as a Committee member. Gerry has been on the Committee since the merger in 2014 and brings extensive financial expertise. I am confident that the range of skills and expertise provided by the Committee membership leaves us well positioned to be able to deliver on our governance and oversight duties in the year ahead.

Jonny Mason joined the Board as Group Chief Financial Officer on 13 August 2018 and Katrina Jamieson joined as Financial Controller on 29 April 2019. The Committee has welcomed the opportunity to work with other members of the finance team whilst supporting them through this period of change.

Looking ahead
It has been a significant year in terms of strategic planning by the Board. The Committee will continue to support this work by reviewing and challenging the governance, risk and control environments relating to these strategic transformation plans. We will also maintain our particular focus on the monitoring of IT programmes, the cyber defence strategy and data initiatives, as well as the oversight of Brexit planning. The Committee will continue to receive presentations from management on the challenges faced by the business and the operation of internal controls. The Committee agenda will also continue to be responsive to the issues raised by the 'three lines of defence' internally – management, risk and compliance and internal audit – as well as to the external evolving risk landscape and regulatory environment.

I will be available at the AGM in September to answer any questions relating to the work of the Committee and I hope to see you there.

Fiona McBain
Chair of the Audit Committee
19 June 2019

Meetings

The Committee met five scheduled times during the period under review. There were additional sessions with management as required including in relation to IT and IFRS 16. Since the year end there have been two further meetings. All eligible members attended each of the meetings during the period in which they were a member of the Committee. The Chairman of the Board, Group Chief Executive, Group Chief Financial Officer, Group Financial Controller (who attended as Interim Group Chief Financial Officer from 21 May 2018 to 18 June 2018), Group Director of Internal Audit, General Counsel and Company Secretary, Deputy Company Secretary, other senior management and representatives of the Company's external auditor (Deloitte LLP) attended the relevant Committee meetings by invitation.

Committee Membership and Attendance

In compliance with the Code, the Committee continues to consist exclusively of independent non-executive directors, who, along with their attendance at scheduled meetings, are set out in the table below. Biographical details on each member can be found on pages 48 and 49.

Current members	Scheduled meetings
Jock Lennox (Chair until 6 September 2018)	4 of 4
Fiona McBain (Chair from 6 September 2018)	5 of 5
Gerry Murphy	5 of 5
Eileen Burbidge	1 of 1

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

In order to allow discussion of private matters which the auditor may wish to raise, at each meeting, discussion may be held between the Committee members and the external auditor without the presence of management. If appropriate, a discussion may be held amongst Committee members, the external auditor and the Group Director of Internal Audit. Informal discussions are held by Committee members before and after each Committee meeting.

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

External advice

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

Responsibilities

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

The principal duties of the Committee are:

Accounting and financial reporting matters

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

Risk management and internal control

- reviewing the Group's financial controls and internal control effectiveness and maturity;
- reviewing the Group's risk management systems and risk appetite;
- considering whistleblowing arrangements by which employees may raise concerns about possible improprieties in financial reporting or other matters;

Internal audit

- monitoring and reviewing the effectiveness of the Group's internal audit function;
- considering the results and conclusions of work performed by internal audit;
- considering the major findings of internal investigations;

External audit

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

General matters

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

Audit Committee Report continued

The Committee's Terms of Reference are reviewed annually. In the 2018/19 financial year, they were reviewed in March 2019 and subsequently approved by the Board. The Terms of Reference reflect all the recent legislative and regulatory changes as well as recently published best practice guidance, and are available on the Group's corporate website, www.dixonscarphone.com.

Key matters considered during the year

Accounting and financial reporting matters

The Committee is responsible for considering reports from the external auditor and monitoring the integrity of the interim statement and annual report and accounts in conjunction with senior management. During the year ended 27 April 2019, consideration was given to the suitability and application of the Group's accounting policies and practices, including areas where significant levels of judgement have been applied or significant items have been discussed with the external auditor.

Accounting and financial reporting matters	Matters considered and how the Committee discharged its duties
Going concern and viability statements	The Committee reviewed the processes and assumptions underlying both the going concern and longer term viability statements made on page 31 of the ARA 2018/19. In particular, the Committee considered: – management's assessment of the Group's prospects including its current position, assessment of principal business risks and its current business model, future cash forecasts, historical cash flow forecasting accuracy, profit projections, available financing facilities, facility headroom and banking covenants; – the appropriateness of the three-year time period under assessment, noting the alignment of the period with the Group's detailed strategic planning process, as well as the shorter-term nature of the retail market in which the Group operates; and – the robustness and severity of the stress-test scenarios with reference to the Group's risk register, those principal risks and mitigating actions as described on pages 22 to 24 of the ARA 2018/19, the latest Board-approved budgets, strategic plans, and indicative headroom under the current facilities available – examples of which included the impact of regulatory, taxation or information security incidents, reduced forecast profitability and cash flow as a result of a significant change in consumer behaviour and potential impact of the UK exit from the EU. The Committee concurred with management's conclusions that the viability statement, including the three-year period of assessment, disclosed on page 31 of the ARA 2018/19 is appropriate. The Board was advised accordingly.
IFRS 16	The Committee arranged specific review meetings with management to challenge the key judgements and accounting estimates underlying the adoption of IFRS 16 (new accounting standard for lease arrangements). Due to the complexity, a number of further discussions were held with financial management to review the development of the proposals to implement IFRS 16. The Committee considered the robustness of the process undertaken, the appropriate expertise and experience of management performing the implementation project and the use of third-party experts engaged to assist in the most complex and judgemental lease arrangements and inputs into the valuation of the right of use assets and liabilities. The Committee reviewed detailed papers prepared by management and third-party experts in relation to discount rates, renewal and break clause assumptions and complex IT arrangements where judgement was required to identify specifics in the contract which may give rise to a right of use asset. Following these reviews, including sensitivity analysis on key assumptions, discussions with management and the external auditor, the Committee approved the proposed accounting treatment which will be adopted for the year ending 2020 and the transitional impact as disclosed in the ARA 2018/19.
Strategy update	During the year, on 12 December 2018, the Company issued a strategy update to the market. The Committee carefully considered the impact of the updated strategy on both the Interim Results and the 2018/19 financial statements. In particular the Committee considered the impact on reportable segments and resulting requirement to reallocate goodwill previously allocated to the UK & Ireland cash-generating units between the new UK & Ireland mobile and UK & Ireland electricals cash-generating units. The Committee considered sensitivities applied to cash flow forecast models relating to the strategic change programme and their impact on the going concern and viability assessments and impairment models when assessing the carrying value of goodwill and other assets. The Committee also considered the treatment of strategic plan related costs as non-headline when considering if the ARA as a whole were fair, balanced and understandable. Following detailed review of the underlying models as described elsewhere in this report and the ARA 2018/19 as a whole, the Committee agreed with management's conclusions that the judgements and estimates undertaken and conclusions reached are appropriate.

Fair, balanced and understandable	In ensuring that the Group's reporting is fair, balanced and understandable, the Committee reviewed the classification of items between headline and non-headline, including consideration of the £557 million pre-tax non-headline charges disclosed in note 4 to the Group financial statements, including the tax impact thereon. The assessment considered whether items fell within the Group's definition of non-headline as well as the consistency of treatment of such items year on year. The Committee gave due consideration to the integrity and sufficiency of information disclosed in the ARA 2018/19 to ensure that they explained the Group's position, performance, business model and strategy. An assessment of narrative reporting was included to ensure consistency with the financial reporting section, including appropriate disclosure of material non-headline items, and appropriate balance and prominence of statutory and non-statutory performance measures. In response to the guidelines on Alternative Performance Measures ('APMs') issued by the European Securities and Markets Authority ('ESMA'), the Committee considered the use of such measures and the additional information on those APMs used by the Group is provided in the glossary on pages 188 to 192. The Committee concluded that the ARA 2018/19, taken as a whole, are fair, balanced and understandable, and that the measures used and disclosures made were appropriate to provide users of the ARA 2018/19 with a meaningful assessment of the performance of the underlying operations of the Group; the Board was advised of the conclusion.

Matters of significance and areas of judgement

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

Matters of significance and areas of judgement	Matters considered and how the Committee discharged its duties
Revenue recognition	Revenue recognition is considered to be a critical accounting policy. Judgements are set out in notes 1e and 25h to the Group financial statements. Key components of judgement are largely in relation to the recognition of network commission receivable. The Committee reviewed management's assessment of these policies with reference to contractual terms, the Group's historical experience of customer behaviour, reliability of information received from MNOs, legislative changes, future expectation of consumer behaviour and changes in the general mobile industry which may indicate that historical data is not the best proxy for future consumer trends. Particular attention was paid to the consistency of application of the underlying assumptions used, significant changes in inputs to the valuation model, historical forecasting accuracy and the sensitivity to the carrying value of ongoing network receivables recognised to changes in key assumptions and the disclosure of the impact of changes in assumptions as presented in note 25h) to the Group financial statements. The carrying value of ongoing network commission receivables at the balance sheet date was £797 million (2017/18: £1,057 million).
Supplier funding	A number of arrangements exist relating to supplier funding across the Group, including promotional support and volume rebates. The Committee has continued to challenge and debate with management its approach to its recognition and accounting treatment of supplier funding. In addition, the Committee continues to monitor the effectiveness of the controls in place to mitigate the risk of material misstatement of supplier funding recognition; no major issues were noted. Further information in relation to supplier funding can be found in note 1d) to the Group financial statements.
Allocation of goodwill to UK & Ireland CGU's	As part of the strategic review, the Group has separated the previous operating segment in the UK & Ireland into the separate electricals and mobile operating segments. Given the challenges in the mobile market, and the corresponding change in the UK & Ireland mobile performance in the period, the Group has changed the information presented to the Board to provide greater clarity over the relative performance of the two UK & Ireland businesses and to support decisions related to the allocation of the Group's resources. This change has included the provision of separate financial information in respect of the UK & Ireland mobile and electricals segments. As a result of the change, the goodwill previously allocated to the UK & Ireland group of cash generating units has been separated into UK & Ireland electricals and UK & Ireland mobile. The Committee reviewed and challenged the rationale for the change in operating segments, and therefore the level at which goodwill is considered for impairment and considered a number of potential methodologies used in the valuation of goodwill attributable to each of the UK & Ireland mobile and electrical group of cash-generating units.

Audit Committee Report continued

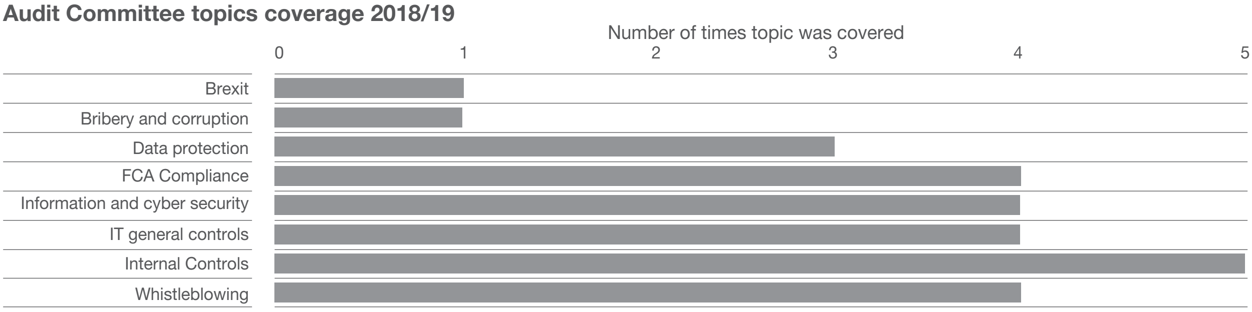
Impairment testing of goodwill and intangible assets within the UK & Ireland	The Group has significant goodwill and intangible assets associated with the UK & Ireland (mobile and electrical) cash generating units which are reviewed for impairment annually, or where there is an indicator of impairment. The Committee reviewed appropriateness and accuracy of cash flow forecasts, discount rates and long-term growth rates used in the impairment review performed at both the year end and interim dates. Specific attention was paid to cash flow forecasts used in light of the December 2018 strategy update, and the level of sensitivities applied by management in determining reasonably possible changes to cash flows. The Committee also considered the appropriateness of the impairment charge of £338 million in relation to the UK & Ireland mobile group of cash generating units and the disclosures made in note 9.
Taxation	The Group operates across multiple tax jurisdictions. The complex nature of tax legislation in certain jurisdictions can necessitate the use of judgement. The Committee reviewed the judgements and assumptions concerning any significant tax exposures, including progress made on matters being discussed with tax authorities and, where applicable, advice provided by external advisors. The total provisions recognised at the balance sheet date amounted to £98 million (2017/18: £66 million). The Committee also reviewed the appropriateness of the disclosures made around tax provisions, and the disclosure of related contingent liabilities.

Risk management and internal control

The Audit Committee is responsible for reviewing the Group's risk management and internal control systems. Details of the overall risk management and governance policies and procedures are given in the Corporate Governance Report on pages 50 to 60 of this ARA 2018/19. The Committee reviewed management's assessment of risk and internal control, results of work performed by the second lines of defence and internal audit, and the results and controls observations arising from the annual audit and interim review procedures performed by the external auditor. The Committee also ensured that all topics are appropriately covered, as defined by its Terms of Reference, with deep-dives of risk topics scheduled throughout the year to ensure good visibility of any potential areas of concern.

The table below shows the number of times specific matters were considered by the Committee in 2018/19:

Audit Committee topics coverage 2018/19



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

Risk management and internal control	Matters considered and how the Committee discharged its duties
Brexit	– The Committee reviewed the Brexit contingency planning arrangements being put in place by the business.
Bribery & corruption	– The Committee reviewed the arrangements put in place to satisfy requirements to comply with regulation for anti-bribery & corruption.
Data protection	– The Committee reviewed data protection compliance throughout the Group, particularly in relation to the embedding of policies, procedures and processes implemented to comply with the requirements of EU General Data Protection Regulation ('GDPR').
FCA compliance	– The Committee reviewed the nature of financial services regulated activities across the Group's business operations and the governance and oversight arrangements for the operation of an effective FCA compliance regime in the business. The Committee considered compliance and regulatory reports prepared by the FCACC and monitored key developments and ongoing activities for the compliance team in areas of governance, policy and compliance monitoring.
Information security and IT general controls	– The Committee regularly reviews the progress of the ongoing security improvement programme and periodically considers and reviews the IT controls framework and related improvement initiatives progressed by the management team, in order to ensure that appropriate actions are taken. The Company is currently undergoing a large transformation programme across many areas of the business including its IT infrastructure. All transformation programmes are managed in line with the Group risk management methodology to ensure that we manage the risk appropriately to provide reasonable reassurance against material losses. This control framework is intended to manage rather than eliminate the risk of failure and oversight of the Security programme is provided by the Audit Committee who along with the Board receive regular updates on the progress and maturity of our control environment. Following the implementation of a new accounting and finance system during the year, deficiencies in certain user access rights controls and change management controls were identified. This resulted in a programme of remediation and an extension of the scope of the external audit procedures to renew remediation activities and ensure no inappropriate changes had been made to relevant databases and systems.
Internal controls	– As per the obligations placed on the Committee under the Code, the Committee formally considered a review of the system of risk management and internal control. The Committee noted developments in the system of risk management and internal control, management plans for 2019/20 and agreed the statements contained in the ARA 2018/19. The Committee continues to review the results of Internal Audit and Minimum Controls reviews.
Whistleblowing	– The Committee reviews a summary of all whistleblowing calls at every meeting received by the Group, both through the independently operated hotline and other channels. The Committee confirmed that the calls had been appropriately dealt with (both individually and in aggregate) in accordance with the Group's whistleblowing policy.

Audit Committee Report continued

Internal audit

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

Internal audit	Matters considered and how the Committee discharged its duties
Audit reviews of significant risk areas	– The Committee considered the alignment of the annual internal audit plan with the key risks of the business. – During the period, internal audits included coverage of the following significant risk areas of the business: – information security and data protection; – Business transformation; – IT resilience, integrity and disaster recovery; – relationships with major suppliers; – adverse impact of UK EU exit; – Health and Safety; – business continuity; – product safety; and – financial services regulatory compliance. – The Committee considered the key trends and material findings arising from internal audit's work and the adequacy of the agreed management actions in relation to those findings.
Assurance programme	– The Committee approved the annual internal audit plan and received an update relating to the execution of the annual plan at each Committee meeting. – As part of the rolling assurance programme, audits were performed over the following processes to provide assurance to the Committee that controls were operating within these areas: – general business controls relating to UK & Ireland operations including the health and safety framework, HR, goods not for resale and cash flow forecasting processes; – Nordics revenue, supplier funding, goods not for resale, capital expenditure, contact centre and cash flow forecasting processes and controls; – Greek cash flow forecasting procedures and controls; and – the Group's business continuity plans, finance shared services, Brexit readiness, non-financial reporting and finance systems-implementation. – The Committee considered the actions taken by management in relation to the audit findings. – The Committee considered the results from these audits during its assessment of the effectiveness of the system of internal control operated by management. The Committee concluded that the system of internal control was appropriately monitored and managed.
Effectiveness of internal audit and adequacy of its resources	– The Committee approved the internal audit charter, concluding the role and mandate were appropriate to the current needs of the organisation. The Committee approved a third-party review of the effectiveness of internal audit and considered the results at the September 2018 Committee meeting. – The Committee monitored the work of internal audit and formally reviewed the effectiveness of internal audit and the adequacy of its resources, considering: – scope, resources and access to information as laid out in the internal audit charter; – the reporting line of internal audit; – the annual internal audit work plan; and – the results of the work of internal audit. – The Committee concluded that the internal audit department had in all respects been effective during the period under review and performed its duties in accordance with its agreed charter.

External audit

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

External audit	Matters considered and how the Committee discharged its duties
Effectiveness of the external auditor	– The Committee reviewed and agreed the annual audit plan, specifically considering the appropriateness of the key risks identified and proposed audit work, the scope of the audit and materiality levels applied which are detailed in the Independent Auditor's report on pages 103 to 115. – As part of the reporting of the half year and full year results, the Committee reviewed the reports presented by Deloitte LLP in assessing the Group's significant accounting judgements and estimates, and considered the audit work undertaken, level of challenge and quality of reporting. – Feedback on the effectiveness of the audit process in addressing areas of key audit risk was obtained from members of the Committee and regular attendees, members of the finance team and senior management within the businesses via a specifically designed questionnaire. The responses were then considered by the Committee in conjunction with the outputs received and responsiveness of the auditor during the audit process. The results showed a favourable view of the audit process and of Deloitte LLP as the external auditor, specifically in relation to the consistent performance noted for quality of audit delivery, integrity and service of the team, the constructive relationship and the effectiveness of the communication. – Following due consideration of the above, the Committee continues to be satisfied with the quality and effectiveness of the external audit.
Auditor independence	– The Committee considered the external auditor's assessment of and declaration of independence presented in the annual audit plan and final audit report, and those safeguards in place to make such declarations. – The Committee considered the annual audit fee and fees for non-audit services, with due regard to the balance between audit and non-audit fees and the nature of non-audit fees undertaken in accordance with the policy as set out on the next page. – The Committee reviewed and approved the Group policy on the employment of former employees of the external auditor in March 2019.

Audit Committee Report continued

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

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

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

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

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

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

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

The level of non-audit fees paid to the external auditor, which was approved by the Committee, is set out in note 3 to the Group financial statements and amounted to £0.4 million (2017/18: £0.4 million) compared with £1.6 million (2017/18: £1.6 million) of audit fees. The non-audit fees as a percentage of audit fees were 25% (2017/18: 25%), which reflects the restrictive policy governing the use of Deloitte LLP for non-audit services.

Consideration of auditor appointment and independence

The Committee continues to consider the appropriateness of the re-appointment of the external auditor, including rotation of the audit partner. Deloitte LLP has been the Company's external auditor since the Company was formed on 7 August 2014 by the merger of Carphone Warehouse and Dixons Retail.

Deloitte LLP was the external auditor of Carphone Warehouse and Dixons Retail prior to 2014. In accordance with the Auditing Practices Board Ethical Standards, there is a five-year rotation of the lead audit partner. Stephen Griggs, the current lead audit partner, was appointed for the 2016/17 audit.

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

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

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

Fiona McBain
Chair of the Audit Committee
19 June 2019

Disclosure Committee Report

Chair's statement

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

The Committee is chaired by the Group Chief Financial Officer. The Group Chief Executive, and the General Counsel and Company Secretary are also members. The Group Chairman and the Senior Independent Director receive notices and papers for all meetings and will act as 'alternates' to the members in the event that the quorum of three cannot be met. The Company Secretary, or his nominee, acts as Secretary to the Committee. The Committee's deliberations are reported by its Chair at the next Board meeting and the minutes of each meeting are circulated to all members of the Board.

The Committee will review its performance, constitution, Terms of Reference and responsibilities periodically, and at least once a year. The Terms of Reference were last reviewed in January 2019. The Committee was individually considered as part of the externally facilitated Board evaluation this year and this review concluded that the Committee discharges its duties effectively.

Jonny Mason
Chair of the Disclosure Committee
19 June 2019

Meetings

- The Committee has scheduled meetings in advance of the preliminary and interim results and the Q1 trading update. It meets at other times as and when required.
- The Committee held 13 meetings during the period under review. Since the financial year end, there have been 2 further meetings.

Committee membership and attendance

The members of the Committee are shown in the table below along with their attendance at meetings for the period under review. Biographical details on each member can be found on pages 48 and 49.

Current members	Scheduled and unscheduled meetings
Jonny Mason (Chair) (1)	8 of 8
Alex Baldock	13 of 13
Nigel Paterson	13 of 13
Former members	
Humphrey Singer (2)	3 of 3

(1) Jonny Mason was appointed to the Committee on 13 August 2018.

(2) Humphrey Singer stepped down from the Committee on 21 June 2018.

(3) Jonny Mason chaired 7 meetings, the interim Chief Financial Officer chaired 1 meeting, Humphrey Singer chaired 3 meetings and Alex Baldock chaired 2 meetings.

The Committee receives input as appropriate from other directors and senior management, including the Corporate Affairs Director and the Company's brokers. The Committee may invite them to attend all or part of any meeting, as and when appropriate and necessary.

Responsibilities

The principal duties of the Disclosure Committee are to:

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

The Committee's Terms of Reference were last reviewed and approved by the Board in January 2019 and are available on the Group's corporate website, www.dixonscarphone.com.

Key matters considered

During the year ended 27 April 2019, the Committee met to consider the following key matters:

- the preliminary results and the annual report and accounts for the financial year ended 28 April 2018;
- the interim results for the 26 weeks ended 27 October 2018;
- the Christmas trading update;
- the FCA investigation into historic mobile phone insurance selling; and
- the investigation into third party unauthorised data access.

Nominations Committee Report

Chair's statement

The Nominations Committee (the 'Committee') has continued to oversee the Board's collective skills, knowledge, experience and diversity during the year and recommend required changes to the Board.

The Committee led a review in March 2019 to assess compliance with the Code and this review concluded that the Board size and composition remain appropriate to meet the business and operational needs of the Company. The review included consideration of the time commitments of each director and their independence. The Committee is pleased to report that progress has been made to enhance diversity at Board, Executive and senior team level during the year but diversity and succession planning will remain key priorities for the Committee in the year ahead.

Jock Lennox stepped down as Chair of the Audit Committee on 6 September 2018 and resigned as a director on 31 December 2018. Humphrey Singer resigned as Group Finance Director on 21 June 2018.

Jonny Mason and Eileen Burbidge joined the Board on 13 August 2018 and 1 January 2019 respectively. Fiona McBain took over as Chair of the Audit Committee on 6 September 2018.

This report sets out the key responsibilities of the Nominations Committee and describes how it discharges its duties.

Lord Livingston of Parkhead
Chairman
19 June 2019

Meetings

- The Committee meets as and when required and at least twice a year.
- The Committee held two scheduled meetings during the period under review.

Committee membership and attendance

The members of the Committee are shown in the table below along with their attendance at scheduled meetings for the period under review. Biographical details on each member can be found on pages 48 and 49.

Current members	Scheduled meetings
Lord Livingston of Parkhead (Chair)	2 of 2
Tony DeNunzio	2 of 2
Andrea Gisle Joosen	2 of 2

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

The Company Secretary, or his nominee, acts as Secretary to the Committee. The Committee's deliberations are reported by its Chair at the next 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 and composition of the Board, and recommend changes as necessary;
- identify, evaluate and nominate candidates to fill vacancies on the Board;
- give full consideration to orderly succession planning for both the Board and senior management positions and oversee the development of a diverse pipeline for succession;
- carry out a formal selection process of candidates, giving due regard to promoting the benefits of diversity on the Board and senior management team, including gender, social and ethnic backgrounds, and cognitive and personal strengths;
- evaluate the skills, knowledge and experience of the Board, including reviewing the results of any Board performance evaluation;
- consider other commitments of directors relative to the time required for them to fulfil their duties; and
- make recommendations to the Board regarding the continuation in office of a director upon the expiry of any specified terms of appointment.

The Committee's Terms of Reference are reviewed annually. In the 2018/19 financial year, they were reviewed in October 2018 and were subsequently approved by the Board, and are available on the Group's corporate website, www.dixonscarphone.com.

Key matters considered

In addition to the principal duties noted above, the Committee considered the appointment of Eileen Burbidge to the Board and the Audit Committee.

The Committee also considered these matters:

- evaluation of the size, composition and structure of the Board and its committees;
- the Company's diversity policy and the recommendations of the Hampton-Alexander Review, Parker Review, and McGregor-Smith Review;
- independence and time commitments of the directors;
- the external appointments policy;
- directors being recommended for election / re-election at the 2019 AGM;
- the Committee's performance and Terms of Reference;
- review of the role descriptions of the Chairman, Senior Independent Director and the Group Chief Executive;
- corporate governance updates relating to the Committee's work; and
- the implications of the new Code and the supporting Guidance on Board Effectiveness published by the Financial Reporting Council in July 2018 and how best to implement the changes.

Board evaluation

During 2018/19, an externally facilitated Board and Board Committee evaluation was conducted by Clare Chalmers. Details of the evaluation process can be found on page 55.

Appointments to the Board

The Committee has a formal, rigorous and transparent procedure for the appointment of new directors. Appointments are made to the Board based on objective criteria and with due regard to the benefits of diversity and the leadership needs of the Company. External search consultancies are usually retained when recruiting directors.

In order to identify the widest potential pool of potential Non Executive Directors, a number of search firm were invited to provide potential candidates for the Board. The Committee uses a skills matrix tool when assessing the skills and capabilities required in a new director, taking into account the existing experience and expertise on the Board. The Committee develops candidate profiles describing the skills, knowledge and experience required for each new role. The Committee, led by the Chair, considered the appointment based on the specific candidate profile developed which included the requirement for someone with a strong technology and financial services background. The Committee and the Board were unanimous in their decisions to appoint Eileen Burbidge.

Succession planning

The business requires a talented Board with appropriate experience, expertise and diversity. There are no directors on the current Board that have served for over six years. The current Board size of eight directors is considered to be appropriate for the business. Given the relatively recent appointment of the two Executive Directors and changes to the composition of the Executive Committee, succession plans and process need to be refreshed. In the year ahead, the Committee, together with the Board, will focus on ensuring that credible succession plans are in place and that there is a talent pipeline for future business leaders. The Committee will explore the attributes that future business leaders might need to ensure the long-term success of the Company in an increasingly challenging external environment whilst being mindful of diversity.

The Committee acknowledges the requirements of the new Code, which further extends the Committee's role in overseeing a diverse pipeline for succession for both Board and senior management positions, and will report against these duties in this report next year.

Diversity

The Company is committed to developing a diverse workforce and equal opportunities for all. The Board recognises the importance of diversity in achieving the right mix of skills, knowledge and experience to help the organisation reach its full potential.

The Board acknowledges the Hampton-Alexander Review on FTSE Women Leaders, which recommends a voluntary target of 33% female directors in FTSE 350 companies and of 33% for FTSE 250 leadership teams by 2020. As at the year end, 37.5% of the Board, and 11% of the Group senior management team, being members of the Executive Committee, are female. The Committee also considered the recommendation of the Parker Review that each FTSE 250 board should have at least one director of colour by 2024, which the Company meets at year end, and the recommendations of the McGregor-Smith Review which include the publication of 5-year aspirational diversity targets.

Whilst being strongly supportive of enhancing all forms of diversity across the Board and wider workforce and believes that it will be an important aim for the business, the Board does not currently establish specific targets on gender balance or ethnicity. The Committee and the Board continue to be mindful of the benefits of greater diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths, in all appointments.

Nominations Committee Report continued

In accordance with DTR 7.2.8A, the Committee confirms that a Board Diversity Policy is in place and was last reviewed and approved in October 2018. The policy seeks to support the development of a diverse workforce and to ensure that the Board takes opportunities to enhance diversity as suitable roles and candidates become available. The policy has been approved by the Board and will apply in respect of all future Board and senior management appointments. The policy does not include any quotas and emphasises the need for appointments to be made on the basis of merit.

An Inclusion and Diversity ('I&D') Committee is in place to raise the profile of I&D matters throughout the organisation. The I&D Committee, which comprises members of the Executive Committee and senior management:

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

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

Election and re-election

At the forthcoming AGM, all directors as listed on pages 48 and 49 will present themselves for election or re-election. Each of the directors is being unanimously recommended by the other members of the Board due to their experience, knowledge, wider management and industry experience, continued effectiveness and commitment to their role. More information on the individual contributions of each director is available within their biographies on pages 48 and 49.

Remuneration Committee Report

Chair's statement

On behalf of the Board, I am pleased to present the 2018/19 Directors' Remuneration Report setting out our philosophy and proposed policy for directors' remuneration, together with the activities of the Remuneration Committee (the 'Committee') for this financial year ending 27 April 2019. Our Directors' Remuneration Policy was last approved by shareholders at the AGM in 2016. This report therefore includes details of the proposed changes that we are making to our policy which shareholders will be able to vote on at the AGM on 5 September 2019.

We have included in our report for the first time a Remuneration at a glance section, which also contains details of the proposed changes to our remuneration policy.

Policy Review

With the new leadership team fully in place, following the appointment of Jonny Mason as Group Chief Financial Officer in August last year, it has been an appropriate time to review and propose changes to our Remuneration Policy. Our operating environment remains a challenging one and we have sought with our policy changes to ensure that we have plans in place which align both shareholders' and our executive directors' focus and interests. At the same time, we have taken into account the recent changes in the Code.

Whilst we have undertaken a full review of our policy, we do believe that it has served us well to date and therefore our proposed changes are evolutionary rather than fundamental. Throughout the process we have consulted with our major shareholders and the major investor bodies and their feedback is reflected in our final proposals.

A summary of the proposed policy is shown on the following pages and the detail is contained in this report. The main changes are:

- Rebalancing of our incentive mix which has been strongly weighted to the long term. The aggregate amount remains unchanged, but the proposed split is 150% short term and 250% long term;
- Introduction of bonus deferral, with one third of any bonus earned deferred into shares for two years, in line with best practice;
- Widening of the circumstances in which incentive payments may be recovered, to include, for example, corporate failure and personal misconduct;
- Introduction of a post cessation of employment shareholding requirement; and
- Removal of the provision to offer a pension provision of up to 20% of base pay to recruit new executive directors.

The proposed new policy as set out in this Annual Report and Accounts will be put to shareholders for a binding vote at the AGM on 5 September 2019, where shareholders will be asked to approve the policy for a period of three years.

Pay and performance for 2018/19

The past year has remained a challenging one, but we are starting to see the benefits of our revised business strategy. This is in no small part due to the hard work and commitment of all our colleagues and we are pleased therefore that, in contrast to last year, there will be bonus payouts across the whole Group. For our executive directors the EBIT threshold was achieved and there was good performance around financial and non-financial measures resulting in a payout of 58.3% of maximum. Full details of the bonus targets and achievement are shown on page 99 of this report. As a Committee, we carefully reviewed the performance against each of the annual bonus performance measures as well as looking at the overall performance of the business and felt that this payout was a fair reflection of the progress that is being made and the delivery against the plan for 2018/19. But, being mindful that the results of this progress are not yet reflected in the share price, Alex and Jonny proposed to the Committee that they should defer the full amount of their bonuses for this year into shares (ahead of the requirement to defer taking effect next year). The Committee commends their commitment and believes this will build even stronger alignment with shareholders; accordingly, we were happy to accept this request.

The long-term incentive plan awards made in 2016 reached the end of their performance period at the end of the 2018/19 financial year. None of the performance measures were met and therefore these awards will lapse when they vest later this year. Neither of the current executive directors received awards under this grant, as they were not employed by the Company when the awards were made.

Pay and performance for 2019/20

In line with the majority of the UK workforce the base pay of both of the executive directors will be increased by 2% this year. This is the first increase for both individuals since joining the Company. In line with our proposed new policy, the maximum bonus opportunity for 2019/20 will be increased from 125% to 150% of base salary, with one third of any bonus earned deferred into shares for a period of two years. The bonus scheme will remain based on performance against a balanced scorecard of financial and non-financial measures, with financial measures making up the majority of the opportunity. For 2019/20 the bonus will also include a clawback facility in order to demonstrate the Company's objective to reinforce a culture of 'Treating Customers Fairly'. The targets and performance against all the scorecard elements will be fully disclosed in next year's Remuneration Report.

We will also be making long term incentive plan awards this year under the 2016 LTIP Plan. These awards will be granted at the reduced maximum opportunity of 250% of base salary in line with our policy proposals. The Committee gave detailed consideration as to whether the overall size of the award should be scaled back in response to the fall in share price. However, it also took into consideration the

Remuneration Committee Report continued

fact that this fall is partly a reflection of the challenges in the retail sector, and also that the new management team has only recently been appointed. Taken with the executive directors' decision to voluntarily defer the full amount of this year's bonus into shares, the Committee concluded that the proposed award level was appropriate. This year, we plan to set the targets and make the awards after we have announced our annual results, to ensure that we have targets in place that are both stretching for participants and also fully reflective of how shareholders and the market view the long-term performance of the business. We will fully disclose the award details and targets at the time of the grant announcement and also include them in next year's Remuneration Report.

