WE HELP EVERYONE ENJOY AMAZING TECHNOLOGY

Annual Report & Accounts 2019/20

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

INVESTOR INFORMATION


SMARTTELEFON
KASSE &
du vite mer?
Bare spør.
HVOR MYE DATA BRUKER DU EGENTLIG?
DEKSLER &
SUPPORTAVTALE
PAKKEN SOM SIKRER MOB
PÅ BEST MULIG MÅTE, MED
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ALL NEW HUAWEI
#SEEMORE

Chair of the Board's Statement

Lord Livingston of Parkhead
Chair of the Board

"It is important to us and all our stakeholders that we not only succeed financially but also that, to be a sustainable business over the long term, we need to be 'doing the right thing in everything we do'."

To say this has been a challenging year would be an understatement. On top of a major transformation programme and substantial market changes, the Group has had to navigate the uncertainty of Brexit and the impact of Covid-19 which disrupted supply chains and temporarily closed all our stores in the UK, Ireland and Greece.

Our management team, led by Alex Baldock, and our colleagues have responded magnificently to these challenges. I want to thank them all.

Our key focus during the pandemic has been to keep our people safe, serve our customers and ensure the business is in the best position for the future. This has involved innovative solutions such as contactless stores, constant communication with our colleagues and also ensuring that we do the right thing. For example, we have prioritised and supported vulnerable customers and the NHS. To both support our business and in solidarity with our UK colleagues who are on furlough, the Executive Committee members and Board directors took a temporary 20% pay reduction and there was no corporate bonus awarded in the UK & Ireland this year.

Results

The first ten months of the year saw us make good progress on our transformation. Across our Electricals business, we increased market share and grew customer satisfaction. Our International business had another strong year and delivered almost half of the Group's total Electricals profit.

We also took some difficult but essential decisions, closing our standalone Carphone Warehouse stores in the UK, before our immediate priorities changed as a result of Covid-19.

We were on track to achieve profits in line with our guidance reiterated in January but the lost sales from store closures in the UK, Ireland and Greece and extra expenditure associated with Covid-19 was only partially offset by a large increase in online sales and internal and government actions that reduced costs. This led to Group adjusted PBT* coming in at £166m. This was down year on year, reflecting both the challenging mobile market in the UK and the impact of Covid-19.

The loss before tax on a statutory basis was £140m, largely due to the costs associated with the closure of the Carphone Warehouse standalone stores in the UK announced in March this year.

Our year end net debt was up slightly at £284m as the adverse working capital caused by lower sales was almost completely offset by reduced capital expenditure and deferral of taxes and rent.

The Group ended the year with in excess of £1bn of available liquidity. Our planning has stress tested the business against a range of downside scenarios and we do not foresee needing to access any additional financing.

People

Our capable and committed colleagues remain one of the key enablers of our strategy.

We have continued our innovative Colleague Shareholder Scheme. We launched the award-winning scheme in February 2019 to over 31,000 colleagues globally. The award is worth at least £1,000 at grant. This year we extended the scheme to an additional 7,000 newly eligible colleagues, ensuring that all our people can share in our future success knowing they own part of the business.

We are investing in supporting our people. For example, we have made a substantial investment in our revamped training hub in Birmingham, The Academy@Fort Dunlop, in collaboration with our suppliers. A record 3,500 Retail colleagues have completed courses in the facility in the last year.

Our Communities

It is important to us and all our stakeholders that we not only succeed financially but also that, to be a sustainable business over the long term, we need to be 'doing the right thing in everything we do'.

Over the year, we took action to help those who might otherwise be excluded from enjoying the benefits of amazing technology. Our Nordic

* See page 202 for full Glossary and definitions

business tackled digital exclusion through their Elkjøp Foundation, while our colleagues in Greece took time out to volunteer during their annual 'Good Deed Day'. In the UK, colleagues voted to champion a new cause in their charity, Age UK, with the aim of using technology to help combat loneliness, improve mental health and support independence and community participation for older people.

The Coronavirus crisis underlined the critical role technology plays in keeping people connected. We started our partnership with Age UK by responding to their need for hundreds of laptops, phones, SIM cards and headsets to enable their Silver Line helpline staff to provide vital support from their homes. This was followed by an ambitious project to get tablet technology into the hands of hundreds of isolated older people – with many getting online for the first time. Our teams worked cross-functionally to dispatch fully charged and ready-to-use devices, complete with connectivity, useful apps and supported by hard copy, large print user instructions which we created in collaboration with the charity.

Vulnerable older people were the focus of additional support such as free DAB Radios as part of an initiative with the BBC and customers of our MVNO, iD Mobile, aged over 70, were given free unlimited minutes - which was also granted to NHS workers along with free unlimited texts and data.

We are committed to helping colleagues and customers minimise their impact on the environment and are pleased to have retained our FTSE4Good status for the third consecutive year.

To build on this, we are introducing targets accredited by the Science Based Target initiative across the Group to support our ambitious carbon reduction strategy, which also sees the introduction of Scope 3 targets as we strive to achieve net zero well in advance of the UK Government's 2050 target.

In our determination to 'make it easier for colleagues and customers to be greener', we are the largest recycler of waste electricals in UK Retail and are working to ensure customers receive their technology in the most efficient and environmentally friendly ways, with our commitment to a fully electric or alternative fuels delivery fleet by 2030.

Through our new Responsible Sourcing Standards, we are collaborating with suppliers to make sure products are ethically sourced, and we are on schedule to eliminate unnecessary single-use plastic from our own label operation by 2023.

This year promises even more emphasis on supporting the societies in which we operate, so we can help even more people benefit from more affordable, ethical, energy efficient, repaired, reused or donated technology.

Shareholders

We continue to have good open dialogue with most of our larger shareholders and welcome their support for both our strategy and initiatives such as our Colleague Shareholder Scheme.

Strong corporate governance is critical to our transformation programme and to manage risk. Following this year's review, we have concluded again that our governance framework is aligned to best practice and appropriate to meet the needs of the Group. We have included a section 172 statement for the first time outlining how we have considered all stakeholders in the key business decisions we have made during this transformational period.

The Group paid an interim dividend of £26m (2.25p per share) in January. The Board has decided not to pay a final dividend for 2019/20. Dividend payments will not be resumed at least until our standby debt facilities have been cancelled. Given the current uncertain environment, the Board will keep the payment of dividends under review to establish the appropriate time and level to recommence payment.

We regret we will not be able to hold a full Annual General Meeting (AGM) this year, but we welcome an open dialogue with our shareholders at any time. Shareholders with any questions can email us throughout the year at cosec@dixonscarphone.com and we will be more than happy to respond.

Outlook

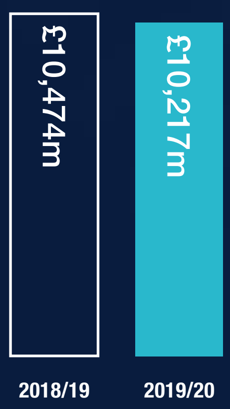
The long term effect of the pandemic remains unclear. However, the products and services we sell remain in strong demand. We are the clear market leader across every country in which we operate. We have both the will and financial strength to invest in our future. Most importantly, we have capable and committed colleagues and a great leadership team to lead us through these choppy waters. These strengths put us in a good position to look forward to the future with a good degree of confidence.

Finally, and most importantly, I would like to wish all of you a healthy and safe upcoming year. Thank you for your support.

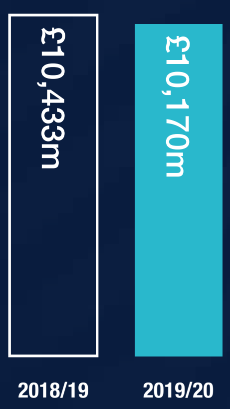
Lord Livingston of Parkhead
Chair of the Board
14 July 2020

Financial
Key Performance Indicators

Adjusted Revenue

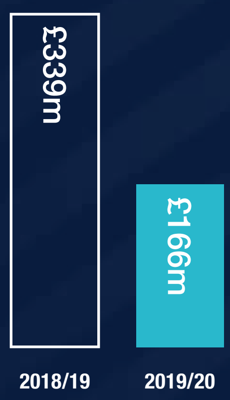


Statutory Revenue

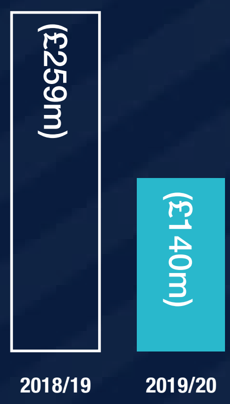


The ability to grow revenue is an important measure of a brand's appeal to customers and its competitive position. It is a key measure of the Group's progress against our strategic priority to continue to enhance and drive successful and sustainable retail.

Adjusted Profit Before Tax

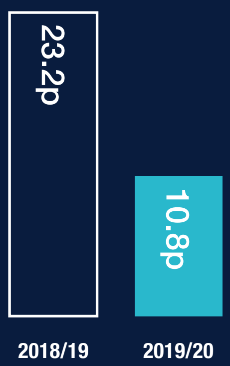


Statutory Loss Before Tax



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

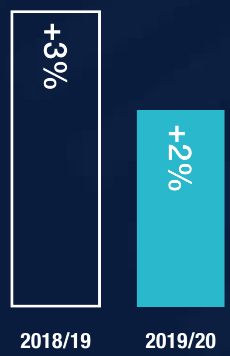
Adjusted EPS



Statutory Loss per Share

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.

Electrical LFL Revenue Growth



Like-for-like revenue enables the performance of the Group to be measured on a consistent year-on-year basis. Statutory revenue growth was +2% (2018/19: +2%).

Free Cash Flow

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.

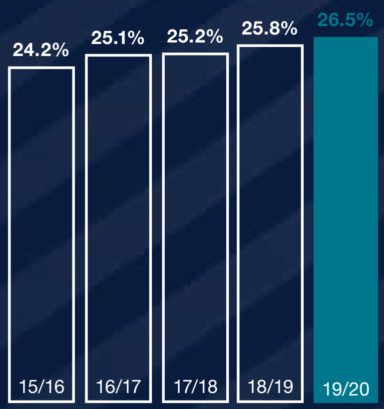
Definitions of measurement for Key Performance Indicators are given in the glossary and definitions on pages 202 to 218

Non Financial
Key Performance Indicators

Growing market leading positions

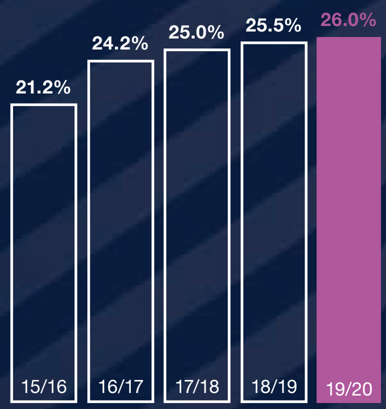
UK & Ireland Electricals - 2019/20

26.5%



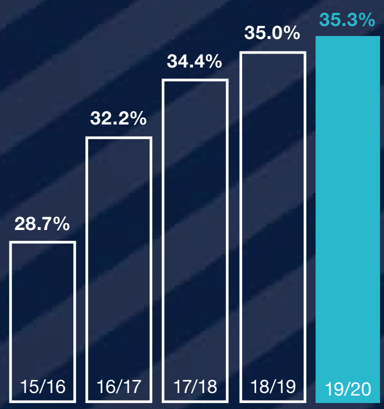
Nordics - 2019/20

26.0%



Greece - 2019/20

35.3%



Net Promoter Score ('NPS')

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

2018/19: +64

+70

2019/20

Colleague Engagement

Colleague engagement – our 'Make a Difference' survey enables our colleagues to provide honest and open feedback on what it is like to work at Dixons Carphone.

2018/19: 64%

62%

2019/20

See page 202 for full Glossary and definitions. Market share data from GFK.

Our Business

Dixons Carphone plc is a leading omnichannel retailer of technology products and services, operating through 939 stores and 16 websites in eight countries. We Help Everyone Enjoy Amazing Technology, however they choose to shop with us.

We are the market leader in the UK & Ireland, throughout the Nordics and in Greece, employing 24,000 capable and committed colleagues in the UK & Ireland and 36,000 globally across the Group. Our full range of services and support makes it easy for our customers to discover, choose, afford and enjoy the right technology for them, throughout their lives. The Group's core operations are supported by an extensive distribution network, enabling delivery to stores and homes, a sourcing office in Hong Kong and a state-of-the-art repair facility in Newark, UK.

Our brands include Currys PC World and Carphone Warehouse in the UK & Ireland and iD Mobile in the UK; Elkjøp, Elgiganten and Gigantti in the Nordics; and Kotsovolos in Greece. Our Dixons Travel brand has a presence across several UK airports as well as in Dublin and Oslo, and our services are provided through Team Knowhow.

Our Business divisions:

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 business customers with technology products and services.

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

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.
- InfoCare is the largest consumer electrical repair company in the region, operating in Norway, Sweden, Denmark and Finland.

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

GREECE

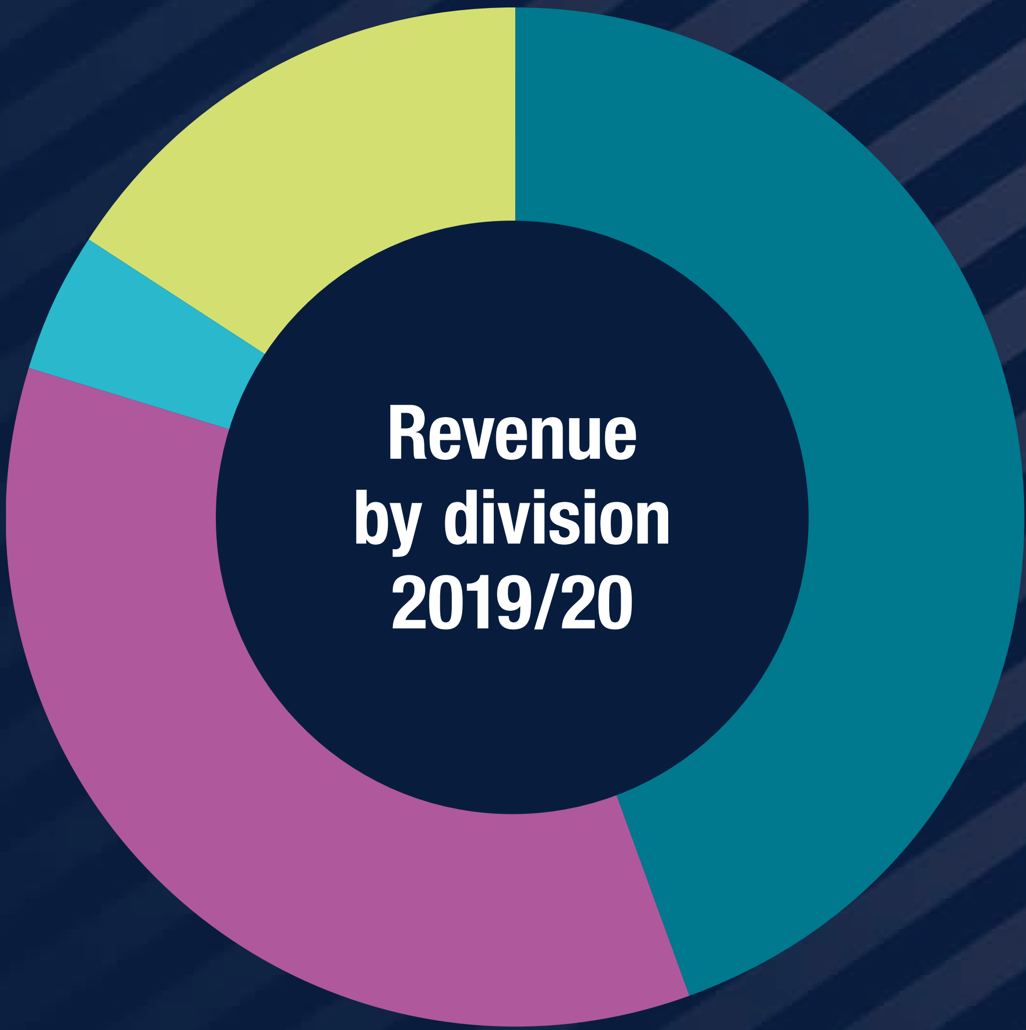
- Kotsovolos is Greece's leading specialist electrical retailer.

Kotsovolos	kotsovolos.gr

UK & IRELAND 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.

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



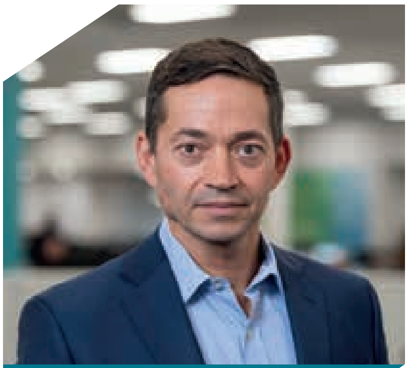
UK & Ireland Electricals:
£4,538m

Nordics:
£3,573m

Greece:
£470m

UK & Ireland Mobile:
£1,589m

Group Chief Executive's Statement



Alex Baldock
Group Chief Executive

Dixons Carphone exists to help everyone enjoy amazing technology: that's the starting point for every decision we make. Technology plays a vital role in millions of lives, though many customers find it confusing and expensive as well as exciting. No one is better placed than us, as number one, to help them navigate that. We will help customers choose, afford and enjoy technology, for life, playing an ever more valuable role for customers; that's the route to a much more valuable business, alongside the turnaround of our UK Mobile business. This strategy drives the transformation that we started in 2018/19 with its priorities of Omnichannel, Credit, Services and Mobile enabled by Capable & Committed Colleagues, working as One Business, with Stronger Infrastructure. We have made good progress in all these areas.

The first ten months of the year was a story of delivering on our promises and accelerating the transformation of Dixons Carphone. In Omnichannel, we started gaining market share online as well as in stores; our Group Electricals online growth was +22% for the year and we invested in remodelling 121 UK stores including experience zones and kitchens in the Nordics. Sales on credit in the UK grew +27% and we now have 1.2m active credit customers.

In Services, we carried out over 3.8m two-person deliveries and set up or installed over 1m pieces of equipment. One set of services that consumers tell us they value most is in protection. This is a big strength for us today as we already have 10m customer service agreements and in the year, we carried out 1.3m repairs. We've built on that strength with revamped warranty and insurance products, with higher customer adoption to show for it.

In Mobile, we took the difficult but essential decision to close our small standalone Carphone Warehouse stores in the UK, as customers continue to change the way they buy mobile devices and connectivity. This gives us greater certainty on getting to promised breakeven here.

At the same time, we have invested in our Colleagues. We extended our award-winning Colleague Shareholder Scheme and opened our new training facility The Academy@Fort Dunlop. Critical to our future success is attracting transformational leaders and we are delighted to welcome five appointments onto the Executive Committee of Mark Allsop as Chief Operating Officer, Ed Connolly as Chief Commercial Officer, Paula Coughlan as Chief People Officer, Lindsay Haselhurst as Chief Supply Chain Officer and Erik Sønsterud, our new International Chief Executive. We have made further progress on becoming One Business that is a clearer, simpler and faster place to work. Although some of our spending has been curtailed due to Covid-19, we have invested in some of the infrastructure we need to make this a truly world class omnichannel business.