Enabling Colleagues to become shareholders

We feel strongly in the positive benefits of making our colleagues shareholders in the business. We have seen that colleagues welcome the opportunity to become shareholders with the continued take up of our well-established SAYE scheme. Therefore, this year we were delighted to introduce our Colleague Shareholder Scheme. Under this scheme we are able to make one off awards of shares from time to time to all eligible colleagues. The first awards were made in February 2019 and granted to every permanent colleague with 12 months service at least £1,000 of options which will vest after three years. Awards were made to over 31,000 colleagues globally and have been well received, with much positive feedback. We are also looking to introduce a Share Incentive Plan, ('SIP'), in the future to further complement our SAYE scheme for all colleagues in the UK. Shareholders will have the opportunity to review and vote on the plan rules for both the Colleague Shareholder Scheme and the SIP at the AGM in September.

Gender Pay

Our Gender Pay report for 2018 shows that, whilst our median pay gap remains significantly lower than the national median, we have not seen a major shift from last year. In last year's report we outlined that any initiatives would take time to significantly move the figures and that we were focussing on taking positive actions that encourage all people to develop careers within our company.

We continue to attract a wider range of colleagues who can balance their hours by finding a shift, work pattern or overtime option to suit them. We also know the importance of flexible working in retaining and promoting our colleagues and many of our roles already offer this option. To further address the pay gap, we are accelerating our efforts to attract women by expanding flexible working, particularly in our more senior roles and encouraging more women to apply for promotions. This year we're excited to have attracted more senior women to the business on flexible working contracts than ever before. But there is still more that we want to do to create a business that does not just nod to diversity but embraces and celebrates it.

CEO Pay Ratio

We have also decided this year to publish our CEO pay ratio in advance of the formal disclosure requirements. Full details can be found on page 95 of this report. We believe that our median pay ratio of 65:1 is consistent with our approach to reward across the Company. A significant portion of our Group Chief Executive's total remuneration is in variable pay and therefore we expect the pay ratio to vary from year to year dependent on the outcome of both our annual and long-term incentive plans.

Looking ahead

Our business environment remains challenging and our colleagues are fundamental to our success. We are committed to continuing to engage with the wider workforce and our regular employee engagement survey is a key mechanism for colleagues to give us feedback on how we are doing. But we want to do more, and I have been given responsibility by the Board to lead on this. I look forward to reporting back on this in next year's report.

In addition, our revisions to the Remuneration Policy are fundamental to supporting our new leadership team as they take the business forward. I would like to thank all the shareholders and the investor bodies who have provided feedback to us over the year as we have worked through the detail of the new policy. The proposed new Remuneration Policy as set out in this Annual Report and Accounts will be put to shareholders for a binding vote at the AGM on 5 September 2019, where shareholders will be asked to approve the policy for a period of three years. At the same time, shareholders will also vote on our Annual Remuneration Report, which is subject to an advisory vote.

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

Tony DeNunzio CBE
Chair of the Remuneration Committee
19 June 2019

Remuneration Report — Remuneration Policy

Remuneration at a glance

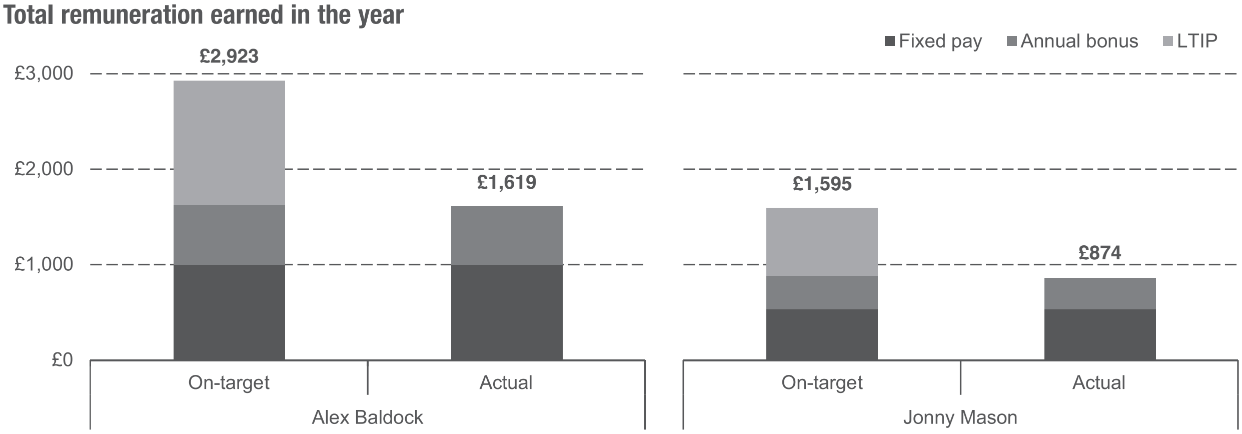
Implementation of the remuneration policy

		2018/19	2019/20 proposed
Base Salary		Salaries on appointment: • CEO - £850,000 • CFO - £470,000	An increase of 2% was applied effective for 2019/20: • CEO – £867,000 • CFO - £479,400
Annual bonus	**Maximum opportunity**	125% of base salary	150% of base salary One third will be deferred into shares for a period of two years.
	Performance metrics (weighting)	• EBIT (50%) • Average net debt (20%) • Net Promoter Score (15%) • Employee engagement (15%) • EBIT underpin	• EBIT (50%) • Average net debt (20%) • Net Promoter Score (15%) • Employee engagement (15%) • EBIT underpin and “Treating Customers Fairly” clawback.
LTIP	**Maximum opportunity**	275% of base salary	250% of base salary
	Performance metrics (weighting)	• TSR relative to the FTSE 51-150 (50%) • Cumulative free cash flow (50%)	• TSR relative to a bespoke group of UK and European retailers (50%) • Cumulative free cash flow (50%)
Share ownership guidelines		• 200% of salary to be achieved within five years of appointment	• 200% of salary to be achieved within five years of appointment • For new appointments, shares to the value of 200% of salary must be retained for the first year post-cessation and 100% for the second year

Variable pay earned in the year

Annual Bonus	Financial	EBIT (50%)	49% of max.
		Net debt (20%)	76% of max.
	Employee	Engagement (15%)	24%of max.
	Customer	Net Promoter Score (15%)	100%of max.
LTIP	No awards were eligible to vest in the year.		

Total remuneration earned in the year



Note: Jonny Mason joined the Board on 13 August 2018 – remuneration in the chart above is shown on a full-year equivalent basis.

Remuneration Report — Remuneration Policy continued

Introduction

The purpose of this Report is to inform shareholders of the Company's directors' remuneration for the year ended 27 April 2019 and the Remuneration Policy for subsequent years. This report is divided into two sections:

– the Remuneration Policy; and

– the Annual Remuneration Report.

The current Remuneration Policy was approved by shareholders at the annual general meeting on 8 September 2016 and was effective from that date. Following several proposed changes to the policy, a new authority will be sought from shareholders in a binding vote at the Annual General Meeting on 5 September 2019 and the new policy will be effective from that date. The Annual Remuneration Report will also be put to an advisory vote at the Annual General Meeting.

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

The Committee has adopted the principles of good governance relating to directors' remuneration as enshrined in section D of the Code and has complied with those principles in the year under review. It has also sought to incorporate in the proposed new policy the recent changes to the Code.

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

Remuneration Policy – 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's Terms of Reference are reviewed annually. In the 2018/19 financial year, they were reviewed in September 2018 and subsequently approved by the Board. The Committee's Terms of Reference are available on the Group's corporate website, www.dixonscarphone.com. The Terms of Reference reflect all the recent legislative and regulatory changes as well as recently published best practice guidance.

Remuneration strategy

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

The objectives of our remuneration strategy are to:

– attract, motivate and retain high quality talent;

– be transparent and align the interests of senior management and executive directors with those of shareholders, by encouraging management to have a significant personal stake in the long-term success of the business;

– weight remuneration to variable pay so that it incentivises outperformance particularly over the long term whilst discouraging inappropriate risk-taking;

– ensure that superior rewards are only paid for exceptional performance against challenging targets;

– apply policies consistently across the Group to promote alignment and teamwork;

– recognise the importance of delivering across a balanced set of metrics to ensure the right behaviours are adopted and the long-term health of the business is protected; and

– avoid rewarding failure.

In developing its policy, the Committee has regard to:

– the performance, roles and responsibilities of each executive director or member of senior management;

– the remuneration arrangements and policy which apply below senior management levels, including average base salary increases across the workforce;

– information and surveys from internal and independent sources;

– the economic environment and financial performance of the Company; and

– good corporate governance practice.

Guidelines on responsible investment disclosure

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

Remuneration Policy table

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

Base salary (fixed pay)	
– Purpose and link to strategy	To aid the recruitment, retention and motivation of high-performing people. To reflect their skills, experience and importance to the business.
– Operation	Normally reviewed annually. The review reflects a range of factors including merit levels, internal relativity, external market data and cost. Our overall policy, having due regard to the factors noted, is normally to target salaries at market level taking into consideration FTSE51-150 and retailers of a similar size. Salaries for new appointments as executive directors will be set in accordance with the Recruitment Policy set out on pages 86 to 87. The Committee takes into consideration the impact of base salary increases on the package as a whole, as other elements of pay (such as pension contributions) are generally based on a percentage of salary.
– Maximum opportunity	Ordinarily, increases for executive directors will be in line with increases across the Group. Increases beyond those granted across the Group may be awarded in certain circumstances, such as changes in responsibilities, progression in the role and significant increases in the size, complexity or value of the Group. Salary levels for current directors are shown in the Annual Remuneration Report.
– Performance assessment / targets	Salaries are normally reviewed annually by the Committee at the appropriate meeting having due regard to the individual's experience, performance and added value to the business.
Benefits (fixed pay)	
– Purpose and link to strategy	In line with the Company's strategy to keep remuneration weighted to variable pay that incentivises outperformance, a modest range of benefits is provided. Benefits may vary based on the personal choices of the director. Provision of relocation or other related assistance may be provided to support the appointment or relocation of a director.
– Operation	Executive directors are entitled to a combination of benefits which include, but are not limited to: – car allowance or the use of a driver for company business; – private medical cover; – life assurance; – holiday and sick pay; and – a range of voluntary benefits including the purchase of additional holiday. Executive directors will be eligible for other benefits which are introduced for the wider workforce on broadly similar terms. Any reasonable business-related expenses (including the tax thereon) can be reimbursed if determined to be a taxable benefit. Should an executive director be recruited from, or be based in, a non-UK location, benefits may be determined by those typically provided in the normal country of residence and / or reflect local market legislation. Relocation or other related assistance could include, but is not limited to, removal and other relocation costs, tax equalisation, tax advice and accommodation costs.
– Maximum opportunity	The cost to the Group of providing such benefits will vary from year to year in accordance with the cost of providing such benefits, which is kept under regular review.
– Performance assessment / targets	Not applicable.

Remuneration Report — Remuneration Policy continued

Pension (fixed pay)	
– Purpose and link to strategy	A pension is provided which is consistent with that provided to other Corporate employees in the UK and in line with our strategy to keep remuneration weighted to variable pay that incentivises outperformance.
– Operation	Defined contribution plans are offered to all employees. A defined benefit pension plan continues in operation for Dixons' longer-serving employees, which is now closed to new participants and future accrual. Executive directors may choose to receive a cash allowance in lieu of pension contributions.
– Maximum opportunity	Normal Company pension contribution of up to 10% of base salary, which can be taken in whole or in part as a cash allowance in lieu of pension.
– Performance assessment / targets	Not applicable.
Annual performance bonus (variable pay)	
– Purpose and link to strategy	Annual performance bonuses are in place to incentivise the delivery of stretching, near-term business targets based on our business strategy. These bonuses provide a strong link between reward and performance and drive the creation of further shareholder value. The principles and approach are consistently applied across the Group ensuring alignment to a common vision and strategy. They are based on a balanced approach ensuring appropriate behaviours are adopted and encouraging a longer-term focus.
– Operation	Bonus payments are determined after the year end and subject to a minimum profit threshold being achieved before payment is due. For threshold level of performance, a bonus of up to 20% of the maximum potential award is payable. A sliding scale determines payment between the minimum and maximum bonus payable. The annual bonus is typically determined in July / August based on the audited performance over the previous financial year. One third of any bonus earned will be deferred into shares for a period of two years, with the remaining two-thirds paid in cash. Any bonus earned is non-pensionable. Where any bonus is deferred dividends (or equivalents) may accrue. Performance is reviewed by the Committee using its judgement where necessary to assess the achievement of targets. The Committee retains the discretion to adjust downwards bonus payments where achievement of targets would result in a payment of a bonus at a level which would not be consistent with the interests of the Company and its shareholders. Recovery and withholding provisions apply for material misstatement, misconduct, calculation error, reputational damage and corporate failure, enabling performance adjustments and / or recovery of sums already paid. These provisions will apply for up to three years after payment.
– Maximum opportunity	Maximum annual bonus potential for all executive directors is 150% of base salary. No bonus is payable if the minimum profit threshold is not achieved.
– Performance assessment / targets	All measures and targets are reviewed and set by the Committee at the beginning of the financial year with a view to supporting the achievement of the Group strategy. The bonus scheme has targets based on a balanced scorecard. The balanced scorecard may include both financial and non-financial measures, such as employee, customer and strategic measures. The weighting of measures will be determined by the Committee each year. Financial measures (such as profit and cash) will represent the majority of the bonus opportunity, with other measures representing the balance

Long term incentive scheme (variable pay): Long Term Incentive Plan ('LTIP')	
– Purpose and link to strategy	Long term incentive schemes are transparent and demonstrably aligned with the interests of shareholders over the long term. The LTIP is designed to reward and retain executives over the longer term, whilst aligning an individual's interests with those of shareholders and in turn delivering significant shareholder value.
– Operation	Discretionary awards of nil-priced options or conditional share awards are granted over Dixons Carphone shares. Awards will be granted annually and will usually vest after three years subject to continued service and the achievement of performance conditions. The level of vesting is dependent on achievement of performance targets, usually over a three-year period. No more than 25% of the maximum will be payable for threshold level of performance. The post-tax number of share awards vesting will be subject to a further two-year holding period, during which they cannot be sold, unless in exceptional circumstances and with the Committee's permission. Dividend equivalents may be accrued on the shares earned from any award. Awards will be subject to recovery and withholding provisions for material misstatement, misconduct, calculation error, reputational damage and corporate failure, enabling performance adjustments and / or recovery of sums already paid. These provisions will apply for up to three years after vesting. If employment ceases during the vesting period, awards will ordinarily lapse in full, unless the Committee exercises its discretion. The Committee has the discretion in certain circumstances to grant and / or settle an award in cash. For the executive directors this would only be used in exceptional circumstances. In the event of a change of control, any unvested awards will vest immediately, subject to satisfaction of performance conditions and reduction on a time-apportioned basis.
– Maximum opportunity	Grants under the LTIP are subject to overall dilution limits. The normal maximum grant per participant in any financial year will be a market value of 250% of base salary, with up to 375% in exceptional circumstances, e.g. recruitment. More details on the proposed award levels for executive directors in 2019/20 are set out in the Annual Remuneration Report on page 93.
– Performance assessment / targets	Performance targets are reviewed by the Committee prior to each grant and are set to reflect the key priorities of the business at that time. The Committee determines the metrics from a range of measures, including but not limited to, market-based performance measures such as TSR and financial metrics such as free cash flow. The Committee retains the flexibility to introduce new measures in the future if considered appropriate given the business context, although TSR and free cash flow will each not be weighted any less than 30% of the total award. Material changes will be subject to consultation with major shareholders. The actual metrics applying for each award will be set out in the Annual Remuneration Report and any changes in the metrics will be explained.

Remuneration Report — Remuneration Policy continued

All employee share plans	
– Purpose and link to strategy	Encourages employees to make a long-term investment in the Company's shares and therefore be aligned to the long-term success of the Company.
– Operation	Executive directors are eligible to participate in the Group all-employee share schemes, but not the Colleague Shareholder Scheme, on the same terms as other eligible employees.
– Maximum opportunity	The same limits apply to executive directors as to all other participants in the schemes and are in line with the appropriate regulations. The Committee reserves the right to increase the savings limits for future schemes in accordance with the statutory limits in place from time to time.
– Performance assessment / targets	None of the schemes are subject to any performance conditions.

Share ownership guidelines	
– Purpose and link to strategy	Provides close alignment between the longer-term interests of executive directors and shareholders in terms of the Company's long-term success.
– Operation	The Company requires executive directors to retain a certain percentage of base salary in the Company's shares, with a five-year period in which to reach these limits. Executive directors are also required to retain a proportion of these shares post the cessation of employment. The shares which count towards this requirement are beneficially-owned shares (both directly and indirectly).
– Maximum opportunity	Not applicable.
– Performance assessment / targets	The Company requires all executive directors to retain 200% of base salary in the Company's shares during employment. Any executive director appointed after 5 September 2019 will also be required to retain shares equivalent to 200% of their base salary on leaving for a period of 12 months and then 100% of their base salary for a further period of 12 months.

Details of the directors' shareholdings are shown in the table on page 101.

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

Notes:
(1) The Committee intends to honour all commitments previously provided to executive directors and current employees.

Selection of Performance Metrics

The policy provides flexibility for the Committee to determine the measures to be used in the Annual Performance Bonus and the LTIP.

Currently, the measures used in the bonus are EBIT, average net debt, net promoter score and employee engagement. The selection of these measures is intended to create an appropriate balance between financial delivery (EBIT and net debt accounting for 70% of the total) and non-financial indicators of our performance through the lens of our customers and colleagues.

In the LTIP, the measures currently used are:

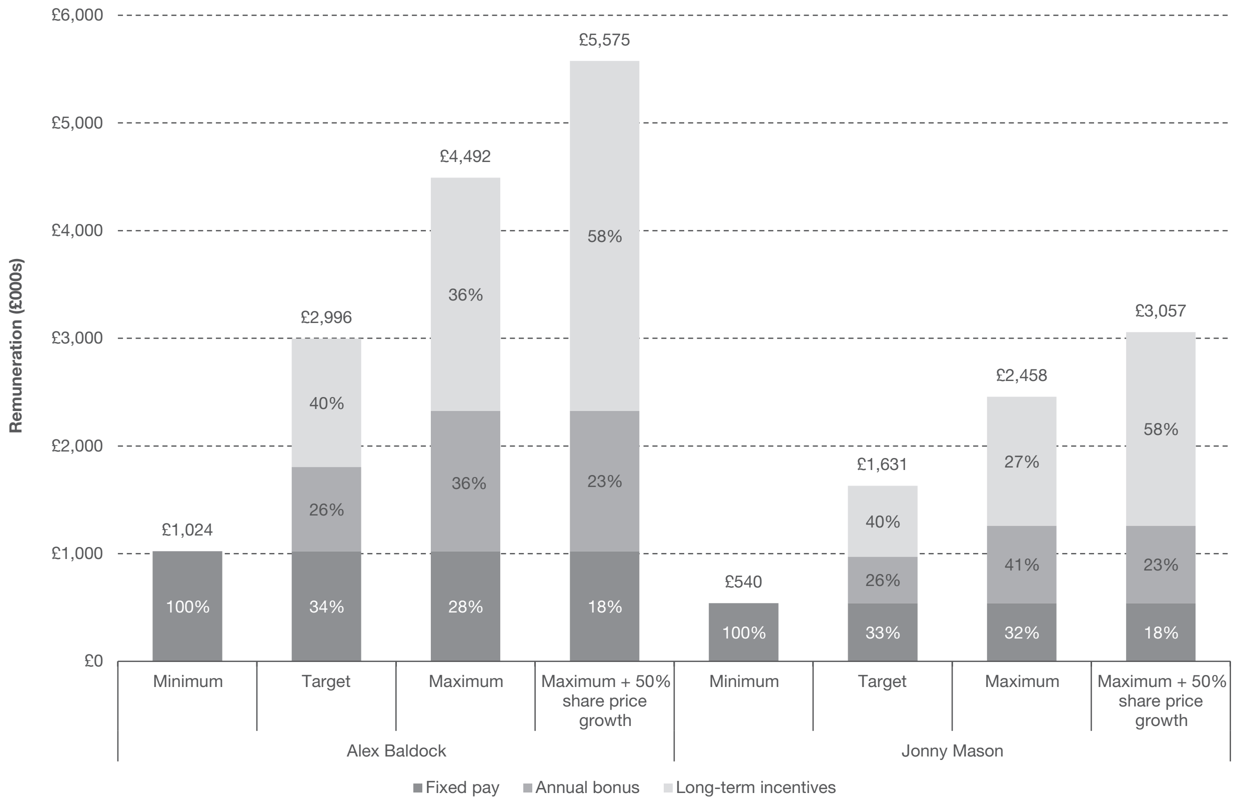
– Cumulative cashflow, which the Committee considers to be a principal measure of the financial health of the business including the management of working capital; and

– Relative total shareholder return, which seeks to measure the growth in shareholders' investment in Dixons Carphone (share price movements plus dividends paid) relative to other companies.

Illustration of Remuneration Policy

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

Remuneration Policy scenario chart



Notes:

(1) Fixed pay is based on the basic salary payable at 1 August 2019, taxable benefits and pension contributions.

(2) Annual variable pay represents the annual bonus entitlement. No bonus is assumed at the minimum performance level. Target performance assumes a payment of 90% of salary (i.e. 60% of maximum) and at maximum performance a payment of 150% of base salary.

(3) Long term incentives relate to the Long Term Incentive Plan, which is being proposed to shareholders. No awards vest at the minimum performance level. Target performance assumes a vesting of 137.50% of salary (i.e. 55% of maximum award) and maximum performance vesting of 250% of salary.

(4) The chart above does not take into account the impact of share price appreciation, other than the fourth bar, which assumes a growth in the share price of 50% over the vesting period for long-term incentive awards.

Remuneration Report — Remuneration Policy continued

Remuneration Committee discretions

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

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

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.

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

In contemplation of making the proposed changes to the Remuneration Policy, a consultation took place with the Company's major shareholders and the leading investor bodies to explain the Committee's proposed approach. The Committee took seriously the constructive feedback that was given and, as a consequence, removed the flexibility to offer a higher pension amount to attract new executive directors, and also increased the post cessation shareholding requirements from 100% for one year, to 200% for the first year and 100% for a second year.

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 monitor our employee discussion boards and employee forums to ensure employee feedback in general is considered in all our strategy execution. The Company also conducts regular employee surveys throughout the business. The Committee is kept informed of general employment conditions across the Group, including the annual pay review outcomes.

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.

The Company actively encourages wide employee share ownership. The Colleague Shareholder Scheme provided the opportunity for all colleagues, subject to eligibility criteria, to become shareholders in the Company and the Company is putting in place the structure and plan rules for a SIP, for introduction at a future date. In addition, the Group's UK & Irish employees, who meet the eligibility criteria, are already invited to join the Company's UK & Ireland approved SAYE.

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

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 the base salary over one to three years, contingent on individual performance, which may result in a higher rate of annualised increase above ordinary levels. If the Committee intends to rely on this discretion, it will be noted in the first Remuneration Report following an individual's appointment. Other elements of annual remuneration will be in line with the policy set out in the Remuneration Policy table. As such, variable remuneration will be capped as set out in the Policy table.

The following exceptions will apply:

- in the event that an internal appointment is made or an executive director joins as a result of a transfer of an undertaking, merger, reconstruction or similar reorganisation, the Committee retains the discretion to continue with existing remuneration provisions, including pension contributions and the provision of benefits;
- as deemed necessary and appropriate to secure an appointment, the Committee retains the discretion to make additional payments linked to relocation (including any tax thereon);

- for an overseas appointment, the Committee will have discretion to offer cost-effective benefits and pension provisions which reflect local market practice and relevant legislation;
- the Committee may set alternative performance conditions for the remainder of the initial annual bonus performance period, taking into account the circumstances and timing of the appointment; and
- the Committee retains the discretion to provide an immediate interest in Company performance by making a long-term incentive award on recruitment (or shortly thereafter if in a prohibited period) in accordance with the Policy Table under its existing long-term incentive schemes or such future schemes as may be introduced by the Company with the approval of its shareholders. The Committee will determine, at the time of award, the level of the award, the performance conditions and time horizon that would apply to such awards, taking into account the strategy and business circumstances of the Company.

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

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

Remuneration Report — Remuneration Policy continued

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

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

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

Recruitment table

Area	Feature	Policy
Service contract and incentive plan provisions	Notice period	– Up to 12 months from either side.
	Entitlements on termination	– As summarised in the Policy on loss of office.
	Restrictive covenants	– Provisions for mitigation and payment in lieu of notice.
	Variable elements	– Gardening leave provisions.
		– Non-compete, non-solicitation, non-dealing and confidentiality provisions.
		– The Committee has the discretion to determine whether an individual shall participate in any incentive in the year of appointment.
		– The Committee shall have the discretion to determine appropriate bonus performance targets if participating in the year of appointment.
Annual remuneration	Salary	– To be determined on appointment, taking into account factors including market levels, experience, internal relativities and cost.
	Salary progression	– If appointed at below market levels, salary may be re-aligned over the subsequent one to three years subject to performance in role. In this situation, the Committee reserves the discretion to make increases above ordinary levels.
		– This initial market positioning and intention to increase pay above the standard rate of increase in the Policy table (subject to performance) will be disclosed in the first Remuneration Report following appointment.
	Benefits and allowances	– The Committee retains the discretion to provide additional benefits as reasonably required. These may include, but are not restricted to, relocation payments, housing allowances and cost of living allowances (including any tax thereon).

Policy on loss of office

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

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

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

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

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

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

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

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

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

Service agreements

Service agreements for executive directors

Each of the executive directors' service agreements provides for:

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

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

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

Letters of appointment

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

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

External appointments

The Board supports executive directors taking non-executive directorships as a part of their continuing development and has agreed that the executive directors may retain their fees from one such appointment. Further details on current external directorships and fees can be found in the Annual Remuneration Report on page 93.

Remuneration Report — Remuneration Policy continued

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

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

Dilution Limits

All the Company's equity-based incentive plans incorporate the current Investment Association Share Capital Management Guidelines ('Guidelines') on headroom which provide that overall dilution under all plans should not exceed 10% over a ten-year period in relation to the Company's issued share capital (or reissue of treasury shares). In addition, the Long Term Incentive Plan operates with a 5% in ten-year dilution limit (excluding historic discretionary awards). The Company regularly monitors the position and prior to making any award the Company ensures that it will remain within these limits. Any awards which will be satisfied by market purchase shares are excluded from such calculations. As at 19 June 2019, the Company's dilution position, which remains within the current Guidelines, was 4.1% for all plans (against a limit of 10%) and 3.0% for the Long Term Incentive Plan (against a limit of 5%).

Remuneration Report — Annual Remuneration Report

Introduction

This part of the report has been prepared in accordance with Part 3 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), and contain those elements required by section 9.8.6R and stipulated in 9.8.8 of the Listing Rules. This Annual Remuneration Report will be put to an advisory vote at the Annual General Meeting on 5 September 2019.

The following sections set out how the Remuneration Policy was implemented during 2018/19 and how it will be implemented for the following year.

Leavers and joiners

Full details were provided in last year's Remuneration Report on the changes in executive directors that took place during 2017/18 and were planned for 2018/19. The specific changes that took place in 2018/19 are reported here.

Jonny Mason

Jonny Mason was appointed as Group Chief Financial Officer on 13 August 2018. His salary on appointment was £470,000. He also receives a pension of 10% of base salary. In line with the Remuneration Policy in place at recruitment, he is eligible for a maximum bonus of 125% of base salary and LTIP of 275% of base salary for 2018/19. Under the proposed Remuneration Policy these values will change to 150% of base salary, with one third deferred into shares for two years and 250% of base salary for LTIP. He is on a 12-month notice period from the Company and a 6 month notice period from the executive.

Upon joining, Jonny received 275% of base salary under the 2016 LTIP for the financial year 2018/19. In addition, he received an award equal to 100% of base salary as an additional LTIP and a buy-out award of nil cost options to the value of £143,286 in order to compensate for awards lost from his previous employment. Performance conditions were associated with the LTIP awards and are disclosed on pages 98. These awards were consistent with our Remuneration Policy and necessary to secure an individual of Jonny's calibre.

Humphrey Singer

Humphrey Singer stepped down from the Board and left the Group on 20 June 2018. He received no salary payments after that date nor pay in lieu of notice. He was not entitled to any bonus for 2018/19 and his outstanding share awards have all lapsed. His remuneration arrangements were in line with the approved Remuneration Policy.

Katie Bickerstaffe

Katie Bickerstaffe stepped down from the Board on 28 April 2018, after resigning from the business. She left the business on 20 September 2018, with no salary payments thereafter or pay in lieu of notice. She was not entitled to any bonus for 2018/19 and her outstanding share awards have all lapsed.

Andrew Harrison

Andrew Harrison stepped down from his role as Deputy Chief Executive to become Chairman of Carphone Warehouse Limited on 21 December 2017 under a new contract with a minimum term of 12 months. This contract came to an end on 20 December 2018, at which point he left the business.

Service agreements

Service contracts

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

	Date of contract
Alex Baldock	3 Apr 18
Jonny Mason	13 Aug 18

More details are set out in the single figure of directors' remuneration tables on pages 95 to 96.

Letter of appointment

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

The date of the letters of appointment are shown below:

	Letters of appointment
Eileen Burbidge	1 Jan 19
Tony DeNunzio	16 Dec 15
Andrea Gisle Joosen	6 Aug 14
Lord Livingston of Parkhead	16 Dec 15
Fiona McBain	1 Mar 17
Gerry Murphy	6 Aug 14

More details are set out in the single figure of directors' remuneration tables on pages 95 to 96.

Remuneration Report — Annual Remuneration Report continued

Remuneration Committee membership and attendance

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

Committee membership and attendance
The members of the Remuneration Committee are shown in the table below along with their attendance at scheduled meetings for the period under review. Biographical details on each member can be found on pages 48 to 49.

Current members	Scheduled meetings
Tony DeNunzio (Chair)	5 of 5
Andrea Gisle Joosen	5 of 5
Gerry Murphy	5 of 5

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

No director participates in discussions about their own remuneration.

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

Responsibilities
Responsibility for the establishment of an overall remuneration policy for the Group lies with the Board. The 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 the Remuneration Policy or major changes to employee benefit structures; and
- approving and operating employee share-based incentive schemes and associated performance conditions and targets.

Activities during the year
The principal activities of the Committee during 2018/19 included:

- reviewing and approving the Directors' Remuneration Report;
- approving share awards to senior management under the 2016 Long Term Incentive Plan;
- reviewing the Sharesave grant;
- assessing the performance of executive directors against pre-determined targets set for the 2017/18 annual bonus and approving the payments;
- agreeing design of the 2018/19 annual bonus including performance measures and targets;
- reviewing the Gender Pay submission;
- approving the design of the Colleague Shareholder Scheme;
- consulting with shareholders on the new Remuneration Policy and approving the final proposals;
- monitoring the developments in the corporate governance environment and investor expectations; and
- noting remuneration practices across the Group.

Advice

The Committee retained Aon Hewitt throughout 2018/19 as independent advisors. Aon Hewitt, who were appointed by the Committee in 2016 following a competitive tender process, are engaged to provide advice to the Committee and to work with the directors on matters relating to the Group's executive remuneration and its long-term incentives. They are members of the Remuneration Consultants Group and operate under its code of conduct in relation to the provision of executive remuneration advice in the UK and have confirmed that they adhered to the Code during 2018/19 for all remuneration services provided to the Group. Aon Hewitt received fees of £180,000 (2017/18: £136,400) in relation to the provision of those services.
In addition, during the year, the Committee took external legal advice from Aon Hewitt with respect to the Colleague Shareholder Scheme and Freshfields Bruckhaus Deringer LLP on other legal matters relating to share schemes.

External directorships

The policy relating to external directorships is outlined in the Remuneration Policy; the following external directorship was undertaken and fee retained:

– Humphrey Singer has been a non-executive director of Taylor Wimpey plc during 2018/19 and was paid a fee of £11,250 for the period up to 20 June 2018.

How the Remuneration Policy will be applied in 2019/20

Executive directors

i) Base Salary

The following salaries will apply during the 2019/20 financial year, with effect from 28 April 2019:

	Salary at 28 April 2019 £'000	Increase in salary in 2019/20 £'000	Salary at 1 August 2019 £'000
Current directors			
Alex Baldock	850	17	**867**
Jonny Mason	470	9	**479**

ii) Pension Contributions

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

iii) Annual performance bonus

The maximum annual bonus for 2019/20 will be 150% of base salary. The measures have been selected to reflect the Group's key objectives and for 2019/20 the bonus will include a clawback facility in order to demonstrate the Company's objective to reinforce a culture of 'Treating Customers Fairly'. A minimum EBIT threshold must be achieved before any bonus is paid out. The proposed target levels for the year have been set to be challenging relative to the business plan. One-third of any bonus earned will be deferred into shares for two years after payment. The Committee feels that specific targets relating to the 2019/20 bonus scheme are currently commercially sensitive and as such will not be disclosed. Retrospective disclosure of the targets and performance against them will be provided in next year's Remuneration Report.

The performance metrics and their weightings for 2019/20 are shown in the table below:

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

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

iv) LTIP

Awards will be made later this year under the 2016 Long Term Incentive Plan. These awards will be up to 250% of base salary. Full details of the awards and the associated targets will be disclosed when the awards are made.

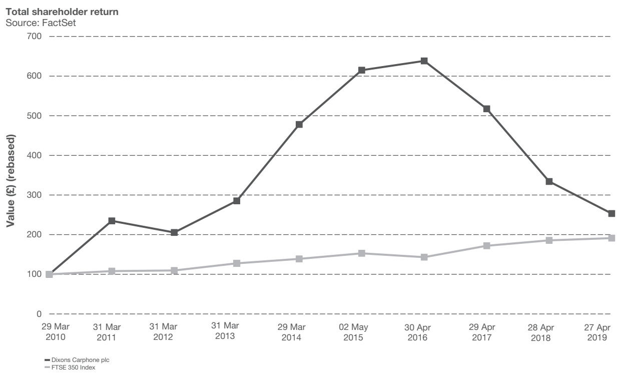
Awards will be subject to recovery and withholding provisions for material misstatement, misconduct, calculation error, reputational damage and corporate failure, enabling performance adjustments and / or recovery of sums already paid. These provisions will apply for up to three years after vesting. Any shares vesting as a result of these awards, net of tax and national insurance, will be required to be held for a further two years post vesting.