I am very pleased these initiatives have started to drive results, with strong double-digit growth in customer satisfaction, and with growing share in every market that we operate in.

This was reflected in our financial performance. We were on track to grow sales and profits in UK and International Electricals if Covid-19 hadn't resulted in enforced store closures in UK, Ireland and Greece at the end of the year. In the end, Electricals like-for-like revenue still grew +2% and Electricals adjusted EBIT* was £298m, down only 5% from £313m last year. In contrast, but as expected, our Mobile profits declined significantly to an adjusted EBIT loss of -£104m.

The Group adjusted PBT of £166m was down from a profit of £339m last year. Statutory loss before tax was £140m, an improvement on the £259m loss in the prior year. Adjusting items primarily relate to the costs of closing the Carphone Warehouse standalone stores and the impact of implementing IFRS16 for the first time.

Net debt increased £19m to £284m.

The year drew to a close with the impact of the global pandemic, a situation that quickly escalated from one that had some effect on our supply chain to one that fundamentally changed how many of us live and work. The first thing to say is that I was humbled by the speed and skill with which thousands of our colleagues reacted to this crisis in safely helping millions of customers and securing the business's future. Through their efforts we transformed our operations and services almost overnight, including implementing social distancing and hygiene standards in our Nordics stores, which have remained open throughout the crisis, and operating our UK and Greek businesses as online-only retailers for the first time in their history. This meant that through these challenging times we have been to able provide the vital technology our customers need, to keep them connected with loved ones, their families fed, clean and entertained, to work from home and home-school the kids. The vital role we play has been reflected in customer demand and we have generated strong sales in every open business.

This period has also seen an accelerated pace of innovation in the business. After successfully launching in the Nordics, we have rolled out zero-contact 'Drive Thru' stores to the UK and launched ShopLive, a tremendously exciting way to bring the best of stores (face-to-face advice from thousands of expert colleagues) to our customers online, in a way competitors will find hard to match. ShopLive was conceived and landed in days.

Meanwhile, we have secured the business's future. We raised more bank facilities than we ever expect to need and have been prudent in conserving cash, which has meant a delay to some of our larger infrastructure projects and no payment of a final dividend. This leaves us well positioned to plan for the future with confidence.

Of course, the Covid-19 pandemic has been first and foremost a health crisis and a humanitarian catastrophe, the wide-ranging repercussions of which will be felt for many years. But this crisis has also shown us that our strategy for Dixons Carphone is the right one. Our business has so far successfully navigated a fraught period, and as we raise our gaze, our big priorities around Credit, Services and Omnichannel remain the right ones to focus on after this crisis. Customers need more help than ever to discover, choose, afford and enjoy the benefits of amazing technology, for life.

We remain committed to our longer-term transformation, therefore, and will use everything we're learning through this crisis to build a better business for customers, colleagues and shareholders.

Alex Baldock
Group Chief Executive
14 July 2020

* See page 202 for full Glossary and definitions

CHOOSE,
AFFORD,
ENJOY,
FOR LIFE.

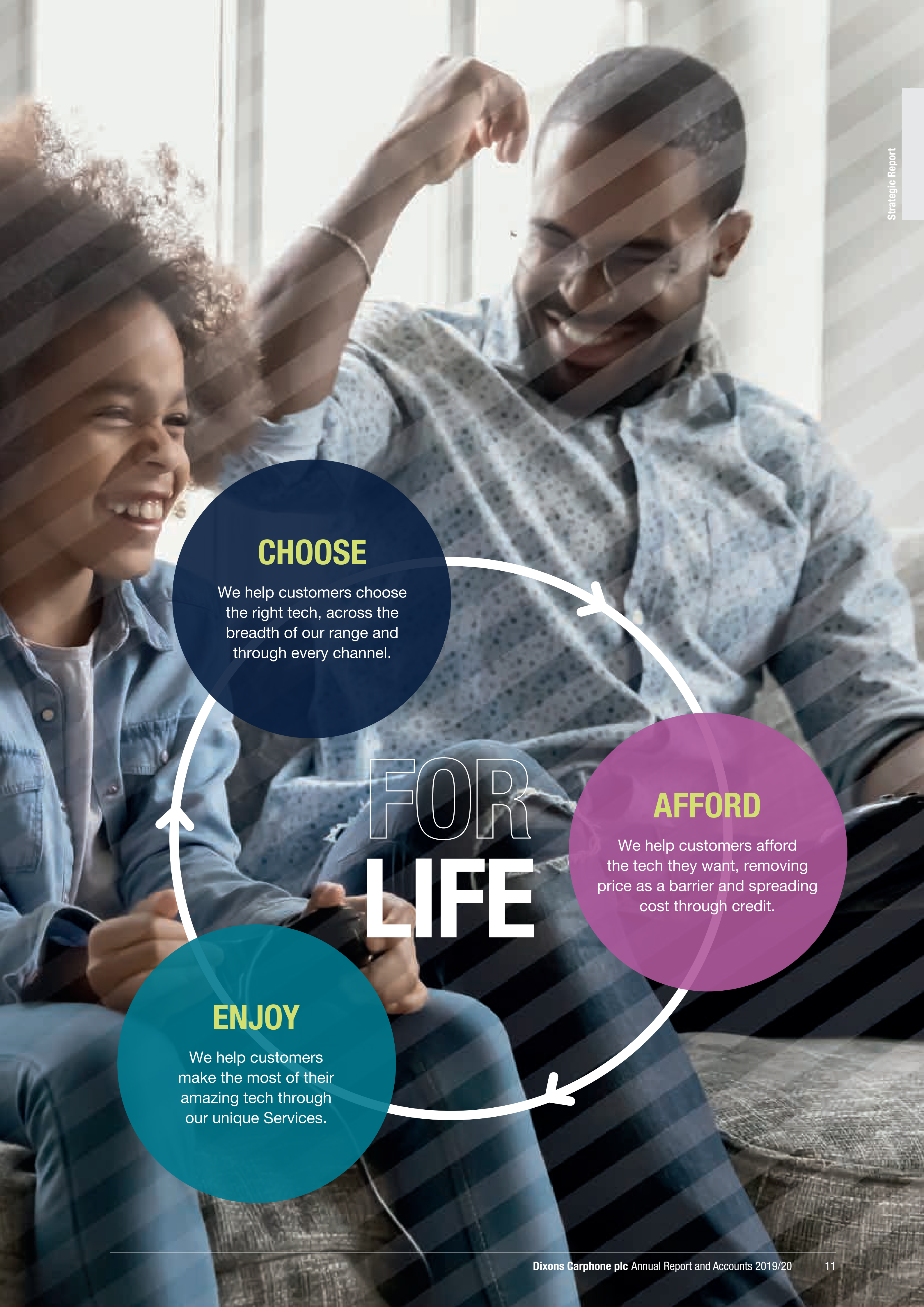
Our Strategy & Vision

Technology plays a more important role in our lives today than ever. We provide the vital technology our customers need, to keep them connected with friends, loved ones and colleagues; be more productive, whether working from home or away; stay healthy; learn and play.

Customers find this technology exciting, but also confusing and expensive, and we know customers value help to choose, afford and enjoy technology, right the way through their lives.

No one is better placed than Dixons Carphone to help customers do all this, with the assets, colleagues, capabilities and scale that we have. And our strategy sets out to build on those strengths to help everyone enjoy amazing technology.

WE HELP EVERYONE ENJOY AMAZING TECHNOLOGY



CHOOSE

We help customers choose the right tech, across the breadth of our range and through every channel.

AFFORD

We help customers afford the tech they want, removing price as a barrier and spreading cost through credit.

ENJOY

We help customers make the most of their amazing tech through our unique Services.

FOR LIFE

Strategic Priorities

Omnichannel

Across the Group, we are using our unique omnichannel strengths to make it easier for the customer to choose, afford and enjoy the right technology, however they want to shop.

Bringing stores and online together, giving customers the best of both worlds at scale, allowing the customer to shop however they want to shop; we can do this in ways our competitors cannot match. We start with strong foundations and have made good progress building on these.

Stores – flexible, well invested estate within our omnichannel model

Our stores must be exciting places to discover technology, easy places to buy and be served.

Our network of stores allows our technology partners to showcase their products in ways and at a scale that nobody else can match, making it easy for customers to discover new and exciting technology.

Through our stores we can give face-to-face advice from thousands of expert colleagues, access to our full range online, demonstrations of new and exciting products, and more space to the categories that customers want more of.

This year, we made further progress with our store investment programme, giving more space to high growth categories such as large screen TVs, while putting slower-moving products online-only.

We have also created experience zones where customers can see, touch and interact with amazing technology. We completed the remodelling of 121 large stores in the UK. This is slightly behind the target of 142 set at the start of the year as the programme was paused due to enforced store closures.

Online — continuing to increase our share

We will continue to go with the flow of how customers are buying products and services.

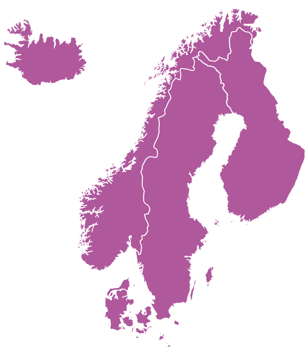
Electricals saw online revenue growth of +11% in the 47 weeks to the end of March before it accelerated rapidly, growing at +149% over the final five weeks of the year. Even before Covid-19, we were taking share online across all our markets.

In UK & Ireland Electricals, we continued to make it easier for customers to find what they want through a bigger range, adding 2,000 SKUs this year without holding additional stock. We've also made it easier to buy with improved search and recommendations and increased site speed, whilst also reducing friction in the customer journey. We strengthened our price promise policy this year, making it simpler for customers to understand and ensuring we are more trusted on price.

All of this has been done in a smartphone-first way. We launched our Currys PC World app this year and it had been downloaded 0.5m times by the year-end, delivering revenue growth well ahead of our websites during lockdown.

Our European store presence

UK & Ireland		
Own	Franchise	Total
428	–	428



Nordics		
Own	Franchise	Total
247	169	416

Greece		
Own	Franchise	Total
75	20	95

Strategic Priorities

We have also improved our delivery capabilities, including extending delivery options and the roll-out of intelligent routing software that allows us to better plan and track delivery routes. This led to a 20-point improvement in our delivery customer satisfaction scores and allowed us to fulfil the heightened volumes seen in this channel through lockdown.

Data is still a big focus, first ensuring our customer data is secure, and now looking at more ways to attract more customers and give existing customers a better personalised experience. Early improvements in CRM saw increases in email conversion and in customers returning to abandoned baskets, together driving an +85% increase in online sales attributed to customer targeting.

In International, we improved our Click and Collect propositions and rolled out our customer care centre chatbot. The onset of Covid-19 and store closures in Greece saw a big acceleration in online sales. In Nordics, online sales also grew significantly, even though our stores remained open. Here, we were able to trade safely throughout the crisis by implementing measures including a contactless payment solution, 'Drive-in Collect@store', special opening hours for at-risk groups and introducing Live Shopping to allow customers to get video help from home.

Omnichannel – bringing stores and online together in the way customers value and that makes the most of our strengths

We already know that many of our customers are omnichannel shoppers

Our unique omnichannel strengths make it easier for customers to choose, afford and enjoy the right technology, however they want to shop. Online customers can use stores to access our services including laptop set-up, repairs and trade-in while having an easy Order & Collect experience. A customer in-store can now be sold the full online range by colleagues equipped with Store Mode tablets, an experience where NPS is up to 20pts higher. We saw online in-store sales growing +64% before Covid-19, an acceleration on the performance seen in the first half of the year.

We start with strong foundations, and have made good progress here, but there is a lot more to go for in this area. We will continue to build on our capabilities, as demonstrated by new innovations like ShopLive - our personal shopping service by video link - which brings the best of our stores to customers through face-to-face advice from expert store colleagues online. The ShopLive service was launched in less than four weeks and already supports over 20,000 customer conversations each week. No one else can deliver this experience at scale.

Over the next year we will continue to improve the omnichannel experience, making it even easier for customers to find and buy what they want. We will drive further extensions of our range, sharpen our focus on price again and improve availability. We will also enhance customer experience through better search recommendations and the evolution of our app.

UK & IRELAND ELECTRICALS

Online Revenue

↑ 22%

Online Share of Business

↑ 7ppts

NORDICS

↑ 20%

↑ 3ppts

GREECE

↑ 56%

↑ 3ppts

Strategic Priorities

Credit

Credit is a big opportunity for us. It is good for customers: technology is exciting but expensive, and credit makes the amazing technology customers want more affordable. And customers are happy to have it: two thirds of market sales in our category are on some form of credit and credit customers have an +18%pts higher satisfaction score than non-credit customers. We take our responsibility as a lender seriously and all our 25,000 frontline colleagues who sell credit are fully trained and compliant.

It is also good for us, as credit customers shop with us more frequently, spend more with us and have a significantly higher adoption rate of services than for non-credit customers. Credit is good for suppliers too, as customers are more likely to trade up to higher value products. Our credit customers have a lifetime value double that of cash customers.

Over the year, we built on the strong foundations established in 2018/19. Credit adoption is now over 11.2% (+240bps year on year) in the UK & Ireland and the number of active credit customers almost 1.2m (+36% year on year). Credit sales were £534m (up +27% year on year). Credit adoption over the year was higher in-store than online but online progress closed the gap towards the end of the year.

At over 29% credit adoption, Greece is a leading example of the potential for credit. In Nordics, where credit penetration lags the UK but we see equivalent opportunity, there was also progress with credit sales growing slightly year on year.

We are now developing a new credit offer and a new IT platform to build on these foundations. This will give us improved and easier customer journeys, more personalised offers, and improved acceptance rates - providing a further tailwind to credit sales growth. Credit is a big opportunity where we have significant headroom for growth.

Services

Customers value our help to get the most out of their products for life through our services. These services include set-up and connect, protect, maintain, repair, trade-in and upgrade. We can provide this range of services at scale in ways no competitor can match.

In the UK & Ireland, we set up or installed over 1m products and repaired 1.3m products including 570,000 mobile phones and 360,000 white goods this year. We delivered 3.8m products through our own two-person delivery network.

We continued to improve our services propositions with the introduction of a new set-up option (Computing Set-up & Personalise), in-store repairs (Tech Treatments) and protection product (Care & Repair).

Technology is expensive, and 69% of customers tell us they want protection against the risk of breakdown. This is already a big strength for us today, with our 10m warranty agreements. We are making our protection products market-leading, fit for the future, and better value for money. Our new Care & Repair proposition, which launched in the UK

UK Credit Customers - 2019/20

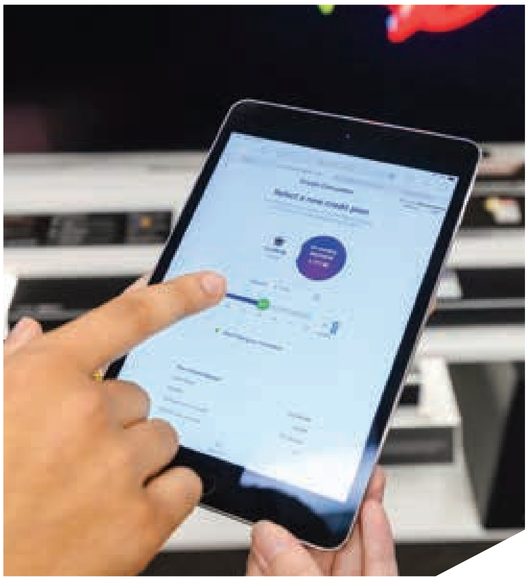
1,175,000

2018/19
863,000

UK Credit Sales - 2019/20

£534m

2018/19
£422m



Strategic Priorities

in Q4 as planned, gives customers the flexibility and transparency they value in this core service.

This protection offer is possible because of our unique repair capabilities. No one can match what we can offer customers here, in-store, in-home or via our Newark repair lab and in the year, we carried out over 1.3m repairs.

Our trade-in capabilities not only help reduce the cost of new technology for customers but puts to good use old technology by recycling it or distributing it to other markets. This service also brings customers back to us for their next purchase.

Our services, at scale, make the most of what we uniquely have, giving the customer a reason to shop with us over others. Getting this right leads to happier customers who enjoy their technology more and are more likely to shop with us again in the future.

Even though around one third of our UK & Ireland Electricals sales have a paid-for service as part of the total proposition, we are only in the foothills of being able to join these propositions together for customers. We know that customers' technology needs will change over time, and we want to help customers make the most of amazing technology - helping them stay in touch with loved ones, helping them keep fit and healthy, entertained and productive - at all stages of life.

A good example of where we can start to join together all of our services is the Nordics "Customer Club". This was launched in Sweden in October 2016 and it successfully grew to over 1m members by December 2017. This year, we rolled this out to Denmark, Finland and Norway and have now attracted well over 3m members. During the second half of the financial year, these club members contributed one third of our Nordics revenue, also giving us a wealth of data that we can use to improve our proposition for both Club and non-Club customers.

These customers benefit from a differentiated value proposition including permanent discounts on accessories, weekly and monthly exclusive deals, VIP shopping, extended returns policies and, increasingly, some great collaborations with streaming services. These customers show increased customer satisfaction, while purchasing more frequently and at better margin, generating a higher lifetime value for us.

Delivery & Installation	Set up & Connectivity	Protect	Maintain	Repair	Trade-in & Upgrade
3.8m two-person deliveries	>250k laptop set-ups	Mobile insurance almost 1m customers	Maintenance	Repair >1.3m products	Shortening product replacement cycles
1m installations in homes		10m Warranty agreements	Health checks	Inc repair >550k phones	

Easy to Shop

To enjoy technology, it must be made easy. We are obsessed with making it easy for customers: easy to discover, choose and afford the right technology solution; and easy to enjoy their technology and get the most out of it for life.

We are building a reputation as a reliable place to shop, one where customers trust us to keep the promises we make. The significant improvements made to our customer journey drove an +11pts increase in our UK & Ireland Electricals NPS during the year. Our International businesses grew their already impressive "Happy or Not" scores.

This focus does not just apply to the sales process. Building deeper, more trusted relationships requires us to keep our promises at all stages of the customer journey. We know, particularly in areas like returns and support, that this is not as easy as we would like and need it to be.

There is much more we can do to improve the customer experience, and Covid-19 has shown us where some pain points are. An example is our contact centre operations. Over the course of lockdown, the average number of customer calls received each week significantly increased while the number answered dropped as our contact centres were closed and colleagues were working from home across multiple different technology platforms. We reacted quickly by improving home-working systems, setting up temporary call centres in Sweden and Norway and moving more than 300 UK store colleagues to contact centres and training and upskilling them. We have reduced call volumes by improving digital solutions, increased the productivity and capacity of our call centres and moved a lot closer to meeting our internal targets.