Remuneration details for 2018/19

Performance graph

The graph below shows the Group's performance measured through TSR on a holding of £100 in the Company's shares, compared with the FTSE 350 Index, since 29 March 2010.

The FTSE 350 has been used as it is a broad market which includes the Company and a number of its competitors.



This graph shows the value, by 27 April 2019, of £100 invested in Dixons Carphone on 29 March 2010, compared with the value of £100 invested in the FTSE 350 Index on the same date.
The other points plotted are the values at intervening financial year ends.
The start date of the graph reflects the date of admittance to the London Stock Exchange of Dixons Carphone, previously called Carphone Warehouse Group plc.

Remuneration Report — Annual Remuneration Report continued

Group Chief Executive pay

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

Year		CEO single figure of remuneration[(1)] £'000	Annual bonus payout against maximum %	Long term incentive vesting rates against maximum opportunity %
2018/19	Alex Baldock	**1,619**	**58%[(4)]**	**n/a**
	Alex Baldock	75	0%	n/a
	Sebastian James	2,716[(3)]	0%	n/a
2017/18	Total	2,791		
2016/17	Sebastian James	1,795	83%	n/a
2015/16	Sebastian James	1,616	68%	n/a
	Sebastian James	1,687	100%	n/a
	Andrew Harrison	420	100%	n/a
2014/15	Total	2,107		
	Andrew Harrison	679	54%	n/a
	Roger Taylor	159	n/a	n/a
2013/14	Total	838		
2012/13	Roger Taylor	958	55%	n/a
2011/12	Roger Taylor	474	0%[(2)]	n/a
2010/11	Roger Taylor	1,193	82%	n/a

(1) Excludes remuneration received from long term incentive schemes established by Old Carphone Warehouse prior to the demerger from TalkTalk because that company is not part of the current Group. Details of remuneration associated with Old Carphone Warehouse incentive schemes were provided in that company's annual report for the year ended 31 March 2012. Future reports will include long term incentives operated by the current Group when they have vested.
(2) Roger Taylor waived a bonus of 25% maximum potential and instead chose for it to be paid directly to charity.
(3) The single figure includes the taxable benefit relating to the waiving of the loan from the Dixons Share Plan award.
(4) Alex Baldock voluntarily deferred 100% of his annual bonus into a share award, vesting two-years from grant.

Percentage change in remuneration

The table below provides the percentage change in remuneration for the Group Chief Executive and the percentage change for all UK head office-based employees as this group provides the best like-for-like comparison. The majority of the UK head office-based employees (c. 85%) work for the UK & Ireland business and are bonused against the performance of that business.

	Group Chief Executive	UK head office employees
Salary and fees	2%	2%[(1)]
Taxable benefits[(2)]	0%	0%
Annual bonuses[(3)]	N/A	1,099%

(1) Changes in salary relating to changes in roles and / or responsibilities have been excluded from the increase presented for the wider Group.
(2) The percentage change in taxable benefits is considered to be 0% since there have been no material changes in Group benefits.
(3) A small number of UK head office employees received a bonus in 2017/18, but the majority and the Group Chief Executive did not.

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 2018/19 and the prior year.

	2018/19 £million	2017/18 £million	Change %
Dividends paid[(1)]	**116**	130	-10.77%
Headline EBIT	**322**	400	-19.50%
Total staff costs – continuing operations[(2)]	**1,170**	1,138	2.81%

	Number	Number	Change %
Average employee numbers – continuing operations[(2)]	**42,990**	43,760	-1.76%

(1) Extracted from note 23 to the Group financial statements.
(2) Extracted from note 5 to the Group financial statements.

CEO Pay Ratio

In advance of the formal disclosure requirements, we have chosen to publish our CEO pay ratio this year. The legislation requires the publishing of the ratio of total remuneration of the Chief Executive to the 25th, 50th and 75th equivalent percentile of full-time equivalent colleagues.

The ratio is shown in the table below:

Financial Year	Methodology	P25 (Lower Quartile)	P50 (Median)	P75 (Upper Quartile)
2018/19	Option A	79:1	65:1	50:1

Of the three calculation approaches available in the regulations, we have chosen Methodology A because we believe it to be the most appropriate and robust way for the Company to calculate the ratio.

In determining the figures the following should be noted:

- The single total figure of remuneration of our UK colleagues was calculated and ranked using 2018/19 P60 and P11D data, employer pension contributions and payments under the Company share schemes, in line with the reporting regulations. P60 data was used as it also includes the value of any overtime payments made in the year. At the time of this analysis the 2018/19 bonus amounts were not known so the 2017/18 figures were used instead.
- Part time colleagues' earnings have been annualised on a full-time equivalent basis.
- Joiners and leavers were excluded from the ranking.
- The 25th, 50th and 75th percentile colleagues' single total figure of remuneration was then identified and compared to the CEO pay, as shown in the single total figure of remuneration table on page 95.

The Committee has confirmed that the ratio is consistent with the Company's wider policies on colleague pay and reward, taking into account a range of factors including market practice, experience and National Living Wage requirements.

In future years we will provide context to the ratios and provide details showing changes over time.

Audited information

Single figure of directors' remuneration for the year ended 27 April 2019

	Basic salary and fees £'000	Pension contributions[2] £'000	Annual bonus £'000[3]	Taxable benefits[4] £'000	Total emoluments £'000	LTIP payments £'000	Total remuneration £'000
Executive							
Current directors							
Alex Baldock	**850**	**85**	**619**	**65**	**1,619**	**–**	**1,619**
Jonny Mason [1]	**339**	**34**	**244**	**9**	**626**	**–**	**626**
Former directors							
Humphrey Singer [1]	**77**	**10**	**–**	**2**	**89**	**–**	**89**
	1,266	**129**	**863**	**76**	**2,334**	**–**	**2,334**
Non-executive							
Current directors							
Eileen Burbidge[5]	**22**	**–**	**–**	**1**	**23**	**–**	**23**
Tony DeNunzio	**140**	**–**	**–**	**3**	**143**	**–**	**143**
Andrea Gisle Joosen	**70**	**–**	**–**	**5**	**75**	**–**	**75**
Lord Livingston of Parkhead[8]	**300**	**–**	**–**	**–**	**300**	**–**	**300**
Fiona McBain[7]	**72**	**–**	**–**	**13**	**85**	**–**	**85**
Gerry Murphy	**70**	**–**	**–**	**–**	**70**	**–**	**70**
Former directors							
Jock Lennox[6]	**47**	**–**	**–**	**–**	**47**	**–**	**47**
	721	**–**	**–**	**22**	**743**	**–**	**743**
	1,987	**129**	**863**	**98**	**3,077**	**–**	**3,077**

(1) Remuneration is shown for the period served on the Board. Jonny Mason was appointed to the Board on 13 August 2018. Humphrey Singer stepped down from the Board and left the Company on 20 June 2018.
(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. The contribution amount was 10% of salary for Alex Baldock, Jonny Mason and Humphrey Singer.
(3) 100% of Alex Baldock and Jonny Mason's bonus entitlement has been voluntarily deferred into a share award, which will vest two years from the grant date.
(4) Taxable benefits for executive directors include private medical insurance and car allowance or driver benefit amounts. For non-executive directors they include routine travel expenses relating to travel, accommodation and subsistence costs incurred in connection with attendance at Board meetings and other Board business during the year, which are considered to be taxable by HMRC.
(5) Eileen Burbidge was appointed to the Board on 1 January 2019.
(6) Jock Lennox stepped down as Chair of the Audit Committee on 6 September 2018 but remained a member of the Audit Committee until he stepped down from the Board on 31 December 2018.
(7) Fiona McBain was appointed Chair of the Audit Committee on 6 September 2018.
(8) Ian Livingston has a deferred pension in the Dixons Retirement and Employee Security Scheme.

Remuneration Report — Annual Remuneration Report continued

Single figure of directors' remuneration for the year ended 28 April 2018

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

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

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

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

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

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

(6) Details of the Share Plan compensation payments (Dixons award) are not included in the single figure table as they are not deemed to be emoluments. Further information relating to these payments was set out in last year's Directors' Remuneration Report.

(7) LTIP payments comprise of the amount paid out in respect of the Share Plan (Carphone award). Further information relating to this payment is set out in the Directors' interests in Share Plan section on page 100.

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

Long term incentive plans (LTIP) and other share awards

LTIP Awards made during 2018/19

Nil cost option awards were made to Alex Baldock on 22 June 2018 and Jonny Mason on 13 August 2018. Alex Baldock's award was of 275% of base salary. Jonny Mason's total award was of 375% of base salary, this was made up of 275% of base salary as the regular LTIP award for 2018/19 and 100% of base salary as a recruitment award. These awards were all in line with the current Directors' Remuneration Policy. All the awards are subject to a two-year post vesting holding period, during which the executive director is not permitted to sell any shares vesting, other than those required to settle any tax obligations.

The regular LTIP awards of 275% of base salary made to Alex Baldock and Jonny Mason have two equally weighted performance conditions. Half of the awards will be subject to the achievement of a relative TSR performance condition, measured against the companies ranked FTSE 51-150 at the start of the performance period. The remaining half of the awards will be subject to the achievement of a cumulative free cash flow target. This measure replaced the previous EPS measure and provides an additional focus on cash generation. The Board believes this has the potential to drive enhanced performance.

The additional award of 100% of base salary made to Jonny Mason relating to his recruitment is subject only to the achievement of the relative TSR performance condition, measured against the companies ranked FTSE 51-150 at the start of the performance period.

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

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

The free cash flow performance condition is measured cumulatively over the three-year performance period. The percentage of the award vesting will be as follows:

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

The free cash flow targets take into account a number of inputs including market consensus at the time of the award and the market within which the Company is operating. Calculations of the achievement against the targets will be independently performed and approved by the Committee. Free cash flow is defined in the glossary on page 190; however the Committee retains discretion to adjust for exceptional items which impact cash flow during the performance period and will make full and clear disclosure of any such adjustments in the directors' remuneration report, together with details of the achieved levels of performance, as determined by the above definitions, at the end of the performance period.

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

Remuneration Report — Annual Remuneration Report continued

The table below sets out the LTIP awards made to the executive directors in 2018/19:

	Nil Cost Options awarded	Share Price at date of award £	Face Value £[1]	End of Performance Period	Vesting Date
Alex Baldock – 275%[2]	1,197,182	1.9525	2,337,500	1 May 2021	22 June 2021
Jonny Mason – 275% [3]	734,583	1.7595	1,292,500	1 May 2021	13 August 2021
Jonny Mason – 100% [3]	267,121	1.7595	470,000	1 May 2021	13 August 2021

(1) The face value is calculated based on the number of options awarded multiplied by the share price at the date of award.
(2) Nil cost option awards were made to Alex Baldock on 22 June 2018 and the share price at the date of grant was 1.9525.
(3) Nil cost option awards were made to Jonny Mason on 13 August 2018 and the share price at the date of grant was 1.7595.

No award was made to Humphrey Singer as he had resigned from the Company.

In addition, on the same date as the LTIP awards were made, the Company granted Jonny Mason a buy-out award to compensate for awards lost from his previous employer.

The award was granted under a one-off award agreement in accordance with Listing Rule 9.4.2(2) of the Listing Rules.

The award comprised a nil cost option over 81,435 shares in the Company. The award was calculated based on a reference value of £143,286, with the number of shares subject to the award based on the price of £1.7595, being the mid-market price on the dealing day prior to the grant (10 August 2018).

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

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

As from an exercise period commencing	No. of related vested shares exercisable
13 August 2021	27,145 (Tranche 1)
13 August 2022	27,145 (Tranche 2)
13 August 2023	27,145 (Tranche 3)

Other significant terms of the awards are as follows:

Once exercisable, the respective tranches shall ordinarily remain exercisable until the tenth anniversary of the grant date.

Additional shares may be added to each tranche on exercise, by reference to the value of dividends that would have been payable between the grant of the award and the commencement of the relevant exercise period.

The award is non-pensionable and will be satisfied with existing shares other than treasury shares.

In the event of cessation of service or notice being served prior to the vesting date, the award shall lapse unless in exceptional circumstances the Committee determines otherwise (in which case, it shall specify to what extent and on what terms the award may continue).

In the event of cessation of service or notice on or following the vesting date, the award shall remain capable of becoming exercisable on normal timetable, but the exercise period for each tranche shall be shortened to six months.

In the event of a qualifying change of control prior to the vesting date, the award shall vest early, to such extent as the Committee determines appropriate but as to no less than a pro-rata extent based on time elapsed into the normal vesting period. In the event of a qualifying change of control on or following the vesting date, the award shall become exercisable early (as relevant) at such time. Early vesting may also exceptionally arise at the discretion of the Committee in response to a demerger, delisting, special dividend or similar event which, in the opinion, would affect the market price of the Company’s shares to a material extent.

The number of shares subject to the award may be adjusted in the event of a variation of share capital.

No further award will be made under this arrangement and no amendments will be made to the advantage of Jonny Mason in relation to (i) the basis for determining his entitlement to, and the terms of, shares to be provided under the award; and (ii) any adjustment that may be made for any variation of share capital or special dividend without prior shareholder approval in general meeting except for minor amendments to benefit the administration of the award, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment.

The award is personal to Jonny Mason and cannot be transferred, assigned or otherwise disposed of by him (other than to his personal representative following his death).

Annual bonus for 2018/19

The maximum bonus opportunity for executive directors was 125% of base salary based on performance in the 12-month period to the end of the financial year.

The Committee determined at the beginning of the year that the disclosure of performance targets was commercially sensitive and therefore these were not disclosed in last year's directors' remuneration report. This was because targets were set within the context of a longer-term business plan and this disclosure could give information to competitors to the detriment of business performance. The Committee has, however, disclosed in the table below the targets on a retrospective basis and the actual performance against these.

The maximum annual bonus of 125% of base salary is payable at the maximum level of performance, 25% of base salary on achievement of threshold performance and 75% of base salary on achievement of target performance.

Measure	As a percentage of maximum bonus opportunity	Threshold	Target	Maximum	Actual	Potential Bonus % Achieved
Headline EBIT	50%	£303.8m	£328.8m	£353.8m	£321.9m	24.5%
Average net (debt) – variance vs budget	20%	(£50m)	0.0	£50m	£20.1m	15.3%
Customer Net Promoter Score	15%	58.6%	60.3%	63.4%	63.8%	15%
Employee engagement score	15%	63.6%	64.6%	65.6%	63.7%	3.5%
Total						58.3%

The Committee is comfortable that the result is an appropriate reflection of overall performance during the year under review. 100% of Alex Baldock and Jonny Mason's bonus entitlement has been voluntarily deferred into a share award which will vest two years from the grant date. The 2018/19 bonus amounts deferred by the executive directors are set out in the single figure of directors' remuneration table on page 95.

Vesting of awards made under 2016 Long Term Incentive Plan

The first award made under the 2016 Long Term Incentive Plan (the 'LTIP') will vest on 9 September 2019. The performance period for this award ended on 27 April 2019. The performance measures for the award and the outcomes are shown below. Based on the achieved level of performance, the Committee determined that the threshold required for either of the performance measures had not been met and therefore all awards will lapse on reaching their vesting date.

TSR Target

Level of Performance	Below Threshold	Threshold	Maximum	Achieved
TSR Performance over performance period	Below Median	Median	Upper Quartile	Below Threshold
Vesting Level	0%	25%	100%	0%

EPS Target

Level of Performance	Below Threshold	Threshold	Maximum	Achieved
EPS Growth over performance period	0%	10%	30%	-30.4%
Vesting %	0%	25%	100%	0%

Both Sebastian James and Andrew Harrison were granted awards in September 2016 and were granted good leaver status, resulting in their awards being pro-rated for time. Their pro-rated awards will lapse in full on the vesting date being achieved.

Remuneration Report —
Annual Remuneration Report continued

Directors' interests in LTIP

	Date of grant	At 28 April 2018	Awarded in the year	Lapsed or forfeited in the year	Exercised in the year	At 27 April 2019	Date from which first exercisable	Expiry of the exercise period	Exercise Price (p)
Current directors									
Alex Baldock(1)									
2016 LTIP	22 Jun 2018	—	1,197,182	—	—	1,197,182	22 Jun 2021	22 Jun 2028	—
2016 LTIP	3 Apr 2018	455,641	—	—	—	455,641	3 Apr 2021	3 Apr 2028	—
Section 9.4.2	3 Apr 2018	989,078	—	—	—	989,078	3 Apr 2021	3 Apr 2028	—
Total (with performance conditions)						1,652,823			
Total (without performance conditions)						989,078			
Jonny Mason(2)									
2016 LTIP	13 Aug 2018	—	734,583	—	—	734,583	13 Aug 2021	13 Aug 2028	—
2016 LTIP	13 Aug 2018	—	267,121	—	—	267,121	13 Aug 2021	13 Aug 2028	—
Section 9.4.2	13 Aug 2018	—	81,435	—	—	81,435	13 Aug 2021	13 Aug 2028	—
Total (with performance conditions)						1,001,704			
Total (without performance conditions)						81,435			
Former directors									
Sebastian James(3)									
2017 LTIP	29 Jun 2017	215,793	—	—	—	215,793	29 Jun 2020	29 Jun 2027	—
2016 LTIP(5)	9 Sep 2016	321,291	—	—	—	321,291	9 Sep 2019	9 Sep 2026	—
Total (with performance conditions)						537,084			
Andrew Harrison(4)									
2016 LTIP	29 Jun 2017	525,280	—	266,711	—	258,569	29 Jun 2020	29 Jun 2027	—
2016 LTIP(5)	9 Sep 2016	396,592	—	95,168	—	301,424	9 Sep 2019	9 Sep 2026	—
Total (with performance conditions)						559,993			
Humphrey Singer(6)									
2016 LTIP	29 Jun 2017	453,652	—	453,652	—	—	29 Jun 2020	29 Jun 2027	—
2016 LTIP	9 Sep 2016	342,512	—	342,512	—	—	9 Sep 2019	9 Sep 2026	—
Total (with performance conditions)						—			

(1) Alex Baldock joined the Company on 3 April 2018.
(2) Jonny Mason joined the Company on 13 August 2018.
(3) Sebastian James stepped down from the Board on 2 April 2018 and left the Company on 27 April 2018. The Remuneration Committee exercised its discretion to allow good leaver treatment in respect of these awards. The awards were pro-rated for service in accordance with the plan rules.
(4) Andrew Harrison stepped down from the Board on 21 December 2017 and left the Company on 20 December 2018. The Remuneration Committee exercised its discretion to allow good leaver treatment in respect of these awards. The awards were pro-rated for service in accordance with the plan rules.
(5) These awards will lapse on achieving their vesting date of 9 September 2019.
(6) Humphrey Singer stepped down from the Board and left the Company on 20 June 2018. All awards lapsed.

Directors' interests in the Share Plan

Full details of The Share Plan and the outcomes at the end of the performance period in July 2017 were provided in the Directors' Remuneration Report last year. The remaining 40% of the award for Andrew Harrison was paid in June 2018. Details are shown in the table below:

Former directors	A Pool Value £'000	% Allocation of A pool	**£ value of allocation of A pool £'000**	Original purchase price of 7% allocation of A shares £'000	100% Award value £'000	**Value of 60% Award at vest on 6 July 2017 £'000**	**Value of 40% Award at vest on 29 June 2018 £'000**
Andrew Harrison(1)	25,327	7%	1,773	385	1,388	833	555

(1) Andrew Harrison stepped down from the Board on 21 December 2017.

Directors' interests in Sharesave

None of the current directors have any interests in Sharesave as no offers have been made since they joined the business. The next offer is planned for August 2019.

	Date of grant	Exercise price (p)	At 28 April 2018	Awarded in the year	Lapsed or cancelled in the year	Exercised in the year	At 27 April 2019	Date from which first exercisable	Expiry of the exercise period
Former directors									
Humphrey Singer[1]									
Sharesave									
	22 Feb 2017	252.00	7,142	—	**7,142**	—	—	1 Apr 2020	30 Sep 2020
			7,142	—	**7,142**	—	—		
Katie Bickerstaffe[2]									
Sharesave									
	22 Feb 2017	252.00	500	—	**500**	—	—	1 Apr 2020	30 Sep 2020
	21 Feb 2018	165.00	10,145	—	**10,145**	—	—	1 Apr 2021	30 Sep 2021
			10,645	—	**10,645**	—	—		

(1) Humphrey Singer stepped down from the Board and left the Company on 20 June 2018. All awards were cancelled.
(2) Katie Bickerstaffe stepped down from the Board on 28 April 2018 and left the Company on 20 September 2018. All awards were cancelled.

Directors' shareholding

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

	27 April 2019	28 April 2018	Total beneficial interests under share ownership guidelines 27 April 2019	Total beneficial share interests as a % of salary[6] 27 April 2019
Executive directors				
Current directors				
Alex Baldock[4][7]	**225,533**	—	**225,533**	**39%**
Jonny Mason[1][5][7]	**100,000**	N/A	**100,000**	**31%**
Non-executive directors				
Current directors				
Eileen Burbidge[2]	**0**	N/A	—	—
Tony DeNunzio	**100,000**	100,000	—	—
Andrea Gisle Joosen	**20,176**	20,176	—	—
Lord Livingston of Parkhead	**105,631**	105,631	—	—
Gerry Murphy	**50,000**	50,000	—	—
Fiona McBain	**19,129**	19,129	—	—
Former Directors				
Jock Lennox[3]	**N/A**	22,625	—	—

(1) Jonny Mason joined the Company and was appointed to the Board on 13 August 2018.
(2) Eileen Burbidge joined the Board on 1 January 2019.
(3) Jock Lennox stood down from the Board on 31 December 2018.
(4) Alex Baldock purchased 125,533 and 100,000 shares on 21 June 2018 and 7 September 2018 respectively. The purchase price per share was £1.99 and £1.61 respectively.
(5) Jonny Mason purchased 100,000 shares on 6 September 2018. The purchase price was £1.62 per share.
(6) The percentage is based on base salary as at 27 April 2019 and an average share price over the month to 27 April 2019 of £1.45293.
(7) Executive directors have five years from their appointment date to reach their shareholding requirement of 200%.

There were no changes in the directors' restricted or unrestricted share interests between 27 April 2019 and the date of this Report.

Remuneration Report — Annual Remuneration Report continued

Non-executive directors' and Chairman's fees

The fees for the independent non-executive directors, including the Deputy Chairman, are determined by the Board (excluding non-executive directors) after considering external market research and are reviewed on an annual basis. Factors taken into consideration include the required time commitment, specific experience and / or qualifications. A base fee is payable and additional fees are paid for chairing and membership of committees. The Chairman is not involved in the setting of his own salary, which is dealt with by the Remuneration Committee annually. Non-executive directors receive no variable pay and receive no additional benefits, except in situations where an executive director becomes a non-executive director, and benefit and pension arrangements continue.

The fees were reviewed during 2018/19 and remain unchanged. The Chairman and Deputy Chairman receive all-inclusive fees reflecting their duties. Other independent non-executive directors received a basic fee of £60,000 and additional fees as set out in the table below for chairing or membership of committees.

	2018/19 £'000	2017/18 £'000
Chairman (1)	**300**	300
Deputy Chairman (2)	**140**	140
Chair of Audit Committee	**15**	15
Member of Audit Committee	**5**	5
Member of Nominations Committee	**5**	5
Member of Remuneration Committee	**5**	5

(1) The Chairman's fee includes Chairmanship of the Nominations Committee.
(2) The Deputy Chairman's fee includes the Senior Independent Director, Chairmanship of the Remuneration Committee, and membership of the Nominations Committee fees.

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. Where there are substantial votes against resolutions, explanatory reasons will be sought, and any actions in response will be communicated to shareholders.

The following table sets out the voting results in relation to the approval of the remuneration policy when it was last put to shareholders at the annual general meeting 2016:

Resolution	Votes for	%	Votes against	%	Withheld
Approval of directors' remuneration policy	880,154,462	98.86	10,177,401	1.14	1,579,648

The following table sets out the voting results in relation to the resolutions put to the annual general meeting 2018:

Resolution	Votes for	%	Votes against	%	Withheld
Approval of annual remuneration report	903,026,347	94.72	50,381,981	5.28	2,292,934

Compliance

As required by the Regulations, resolutions to approve the new Remuneration Policy and this Remuneration Report will be proposed at the Annual General Meeting on 5 September 2019. Shareholders will also be invited to vote on the Plan rules for the Colleague Shareholder Scheme and the SIP.

Tony DeNunzio CBE
Chair of the Remuneration Committee
19 June 2019

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the consolidated financial statements in accordance with IFRS as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period.

In preparing the Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the consolidated financial statements, IAS 1 'Presentation of Financial Statements' requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and the Company's performance, business model and strategy.

By Order of the Board

Alex Baldock
Group Chief Executive

19 June 2019

Jonny Mason
Group Chief Financial Officer

19 June 2019

Independent Auditor’s Report

Report on the audit of the financial statements

In our opinion:

- **the financial statements of Dixons Carphone plc (the ‘parent company’) and its subsidiaries (the ‘Group’) give a true and fair view of the state of the Group’s and of the parent company’s affairs as at 27 April 2019 and of the Group’s profit for the year then ended;**
- **the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 “Reduced Disclosure Framework”; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 32 and C1 to C10.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 “Reduced Disclosure Framework” (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC’s Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – revenue recognition – valuation of UK network receivables; – the allocation of goodwill and impairment in relation to the mobile and electricals UK & Ireland (UK&I) groups of cash generating units (CGUs); – the IT infrastructure environment; and – tax provisioning. Last year we included a key audit matter in respect of the data breach announced by the Group on 13 June 2018, as Management was in the course of assessing the impact of this incident on the business. This assessment was completed in the year and, as a consequence, Management have taken remedial action. As a result, this matter no longer reflects an area requiring a significant proportion of our audit effort and therefore we no longer consider this to be a key audit matter. Following the Group's change in its segmental reporting (splitting the previous UK&I operating segment into Mobile and Electricals) we have reassessed the key audit matter relating to impairment of goodwill. Our identified key audit matter relates to the allocation of goodwill between the two new segments and the assessment of impairment of goodwill allocated to the respective groups of CGUs. We have identified an additional key audit matter in relation to the Group's IT control environment, specifically in respect of the control deficiencies we identified in our assessment of the new finance system implemented in the financial period.
Materiality	The materiality that we used for the Group financial statements was £12,400,000 which was determined on the basis of 5% of adjusted headline profit before tax, consistent with the previous year.
Scoping	Our full scope audit procedures provided coverage at the Group's key locations, being the retail operations in the UK and Nordics, representing 93% of the Group's revenue and 90% of headline profit before tax.
Significant changes in our approach	There have been no significant changes in our audit approach in the current year other than the changes in key audit matters as set out above.

Independent Auditor's Report continued

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 1a to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 22-24 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 59 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 31 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition – valuation of UK network receivables

Refer to page 67 (Audit Committee report), page 128 (source of estimation uncertainty) and page 168-170 (financial statement disclosures)

Key audit matter description	The Group sells mobile phone contracts on behalf of a number of mobile operators. The gross value of commission receivable on sales (£1,294 million at 27 April 2019, 28 April 2018: £1,545 million), being commission for which there is a contractual entitlement based on mobile phone connections already made, and for which there are no ongoing performance obligations, is dependent on management estimates of customer behaviour beyond the point of sale. The valuation of the expected receivable is determined by four key assumptions: – expected level of customer spend in excess of their current contracted amount; – the forecast customer default rate within the contract period; – the forecast rate of customer renewals with the same network provider; and – expected customer behaviour beyond the initial contract period. We have focused our risk on the determination of these four key assumptions for the four largest operators. Due to the high level of judgement involved, we have determined that there is potential for fraud through manipulation of this balance. Relatively minor changes in these assumptions (both individually and in combination) can lead to material differences in the valuation of the receivable. Furthermore, customer spending and behaviour is subject to external factors, including changes to market regulations. As a result of the recent changes in regulatory matters and customer behaviour that impact the mobile network market, the level of judgement required in determining these assumptions has increased since the prior year. The key judgements and estimates involved are described in more detail in the Audit Committee report, in the key sources of estimation uncertainty disclosed in note 1s and in note 25h to the Group financial statements.

Independent Auditor's Report continued

How the scope of our audit responded to the key audit matter	We evaluated the design and implementation of the senior management review control of the key assumptions used to determine the UK network receivables balance. We tested the valuation of revenue recognised through review of the contractual arrangements and performed substantive testing of the four key assumptions described above to data received from operators together with testing of cash receipts. We challenged: – the forecast customer spend assumptions by comparison to actual customer spending data trends from the network operators and with reference to external market data; – the forecast customer default rate by comparison to the actual rates of default seen in the latest data from the networks and with reference to default rates observed in the most recent external market data; – the forecast rate of customer renewals with the same network provider by comparison to the latest renewals data from the network operators and with reference to other external market data; and – the expected customer behaviour beyond the initial contract period by comparison to actual rates of customers continuing their contract after their fixed contract term and with reference to external market data trends. In considering all assumptions we analysed existing and forthcoming changes in the regulatory and macro-economic environment and whether these might lead to behavioural changes which could impact the recoverability of the receivable. Specifically, we considered expected changes relating to bill capping, international roaming, text-to-switch and Ofcom notification proposals. We considered whether Management's assumptions in respect of the impact of possible behavioural changes and the resulting impact on the valuation of the UK network receivables balance were reasonable. We assessed changes in estimates in comparison to the prior year together with the reasonableness of Management's sensitivities disclosed in note 25h. We assessed Management's disclosure in respect of the impact that potential changes in these assumptions might have on future periods and the sensitivity of the recorded balance to changes in those key assumptions.
Key observations	We consider the treatment adopted in relation to the valuation of the UK network commission receivable and the related assumptions applied by Management to be appropriate. We agree that the disclosures relating to network commissions, including disclosure of the reasonably possible change in estimates, as summarised in note 25h provide an appropriate understanding of the estimates taken by Management.

Allocation and impairment of goodwill of the mobile and electricals UK&I groups of CGUs

Refer to page 67 (Audit Committee report), page 129 (accounting policy) and page 144 (financial statement disclosures)

Key audit matter description

As set out in note 2 to the financial statements, Management has changed the Group's segmental reporting based on a change in information provided to the Chief Operating Decision Maker. These new operating segments are electricals and mobile. As a consequence, goodwill previously allocated to UK&I segment was reallocated as £1,840 million and £225 million to electricals and mobile respectively. Goodwill relating to the mobile operating segment was subsequently fully impaired.

We have identified a key audit matter relating to:

– the allocation of goodwill between these Groups of CGUs. There is a risk that the allocation of goodwill does not reflect the relative value of the respective groups of cash generating units; and

– the accuracy of the short to medium term electricals forecast cash flows. We consider this the most important assumption in assessing the impairment of goodwill allocated to the electricals UK&I group of CGUs, given trends within the UK retail environment.

The key judgements and estimates involved are described in more detail in the Audit Committee report and in notes 1s and 9 to the Group financial statements.

How the scope of our audit responded to the key audit matter

We evaluated the design and implementation of the review controls in respect of the preparation of Management's impairment models and forecast cash flows.

We challenged the key judgements made by Management to determine the allocation of goodwill between the Electricals and Mobile cash generating units. Management considered a range of six different allocation methods in making their assessment. Our work was focused on assessing the reasonableness of these methods, the discount rate where applicable, the accuracy of the underlying forecast cash flows and the appropriateness of the final allocation in the context of the range of possible allocations.

We challenged the assumptions used by Management to generate the short to medium term electricals cash flow projections against Management's historical forecasting accuracy, the historical performance of the Electricals segment, the latest external consumer electrical goods spending data and against market long term growth rates. We also considered the appropriateness of the sensitivities applied by Management as highlighted in note 9. Our valuation specialists assessed whether Management's discount rate calculation fell within our reasonable range of expected values.

We assessed the logical and mechanical accuracy of the impairment models prepared by Management.

Key observations

We agree that the allocation of goodwill between the Electricals and Mobile groups of CGUs has been completed on an appropriate relative value basis in line with the requirements of IAS 36 Impairment of Assets.

We concur with the treatment adopted in relation to the impairment of goodwill and are satisfied that the assumptions in the impairment model are reasonable and within a range that we would deem acceptable. We have reviewed Management's long-term forecasts and note these are appropriate in the context of the latest external market data on the retail sector.

We are satisfied with the sensitivities applied by Management and concur that headroom remains in the Electricals group of cash-generating units following the application of these sensitivities.

We concur with Management's view that the goodwill allocated to the Mobile group of CGU should be fully impaired.

Independent Auditor's Report continued

IT infrastructure environment

Refer to page 59 (Corporate Governance report)

Key audit matter description	During the financial year the Group continued to enhance its IT infrastructure and its associated control environment, as summarised in the report on page 59 and in the Audit Committee Report on page 69. As part of this programme the Group implemented an off-the-shelf accounting and finance system in the current year, which acts as the Group's primary accounting books and records within the UK&I business ("the new finance system"). When assessing the controls associated with the implementation of the new finance system we became aware of deficiencies in certain user access rights controls and change management controls at the IT infrastructure level. We considered that these deficiencies could have an adverse impact on the Group's controls and financial reporting systems which could consequently lead to inaccurate financial reporting.
How the scope of our audit responded to the key audit matter	We evaluated the design and tested the operating effectiveness of the Group's controls over certain information systems, including the new finance system, that are important to financial reporting and identified a number of deficiencies in the control environment. As a result, we did not place reliance on the completeness and accuracy of information generated by these systems. Additionally, Management commenced a programme of remediation and we extended the scope of our audit procedures to review the remediation activity and determine whether inappropriate changes had been made to the affected databases and IT application systems. We utilised internal IT control specialists and experts with knowledge of the off-the-shelf software product used for the new finance system to assess the scope and extent of these deficiencies and the measures that Management have taken to determine whether there have been any instances of inaccurate financial reporting. In certain instances we tested additional manual controls which would act to mitigate the risk of ineffective IT controls. Where appropriate, we extended the nature, timing and extent of our substantive audit procedures.
Key observations	We identified significant deficiencies in relation to user access and change management controls within the new finance system. Where these deficiencies affected applications and systems within the scope of our audit, we completed additional controls and substantive testing. We reported to the Audit Committee that the additional procedures were performed satisfactorily. Considering the identification of these deficiencies we performed a largely substantive audit in the UK trading businesses. Whilst, for audit purposes, the additional procedures performed mitigated the risk presented by the deficiencies, Management is in the course of performing further stabilisation activities associated with the new finance system.

Tax provisioning

Refer to page 68 (Audit Committee report), page 128 (source of estimation uncertainty) and page 173 (financial statement disclosures)

Key audit matter description

The nature of the Group's operations and related transactions can give rise to uncertain tax treatments, thereby requiring the use of estimates and assumptions which may be subsequently challenged by the relevant tax authorities. In some instances the Group has recognised a provision in relation to certain historical treatments. Additionally, the Group has disclosed a contingent liability of £220 million in relation to uncertain tax positions, excluding any penalties and interest, as set out in note 30.

Our key audit matter is focussed on the valuation of the provision, and completeness of the disclosed potential range of tax exposures, based on the status of discussions with HMRC in respect of certain open enquiries arising from pre-merger legacy corporate transactions in the Carphone Warehouse group.

Further information in this area is discussed in the Audit Committee report, in the key sources of estimation uncertainty disclosed in note 1s and in note 30 to the Group financial statements.

How the scope of our audit responded to the key audit matter

We utilised internal tax specialists to evaluate and test Management's assumptions in respect of these tax related provisions, including assessment against local tax legislation and review of supporting documentation. In assessing the provisions we have considered the tax environment in which the Group operates, the outcome of past settlements and the status of matters being discussed with tax authorities.

Our tax specialists reviewed correspondence with tax authorities as well as reviewing the opinions or other support received from external advisors which Management has utilised in calculating the provisions. Our specialists also held discussions with Management's external advisors in determining the extent of any amount that could become payable.

Key observations

We concur with the treatment adopted, amounts recognised and amount disclosed as a contingent liability in relation to tax provisioning for these certain open matters, and believe that Management's provisioning methodology includes a reasonable consideration of all uncertain positions.

Independent Auditor's Report continued

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£12.4 million (2017/18: £16.0 million)	£11.7 million (2017/18: £15.2 million)
Basis for determining materiality	We have determined materiality on the basis of 5% of adjusted Headline profit before tax. In using adjusted Headline profit before tax we have followed the Group's definition of Headline results in note 1a and adjusted this to add back the amortisation of acquisition intangibles and pension finance costs due to their recurring nature. We have determined materiality on a consistent basis with the previous year and the decrease in materiality in the current year is due to the decrease in the Group's Headline profit before tax.	We have determined materiality on the basis of net assets, taking into account Group materiality. Materiality is approximately 0.4% of net assets. The decrease in materiality in the current year is in line with the reduction in Group materiality.
Rationale for the benchmark applied	We have assessed the use of a Headline measure to be appropriate as this continues to be a critical component of the financial statements, and the main measure that Management uses to monitor the performance of the business and communicate this to shareholders.	Net assets was selected as an appropriate benchmark for determining materiality, as the parent company does not trade, and only acts as a holding company.

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of group materiality for the 2018/19 audit (2017/18: 70%). In determining performance materiality, we considered factors including:

- our risk assessment, including our assessment of the Group's overall control environment; and
- our past experience of the audit, including the value of uncorrected misstatements identified in prior periods.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.6 million (2017/18: £0.8 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work of the retail operations in the UK and the Nordics, which is consistent with the previous year. Each of these components requires a local statutory audit.

These locations represent the principal business units and account for approximately 93% of the Group's revenue from continuing operations (2017/18: 94%) and 90% of the Group's Headline profit before tax (2017/18: 94%). Each location was selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at these locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £8.6 million to £9.3 million (2017/18: £10.0 million to £10.4 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 same audit team is responsible for both the Group and UK component audit work. In addition, the Group audit team continued to follow a programme of planned visits to overseas components that has been designed so that a senior member of the Group audit team visits the most significant locations where the Group audit scope was focused at least once each year. For the year ended 27 April 2019, senior members of the Group audit team visited Norway, where the Nordics head office is located, and a sub-consolidation is performed. Additionally, the lead audit partner separately met with the CEO and CFO of the Nordics component.

Other information

We have nothing to report in respect of these matters.

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor’s Report continued

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of Management, internal audit, and the audit committee, including obtaining and reviewing supporting documentation, concerning the Group’s policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the valuation of UK network receivables; and
- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation, tax legislation and FCA regulation.

Audit response to risks identified
As a result of performing the above, we identified the valuation of UK network receivables as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to this key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of Management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the FCA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion: – we have not received all the information and explanations we require for our audit; or – adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or – the parent company financial statements are not in agreement with the accounting records and returns.	***We have nothing to report in respect of these matters.***
Directors' remuneration Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.	***We have nothing to report in respect of these matters.***

Other matters

Auditor tenure
Following the recommendation of the audit committee, we were appointed by the Board on 31 July 2003 to audit the financial statements for the year ending 29 March 2003 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 17 years, covering the years ending 2003 to 2019.

Consistency of the audit report with the additional report to the audit committee
Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Use of our report

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

Stephen Griggs (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

19 June 2019

Consolidated Income Statement

	Note	Year ended 27 April 2019 Headline* £million	Non-headline* £million	Total £million	Year ended 28 April 2018 Headline* £million	Non-headline* £million	Total £million
Continuing operations							
Revenue	2,3	**10,433**	**—**	**10,433**	10,525	6	10,531
Profit / (loss) before interest and tax	2,3	**322**	**(545)**	**(223)**	400	(79)	321
Finance income		**11**	**—**	**11**	14	—	14
Finance costs		**(35)**	**(12)**	**(47)**	(32)	(14)	(46)
Net finance costs	6	**(24)**	**(12)**	**(36)**	(18)	(14)	(32)
Profit / (loss) before tax		**298**	**(557)**	**(259)**	382	(93)	289
Income tax (expense) / credit	7	**(62)**	**10**	**(52)**	(79)	26	(53)
Profit / (loss) after tax – continuing operations		**236**	**(547)**	**(311)**	303	(67)	236
Loss after tax – discontinued operations	24	**—**	**(9)**	**(9)**	—	(70)	(70)
Profit / (loss) after tax for the period		**236**	**(556)**	**(320)**	303	(137)	166
Earnings / (loss) per share (pence)	8						
Basic – continuing operations		**20.4p**		**(26.8)p**	26.2p		20.4p
Diluted – continuing operations		**20.2p**		**(26.8)p**	26.1p		20.3p
Basic – total				**(27.6)p**			14.4p
Diluted – total				**(27.6)p**			14.3p

* Headline results reflect adjustments to total performance measures. The directors consider headline performance to reflect the ongoing trading performance of the Group and are consistent with how the business performance is measured internally. Such excluded items are described as 'non-headline' as discussed in note 4. Discontinued operations are disclosed in note 24.

Consolidated Statement of Comprehensive Income

	Note	Year ended 27 April 2019 £million	Year ended 28 April 2018 £million
(Loss) / profit after tax for the period		**(320)**	166
Items that may be reclassified to the income statement in subsequent years:			
Cash flow hedges	25		
Fair value movements recognised in other comprehensive income		**10**	(5)
Reclassified and reported in income statement		**(19)**	(11)
Amount recognised in inventories		**1**	29
Financial assets designated as at FVTOCI	12		
Gains / (losses) arising during the period		**1**	(2)
Exchange (loss) / gain arising on translation of foreign operations		**(30)**	8
Tax on items that may be subsequently reclassified to profit or loss		**2**	—
		(35)	19
Items that will not be reclassified to the income statement in subsequent years:			
Actuarial (losses) / gains on defined benefit pension schemes – UK	21	**(128)**	87
– Overseas	21	**(1)**	(1)
Tax on actuarial gains / (losses) on defined benefit pension schemes	7	**22**	(15)
		(107)	71
Other comprehensive (expense) / income for the period (taken to equity)		**(142)**	90
Total comprehensive (expense) / income for the period		**(462)**	256

Consolidated Balance Sheet

	Note	27 April 2019 £million	28 April 2018 £million
Non-current assets			
Goodwill	9	**2,840**	3,088
Intangible assets	10	**464**	478
Property, plant & equipment	11	**276**	394
Investments	12	**18**	17
Interests in joint ventures and associates	12	**—**	1
Trade and other receivables	14	**387**	507
Deferred tax assets	7	**282**	240
		4,267	4,725
Current assets			
Inventory	13	**1,156**	1,145
Trade and other receivables	14	**1,039**	1,154
Derivative assets	25	**18**	27
Assets held for sale	24	**—**	17
Cash and cash equivalents	15	**125**	228
		2,338	2,571
Total assets		**6,605**	7,296
Current liabilities			
Trade and other payables	16	**(2,350)**	(2,505)
Derivative liabilities	25	**(6)**	(7)
Contingent consideration	17	**(1)**	(1)
Income tax payable		**(76)**	(72)
Loans and other borrowings	18	**(19)**	(63)
Finance lease obligations	19	**(3)**	(3)
Liabilities held for sale	24	**—**	(2)
Provisions	20	**(86)**	(67)
		(2,541)	(2,720)
Non-current liabilities			
Trade and other payables	16	**(252)**	(318)
Contingent consideration	17	**(4)**	(12)
Loans and other borrowings	18	**(288)**	(329)
Finance lease obligations	19	**(80)**	(82)
Retirement benefit obligations	21	**(579)**	(472)
Deferred tax liabilities	7	**(156)**	(135)
Provisions	20	**(65)**	(32)
		(1,424)	(1,380)
Total liabilities		**(3,965)**	(4,100)
Net assets		**2,640**	3,196
Capital and reserves	22		
Share capital		**1**	1
Share premium reserve		**2,263**	2,263
Accumulated profits		**1,117**	1,643
Translation reserve		**9**	39
Demerger reserve		**(750)**	(750)
Equity attributable to equity holders of the parent company		**2,640**	3,196

The financial statements were approved by the directors on 19 June 2019 and signed on their behalf by:

Alex Baldock
Group Chief Executive

Jonny Mason
Group Chief Financial Officer

Company registration number: 7105905

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 29 April 2017		1	2,260	1,513	31	(750)	3,055
Profit for the period		—	—	166	—	—	166
Other comprehensive income and expense recognised directly in equity		—	—	82	8	—	90
Total comprehensive income and expense for the period		—	—	248	8	—	256
Ordinary shares issued		—	3	(2)	—	—	1
Equity dividends	23	—	—	(130)	—	—	(130)
Net movement in relation to share schemes		—	—	14	—	—	14
At 28 April 2018		1	2,263	1,643	39	(750)	3,196
Adjustment on initial application of IFRS 15 (net of tax)	31	—	—	4	—	—	4
Adjustment on initial application of IFRS 9 (net of tax)	31	**–**	—	**(1)**	—	—	**(1)**
Adjusted balance at 28 April 2018		**1**	**2,263**	**1,646**	**39**	**(750)**	**3,199**
Loss for the period		**—**	**—**	**(320)**	**—**	**—**	**(320)**
Other comprehensive income and expense recognised directly in equity		**—**	**—**	**(112)**	**(30)**	**—**	**(142)**
Total comprehensive income and expense for the period		**—**	**—**	**(432)**	**(30)**	**—**	**(462)**
Ordinary shares issued		**—**	**—**	**—**	**—**	**—**	**—**
Equity dividends	23	**—**	**—**	**(116)**	**—**	**—**	**(116)**
Net movement in relation to share schemes		**—**	**—**	**19**	**—**	**—**	**19**
At 27 April 2019		**1**	**2,263**	**1,117**	**9**	**(750)**	**2,640**

Consolidated Cash Flow Statement

	Note	Year ended 27 April 2019 £million	Year ended 28 April 2018 £million
Operating activities			
Cash generated from operations	26	**377**	420
Special contributions to defined benefit pension scheme		**(46)**	(46)
Income tax paid		**(45)**	(62)
Net cash flows from operating activities		**286**	312
Investing activities			
Net cash outflow arising from acquisitions		**(1)**	(7)
Proceeds from disposal of property, plant & equipment		**9**	2
Proceeds on sale of business		**8**	63
Acquisition of property, plant & equipment and other intangibles		**(166)**	(187)
Investment in joint venture		**—**	(3)
Net cash flows from investing activities		**(150)**	(132)
Financing activities			
Interest paid		**(23)**	(19)
Repayment of obligations under finance leases		**(8)**	(10)
Issue of ordinary shares		**—**	1
Equity dividends paid		**(116)**	(130)
Decrease in borrowings		**(61)**	(32)
Facility arrangement fees paid		**(1)**	(2)
Net cash flows from financing activities		**(209)**	(192)
Decrease in cash and cash equivalents and bank overdrafts		**(73)**	(12)
Cash and cash equivalents and bank overdrafts at beginning of the period		**185**	199
Currency translation differences		**(6)**	(2)
Cash and cash equivalents and bank overdrafts at end of the period	26	**106**	185

Notes to the Group Financial Statements

1 Accounting policies

a) Basis of preparation

Dixons Carphone plc (the Company) is a public company limited by shares incorporated in the United Kingdom, which is registered in England and Wales under the Companies Act 2006.

The consolidated financial statements have been prepared on a going concern basis in accordance with IFRS as adopted by the EU, IFRS issued by the International Accounting Standards Board, those parts of the Companies Act 2006 applicable to those companies reporting under IFRS and Article 4 of the IAS Regulation.

The financial statements have been presented in Pound Sterling, the functional currency of the Company derived from the Group's primary economic environment, 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 Group has adopted IFRS 15: 'Revenue from Contracts with Customers' and IFRS 9: 'Financial Instruments: Recognition and Measurement' effective for the current financial year from 29 April 2018. Both standards have been applied using the modified retrospective approach and therefore comparative amounts have not been restated. The transitional impact has been recognised in opening reserves as at 29 April 2018. Further details on the adoption of these standards is described in note 31.

The Group's income statement and segmental analysis identify separately headline performance and non-headline items. Headline performance measures reflect adjustments to total performance measures. The directors consider 'headline' performance measures to be an informative additional measure of the ongoing trading performance of the Group and believe that these measures provide additional useful information for shareholders on the Group's performance and are consistent with how business performance is measured internally.

Headline results are stated before the results of discontinued operations or exited / to be exited businesses, amortisation of acquisition intangibles, acquisition related costs, any exceptional items considered so material that they distort underlying performance (such as reorganisation costs, impairment charges and property rationalisation costs), income from previously disposed operations and net pension interest costs. Businesses exited or to be exited are those which the Group has exited or committed to or commenced to exit through disposal or closure but do not meet the definition of discontinued operations as stipulated by IFRS and are material to the results and / or operations of the Group.

A reconciliation of headline profit and losses to total profits and losses is shown in note 2, a description of the nature of the non-headline results recorded is shown in note 4. Items excluded from headline results can evolve from one financial year to the next depending on the nature of exceptional items or one-off type activities described above. Headline performance measures and non-headline performance measures may not be directly comparable with other similarly titled measures or 'adjusted' revenue or profit measures used by other companies.

The accounting policy for the use of these measures is outlined in the 'Alternative Performance Measures' section of the Glossary.

Going concern

The Group's funding arrangements and processes for managing its exposure to liquidity risk are set out in notes 18 and 25.

In their consideration of going concern, the directors have reviewed the Group's future cash forecasts and profit projections, which are based on market data and past experience. The directors are of the opinion that the Group's forecasts and projections, which take into account reasonably possible changes in trading performance, show that the Group is able to operate within its current facilities and comply with its banking covenants for the foreseeable future. In arriving at their conclusion that the Group has adequate financial resources, the directors were mindful of the level of borrowings and facilities as set out in note 18 to the Group financial statements and that the Group has a robust policy towards liquidity and cash flow management.

Accordingly the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future and consequently the directors continue to apply the going concern basis in the preparation of the financial statements.

The principal accounting policies are set out below.

b) Accounting convention and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power over the investee; is exposed, or has rights, to variable return from its involvement with the investee; and has the ability to use its power to affect its returns.

The results of subsidiaries and joint ventures acquired or sold during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate, which is the date from which the power to control passes. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intercompany transactions and balances are eliminated on consolidation.

Notes to the Group Financial Statements continued

1 Accounting policies continued

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 IFRS 9 'Financial Instruments' 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. All hedge relationships previously designated under IAS 39 at 28 April 2018 have met the criteria for hedge accounting under IFRS 9, as such there is no material impact on transition. Further information is outlined in note 31.

The results of overseas operations are translated each month at the monthly rate, and their balance sheets are translated at the rates prevailing at the balance sheet date. Goodwill and acquisition intangible assets are held in the currency of the operation to which they relate. Exchange differences arising on the translation of net assets, goodwill and results of overseas operations are recognised in the translation reserve. All other exchange differences are included in profit or loss in the year in which they arise except where the Group designates financial instruments held for the purpose of hedging the foreign currency exposures that result from material transactions undertaken in foreign currencies as cash flow hedges, hedge accounting as defined by IFRS 9 'Financial Instruments' 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	
	2019	2018	**2019**	2018
Euro	**1.14**	1.13	**1.16**	1.14
Norwegian Krone	**10.96**	10.73	**11.23**	10.98
Swedish Krona	**11.80**	11.10	**12.29**	11.94
US Dollar	**1.30**	1.34	**1.29**	1.38

d) Revenue and supplier income

Revenue

The Group has adopted IFRS 15 using the cumulative effect method of initially applying IFRS as an adjustment to the opening balance of equity at 29 April 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. Further information is outlined in note 31, changes in accounting policies.

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

– network commission revenue is recognised over time with reference to progress towards completion of the performance obligation under the individual contract with the MNO, as outlined in section (e);

– revenue from the sale of goods is recognised at the point of sale or, where later, upon delivery to the customer;

– revenue earned from the sale of customer support agreements is recognised in full as each performance obligation is satisfied under the contracts with the customer. Due to the cancellation options and customer refund clauses, contract terms have been assessed to either be monthly or a series of day to day contracts with revenue recognised respectively in the month to which payment relates, or on a 'straight-line' basis, as outlined in note 31;

– revenue arising on services (including delivery and installation, product repairs and product support) is recognised when the obligation to the customer is fulfilled; and

– insurance revenue relates to the sale of third-party insurance products. Sales commission received from third parties is recognised when the insurance policies to which it relates are sold, to the extent that it can be reliably measured and there are no ongoing service obligations. Revenue from the provision of insurance administration services is recognised over the life of the relevant policies when the Group's performance obligations are satisfied. Under IFRS 15 the group has re-assessed the standalone selling price of the commission and administration services provided.

Income received from suppliers such as volume rebates

The Group has provided enhanced disclosure on supplier funding following guidance issued by the Financial Reporting Council in December 2015. This disclosure is aimed at assisting the users of the financial statements in understanding the judgements and estimates made in

d) Revenue and supplier income continued

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. Cash inflows for supplier funding received are classified as operating cashflows, being part of the variable margin on sales.

e) Network commissions

The Group operates under contracts with a number of Mobile Network Operators ('MNOs'). Over the life of these contracts the service provided by the Group to each MNO is the procurement of connections to the MNOs' networks. The individual consumer enters into a contract with the MNO for the MNO to supply the ongoing airtime over that contract period.

The Group earns a commission for the service provided to each MNO ('network commission'). Revenue is recognised at the point the individual consumer signs a contract with the MNO. Consideration from the MNO becomes receivable over the course of the contract between the MNO and the Consumer. A key judgement associated with this recognition is the unit of account used in recognition. The Group has determined that the number and value of consumers provided to each MNO in any given month (a 'cohort') represents the best output measure of progress towards complete satisfaction of each performance obligation under the contract.

In addition, the Group may also receive marketing support and volume incentives from the MNO, which are recognised when the income becomes highly probable.

The level of network commission earned is based on a share of the monthly payments made by the consumer to the MNO, including contractual monthly line rental payments together with a share of 'out-of-bundle' spend, spend after the contractual term, and amounts due from customer upgrades performed directly by the network. The total consideration receivable is determined by consumer behaviour after the point of recognition. The transaction price is entirely variable and is therefore a significant area of estimation. See note 25 for further information around this estimate.

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

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

Transaction price is estimated based on extensive historical evidence obtained from the networks. Reliance on historical data assumes that current and future experience will follow past trends. The consideration for a cohort of consumers is estimated by modelling the expected value of the portfolio of individual sales. Revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur. Management make a quarterly, and the directors a twice-yearly, assessment of this data to ensure this continues to reflect the best estimate of expected future trends.

Network commission revenue recognised on fulfilment of the service obligation results in a contract asset as none of the amount is receivable from the network on point of sale. Over time, and dependent on the future behaviour of the consumer, amounts initially recognised as contract assets become payable by the network to the Group and are transferred to trade receivables.

Contract assets are measured at amortised cost with remeasurements due to changes in consumer behaviour recognised in the income statement. Assumptions are therefore required, particularly in relation to levels of consumer default within the contract period, expected levels of consumer spend, and consumer behaviour beyond the initial contract period. Further details of estimates used to initially value revenue recognised and subsequently value commission receivable at the balance sheet date, effects on the current year income statement of changes in estimates and sensitivity analysis of the carrying value can be found in note 25.

In addition to remeasurement due to changes in consumer behaviour, changes to revenue may also be made, where for example, more recent information becomes available

1 Accounting policies continued

e) Network commissions continued

enabling the recognition of previously unrecognised commission. Any such changes are recognised in the income statement. See note 25 for further detail of these changes recognised in the current period.

In contracts in which the transfer of services to customers exceeds the amount of consideration received or billed, the difference is accounted for as a Contract asset within 'trade and other receivables' in the Statement of Financial Position. Amounts receivable but not yet received from customers are accounted for as trade receivables.

f) Discontinued operations and assets and liabilities held for sale

A discontinued operation is a component of the Group which represents a significant separate line of business, either through its activity or geographical area of operation, which has been sold, is held for sale or has been closed.

Where the sale of a component of the Group is considered highly probable at the balance sheet date and the business is available for immediate sale in its present condition, it is classified as held for sale. Such classification assumes the expectation that the sale will complete within one year from the date of classification. Assets and liabilities held for sale are measured at the lower of carrying amount and fair value less costs to sell. Once classified as held for sale, intangible assets and property, plant & equipment are no longer amortised or depreciated.

g) Share-based payments

Equity settled share-based payments are measured at fair value at the date of grant, and expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest.

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

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

h) Retirement benefit obligations

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

For defined benefit pension schemes, the difference between the market value of the assets and the present value of the accrued pension liabilities is shown as an asset or liability in the consolidated balance sheet. The calculation of the present value is determined using the projected unit credit method.

Actuarial gains and losses arising from changes in actuarial assumptions together with experience adjustments and actual return on assets are recognised in the consolidated statement of comprehensive income and expense as they arise. Such amounts are not reclassified to the income statement in subsequent years.

Defined benefit costs recognised in the income statement comprise mainly net interest expense or income with such interest being recognised within finance costs. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset taking into account any changes in the net defined benefit obligation during the year as a result of contribution or benefit payments.

i) Leases

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

The Group as a lessor

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

The Group as a lessee

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.

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

1 Accounting policies continued

i) Leases continued

are recognised as an expense in the period in which they are incurred.

Benefits received and receivable as an incentive to enter into operating leases are amortised through the income statement over the period of the lease.

j) Taxation

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. No provision is made for tax which would have been payable on the distribution of retained profits of overseas subsidiaries or associated undertakings where it has been determined that these profits will not be distributed in the foreseeable future.

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

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

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

k) Goodwill

On acquisition of a subsidiary or associate, the fair value of the consideration is allocated between the identifiable net tangible and intangible assets and liabilities on a fair value basis, with any excess consideration representing goodwill. At the acquisition date, goodwill is allocated to each group of Cash Generating Units ('CGUs') expected to benefit from the combination and held in the currency of the operations to which the goodwill relates.

Goodwill is not amortised, but is assessed annually for impairment, or more frequently where there is an indication that goodwill may be impaired. Impairment is assessed by measuring the future cash flows of the group of CGUs to which the goodwill relates, at the level at which this is monitored by management. Where the future discounted cash flows or recoverable amount is less than the carrying value of goodwill, an impairment charge is recognised in the income statement.

On disposal of subsidiary undertakings and businesses, the relevant goodwill is included in the calculation of the profit or loss on disposal.

l) Intangible assets

Acquisition intangibles

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

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

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

This amortisation is recognised in non-headline administrative expenses.

Software and licences

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

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

Notes to the Group Financial Statements continued

1 Accounting policies continued

l) Intangible assets continued

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 ten years, and is recorded in administrative expenses.

Intangible assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to the conclusion that the net book value is not supportable. Where assets are to be taken out of use, an impairment charge is levied. Where the intangible assets form part of a separate CGU, such as a store or business unit, and business indicators exist which could lead to the conclusions that the net book value is not supportable, the recoverable amount of the CGU is determined by calculating its value in use. The value in use is calculated by applying discounted cash flow modelling to management's projection of future profitability and any impairment is determined by comparing the net book value with the value in use.

m) Property, plant & equipment

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

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

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

Land and buildings	1⅔% – 4% per annum
Fixtures, fittings and equipment	10% – 33⅓% per annum

Assets capitalised as finance leases are depreciated over the term of the lease.

Property, plant & equipment are assessed on an ongoing basis to determine whether circumstances exist that could lead to the conclusion that the net book value is not supportable. Where assets are to be taken out of use, an impairment charge is levied. Where the property, plant & equipment form part of a separate group of CGU's, 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 group of CGU's is determined by calculating its value in use. The value in use is calculated by applying discounted cash flow modelling to management's projection of future profitability and any impairment is determined by comparing the net book value with the value in use.

n) Financial assets and investments

Financial assets are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the investment. The Group's financial assets comprise cash and cash equivalents, receivables which involve a contractual right to receive cash from external parties, contract assets where revenue is recognised upon the fulfilment of the Group's performance obligations and there is a contractual right to receive cash from external parties and financial assets designated as at FVTOCI.

When the Group recognises a financial asset it classifies it in accordance with IFRS 9 as further stipulated in note 31. Cash and cash equivalents and trade and other receivables (excluding derivative financial assets) are classified as held at amortised cost.

Under IAS 39, applicable for the comparative period, the Group's investment in listed shares were classified as held-for-sale and recognised at fair value with gains and losses recognised directly in other comprehensive income. Under IFRS 9 the Group has elected to classify the financial asset as FVTOCI, continuing to recognise the movement in the investment in other comprehensive income, the investment is not held for trading as it was not acquired primarily for the purpose of selling in the near term.

All of the Group's assets are subject to impairments driven by the expected credit loss (ECL) model as further stipulated in note 25.

The Group will derecognise a financial asset when the contractual rights to the cash flows expire or the Group transfer the financial asset in a way that qualifies for derecognition in accordance with IFRS 9.

o) Inventories

Inventories are stated at the lower of cost and net realisable value, and on a weighted average cost basis. Cost comprises direct purchase cost and those overheads that have been incurred in bringing the inventories to their present location and condition less any attributable discounts and bonuses received from suppliers in respect of that inventory. Net realisable value is based on estimated selling price, less further costs expected to be incurred to disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

p) Cash and cash equivalents

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

1 Accounting policies continued

p) Cash and cash equivalents continued

q) Borrowings and other financial liabilities

The Group's financial liabilities are those which involve a contractual obligation to deliver cash to external parties at a future date. Financial liabilities comprise all items shown in notes 16 to 19 with the exception of deferred income. Financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities (or a part of a financial liability) are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Borrowings
Borrowings in the Group's balance sheet represent committed and uncommitted bank loans. Borrowings are initially recorded at fair value less attributable transaction costs. Transaction fees such as bank fees and legal costs associated with the securing of financing are capitalised and amortised through the income statement over the term of the relevant facility. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Under the classifications stipulated by IFRS 9, borrowings, finance lease obligations and trade and other payables (excluding derivative financial liabilities) are classified as 'financial liabilities measured at amortised cost'. Derivative financial instruments, which are described further in note 25, are classified as 'held for trading unless designated in a hedge relationship'.

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

Where the Group has right of offset in relation to trade and other receivables and payables under IAS 32, these are presented on a net basis. See note 25 for a description of the financial assets and liabilities presented on a net basis.

Derivative financial instruments and hedging activity
The Group uses derivatives to manage its exposures to fluctuating interest and foreign exchange rates. These instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. The treatment of the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. Derivatives that qualify for hedge accounting are treated as a hedge of a highly probable forecast transaction (cash flow hedge) in the case of foreign exchange hedging and a hedge of the exposure arising from changes in the cash flows of a financial liability due to interest rate risk on a floating rate debt instrument in the case of interest rate hedging.

At inception the relationship between the hedging instrument and the hedged item is documented, as is an assessment of the effectiveness of the derivative instrument used in the hedging transaction in offsetting changes in the cash flow of the hedged item. This effectiveness assessment is repeated on an ongoing basis during the life of the hedging instrument to ensure that the instrument remains an effective hedge of the transaction.

1. Derivatives classified as cash flow hedges: the effective portion of changes in the fair value is recognised in other comprehensive income. Any gain or loss relating to the ineffective portion is recognised immediately in the income statement in sales or cost of sales, to match the hedged transaction. Amounts recognised in other comprehensive income are recycled to the income statement in the period when the hedged item will affect profit or loss. If the hedging instrument expires or is sold, or no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income, and is recognised when the forecast transaction is ultimately recognised in the income statement. If the forecast transaction is no longer expected to occur, the cumulative gain or loss in other comprehensive income is immediately transferred to the income statement.
2. Derivatives that do not qualify for hedge accounting: these are classified at fair value through profit or loss. All changes in fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

The principles under which hedge accounting is now governed is in accordance with IFRS 9, this is further stipulated in note 31.

r) 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 for dilapidation costs are made where there is a definite business decision to exit a lease property.

Notes to the Group Financial Statements continued

1 Accounting policies continued

r) Provisions continued

Provisions for onerous leases are recognised when the Group believes that the unavoidable costs of meeting or exiting the lease obligations exceed the economic benefits expected to be received under the lease. The unavoidable cost provided for is reduced where there is an expectation of subletting all or part of a property. Unavoidable cost of a lease includes estimated dilapidation expenses to be incurred on lease exit or expiry.

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

s) Critical accounting judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

Revenue recognition – network commissions

For certain transactions with MNOs, the quantum of commission receivable on mobile phone connections depends on consumer behaviour after the point of sale and potential changes in legislation. This leads to a key judgement over the unit of account for fulfilment of the obligation to the MNO and an estimate over the transaction price due to the variability of revenue. Further details of the judgement involved can be found at note 1 (e), and further details of estimates used to value commission receivable, carrying amounts at the balance sheet date, effects on the current year income statement of changes in estimates and sensitivity analysis of the carrying value can be found in note 25.

Defined benefit pension schemes

The surplus or deficit in the UK defined benefit pension scheme that is recognised through the consolidated statement of comprehensive income and expense is subject to a number of assumptions and uncertainties. The calculated liabilities of the scheme are based on assumptions regarding inflation rates, discount rates and member longevity. Such assumptions are based on actuarial advice and are benchmarked against similar pension schemes. Refer to note 21 for further information.

Taxation

Tax laws that apply to the Group's businesses may be amended by the relevant authorities, for example as a result of changes in fiscal circumstances or priorities. Such potential amendments and their application to the Group are monitored regularly and the requirement for recognition of any liabilities assessed where necessary. The Group is subject to income taxes in a number of different jurisdictions and judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. The Group recognises a provision when it is probable that an obligation to pay tax will crystallise as a result of a past event. The quantum of provision recognised is based on the best information available and has been assessed by in-house tax experts, and where appropriate third party taxation and legal specialists, and represents the Group's best estimate of the most likely outcome. Where the final outcome of such matters differs from the amounts initially recorded, any differences will impact the income tax and deferred tax provisions in the year to which such determination is made. The Group has recognised provisions in relation to uncertain tax positions of £98 million at 27 April 2019 (2017/18: £66 million). Due to the nature of the provisions recorded, the timing of the settlement of these amounts remains uncertain. In addition, the Group is currently cooperating with HMRC in relation to open tax enquiries arising from pre-merger legacy corporate transactions in the Carphone Warehouse group. The potential range of tax exposures relating to these is estimated to be £nil - £220 million excluding interest and penalties. Based on the strength of third party legal advice it is not considered probable that these enquiries will result in an economic outflow to the Group and therefore no provision has been made.

Provisions

The Group's provisions are based on the best information available to management at the balance sheet date. Judgement is required to assess the likelihood of success of any claim made against the Group and if any liability will arise. The most significant provision currently is in relation to the store reorganisation programme described in note 4. The costs and timing of cash flows are dependent on exiting the property lease contracts or subletting the property. Significant assumptions are used in estimating the ultimate cost to the Group including the nature, timing and cost of exiting a lease and the level of sublease income. The future costs assumed are inevitably only estimates, which may differ from those ultimately incurred. Refer to note 20 for further information.

Where tax and other regulatory enquiries result in a present obligation that cannot be measured with sufficient reliability, the Group discloses a contingent liability (see note 30).

The estimation uncertainty over the provision for onerous lease contacts has been sensitised. If the gross margin for the Carphone Warehouse business in financial year 2019/20 is £20 million lower than forecast, keeping all other assumptions for store performance and growth rates the same, the negative impact on profit before tax is £9 million with equivalent increase in the provision balance. If the gross margin is £20 million higher than forecast the positive impact on profit before tax is £6 million with an equivalent decrease in the provision balance.

1 Accounting policies continued

s) Critical accounting judgements and key sources of estimation uncertainty continued

Recoverable amount of non-financial assets
Goodwill is assessed to determine whether it has suffered any impairment loss, based on the value of the discounted future cash flows allocated to the CGU or group of CGUs to which it is allocated. The methodology and key assumptions used in assessing the carrying value of goodwill is set out in note 9. The key assumptions made for long term projections, growth rates, discount rate and the potential impact of Brexit all include an element of estimation that may give rise to a difference between the value ascribed and the actual outcomes.

All other non-current assets, including intangible assets held at amortised cost, are reviewed for potential impairment using estimates of the future economic benefits attributable to them compared to their carrying value. 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.

t) Recent accounting developments

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for the financial year beginning 29 April 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements with the exception of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' as discussed above and disclosed further in note 31. The Group has considered the following standards but are not deemed to be material:

IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions

IAS 40 (amendments) Transfers of Investment Property

Annual Improvements to IFRS Standards 2014 – 2016 Cycle Amendments to IAS 28 Investments in Associates and Joint Ventures

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

IFRS 16 'Leases'

IFRS 16, which was endorsed by the EU on 9 November 2017, provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 'Leases' and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 28 April 2019.