Strategic Priorities

Mobile

As the single-most important piece of technology for most customers, mobile remains central to our vision.

Customers are changing how they buy their technology and so we must change with them, and we are underway with a fundamental transformation to do so. As expected, our Mobile performance was challenging as customers continue to change the way they buy mobile devices and connectivity, replacing their handsets less often and buying them separately or as part of more flexible bundles.

Our business carries the burden of volume commitments on our networks contracts and a cost base geared to post-pay. We have reacted by renegotiating all our legacy network contracts, revamping our own mobile offer to address the trend of unbundling handsets from connectivity and consolidating duplicate cost bases.

The legacy volume commitments to the mobile network operators will continue to roll off during 2020/21 and the Group will no longer be encumbered by historic sales volume targets.

Our new mobile offer will better reflect what customers want: flexibility, transparency, and value. This will include deals they can't find anywhere else, nationwide face-to-face advice, the best range of handsets from the biggest brands and a wide range of tariffs and networks, underpinned by a market-beating price promise. But this has been delayed slightly as we had to pause system development during the crisis.

The closure of our UK standalone Carphone Warehouse stores announced in March was a difficult, but necessary decision. Mobile has been holding back the Group and this was an essential next step in the turnaround of the Mobile business to return this part of the business to profitability. We can now focus on creating a successful, sustainable mobile category. Our 3-in-1 Currys PC World stores, which are 20 times larger than Carphone Warehouse standalone stores, allow customers to see, touch and play with technology (electricals as well as mobile, services as well as products) and receive trusted independent advice from 17,000 expert store colleagues, all in one place.

Unfortunately, Covid-19 has impacted the Mobile business. Compared to our Electricals business, our Mobile business has a much smaller share of revenue from online operations and is running on a platform that has deliberately seen little investment over the last two years as it will be integrated into our new platform. Consequently, it has not seen the same sales transfer to online as Electricals during lockdown.

We are still on course to eliminate trading losses as we remove the costs of running the historic Mobile systems and consolidate duplicate cost bases into One Business. However, due to the delay in transformation, we expect this to happen six to twelve months later than originally planned.

Trusted independent advice

25,000 EXPERT STORE COLLEAGUES

An even more connected future

We will provide an offer that reflects how customers are buying technology today and that goes well beyond the mobile phone.

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.

1

CAPABLE & COMMITTED COLLEAGUES

Capable and committed colleagues are our greatest advantage

Capable and committed colleagues are our greatest advantage. We are building capabilities that are important for the long term in areas such as data, information security, analytics, financial services, digital, CRM and connectivity. We have invested in learning for all our colleagues and, in September, we opened our new training facility, The Academy@Fort Dunlop. This will have an intake of over 6,000 colleagues annually and will provide new colleagues with an additional 400,000 hours of training a year.

We also extended our award-winning colleague shareholder scheme to almost 7,000 newly-eligible colleagues in the year, granting each of them at least £1,000 worth of shares, which vest three years from the award date. Over 38,000 colleagues across the Group have received an award under the Colleague Shareholder Scheme launched in 2019. This is a crucial lever of engagement and alignment behind our common vision. Our colleagues are acting more like owners, because they are. It gives us all a stake in the business's success and positions us as a progressive employer.

In collaboration with 6,500 colleague contributors across the business, we recently launched our new culture and values. Many world-class businesses have shown the power of strong culture and values and we strongly believe in them here.

The senior leadership team has also been strengthened: Paula Coughlan joined as Chief People Officer at the end of last year; Erik Sønsterud was promoted to CEO of International, Mark Allsop is our new Chief Operating Officer having joined in December from Merlin Entertainments plc; Lindsay Haselhurst, previously of Kingfisher plc, joined in January to become our new Chief Supply Chain Officer; and Ed Connolly joined in March from John Lewis Partnership as our new Chief Commercial Officer.

2

WORKING AS ONE BUSINESS

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

We have made further progress in becoming One Business that is a clearer, simpler and faster place to work. As we move towards being one truly joined up business, this means a joined up customer experience, so customers get the full benefit of everything we have to offer, and a joined up business behind the scenes, realising the cost benefits of moving to One Business.

In the year we made savings through outsourcing contact centres, decommissioning 40 legacy IT applications, restructuring the head office teams, re-gearing some store leases and making many efficiencies in cost areas such as supply chain.

The closure of our standalone Mobile shops in the UK gives us greater visibility over a significant portion of the £200m of gross annual cost savings that we are targeting by the end of 2021/22.

3

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.

The introduction of new colleague tools has further improved our in-store experience. Our Store Mode tablets have, enabled conversations with customers away from fixed terminals and given customers access to our full range online. Our new zero-contact Drive Thru Order & Collect proposition has driven a closer connection between online and stores. A new pricing platform has helped us ensure we are always cost competitive, whilst in the Nordics, we went live with the first phase of our SAP-based Next Generation Retail platform.

We deliberately paused spend on our large UK re-platforming programme as Covid-19 began and we have used the time during the crisis to ensure we get this important initiative right, first-time. During the crisis we successfully pivoted to a new more agile approach for technology innovation and delivery which will now continue. This saw us launch our ShopLive online personal shopping service in less than four weeks and which already now supports over 20,000 customer conversations each week.

Technology infrastructure is still a constraint for the business, but clear progress is being made and this will accelerate as investment in this area is prioritised to ensure we help everyone enjoy amazing technology.

WE HELP EVERYONE ENJOY AMAZING TECHNOLOGY

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 has developed and continues to evolve robust risk management processes, and risk management is integrated into business decision-making. The Group's approach to risk management is set out in the Corporate Governance Report on pages 56 to 67. The risks are linked to the strategic priorities on pages 12 to 16. 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 Covid-19		**Risk owner:** Group Chief Executive	**Risk category:** Strategic
What is the risk? Covid-19 has had an impact across the Group's business in every operational function and geography in order to comply with government instructions.	**What is the impact?** – Reduced revenue and profitability – Deteriorating cash flow – Colleague / customer illness or loss of life	**How we manage it** A range of initiatives grouped under three 'Big Priorities' – Keeping our Colleagues and Customers Safe, Helping our Customers and Securing Our Future.	**Changes since last report** This risk is new.

2 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 Group strategic priorities. Continuing to leverage the scale of operations to strengthen relationships with key suppliers and maintain a good supply of scarce products. Working with suppliers to ensure availability of products through the Covid-19 crisis in order to help our customers. Broadening the range of suppliers to support Dixons Carphone's Extended Range offerings.	**Changes since last report** This risk has remained stable over 2019/20.

3 Future EU Relationship		**Risk owner:** Chief Supply Chain Officer	**Risk category:** Strategic
What is the risk? Uncertainty over the outcome of the negotiations on future relationship with EU post the conclusion of the Transition Period on 31 December 2020.	**What is the impact?** – Reduced revenue and profitability – Deteriorating cash flow – Reduced market share	**How we manage it** – Continuous monitoring of developments. – Brexit Steering Committee and Crisis Management Committee. – Strategic and business planning. – Contingency planning to address potential operational impacts changes.	**Changes since last report** This risk initially decreased after Brexit was concluded but is trending upwards as the deadline for the agreement of post transition period arrangements approaches.

4 Business Transformation		**Risk owner:** Group Financial Officer	**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 optimise digital opportunities. 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** – Continued strengthening of Executive Committee and leadership team. – Transformation Programme office established and delivering key strategic objectives. – Future Mobile Strategy. – Development of customer credit propositions. – Development of e-commerce capabilities. – Enhancement of data analytics capabilities.	**Changes since last report** This risk has remained unchanged over 2019/20. Progress has been made in a number of areas, although elements of Transformation delivery have been rephased due to the Covid-19 response.

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

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

How we manage it

- Board oversight and risk management structures actively monitor compliance and ensure that the Group's culture puts good customer outcomes first.
- Senior Manager and Certification Regime implemented.
- FCA Compliance Committee and other internal governance structures provide oversight, monitoring of compliance, adherence to policy and monitoring of performance and implementation of any required mitigating actions.
- Control structures to ensure appropriate compliance (e.g. undertaking quality assurance procedures for samples of mobile phone sales, and complaints) and to react swiftly should issues arise.
- Compliance review of the operation and effectiveness of compliance standards and controls, with the development of control improvement plans where required.
- Compliance training programmes for colleagues.

Changes since last report

This risk has remained stable over 2019/20.

6 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

Further progress has been made in managing this risk, although the risk has temporarily increased as the business responded to Covid-19.

7 IT systems and infrastructure

Risk owner: Chief Operating Officer

Risk category: Technology

What is the risk?

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 Group strategic priorities.
- Peak planning and preparation to ensure system stability and availability over high-demand periods.
- Individual system recovery plans in place in the event of failure which are tested regularly, with full recovery infrastructure available for critical systems.
- Long-term partnerships with 'tier 1' application and infrastructure providers established.

Changes since last report

This risk has remained stable over 2019/20.

Principal Risks to Achieving the Group's Objectives continued

8 Information security

Risk owner: Chief Operating 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
This risk decreased over the 2019/20 period as improved InfoSec tools and controls have been implemented. The risk temporarily increased during transition to homeworking arrangements in response to Covid-19.

9 Health and Safety

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 illness, injury or loss of life
- Reputational damage
- Financial penalties
- Legal action

How we manage it
- Covid-19 actions to protect colleagues in the workplace and customers in the retail estate.
- Group Health and Safety strategy.
- Comprehensive Health and Safety policies and standards supporting continued improvement.
- Health and Safety management / governance committee.
- Operational Health and Safety teams located across business units.
- Risk assessment programme covering retail, support centres, distribution and home services.
- Incident reporting tool and process.
- Health and Safety training and development framework.
- Health and Safety inspection programme.
- Audit programme including factory audits for own brand products and third-party supply chains.

Changes since last report
This risk has been trending downwards during 2019/20 but increased as potential Covid-19 threat to the welfare of customers and colleagues.

10 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 2019/20.

11 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. The risk has remained stable over 2019/20.

12 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.
- Establish protocols and procedures to manage product recalls.

Changes since last report
This risk has remained stable over 2019/20.

13 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
- Existing unsecured credit/loan facilities.
- Securing additional £266m revolving credit facility to ensure headroom through Covid-19 crisis.
- 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
The risk increased due to uncertainty caused by Covid-19 but was stabilised as new facilities were put in place increasing liquidity to over £1bn following the 2019/20 year end.

Performance Review

2019/20 Financial Performance Review

During the period, the Group has adopted IFRS 16 which requires lease liabilities and corresponding right-of-use assets to be recognised on the balance sheet. The Group has adopted IFRS 16 using the modified retrospective approach, therefore prior year comparative numbers have not been restated.

This financial year is reported on a 53-week basis. The 53rd week has a small impact on sales, which is highlighted where appropriate but an immaterial impact on profits.

To aid understanding of our performance through the year, here we present like-for-like and online sales growth for Electricals both pre and post Covid-19:

Like-for-like growth	47 Weeks to 21 March	5 Weeks to 25 Apr	52 Weeks to 25 Apr[1]
UK&I Electricals	**3%**	**-16%**	**1%**
– UK&I Online growth	*10%*	*166%*	*22%*
International	**3%**	**16%**	**4%**
– International Online growth	*14%*	*114%*	*22%*
Nordics	**3%**	**24%**	**4%**
– Nordics Online growth	*14%*	*98%*	*20%*
Greece	**5%**	**-40%**	**2%**
– Greece Online growth	***19%***	***597%***	***56%***
Electricals	**3%**	**-3%**	**2%**
Electricals Online growth	**11%**	**149%**	**22%**

UK & Ireland Electricals

	2019/20 £m	2018/19 £m	Reported % change	Currency neutral % change	Like-for-Like % change
Revenue	**4,538**	4,475	1%	1%	1%
Statutory EBIT	**119**	94			
Less IFRS 16 impact	**(2)**	-			
Add back other adjusting items	**45**	86			
Adjusted EBIT*	**162**	180	-10%	-10%	
Adjusted EBIT margin	**3.6%**	4.0%			

*See page 202 for further information on our alternative performance measures (APMs). This includes definitions, purpose, changes to the prior year, and reconciliation to the nearest IFRS measures.

Sales increased +1%, driven by like-for-like sales +1% with slight negative impact from store closures and +1% benefit from the 53rd week. Like-for-like sales grew +3% across the first 11 months of the year before declining -16% in April due to stores closing from 24 March. Across the year, online sales grew +26% and contributed 35% of sales, +7%pts higher than last year. There was a sharp acceleration in this growth when stores were closed in April as online sales grew +166% from +10% across the first 11 months.

Sales were very strong in large screen TVs, computing, gaming and smart tech across the whole year, as were sales of small domestic appliances where our extended ranges and experience zones drove performance. White goods saw solid performance across most of the year, but sales were impacted by the Covid-19 lockdown.

The market declined -1.4% over the year as a whole, with Currys PCWorld gaining +0.7% of share, with market share gains both in stores and online. To the end of February 2020, the share gain was +1.0%, however, our market share declined by -1.3% in March and April 2020 as some of our competitors were able to keep stores open as they were part of broader businesses deemed to be essential retailers. Encouragingly, over this period our online market share increased significantly as customers valued the breadth and depth of range sold online.

Gross margin declined -170bps (1H: -40bps / 2H: -280bps) including a c.-110bps (1H: na / 2H: -200bps) impact from Covid-19 due to the accelerated shift towards online, delay of product launches, negative impact from not hitting supplier volume targets and associated end of range provisions. The remaining movement of -60bps (1H: -40bps / 2H: -80bps) was

1 Like-for-like calculated and disclosed on 52-week basis for comparability purposes

due to the continuing expected growth of online as a proportion of our sales, continued investment in our unambiguous price promise and our improved delivery proposition.

Operating costs improved relative to sales driven by head office team restructuring, contact centre outsourcing, renegotiated rent deals and government schemes that reduced rates and colleague costs.

As a result, adjusted EBIT reduced -10% to £162m in 2019/20, from £180m in 2018/19. We estimate that without the impact of Covid-19 our operating margins would have been flat for the year, driving profit growth on an increased revenue base.

The adoption of IFRS 16 increased EBIT by £2m in the year. Other adjusting items of £45m were lower by £41m year on year with current year costs relating to the strategic change programmes and ongoing amortisation of acquisition intangibles recognised during the 2014 merger and impairment losses. Statutory EBIT increased to £119m in 2019/20 from £94m in 2018/19.

Nordics

	2019/20 £m	2018/19 £m	Reported % change	Currency neutral % change	Like-for-Like % change
Revenue	**3,573**	3,501	2%	6%	4%
Statutory EBIT	**115**	100			
Less IFRS 16 impact	**(10)**	-			
Add back other adjusting items	**11**	12			
Adjusted EBIT*	**116**	112	4%	10%	
Adjusted EBIT margin	**3.2%**	3.2%			

*See page 202 for further information on our alternative performance measures (APMs). This includes definitions, purpose, changes to the prior year, and reconciliation to the nearest IFRS measures.

Nordics delivered another year of sales and profit growth. On a currency neutral basis, this business has almost doubled sales over the last eight years and adjusted EBIT growth has averaged +11% over the last three years. Currency neutral revenue grew by +6%, with strong growth in all territories. The 53rd week benefitted sales growth by +1%. Reported revenue was +2% year-on-year, the difference from local currency due to the relative weakening of Nordic currencies.

Like-for-like revenue grew by +4% with particularly strong performance in March and April as the majority of the stores continued to trade.

Online sales grew +22% during the year and contributed 19% of sales, +3%pts higher than last year. Online saw a marked acceleration in April when online sales grew +98% from +14% over the first 11 months of the year.

Across the year, there was an uplift in built-in kitchen appliances on the back of our increased emphasis on the kitchen category while headphones, wearables and cordless vacuums all sold well driven by innovation and new product launches.

Market share in the Nordics grew again, up +0.5% to 26.0%, with share gains across most categories.

Gross margin was flat year-on-year, as the impact of weaker currency was offset by commercial initiatives including services, subscriptions, peripherals and accessories.

Operating costs ratio remained flat relative to sales due to cost efficiencies and a small benefit of weaker currency offset by higher branch costs.

The resulting adjusted EBIT of £116m was up +4% year-on-year in reported terms, and +10% year-on-year in local currency. Every market saw EBIT growth in local currency.

The impact of IFRS 16 adoption was an increase in EBIT of £10m. Other adjusting items relate to amortisation of acquisition intangibles.

As a result of the above factors statutory EBIT increased to a profit of £115m in 2019/20 from a profit of £100m in 2018/19.

Performance Review continued

Greece

	2019/20 £m	2018/19 £m	Reported % change	Currency neutral % change	Like-for-Like % change
Revenue	**470**	459	2%	3%	2%
Statutory EBIT	**20**	21			
Less IFRS 16 impact	**(1)**	-			
Add back other adjusting items	**1**	-			
Adjusted EBIT*	**20**	21	-4%	-1%	
Adjusted EBIT margin	**4.2%**	4.6%			

*See page 202 for further information on our alternative performance measures (APMs). This includes definitions, purpose, changes to the prior year, and reconciliation to the nearest IFRS measures.

Sales in local currency increased +3%, with like-for-like sales +2% over the year. Store closures from the 18 March to 10 May meant that like-for-like sales dropped from +5% over the first 11 months of the year to -40% in April.

Across the year, online sales grew +60% and contributed 8% of sales, with a significant acceleration in April when online grew +597%.

Products that sold well during the year included TVs, laundry and cooling equipment.

This sales performance resulted in market share increasing to 35% (2018/19: 34.6%).

Gross margin was up +10bps over prior year due to better trading offset by higher distribution costs.

Operating costs increased due to investments in IT services and additional depreciation associated with recent store developments.

Overall EBIT impact from Covid-19 was slightly negative, as a result of lost gross profit, offset by reduced store costs due to rent reductions in March and April and lower payroll as employees' contracts were suspended with Government support.

The total adjusted EBIT was £20m, down -4% year-on-year in reported terms and -1% on a neutral currency basis.

The adoption of IFRS 16 increased EBIT by £1m while costs associated with the strategic change programme totalled £1m in the year, resulting in statutory EBIT of £20m.

UK & Ireland Mobile

	2019/20 £m	2018/19 £m	Reported % change	Currency neutral % change	Like-for-Like % change
Revenue	**1,589**	1,998	-20%	-20%	na[2]
Statutory EBIT	**(282)**	(438)			
Less IFRS 16 impact	**(7)**	-			
Add back mobile network debtor revaluations	**47**	41			
Add other adjusting items	**138**	447			
Adjusted EBIT*	**(104)**	50	na	na	
Adjusted EBIT margin	**-6.5%**	2.5%			

*See page 202 for further information on our alternative performance measures (APMs). This includes definitions, purpose, changes to the prior year, and reconciliation to the nearest IFRS measures.

2 During this period, the Group closed its 531 standalone Carphone Warehouse shops in the UK. As a result of these closures our UK&I Mobile sales will no longer be disclosed on a like-for-like basis.

Revenue decreased by -20% reflecting the continuing challenges in the 24-month postpay market and our decision in March 2020 to close the Carphone Warehouse standalone stores in the UK.

The decrease in adjusted EBIT to a £104m loss in 2019/20 from a £50m profit in 2018/19 mostly reflects the reduced sales of our constrained offer on a largely fixed legacy cost base.

The implementation of IFRS 16 has resulted in a £7m increase in EBIT.

In the year the net decrease in the network commission receivables and contract assets was £181m as a result of £47m negative out of period network debtor revaluations and £1,139m cash received, offset by £995m of new capitalisation and £10m of other movements.

The negative revaluation of £47m (2018/19: negative revaluation of £41m) was driven by three factors: Regulatory impacts causing total consumer spend reduction and end of contract notifications; changes in customer behaviour driven by Covid-19 and impacts from the closure of the UK standalone Mobile stores. These are exceptional events and we believe there will be no further significant reversal of revenue in future periods. Out of period revaluations are excluded from the Group's alternative performance measures as explained further on page 202.

Other adjusting items of £138m predominantly reflected the costs associated with the closure of the UK Carphone Warehouse standalone stores, redundancies and claims from a small proportion of customers who believe they were mis-sold Geek Squad mobile phone insurance policies in the past.

Statutory EBIT has improved to a loss of (£282m) from a loss of (£438m).

Finance costs

Statutory net finance costs have increased from £36m to £112m year-on-year primarily as a result of interest on newly recognised lease liabilities following the adoption of IFRS 16. Adjusted net finance costs were £4m higher than last year at £28m, mainly driven by costs associated with the increased debt facilities (2018/19: £24m).

Tax

The full year adjusted effective tax rate at 25% was higher than the prior year rate of 21% due to a reduction in the Group's total adjusted profits for the year and the impact of different tax rates in the UK and overseas on the mix of those profits, together with the impact of prior period adjustments.

Income statement – Discontinued operations

The current year discontinued operations charge of £2m relates to a change in provisions for potential payments under warranties for legacy European Carphone operations.

Cash flow

Free cash flow*	**2019/20 £m**	2018/19 £m
Adjusted EBIT	**194**	363
Depreciation and amortisation	**128**	146
Working capital	**108**	(17)
Capital expenditure	**(191)**	(166)
Taxation	**(20)**	(45)
Interest	**(31)**	(30)
Other	**-**	9
Free cash flow before exceptional items	**188**	260
Exceptional items	**(79)**	(107)
Free cash flow	**109**	153

*See page 202 for further information on our alternative performance measures (APMs). This includes definitions, purpose, changes to the prior year, and reconciliation to the nearest IFRS measures.

Free cash flow was an inflow of £109m (2018/19: £153m). Adjusted EBIT decreased for the reasons described above.

Depreciation and amortisation in the year decreased by £18m due to the reduced depreciation on assets fully impaired in the prior year.

The Group benefited from a working capital inflow of £108m (2018/19: -£17m), this was largely as a result of £134m network debtor unwind in the year (2018/19: £219m).

Capital expenditure was £191m, an increase of £25m compared to the prior year reflecting the investment in our UK IT infrastructure and store estate.

Taxation cash flows were lower than prior year reflecting lower profitability in the UK & Ireland and tax cash refunds during the period.

Exceptional items predominantly related to strategic change programmes and payment of previously provided data incident costs.

A reconciliation of cash generated from operations to free cash flow is presented in note A9 to the Financial Information.

Funding	**2019/20 £m**	2018/19 £m
Free cash flow	**109**	153
Dividends	**(78)**	(116)
Net issue of new shares and purchase of own shares	**(12)**	–
Pension contributions	**(46)**	(46)
Other items	**8**	(7)
Movement in net debt	**(19)**	(16)
Opening net debt	**(265)**	(249)
Closing net debt*	**(284)**	(265)

*See page 202 for further information on our alternative performance measures (APMs). This includes definitions, purpose, changes to the prior year, and reconciliation to the nearest IFRS measures. The Group's net debt APM does

Performance Review continued

not have a direct IFRS equivalent measure. This has been reconciled back to the statutory balance sheet within the financial information.

As at 2 May 2020, the Group had net debt of £284m (2018/19: £265m). A reconciliation of net debt is presented in note A10 to the financial information. Free cash flow was an inflow of £109m (2018/19: inflow of £153m) for the reasons above.

Of the free cash flow, £78m was returned to shareholders in the form of dividends. This was the payment of the prior year's final dividend and the interim dividend for 2019/20. The Board has decided not to pay a final year dividend for the current year. The employee benefit trust acquired £12m of shares to satisfy share awards to colleagues.

Pension contributions of £46m are consistent with the prior period, and in line with the current agreement with the Trustees of the fund.

Statutory Cash flow statement

	2019/20 £m	2018/19 £m
Loss before interest and tax – continuing operations	**(28)**	(223)
Loss before interest and tax – discontinued operations	**(2)**	(14)
Depreciation and amortisation	**367**	174
Impairments	**64**	347
Working capital	**235**	72
Other operating cash flows	**(53)**	(70)
Cash flows from operating activities	**583**	286
Acquisitions	**(3)**	(1)
Capital expenditure	**(191)**	(166)
Other investing cash flows	**2**	17
Cash flows from investing activities	**(192)**	(150)
Dividends paid	**(78)**	(116)
Interest paid	**(106)**	(23)
Capital repayment of lease liabilities	**(219)**	(8)
Other financing cash flows	**20**	(62)
Cash flows from financing activities	**(383)**	(209)
Increase / (decrease) in cash and cash equivalents	8	**(73)**

The movements in statutory loss before interest and tax, capital expenditure and dividend cash flows are for those reasons previously discussed in this report.

Depreciation and amortisation in the current year includes £217m of depreciation on newly recognised right-of-use assets following the adoption of IFRS 16 and £25m of amortisation of acquisition related assets. The prior year includes depreciation and amortisation on UK & Ireland Mobile tangible, intangible and acquisition related assets fully impaired at the prior year end.

Working capital cash inflow on a free cash flow basis was £155m (2018/19: £24m) as explained above. The remaining £80m increase in statutory working capital was mainly due to the group adopting IFRS 16 (free cash flow is shown excluding IFRS 16) resulting in a £56m increase and £43m increase due to lower provisions, partially offset by share based payment charges.

Other operating cash flows primarily relate to pension contributions and taxation cash flows.

The increase in capital repayment of lease liabilities relates to the adoption of IFRS 16. Prior year relate solely to capital repayments on finance leases under IAS 17.

Interest paid relates to interest on borrowings and lease liabilities.

Other financing cash flows related to increased use of the revolving credit facility in the year offset by shares purchased in the period to satisfy the colleague share scheme. Prior year other financing cash flows related to reduction in usage of the revolving credit facility.

Balance sheet

	2 May 2020 £m	27 April 2019 £m
Goodwill	**2,803**	2,840
Other fixed assets	**1,823**	740
Network commission receivables and contract assets	**616**	797
Working capital	**(795)**	(956)
Net debt*	**(284)**	(265)
IFRS 16 leases*	**(1,359)**	-
Pension	**(550)**	(579)
Tax & other	**26**	63
	2,280	2,640

*See page 202 for further information on our alternative performance measures (APMs). This includes definitions, purpose, changes to the prior year, and reconciliation to the nearest IFRS measures. This includes a reconciliation of the above working capital balance to the statutory balance sheet. The IFRS 16 leases relate to the incremental impact of leases brought on balance sheet due to the adoption of IFRS 16. For comparability purposes this excludes leases that were previously on balance sheet classified as finance leases under IAS 17.

Goodwill decreased in the period as a result of revaluation of foreign currency goodwill in Nordics operations.

Other fixed assets increased by £1,083m primarily as a result of newly recognised right-of-use assets following the adoption of IFRS 16 in the year of £1,114m (net of depreciation).

Network commission receivables and contract assets decreased by £181m as the scale of our mobile business reduced resulting in a net cash inflow, as well as a negative £47m out of period network debtor revaluation. Out of period network debtor revaluations are excluded from the Group's APMs as further detailed on page 202.

Working capital increased by £161m as a result of the timing of payments around year end due to the financial close being a week later than prior year.

Net debt increased by £19m due to working capital outflow caused by lower sales, offset by reduced capital expenditure and deferral of taxes and rent.

Tax and other decreased as a result of a reassessment of the deferred tax asset position due to the loss in year.

Comprehensive income / changes in equity

Total equity for the Group decreased from £2,640m to £2,280m in the period, driven by the statutory loss, the loss on retranslation of overseas operations of £39m, dividend payments of £78m and the actuarial loss (net of taxation) on the defined benefit pension deficit for the UK pension scheme of £3m.

Following the adoption of IFRS 16 a £37m charge has been taken to reserves reflecting the impact of transitional impairments net of taxation.

Pensions

The IAS 19 accounting deficit of the defined benefit section of the UK pension scheme amounted to £550m at 2 May 2020 (26 October 2019: £586m, 27 April 2019: £579m). Contributions during the period under the terms of the deficit reduction plan amounted to £46m (2018/19: £46m).

The deficit decreased largely as a result of decreases in inflation rate assumptions and increased values of underlying assets in the period and the annual contributions made in H1 of £46m, offset by changes in discount rates following falling bond yield returns.

A full actuarial valuation of the scheme was carried out as at 31 March 2019 and showed a shortfall of assets compared with liabilities of £645m. A 'recovery plan' based on this valuation was agreed with the Trustees such that contributions in respect of the scheme will be £46m for 2020/21, rising to £78m per year from 2021/22 until 2027/28, with a final payment of £52m in 2028/29.

Dividends

The Group paid an interim dividend of 2.25p per share (£26m total) in January. The Board has decided not to pay a final dividend for 2019/20. Dividend payments will not be resumed at least until our standby debt facilities have been cancelled. Given the current uncertain environment, the Board will keep the payment of dividends under review to establish the appropriate time and level to recommence payment.

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. This includes consideration of the uncertainty caused by the Covid-19 pandemic and the mitigating actions the Group has taken. 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 outlined the assessment approach for going concern in the accounting policy disclosure in note 1 of the consolidated financial statements. Following that review the Directors have concluded that the going concern basis remains appropriate.

Viability Statement

In accordance with the UK Corporate Governance Code, 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 making the assessment that three years was appropriate for 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 20 to 23 of the Strategic Report. This included the uncertainty regarding the duration, extent and ultimate impact of the Covid-19 pandemic as well as the mitigations already put in place. In considering the appropriate period, the Directors considered reducing the three-year viability period to align with the 12-month going concern period. The Directors, in making the assessment that three years was appropriate, considered the current financial and operational positions of the Group, the potential impact of the risks and uncertainties as outlined on pages 20 to 23 of the Strategic Report and the uncertainty regarding the duration, extent and ultimate impact of the Covid-19 pandemic plus the further mitigating actions available to the Board. The Board concluded that a period of three years was appropriate for this assessment as this period is covered by the Group's strategic planning process, which is updated annually, and reflects the period of the 5 year strategic plan where there is greater certainty of cash flows associated with the Group's major revenue streams.

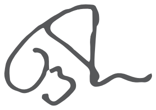
The strategic plan considers the forecast revenue, EBITDA, working capital, cash flows and funding requirements on a business by business basis, which are assessed in aggregate with reference to the available borrowing facilities to the Group over the assessment period including seasonal cash flow and 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 2020/21, and Board-approved strategic plan for the remaining two year period. This aligns with the period over which the Group's primary transformation strategy will be implemented. Given the global political and economic uncertainty resulting from the Covid-19 pandemic and the effect of Brexit in the UK, it is difficult to estimate with

Performance Review continued

precision the impact on the Group's prospective financial performance. These approved plans have therefore been adjusted to model a range of Covid-19 scenarios. These scenarios include the possibility that all stores may need to close for another extended period of time and the impact of a longer-term recession due to a reduction in household income. 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.

As well as focussing on the potentially prolonged impact of Covid-19, these scenarios also included other principal risks such as regulation or information security incidents and reduced forecast profitability and cash flow as a result in a significant change in consumer behaviour. A key assumption of the three year viability period is that the Group is able to extend the financing facilities that are currently due to expire in October 2022, as disclosed in note 19 to the Annual Report and Accounts, or raise alternative forms of financing.

Based on the results of this analysis, the Directors have an expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period of their assessment. The long-term impact of Covid-19 is uncertain and should the impacts of the pandemic on trading conditions be more prolonged or severe than currently forecast by the Directors, the Group would need to implement additional operational or financial measures.



Jonny Mason
Group Chief Financial Officer
14 July 2020

Stakeholders and Sustainable Business

This report includes the Board's section 172(1) disclosure, the non-financial information disclosures required by the Companies Act 2006 and a summary of the Group's sustainable business activities.

Section 172(1) statement

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

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

This statement explains how the Board has embedded stakeholder considerations across decision-making and, in particular, how directors have had to regard the factors included in section 172(1) in addition to other factors relevant to any decision being made.

There are different processes across the business to manage the inclusion of stakeholder considerations depending on the nature of the decision and the stakeholders impacted. A clear corporate governance structure is in place which, together with the Group's Delegated Authority Policy, ensures that business decisions are made by the appropriate people, in the appropriate forum (in accordance with the terms of reference of that forum), and the relevant stakeholder considerations are embedded as part of decision-making processes. The supporting documentation for each Board and committee meeting includes, for reference, a summary of section 172 responsibilities immediately after the meeting agenda. To ensure that the impact on stakeholders is duly considered, Board and committee decision paper templates include mandatory fields for papers' authors to include an impact assessment on each stakeholder group.

The Board acknowledges that decisions made will not necessarily result in a positive outcome for every stakeholder group. By considering the Group's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, the Board does, however, aim to make sure that all decisions are considered and made following reflection across a broader view of stakeholder considerations.

The following pages provide examples, for each stakeholder group, of the key matters that the Board considered during the year, including how decisions were reached and sets out those stakeholder considerations that were central to discussions and outcomes.

- Our Customers - page 31
- Our Colleagues - page 32
- Our Shareholders - page 34
- Our Suppliers - page 36
- Our Communities - page 37

Non-Financial Information Statement

We aim to comply with the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. Under Further Stakeholder Information, further details are provided to help stakeholders understand our position on key non-financial matters:

- Environmental matters (including impact of business on the environment) – page 42
- Colleagues – page 39
- Social matters – page 52
- Respect for human rights - page 50
- Anti-corruption and anti-bribery matters - page 76

Please see page 6 for a description of our business model and page 20 for details of the principal risks relating to non-financial matters.

OUR CUSTOMERS

Matters of focus for Our Customers

Product availability
Product range
Product value and affordability
Customer journey experience
Services
Advice and support
Choice of how to purchase; online or in-store
Seamless delivery experience
Sustainability and ethical sourcing

Means of Engagement

In-store
Online
Customer app
Customer care centres
Email
Post-sales survey
Media including social media

Customer Priorities

- Enhance the customer experience by making it easier for customers to find and buy what they need;
- Increase product affordability for customers through credit;
- Offer customers more choice on how to buy;
- Enhance the services and credit products available to customers; and
- Support customers through the Covid-19 pandemic.

Stakeholders and Sustainable Business continued

Customer focus in Board decision-making

Webhelp

The need to enhance the customer experience was a key factor in the Board decision in January 2020 to transfer most of our customer contact centre operations in Sheffield and Preston to a third-party specialist provider, Webhelp. Since the launch of the vision 'We Help Everyone Enjoy Amazing Technology', ensuring that every customer has an easy end-to-end experience has been identified as a critical part of transforming the Group into a world class business. The Board has welcomed the progress made and customer satisfaction improvements in the contact centres in recent months. The business has worked hard to improve performance, including creating capacity for 300,000 additional customer calls and reducing call waiting times by over 10%. The Board received updates during the year that, while there had been significant improvements to the contact centres, they had not been able to meet best-in-class customer service levels. Service challenges in the contact centres included being hindered by obsolete technology and complicated processes. A comprehensive review of all contact centre operations was completed. The Board agreed that customers having an easy end-to-end experience was vital to the long-term success of the business. Customer contact centres are in place to provide support when a customer wants to find out more about or buy a product, or if the customer has an enquiry about the progress of an order or delivery. The Board concluded that the best action to take for customers and colleagues was to bring in the support of an external company with specialist expertise in contact centre management. Webhelp has strong customer expertise, access to market leading technology and has committed to making significant customer satisfaction improvements.

Voice of the Customer

The Company launched a Voice of the Customer Dashboard in 2018 to provide real time feedback on what matters most to our customers, in particular detailed customer satisfaction metrics for the UK and Ireland. The Nordics region has a separate 'Happy or Not' satisfaction measure. In addition to this numerical customer feedback, every week, verbatim feedback is captured from thousands of customers. Typically, the comments reflect known satisfaction drivers, but they do also help the business better understand customer expectations and concerns. Machine learning and AI solutions are used to quantify the sentiment of the comments. This information is reviewed internally and used to generate improvements to the customer experience. The Board continued to receive a synopsis of the results of this feedback during the year as part of reports from the Group Chief Executive at each Board meeting. This enables directors to oversee how the business is responding to customer feedback and to ensure customer views were considered in their decision-making.

Covid-19

The Executive Committee and the Board considered the interests of customers as part of agreeing the appropriate response to the Covid-19 pandemic, including whether to close stores and distribution centres. During March 2020, stores were closed in Greece, UK and Ireland in compliance in each case with local government guidance. The Board concluded that the Group performed an important function in providing customers with vital goods, helping millions of people sustain themselves in lockdown by keeping them connected, healthy and productive. The Board resolved to ensure that the online sales channel was kept operational and enhanced during the period of shop closures and reduced customer footfall in the Nordics region, while ensuring compliance with best practice health and safety guidance. The Board and Executive Committee considered customer safety, in line with government advice and guidelines, the most suitable approach to adapting stores for safe shopping and a phased re-opening of those stores that had been closed as the restrictions evolved. This included a front-of-store trading concept and a zero-contact, 'Drive Thru' model and measures including an enhanced cleaning regime, rigorous social distancing and safety screens for stores.

ShopLive

During the year, ShopLive was launched in Ireland, the UK and the Nordics to give customers an in-store experience from their own homes via video link with Currys PC World experts. This functionality enables customers to receive advice on laptops, TVs, washing machines and refrigeration products to ensure that customers, including the most vulnerable, can benefit from store colleagues' expertise remotely. The Board has been receiving regular updates on the demand for ShopLive and on those customer satisfaction scores. The Board has considered the possible medium-term and long-term impacts that Covid-19 might have on customer shopping habits. The Board will keep under review customer demand and feedback on ShopLive as one example of these changes and this provides important context for strategic discussions.

Sustainability

A Non-Executive Director attended the Company's Environmental, Social and Governance (ESG) Committee meetings during the year and the Company's Social Purpose Strategy was approved in June 2019. The Board is aware that customers are increasingly concerned about corporate responsibility issues. The Company, with the support of the Board, seeks to be a sustainable business and works with customers to help them reduce their environmental impact. This includes working with our suppliers to eliminate unnecessary packaging on the products sold to customers and providing re-use schemes to help customers find a new use for the technology they no longer need.