The Group has chosen the modified retrospective application of IFRS 16 in accordance with IFRS 16.C5(b).

Impact of the new definition of a lease
The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

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

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown elements of one material service contract that will be accounted for as leased assets under IFRS 16 where the costs are currently accounted for as IT service fees.

Impact on Lessee Accounting
IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet. On initial application of IFRS 16, for all leases (except as noted below), the Group will:

a) Recognise right-of-use assets and lease liabilities in the consolidated balance sheet, initially measured at the present value of the future lease payments;

b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the profit or loss;

c) Cash payments in respect of operating leases currently presented within operating activities in the consolidated cash flow statement will be presented within financing activities. There will be no impact on the total cash flows.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

As at 28 April 2019, the Group has non-cancellable operating lease commitments of £1.8 billion.

The Group has performed a review of all the Group's leasing arrangements in light of the new accounting standard. The Group estimates that the application of IFRS 16 will result in recognition of a lease liability in the region of £1.5 billion and a corresponding right-of-use asset, subject to an impairment review at the date of adoption, on the balance sheet as at 28 April 2019.

The difference between the non-cancellable operating lease commitments and the liability that will be recognised on transition is due to the effect of discounting the future

1 Accounting policies continued

t) Recent accounting developments continued

cashflows to recognise the present value as a liability, combined with the effect of operating leases that will be excluded from the application of IFRS 16 because the assets are individually of very low value or because the remaining lease term is less than one year.

Impact on Lessor Accounting
Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

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

Because of this change the Group will reclassify certain of its sublease agreements as finance leases. As required by IFRS 9, an allowance for expected credit losses will be recognised on the finance lease receivables. The leased assets will be derecognised and finance lease asset receivables recognised. This change in accounting will change the timing of recognition of the related revenue (recognised in finance income).

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

IFRS 17 Insurance Contracts

Amendments to IFRS 9 Prepayment Features with Negative Compensation

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

Annual Improvements to IFRS Standards 2015–2017 Cycle: Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

IFRIC 23 Uncertainty over Income Tax Treatments

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.

Changes to operating segments
During the period, the operating and reporting segments of the Group have changed, and reflect the updated segments reported to the Board, who are considered the Chief Operating Decision Maker under IFRS 8 "Operating Segments". The previously disclosed UK & Ireland segment has been separated into UK & Ireland electricals and UK & Ireland mobile. Given the challenges in the mobile market, and the corresponding change in the UK & Ireland mobile performance in the period, the Group has changed the information presented to the Board to provide greater clarity over the relative performance of the two elements of the UK & Ireland businesses and to support decisions related to the allocation of the Group's resources. This change has included the provision of separate financial information in respect of the UK & Ireland mobile and electricals segments. The UK & Ireland electricals operating segments consists of the CurrysPCWorld and Dixons Travel businesses, and the UK & Ireland mobile segment relates to the Carphone Warehouse, iD mobile and Simplify Digital businesses and the Connected World Services B2B operations.

In addition, as disclosed in the Annual Report and Accounts for the year ended 28 April 2018, following the classification of the results of the honeybee segment as discontinued operations, these are no longer presented as a separate operating segment.

The restatement of comparative information for these segments has been set out in part (b) of this note.

Discontinued operations are excluded from this segmental analysis. Results are reviewed by the Board on a headline basis by segment.

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

- UK & Ireland electricals comprises operations of CurrysPCWorld and the Dixons Travel business.
- UK & Ireland mobile comprises the Carphone Warehouse, iD Mobile and Simplify Digital businesses and the Connected World Services B2B operations.
- Nordics operates in Norway, Sweden, Finland, Denmark and Iceland.
- Greece, consisting of our ongoing operations in Greece and, for non-headline items, our previously disposed operations in Southern Europe.

2 Segmental analysis continued

Non-headline results are allocated to each reportable segment. Where these relate to businesses to be exited or income or expense from previously disposed operations, they are allocated where practicable to the region in which the operation was originally held.

UK & Ireland electricals, UK & Ireland mobile, Nordics and Greece 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.

(a) Segmental results

Year ended 27 April 2019

	UK & Ireland electricals £million	UK & Ireland mobile £million	Nordics £million	Greece £million	Eliminations £million	Total £million
Headline external revenue	4,475	1,998	3,501	459	—	10,433
Inter-segmental revenue	79	90	—	—	(169)	—
Total headline revenue	4,554	2,088	3,501	459	(169)	10,433
Headline EBIT	180	9	112	21	—	322

Reconciliation of headline profit to total profit before tax

Year ended 27 April 2019

	Headline profit / (loss) £million	Acquisition / disposal related items £million	Strategic change programmes £million	Data incident costs £million	Regulatory costs £million	Impairment losses and onerous leases £million	Pension scheme interest £million	Total profit / (loss) £million
UK & Ireland electricals	180	(14)	(44)	(12)	(16)	—	—	94
UK & Ireland mobile	9	3	(23)	(8)	(36)	(383)	—	(438)
Nordics	112	(12)	—	—	—	—	—	100
Greece	21	—	—	—	—	—	—	21
EBIT	322	(23)	(67)	(20)	(52)	(383)	—	(223)
Finance income	11	—	—	—	—	—	—	11
Finance costs	(35)	—	—	—	—	—	(12)	(47)
Profit / (loss) before tax	298	(23)	(67)	(20)	(52)	(383)	(12)	(259)

Year ended 28 April 2018

	UK & Ireland electricals £million	UK & Ireland mobile £million	Nordics £million	Greece £million	Eliminations £million	Total £million
Headline external revenue	4,412	2,233	3,470	410	—	10,525
Inter-segmental revenue	86	66	—	—	(152)	—
Total headline revenue	4,498	2,299	3,470	410	(152)	10,525
Headline EBIT	231	43	106	20	—	400

Notes to the Group Financial Statements continued

2 Segmental analysis continued

Reconciliation of headline profit to total profit before tax

	Year ended 28 April 2018					
	Headline profit / (loss) (restated) £million	Acquisition / disposal related items £million	Strategic change programmes £million	Share plan taxable benefit compensation £million	Pension scheme interest £million	Total profit / (loss) £million
UK & Ireland electricals	231	(13)	(32)	2	—	188
UK & Ireland mobile	43	(13)	(6)	—	—	24
Nordics	106	(12)	(14)	—	—	80
Greece	20	9	—	—	—	29
EBIT	400	(29)	(52)	2	—	321
Finance income	14	—	—	—	—	14
Finance costs	(32)	—	—	—	(14)	(46)
Profit / (loss) before tax	382	(29)	(52)	2	(14)	289

b) Restatement of segmental information

As discussed above, during the period the Group's reportable segments have been changed, and comparatives have been restated accordingly. The below tables provide reconciliations for the headline revenue and headline EBIT for the year ended 28 April 2018. The relevant adjustment is the reconciliation of the UK & Ireland results between the UK & Ireland electricals and UK & Ireland mobile segments and the reallocation of central costs between the Groups reportable segments.

Reallocation of central costs represents certain administrative functions previously managed as a separate Group function now managed within the UK & Ireland segments, reflecting the utilisation of those resources.

Year ended 28 April 2018

	Year ended 28 April 2018			
	Total headline revenue as previously reported £million	Reallocate UK & Ireland electricals revenues £million	Reallocate UK & Ireland mobile revenues £million	Total £million
UK & Ireland electricals	—	4,412	—	4,412
UK & Ireland mobile	—	—	2,233	2,233
UK & Ireland (as previously reported)	6,645	(4,412)	(2,233)	—
Nordics	3,470	—	—	3,470
Greece	410	—	—	410
Total headline revenue	**10,525**	**—**	**—**	**10,525**

	Year ended 28 April 2018				
	Total headline EBIT as previously reported £million	Reallocate UK & Ireland electricals £million	Reallocate UK & Ireland mobile £million	Reallocate central costs £million	Total £million
UK & Ireland electricals	—	233	—	(2)	231
UK & Ireland mobile	—	—	48	(5)	43
UK & Ireland (as previously reported)	281	(233)	(48)	—	—
Nordics	101	—	—	5	106
Greece	18	—	—	2	20
Total headline EBIT	**400**	**—**	**—**	**—**	**400**

c) Geographical information

Revenues are allocated to countries according to the entity's country of domicile. Revenue by destination is not materially different to that shown by domicile.

2 Segmental analysis continued

d) Other information

	Capital expenditure Year ended 27 April 2019 £million	Year ended 28 April 2018 (restated)* £million
UK & Ireland electricals	90	88
UK & Ireland mobile	20	37
Nordics	49	40
Greece	7	8
	166	173

* Figures for 2017/18 have been restated to reflect the change in segments reported to the board as per IFRS 8 Operating Segments. The previously disclosed UK & Ireland segment has been separated into UK & Ireland electricals and UK & Ireland mobile.

3 Revenue and profit / (loss) before interest and taxation

	Year ended 27 April 2019			Year ended 28 April 2018		
	Headline £million	Non-headline £million	Total £million	Headline £million	Non-headline £million	Total £million
Revenue	10,433	—	10,433	10,525	6	10,531
Cost of sales	(8,330)	—	(8,330)	(8,365)	(6)	(8,371)
Gross profit	2,103	—	2,103	2,160	—	2,160
Operating expenses	(1,781)	(545)	(2,326)	(1,760)	(79)	(1,839)
Profit / (loss) before interest, taxation	322	(545)	(223)	400	(79)	321

The Group's disaggregated revenues recognised under 'Revenue from Contracts with Customers' in accordance with IFRS 15 relates to the following operating segments and revenue streams:

Year ended 27 April 2019	UK & Ireland electricals £million	UK & Ireland mobile £million	Nordics £million	Greece £million	Total £million
Sale of goods	4,085	474	3,161	437	8,157
Commission revenue	9	1,401	263	1	1,674
Support services revenue	275	—	25	14	314
Other services revenue	99	123	52	7	281
Other revenue	7	—	—	—	7
Total headline revenue	4,475	1,998	3,501	459	10,433

Year ended 28 April 2018	UK & Ireland electricals £million	UK & Ireland mobile £million	Nordics £million	Greece £million	Total £million
Sale of goods	4,005	532	3,135	391	8,063
Commission revenue	8	1,578	258	1	1,845
Support services revenue	285	—	24	12	321
Other services revenue	112	123	53	6	294
Other revenue	2	—	—	—	2
Total headline revenue	4,412	2,233	3,470	410	10,525

Revenue from support services relates predominantly to customer support agreements, while other services revenue comprises delivery and installation, product repairs and product support.

3 Revenue and profit / (loss) before interest and taxation continued

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

	Year ended 27 April 2019 £million	Year ended 28 April 2018 £million
Depreciation of property, plant & equipment	91	101
Impairment of property, plant & equipment	28	—
Amortisation of acquisition intangibles	28	32
Impairment of acquisition intangibles	10	1
Amortisation of other intangibles	55	59
Impairment of other intangible	84	—
Impairment of goodwill	225	—
Impairment of inventory	87	95
Loss / (gains) on disposal of property, plant & equipment	1	(1)
Cost of inventory recognised as an expense	8,217	8,158
Cash flow hedge amounts reclassified and reported in income statement	(19)	(11)
Rentals paid under operating leases:		
Non-contingent rent	308	310
Contingent rent	26	24
Rentals received under operating leases – subleases	(2)	(2)
Investment property rental income	—	(1)
Net foreign exchange losses	7	1
Share-based payments expense	21	14
Other employee costs (see note 5)	1,149	1,124

Auditor's remuneration comprises the following:

	Year ended 27 April 2019 £million	Year ended 28 April 2018 £million
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.1	0.1
Fees payable to the Company's auditor and its associates for their audit of the Company's subsidiaries	1.5	1.5
Total audit fees	1.6	1.6
Tax compliance services	0.1	0.1
Other assurance services	0.3	0.2
Other services	—	0.1
Total non-audit fees	0.4	0.4
	2.0	2.0

4 Non-headline items

	Note	Year ended 27 April 2019 £million	Year ended 28 April 2018 £million
Included in revenue			
Businesses to be exited	(i)	—	6
		—	6
Included in (loss) / profit before interest and tax:			
Acquisition / disposal related items	(i)	(23)	(29)
Strategic change programmes	(ii)	(67)	(52)
Data incident costs	(iii)	(20)	—
Regulatory costs	(iv)	(52)	—
Impairment losses and onerous leases	(v)	(383)	—
Share plan taxable benefit compensation	(vi)	—	2
		(545)	(79)
Included in net finance costs:			
Net non-cash finance costs on defined benefit pension schemes	(vii)	(12)	(14)
Total impact on (loss) / profit before tax		(557)	(93)
Tax regulatory matters	(viii)	(46)	—
Tax on non-headline items	(ix)	56	26
Total impact on (loss) / profit after tax — continuing operations		(547)	(67)
Discontinued operations	24	(9)	(70)
Total impact on (loss) / profit after tax		(556)	(137)

(i) Acquisition / disposal related items
Amortisation of acquisition intangibles:

A charge of £28 million (2017/18: £32 million) relates to acquisition intangibles arising on the CPW Europe acquisition, the Dixons Retail merger and Simplify Digital acquisition.

Acquisition related:

Acquisition related income of £5 million primarily relates to the release of deferred consideration for a previous acquisition no longer payable given the strategic change of the business (2017/18: £2 million release).

Unieuro income:

In November 2013, the Group disposed of its Unieuro operations, but retained an investment of 14.96% in the operations. The investment was initially recognised at £nil based on the fair value of the retained interest. In March 2017, Unieuro undertook an IPO for 31.8% of its shareholdings, which reduced the Group's investment to 10.2% of the Unieuro operations.

In October 2017, IEH announced a corporate restructuring, whereby the Group obtained direct control of the investment of 7.18% of Unieuro, together with a receivable for previous dividends and the share sales. The amount realised as a result of the dividend and share sale of £10 million has been recycled to the income statement in the year ended 28 April 2018.

Businesses to be exited:
Comprises the trading result of businesses to be exited where they do not meet the criteria under IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", for separate disclosure as discontinued operations. In the prior period, this comprises the results of the iD mobile operations in the Republic of Ireland. There has been no profit or loss in relation to business to be exited in the current period (2017/18: £9 million).

Notes to the Group Financial Statements continued

4 Non-headline items continued

(ii) Strategic change programmes:

During the current period, costs of £49 million have been incurred in relation to the strategic change programme, to set a clear long-term direction for the business which sharpens our focus on the core and that better joins up our offer to customers and our business behind the scenes. The costs incurred relate to the following:

- £11 million in relation to costs of implementing the strategy;
- £21 million cost in relation to restructuring and redundancy costs for central operations organisational design;
- £9 million in relation to the closure of non-core operations, relating to certain of our concession arrangements across the CurrysPCWorld, Carphone Warehouse and Dixons Travel brands and our energy switching business; and
- £8 million in relation to further rationalisation of our property estate, including the closure of Carphone Warehouse stores in the UK as announced on 4 May 2018.

Property rationalisation:

Additional costs of £18 million have been provided in relation to the remaining stores under the CurrysPCWorld 3-in-1 and Carphone Warehouse programme announced in 2015/16, due to the challenges in the UK retail property market. In the prior year ended 28 April 2018, an additional charge of £29 million was recorded.

Merger and transformation costs:

There has been no profit or loss in relation to previous merger and transformation programmes in the current period. Transformation costs of £23 million in the prior year ended 28 April 2018 related to business restructuring in the Nordics of £14 million, together with UK business restructuring and functional transformation costs of £9 million primarily related to redundancy and consultancy fees.

(iii) Data incident costs:

During the period, costs associated with the data incident announced on 13 June 2018 of £20 million have been recorded. £14 million of these costs, related to investigation and remediation activities, were incurred during the year with the remaining costs expected to be incurred within the next twelve months.

(iv) Regulatory costs:

A charge of £52 million has been recorded in relation to pension related costs, employee related costs and other regulatory matters in the current period. This includes:

- An additional pension related cost of £15 million. On 26 October 2018, the High Court issued a judgement in a claim to address the issues of unequal Guaranteed Minimum Pensions (GMPs) in the Lloyds Banking Group's defined benefit pension schemes (the "Lloyds case"). This will potentially impact the DSG Retirement and Employee Security Scheme operating in the UK. The Group is working through the details of the ruling and assessing its impact on the liability valuation of the scheme. We currently estimate that this will increase the liability by £15 million, and therefore have recorded this as a past service cost in the current period. There are a number of uncertainties surrounding the change, including the method of calculation of the equalisation and any potential appeals against the ruling, therefore we consider that the amount is subject to further change, however currently represents our best estimate.
- Costs of £1 million have also been provided for in relation to redress for ongoing employee related matters for historical periods.
- £30 million FCA fine imposed following the conclusion of an investigation into historical Geek Squad mobile phone insurance selling processes.

(v) Impairment losses and onerous leases:

As part of the strategic review performed by the Group, and as discussed in note 2, the Group has separated the operating segments in the UK & Ireland into the separate electricals and mobile operating segments. As a result of the change, the goodwill previously allocated to the UK & Ireland group of cash generating units ("CGUs") has been separated into the UK & Ireland electricals and UK & Ireland mobile groups of CGUs. This allocation has been performed on a relative value basis on the value of the two operating segments. In separating the goodwill, an impairment review has been performed over both operating segments based on our future projections and cash flows, reflecting the conclusions of the Group's strategic review which has been undertaken since the year end. This change, together with a deterioration in the forecast performance of the UK & Ireland mobile business, identified a material non-cash impairment charge to be recorded over the goodwill of the UK & Ireland mobile segment, together with impairment of related assets and additional onerous lease charges to be recorded against individual stores. The breakdown of the impairment recorded in relation to the UK & Ireland mobile operating segment asset base was as follows:

- £225 million representing the goodwill associated with the UK & Ireland mobile operating segment;
- £10 million of acquisition intangibles recognised during the previous acquisitions;

4 Non-headline items continued

- £75 million of intangible assets, primarily relating to capitalised software development costs;
- £25 million of central property, plant and equipment; and
- £12 million of store assets

In addition, £36 million of onerous lease provisions for stores within the UK & Ireland mobile operating segment have been recognised.

(vi) Share plan taxable benefit compensation:
A provision of £11 million was recognised in 2016/17 in relation to taxable benefits arising to participants of the Share Plan, as discussed in the Remuneration Committee Chair's statement on page 61 of the 2016/17 Annual Report. In 2017/18, the excess portion of the provision was released following the payment of compensation of the scheme.

(vii) Net non-cash financing costs on defined benefit pension schemes:
The net interest charge on defined benefit pension schemes represents the non-cash remeasurement calculated by applying the corporate bond yield rates applicable on the last day of the previous financial year to the net defined benefit obligation. As a non-cash remeasurement cost which is unrepresentative of the actual investment gains or losses made or the liabilities paid and payable, the accounting effect of this is excluded from headline earnings.

(viii) Tax regulatory matters:
As previously disclosed, the Group has been co-operating with HMRC in relation to the tax treatment arising due to pre-merger legacy corporate transactions. The Group maintains the tax treatment was appropriate, however, the likelihood of litigation, and therefore risk associated with this matter, has increased and therefore a provision has been recognised.

(ix) Taxation:
The effective tax rate on non-headline earnings and costs is 2%. Once the impact of the provision of £46 million is removed, the effective tax rate is 10%. The rate of relief is lower than the UK statutory rate of 19% predominantly due to non-deductible goodwill impairment and regulatory costs. For the year ended 28 April 2018, the effective tax rate on non-headline items was 28% due to a one-off credit in relation to the recognition of previously unrecognised deferred tax assets in Greece of £10 million.

5 Employee costs and share-based payments

a) Employee costs

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

	Year ended 27 April 2019 £million	Year ended 28 April 2018 £million
Salaries and performance bonuses	**999**	982
Social security costs	**120**	116
Other pension costs	**30**	26
	1,149	1,124
Share-based payments	**21**	14
	1,170	1,138

Aggregate remuneration for discontinued operations are salaries and performance bonuses of £2 million (2017/18: £22 million) and social security costs of £nil million (2017/18: £4 million) .

The average number of employees for continuing operations is:

	Year ended 27 April 2019 number	Year ended 28 April 2018 (restated)* number
UK & Ireland electricals	**21,173**	21,706
UK & Ireland mobile	**9,304**	9,773
Nordics	**10,045**	10,014
Greece	**2,468**	2,267
	42,990	43,760

* Figures for 2017/18 have been restated to reflect the change in segments reported to the board as per IFRS 8 Operating Segments. The previously disclosed UK & Ireland segment has been separated into UK & Ireland electricals and UK & Ireland mobile.

Notes to the Group Financial Statements continued

5 Employee costs and share-based payments continued

a) Employee costs continued

The average number of employees for discontinued operations is 5 (2017/18: 835).

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

	Year ended 27 April 2019 £million	Year ended 28 April 2018 £million
Short-term employee benefits	10	19
Share-based payments	6	—
	16	19

Short-term employee benefits includes £nil million (2017/18: £11 million) in relation to the satisfaction of share-scheme related loans by the Group on behalf of the employees, along with the associated benefit in kind income tax charge and social security contributions.

Further information about individual directors' remuneration, share interests, share options, pensions and other entitlements, which form part of these financial statements, is provided in the Remuneration Report.

b) Share-based payments

i) Share option schemes

During the year ended 29 March 2014, the Group introduced a share option scheme which allows nil-priced options to be offered to senior employees. Options were first granted under the scheme in January 2014. The options are subject to continuing employment and certain awards are subject to performance conditions.

For options granted during 2015/16 and earlier periods, performance conditions are based on a combination of absolute TSR performance and relative TSR performance against the FTSE 250 or FTSE 350. For options granted during the year ended 29 April 2017, performance conditions are based on a combination of EPS growth and relative TSR performance against the constituents of the FTSE 51-150 at 1 May 2016.

For options granted during the years ended 28 April 2018 and 27 April 2019, awards granted to executive directors and key management are subject to performance conditions based on relative TSR performance against the constituents of the FTSE 51-150 at the start of the performance period and, either EPS growth or free cash flow growth. For options issued to other senior management, awards are not subject to performance conditions.

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

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

	Year ended 27 April 2019		Year ended 28 April 2018	
	Number million	WAEP £	Number million	WAEP £
Outstanding at the beginning of the period	22	—	25	—
Granted during the period	42	—	13	—
Forfeited during the period	(8)	—	(13)	—
Exercised during the period	(1)	—	(3)	—
Outstanding at the end of the period	55	—	22	—
Exercisable at the end of the period	—	—	—	—

Financial Statements

5 Employee costs and share-based payments continued

b) Share-based payments continued

	Year ended 27 April 2019	Year ended 28 April 2018
Weighted average market price of options exercised in the period	**£1.75**	£2.62
Weighted average remaining contractual life of awards outstanding	**9.1 yrs**	8.7 yrs
Exercise price for options outstanding	**£nil**	£nil

ii) SAYE scheme

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

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

	Year ended 27 April 2019		Year ended 28 April 2018	
	Number million	**WAEP £**	Number million	WAEP £
Outstanding at the beginning of the period	**19**	**2.00**	15	2.85
Granted during the period	**—**	**—**	14	1.65
Exercised during the period	**—**	**1.65**	—	2.24
Forfeited during period	**(7)**	**2.16**	(10)	2.77
Outstanding at the end of the period	**12**	**1.90**	19	2.00
Exercisable at the end of the period	**1**	**3.03**	1	3.31

	Year ended 27 April 2019	Year ended 28 April 2018
Weighted average market price of options exercised in the period	**£2.31**	£2.94
Weighted average remaining contractual life of awards outstanding	**2.3 yrs**	3.1 yrs
Range of exercise prices for options outstanding	**£1.65 — £3.77**	£1.65 — £3.77

iii) Fair value model

The fair value of options was estimated at the date of grant using a Monte Carlo model. The model combines the market price of a share at the date of grant with the probability of meeting performance criteria, based on the historical performance of Carphone Warehouse and, for options issued subsequent to the Merger on 6 August 2014, the historical performance of Dixons.

The weighted average fair value of options granted during the period was £1.33 (2017/18: £1.32). The following table lists the inputs to the model:

	Year ended 27 April 2019	Year ended 28 April 2018
Exercise price	**£nil**	£nil — £1.65
Dividend yield	**0% — 5.7%**	0% — 5.8%
Historical and expected volatility	**36% — 37%**	29% — 35%
Expected option life	**10 yrs**	4 — 10 yrs
Weighted average share price	**£1.54**	£2.33

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, including consideration of the historical volatility of Carphone Warehouse and Dixons prior to the Merger.

iv) Charge to the income statement and entries in reserves

During the year ended 27 April 2019, the Group recognised a non-cash accounting charge to profit and loss of £21 million (2017/18: £14 million) in respect of equity settled share-based payments, with a corresponding credit through reserves.

5 Employee costs and share-based payments continued

c) Employee Benefit Trust ('EBT')

	27 April 2019			28 April 2018		
	Market value £million	**Nominal value £million**	**Number million**	Market value £million	Nominal value £million	Number million
Investment in own shares	**1**	**—**	**0.7**	1	—	0.7
Maximum number of shares held during the period	**5**	**—**	**2.8**	11	—	3.9

The number of shares held by the EBT, which are shown in the table above, remain held for potential awards under outstanding plans. The costs of funding and administering the EBT are charged to the income statement in the year to which they relate. Shareholders' funds are reduced by the net book value of shares held in the EBT.

The EBT acquired 2.2 million of the Company's shares during the year ended 27 April 2019 at nominal value (2017/18: 4.5 million shares).

The EBT has waived rights to receive dividends and agree to abstain from exercising their right to vote. The shares have not been allocated to specific schemes as further disclosed in the Directors Report.

6 Net finance costs

	Year ended 27 April 2019 £million	Year ended 28 April 2018 £million
Unwind of discounts on trade receivables	**11**	14
Finance income	**11**	14
Interest on bank overdrafts, loans and borrowings	**(17)**	(13)
Finance lease interest payable	**(6)**	(6)
Net interest on defined benefit pension obligations(i)	**(12)**	(14)
Unwind of discounts on liabilities	**(4)**	(6)
Amortisation of facility fees(ii)	**(2)**	(1)
Other interest expense	**(6)**	(6)
Finance costs	**(47)**	(46)
Total net finance costs	**(36)**	(32)
Headline total net finance costs	**(24)**	(18)

(i) Headline finance costs exclude net interest on defined benefit pension obligations (see note 4).
(ii) All finance costs in the above table represent interest costs of financial liabilities and assets, other than amortisation of facility fees which represent non-financial assets.

7 Tax

a) Tax expense

The corporation tax charge comprises:

		Year ended 27 April 2019 £million	Year ended 28 April 2018 £million
Current tax			
UK corporation tax at 19%[i] (2017/18 19%)	– Headline	**26**	42
	– Non-headline	**25**	(4)
Overseas tax	– Headline	**29**	21
		80	59
Adjustments made in respect of prior years:			
UK corporation tax	– Headline	**(5)**	(4)
	– Non-headline	**(5)**	(2)
Overseas tax	– Headline	**(4)**	1
	– Non-headline	**(1)**	—
		(15)	(5)
Total current tax		**65**	54
Deferred tax			
UK tax	– Headline	**11**	10
	– Non-headline	**(27)**	(3)
Overseas tax	– Headline	**3**	8
	– Non-headline	**(2)**	(17)
		(15)	(2)
Adjustments in respect of prior years:			
UK corporation tax	– Headline	**2**	1
Overseas tax	– Non-headline	**—**	—
		2	1
Total deferred tax		**(13)**	(1)
Total tax charge		**52**	53
Headline tax charge		**62**	79

(i) The UK corporation tax rate for the years ended 27 April 2019 and 28 April 2018 was 19%.

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

Notes to the Group Financial Statements continued

7 Tax continued

b) Reconciliation of standard to actual (effective) tax rate

The principal differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to profit / (loss) before taxation are as follows:

	Year ended 27 April 2019			Year ended 28 April 2018		
	Headline £million	**Non-headline £million**	**Statutory £million**	Headline £million	Non-headline £million	Statutory £million
Profit / (loss) before taxation	**298**	**(557)**	**(259)**	382	(93)	289
Tax at UK statutory rate of 19% (2017/18: 19%)	**57**	**(106)**	**(49)**	72	(18)	54
Differences in effective overseas tax rates	**5**	**—**	**5**	4	(1)	3
Adjustments in respect of prior years	**(7)**	**(5)**	**(12)**	(2)	(2)	(4)
Items attracting no tax relief or liability	**7**	**98**	**105**	6	5	11
Movement in unprovided deferred tax	**(1)**	**—**	**(1)**	(1)	(10)	(11)
Effect of change in statutory tax rate	**1**	**3**	**4**	—	—	—
Total tax charge / (credit)	**62**	**(10)**	**52**	79	(26)	53

The effective tax rate on headline earnings for the years ended 27 April 2019 and 28 April 2018 is 21%.

Items attracting no tax relief or liability relate mainly to non-deductible depreciation in the UK business.

The effective tax rate on non-headline earnings and costs is 2% (2017/18: 28%), further information is outlined in note 4.

A further reduction in the UK corporation tax rate to 17% from 1 April 2020 has been substantively enacted by the balance sheet date and has been used in the recognition of deferred tax balances.

c) Deferred tax

	Accelerated capital allowances £million	**Retirement benefit obligations £million**	**Losses carried forward £million**	**Other temporary differences £million**	**Total £million**
At 29 April 2017	(34)	99	3	47	115
Charged directly to income statement	2	—	—	7	9
(Charged) / credited to equity	—	(20)	—	1	(19)
At 28 April 2018	(32)	79	3	55	105
Credited directly to income statement	**1**	**—**	**2**	**10**	**13**
(Charged) / credited in respect of discontinued operations	**(8)**	**—**	**—**	**—**	**(8)**
Credited / (charged) to equity	**—**	**18**	**—**	**(1)**	**17**
Other	**—**	**—**	**—**	**(1)**	**(1)**
At 27 April 2019	**(39)**	**97**	**5**	**63**	**126**

Deferred tax comprises the following balances:

	27 April 2019 £million	28 April 2018 £million
Deferred tax assets	**282**	240
Deferred tax liabilities	**(156)**	(135)
	126	105

7 Tax continued

c) Deferred tax continued

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

	Year ended 27 April 2019 £million	Year ended 28 April 2018 £million
Defined benefit pension schemes	18	(20)
Share-based payments	–	(1)
Other temporary differences	(1)	2
	17	(19)

The Group has a current tax credit of £5 million (2017/18: £4 million) through equity which consists of a credit of £4 million (2017/18: £5 million) in relation to pensions and a credit of £1 million (2017/18: debit of £1 million) in respect of other items.

The Group has total unrecognised temporary differences relating to gross tax losses in the United Kingdom of £1,075 million (2017/18: £1,074 million) and the deferred tax asset is estimated as £185 million (2017/18: £184 million). No deferred tax asset has been recognised in respect of the losses due to the majority of the losses being capital losses and, for trading losses, there is lack of certainty regarding the availability of future taxable profits. The unrecognised tax losses may be carried forward indefinitely.

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

8 Earnings per share

	Year ended 27 April 2019 £million	Year ended 28 April 2018 £million
Headline earnings		
Continuing operations	236	303
Total (loss) / earnings		
Continuing operations	(311)	236
Discontinued operations	(9)	(70)
Total	(320)	166

	Million	Million
Weighted average number of shares		
Average shares in issue	1,160	1,157
Less average holding by Group EBT	(1)	(1)
For basic earnings per share	1,159	1,156
Dilutive effect of share options and other incentive schemes	9	4
For diluted earnings per share	1,168	1,160

Notes to the Group Financial Statements continued

8 Earnings per share continued

	Pence	Pence
Basic earnings per share		
Total (continuing and discontinued operations)	**(27.6)**	14.4
Adjustment in respect of discontinued operations	**0.8**	6.0
Continuing operations	**(26.8)**	20.4
Adjustments for non-headline — continuing operations (net of taxation)	**47.2**	5.8
Headline basic earnings per share	**20.4**	26.2
Diluted (loss)/earnings per share		
Total (continuing and discontinued operations)	**(27.6)**	14.3
Adjustment in respect of discontinued operations	**0.8**	6.0
Continuing operations	**(26.8)**	20.3
Adjustments for non-headline — continuing operations (net of taxation)	**47.0**	5.8
Headline diluted earnings per share	**20.2**	26.1

Basic and diluted earnings per share are based on the profit for the period attributable to equity shareholders. Headline earnings per share is presented in order to show the underlying performance of the Group. Adjustments used to determine headline earnings are described further in note 4.

9 Goodwill

Cost	£million
As at 29 April 2017	**3,111**
Disposals	**(33)**
Foreign exchange	**10**
As at 28 April 2018	**3,088**
Disposals	**–**
Foreign Exchange	**(23)**
As at 27 April 2019	**3,065**

Accumulated impairment	£million
As at 29 April 2017 and 28 April 2018	**–**
Impairment loss for the year (note 4)	**(225)**
As at 27 April 2019	**(225)**

Carrying amount	£million
As at 29 April 2017	**3,111**
As at 28 April 2018	**3,088**
As at 27 April 2019	**2,840**

9 Goodwill continued

a) Carrying value of goodwill

The components of goodwill comprise the following businesses:

	27 April 2019 £million	28 April 2018 (restated) £million
UK & Ireland electricals	1,840	1,840
UK & Ireland mobile	–	225
Nordics	1,000	1,023
	2,840	3,088

As part of the strategic review performed by the Group, and as described in note 2, the Group has separated the UK & Ireland operating segment into the separate UK & Ireland electricals and UK & Ireland mobile operating segments. As a result of the change, the goodwill previously allocated to the UK & Ireland group of cash generating units ('CGUs') has been allocated between the UK & Ireland electricals and UK & Ireland mobile group of CGUs. This allocation has been performed on a relative value basis on the value of the two operating segments.

An impairment review has been performed as described below which identified a material non-cash impairment charge of £225 million (2017/18: £nil) to be recorded over the goodwill of the UK & Ireland mobile segment (see note 4).

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 are based on board approved budgets for 2019/20 together with the board approved five-year strategic plan. These projections have regard to the relative performance of competitors and knowledge of the current market together with management's views on the future achievable growth in market share and impact of the committed initiatives. The cash flows which derive from these five-year projections include ongoing capital expenditure required to develop and upgrade the store network in order to maintain and operate the businesses and to compete in their markets. In forming the five-year projections, management draws on past experience as a measure to forecast future performance.