More information on this is below in the Sustainable Business section of this report.

OUR COLLEAGUES

Matters of focus for Our Colleagues

Company culture and values
Reward
Benefits

Flexible working
Health and safety
Training and development
Engagement and feeling invested in the business

Means of Engagement

Internal communications; Executive Committee member updates, Workplace intranet, newsletters, emails, Townhall events, team meetings, individual meetings with line managers and appraisals
Employee engagement survey
Events - annual Peak event, campus event for Nordics region, training at The Academy@Fort Dunlop
Employee listening forums

Colleague Priorities

- Attract, develop and retain capable and committed colleagues to drive growth;
- And ensure a diverse pipeline for succession to senior management and Board roles;
- 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 and increase diversity (in all its forms) across our business;
- Maintain high standards of health and safety;
- Colleague share Ownership Scheme – giving colleagues a stake in the success of the business;
- Enhance expertise and training; and
- Work cohesively together as One Business.

Colleague focus in Board decision-making

Transformation of the UK Mobile business

During the year, a key area of focus for the Board was reviewing the options for the future of the UK Mobile business. On 17 March 2020, the Company announced that all 531 standalone Carphone Warehouse stores in the UK would be closed to enable focus on selling mobile devices and connectivity through shop-in-shops in its Currys PC World stores and online. This decision was necessary due to changes in how customers buy mobile devices, connectivity and technology.

The impacts on colleagues were a key consideration of this decision. The directors agreed that it was critical to resolve the unsustainable losses in the UK Mobile business in order to ensure the long-term sustainable success of the whole Group for customers, colleagues as a whole and shareholders. Having agreed that the turnaround of the UK Mobile business was essential, the directors considered the implications for colleagues and the business worked to minimise detrimental impacts including the number of redundancies and to offer as much support as possible to those colleagues that would be leaving the business. The Board reviewed and contributed to the colleague communications on the change and challenged the Executive team on the plans to redeploy colleagues into other business roles to ensure that all possible steps had been taken to support all impacted colleagues. The Board also considered the impacts on those colleagues that would remain in the business, including the cultural changes in those Currys PC World stores that would have redeployed colleagues joining their teams.

New roles were identified for as many Carphone Warehouse colleagues as possible and 837 of affected colleagues took new roles internally. Those colleagues made redundant received redundancy payments well in excess of legal obligations and other support including CV and interview preparation.

Transformation of contact centre operations

In January 2020, the Board approved the transfer of most of our contact centre operations in Sheffield and Preston to Webhelp, a world leader in contact centre management. The Board considered the interests of colleagues as part of this decision, including colleague feedback received from those in call centre roles on their work experiences and the challenges faced. The Board had been pleased to see that contact centre colleagues had helped to deliver significant improvements to service levels. However, despite best efforts, these colleagues were not able to give customers best-in-class service levels due to outdated IT and complicated processes. The Board considered the impacts of the move to Webhelp on colleagues and noted that most of the teams in Sheffield and Preston would move to Webhelp and continue to work helping Dixons Carphone customers. Colleagues would be equipped with better tools to help customers and have simpler processes to work to. The Board considered the natural alignment of Webhelp's values to the Company's vision and ensured that colleagues moving to Webhelp would be fully supported in the transition to Webhelp prior to approving the change. The Board reviewed the communications for those colleagues impacted and obtained assurance from management that those colleagues impacted would receive appropriate support following the change.

Covid-19

In March 2020, as the severity of the Covid-19 pandemic became clear, the management team, with the support of the Board, identified colleague safety as the first priority. The directors attended a weekly call during the period of the initial response to the pandemic to receive updates on colleague wellbeing, the steps being taken to ensure colleague safety and feedback received from colleagues. Those colleagues already able to work remotely were asked to work from home with immediate effect. The IT team put in place new remote working capability for hundreds of contact centre colleagues.

The Board considered the need to keep colleagues safe, together with the need for the operation of the supply chain to secure the future of the business and protect employment for colleagues. For those in supply chain roles, a suite of measures taken to ensure colleague safety included changes to working hours and rotas to reduce the number of colleagues on sites, physical adjustments to sites and work areas to support social distancing, additional cleaning and hygiene measures and the provision of protective equipment. Sites were transformed to include

Stakeholders and Sustainable Business continued

floor markings, barriers and one-way systems, hourly tannoy reminders, maximum occupancy notices, extensive site signage on handwashing and social distancing as well as temperature checks at the start and end of driver shifts. Certain installation services were discontinued, and colleagues were advised not to carry out any activity unless they were satisfied it was safe to do so. For any operational tasks where the 2 metres social distancing rule could not be consistently followed, goggles, overalls and masks were available although these tasks were reduced to a minimum. Installation services were reduced to essential cooking installations only, and only then on a voluntary basis. The Executive Committee established in the early stages of the pandemic the principle that no colleague would be asked to do anything they did not feel safe doing and home installations were an early area where some activities were stopped.

The Group Chief Executive visited the Newark distribution centre, several customer service centres and call centres during March and April to meet with (in accordance with government guidance on social distancing) colleagues and answer any questions. Regular customer contact centre and distribution centre team forums and Q&A sessions were held to ensure that any concerns and feedback that colleagues had were fed back to the appropriate persons directly and efficiently. Covid-19 site audits were completed to verify that consistent best-practice was in place.

The Board agreed that it was in the best interests of the long-term sustainable success of the business to put all store colleagues and a number of support team colleagues on the Government Coronavirus Job Retention Scheme during the Covid-19 pandemic. However, for those colleagues that received a salary above the Government furlough cap, the Company decided to make up the difference to ensure that all colleagues on furlough received 80% of their salary.

The Board and Executive Committee unanimously agreed to a temporary 20% pay reduction, and all senior managers were asked to agree to a temporary 10% pay reduction in support of securing the Company's future.

Colleague Listening

During the year, the colleague forums were restructured and increased in scope to enhance engagement between the Board and the wider colleague population and ensure consistency across the Group's geographies. An International Forum has been established to unify the long-term existing country forums into a single, listening and engagement forum for all colleagues. Tony DeNunzio, the Deputy Chair and Senior Independent Director, attends these forum meetings with the Chief People Officer, Paula Coughlan. Andrea Gisle Joosen, Independent Non-Executive Director, attends the Nordics colleague forum meetings. The Board received an update on Colleague Listening at a Board meeting in January 2020 and the directors were pleased to hear that the enhanced framework was working well and generating useful insights. The colleague feedback, together with the direct insights from the two non-executive directors, enables the Board to better take account of colleague considerations in decision-making. The outputs from the colleague forums are used to help shape the business. These forums took part in the review of the company's culture and the development of the new culture and values during 2019. The International Forum was instrumental in the development of our Wellbeing strategy, our Inclusion and Diversity strategy and our Listening strategy.

People Operations

In January 2020, the Board approved a People Operations proposal that included moving all colleagues to a single payroll provider. This change was to improve the colleague experience and simplify the delivery model and process. A critical element of delivering the vision, 'We Help Everyone Enjoy Amazing Technology', is to collaborate effectively as One Business. The Executive Committee and the Board considered feedback received from colleagues on existing payroll processes and policies being inconsistent and agreed that it was important to improve the colleague experience in this area. The alignment of policies and terms ensure fairness across the colleague population and supports the goal to remain competitive in the market whilst being able to continue to attract talented people to join our existing team of capable and committed colleagues.

Board visits

The October 2019 Board meeting was held in Oslo. This enabled the directors to visit a selection of different stores in Oslo and meet several store colleagues. In January 2020, the Board spent a day visiting the Company's training centre The Academy@Fort Dunlop in Birmingham. All new store-based colleagues that join the business attend a training event at the Fort Dunlop centre before they start work serving customers in stores. Directors were provided with an insight into the three-day training programme to understand the support that colleagues are given before they interact with customers. All of the directors have also visited stores individually during the year. These visits have provided the Board with additional insights into the colleague experience and useful context for strategic discussions in the Board.

OUR SHAREHOLDERS

Matters of focus for Our Shareholders

Ensuring the long-term sustainable future of the business
Financial and share price performance
Dividend policy
Current trading
Business strategy and vision
Director remuneration
Shareholder communications and engagement
Environment, Social and Governance issues

Means of Engagement

Results announcements and presentations
Annual report and accounts
Annual General Meeting
Investor roadshows
Shareholder meetings
Company website

Registrar contacts
Consultation with major shareholders on remuneration topics

Shareholder priorities

- Managing the impacts of the Covid-19 pandemic;
- Securing the long-term sustainable success of the business;
- Delivering on financial performance promises; and
- Effective and transparent communication of the strategic vision and transformation of the business.

Shareholder focus in Board decision-making

Feedback on Shareholder views and questions

The Board receives updates from the Investor Relations team at every Board meeting. These include updates on any material changes to the composition of the shareholder register, a summary of investor interactions that have taken place during the period as well as upcoming interactions and a summary of investor questions received, and topics discussed. The Investor Relations team manages a programme of meetings with the top 30 shareholders and many of these meetings are also attended by at least one Board director. For other shareholders, the primary point of contact is the company's registrar, although any matters can be escalated to either the Investor Relations or Company Secretariat teams as appropriate. All directors attended the 2019 Annual General Meeting and spent time speaking to shareholders after the conclusion of this meeting. The directors are disappointed not to be able to meet with shareholders in person at the 2020 Annual General Meeting this year and encourage shareholders to submit any questions on the business of the meeting to cosec@dixonscarphone.com. The directors find shareholder insights useful and use the feedback received to shape investor communications and in decision-making where appropriate.

Shareholder engagement

A structured shareholder engagement programme is in place. Each of the top 30 shareholders is invited to have an engagement meeting with any of the Board Chair, Audit Committee Chair or Remuneration Committee Chair on at least an annual basis. This engagement meeting invitation letter also confirms the contact details for team members from the Investor Relations, Reward and Company Secretariat teams to enable any ongoing dialogue that shareholders might find useful. Shareholders are able to arrange meetings with a Board director on request. During 2019/20 the Board particularly valued the shareholder feedback received during the consultation process for the Remuneration Policy that was submitted to and approved by shareholders at the 2019 AGM.

Director Remuneration 2018/19

Following the 76.54% vote in favour of the 2018/19 Remuneration Report at the Annual General Meeting held on 5 September 2019, the Company sought further engagement with our shareholders and the proxy agencies to discuss the specific rationale for the votes against the 2018/19 Remuneration Report. More information on the results of these engagements is available in the Directors' Remuneration Report on page 100.

Director Pension contributions

Following consultation with shareholders, on 27 August 2019 the Board announced that for any newly appointed executive director, the pension contribution would be in line with the level paid to the majority of the UK workforce across the Group. More information is available in the Directors' Remuneration Report on page 84.

Colleague Shareholder Scheme

Over 38,000 colleagues in 11 countries have received an award under the Colleague Shareholder Scheme, launched in 2019. The Remuneration Committee and the Board considered during 2019/20 the positive feedback received from both colleagues and shareholders and have, as a result, decided to extend the scheme. Colleague share ownership is a crucial lever of engagement and gives colleagues a stake in the future success of the business. More information is available in the Directors' Remuneration Report on page 85.

Board and Executive share ownership

Each member of the Board is a shareholder. At 14 July 2020, the Board collectively held interests in 1,113,469 shares. Executive Committee members are subject to minimum shareholding requirements and executive directors are subject to post-employment shareholding requirements.

Covid-19

Following the Covid-19 pandemic and resulting store closures in Greece, UK and Ireland, the Board considered the implications for all stakeholders including shareholders. One of the three immediate priorities identified was to secure the future of the business. Securing the long-term sustainable future of the business for the benefit of shareholders was the main consideration for a number of important Board decisions. These included the removal of almost all discretionary spend, measures to conserve cash including the decision not to pay a final dividend for 2019/20, putting in place additional bank facilities and the decision to place 71% of UK colleagues onto furlough.

UK Mobile business

Shareholder interests were an important part of discussions on a significant business decision made during the year. The Board considered the critical need to resolve the unsustainable losses from the UK Mobile business in order to ensure the long-term sustainable success of the whole Group for stakeholders including shareholders. This led to the decision to close the 531 standalone Carphone Warehouse stores in the UK. More information on this change is included in the Strategic report on page 16.

Stakeholders and Sustainable Business continued

OUR SUPPLIERS

Matters of focus for Our Suppliers

Strong customer demand
Good collaboration
Reliability
Value
Health and safety
Compliance
Effective communications

Means of Engagement

Formal engagement strategy including regular visits and meetings
Supplier relationship management team
Supplier questionnaires
Due diligence process for new suppliers

Supplier priorities

- Being a trusted business partner;
- Reliable payment practices;
- Enhancing supplier and partner satisfaction;
- Managing the environmental impacts within our supply chain; and
- Ensuring products come from ethically and responsibly aware supply chains, free from modern slavery, bribery or corruption.

Supplier focus in Board decision-making

Board feedback from Suppliers

The Board receives regular feedback on substantive Supplier matters via the Group Chief Executive. The Group Chief Executive participates in regular meetings with the Group's largest suppliers and receives regular updates on all suppliers from the Chief Commercial Officer. The Commercial team put in place a formal engagement strategy with each large supplier. This strategy is customised in each case but includes regular meetings and calls between the Group Chief Executive and his counterpart at the Supplier company and between the Chief Commercial Officer and his counterpart. This is supported by a team of colleagues engaging at least every four weeks to assess progress against agreed business plans. Supplier updates are provided to the Group Chief Executive, Executive Committee and the Group Chief Executive notifies the directors of matters that ought to be brought to the attention of the Board.

Covid-19

During the year the Commercial team collaborated effectively with the Group's suppliers in helping our customers and securing the future of the Group. The teams started work to secure a supply of stock during the early stages of the Covid-19 pandemic. Stock of key lines was increased as soon as it became apparent that factories in China and the rest of Asia might close. This ensured that the business was better prepared to meet the sudden increase in customer demand for laptops, refrigeration, gaming and home office. The strong relationships in place with suppliers ensured resilience during the disruption of supply chains caused by the crisis. The Board was kept updated on all aspects of the Covid-19 response over weekly calls held during March and April.

Modern Slavery and ensuring the highest ethical standards

The Board received an update in July 2019 on the procedures in place to prevent Modern Slavery and ensure responsible sourcing. An updated Modern Slavery Statement was approved and is available on the Company's website www.dixonscarphone.com. Adherence to the Group's Modern Slavery policy is required from suppliers.

The Group's Standards for Responsible Sourcing reflect the Group's commitment to human rights, acting morally and with integrity in all our business relationships. The Standards require suppliers to work towards full Ethical Trade Initiative (ETI) Base Code compliance. Further information on Modern Slavery and Ethical Sourcing is available below in this report.

It is an essential requirement that all Original Equipment Manufacturer (OEM) suppliers comply with the strict trading terms and operational procedures. OEM suppliers must enforce effective systems and controls to meet minimum standards of health and safety, wages, working hours, equal opportunities, freedom of association, collective bargaining and disciplinary procedures as set out in our OEM Ethical Sourcing Policy. Employing forced or child labour is strictly against the Company's terms of operation.

The Company monitors adherence to policies using assessors who audit suppliers, prior to selection and on an ongoing basis. Where working practice failures have been identified, our Technical and Commercial teams work with the supplier to help them improve their working practices. Where it is not possible to resolve an issue of concern, the Company will cease to work with the supplier. Any material supplier compliance matters would be reported to the Board.

The approval of the Modern Slavery policy and statement and all Corporate Responsibility policies are matters reserved for the decision of the Board.

Sustainability

When selecting new suppliers and renegotiating contracts, the Company considers sustainability performance including energy efficiency, climate change impact, water use or biodiversity impacts. All suppliers are encouraged to eliminate all unnecessary plastics and packaging. The Environmental, Social and Governance Committee leads the Group's work in this area and a Non-Executive Director of the Board is a member of this Committee. More information on the sustainability work with suppliers is included below in this report.

OUR COMMUNITIES

Matters of focus for Our Communities

We Help Everyone Enjoy Amazing Technology
Being a responsible contributor to society
Being a good employer
Having sustainable business practices and minimising impact to the environment and climate change

Means of Engagement

Sustainability working group
Website
Media including social media
Engagement meetings with third parties
Charity partnership

Community priorities

- Ensuring high standards of corporate and social responsibility across the group;
- Meeting environmental responsibilities;
- Limiting the impact of our operations in a way that is both practically and economically feasible;
- Management of climate change risk;
- Enhancing disclosure of ESG performance;
- Working with suppliers to reduce unnecessary plastic packaging; and
- Providing our customers with more sustainable choices.

Community focus in Board decision-making

Sustainable business approach

During 2019, the Board received an update on the Sustainable Business approach, programme and activities. The Board agreed that it would be appropriate to work with a headline charity partner in the UK and focus on a smaller number of charitable projects. The Board was particularly supportive of those charitable projects that would help the elderly, disabled or underprivileged to enjoy technology. During the Board visit to Oslo in 2019, the business update provided by the local team included insights into the charitable activities of the Elkjøp Foundation, which operates across the Nordics.

Age UK

During the year, the Company chose a new UK headline charity partner, Age UK. Colleagues were able to nominate charities for consideration as charity partner. This list was then refined into a shortlist and the final choice was made by a colleague poll vote on the Company's intranet. Age UK was selected by almost half of the thousands of colleagues that voted. More information on how the partnership was selected and the Company's activities to date is included below in this report.

Covid-19

During March, the Board considered how best the Company could support the wider community during the Covid-19 lockdown. In considering whether or not to close stores in all countries, the Board noted the critical role of the business in providing vital goods to the public, and in turn how trading would help millions of people sustain the essential lockdown. In particular the importance of technology that facilitates connectivity with loved ones, including mobile phones and tablets, essential household items including fridges, cookers and washing machines, and laptops and equipment for working from home and home-schooling. The Board agreed that it was important to help customers as an online-only retailer in those countries where our stores could not remain open subject to being able to keep colleagues and customers safe. Measures included prioritising helping older and vulnerable customers and requests for tablets, mobile phones, laptops, webcams, headsets and chargers for all NHS Trusts and hospitals to help offer patients the opportunity to stay in touch with friends and families. In addition, iD Mobile offered all existing customers over 70 years old free and unlimited minutes for the 12-week isolation period advised by the government in the UK. Stores in the Nordics put in place special opening hours for vulnerable and at-risk people.

In the UK, the Company sent hundreds of free laptops, mobile phones, SIM cards and headsets to Age UK's Silver Line helpline teams, to help them maintain their vital support to older people during the Covid-19 lockdown. The two organisations are working together at pace to find more ways to help older people through the Covid-19 crisis. More information is included below in this report.

Chair of the Board's Shield

Being a sustainable, responsible and ethical business is important to the Board. The Chair of the Board's Shield award is an annual award to ensure that those teams and colleagues that have made a positive contribution to their local community through fundraising or volunteering initiatives, are recognised for their work and to further promote these behaviours. There is a rigorous process for nominations and selection of the winning colleagues and teams. More information is included below in this report.

Electric Vehicles

The Board has given broad support to any and all initiatives within our transport operations that reduce carbon emissions and help progress towards the use of alternative fuels and achieving net zero emissions. The Group will also join The Climate Group's EV100 initiative. This is a globally recognised movement for corporate action on more environmentally friendly transport options, with the aim of accelerating the transition to electric vehicles (EVs) as the new normal by 2030.

Stakeholders and Sustainable Business continued

Sustainable Business

Technology can do amazing things to enrich people's lives, and we, with our scale and expertise, are uniquely placed to bring these benefits to everyone: that's our core business purpose. Our Social Purpose strategy was launched to colleagues in November 2019, to drive colleague engagement on sustainability matters, to grow a customer base who are confident that we are a responsible contributor to society with business practices that minimise our impacts on the environment, and to build a sustainable business that our shareholders can feel good about investing in.

We are committed to putting social purpose at the heart of everything we do - galvanising our expertise, scale and reach to help everyone, who might otherwise be excluded, benefit from amazing technology, whether this is by making it more affordable, energy efficient or simpler to use or accessible through repair, reuse or donation.

Everything we do starts with the customer. Our Social Purpose strategy starts with this principle and is categorised under the pillars of We Help Everyone Enjoy Amazing Technology.

WE

WE COLLABORATE WITH OUR STAKEHOLDERS AS A FORCE FOR GOOD

Dixons Carphone is committed to 'doing the right thing' and operating a responsible and ethical business, by understanding stakeholder expectations and best practice and ensuring this is reflected in our business decisions.

In 2019/20 our progress in developing and reporting our ESG performance was recognised by FTSE4Good with our repeated inclusion in the FTSE4Good UK Index.

A detailed ESG risk register has been developed to enable a systematic approach to ESG risk management, allowing us to monitor changes in the risk profile. In 2020/21, we will use this register to formalise the review of progress on delivery of controls, to reduce or remove identified risks before they materialise.

17 PARTNERSHIPS FOR THE GOALS

United Nations Sustainable Development Goal (SDG 17): Partnerships

We collaborate with stakeholders as a force for good, to advocate and effect change. We are members of a number of organisations such as the British Retail Consortium (BRC), the Ethical Trading Initiative (ETI) and the Government's All-Party Corporate Responsibility Group.

We also play an active role in SEDEX, the British Retail Consortium's Ethical Labour Working Group as well as Slave Free Alliance, which is a best practice scheme run by the leading anti-slavery charity Hope for Justice, who we are working with in the UK and Nordics.

As part of the BRC's Better Retail, Better World initiative, we pledged to support UN sustainability goals (SDGs) covering modern slavery, sustainable economic growth, inequalities, responsible consumption and production and climate change. For 2020/21, we have expanded this to support all relevant Global Goals.

In March 2020, we joined the BRC Taskforce on Climate Action to develop a ground-breaking decarbonisation plan that will guide the industry on the steps necessary to accelerate progress to a net zero UK, ahead of the Government's 2050 target.

Our partnerships with suppliers make a big difference - they know their products best and are helping us to bring amazing technology to life for our customers in meaningful ways.

Suppliers are key to helping us address areas of public concern, such as unnecessary plastic. We have introduced clearer guidance to support the reduction of plastic packaging and in 2019, engaged with our own label suppliers and licensed brand ranges to identify and implement improvements. ADX gaming keyboards, mice and headsets are our first product range to be plastic packaging free and we aim to make all own label plastic packaging reusable or recyclable by 2023.

When selecting new suppliers and renegotiating contracts, we consider sustainability performance including energy efficiency, climate change impact, water use or biodiversity impacts. Suppliers are asked for a copy of their Environmental Policy and to complete a questionnaire for every Request for Proposal placed through our procurement system.

Colleagues

Capable and committed colleagues are our greatest advantage.

During 2019/20 colleague priorities were identified and grouped into the following categories: colleague experience, talent and leadership, clearer, simpler, faster place to work and one business culture.

To deliver these priorities we will:

- upskill, empower, recognise and reward our colleagues by investing in learning and employee reward, and developing leadership programmes to drive a customer first culture;
- match the best talent to our highest value roles by increasing our focus on managing talent, becoming an employer of choice, concentrating on talent acquisition, improving performance management, leadership and development;
- continuously improve the colleague experience across the employment lifecycle by making the Group a clearer, simpler, faster place to work; and
- work together as one business by uniting through shared values and culture, driving inclusion and diversity across our business and increasing our focus on colleague engagement.

The Academy@Fort Dunlop

All store-based new hires from all brands across the UK and Republic of Ireland now complete a three-day learning event at our new state-of-the-art, UK training facility; The Academy@Fort Dunlop. The courses available are tailored to each brand and form the first part of a 90-day 'learning plan' completed by all new colleagues. Colleagues are equipped with the skills and knowledge they need to help our customers choose, afford and enjoy amazing technology.

MyLearning

A comprehensive online training portal is available for colleagues; MyLearning. MyLearning includes courses on a range of subjects including to enhance colleague knowledge of products so they are able to recommend the best technology to customers.

Every year mandatory compliance training is deployed to all colleagues via MyLearning. In 2019/20, there was a 98.7% completion rate of all these compliance modules.

Customer First mindset

We are investing in ensuring our colleagues have a Customer First mindset. In the past year, nearly 2,300 managers at all levels were trained in developing Customer First skills. These programmes build colleague capability throughout the customer journey, for example, lifestyle listening, so colleagues are able to ask the right questions to help recommend the best product for each customer.

Store managers are provided with further skills to continue training within our stores through coaching, facilitating and giving feedback. The supporting online modules were accessed 15,000 times throughout this launch. As part of this programme nearly 1,500 hours of advanced coaching was deployed to first and second-line managers in 2019.

Category and product knowledge

Having the most up-to-date product knowledge is essential for colleagues to be able to meet customer needs. We host annual MyLearning Live events for consumer electronics, computing and domestic appliances. Over 2,100 colleagues took part in this year's face-to-face learning with key suppliers from our sales categories. Participating stores have seen a significant uplift in sales as a result.

Workplace Live Supplier Events provide ongoing updates to colleagues. Following the relaunch of our Care & Repair and our credit products, we have designed and deployed core compulsory modules which were completed by 12,000 colleagues and ensure that our business complies with regulatory requirements.

In the Nordics, all new joiners are assigned to 'learning tracks' that set out all of the training modules required for all colleagues and for each specific role. Nordics have approximately 400 digital courses available for colleagues.

In Greece, all new joiners participate in a 15-day classroom training course in our Training Academy facilities in Athens and Thessaloniki. This covers customer service skills, the operating model, systems and basic product knowledge. Colleagues then return to their place of work to complete their 90-day onboarding programme through eLearning.

Enhancing colleague reward

Our colleague reward is continually reviewed to attract and retain capable and committed colleagues.

We pay a minimum hourly rate to all colleagues in the UK under 21 of £8.25 and £8.75 for those over 21. This was further increased in April 2020 as we consistently remain above the National Living Wage. In addition to basic pay, we pay location allowance where applicable and bonus where targets are met. Pay for our apprentices is above the national minimum wage.

We launched our award-winning Colleague Shareholder Scheme in February 2019. More information on the Colleague Shareholder Scheme is available in the Remuneration Report on page 85. We also offer our UK & Ireland colleagues the opportunity to build a personal stake in the business through our Sharesave Scheme. All UK & Ireland colleagues have access to a defined contribution workplace pension, and colleagues and their families also benefit from a 10% discount in our stores on our products and services. In Greece the Company's Pension plan is a private scheme that exceeds state pension scheme requirements. Every employee can participate with voluntary contributions based on salary through payroll.

We offer access to an employee assistance programme and access to Salary Finance, which provides help and support to our UK colleagues through financial education should they have financial concerns. Salary Finance offers access to affordable loans and savings as well as tools and tips on budgeting.

Stakeholders and Sustainable Business continued

The flexible benefits programme in the UK includes eye care vouchers, dental plans, a cycle to work programme, childcare vouchers, personal accident insurance, travel insurance, and discounts for beauty and fitness, restaurants and other family activity passes.

The 'Better Me, Better Team' programme is available for colleagues in Greece. This includes promoting the mental and physical wellness of colleagues through gym discounts, life management workshops, a series of seminars on 'better living' and provision of psychological support.

Launched our 'Adopt a Leader' programme

Members of the leadership team in the UK are required to spend a day in a store, contact centre, distribution centre or our main repair and distribution hub in Newark, on a quarterly basis. Between August 2019 and February 2020, 79 visits were completed by our leadership team with positive feedback from both the leaders and the store colleagues involved. This opportunity to connect, listen and learn helps enhance understanding of front-line operations and the customer experience and facilitates the building of relationships between colleagues in different areas of the business. The programme of visits has been temporarily paused since the start of the Covid-19 crisis.

We received external recognition and awards during the year including:

- Ranked 29th nationwide of 100 at the Rate My Apprenticeship Awards. These awards are voted for by apprentices themselves.
- Awarded Silver at The Learning Awards for 'People Development Programme of the Year – Private Sector' for the Graduate Development programme; Emerging Talent and Learning Technology.
- Awarded 'Most Effective Learning & Development Initiative' for our Aspire Programme at the European Contact Centre and Customer Service Awards.

Talent acquisition

In September 2019, we launched a new employer brand 'Tech Lovers Unite'. As a result, job applications are up by over 45% on last year. Activity on social channels has increased and there has been over 1.4 million views on Facebook and Instagram.

The focus on front-line customer sales channels increased this year through the creation of our in-store Brilliant Business Centres requiring B2B talent to be hired across 50 Currys PC World flagship stores. Targeted recruitment was increased for specialised talent in our support functions, commercial and customer teams this year. This increased capability in the key areas of e-commerce, IT, Customer Strategy, Customer Analytics, Credit, Services and Transformation resulting in, for example, doubling the size of our e-commerce team. To strengthen our focus on customer insight-led marketing and data protection we have scaled up our recruitment in analytical, data management, information security and digital skills.

Graduate programme

In 2019, ten university graduates joined our graduate programme in the UK. As well as gaining work experience across the organisation, our graduates get online support with access to digital content to enhance their formal and on-the-job learning. All our graduates who completed the graduate programme this year were successfully deployed into key roles within our business and continue to thrive in their management careers.

In Greece, we have recruited 35 graduates to work across different business areas. In the Czech Republic, we have 19 colleagues undertaking the CIPD certification and 31 working through the ACCA diploma.

Apprenticeships scheme

Our apprenticeship scheme in the UK & Ireland allows us to bridge skills gaps, cultivate loyalty and compete in the modern marketplace. This year we enrolled 247 apprentices into 18 Apprenticeship Standards across the group. We also successfully introduced our IT degree apprenticeship programme to eight colleagues across IT and iD Mobile, and three colleagues onto a Level 7 Finance Apprenticeship.

Performance management

This year there was increased focus on leadership development in the UK & Ireland. The leadership team explored how to evolve our business model and culture to anticipate challenges, collaborate with purpose, innovate and act quickly to deliver results.

In Greece, the performance management system 'GROW' includes reviews every four months of goals, performance and progress against objectives. There is also a series of management courses supporting leadership development. Over 1,000 colleagues have attended these courses.

In the Nordics, a leadership development track is in place covering all levels of the organisation. The leadership development programmes focus on growth mindset, strengths- based leadership, maximising potential and empowerment. Over 400 colleagues in the Nordics have been through one of our leadership programmes during the year.

Talent management

In the UK & Ireland, talent reviews take place on a quarterly basis. These include ensuring clear succession plans are in place and resolving any gaps to ensure an exceptional pipeline of leaders for the future. Top value-generating roles have been identified and these roles are subject to more rigorous review.

Launched our new values

During 2019, a transformation project was initiated to help diagnose our current culture, analyse current strengths and propose our ideal future state including the mindset and behaviours most critical to support our vision and strategy. Inputs were sought from more than 7,000 colleagues through a variety of channels including a Culture Survey, Executive Committee interviews, two leadership workshops, 33 workshops with colleagues in the UK, Ireland and Czech Republic, and over 6,000 colleague interactions with an AI chat bot gathering inputs in an agile and innovative way through our internal social channel, Workplace.

Colleague engagement

A comprehensive internal communications programme is in place to keep colleagues informed on the progress being made to deliver our strategy and vision. This includes blogs, Workplace posts, emails, videos or face-to-face briefings and Townhall live broadcast sessions. For colleagues in our supply chain and service operations who do not use digital channels as often, we also use newsletters, cascade briefings, posters and printed material to ensure they receive regular updates.

During the year, the Group Chief Executive had individual meetings with the majority of the members of the Group Leadership Team (GLT).

Alex also makes himself available to all colleagues through regular 'Ask Alex' video call sessions. Colleagues can submit questions and receive live responses from Alex. A Peak Conference is held shortly before our peak trading period each year. At this event, nearly 2,000 colleagues receive updates on our strategy and performance, as well as getting the chance to hear directly from suppliers and be able to see and test products.

Making a Difference – colleague engagement survey

In March 2020, all colleagues were invited to take part in our externally-facilitated Making a Difference survey in Greece and UK & Ireland. In our Nordics region, the Making a Difference survey was delayed due to Covid-19.

Our Make A Difference Survey results were largely comparable to the previous year with an exceptionally positive survey participation rate of 95%.

The survey showed that the two main indices we track (Engagement and Enablement) are stable despite the significant volume of change in the business. The Enablement Index (showing whether we have the right people in the right roles in an enabling working environment) has reduced by one percentage point to 68. The Engagement Index (showing where we have committed and loyal people willing to go the extra mile) has reduced by two percentage points to 62.

Within the data provided – which included nearly 40,000 comments – there is a mixed picture with success stories we can build on and areas we need to improve. Our senior leaders have committed to making the understanding and improving the drivers of engagement and enablement part of our day-to-day leadership, and improvements in these measures will be a focus of how we will be assessed as leaders this year and beyond.

Launched our Inclusion and Diversity strategy

Inclusion and Diversity continues to be a priority. Our Inclusion and Diversity strategy framework focuses on three key pillars: Diverse Customers; Inclusive Workplace; and Diverse Colleagues. Our Inclusion and Diversity vision is: *'We are Dixons Carphone, excited by our vision and united by our shared values. Diverse colleagues and customers alike. We enjoy being part of an inclusive company where everyone belongs, and diversity is our strength.'*

The priorities outlined in the strategy are:

- to better represent the diversity of our customers and wider society throughout our workforce. Three initial focus areas have been identified to accelerate progress: gender; generational; and ethnic/cultural diversity;
- to improve the capability, confidence and commitment of all leaders and colleagues to create an inclusive culture. This will be achieved through leadership interventions, building of people management skills and key communications/ engagement with colleagues across all diverse groups; and
- to be recognised internally and externally as a diverse and inclusive employer through external benchmarking, celebrating diversity internally and through external recognition.

Stakeholders and Sustainable Business continued

Gender diversity

Improving gender balance has been identified as an initial focus area in our new inclusion strategy.

Our Group level gender diversity position as at May 2020:

Three of our eight Dixons Carphone plc Board director positions are held by women (37.5%). In the last 12 months, we have improved female representation on our Executive Committee to 20% with the appointment of a second female to the Executive Committee. Gender diversity across the remaining levels of the organisation has remained stable since last year. We are committed through our inclusion strategy and action plans to improve female representation across key areas of the business through positive action measures.

Number of employees as at May 2020 (*Total Group*)	Total	Female		Male	
Dixon Carphone plc Board	8	3	37.5%	5	62.5%
Executive Committee	10	2	20%	8	80%
Direct reports of Executive Committee	84	25	30%	59	70%
All employees	36,350	10,834	30%	25,516	70%

This has improved since the Hampton Alexander review published in November 2019 reported our Board and Senior Leadership gender position for the UK & Ireland, as at 30th June 2019 placing Dixons Carphone at number 50 within the FTSE 250. Three of the eight directors of the Dixons Carphone plc Board were female – 37.5% (above the 29.6% FTSE 250 average and the 33% goal). The UK & Ireland Executive team and their direct reports were 38.5% female (compared to the 29.6% FTSE 250 average).

Gender pay

We published our third Gender Pay Report in April 2020. There has been a positive improvement with the pay gap between men and women working for the Group in the UK reducing from 6.3% last year to 4.3% this year. This is compared to the UK median pay gap of 17.3% (Office for National Statistics data).

United Nations Sustainable Development Goal (SDG 5): Gender Equality

In March 2020 we used International Women's Day as a platform to celebrate the many talented women we already have working for us and to reaffirm our commitment to improving gender balance moving forwards. We invested in a week of communications and activities including a virtual 'Fireside Chat' with our Group Chief Executive, Alex Baldock and recently appointed female Chief Supply Chain Officer, a 'Career Series' profiling 15 senior women from across our business, blog posts from our Executive Committee members, a panel discussion hosted by our HQ Diversity Network, and the sharing of many stories and videos on our internal social channel, Workplace.

HELP

WE HELP COLLEAGUES AND CUSTOMERS REDUCE THEIR ENVIRONMENTAL IMPACT BY MAKING IT EASIER TO BE GREENER

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

We continue to respond to the Carbon Disclosure Project (CDP) questionnaire on climate change, demonstrating our commitment to identifying, assessing and managing climate-related risks and opportunities across the Group. In 2019/20 we retained our 'B' score and in 2020/21 will use the results of a gap analysis to aid further improvement.

As part of our revised risk assessment approach we have been reviewing the long-term impacts of climate change. Our analysis of risks and opportunities has allowed us to develop a roadmap for the future, which is part of our implementation of recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). The roadmap will also inform our business continuity plans and the insights gained are incorporated in our revised ESG risk register. Further details on this approach will be disclosed in our CDP response this year.

Carbon Reduction Targets

In caring for our environment, we can create cost benefits from large scale efficiencies and are committed to saving energy. We are also actively seeking more renewable energy sources to power our properties.

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

Current operations (Scope 1 and 2 Electricity & Gas)

The Group is in the process of setting Science Based Targets (SBTs) for Scope 1 and 2 emissions in line with a 1.5°C climate scenario. We aim to achieve a 50% reduction in Scope 1 and 2 emissions across our Group from a 2018/19 baseline by 2030.