Key assumptions used in determining the five-year projections comprise the growth in sales and costs over this period. The compound annual growth rate in sales and costs can rise as well as fall year-on-year depending not only on the year five targets, but also on the current financial year base. These targets, when combined, accordingly drive the resulting profit margins and the profit in year five of the projections which is in turn used to calculate the terminal value in the VIU calculation. Historical amounts for the businesses under impairment review as well as from other parts of the Group are used to generate the values attributed to these assumptions.

Notes to the Group Financial Statements continued

9 Goodwill continued

b) Goodwill impairment testing continued

The value attributed to these assumptions for the most significant components of goodwill are as follows:

	27 April 2019				28 April 2018			
	Compound annual growth in sales	Compound annual growth in costs	Growth rate beyond five years	Pre-tax discount rate	Compound annual growth in sales	Compound annual growth in costs	Growth rate beyond five years	Pre-tax discount rate
UK & Ireland electricals	1.3%	1.3%	1.6%	9.6%	1.2%	1.6%	1.8%	8.6%
UK & Ireland mobile	(0.5%)	(1.5%)	1.6%	9.6%	1.2%	1.6%	1.8%	8.6%
Nordics	2.6%	2.4%	1.7%	9.4%	2.9%	2.9%	1.7%	8.6%

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. Each base case considered includes the downside assumptions of Brexit. Consideration of sensitivities to key assumptions can evolve from one financial year to the next. The directors have concluded that there are no reasonably possible changes in key assumptions which would cause the carrying value of those groups of CGUs with goodwill allocated to exceed their value in use or recoverable amount.

10 Intangible assets

	Acquisition intangibles				
	Brands £million	Customer relationships £million	Sub-total £million	Software and licences £million	Total £million
Balance at 29 April 2018	274	16	290	188	478
Additions	—	—	—	119	119
Reclassification	—	—	—	48	48
Amortisation	(25)	(3)	(28)	(55)	(83)
Reclassified to assets held for sale	—	—	—	—	—
Disposed with subsidiary	—	—	—	—	—
Impairment (note 4)	—	(10)	(10)	(84)	(94)
Foreign exchange	(3)	—	(3)	(1)	(4)
Balance at 27 April 2019	246	3	249	215	464
Cost	371	73	444	625	1,069
Accumulated amortisation and impairment losses	(125)	(70)	(195)	(410)	(605)
Balance at 27 April 2019	246	3	249	215	464

	Acquisition intangibles				
	Brands £million	Customer relationships £million	Sub-total £million	Software and licences £million	Total £million
Balance at 30 April 2017	299	23	322	231	553
Additions	—	—	—	90	90
Amortisation	(25)	(7)	(32)	(70)	(102)
Reclassified to assets held for sale	—	—	—	(8)	(8)
Disposed with subsidiary	(1)	—	(1)	(2)	(3)
Impairment	(1)	—	(1)	(54)	(55)
Foreign exchange	2	—	2	1	3
Balance at 28 April 2018	274	16	290	188	478
Cost	374	73	447	459	906
Accumulated amortisation and impairment losses	(100)	(57)	(157)	(271)	(428)
Balance at 28 April 2018	274	16	290	188	478

10 Intangible assets continued

Software and licences include assets with a cost of £49 million (2017/18: £20 million) on which amortisation has not been charged as the assets have not yet been brought into use.

The impairment recognised in 2017/18 primarily represents the impairment of honeybee intangible assets of £54 million on classification as a held-for-sale asset as discussed in Note 24. This has been recorded within discontinued operations in operating expenses.

Individually material intangible assets

Customer relationships and brands include intangible assets which are considered individually material to the financial statements. The primary intangible assets, their net book values and remaining amortisation periods are as follows:

	Net book value £million	Remaining amortisation period Years
CurrysPCWorld	117	11
Elgiganten	52	11
Elkjøp	40	11
Gigantti	27	11

11 Property, plant & equipment

	Land and buildings £million	Fixtures, fittings and other equipment £million	Total £million
Balance at 29 April 2018	77	317	394
Additions	7	46	53
Reclassification	—	(47)	(47)
Depreciation	(9)	(82)	(91)
Disposals	—	(2)	(2)
Disposed with subsidiary	—	—	—
Impairment	(6)	(22)	(28)
Foreign exchange	—	(3)	(3)
Balance as at 27 April 2019	69	207	276
Cost	111	635	746
Accumulated depreciation	(42)	(428)	(470)
Balance as at 27 April 2019	69	207	276
Included in net book value as at 27 April 2019			
Land not depreciated	—	—	—
Assets in the course of construction	—	25	25
Assets held under finance leases	41	—	41

11 Property, plant & equipment continued

	Land and buildings £million	Fixtures, fittings and other equipment £million	Total £million
Balance at 30 April 2017	92	328	420
Additions	4	93	97
Depreciation	(10)	(92)	(102)
Disposals	(9)	(2)	(11)
Disposed with subsidiary	—	(10)	(10)
Impairment	—	(1)	(1)
Foreign exchange	—	1	1
Balance as at 28 April 2018	77	317	394
Cost	109	673	782
Accumulated depreciation	(32)	(356)	(388)
Balance as at 28 April 2018	77	317	394
Included in net book value as at 28 April 2018			
Land not depreciated	—	—	—
Assets in the course of construction	—	72	72
Assets held under finance leases	47	—	47

12 Interests in joint ventures, associates and investments

The Group's interests in joint ventures and associates are analysed as follows:

	27 April 2019 £million	28 April 2018 £million
Opening balance	**1**	18
Additions	**—**	3
Share of results	**—**	(3)
Disposals	**(1)**	(17)
Closing balance	**—**	1

During the year ended 27 April 2019 the Group disposed of part of the investments held by our Nordics operations through the franchise network (2017/18: £nil). The remaining investment held at 27 April 2019 was £0.4 million (2017/18: £0.5 million).

On 7 June 2017 agreement was reached to dispose of the Group's 50% interest in the Sprint Connect LLC joint venture to Sprint Corporation. £nil gain or loss was recognised in relation to the disposal. For the year ended 28 April 2018 the share of results of the operation to the date of disposal were classified as discontinued (£3 million loss) together with additional costs of £6 million incurred by the Group post closure (see note 24).

Investments

	27 April 2019 £million	28 April 2018 £million
Financial assets designated as at FVTOCI	**18**	17

12 Interests in joint ventures, associates and investments continued

In November 2013, the Group disposed of its Unieuro operations, and retained an investment of 14.96% in Italian Electronics Holdings s.r.l (IEH), a holding company which in turn owned 100% of the Unieuro operations. The investment was initially recognised at £nil based on the fair value of the retained interest. In March 2017, Unieuro undertook an IPO for 31.8% of its shareholdings, which reduced the Group's investment to 10.2% of the Unieuro operations. Given the successful IPO, a readily-determinable fair value is available based on the market price of the listed shares, and the investment has therefore been valued at £18 million. The movement in investment value has been taken to other comprehensive income as classified as a 'fair value through other comprehensive income investment' financial asset in accordance with IFRS 9 as outlined in note 31. For the year ended 28 April 2018 the investment was classified as an 'available-for-sale' investment in accordance with IAS 39 with the movement in investment value taken to other comprehensive income. The fair valuation techniques used are outlined in note 25.

13 Inventory

	27 April 2019 £million	28 April 2018 £million
Finished goods and goods for resale	1,156	1,145

14 Trade and other receivables

	27 April 2019 £million	28 April 2018 £million
Trade receivables	524	1,400
Less provision for bad and doubtful debts	(17)	(13)
	507	1,387
Contract assets*	653	—
Prepayments	100	92
Other receivables	58	114
Accrued income	108	68
	1,426	1,661
Non-current	387	507
Current	1,039	1,154
	1,426	1,661

* The Group adopted IFRS 15 Revenue from Contracts with Customers on 29 April 2018 retrospectively with the cumulative effect of initial application recognised as an adjustment to opening equity.

The majority of trade and other receivables are non-interest bearing. Non-current receivables mainly comprise commission receivable on sales, as described in note 25. Where the effect is material, trade and other receivables are discounted using discount rates which reflect the relevant costs of financing. The carrying amount of trade and other receivables approximates fair value.

Where a provision has been recognised in respect of expected credit losses on a receivable balance, the full amount of the receivable has been provided for.

	27 April 2019			28 April 2018		
	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	435	—	435	1,306	(1)	1,305
Past due:						
Under two months	47	(1)	46	48	(1)	47
Two to four months	9	(1)	8	15	—	15
Over four months	33	(15)	18	31	(11)	20
	89	(17)	72	94	(12)	82
	524	(17)	507	1,400	(13)	1,387

14 Trade and other receivables continued

Movements in the provision for impairment of trade receivables is as follows:

	27 April 2019 £million	28 April 2018 £million
Opening balance	**(13)**	(18)
IFRS 9 opening adjustment	**(1)**	—
Charged to the income statement	**(9)**	(2)
Receivables written off as irrecoverable	**4**	2
Amounts recovered during the year	**2**	2
Disposal of businesses	**—**	3
Closing balance	**(17)**	(13)

The Group's trade receivables included the following amounts which were past due, but for which the loss allowance was insignificant based on historical rates of recoverability.

	27 April 2019 £million	28 April 2018 £million
Under two months	**46**	47
Two to four months	**8**	15
Over four months	**18**	20
	72	82

Contract Assets	£million
Effect of adoption of IFRS 15 as at 29 April 2018	**892**
Transfers from contract assets recognised at the beginning of the year to receivables	**(474)**
Increase related to services provided in the year	**254**
Decrease due to a change in the estimate of transaction price	**(19)**
As at 27 April 2019	**653**

The timing of revenue recognition, billings and cash collection results in trade receivables (billed amounts), contract assets (unbilled amounts) and customer advances and deposits (contract liabilities) on the Group's balance sheet. For services in which revenue is earned over time, amounts are billed in accordance with contractual terms, either at periodic intervals or upon achievement of contractual milestones. The timing of revenue recognition is measured in accordance with the progress of delivery on a contract which could either be in advance or in arrears of billing, resulting in either a contract asset or a contract liability.

The Group recognises a contract asset for services delivered not yet billable to the customer. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is becomes billable. All contract asset amounts are current assets.

The Group has considered the risk profile for amounts due from network customers based on historical experience. In accordance with IFRS 9 the Group has applied the Expected Credit Loss model to these amounts. The contract asset value is discounted for the counterparty credit risk based on historical experience with these customers.

15 Cash and cash equivalents

	27 April 2019 £million	28 April 2018 £million
Cash at bank and on deposit	**125**	228

Cash at bank and on deposit includes short-term bank deposits which are available on demand. Within cash and cash equivalents, £43 million (2017/18: £60 million) is restricted and predominantly comprises funds held by the Group's insurance businesses to cover regulatory reserve requirements. These funds are not available to offset the Group's borrowings.

16 Trade and other payables

	27 April 2019		28 April 2018	
	Current £million	**Non-current £million**	Current £million	Non-current £million
Trade payables	**1,571**	**—**	1,739	—
Other taxes and social security	**298**	**—**	275	—
Other creditors	**29**	**109**	31	139
Contract liabilities*	**160**	**112**	—	—
Accruals	**292**	**31**	300	39
Deferred income	**—**	**—**	160	140
	2,350	**252**	2,505	318

* The Group adopted IFRS 15 Revenue from Contracts with Customers on 29 April 2018 retrospectively with the cumulative effect of initial application recognised as an adjustment to opening equity.

Non-current other creditors relate principally to property leases that are deemed to be over-rented which arose from acquisitions. These liabilities are unwound over the period of the relevant lease, of up to 19 years. The carrying amount of trade and other payables approximates their fair value.

Included in trade payables are amounts due where extended payment terms have been requested by the Group and agreed with the supplier. These terms are made available and administered under arrangements between the supplier and third party banks for which a fee is payable by the Group. The total amount outstanding on such extended payment terms at 27 April 2019 is £59 million (2017/18: £97 million). These arrangements do not provide the Group with a significant benefit of additional financing and accordingly are classified as trade payables.

£136 million included in contract liabilities at the start of the period was recognised as revenue during the year.

17 Contingent consideration

	27 April 2019		28 April 2018	
	Current £million	**Non-current £million**	Current £million	Non-current £million
Contingent consideration	**1**	**4**	1	12

	27 April 2019 £million	28 April 2018 £million
Opening balance	**13**	22
Settlements	**(1)**	(7)
Change in valuation (see note 4)	**(7)**	(2)
Closing balance	**5**	13

Earn-out consideration of up to £5 million is payable in cash (2017/18: £13 million) and is contingent on the performance of the Epoq kitchen business (2017/18: Simplifydigital and the Epoq kitchen business) against earnings growth targets over a period of up to three years from the balance sheet date. The fair value of contingent consideration arrangements has been estimated by applying the income approach as outlined in note 25. A reduction in growth assumptions used in the fair value methodology would result in a reduction in the amount of contingent consideration payable.

Notes to the Group Financial Statements continued

18 Loans and other borrowings

	27 April 2019 £million	28 April 2018 £million
Current liabilities		
Bank overdrafts	19	43
Loans and other borrowings	–	20
	19	63
Non-current liabilities		
Loans and other borrowings	288	329
	307	392

Committed facilities
£800 million Revolving Credit Facility
In October 2015, the Group signed a five-year £800 million Revolving Credit Facility ('RCF') with a number of relationship banks; this facility was extended in October 2016 and 2017 by an additional year and the facility currently expires October 2022. The interest rate payable for drawings under this facility is at a margin over LIBOR (or other applicable interest basis) for the relevant currency and for the appropriate period. The actual margin applicable to any drawing depends on the fixed charges cover ratio calculated in respect of the most recent accounting period. A non-utilisation fee is payable in respect of amounts available but undrawn under this facility and a utilisation fee is payable when aggregate drawings exceed certain levels.

£250 million Revolving Credit Facility
In October 2016, the Group signed a four-year £250 million RCF with a group of relationship banks; this facility is on broadly similar terms to the £800 million RCF; this facility was extended in February 2019 by an additional two years and the facility expires October 2022.

€50 million term loan
Also in October 2016, the Group signed a four-year term loan of €50 million with BBVA. The terms of this facility are also broadly similar to the £800 million RCF.

Bank overdraft and other uncommitted facilities
The Group also has overdrafts and short-term money market lines from UK and European banks denominated in various currencies, all of which are repayable on demand. Interest is charged at the market rates applicable in the countries concerned and these facilities are used to assist in short-term liquidity management. Total available facilities are £109 million (2017/18: £109 million).

All borrowings are unsecured.

19 Finance lease obligations

	27 April 2019		28 April 2018	
	Minimum lease payments £million	**Present value of minimum lease payments £million**	Minimum lease payments £million	Present value of minimum lease payments £million
Amounts due:				
Within one year	**9**	**8**	9	8
In more than one year and not more than five years	**41**	**31**	37	27
In more than five years	**82**	**44**	92	50
	132	**83**	138	85
Less future finance charges	**(49)**	**—**	(53)	—
Present value of lease obligations	**83**	**83**	85	85
Less amounts due within one year	**(3)**	**(3)**	(3)	(3)
Amounts due after more than one year	**80**	**80**	82	82

The majority of finance leases relate to properties in the UK where obligations are denominated in Sterling and remaining lease terms vary between 6 and 17 years. The effective borrowing rate on individual leases ranged between 5.51% and 9.29% (2017/18: 5.51% and 9.29%). Interest rates are fixed at the contract date. These obligations are secured over the related leased asset. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 11.

20 Provisions

	27 April 2019					28 April 2018				
	Reorg-anisation £million	**Sales £million**	**Property £million**	**Other £million**	**Total £million**	Reorg-anisation £million	Sales £million	Property £million	Other £million	Total £million
At beginning of period	**15**	**10**	**63**	**11**	**99**	12	10	62	21	105
Additions	**30**	**13**	**66**	**63**	**172**	18	11	47	2	78
Released in the period	**(1)**	**—**	**(2)**	**(3)**	**(6)**	(1)	—	(16)	(3)	(20)
Utilised in the period	**(28)**	**(16)**	**(29)**	**(41)**	**(114)**	(15)	(10)	(29)	(9)	(63)
Disposed	**—**	**—**	**—**	**—**	**—**	—	(1)	—	—	(1)
Foreign exchange	**—**	**—**	**—**	**—**	**—**	1	—	(1)	—	—
At end of period	**16**	**7**	**98**	**30**	**151**	15	10	63	11	99
Analysed as:										
Current	**14**	**6**	**37**	**29**	**86**	13	9	34	11	67
Non-current	**2**	**1**	**61**	**1**	**65**	2	1	29	—	32
	16	**7**	**98**	**30**	**151**	15	10	63	11	99

Reorganisation provisions relate principally to redundancy costs and other onerous contracts arising as a result of reorganisation, and are only recognised where plans are demonstrably committed and where appropriate communication to those affected has been undertaken at the balance sheet date.

Sales provisions relate to 'cash-back' and similar promotions, product warranties, product returns, and network operator performance penalties. The anticipated costs of these items are assessed by reference to historical trends and any other information that is considered to be relevant.

Property provisions relate mainly to costs associated with operating lease early exit premiums, onerous leases and provisions for dilapidations. Other provisions relate to warranties provided in relation to business disposals and provisions in respect of the expected costs of insurance claims, contingent liabilities recognised through business combinations, and other onerous contracts.

Onerous lease provisions are recognised for lease contracts where the unavoidable cost of either exiting the contract early or making all payments under the contract are greater than the estimated future economic benefits to be derived from the lease.

20 Provisions continued

Other provisions relate to regulatory costs, data incident costs, onerous contracts and warranties in relation to discontinued operations as described in note 4.

Non-current provisions are expected to be utilised over a period up to ten years.

21 Retirement and other post-employment benefit obligations

	27 April 2019 £million	28 April 2018 £million
Retirement benefit obligations – UK	579	470
– Nordics	—	2
	579	472

The Group operates a defined benefit and a number of defined contribution schemes. The principal scheme which operates in the UK includes a funded final salary defined benefit section whose assets are held in a separate trustee administered fund. The scheme is valued by a qualified actuary at least every three years and contributions are assessed in accordance with the actuary's advice. Since 1 September 2002, the defined benefit section of the scheme has been closed to new entrants and on 30 April 2010 was closed to future accrual with automatic entry into the defined contribution section being offered to those active members of the defined benefit section at that time. Membership of the defined contribution section is offered to eligible employees.

In the Nordics division, the Group operates small funded secured defined benefit pension schemes, which are also closed to new entrants, with assets held by a life insurance company as well as an unsecured pension arrangement. In addition, contributions are made to state pension schemes with defined benefit characteristics.

The defined benefit pension schemes expose the Group to actuarial risks such as longer than expected longevity of members, lower than expected return on investments and higher than expected inflation, which may increase the liabilities or reduce the value of assets of the plans.

a) Defined contribution pension schemes

The pension charge in respect of defined contribution schemes was £30 million (2017/18: £26 million).

b) UK defined benefit pension scheme – actuarial valuation and assumptions

A full actuarial valuation of the scheme was carried out as at 31 March 2016 and showed a shortfall of assets compared with liabilities of £560 million. A 'recovery plan' based on this valuation was agreed with the Trustees such that contributions in respect of the scheme will increase to £46 million per year starting from the 2017/18 financial year until 2028/29, with a final payment of £25 million in 2029/30. The next triennial valuation will be as at 31 March 2019.

The principal actuarial assumptions as at 31 March 2016 were:

		Rate per annum
Discount rate for accrued benefits†	– Growth portfolio	4.6%
	– Matching portfolio	2.2%
Rate of increase to pensions		0% — 3.6%
Inflation		3.0%

† The discount rate is based on a linear de-risking methodology which assumes the Scheme's investment strategy switches investments from growth assets (such as equities) to matching assets (such as bonds) and multi-asset credit over a period of 10 years from 2026 to 2036 so that in 20 years' time the asset portfolio is projected to be 90% invested in matching assets and multi-asset credit.

At 31 March 2016, the market value of the scheme's investments was £930 million and, based on the above assumptions, the value of the assets was sufficient to cover 62% of the benefits accrued to members with the liabilities amounting to £1,490 million.

c) UK Defined benefit pension scheme – IAS 19

The following summarises the components of net defined benefit expense recognised in the consolidated income statement, the funded status and amounts recognised in the consolidated balance sheet and other amounts recognised in the statement of comprehensive income. The methods set out in IAS 19 are different from those used by the scheme actuaries in determining funding arrangements.

21 Retirement and other post-employment benefit obligations continued

c) UK Defined benefit pension scheme – IAS 19 continued

(i) Principal assumptions adopted

The assumptions used in calculating the expenses and obligations are set by the directors after consultation with the independent actuaries.

	27 April 2019	28 April 2018
Rates per annum		
Discount rate	2.5%	2.8%
Rate of increase in pensions in payment / deferred pensions (pre / post April 2006 accrual)	3.3% / 2.2%	3.1% / 2.2%
Inflation	3.3%	3.1%

The Group uses demographic assumptions underlying the last formal actuarial valuation of the scheme as at 31 March 2016. In particular, post retirement mortality has been assumed to follow the standard mortality tables 'S2' All Pensioners tables published by the CMI, based on the experience of Self-Administered Pension Schemes (SAPS) with multipliers of 100% for males and 105% for females. In addition, an allowance has been made for future improvements in longevity from 2003 by using the new CMI 2015 Core projections with a long term rate of improvement of 1.5% per annum for men and 1.25% per annum for women. Applying such tables results in an average expected longevity of between 87.7 years and 89.9 years for men and between 89.1 years and 91.0 years for women for those reaching 65 over the next 20 years.

(ii) Amounts recognised in consolidated income statement

	Year ended 27 April 2019 £million	Year ended 28 April 2018 £million
Past service cost	15	—
Net interest expense on defined benefit obligation (note 4)	12	14
Total expense recognised in the income statement	27	14

On 26 October 2018, the High Court issued a judgement in a claim to address the issues of unequal Guaranteed Minimum Pensions (GMPs) in the Lloyds Banking Group's defined benefit pension schemes (the 'Lloyds case'). This will potentially impact the DSG Retirement and Employee Security Scheme operating in the UK. The Group is working through the details of the ruling and assessing its impact on the liability valuation of the scheme. We currently estimate that this will increase the liability by £15 million, and therefore have recorded this as a past service cost in the current period. There are a number of uncertainties surrounding the change, including the method of calculation of the equalisation and any potential appeals against the ruling, therefore we consider that the amount is subject to further change, however currently represents our best estimate.

(iii) Amounts recognised in the consolidated statement of comprehensive income:

	Year ended 27 April 2019 £million	Year ended 28 April 2018 £million
Remeasurement of defined benefit obligation – actuarial gains / (losses) arising from:		
Changes in financial assumptions	(142)	124
Experience adjustments	(53)	(10)
Remeasurement of scheme assets:		
Actual return on plan assets (excluding amounts included in net interest expense)	67	(27)
Cumulative actuarial (loss) / gain	(128)	87

Notes to the Group Financial Statements continued

21 Retirement and other post-employment benefit obligations continued

c) UK Defined benefit pension scheme – IAS 19 continued

(iv) Amounts recognised in the consolidated balance sheet

	27 April 2019 £million	28 April 2018 £million
Present value of defined benefit obligations	**(1,775)**	(1,584)
Fair value of plan assets	**1,196**	1,114
Net obligation	**(579)**	(470)

Changes in the present value of the defined benefit obligation:

	27 April 2019 £million	28 April 2018 £million
Opening obligation	**1,584**	1,714
Past service cost	**15**	—
Interest cost	**44**	44
Remeasurements in other comprehensive income – actuarial losses / (gains) arising from changes in:		
Financial assumptions	**142**	(124)
Experience adjustments	**53**	10
Benefits paid	**(63)**	(60)
Closing obligation	**1,775**	1,584

The weighted average maturity profile of the defined benefit obligation at the end of the year is 18 years (2017/18: 19 years), comprising an average maturity of 22 years (2017/18: 23 years) for deferred members and 10 years (2017/18: 11 years) for pensioners.

Changes in the fair value of the scheme assets:

	27 April 2019 £million	28 April 2018 £million
Opening fair value	**1,114**	1,125
Interest income	**32**	30
Employer special contributions	**46**	46
Remeasurements in other comprehensive income:		
Actual return on plan assets (excluding interest income)	**67**	(27)
Benefits paid	**(63)**	(60)
Closing fair value	**1,196**	1,114

21 Retirement and other post-employment benefit obligations continued

c) UK Defined benefit pension scheme – IAS 19 continued

Analysis of scheme assets:

		27 April 2019 £million	28 April 2018 £million
Overseas and global equities	— Listed	**132**	267
Diversified growth	— Listed	**14**	79
Multi-asset credit funds	— Listed	**89**	76
	— Unlisted	**41**	53
Private equity	— Unlisted	**20**	22
Private credit	— Listed	**52**	61
	— Unlisted	**74**	36
Property	— Unlisted	**—**	2
Corporate bonds	— Listed	**96**	91
Liability driven investments ('LDIs')	— Listed	**508**	357
Cash and cash instruments	— Listed	**64**	—
	— Unlisted	**105**	69
Other	— Unlisted	**1**	1
		1,196	1,114

In the fair value hierarchy, listed investments are categorised as level 1. Unlisted investments are categorised as level 2, except for private equity funds which are categorised as level 3. Private equity fund valuations are based on the last audited accounts of each investment plus any known movements since the last audited accounts.

The investment strategy of the scheme is determined by the independent Trustees through advice provided by an independent investment consultant. The Trustee's objective is to achieve an above average long term return on the scheme's assets from a mixture of capital growth and income, whilst managing investment risk and ensuring the strategy remains within the guidelines set out in the Pensions Act 1995 and 2004 and the scheme's statement of investment principles. In setting the strategy, the nature and duration of the scheme's liabilities are taken into account, ensuring that an integrated approach is taken to investment risk and both short term and long term funding requirements. The scheme invests in a diverse range of asset classes as set out above with matching assets primarily comprising holdings in inflation linked gilts, corporate bonds and liability driven investments.

To reduce volatility risk a liability driven investment (LDI) strategy forms part of the Trustee's management of the UK defined benefit scheme's assets, including government bonds, corporate bonds and derivatives. Repurchase agreements are entered into with counterparties to better offset the scheme's exposure to interest and inflation rates, whilst remaining invested in assets of a similar risk profile. Interest rate and inflation rate derivatives are also employed to complement the use of fixed and index-linked bonds in matching the profile of the scheme's liabilities.

Actual return on the scheme assets was a gain of £67 million (2017/18: loss of £27 million).

(v) Sensitivities

The value of the UK defined benefit pension scheme assets are sensitive to market conditions, particularly equity values which comprise approximately 33% of the scheme's assets. Changes in assumptions used for determining retirement benefit costs and liabilities may have a material impact on the 2018/19 income statement and the balance sheet. The main assumptions are the discount rate, the rate of inflation and the assumed mortality rate. The following table provides an estimate of the potential impacts of each of these variables if applied to the current year consolidated income statement and balance sheet.

	Net finance costs		Net deficit	
	Year ended 27 April 2019 £million	Year ended 28 April 2018 £million	27 April 2019 £million	28 April 2018 £million
Positive / (negative) effect				
Discount rate: 0.25% increase	**1**	1	**91**	75
Inflation rate: 0.25% increase†	**(2)**	(2)	**(71)**	(67)
Mortality rate: 1 year increase	**(2)**	(2)	**(71)**	(63)

† The increase in scheme benefits provided to members on retirement is subject to an inflation cap.

21 Retirement and other post-employment benefit obligations continued

c) UK Defined benefit pension scheme – IAS 19 continued

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

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 27 April 2019 the net obligation in relation to these benefits was £4 million (2017/18: £4 million) which is included in trade and other payables.

22 Share capital, retained earnings and reserves

a) Share capital

	27 April 2019 million	28 April 2018 million	27 April 2019 £million	28 April 2018 £million
Authorised, allotted, called-up and fully paid ordinary shares of 0.1p each	1,160	1,158	1	1

	27 April 2019 million	28 April 2018 million	27 April 2019 £million	28 April 2018 £million
Ordinary shares of 0.1p each in issue at the beginning of the period	1,158	1,153	1	1
Issued during the period	2	5	—	—
Ordinary shares of 0.1p each in issue at the end of the period	1,160	1,158	1	1

During the year ended 27 April 2019, 2,178,994 (2017/18: 4,844,233) ordinary shares with nominal value of 0.1p each were issued for consideration at nominal value (2017/18: for consideration of £1 million) to satisfy awards under the Group's share option schemes.

b) Retained earnings and reserves

Movement in retained earnings and reserves during the reported periods are presented in the consolidated statement of changes in equity.

Retained earnings at 27 April 2019 includes £10 million of gains (2017/18: £17 million of gains) associated with derivatives which were designated and effective as cash flow hedges and interest rate hedges. Own shares held by the Group's EBT are recognised in retained earnings – refer to note 5 for further information. The demerger reserve arose as part of the demerger of the Group from TalkTalk in 2010.

23 Equity dividends

	27 April 2019 £million	28 April 2018 £million
Amounts recognised as distributions to equity shareholders in the period – on ordinary shares of 0.1p each		
Final dividend for the year ended 29 April 2017 of 7.75p per ordinary share	—	89
Interim dividend for the year ended 28 April 2018 of 3.50p per ordinary share	—	41
Final dividend for the year ended 28 April 2018 of 7.75p per ordinary share	90	—
Interim dividend for the year ended 27 April 2019 of 2.25p per ordinary share	26	—
	116	130

The following distribution is proposed but had not been effected at 27 April 2019 and is subject to shareholders' approval at the forthcoming Annual General Meeting:

	£million
Final dividend for the year ended 27 April 2019 of 4.50p per ordinary share	52

The payment of this dividend will not have any tax consequences for the Group.

24 Discontinued operations and assets held for sale

There have been no additional operations classified as discontinued during the year ended 27 April 2019. The following were classified as discontinued in the year ended 28 April 2018 and have continued to incur costs in the current financial year:

honeybee

On 4 May 2018, the Group agreed to sell the honeybee operations through an asset sale, which was completed on 31 May 2018. These operations were classified as a disposal group held for sale and presented separately in the balance sheet. An impairment of £55 million was recognised on classification to assets held for sale, representing the difference between the expected proceeds and the book value of the related assets. The impairment, together with the trading loss recognised during the year of £21 million were classified as a discontinued operation in the year ended 28 April 2018.

For the year ended 27 April 2019, no profit or loss on disposal was recognised from the completion of the sale of the operations. Additional costs of £7 million have been recorded in relation to onerous contracts following the sale and compensation to previous employees.

A deferred tax credit of £4 million in relation to a prior year adjustment relating to accelerated capital allowances has been recognised.

Spain

On 29 September 2017, the Group completed the disposal of The Phone House Spain S.L.U., Connected World Services Europe S.L. and Smarthouse Spain S.A. which together represented the trading operations in Spain. A gain of £1 million arose on the disposal, being the difference between the proceeds of disposal and the carrying amount of the subsidiaries' net assets and attributable goodwill. The trading results of the operations up to the date of disposal were classified as discontinued.

For the year ended 27 April 2019, the £1 million tax credit is in relation to the reversal of previously held provisions for tax risks where statute of limitations have now lapsed.

Sprint

On 7 June 2017 agreement was reached to dispose of the Group's 50% interest in the Sprint Connect LLC joint venture to Sprint Corporation. Proceeds of $22 million (£17 million) were received and £nil gain or loss was recognised in relation to the disposal. The share of results of the operation to the date of disposal in the year ended 28 April 2018 were classified as discontinued (£3 million loss).

Other

As previously reported the sale of operations in Germany was completed on 5 May 2015, the Netherlands on 30 June 2015, Portugal on 31 August 2015 and Virgin Mobile France on 4 December 2014. Additional costs of £2 million have been recorded in settlement of warranties in Portugal and a £5 million provision has been recognised in the current year in relation to employee matters in previously disposed businesses.

a) (Loss) / profit after tax – discontinued operations

	Year ended 27 April 2019				
	honeybee £million	Spain £million	Sprint Joint Venture £million	Other £million	Total £million
Revenue	—	—	—	—	—
Expenses	(7)	—	—	(7)	(14)
(Loss) before tax	(7)	—	—	(7)	(14)
Income tax	4	1	—	—	5
	(3)	1		(7)	(9)

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24 Discontinued operations and assets held for sale continued

a) (Loss) / profit after tax – discontinued operations continued

	Year ended 28 April 2018				
	honeybee £million	Spain £million	Sprint Joint Venture £million	Other £million	Total £million
Revenue	3	144	—	—	147
Expenses	(24)	(144)	(6)	—	(174)
Impairment of assets	(55)	—	—	—	(55)
Share of results of joint venture	—	—	(3)	—	(3)
(Loss) before tax	(76)	—	(9)	—	(85)
Income tax	13	—	—	—	13
Profit on disposal	—	1	—	1	2
	(63)	1	(9)	1	(70)

b) Cash flows from discontinued operations

The net cash flows incurred by the discontinued operation during the year are as follows. These cash flows are included within the consolidated cash flow statement:

	Year ended 27 April 2019				
	honeybee £million	**Spain £million**	**Sprint Joint Venture £million**	**Other £million**	**Total £million**
Operating activities	**(5)**	**—**	**—**	**(3)**	**(8)**
Investing activities	**8**	**—**	**—**	**—**	**8**
	3	**—**	**—**	**(3)**	**—**

	Year ended 28 April 2018				
	honeybee £million	Spain £million	Sprint Joint Venture £million	Other £million	Total £million
Operating activities	(7)	(3)	(2)	1	(11)
Investing activities	(12)	44	14	—	46
	(19)	41	12	1	35

c) Assets and liabilities held for sale

The assets and liabilities held for sale relate to the honeybee operations. The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	27 April 2019 £million	28 April 2018 £million
Intangible assets	**—**	8
Trade receivables	**—**	9
Total assets classified as held for sale	**—**	17
Deferred income	**—**	(2)
Total liabilities classified as held for sale	**—**	(2)
Net assets of disposal group	**—**	15

25 Financial risk management and derivative financial instruments

Financial instruments that are measured at fair value in the financial statements require disclosure of fair value measurements by level based on the following fair value measurement hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group has classified network commission receivables as contract assets as defined by IFRS15. The measurement of certain network commission contract assets is a key source of estimation uncertainty. An explanation of the valuation method and an analysis of the sensitivity of the carrying value of contract assets to the assumptions and estimates of this method has been provided below in note 25(h). The carrying value of such ongoing network commission contract assets (net of commission received at the point of connection) is £797 million (2017/18: £1,057 million). These contract assets are categorised as level 3 in the fair value hierarchy as the valuation requires the use of significant unobservable inputs.