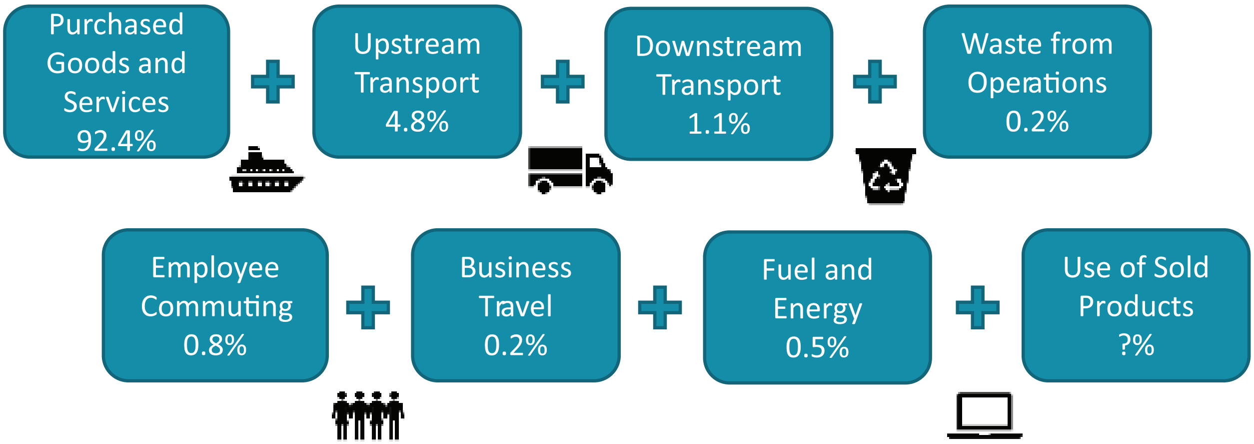
Value chain - Scope 3 (Including Procurement)

We are also assessing our value chain or Scope 3 emissions in line with the Greenhouse Gas (GHG) Protocol's Corporate Value Chain (Scope 3) Accounting Standard using a 2018/19 baseline. Initial studies show these emissions account for the largest proportion of our total emissions.

In line with our Science Based Target for Scopes 1 and 2 we will look to achieve at least a 30% reduction in Scope 3 emissions by 2030 from a 2018/19 baseline. This reduction will be achieved through a programme of activities involving our suppliers, our manufacturers, our fleet and transport providers and colleague engagement.

Scope 3 Emissions

The assessment of Scope 3 shows the most material impacts are within purchased goods and services, upstream transportation and distribution and the use of sold products.



The 'Use of Sold Product' category is in the process of being calculated but is predicted to be a significant category. Details of our Scope 3 assessment will be communicated in our CDP response this year.

Stakeholders and Sustainable Business continued

UK Emission Reduction Target

The Group has already achieved its progressive energy reduction target of reducing 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). In the final year, our 2019/20 energy consumption had reduced overall by 43% and corresponding CO_2 emissions by 65% against our 2013/14 baseline year.

Looking forward to 2020 and beyond, we have reset our UK targets to be in line with the Science Based Target (SBT) initiative.

In 2019 the Group implemented an Energy Management System (EnMS) for the UK & Ireland portfolio and fleet to increase the profile of energy management within the organisation and formalise our approach. In recognition of our efforts the system has been externally certified to the ISO 50001 EnMS Standard.

7 AFFORDABLE AND CLEAN ENERGY

United Nations Sustainable Development Goal (SDG 7): Affordable and Clean Energy

All UK Mainland Group properties are now powered by 100% renewable electricity. The Group has purchased 126,000 MWh of renewable energy generated by wind and hydro technologies. The renewable energy is certified by Renewable Energy Guarantees of Origin (REGOs) and independently verified.

Solar power

The Group has four sites with Solar PV installed on the roofs of buildings with a capacity of 2.2MWp. This includes Newark Distribution Centre Building 1 and 2 and three retail sites. The latest was the Croydon Purley Way Store, with 209kWp capacity completed in October 2019. These panels contribute to our grid energy reduction by 413 tonnes of CO_2e*.

We continue to investigate additional opportunities with landlords where this is practically possible.

*calculation using UK 2019 conversion factor for greenhouse gas reporting = 0.2556kg CO_2e /kWh (‘electricity generated’ only)

Property Refurbishment Programme

Over 30% of the UK retail portfolio uses LED technology as the main source of lighting. In 2019/20 we further invested in retrofitting LED lighting to retail stores and distribution sites delivering savings of ~3,850 MWh, equating to approximately 1,217 tonnes of CO_2e* avoided. Other areas of work were in the replacing the auto-door controls and ensuring new out of town stores were developed with lobbies where possible.

*calculation using UK 2019 conversion factor for greenhouse gas reporting = 0.31598kg CO_2e /kWh (including T&D, WTT generation & WTT T&D)

Energy efficient products

We are committed to helping our customers reduce their energy use and reduce associated costs by improving awareness of more energy efficient and sustainable options, such as on our corporate website and during ‘green tag’ events. Much of our own label/licenced brand range is energy efficient, for example:

- All our Washing Machines are ‘A++’ rated or above, with 76% of the range having the highest ‘A+++’ rating
- All our refrigeration products are ‘A+’ rated
- 96% of Dishwashers are rated ‘A++’ or above
- All our TVs are rated ‘A’ or above with 93% of those rated ‘A+’ and ‘A++’
- By purchasing our 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.

Energy and Carbon Reporting

This section of the report details the energy consumption and greenhouse gas emissions from the activities of the Group for the period 1 May 2019 to 30 April 2020, as required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ('the 2013 Regulations') and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ('the SECR Regulations').

An 'operational control' approach has been used to define the Greenhouse Gas emissions boundary. All material Scope 1 and 2 emissions are included except where noted. Accordingly, this report covers the international operations of the Group.

The data has been externally verified using ISO 14064-3 Part 3: Specification with Guidance for the Validation and Verification of Greenhouse Gas Assertions.

UK & Ireland Energy Consumption 2019/2020 compared to previous years[1]:

Energy consumption (kWh)	2019/20	Change (%)	2018/19	2017/18	2016/17	2015/16
Electricity	135,856,170	-5%	142,286,908	150,343,973	168,599,606	187,930,892
Gas	21,142,103	8%	19,503,987	29,775,875	29,882,655	36,724,101
Fuel Oil	214,868	-9%	236,130	145,962	246,555	217,368
Total	**157,213,141**	**-3%**	**162,027,025**	**180,265,810**	**198,728,816**	**224,872,361**
Intensity (MWh/1,000 sqft)	**13.26**	**-2%**	**13.50**	**13.82**		

Total Group-wide kWh Energy Consumption 2019/20 compared to previous years:

Energy consumption (kWh)	2019/20	Change (%)	2018/19	2017/18	2016/17	2015/16
Electricity	236,944,182	-2%	241,815,670	251,225,719	279,189,910	303,551,007
Gas	22,142,355	8%	20,490,148	30,989,326	30,185,349	36,725,630
Fuel Oil	214,868	-11%	242,130	152,322	246,555	217,368
Total	**259,301,405**	**-1%**	**262,547,948**	**282,367,367**	**309,621,814**	**340,494,005**
Intensity (MWh/1,000 sqft)	**13.02**	**-3.6%**	**13.50**	**13.44**	**14.67**	**16.30**

Carbon Emissions

This section of the report details the GHG emissions from the activities of the Group for the period 1 May 2019 to 30 April 2020, as required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ('the 2013 Regulations'). The emissions have been calculated using the GHG Protocol methodology.

The GHG emissions for our business for the reporting period 1 May 2019 to 30 April 2020, are as follows:

Emissions on location basis:[2]

Category	Tonnes of CO_2e emitted 2019/20	Change (%)	Tonnes of CO_2e emitted 2018/19	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 (2,7)	21,334	-3%	21,943	23,178	21,698	20,614	19,760
Emissions from the operation of facilities (5)	874	-59%	2,147	2,525	2,399	2,797	3,661
Emissions from purchase of electricity (3,4)	51,120	-16%	60,659	67,795	88,496	109,534	127,607
Total:	**73,329**	**-13%**	**84,748**	**93,498**	**112,593**	**132,945**	**151,028**

(1) Table aligned to previous reporting under the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme.

(2) A location-based method reflects the average emissions intensity of grids on which energy consumption occurs and a market-based method reflects emissions from electricity that companies have selected.

Stakeholders and Sustainable Business continued

Emissions on market basis:

Category	Tonnes of CO_2e emitted 2019/20	Change (%)	Tonnes of CO_2e emitted 2018/19	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 (2,7)	21,334	-3%	21,943	23,178	21,698	20,614	19,760
Emissions from the operation of any facility (5)	874	-59%	2,147	2,525	2,399	2,797	3,661
Emissions from purchase of electricity (3,4)	18,228	-50%	36,495	82,294	121,995	146,531	161,965
Total:	**40,436**	**-33%**	**60,584**	**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:

Division	Tonnes of CO_2e emitted per 1,000 ft² of floor area (1) 2019/20	Change (%)	Tonnes of CO_2e emitted per 1,000 ft² of floor area 2018/19	Tonnes of CO_2e emitted per 1,000 ft² of floor area 2017/18	Tonnes of CO_2e emitted per 1,000 ft² of floor area 2016/17	Tonnes of CO_2e emitted per 1,000 ft² of floor area 2015/16	Tonnes of CO_2e emitted per 1,000 ft² of floor area 2014/15
Dixons Retail	3.50	-16%	4.15	4.07	4.81	5.76	5.73
Carphone Warehouse	6.33	-16%	7.53	9.90	11.27	13.75	17.41
Group total	**3.68**	**-16%**	**4.36**	**4.45**	**5.33**	**6.36**	**n/a**

Emissions on market basis:

Division	Tonnes of CO_2e emitted per 1,000 ft² of floor area (1) 2019/20	Change (%)	Tonnes of CO_2e emitted per 1,000 ft² of floor area 2018/19	Tonnes of CO_2e emitted per 1,000 ft² of floor area 2017/18	Tonnes of CO_2e emitted per 1,000 ft² of floor area 2016/17	Tonnes of CO_2e emitted per 1,000 ft² of floor area 2015/16	Tonnes of CO_2e emitted per 1,000 ft² of floor area 2014/15
Dixons Retail	2.12	-35%	3.28	4.87	6.33	n/a	n/a
Carphone Warehouse	0.69	-3%	0.71	8.94	13.56	n/a	n/a
Group total	**2.03**	**-35%**	**3.12**	**5.14**	**6.92**	**8.14**	**8.14**

Notes:

(1) Overall floor area of the Group business is estimated to be 19,913,017 ft². This is split between the Dixons Retail business which is estimated to be 18,652,483 ft² and the overall floor area of the Carphone Warehouse business, which is estimated to be 1,260,534 ft².

(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 suppliers 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 suppliers where the landlord procures the energy; which represents only 1% of total energy consumption.

(5) Refrigerant data processing methodology and exclusions:

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

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

(c) In 2019/20 a small percentage of emissions related to top-ups has been estimated.

Energy and Carbon Emissions by Region

This year we have stated our carbon emissions by UK and Offshore and Global (excluding UK and Offshore), in accordance with the requirements of the Streamlined and Energy and Carbon Reporting Regulations. A summary of energy projects is summarised earlier in this report.

Energy and Emissions on location basis:

	UK and Offshore[6]	Global (excluding UK and Offshore)
Tonnes of CO_2e emmitted 2019/20	55,430	17,899
Tonnes of CO_2e emitted 2019/20 per 1,000 ft^2 of floor area 2019/20	4.68	2.22
Total energy consumption (kWh) – 2019/20	214,937,409	115,625,542
Energy intensity kWh per 1,000 ft^2 of floor area 2019/20	18,723	13,711

(6) The calculations use the guidance set out in Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance (ref. PB 13944), issued in March 2019.

(7) Estimation has been applied in April 2020 due to Covid-19 lockdown impact.

Commercial Waste

In October 2019 we consolidated our service provider for waste bins and hazardous services across our UK sites, resulting in a more cost effective and efficient operation.

Recyclables from our UK stores are backhauled to our national recycling facility in Newark. From there, consistent grades of cardboard, plastic and expanded polystyrene are channelled through our Customer Service Centre depots to our recycling partners, minimising transportation and ensuring the best return for our material. In 2019, our UK operation generated 5% less waste than in 2018. Of the 14,478 tonnes collected, 88.6% was diverted for recycling or energy recovery, an increase from 86.3% in 2018.

We have a target for Zero Waste to Landfill in the UK & Ireland of 95% by 2022 and 100% by 2024.

Increase Waste Electric and Electronic Equipment (WEEE) recycling

Throughout our channels, we encourage everyone to bring old or unwanted technology into our stores to be recycled or reused - whether they bought it from us or not. We will also collect our customers' unwanted electrical equipment, small electrical appliances and batteries for recycling when we deliver their amazing new technology.

Our award-winning waste management programme continues to evolve, with 103,096 tonnes of waste electrics collected across our Group, preventing 115,262 tonnes of CO_2 from being released into our atmosphere.

WEEE collected in Tonnes

	2019	2018	+/-	CO_2 saved
UK&I	67,421	61,222	6,199	75,377
Nordics	28,782	26,573	2,209	32,177
Greece	6,894	2,590	4,304	7,707

We train store colleagues to tell customers about our collection and recycling service and prompt online customers with the option of having their old appliance collected for recycling for a small fee. In addition, we provide a free in-store take back for all electronics and were the first UK retailer to offer a free small WEEE collection service as part of an existing home delivery service. We also operate several schemes to help colleagues easily recycle WEEE.

Small initiative making a big difference

In its first full year, the volume of small waste electricals we collected was up 215% compared to when it began in 2018 and in May 2019, this service was recognised with an Excellence in Recycling and Waste Management Award. It was also shortlisted for MRW's (*Materials Recycling World*) National Recycling Award, a *Business Green Leaders* Awards and a Retail Week Award.

Stakeholders and Sustainable Business continued

50.4% of all major domestic WEEE collected by UK retailers in 2019 was collected by us - making the Group the biggest recycler of waste electricals in UK Retail. We recycled 336,065 fridges in the UK in 2019 - the equivalent of taking 112,021 cars off the road in Co_2 emissions and we collected and refurbished 421,520 phones in the UK in 2019/20.

United Nations Sustainable Development Goal (SDG 4): Quality Education

In September 2019, we partnered with one of the world's leading metal recyclers, EMR, to launch an e-waste and metals recycling initiative in UK schools. *Recyclabots* is a free schools education programme aimed at Key Stage 2 to help pupils learn about metals and recycling. It teaches children about recycling, why it is necessary and how it benefits the planet, while rewarding schools for recycling old technology and metal waste through the programme and Currys PC World stores.

Hazardous WEEE Waste is disposed of through our Authorised, Approved Treatment Facilities (AATFs) in line with legislation. In line with legislation, any plastics that may contain Persistent Organic Pollutants (POPS) such as Bromine, are sent for incineration.

Recycling in Greece

We make it easy for customers in our Kotsovolos stores to recycle by providing in-store receptacles for small electricals, ink cartridges and batteries. We offer to collect large WEEE from customers' homes during the delivery of new technology and are committed to taking WEEE away for recycling whenever we replace a faulty item. For 2019/20, Kotsovolos collected and recycled 161,480 appliances, compared to 121,383 last year.

Reuse

We partner with the Reuse Network, who support over 150 charities across the UK, helping them alleviate poverty, reduce waste and tackle climate change. In 2019 this partnership helped 10,376 low income households save an estimated £1,945,500 and 1,100 tonnes of CO_2.

Second Home is Kotsovolos' largest charitable initiative and involves collecting home appliances that would normally be disposed of and finding them a 'second home' with low income families. Kotsovolos collects, checks, cleans and carries out any necessary repairs before redistribution. In 2019, eight Greek cities competed in a challenge to collect the most appliances for *Second Home*. This resulted in a 30% increase in demand for this service. Over 1,500 appliances have been rehomed since the Second Home initiative began in 2017.

Transporting technology cleanly and efficiently

We are committed to reducing carbon emissions and transitioning to 100% EVs or alternative fuel on light duty vehicles (<3.5t) and 50% of medium duty (3.5t -7.5t) by 2030, subject to progress in the development of a nationwide charging infrastructure, advances in vehicle charging technology and help from manufacturers in understanding and preparedness to transition.

In addition, we have signed up to the Freight Transport Association's 'Van Policy' Working Group, which will enable us to have an influence in future planning for a sustainable and affordable electric vehicle solution.

EVERYONE

WE ARE A COMPANY FOR EVERYONE AND ARE ACCESSIBLE – WHATEVER A COLLEAGUE, CUSTOMER OR OTHER STAKEHOLDER NEEDS

In 2019/20 we continued our focus on fuel efficiency, working with our driver assessors to improve driving techniques, increase mpg, reduce the risk of accidents and keep our colleagues safe. We also commenced work with our insurers to support the implementation of ISO50001 and are developing a Driver Risk Management Framework as part of our policies.

Britain's Healthiest Workplace 2019

We entered this national survey, sponsored by the Financial Times and Vitality Health for the fourth consecutive year. During summer 2019, approximately 902 (+302 year on year) colleagues in the UK 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 further support colleague wellbeing.

According to our 2019 report, colleagues spent an average of 21% of working hours with ill-health related absence or presenteeism in the week prior to the survey, compared to 16.5% for our sector average.

While these figures provide an indication, we recognise the need to increase our 3% sample size for more accurate results. We therefore set a participation target of 30% for 2020.

3 GOOD HEALTH AND WELL-BEING

United Nations Sustainable Development Goal (SDG 3): Good Health and Wellbeing

In July, we activated our headline sponsorship of the multi award-winning Dixons Carphone Race to the Stones for the 6th consecutive year.

Our Group General Counsel and Company Secretary, Nigel Paterson and our Director of Strategy & Corporate Affairs, Assad Malic, were two of 111 colleagues and over 3,030 participants from over 30 countries, who chose to run, trek or walk 100km along the ancient Ridgeway to Avebury Stone Circle.

This two-day event, which also enjoyed a 50:50 gender split, raised over £475,000 for 57 charities, including £45,000 by colleagues, for Sport Relief and causes personal to them. Since 2014, the Dixons Carphone Race to the Stones has raised over £2.32 million for good causes.

Dixons Carphone Step to the Stones

Over a two-week period in June 2019, 1,084 colleagues from across the UK, Ireland, Greece, Nordics, Czech Republic, Hong Kong and Portugal took a collective 98,086,061 steps to 'virtually' take part in the Dixons Carphone Race to the Stones.

An interactive 'Step Challenge' platform provided participating colleagues with a fun and engaging way to improve their fitness, win prizes and engage towards a common goal with colleagues across our Group.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

United Nations Sustainable Development Goal (SDG 9): Industry, Innovation and Infrastructure

In 2019/20 we tendered for a new fleet for our White Goods Repair Engineers. As part of the procurement process, key colleagues were consulted on their specific requirements, including Operational Management teams and members of the Customer Service Centre Staff Association.

286 new Ford Transit vans fitted with 'in-cab' driver alert technology to help improve fuel efficiency and reduce CO_2 will be delivered in the second half of 2020/21.

For 2020/21 we are setting mpg targets for each driver and each fleet, leading to targets for each CSC and our overall network. This will translate to an improvement year on year and allow for tracking the reduction in our CO_2 emissions to support our commitment to a 100% electric or alternative fuel fleet by 2030.