An explanation of the valuation methodologies and the inputs to the models are provided below for network commission.

Listed investments held are categorised as level 1 in the fair value hierarchy and are valued based on quoted bid prices in an active market.

Contingent consideration is categorised as level 3 in the fair value hierarchy as the valuation requires the use of significant unobservable inputs. An explanation of the valuation methodologies and the inputs to the valuation model is provided in note 17.

The significant inputs required to fair value the Group's remaining financial instruments that are measured at fair value on the balance sheet, being derivative financial assets and liabilities, are observable and are classified as level 2 in the fair value hierarchy. There have also been no transfers of assets or liabilities between levels of the fair value hierarchy.

Fair values have been arrived at by discounting future cash flows (where the impact of discounting is material), assuming no early redemption, or by revaluing forward currency contracts and interest rate swaps to period end market rates as appropriate to the instrument.

The directors consider that the book value of financial assets and liabilities recorded at amortised cost and their fair value are not materially different.

The book value and fair value of the Group's financial assets, liabilities and derivative financial instruments are as follows:

	27 April 2019 £million	28 April 2018 £million
Investments [(1)]	**18**	17
Cash and cash equivalents [(2)]	**125**	228
Trade and other receivables excluding derivative financial assets [(2)]	**673**	1,569
Contract Assets	**653**	—
Net derivative financial assets [(3)]	**12**	20
Net derivative financial liabilities [(3)]	**—**	—
Trade and other payables [(4)]	**(2,330)**	(2,523)
Contract liabilities	**—**	—
Finance leases [(4)]	**(83)**	(86)
Deferred and contingent consideration [(3)]	**(5)**	(13)
Loans and other borrowings [(4)]	**(307)**	(392)

(1) Held at fair value through other comprehensive income investment
(2) Classified as loans and receivables and held at amortised cost
(3) Held at fair value through profit and loss
(4) Held at amortised cost

25 Financial risk management and derivative financial instruments continued

Offsetting financial assets and financial liabilities

The Group has forward foreign exchange contracts and cash that are subject to enforceable master netting arrangements.

(i) Financial assets

					27 April 2019
	Gross amounts of recognised financial assets £million	**Gross amounts of recognised financial liabilities set off in the balance sheet £million**	**Net amounts of financial assets presented in the balance sheet £million**	**Financial instruments not set off in the balance sheet £million**	**Net amount £million**
Forward foreign exchange contracts*	**18**	**—**	**18**	**(6)**	**12**
Cash and cash equivalents	**665**	**(540)**	**125**	**—**	**125**
	683	**(540)**	**143**	**(6)**	**137**

					28 April 2018
	Gross amounts of recognised financial assets £million	Gross amounts of recognised financial liabilities set off in the balance sheet £million	Net amounts of financial assets presented in the balance sheet £million	Financial instruments not set off in the balance sheet £million	Net amount £million
Forward foreign exchange contracts*	27	—	27	(7)	20
Cash and cash equivalents	1,383	(1,155)	228	—	228
	1,410	(1,155)	255	(7)	248

(ii) Financial liabilities

					27 April 2019
	Gross amounts of recognised financial liabilities £million	**Gross amounts of recognised financial assets set off in the balance sheet £million**	**Net amounts of financial liabilities presented in the balance sheet £million**	**Financial instruments not set off in the balance sheet £million**	**Net amount £million**
Forward foreign exchange contracts*	**(6)**	**—**	**(6)**	**6**	**—**
Cash and cash equivalents	**(559)**	**540**	**(19)**	**—**	**(19)**
	(565)	**540**	**(25)**	**6**	**(19)**

					28 April 2018
	Gross amounts of recognised financial liabilities £million	Gross amounts of recognised financial assets set off in the balance sheet £million	Net amounts of financial liabilities presented in the balance sheet £million	Financial instruments not set off in the balance sheet £million	Net amount £million
Forward foreign exchange contracts*	(7)	—	(7)	7	—
Cash and cash equivalents	(1,198)	1,155	(43)	—	(43)
	(1,205)	1,155	(50)	7	(43)

* The forward foreign exchange contract assets and liabilities are recognised within the statement of financial position as derivative assets and derivative liabilities respectively. The change in fair value of the forward foreign exchange contract assets is accounted for as a qualifying cash flow hedge in the Group's translation reserve.

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 Euro, Norwegian Krone and US Dollar fluctuations. The Group uses spot and forward currency contracts to mitigate these exposures, with such contracts designed to cover exposures ranging from one month to one year.

The translation risk on converting overseas currency profits or losses is not hedged and such profits or losses are converted into Sterling at average exchange rates throughout the year. The Group's principal translation currency exposures are the Euro and Norwegian Krone.

At 27 April 2019, the total notional principal amount of outstanding currency contracts was £2,004 million (2017/18: £1,718 million) and had a fair value of £12 million asset (2017/18: £20 million asset). Monetary assets and liabilities and foreign exchange contracts are sensitive to movements in foreign exchange rates. This sensitivity can be analysed in comparison to year end rates (assuming all other variables remain constant) as follows:

		Year ended 27 April 2019		Year ended 28 April 2018
	Effect on headline profit before tax £million	**Effect on total equity £million**	Effect on headline profit before tax £million	Effect on total equity £million
10% movement in the US dollar exchange rate	**—**	**13**	—	13
10% movement in the Euro exchange rate	**—**	**61**	—	59
10% movement in the Swedish Krona exchange rate	**—**	**29**	—	28
10% movement in the Danish Krone exchange rate	**—**	**26**	—	26
10% movement in the Norwegian Krone exchange rate	**—**	**17**	—	17
10% movement in the Chinese Yuan Offshore exchange rate	**—**	**7**	—	6

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 100 basis point movements in the interest rate for the currencies in which most Group cash, cash equivalents, loans and other borrowings are denominated and on which the valuation of most derivative financial instruments is based is as follows, assuming that the year end positions prevail throughout the year:

		Year ended 27 April 2019		Year ended 28 April 2018
	Effect on headline profit before tax increase / (decrease) £million	**Effect on total equity increase / (decrease) £million**	Effect on headline profit before tax increase / (decrease) £million	Effect on total equity increase / (decrease) £million
1% increase in the Sterling interest rate	**1**	**(1)**	—	—

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages its exposure to liquidity risk by reviewing regularly the long term and short term cash flow projections for the business against the resources available to it.

In order to ensure that sufficient funds are available for ongoing and future developments, the Group has committed bank facilities, excluding overdrafts repayable on demand, totalling £1,050 million (2017/18: £1,050 million). Further details of committed borrowing facilities are shown in note 18.

25 Financial risk management and derivative financial instruments continued

d) Liquidity risk continued

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
27 April 2019				
Finance leases	**(9)**	**(41)**	**(82)**	**(132)**
Derivative financial instruments – payable:				
Forward foreign exchange contracts	**(1,992)**	**—**	**—**	**(1,992)**
Interest rate swaps	**—**	**—**	**—**	**—**
Derivative financial instruments – receivable:				
Forward foreign exchange contracts	**2,004**	**—**	**—**	**2,004**
Loans and other borrowings	**(25)**	**(303)**	**—**	**(328)**
Deferred consideration	**(1)**	**(4)**	**—**	**(5)**
Trade and other payables	**(2,191)**	**(139)**	**—**	**(2,330)**

	Within one year £million	In more than one year but not more than five years £million	In more than five years £million	Total £million
28 April 2018				
Finance leases	(9)	(38)	(92)	(139)
Derivative financial instruments – payable:				
Forward foreign exchange contracts	(1,697)	—	—	(1,697)
Interest rate swaps	(1)	—	—	(1)
Derivative financial instruments – receivable:				
Forward foreign exchange contracts	1,718	—	—	1,718
Loans and other borrowings	(70)	(357)	—	(427)
Deferred consideration	(1)	(12)	—	(13)
Trade and other payables	(2,345)	(178)	—	(2,523)

e) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations, and arises principally from the Group's receivables from consumers. The Group's exposure to credit risk is regularly monitored and the Group's policy is updated as appropriate.

On the 29 April 2018 the Group adopted IFRS 9 and the associated Expected Credit Loss (ECL) model. For details of transition and adoption please refer to note 31.

Cash and cash equivalents and derivative assets are considered low risk financial instruments as they are held at banks that are investment grade, with a strong capacity to meet their contractual cash flow obligations in the near term and whose ability to pay will not necessarily be hampered by adverse changes in economic or business conditions. The credit risk associated with 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 contract assets, which are generally owed to the Group by major multi-national enterprises with whom the Group has well-established relationships and are consequently not considered to add significantly to the Group's credit risk exposure. In addition, credit risk is also inherently associated with the MNO end subscribers. Details of the sensitivity analysis of a change in credit risk associated with the MNO subscriber is detailed below (consumer default rates). Exposure to credit risk associated with the MNO subscriber is managed through an extensive consumer credit checking process prior to connection with the network. The large volume of MNO subscribers reduces the Group's exposure to concentration of credit risk.

25 Financial risk management and derivative financial instruments continued

e) Credit risk continued

For the Group's trade and other receivables in the UK and Nordics, it has adopted the simplified approach to calculating expected credit losses allowed by IFRS 9. Historical credit loss rates are applied consistently to groups of financial assets with similar risk characteristics. These are then adjusted for known changes in, or any forward-looking impacts on creditworthiness. In Greece the Group has adopted both the simplified approach for business to business and a debtor by debtor expected credit loss model based on the probability of default.

The Group reviews several factors when considering a significant increase in credit risk including but not limited to: Credit rating changes; Adverse changes in general economic and/or market conditions; material changes in the operating results or financial position of the debtor.

Indicators that an asset is credit-impaired would include observable data in relation to the financial health of the debtor: Significant financial difficulty of the issuer or the debtor; the debtor breaches contract; it is probable that the debtor will enter bankruptcy or financial reorganisation.

Most groups of receivables have immaterial levels of credit risk. For material concentrations of credit risk, the asset type and notional is set out below:

	27 April 2019 £million
UK – PC World Business (B2B)	8
UK – DSG Retail – Main Sales Ledger	33
UK – CPW Concessions	2
Nordics – Business to Business	29
Nordics – Franchise Debtors	21
Greece – Business to Business	4
Greece – Franchise Debtors	3
Greece – Consumer Credit	17
Greece – Main Sales Ledger	3

The weighted average loss rates and write offs in each region are as follows:

UK and Nordics – Simplified approach

	27 April 2019		
	Gross amounts of recognised financial assets £million	Weighted Average loss rates	Expected Credit Loss £million
Not Yet Due	76	0.5%	–
0-90 Days	7	2.5%	–
91-180 Days	3	19.6%	1
180+ Days	7	79.1%	6
	93		7

Greece – Mixed approach

	27 April 2019	
	Gross amounts of recognised financial assets £million	Expected Credit Losses £million
Greece – Business to Business	4	–
Greece – Franchise Debtors	3	2
Greece – Consumer Credit	17	1
Greece – Franchise Debtors	3	2
	27	5

The Group's funding is reliant on its £1,050 million bank facilities, which are provided by nine banks; these institutions are 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.

Notes to the Group Financial Statements continued

25 Financial risk management and derivative financial instruments continued

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 IFRS 9 as follows:

Cash flow hedges

Foreign exchange

The objective of the Group's policy on foreign exchange hedging is to protect the Group from adverse currency fluctuations and to gain greater certainty of earnings by protecting the Group from sudden currency movements. All hedging of foreign currency exposures is managed centrally within the Group Treasury function. The Group analyses its exposure to FX rate movements without assuming any correlations between currency pairs and uses this analysis to hedge up to the level prescribed in its transactional hedging policy. The Group generally prefers to use vanilla forward FX contracts as hedging instruments for hedges of forecasted transactions. The Group adopts a layering approach in defining its hedged items so that all its hedges are eligible for IFRS 9 cash flow hedge accounting. The Group has a policy that all its FX rate derivatives must be eligible for hedge accounting. The Group can use more complex derivatives including options when management considers that they are more appropriate, based on management's views on potential FX rate movements.

Any amendments to the Group's policies or strategy on managing foreign currency risk must be approved by the Group's Tax and Treasury Committee.

At 27 April 2019 the Group had forward and swap foreign exchange contracts in place with a notional value of £1,492 million (2017/18: £1,485 million) and a fair value of £11 million asset (2017/18: £19 million asset) that were designated and effective as cash flow hedges. These contracts are expected to cover exposures ranging from one month to one year. The fair value of derivative foreign exchange contracts and foreign exchange swaps not designated as cash flow hedges was £1 million asset (2017/18: £1 million asset).

As of 27 April 2019, the Group holds the following levels of interest rate hedging derivatives (interest rate swaps) to hedge its exposure to fluctuating interest rates over the next 3 years:

	Date of Maturity				
	June 2019	December 2019	June 2020	December 2020	June 2021
Notional amount	**50**	**20**	**20**	**10**	**10**
Fixed rate	**0.51%**	**0.64%**	**0.61%**	**0.76%**	**0.71%**

Interest rate

The Group's interest rate risk management objective is to limit the amount of additional expense incurred if interest rates rise to unexpected levels. To manage the interest rate exposure, the Group generally enters interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. The Group monitors and manages its interest rate risk individually in each currency and it does not make any assumptions about how interest rates in different currencies may move in tandem.

Any amendments to the Group's policies or strategy on managing Interest rate risk must be approved by the Group's Tax and Treasury Committee.

The Group held interest rate swaps with a notional value of £110 million (2017/18: £130 million) and a fair value of £nil (2017/18: £1 million) whereby the Group receives a floating rate of interest based on LIBOR and pays a fixed interest rate. These contracts mature between June 2019 and June 2021.

25 Financial risk management and derivative financial instruments continued

g) Derivatives continued

Possible sources of ineffectiveness are scenarios where future flows are delayed to a later period or brought forward to a prior period. Ineffectiveness can also be caused by credit risk (both own risk and that of the counterparty). All hedges are expected to be highly effective.

No ineffectiveness has been recognised in the Groups income statement over the period.

As of 27 April 2019, the Group holds the following levels of foreign exchange hedging derivatives (foreign exchange forwards) to hedge its exposure to fluctuating interest rates of the next 12 months:

UK	Date of Maturity											
	May-2019	Jun-2019	Jul-2019	Aug-2019	Sept-2019	Oct-2019	Nov-2019	Dec-2019	Jan-2020	Feb-2020	Mar-2020	Apr-2020
USD (hedging instrument flow £million)	9	9	7	5	4	6	2	4	7	3	2	1
Average hedge rate	1.304	1.310	1.326	1.296	1.309	1.319	1.301	1.318	1.311	1.315	1.349	1.330
EUR (hedging instrument flow £million)	2	2	1	1	1	1	1	—	1	—	—	—
Average hedge rate	1.124	1.130	1.120	1.120	1.117	1.115	1.126	1.130	1.116	1.132	1.154	1.145
CNY (hedging instrument flow £million)	10	7	11	8	7	8	5	5	5	3	3	2
Average hedge rate	8.963	8.893	8.957	9.000	8.972	8.962	9.053	8.988	8.832	8.936	9.021	8.961

Nordics	Date of Maturity											
	May-2019	Jun-2019	Jul-2019	Aug-2019	Sept-2019	Oct-2019	Nov-2019	Dec-2019	Jan-2020	Feb-2020	Mar-2020	Apr-2020
USD (hedging instrument flow £million)	8	8	9	9	9	9	7	9	8	3	2	2
Average hedge rate	8.197	8.377	8.294	8.322	8.483	8.341	8.312	8.559	8.441	8.294	8.684	8.461
EUR (hedging instrument flow £million)	79	76	96	80	71	71	52	66	66	25	20	17
Average hedge rate	9.707	9.789	9.703	9.741	9.891	9.740	9.754	9.929	9.859	9.833	9.939	9.819
SEK (hedging instrument flow £million)	(23)	(29)	(36)	(20)	(29)	(29)	(20)	(38)	(34)	(11)	(8)	(9)
Average hedge rate	1.069	1.061	1.064	1.067	1.059	1.063	1.061	1.054	1.051	1.058	1.063	1.067
DKK (hedging instrument flow £million)	(17)	(23)	(21)	(17)	(25)	(18)	(12)	(20)	(19)	(5)	(5)	(7)
Average hedge rate	0.767	0.763	0.769	0.763	0.755	0.765	0.766	0.754	0.757	0.758	0.748	0.760

Ireland	Date of Maturity											
	May-2019	Jun-2019	Jul-2019	Aug-2019	Sept-2019	Oct-2019	Nov-2019	Dec-2019	Jan-2020	Feb-2020	Mar-2020	Apr-2020
GBP (hedging instrument flow £million)	7	6	5	6	5	7	5	10	11	2	1	1
Average hedge rate	1.123	1.131	1.125	1.119	1.125	1.184	1.134	1.143	1.132	1.130	1.160	1.145

The following impacts on the financial statements of the Group are referenced in the statement of comprehensive income:

- The amount recognised in other comprehensive income during the period.
- The amount removed from equity and included in profit or loss for the period.
- The amount removed from equity during the period and included in the initial measurement of the acquisition cost or other carrying amount of a non-financial asset or non- financial liability in a hedged highly probable forecast transaction.

25 Financial risk management and derivative financial instruments continued

h) Network commission receivables consumer behaviour risk

Under certain arrangements with MNOs, the commission receivable for the monthly consumer connections to the MNOs depends on consumer behaviour and potential impacts of future regulatory changes after the point of connection. A discounted cash flow methodology is used to measure the fair value of the revenue and contract assets in the month of connection, by estimating all future cash flows that will be received from the MNO and discounting these based on their timing of receipt. Subsequently network commission receivables are measured at the present value of the estimated future cash flows.

The key inputs to the model are:

– revenue share percentage – the percentage of the consumer's spend (to the MNO) to which the Group is entitled;

– minimum contract period – the length of contract entered into by the consumer;

– out-of-bundle spend – additional spend by the consumer measured as a % of total spend;

– consumer default rate – rate at which consumers disconnect from the MNO;

– spend beyond the initial contract period – period of time the consumer remains connected to the MNO after the initial contract term; and

– upgrade propensity – the % of consumers initially connected by the Group estimated to be subsequently upgraded by an MNO.

The last four inputs are estimated based on extensive historical evidence obtained from the networks, and adjustment is made for the risk of potential changes in consumer behaviour or potential regulatory changes. Reliance on historical data assumes that current and future experience will follow past trends, there is therefore a risk that changes in consumer behaviour or potential future regulatory changes reduce or increase the total cash flows ultimately realised over the forecast period. Management make a quarterly, and the directors a twice-yearly assessment of this data to ensure this continues to reflect the best estimate of expected future trends.

The tables below provide the sensitivity of the carrying value of the network commission receivables to a reasonably possible change in input to the discounted cash flow model over the next 12 months. The gross value of the network commission receivable subject to the below sensitivities is £1,294 million (2017/18: £1,545 million):

25 Financial risk management and derivative financial instruments continued

h) Network commission receivables consumer behaviour risk continued

27 April 2019

Unobservable inputs	Relationship of unobservable inputs to remeasurement of carrying value	Sensitivity[1] Favourable £million	Sensitivity[1] Unfavourable £million	Reasonably possible range of assumptions[2]
Out-of-bundle spend	The higher the spend, the higher the carrying value	**16**	**(16)**	**3% - 13%**
Consumer default rate	The higher the default rate, the lower the carrying value	**6**	**(6)**	**3% - 16% - New subscribers 1% - 2% - Upgrades**
Spend after the initial contract term	The higher the spend, the higher the carrying value	**—**	**(40)**	**1.4 months - 4.0 months**
Upgrade propensity	The higher the propensity, the higher the carrying value	**6**	**(6)**	**14% - 35%**

28 April 2018

Unobservable inputs	Relationship of unobservable inputs to remeasurement of carrying value	Sensitivity[1] Favourable £million	Sensitivity[1] Unfavourable £million	Reasonably possible range of assumptions [2]
Out-of-bundle spend	The higher the spend, the higher the carrying value	15	(15)	5% - 15%
Consumer default rate	The higher the default rate, the lower the carrying value	7	(7)	3% - 17% - New subscribers 1% - 2% - Upgrades
Spend after the initial contract term	The higher the spend, the higher the carrying value	37	(37)	1.7 months - 4.1 months
Upgrade propensity	The higher the propensity, the higher the carrying value	27	(27)	12% - 36%

(1) The sensitivity represents the favourable and / or unfavourable effect on the income statement of remeasuring the carrying value for a reasonably possible change in the value of the input used. Whilst the nature of inputs is consistent across all MNOs the value applied differs on a MNO by MNO basis. The sensitivity analysis performed has applied a reasonably possible change on an input by input and MNO by MNO basis. The amounts shown above are the cumulative sensitivities for each input across all MNOs.
(2) The reasonably possible range of assumptions disclosed is based on the high and low range of each unobservable input, across all MNOs, based on the movements seen in the last three years and including our consideration of reasonable further changes in consumer behaviour in the following 12 months. The sensitivities, which fall within this range, have been applied to the unobservable inputs on a MNO by MNO basis on the relevant element of the gross receivable.
(3) The value of commission receivable used for consumer default rate represents the total of in-contract commissions for the relevant MNOs, as the percentage default rate applied is over this total balance.

Changes in range of assumptions

Ranges of assumptions used in the sensitivity analysis above evolve year on year to reflect the latest data provided by the MNOs and actual variances experienced by management and consideration of future changes in consumer behaviour or potential regulatory changes. Out of bundle spend ranges have decreased to reflect the lower rates applied as a result of EU regulation capping the charges which can be applied to intra-EU calls and texts.

From 15 February 2020 new Ofcom regulation requires MNOs to notify consumers that their contracts are ending. This may lead to further changes in consumer behaviour which could impact the valuation of the network commission receivable through a decrease in spend after the initial contract term assumption, or indeed an offsetting increase in upgrade propensity assumption. Potential changes to consumer behaviour as a result of this regulation have been considered in setting the assumptions that support the receivable together with determining the sensitivities applied above.

Notes to the Group Financial Statements continued

25 Financial risk management and derivative financial instruments continued

h) Network commission receivables consumer behaviour risk continued

We consider that there are significant interdependencies between movements in the various inputs, in particular experience shows an inverse relationship between upgrade propensity and spend after the initial contract term (a decrease in the period of spend after the initial terms leads to an increase in upgrade propensity), and therefore these sensitivities should not be considered in aggregate. The significant unobservable inputs in determining the amortised cost carrying values used in the table above are the same significant unobservable inputs that would be required if the network commission receivable was measured at fair value on the balance sheet. In addition, the fair value would be impacted by changes in interest rates and counterparty credit risk.

Changes in relation to network commission contract assets, for consumer connections recognised in previous years, due to changes in assumptions resulted in a decrease in revenue of £32 million in the current year (2017/18: £30 million decrease in revenue). In the current year, this principally relates to changes in anticipated out-of-bundle spend following bill-capping legislation in October 2018 and a reduction in spend after the initial contract term. In 2017/18, this principally related to changes in anticipated out-of-bundle spend assumptions following EU roaming legislation changes.

Payment terms with the MNOs are based on a mix of cash received upon connection and future payments as the MNO receives monthly instalments from end consumers over the life of the consumer contract. The gross commission receivable in any month is settled for certain MNOs net of 1/24th of the amount received on connection. Initial commission received not yet subject to net settlement is subject to clawback should the consumer default on its contract with the MNO. The total gross network commission receivable at 27 April 2019 is £1,294 million (28 April 2018: £1,545 million) which is offset by commission received of £497 million (28 April 2018: £488 million), resulting in net network commission contract assets of £797 million (28 April 2018: £1,057 million).

Cash flows in association with the network commission contract assets are received over a period of 1–5 years. The expected timing of net cash flow settlement of commission is as follows:

	27 April 2019 £million	28 April 2018 £million
Net network commission contract assets in less than 1 year	**444**	587
Net network commission contract assets in more than 1 year	**353**	470
Net network commission receivable presented in the balance sheet	**797**	1,057

26 Notes to the cash flow statement

a) Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 27 April 2019 £million	Year ended 28 April 2018 £million
(Loss) / profit before interest and tax – continuing operations	**(223)**	321
Loss before interest and tax – discontinued operations	**(14)**	(83)
Depreciation and amortisation	**174**	204
Investment income	**—**	—
Share-based payment charge	**21**	14
Share of results of joint ventures	**—**	3
Profit on disposal of subsidiary	**—**	(2)
Profit / loss on disposal of fixed assets	**—**	(1)
Impairments and other non-cash items (See note 4(v))	**347**	56
Operating cash flows before movements in working capital	**305**	512
Movements in working capital:		
Increase in inventory	**(26)**	(72)
Decrease / (increase) in receivables	**226**	(32)
(Decrease) / increase in payables	**(182)**	17
Increase / (decrease) in provisions	**54**	(5)
	72	(92)
Cash generated from operations	**377**	420

26 Notes to the cash flow statement continued

b) Analysis of net debt

The presentation of the above reconciliation and statement of cash flows include both continuing and discontinued operations. Comparative amounts have been presented accordingly.

	29 April 2018 £million	Cash flow £million	Other non-cash movements £million	Currency translation £million	27 April 2019 £million
Cash and cash equivalents	228	(97)	—	(6)	125
Overdrafts	(43)	24	—	—	(19)
	185	(73)	—	(6)	106
Borrowings due within one year	(20)	20	—	—	—
Borrowings due after more than one year	(329)	41	—	—	(288)
Obligations under finance leases	(85)	8	(6)	—	(83)
	(434)	69	(6)	—	(371)
Net (debt)	(249)	(4)	(6)	(6)	(265)

	30 April 2017 £million	Cash flow £million	Other non-cash movements £million	Currency translation £million	28 April 2018 £million
Cash and cash equivalents	209	21	—	(2)	228
Overdrafts	(10)	(33)	—	—	(43)
	199	(12)	—	(2)	185
Borrowings due within one year	—	(20)	—	—	(20)
Borrowings due after more than one year	(381)	52	—	—	(329)
Obligations under finance leases	(89)	10	(6)	—	(85)
	(470)	42	(6)	—	(434)
Net (debt) / funds	(271)	30	(6)	(2)	(249)

c) Reconciliation of cash inflow from operations to free cash flow

	Year ended 27 April 2019 £million	Year ended 28 April 2018 £million
Cash inflow from operations	377	420
Operating cash flows from discontinued operations(1)	8	11
Taxation	(45)	(63)
Interest, facility arrangement fees, dividends from investments and repayment of finance leases	(30)	(24)
Capital expenditure	(166)	(173)
Proceeds from disposal of fixed assets	9	2
Other movements	—	(1)
Free cash flow	153	172

(1) Operating cash flows from discontinued operations are removed in the above reconciliation as free cash flow is presented on a continuing basis.

26 Notes to the cash flow statement continued

d) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	29 April 2018 £million	Financing cash flows £million	Disposal of finance leases £million	Other changes[i] £million	27 April 2019 £million
Loans and other borrowings (note 18)	(349)	61	–	–	(288)
Finance lease liabilities (note 19)	(85)	8	–	(6)	(83)
Other financing accruals	—	—	—	—	—
	(434)	69	–	(6)	(371)

(i) Other changes include interest accruals.

27 Related party transactions

Transactions between the Group's subsidiary undertakings, which are related parties, have been eliminated on consolidation and accordingly are not disclosed. See note 5 (a) for details of related party transactions with key management personnel.

The Group had the following transactions and balances with its associates and joint venture:

	27 April 2019 £million	28 April 2018 £million
Revenue from sale of goods and services	13	11
Amounts owed to the Group	2	2

All transactions entered into with related parties were completed on an arm's length basis.

28 Capital commitments

	27 April 2019 £million	28 April 2018 £million
Intangible assets	15	29
Property, plant & equipment	6	23
Contracted for but not provided for in the accounts	21	52

29 Operating lease arrangements

The Group as a lessee

Total undiscounted future committed payments due for continuing operations are as follows:

	27 April 2019		28 April 2018	
	Land and buildings £million	Other assets £million	Land and buildings £million	Other assets £million
Total undiscounted future committed payments due:				
Within one year	316	12	324	14
Between two and five years	896	11	932	17
After five years	616	–	576	—
	1,828	23	1,832	31

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.

29 Operating lease arrangements continued

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 £9 million (2017/18: £6 million).

30 Contingent liabilities

In recent years the Group has entered into agreements to dispose of certain operations. As part of these disposal agreements, the Group has provided the acquirer with general and tax-related warranties. At the date of signing these financial statements, some of these warranties remain open and it is possible that claims could arise under these warranties. Due to the nature of these contingent liabilities, it is not practicable to estimate their timing or possible financial impact.

The Group is subject to periodic tax and regulatory audits and investigations by various authorities covering corporate, employee and sales taxes and other regulations across various jurisdictions in which the Group operates. Applicable laws and regulations are subject to differing interpretations and the resolution of a final position, through negotiation or litigation, can take several years to complete.

The Group continues to cooperate with HMRC in relation to open tax enquiries arising from pre-merger legacy corporate transactions in the Carphone Warehouse group. The potential range of tax exposures relating to these is estimated to be approximately £nil - £220 million excluding interest and penalties. Based on the strength of third party legal advice it is not considered probable that these enquiries will result in an economic outflow to the Group and therefore no provision has been made, however, as the likelihood of litigation has increased in the period the matter has been disclosed.

31 Changes in accounting policies

For the year ended 27 April 2019 the Group has adopted the following standards which became applicable; IFRS 15: 'Revenue from Contracts with Customers' and IFRS 9: 'Financial Instruments: Recognition and Measurement'. Both standards have been applied using the modified retrospective approach, and therefore comparative amounts have not been restated. All transitional impact has been recognised in opening reserves as at 29 April 2018.

IFRS 9: 'Financial Instruments: Recognition and Measurement'

The Group has adopted IFRS 9 – 'Financial Instruments', replacing IAS 39 'Financial Instruments: Recognition and Measurement', and includes revised guidance on the classification of financial assets, impairment and hedge accounting. The Group has taken advantage of the exemption allowing it not to restate comparative information for the prior periods with respect to classification and measurement changes under IFRS 9. Differences in the carrying amounts of financial assets and liabilities as a result of the adoption of IFRS 9 have therefore been recognised in the Groups opening retained earnings.

Revised policies
The Group has made the following changes to accounting policies in respect of the implementation of IFRS 9:

Classification of financial assets and liabilities
IFRS 9 contains three classifications of financial assets; measured at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL), replacing categories of assets previously applied under IAS 39 such as held to maturity, loans and receivables and available for sale. Guidance set out by IFRS 9 states that the business model of the entity which holds the financial asset and its contractual cash flow characteristics determine how the asset is classified.

Under IAS 39, for the comparative period, trade and other receivables (excluding derivative financial assets) are recognised at fair value and subsequently held at amortised cost, less provision for impairment. An impairment would be recognised through the income statement if there was objective evidence that the Group would not be able to recover the full amount of the receivable. As at 29 April 2019, in accordance with IFRS 9, said trade and other receivables were classified as measured at amortised cost.

For the year ended 28 April 2018 the movement in the Group's investment in Unieuro operations had been taken to other comprehensive income as classified as an available-for-sale investment in accordance with IAS 39. As at 29 April 2018, the Group made the irrevocable election to continue to recognise the movement in the investment value in other comprehensive income by classifying the investment as FVTOCI, in accordance with IFRS 9, as the investment is not held for trading as it was not acquired principally for the purpose of selling in the near term.

Notes to the Group Financial Statements continued

31 Changes in accounting policies continued

A readily-determinable fair value is available based on the market price of the listed shares, and the investment has therefore been valued at £18 million (2017/18: £17 million). The fair valuation techniques are outlined in note 25. During the year ended 27 April 2019, the Group recognised £1 million (2017/18: £1 million) dividends received from equity instruments designated at FVTOCI in other income.

Under IFRS 9, equity investments are held at fair value including those that do not have a quoted price in an active market for an identical instrument. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

Impairment of financial assets
The 'incurred loss' model previously applied under IAS 39 has been replaced as at 29 April 2018 with an 'expected credit loss' (ECL) model under IFRS 9. The Group applies the simplified model to recognise lifetime expected credit losses for its trade receivables and other receivables by making an accounting policy election. The new impairment model applies to loans, leases (IAS 17), trade debtors, securities, contract assets under IFRS15, financial guarantees and loan commitments. The application of the model has led to a change in the recognition of credit losses by bringing forward the impact of future expected credit losses, replacing the previous policy under event driven circumstances as per IAS 39. The financial assets affected by this change largely relate to credit receivables in Greece, franchise receivables in Nordics and Greece and the B2B businesses in the UK & Ireland electricals operating segment. The adoption of IFRS 9 did not have a significant impact on the network commission receivable in UK & Ireland mobile. The overall impact has been a reduction in opening reserves of £2 million.

Hedge accounting
The Group has elected to adopt the IFRS 9 model on its existing hedges at implementation date and for all hedging going forward. All hedge relationships previously designated under IAS 39 at 28 April 2018 have met the criteria for hedge accounting under IFRS 9 on 29 April 2018, as such are regarded as continuing hedging relationships and align with the Group's risk management objectives set out in its risk management strategy detailed in note 25a. The Group now only applies a forward-looking approach to assessing its hedge effectiveness and monitors to ensure that credit risk does not dominate its hedge relationships.

The Group uses derivative financial instruments to protect from volatility in foreign exchange rates on its foreign currency stock purchases / sales and interest rate fluctuations on its floating rate debt. The Group uses the derivatives to hedge highly probable forecast transactions and with the purpose of fixing floating rate debt and therefore the instruments all hedges are designated as cash flow hedges.

Derivatives are recognised at fair value at inception and are subsequently measured at fair value until maturity. The effective element of any gain or loss from the revaluation of the hedging instrument is recognised in the Group's hedging reserves. The cumulative gain or loss related to hedging instruments is recycled from the Group Statement of Changes in Equity into the Group's Income Statement during the period at which the hedged item impacts the Group's Income Statement. Any ineffectiveness is recognised immediately in the Group Income Statement within financing costs. For hedges of forecast inventory payments, the amounts accumulated in the cash flow hedge reserve are recycled directly in the initial cost of the inventory item (a non-financial asset) at the point inventory is recognised.

The Group does not enter derivative financial instruments for trading purposes.

IFRS 15: 'Revenue from Contracts with Customers'

IFRS 15 introduces a five step approach on the recognition, timing and measurement of revenue from contracts with customers contingent on the fulfilment of performance obligations.

The Group has adopted IFRS 15 using the cumulative effect method of initially applying IFRS as an adjustment to the opening balance of equity at 29 April 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

Revenue comprises sales of goods and services excluding sales taxes. The majority of Group sales are for goods sold in store and online, where there is a single performance obligation and revenue is recognised at the point of sale or, where later, delivery to the end consumer. There is no impact from the adoption of IFRS 15 on these sales. The following revenue streams have been impacted by IFRS 15:

Customer support agreements
Under IAS 18 revenue was recognised with reference to the stage of completion of the contract based on the contracted term or, for monthly contracts, our estimate of customer tenure, and the profile of the expected costs.

31 Changes in accounting policies continued

IFRS 15 introduces new requirements relating to the assessment of the contract length over which revenue is recognised, and recognition over time or at a point in time. Due to the cancellation options and customer refund clauses within the agreements, the term has been reassessed to be either monthly or a series of day to day contracts.

Revenue has therefore been recognised in full as each performance obligation is satisfied. For monthly agreements revenue has been recognised in full in the month to which payment relates. For arrangements assessed as being a series of day to day contracts revenue has been recognised on a 'straight-line' basis.

The impact of these changes at 29 April 2018 has been a release of £24 million of deferred income recorded in the opening balance sheet for current contracts to reserves. This impact will unwind to the income statement over a 5 year period. The impact on the statement of comprehensive income in the year ended 27 April 2019 has been a decrease in revenue and headline EBIT of £5 million in the UK & Ireland electricals reportable segment.

Commission from insurance products
The Group receives sales commission from the sale of third-party insurance products and for the provision of brokerage and other claims handling services on behalf of the insurance provider.

Under IAS 18 sales commission received from third parties is recognised when the insurance policies to which it relates are sold and revenue from the provision of insurance administration services is recognised over the life of the relevant policies.

Under IFRS 15 the group has re-assessed the standalone selling price of the commission and administration services provided, which has resulted in the level of commission receivable recognised on the opening balance sheet of £18 million, to reallocate consideration from commission (recognised up front) to other services (recognised over time). This has led to an increase in reported Revenue and headline EBIT of £1 million for the year ended 27 April 2019.

Consumer credit
A small impact has been identified in relation to the treatment of credit sales in the Greece reportable segment, which has resulted in a reallocation of £1 million in the year ended 27 April 2019 from revenue to finance income.

Classification of contract assets and contract liabilities
Under IFRS 15, assets and liabilities previously recognised as accrued income and deferred income have been reclassified as contract assets and contract liabilities respectively and have been presented under the trade and other receivables and trade and other payables categories in the consolidated balance sheet.

In addition, the returns provision previously recorded within accruals in the balance sheet as per IAS 18 has been reclassified to a gross expected return liability and asset.

Impact on opening reserves and primary statements
The impact of the change on opening reserves is as follows:

	£million
Balance at 28 April 2018	1,643
IFRS 15 – consumer support agreements	24
IFRS 15 – commissions from insurance products	(18)
IFRS 9 – expected credit loss model	(2)
Taxation on transition adjustments	(1)
Adjusted balance at 28 April 2018	**1,646**

32 Events after the balance sheet date

There were no material events after the balance sheet date.

Company Balance Sheet

	Note	27 April 2019 £million	28 April 2018 £million
Fixed assets			
Investments in subsidiaries	C4	**2,676**	2,677
Current assets			
Cash and cash equivalents		**77**	178
Debtors: due within one year	C5	**2,768**	2,208
Derivative assets	C7	**24**	34
		2,869	2,420
Creditors: amounts falling due within one year	C6	**(2,465)**	(1,886)
Derivative liabilities	C7	**(24)**	(32)
Net current assets		**380**	502
Total assets less current liabilities		**3,056**	3,179
Loans payable	C8	**(288)**	(329)
Net assets		**2,768**	2,850
Capital and reserves			
Share capital	C9	**1**	1
Share premium reserve	C9	**2,263**	2,263
Profit and loss account		**504**	586
		2,768	2,850

The Company's profit for the year was £34 million (2017/18: £28 million).

The financial statements of the Company (registered number 07105905) were approved by the Board on 19 June 2019 and signed on its behalf by:

Alex Baldock,
Group Chief Executive

Jonny Mason,
Group Chief Financial Officer

Company registration number: 7105905

Company Statement of Changes in Equity

	Share capital £million	Share premium reserve £million	Profit and loss account £million	Total equity £million
At 29 April 2017	1	2,260	689	2,950
Profit for the year	—	—	28	28
Other comprehensive income	—	—	1	1
Total comprehensive income for the year	—	—	29	29
Issue of own shares	—	3	(2)	1
Equity dividends	—	—	(130)	(130)
At 28 April 2018	1	2,263	586	2,850
Profit for the year	**—**	**—**	**34**	**34**
Total comprehensive income for the year	**—**	**—**	**34**	**34**
Equity dividends	**—**	**—**	**(116)**	**(116)**
At 27 April 2019	**1**	**2,263**	**504**	**2,768**

Notes to the Company Financial Statements

C1 Accounting policies

Basis of preparation

The Company is incorporated in the United Kingdom. The financial statements have been prepared on a going concern basis (see note 1 to the Group financial statements).

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council, incorporating the Amendments to FRS 101 issued by the Financial Reporting Council in July 2015.

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

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis except for the re-measurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in note 1 to the Group financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

The Company had no employees during the year ended 27 April 2019 (2017/18: nil). All directors were remunerated by other group companies.

Key sources of estimation uncertainty

Recoverable amount of non-financial assets
Investments in subsidiary companies are assessed for impairment loss at each reporting date, based on the estimated value of its discounted future cash flows. The key assumptions made for long term projections, growth rates, discount rate and the potential impact of Brexit all include an element of estimation that may give rise to a difference between the value ascribed and the actual outcomes.

Receivable balances with other Group entities, are reviewed for potential impairment based on the ability of the counterparty to meet its obligations. The net current asset/liability position of the entity is considered and where the amount due to the Company is not covered, the estimated future cashflows of the counterparty and subsidiary companies with the ability to distribute cash to it are considered. Assumptions over the future cashflows are a key source of estimation uncertainty.

C2 Profit and loss account

In accordance with the exemption permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented separately. The profit recognised for the year ended 27 April 2019 was £34 million (2017/18: £28 million). Information regarding the audit fees for the Group is provided in note 3 to the Group financial statements.

C3 Equity dividends

Details of amounts recognised as distributions to shareholders in the period and those proposed are detailed in note 23 of the Group financial statements.

C4 Fixed asset investments

	27 April 2019 £million	28 April 2018 £million
Opening balance	**2,677**	2,678
Impairments	**(1)**	(1)
Closing balance	**2,676**	2,677
Cost	**2,776**	2,776
Accumulated impairments	**(100)**	(99)
Net carrying amount	**2,676**	2,677

Fixed asset investments comprise investments in subsidiary undertakings and other minority investments.
Details of the Company's investments in subsidiary undertakings are provided in note C10.

C5 Debtors: amounts falling due within one year

	27 April 2019 £million	28 April 2018 £million
Amounts owed by Group undertakings	2,761	2,199
Deferred tax asset	—	1
Prepayments	6	6
Other debtors	1	2
	2,768	2,208

Amounts owed by Group undertakings are unsecured, repayable on demand and any interest charged is at current market rates.

C6 Creditors: Amounts falling due within one year

	27 April 2019 £million	28 April 2018 £million
Amounts owed to Group undertakings	2,099	1,598
Overdrafts	363	267
Short term borrowing	—	20
Corporation tax	2	—
Accruals and deferred income	1	1
	2,465	1,886

C7 Derivatives

	27 April 2019 £million	28 April 2018 £million
Cross currency interest rate swaps	—	1
Foreign exchange contracts	24	33
Derivative assets	24	34
Foreign exchange contracts	(24)	(32)
Derivative liabilities	(24)	(32)

Interest rate swaps convert floating rate debt (3 month Libor plus a margin) to a fixed rate.

This value is determined using forward exchange and interest rates derived from market sourced data at the balance sheet date, with the resulting value discounted back to present value (level 2 classification). See note 25 for further details.

C8 Loans payable

Details of loans payable are provided in note 18 to the Group financial statements.

C9 Share capital and share premium

Details of movements in share-capital and share premium are disclosed in note 22 to the Group financial statements.

Notes to the Company Financial Statements continued

C10 Subsidiary undertakings

a) Principal subsidiaries as at 27 April 2019

The Company has investments in the following principal subsidiary undertakings. All holdings are in equity share capital and give the Group an effective holding of 100% on consolidation.

Name	Registered office address	Country of incorporation or registration	Share class(es) held	% held	Business activity
Carphone Warehouse Europe Limited	1 Portal Way, London, W3 6RS	United Kingdom	A & B Ordinary	100	Holding company
CPW Technology Services Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100	IT
Dixons Carphone Holdings Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100*	Holding company
			Deferred	100*	
			A Ordinary	84.6**	
			B Ordinary	100*	
Dixons Retail Group Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary Deferred	100 100*	Holding company
Dixons South East Europe A.E.V.E.	14th km Athens – Lamia, National Road & 2 Spilias Street, 14452 Metamorfosi Attiki, Athens	Greece	Ordinary	100	Retail
DSG International Holdings Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100	Holding company
DSG Retail Ireland Limited	3rd Floor Office Suite, Omni Park Shopping Centre, Santry, Dublin 9	Ireland	Ordinary	100	Retail
DSG Retail Limited	1 Portal Way, London, W3 6RS	United Kingdom	Irredeemable Cumulative Preference and Ordinary	100	Retail
Elgiganten Aktiebolag	Box 1264, 164, 29 Kista, Stockholm	Sweden	Ordinary	100	Retail
ElGiganten A/S	Arne Jacobsens Allé 16, 2.sal København S, 2300 Copenhagen	Denmark	Ordinary	100	Retail
Elkjøp Nordic AS	Nydalsveien 18A, NO-0484 Oslo	Norway	Ordinary	100	Retail
Elkjøp Norge AS	Solheimveien 10, NO-1473, Lørenskog	Norway	Ordinary	100	Retail
Gigantti Oy	Töölönlahdenkatu 2, FI-00100, Helsinki	Finland	Ordinary	100	Retail
New Technology Insurance Unlimited Company	Baker Tilly Hughes Blake, Joyce House, 22-23 Holles Street, Dublin 2	Ireland	Ordinary	100	Insurance
The Carphone Warehouse Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100	Retail
The Carphone Warehouse Limited	3rd Floor Office Suite, Omni Park Shopping Centre, Santry, Dublin 9	Ireland	Ordinary	100	Retail

* Interest held directly by Dixons Carphone plc.
** This is the only interest of Dixons Carphone plc, directly or indirectly, in this class of shares.

C10 Subsidiary undertakings continued

b) Other subsidiary undertakings

The following are the other subsidiary undertakings of the Group, all of which are wholly owned unless otherwise indicated. All these companies are either holding companies or provide general support to the principal subsidiaries listed on the previous page.

Name	Registered office address	Country of incorporation or registration	Share class(es) held	% held
Alfa s.r.l.	Via monte Napoleone n. 29, 20121 Milano	Italy	Ordinary	100
Carphone Warehouse Ireland Mobile Limited (in liquidation)	44 Fitzwilliam Place, Dublin 2	Ireland	Ordinary	100
CCC Nordic A/S	Arne Jacobsens Allé 15, 8., 2300 København S.	Denmark	Ordinary	100
Codic GmbH (in liquidation)	Eschenheimer Anlage 1, 60316, Frankfurt	Germany	Ordinary	100
Connected World Services Distributions Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
Connected World Services LLC	2711 Centerville Road, Suite 400 Wilmington DE 19808	United States	Ordinary	100
Connected World Services Netherlands BV	Watermanweg 96, 3067 GG, Rotterdam	Netherlands	Ordinary	100
Connected World Services SAS	26 rue de Cambacérès, 75008 Paris	France	Ordinary	100
CPW Acton Five Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
CPW Acton One Limited	6th Floor, Victory House, Prospect Hill, Douglas, IM1 1EQ	Isle of Man	Ordinary	100*
CPW Brands 2 Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100*
CPW CP Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
CPW GC Holdings BV	Herikerbergweg 238, 1101 CM, Amsterdam	Netherlands	Ordinary	100*
CPW Tulketh Mill Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100*
DISL 2 Limited	6th Floor, Victory House, Prospect Hill, Douglas, IM1 1EQ	Isle of Man	Ordinary	100
DISL Limited	6th Floor, Victory House, Prospect Hill, Douglas, IM1 1EQ	Isle of Man	A, B, C & D Preference and Ordinary B	100
Dixons Carphone CoE s.r.o.	Trnita, 491/5, 602 00 Brno	Czech Republic	Business Shares	100
Dixons Deutschland GmbH	Ottostraße 21, 80333 Munich	Germany	Ordinary	100

* Interest held directly by Dixons Carphone plc.

Notes to the Company Financial Statements continued

C10 Subsidiary undertakings continued

b) Other subsidiary undertakings continued

Name	Registered office address	Country of incorporation or registration	Share class(es) held	% held
Dixons Sourcing Limited	31/F, AXA Tower Landmark East, 100 How Ming Street, Kwun Tong Kowloon	Hong Kong	Ordinary	100
Dixons Stores Group Retail Norway AS	Nydalsveien 18A, NO-0484 Oslo	Norway	Ordinary	100
Dixons Travel srl (in liquidation)	Foro Buonaparte 70, 20121, Milan	Italy	Ordinary	100
DSG Card Handling Services Limited	1 Portal Way, London, W3 6RS	United Kingdom	Cumulative C & D Preference and Ordinary	100
DSG Corporate Services Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG European Investments Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG Hong Kong Sourcing Limited	31/F, AXA Tower Landmark East, 100 How Ming Street, Kwun Tong Kowloon	Hong Kong	Ordinary	100
DSG International Belgium BVBA	Havenlaan 86C, Box 204, B-1000 Brussels	Belgium	Ordinary	100
DSG International Retail Properties Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG Ireland Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG KHI Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG Overseas Investments Limited	1 Portal Way, London, W3 6RS	United Kingdom	Preference, B Preference and Ordinary	100
DSG Retail Ireland Pension Trust Limited	40 Upper Mount Street, Dublin 2, D02 PR89	Ireland	Ordinary	100
El-Giganten Logistik AB	Mobelvagen 51, 556 52 Jönköping	Sweden	Ordinary	100
Elkjøp Kleiverenga AS[1]	Nydalsveien 18A, NO-0484 Oslo	Norway	Ordinary	100
Epoq Logistic DC k.s.	Evropská 868, 664 42 Modřice	Czech Republic	Ordinary	100
ID Mobile Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
InfoCare CS AB	Arabygatan 9, 35246 Växjö, Kronobergs län	Sweden	Ordinary	100
InfoCare Workshop AS	Industrivegen, 53, 2212, Kongsvinger	Norway	Ordinary	100
InfoCare Workshop Oy	Silvastintie 1, 01510, Vantaa	Finland	Ordinary	100

1 Elkjøp Kleiverenga AS was de-registered from the Norwegian Company Register on Saturday 4 May 2019.

C10 Subsidiary undertakings continued

b) Other subsidiary undertakings continued

Name	Registered office address	Country of incorporation or registration	Share class(es) held	% held
Kereru Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
Kungsgatan Concept Store AB	Box 1264, 164, 29 Kista, Stockholm	Sweden	Ordinary	100
Mastercare Service and Distribution Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
Mohua Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
MTIS Limited	Carphone Warehouse, Dixons Unit, 301 Omni Park Shopping Centre, Swords Road, Dublin 9	Ireland	Ordinary	100
OSAA – Sociedade Gestora De Participações Sociais, Lda	R. Latino Coelho nº13, 1050-132 Lisbon	Portugal	Ordinary	100
Osfone Comercio de Aparelhos de Telecomunicações, Lda	R. Latino Coelho nº13, 1050-132 Lisbon	Portugal	Ordinary	100
Osfone Negócios – Comercio de Aparelhos de Telecomunicações, Lda	R. Latino Coelho nº13, 1050-132 Lisbon	Portugal	Ordinary	100
PC City (France) SNC	52 rue de la Victoire 75009 Paris	France	Partnership	100
Pelham Limited (in dissolution)	6th Floor, Victory House, Prospect Hill, Douglas, IM1 1EQ	Isle of Man	Ordinary	100
Petrus Insurance Company Limited	2 Irish Town	Gibraltar	Ordinary	100
Simplify Digital Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
TalkM Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
Team Knowhow Limited	1 Portal Way, London, W36RS	United Kingdom	Ordinary	100
The Carphone Warehouse (Digital) Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100*
The Carphone Warehouse UK Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
The Phone House Holdings (UK) Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100

* Interest held directly by Dixons Carphone plc.

c) Other significant shareholdings

The following are the other significant shareholdings of the Company, all of which are held indirectly.

Name	Registered office address	Country of incorporation or registration	Share class held	% held	Business activity
Elkjøp Fjordane AS	Fugleskjærgata 10, 6905 Florø	Norway	Ordinary	30	Retail
F Group A/S (in liquidation)	Amerika Plads 37, DK-2100 København Ø	Denmark	Ordinary	40	Retail

C10 Subsidiary undertakings continued

d) Subsidiary undertakings exempt from audit

The following subsidiaries, all of which are incorporated in England and Wales are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of that Act:

Name	Company registration number
Carphone Warehouse Europe Limited	06534088
Connected World Services Distributions Limited	01847868
CPW Acton Five Limited	05738735
CPW Brands 2 Limited	07135355
CPW CP Limited	06585457
CPW Technology Services Limited	02881162
CPW Tulketh Mill Limited	06585719
DSG Card Handling Services Limited	04185110
DSG European Investments Limited	03891149
DSG International Holdings Limited	03887870
DSG International Retail Properties Limited	00476440
DSG Ireland Limited	00240621
DSG KHI Limited	09012752
DSG Overseas Investments Limited	02734677
Simplify Digital Limited	06095563
TalkM Limited	04682207
The Carphone Warehouse (Digital) Limited	03966947
The Carphone Warehouse UK Limited	03827277
The Phone House Holdings (UK) Limited	03663563

Five Year Record (unaudited)

Income statement – Headline and Pro forma

	2018/19 £million	2017/18 £million	2016/17 £million	2015/16 £million	2014/15 £million
Headline(1)					
Revenue	**10,433**	10,525	10,242	9,445	7,899
Profit after tax – wholly owned operations	**236**	303	386	352	290
Share of results of joint ventures and associates (after tax)	**—**	—	—	—	—
Net profit after tax	**236**	303	386	352	290
Earnings per share					
– Basic	**20.4p**	26.2p	33.5p	30.6p	30.2p
– Diluted	**20.2p**	26.1p	33.4p	29.6p	29.2p
Pro forma headline results(2)					
Revenue	**10,433**	10,525	10,242	9,445	9,394
EBIT	**322**	400	516	486	420
Interest	**(24)**	(18)	(16)	(22)	(33)
Profit before taxation	**298**	382	500	464	387

(1) Headline results – continuing operations reflect the statutory results of the Group excluding items classified as non-headline.
(2) Pro forma results are presented as though the Dixons Retail had occurred at the beginning of the five-year period.

Shareholder and Corporate Information

Dixons Carphone plc is listed on the main market of the London Stock Exchange (stock symbol: DC) and is a constituent of the FTSE 250.

Registrars

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
United Kingdom

0371 384 2089 (UK only)
+44 (0)121 415 7047 (from outside the UK)

Shareholder enquiries

Any queries that shareholders have regarding their shareholdings, such as a change of name or address, transfer of shares or lost share certificates, should be referred to the Registrar using the contact details above.

A shareholder helpline is available on UK business days between 8.30am and 5.30pm (UK time), excluding public holidays in England and Wales.

Managing shares online

Shareholders can manage their holdings online by registering with an electronic communications service called Shareview at www.shareview.co.uk. This is a secure online platform which is provided by the Registrar Equiniti. To register, you will need your shareholder reference number, which can be found on your share certificate, dividend confirmation or form of proxy.

Unauthorised brokers (boiler room scams)

Dixons Carphone plc is legally obliged to make its share register available to the general public. Consequently, some shareholders may receive unsolicited phone calls or correspondence concerning investment matters which may imply a connection to the company concerned. These are typically from overseas-based 'brokers' who target UK shareholders offering to buy their shares or sell them what can turn out to be worthless or high-risk shares in US or UK investments. These communications can be persistent and extremely persuasive.

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad. While high profits are promised, those who buy or sell shares in this way usually lose their money.

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at www.fca.org.uk/scams where you can find out about the latest investment scams. You can also call the Consumer Helpline on +44 (0)800 111 6768.

ShareGift

If you have a very small shareholding that is uneconomical to sell, you may wish to consider donating it to ShareGift (Registered charity no. 1052686), a charity that specialises in the donation of small, unwanted shareholdings to good causes. You can find more information by visiting sharegift.org or by calling +44 (0)207 930 3737.

Financial calendar

Ex-dividend date (final dividend 2018/19)	5 Sep 2019
Record date (final dividend 2018/19)	6 Sep 2019
Annual General Meeting	5 Sep 2019
Intended dividend payment date (final dividend 2018/19)	27 Sep 2019

Annual General Meeting

The Annual General Meeting will be held at 11.00am (UK Time) on 5 September 2019 at Hilton London Kensington, 179-199 Holland Park Avenue, London, W11 4UL. Details of the Annual General Meeting and the resolutions to be voted upon can be found in the Notice of Meeting.

American Depositary Receipts ('ADRs')

Dixons Carphone plc has established a sponsored Level 1 ADR program and has appointed Deutsche Bank Trust Company Americas ('Deutsche Bank') as the depositary bank. The ADRs trade on the US over-the-counter ('OTC') market under the symbol DXCPY (they are not listed on a US stock exchange). Each ADR represents two ordinary shares in Dixons Carphone plc.

Contact details for ADR investors and brokers

Deutsche Bank ADR broker services desks
New York: +1 212 250 9100
London: +44 (0)207 547 6500 (from outside the UK)

Contact details for registered ADR holders

For Deutsche Bank Shareholder Services:
American Stock Transfer & Trust Company ('AST')
Operations Center
6201 15th Avenue
Brooklyn, NY 11219
United States

Email: DB@amstock.com
Toll free number: (866) 249 2593 (from within the US)
Direct dial: +1 718 921 8124 (from outside the US)

Registered office / Head office

1 Portal Way
London
W3 6RS
United Kingdom
+44 (0) 203 110 3251
www.dixonscarphone.com

Company registration number

07105905

Company Secretary

Enquiries should be directed to:

Nigel Paterson
General Counsel and Company Secretary
cosec@dixonscarphone.com

Investor relations

Enquiries should be directed to:

Assad Malic, Group Corporate Affairs Director
ir@dixonscarphone.com

Electronic communications

Shareholders will receive annual reports and other documentation electronically, unless they tell Equiniti that they would like to continue to receive printed materials. This is in line with best practice and underpins our commitment to reduce waste and use of resources.

Shareholders may view shareholder communications online instead of receiving them in hard copy. Shareholders may elect to receive notifications by email whenever shareholder communications are added to the website by visiting www.shareview.co.uk and registering online.

Corporate website

Shareholders are encouraged to visit the Dixons Carphone website (dixonscarphone.com). The website includes information about the organisation, its strategy and business performance, latest news and press releases and the companies approach to corporate governance.

The investors section provides a comprehensive breakdown of Dixons Carphone investor proposition, share price, financial results, shareholder meetings and dividends.

Advisors

Auditor
Deloitte LLP
1 New Street Square
London
EC4A 3HQ
www.deloitte.com

Joint Stockbrokers
Deutsche Bank AG
London
EC2N 2DB
www.db.com

Citigroup Global Markets Limited
33 Canada Square
Canary Wharf
London
E14 5LB
www.citigroup.com

Glossary and Definitions

Alternative performance measures ('APMs')

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

Headline and non-headline measures

The Group's income statement and segmental analysis identify separately headline performance and non-headline items. Headline performance measures reflect adjustments to total performance measures. The directors consider 'headline' performance measures to be an informative additional measure of the ongoing trading performance of the Group. Headline results are stated before non-headline items.

Non-headline items consist of the results of discontinued operations or exited / to be exited businesses, amortisation of acquisition intangibles, acquisition-related costs, any exceptional items considered sufficiently material that they distort underlying performance (such as re-organisation costs, impairment charges, property rationalisation costs and other non-recurring charges), income from previously disposed operations and net pension interest costs.

Items excluded from headline results can evolve from one financial year to the next depending on the nature of exceptional items or one-off type activities. Where appropriate, for example where a business is classified as exited / to be exited, comparative information is restated accordingly.

Local currency

Some comparative performance measures are translated at constant exchange rates, called 'local currency' measures. This restates the prior period results at a common exchange rate to the current year in order to provide appropriate year-on-year movement measures without the impact of foreign exchange movements.

In response to the Guidelines on Alternative Performance Measures issues by the European Securities and Markets Authority ('ESMA'), we have provided additional information on the APMs used by the Group below.

Alternative performance measure	Closest equivalent GAAP measure	Reconciliation to IFRS measure	Definition and purpose
Revenue measures			
Headline / non-headline revenue	Revenue	See note 2 and for details of restated amounts for 2017/18.	Headline revenues represent the ongoing revenues of the Group, and are adjusted to remove non-headline revenue items. In the current and restated comparative periods, this relates to the iD mobile operations in Republic of Ireland, which is classified as a 'business to be exited' and therefore presented in non-headline results.
Like-for-like (LFL) % change	No direct equivalent	Not applicable	Like-for-like revenue is calculated based on headline store and internet revenue using constant exchange rates. New stores are included where they have been open for a full financial year both at the beginning and end of the financial period. Revenue from franchise stores are excluded and closed stores are excluded for any period of closure during either period. Customer support agreement, insurance and wholesale revenues along with revenue from Connected World Services and other non-retail businesses are excluded from like-for-like calculations. We consider that LFL revenue represents a useful measure of the trading performance of our underlying and ongoing store and online portfolio.

Alternative performance measure	Closest equivalent GAAP measure	Reconciliation to IFRS measure	Definition and purpose
Local currency % change	Revenue compared to prior period consolidated at a constant exchange rate.	Not applicable	Reflects total revenues on a constant currency and period basis. Provides a measure of performance excluding the impact of foreign exchange rate movements.
Profit measures			
Headline / non-headline profit / (loss) before tax, EBIT and profit / (loss) after tax	Profit / (loss) before interest and tax, profit / (loss) after interest and tax.	See note 2 and 4, for details of restated amounts for 2017/18.	As discussed above, the Group uses headline profit measures in order to provide a useful measure of the ongoing performance of the Group. These are adjusted from total measures to remove 'non-headline' items, the nature of which are disclosed above.
EBIT	Profit / (loss) before interest and tax	No reconciling items	Earnings before interest and tax (EBIT) is directly comparable to profit / (loss) before tax. The terminology used is consistent with that used historically and in external communications.
Other earnings measures			
Headline / non-headline net finance costs	Net finance costs	See note 4	Headline net finance costs are adjusted from total finance costs to remove non-headline finance cost items. Non-headline finance costs includes the finance charge of businesses to be exited, net pension interest costs, finance income from previously disposed operations not classified as discontinued, and other exceptional items considered so one-off and material that they distort underlying finance costs of the Group. Under IAS 19 'Employee Benefits', the net interest charge on defined benefit pension schemes is calculated based on corporate bond yield rates at a specific date, which, as can vary over time, creates volatility in the income statement and is unrepresentative of the actual investment gains or losses made on the liabilities. Therefore this item has been removed from our headline earnings measure in order to remove this non-cash volatility.
Headline / non-headline income tax expense / (credit)	Income tax expense / (credit)	See note 4	Headline income tax expense / (credit) represents the income tax on headline earnings. Non-headline income tax expense / (credit) represents the tax on items classified as 'non-headline', either in the current year, or the current year effect of prior year tax adjustments on items previously classified as non-headline. We consider the headline income tax measures represent a useful measure of the ongoing tax charge / credit of the Group.

Alternative performance measure	Closest equivalent GAAP measure	Reconciliation to IFRS measure	Definition and purpose
Headline / Total effective tax rate	No direct equivalent		The effective tax rate measures provide a useful indication of the tax rate of the Group. Headline effective tax is the rate of tax recognised on headline earnings, and total effective tax is the rate of tax recognised on total earnings.

Glossary and Definitions continued

Alternative performance measure	Closest equivalent GAAP measure	Reconciliation to IFRS measure	Definition and purpose
Earnings per share measures			
Headline basic EPS – continuing operations, headline diluted EPS – continuing operations, headline basic EPS – total, headline diluted EPS – total	Statutory EPS figures	See note 8	EPS measures are presented to reflect the impact of non-headline items in order to show a headline EPS figure, which reflects the headline earnings per share of the Group. We consider the headline EPS provides a useful measure of the ongoing earnings of the underlying Group.
Cash flow measures			
Free cash flow	Cash generated from operations	See note 26	Free cash flow comprises cash generated from / (utilised by) continuing operations including restructuring costs, but before cash generated from / (utilised by) businesses exited / to be exited, less net finance expense, less income tax paid, less net capital expenditure and before any special pension contributions and dividends.
Net debt	Cash and cash equivalents less loans and other borrowings and finance lease obligations.	See note 26	Comprises cash and cash equivalents and short term deposits, less borrowings and finance lease creditors. We consider that this provides a useful measure of the indebtedness of the Group.
Other measures			
Return on Capital Employed (ROCE)	No direct equivalent	Not applicable	Calculated on a pre-tax and lease adjusted basis. The return is based on headline EBIT, adjusted to add back the interest component associated with capitalising operating lease costs. Capital employed is based on net assets including capitalised leases, but excluding goodwill, cash, tax and the defined benefit pension obligations. The calculation is performed on a moving annual total in order to best match the return on assets in a year with the assets in use during the year to generate the return. We consider this a useful measure to understand how the Group has used the capital employed during the period.

Pro forma results

In previous periods (up to the annual report and accounts 2015/16), the Group presented 'pro forma' comparative financial information in order to reflect results of both Carphone Warehouse and Dixons Retail throughout the comparative periods as if the Merger on 6 August 2014 had occurred at the start of the 2013/14 financial year. In the current year, pro forma information is not presented as does not affect the comparative periods for the current year, other than in the five year summary. For information on the pro forma financial information and reconciliations please refer to the annual report and accounts 2015/16.

Other definitions

The following definitions apply throughout this Annual Report and Accounts unless the context otherwise requires:

Acquisition intangibles	Acquired intangible assets such as customer bases, brands and other intangible assets acquired through a business combination capitalised separately from goodwill. Where businesses have grown organically rather than through acquisition, there is no amortisation of acquired intangibles and therefore the non-cash amortisation charge is removed from our headline earnings measures in order to increase comparability between segments.
ADRs	American Depositary Receipts
ARPU	Average monthly revenue per user
B2B	Business to business
Best Buy	Best Buy Co., Inc. (incorporated in the United States) and its subsidiaries and interests in joint ventures and associates
Best Buy Europe	Best Buy Europe Distributions Limited and its subsidiaries and interests in joint ventures and associates (incorporated in England & Wales)
Board	The Board of Directors of the Company
Businesses to be exited	Businesses exited or to be exited are those which the Group has exited or committed to or commenced to exit through disposal or closure but do not meet the definition of discontinued operations as stipulated by IFRS and are material to the results or operations of the Group. Comparative results in the statement of comprehensive income and the notes are restated accordingly for the impact of businesses exited or to be exited.
Carphone, Carphone Warehouse or Carphone Group	The Company or Group prior to the Merger on 6 August 2014
CGU	Cash Generating Unit
Company or the Company	Dixons Carphone plc (incorporated in England and Wales under the Act, with registered number 07105905), whose registered office is at 1 Portal Way, London W3 6RS
Colleague engagement	Measured using ‘Make a Difference’ survey in Greece and UK & Ireland and a colleague engagement survey in the Nordics
CRM	Customer Relationship Management
CPW	The continuing business of the Carphone Group
CPW Europe	Best Buy Europe’s core continuing operations
CPW Europe Acquisition	The Company’s acquisition of Best Buy’s interest in CPW Europe, which completed on 26 June 2013
CWS	The Connected World Services division of the Company
Dixons or Dixons Retail	Dixons Retail plc and its subsidiary companies
Dixons Carphone or Group	The Company, its subsidiaries, interests in joint ventures and other investments
Dixons Retail Merger or Merger	The all-share merger of Dixons Retail plc and Carphone Warehouse plc which occurred on 6 August 2014
EBT	Employee benefit trust
HMRC	Her Majesty’s Revenue and Customs
honeybee	honeybee was our proprietary IT software operation for which an asset sale was completed on 31 May 2018

Glossary and Definitions continued

GfK	Growth from Knowledge
IFRS	International Financial Reporting Standards as adopted by the European Union
Market position	Ranking against competitors in the electrical and mobile retail market, measured by market share. Market share is measured for each of the Group's markets by comparing data for revenue or volume of units sold relative to similar metrics for competitors in the same market
MNO	Mobile network operator
MVNO	Mobile virtual network operator
NPS	Net Promoter Score, a rating used by the Group to measure customers' likelihood to recommend its operations
Peak / post peak	Peak refers to the 10 week trading period ending on 5 January 2019 as reported in the Group's Christmas Trading statement on 22 January 2019. Post peak refers to the trading period from 6 January 2019 to the Group's year-end on 27 April 2019
RCF	Revolving credit facility
Sharesave or SAYE	Save as you earn share scheme
SIMO	Sales of SIM-only contracts, without attached handset
Special pension contributions	Represent contributions made under the schedule of contributions agreed with the scheme trustees following the 2016 triennial review
Sprint JV	The 50% investment held by the Group in Sprint Connect LLC, a distribution joint venture held with Sprint LLC in the USA.
SWAS	Stores-within-a-store
TSR	Total shareholder return
UK GAAP	United Kingdom Accounting Standards and applicable law
Virgin Mobile France	Omer Telecom Limited (incorporated in England and Wales) and its subsidiaries, operating an MVNO in France as a joint venture between the Company, Bluebottle UK Limited and Financom S.A.S.
WAEP	Weighted average exercise price

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