Stakeholders and Sustainable Business continued

ENJOY

COLLABORATING WITH MANUFACTURERS AND SUPPLIERS TO GIVE CUSTOMERS PEACE OF MIND

We fully support the Modern Slavery Act's requirements to manage risk and prevent modern slavery in our business at every level and in 2019/20, increased our efforts to help eradicate this issue through initiatives to mitigate risk and identify areas in need of more focus. Our Modern Slavery Statement is available on www.dixonscarphone.com

We are committed to giving customers peace of mind that the amazing technology they buy from us is sourced responsibly, from a supply chain free from forced labour and exploitation.

United Nations Sustainable Development Goal (SDG 12): Responsible Consumption and Production

Our Standards for Responsible Sourcing provide clear guidelines on the high standards and common values we expect from our suppliers to ensure the products we sell are safe, ethical and produced and transported in a way that is not harmful to our environment.

These Standards set out minimum requirements across human rights, labour, environment, anti-corruption, integrity, business ethics, data security and social impact, which apply in addition to compliance with all relevant national and international legislation.

A dedicated Responsible Sourcing team assists colleagues making purchasing decisions, ensuring our standards are upheld and considered alongside traditional drivers such as price, product features and stock availability. This process is helping us to grow our product range from ethically and responsibly aware supply chains and safeguard against risk.

Ethical audits on our own label and licenced brand suppliers are well-established and all suppliers receive our Modern Slavery Policy, which sets out the actions to take if a case of modern slavery is discovered or suspected.

In January 2020, we submitted our first biennial report to the Ethical Trade Initiative (ETI) Board and were accepted as full members. We did this a year earlier than required in order to validate our work to date and test our roadmap for the future.

Membership of the ETI drives continuous improvement, through the sharing of best practice and collaboration. Our Standards for Responsible Sourcing ask suppliers and their supply chains to work towards full compliance with the ETI Base Code.

United Nations Sustainable Development Goal (SDG 8): Decent Work and Economic Growth

The Bright Future employment programme provides survivors of modern slavery with a pathway to paid employment and reintegration into society. We employed our first candidate in 2018/19 and have since given opportunities to several more individuals in 2019/20. To date more than 200 victims of modern slavery in the UK have been helped and the programme has continued to grow. We have been part of a steering committee and join as founding members of the co-operative making Bright Future an independent organisation. Survivors will join the newly created board, helping to run the co-operative and make sure the focus remains victim centric.

We are also founding members of Slave Free Alliance, which is a best practice membership scheme run by the modern slavery charity, Hope for Justice, leveraging their experience to review our recruitment practices within our distribution network in the UK, with further assessments of our waste and recycling network and Nordic distribution centre planned. Membership also gives us the opportunity to discuss common issues with other global companies across a variety of business sectors.

With the majority of our suppliers based across Asia and Europe, our OEM operation is based in Hong Kong and sources product types sold in our stores under our own or licenced brand names.

Auditing and risk assessments are a governing part of our supplier selection process and ongoing relationships. OEM suppliers must comply with our rigorous terms and operational procedures, implementing and enforcing 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.

Compliance is assessed and monitored by our team of auditors. If issues are identified, we will work with the supplier on a corrective action plan. Where there are amber or red audit results, suppliers are required to submit a corrective action plan within 14 days and a follow-up audit will be arranged to ensure effective implementation. There are various criteria that would lead to a supplier being given a red audit – examples include the presence of child labour, having excessive working hours or operating a building with dormitory, warehouse and production facility in the same building. If it is impossible for the supplier to improve their performance or we do not see positive results, they will not be approved, or they will be delisted.

During the year under review, two of the factories were delisted after failing to make the required improvements.

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

	Performance indicators 2019/20				
	Green	Amber	Red	Total	Delisted / not approved
Audit status	**13**	**63**	**11**	**87**	**2**

Health and Safety Policy

Keeping colleagues safe is our number one priority. The commitment to meet our obligations for health, safety and welfare is clearly set out in the company's Health & Safety Policy, which is reviewed and approved by the Board each year (most recently in June 2020) and signed by our Group Chief Executive.

Managing Health and Safety Risks

The development of our Health and Safety Management System continues with the creation of framework documents detailing how we manage significant risks to colleagues, contractors, customers and visitors. Regular internal inspections in our retail stores and audits across our supply chain, contact centre and corporate offices are undertaken to verify compliance.

Continual improvement is important to us and measured through impressive improvements in gap analysis scores within retail stores, customer contact centres and offices, customer service and regional distribution centres, Newark campus and Acton Head Office.

Over the past 12 months we focussed on colleague training, including e-learning on subjects ranging from health and safety, anti-bribery and information security and data protection. E-learning Display Screen Equipment (DSE) training and work-station assessments have also been introduced and completed by over 1,250 colleagues.

Face-to-face training was provided on topics including first aid, fire marshalling and material handling equipment as well as refresher training to maintain core competency in these areas.

There has been a reduction in the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) accidents over the last three years. As we strive to make our workplaces as safe as possible, we are introducing a balanced scorecard to measure and monitor lead as well as lag measures.

As well as tracking lag measures such as RIDDOR accidents, we will also focus on lead measures such as near miss and hazard reporting, safety interventions, workplace inspections and training completion rates. For 2020/21 SMART Health and Safety objectives will be set for all managers and incorporated in their annual performance targets to ensure colleague engagement with our wider Health and Safety.

In 2019 our Retail Health and Safety Team was once again awarded a Gold RoSPA award for best practice in the prevention of accidents.

Road safety

Our Operations Procedures document covers the safety of drivers working in and around vehicles, including the safe use of tail lifts. It is regularly updated by our Fleet Compliance team, which works with our Health and Safety teams to keep drivers and management teams up to date with policies and procedures in relation to climate-related risks such as extreme weather conditions of snow, ice, high winds and heavy rain.

Regular briefs and mail drops remind drivers to carry out daily vehicle checks, inspect essential equipment and assess potential risks.

The teams also work together to investigate any vehicle accidents occurring onsite at Customer Service Centres, resolving issues and recommending changes to improve workplace transport management.

Stakeholders and 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, using our time, expertise and amazing technology for good. Using technology as an enabler, we support causes that contribute to helping everyone, who might otherwise be excluded, enjoy a better life and encourage and empower all colleagues to 'do the right thing' and help make a positive difference.

United Nations Sustainable Development Goal (SDG 11): Sustainable Cities and Communities

Our annual Chair of the Board's Shield colleague award recognises outstanding team performance and 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 Chair of the Board, Ian Livingston. Our Stores of the Year must demonstrate a positive contribution to their local community through initiatives such as volunteering or fundraising, and the winners are celebrated in our annual colleague conference.

Supporting a common charitable cause – *Age UK (registered charity number 1128267)*

Age UK, the leading charity for older people in the UK, was selected as our lead charity partner following a colleague vote. The Social Purpose Strategy included a desire to unite our UK business with a common charitable cause and Age UK was the clear winner, receiving almost two thirds of the 1,300 colleague votes.

The Group exists to help everyone benefit from amazing technology and Age UK gives friendship, advice and practical support to older people and their families when they need it most.

Over the next two years, we plan to maximise our combined nationwide presence and resources to help combat loneliness, improve mental health and support independence and community participation for older people.

Together, we aim to deliver digital support to thousands of people over the age of 70, equipping them with essential technology skills, strengthening their connections with friends and family and helping them to make the most of the benefits and enjoy being online.

Age UK emergency response

During Covid-19 the vital role of technology as a way of helping older people stay connected with loved ones, up to date with health-related information and as a source of comfort became clear.

After consultation with Age UK, we sent 100 laptops, mobile phones, SIM cards and headsets with an approximate donation value of £37,000 to Age UK's Silver Line helpline, so their teams could maintain their vital telephone support from the safety of their own homes.

This was followed with an ambitious project to get £62,000 worth of tablet technology into the hands of 500 older people most in need, identified through Age UK's weekly 'Friendship Calls'. With the possibility of many older people using this technology to get online for the first time, we had to make sure the tablets could simply be switched on and ready to use.

Further support for older people

Our mobile network, iD Mobile, offered all existing customers aged 70 and over free and unlimited minutes for the 12-week isolation period advised by Government during the pandemic.

As part of the BBC's *Make a Difference campaign*, we collaborated with other retailers and manufacturers and loneliness charity '*Wavelength*' to provide thousands of free DAB radios to vulnerable people aged over 70, as part of an initiative championed by BBC Local Radio.

NHS Support (UK)

We continue to use our size, scale and expertise to support our NHS including providing NHS workers with our Gift and eGift cards to facilitate the affordable purchase of the technology we sell, over an extended period of time through their employee benefits platforms. Our B2B business continues to support NHS Trusts, sourcing items such as phones, tablets and webcams at reduced cost, prioritising delivery and ensuring patients have a critical lifeline to loved ones.

'Pennies' (registered charity number 1122489)

Working with the award winning fintech charity, Pennies, we rolled out their 'digital charity box' in Carphone Warehouse stores in June 2018. Pennies offers customers the chance to make a 25p charitable donation when they pay by card or digital wallet. In 2019/20 our customers raised £52,549.88 for Heads Together and £7,539.30 for the World Wildlife Federation (registered charity no. 1081247) Emergency Appeal in response to the Australia Bush Fires, through a total of

267,063 in-store customer donations. Pennies receives 10% of all donations which supports their ongoing charitable aims, including the protection of growth and micro-donations to raise vital funds for the UK charity sector.

The Mix (*registered charity number 1048995*)

The Group has a long history of support for The Mix, which can be traced back to 1999 through Carphone Warehouse and its partnership with the confidential helpline for young people, *Get Connected*. Just as the Group matches customers with the best equipment and services for their needs, *The Mix* supports the physical and mental wellbeing of young people under 25 by connecting them to information, peers and experts, whatever their issue, through the technology of their choice. *The Mix* does this via a free, confidential support service, available 24/7, 365 days a year, via phone, text, web, social media and counselling. Our support has been instrumental to its success, growing the charity from reaching a few thousand young people to helping over 2.5 million young people last year. Over the past 21 years, we have raised millions of pounds and provided Gift in Kind support, from professional services through to office and Helpline accommodation, which equated to the value of £351,000 in 2019/20. Our partnership with *The Mix* came to an official end in June 2020. We continue to support their work, advocating their mental health services to colleagues and customers.

2 ZERO HUNGER

United Nations Sustainable Development Goal (SDG 2): Zero Hunger

We continued our partnership 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 191 units to the value of £94,000 donated to local community causes across the UK since its launch in September 2018.

International charity support

The Elkjøp Foundation was established to help address the issue of digital exclusion in the Nordics. This Foundation is funded by company donations, carrier bag sales and colleague fundraising; it supports a variety of causes across four countries. During 2019/20, it's support included the following:

Norway – worked with the Norwegian Association of the Blind, to provide education programmes with handsets and tablets for the visually impaired. We also helped older people develop their digital skills through *Senior Net's Digital Support Person* programme as well as donating a range of technology to several associations nursing homes, youth clubs, local municipalities and local branches of *Norwegian Volunteer Central*.

Finland – joined a partnership donating laptops to facilitate technology home loans enabling those without access of their own to learn digital skills.

Denmark – we donated technology to charitable causes including two women's crisis centres, a socio-economic housing project, a shelter for the homeless, a senior's Club, *a centre for socially challenged children, a home for young people with disabilities* and the Children's Department at the Hospital of Skejby.

Sweden – 17 out of 32 stores were granted funding totalling 200,000 SEK. Benefitting projects ranged from digital training for older people, to equipping a children's hospital with technology. In October 2019, Elgiganten celebrated 25 years in Sweden and to mark the occasion donated 100,000 SEK to Maskrosbarn, towards the development of a digital platform to support children in need.

Greece

Kotsovolos focussed on supporting children, the elderly, people with disabilities and the environment during 2019/20.

Support for schools included the donation of 166 printers reclaimed from stores under renovation. In partnership with ELEPAP Kotsovolos, gift packaging was designed for selected products, with a percentage of sales from the 17,112 items sold, contributing towards the care and treatment of children with disabilities. We also gave support to low income families through the Second Home initiative, raised €10,000 for *Make a Wish* and launched a nationwide competition for a proposal to help people with disabilities lead a better day to day life through technology. Of the 140 participations there were three winners receiving €13,000 in prizes and two scholarships.

Approval of Strategic Report

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

Alex Baldock
Group Chief Executive
14 July 2020

Board of Directors
Biographies

Lord Livingston of Parkhead

Chair of the Board N

Appointed: December 2015 (as Deputy Chair and Non-Executive Director), April 2017 (as Chair of the Board and Chair of the Nominations Committee)

Current external roles: Member of the House of Lords and a trustee of Jewish Care.

Experience: Ian was Chairman of Man Group plc from 2016 to 2019, 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 was group finance director of Dixons Group plc between 1996 and 2002, having served in a number of roles over more than a decade with the company. Ian has previously served as a non-executive director on the boards of a number of public companies.

Skills and contribution to the Board: Ian is a chartered accountant with over twenty years of board level experience. He provides 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.

Board meeting attendance 2019/20: 13 of 13

Tony DeNunzio CBE

Deputy Chair and
Senior Independent Director N R

Appointed: December 2015 (as Senior Independent Director), April 2017 (as Deputy Chair and Senior Independent Director and Chair of the Remuneration Committee)

Current external roles: Tony is senior adviser at Kohlberg, Kravis, Roberts & Co L.P., a non-executive director of PrimaPrix SL and Chairman of the British Retail Consortium.

Experience: Tony was non-executive chairman of Pets at Home Group Plc from 2014 to May 2020 and 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.

Skills and contribution to the Board: Tony has extensive experience in the European retail and consumer goods sectors in finance, CEO and chairman roles.

Board meeting attendance 2019/20: 13 out of 13

Alex Baldock

Group Chief Executive D

Appointed: April 2018

Experience: Alex 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.

Skills and contribution to the Board: 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. Before that, he led the successful transformation of Lombard. Alex is particularly valued for his strategic clarity, relentless execution and his ability to inspire individuals around him.

Board meeting attendance 2019/20: 13 of 13

Jonny Mason

Group Chief Financial Officer D

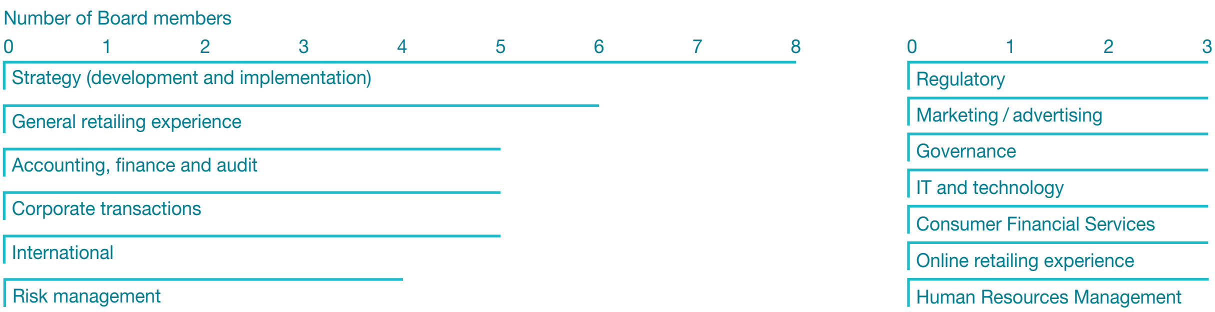
Appointed: August 2018

Experience: 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.

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

Board meeting attendance 2019/20: 13 of 13

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

Appointed: 6 August 2014 (following the merger of Dixons Retail with Carphone Warehouse having served on the Dixons Retail board since March 2013)

Current external roles: Andrea is currently a non-executive director of ICA Gruppen AB, James Hardie Industries plc and BillerudKorsnäs AB.

Experience: Andrea was chair 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.

Skills and contribution to the Board: Andrea has extensive international business experience in a variety of sectors including marketing, brand management, business development and consumer electronics.

Board meeting attendance 2019/20: 13 of 13

Nigel Paterson

General Counsel and Company Secretary D

Appointed: April 2015

Experience: Nigel held several senior legal roles at BT Group plc including 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.

Skills and contribution to the Board: Nigel is a solicitor and has a strong background in UK and international telecommunications.

Board meeting attendance 2019/20: 13 of 13

Gerry Murphy

Independent Non-Executive Director A R

Appointed: April 2014

Current external roles: Gerry is a non-executive board member of the Department of Health and Social Care.

Experience: Gerry was a non-executive director of Capital & Counties Properties PLC from 2015 to 2018 and senior independent director from 2018 to 2020. Gerry 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.

Skills and contribution to the Board: Gerry has extensive audit and finance experience in consumer business, retail and technology and media and communications sectors.

Board meeting attendance 2019/20: 13 of 13

Eileen Burbidge MBE

Independent Non-Executive Director A

Appointed: January 2019

Current external roles: Eileen is the HM Treasury Special Envoy for Fintech 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.

Experience: 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.

Skills and contribution to the Board: 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.

Board meeting attendance 2019/20: 13 of 13

Fiona McBain

Independent Non-Executive Director A

Appointed: 1 March 2017 (as a Non-Executive Director), September 2018 (as Chair of the Audit Committee)

Current external roles: Fiona is currently chair of Scottish Mortgage Investment Trust PLC and a non-executive director of Direct Line Insurance Group plc and Monzo Bank Limited.

Experience: 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.

Skills and contribution to the Board: 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 meeting attendance 2019/20: 13 of 13

Board composition

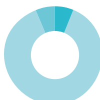
Board members by gender

Male: 5
Female: 3

Balance of the Board

Executive: 2
Non-Executive: 6

Non-Executive Directors' Tenure



0–3 years: 1
3–6 years: 4
over 6 years: 1

Corporate Governance Report

Corporate Governance Report

Chair of the Board's Q&A

Q What is the Board's approach to Corporate Governance?

This Corporate Governance report describes the governance framework that we have in place to ensure that the Board is operating effectively and supporting and challenging management to maintain high standards of corporate governance across the Group. I believe that robust corporate governance is the foundation to ensuring the long-term sustainable success of a business and helps us deliver the right outcomes for our shareholders, our customers, our colleagues, our suppliers and our communities.

The Board is fully compliant with all provisions of the 2018 UK Corporate Governance Code (the 'Code'). Each year the Board considers the Group's key policies, the Matters Reserved for the decision of the Board, the structure and terms of reference for each of the Board committees and, the time commitment, external appointments and the duties of all directors including the Chair of the Board, the, Group Chief Executive and the Senior Independent Director to ensure that our governance framework is operating effectively. The Board carried out this review during the year and has concluded again that our governance framework is aligned with best practice and appropriate to meet the needs of the Group. We have included a section 172 statement in our Strategic Report for this first time this year, and that includes a report of the key business decisions we have made in 2019/20 and how we have considered the implications for our stakeholders in making them. This focus has been particularly critical during 2019/20 given the important strategic decisions that the Board has needed to take and the extraordinary external circumstances that the business has been required to navigate through.

Q What were the Board priorities during 2019/20?

The main focus of the Board during the year has been the oversight and challenge of the delivery of the strategic priorities for the business. This included the January 2020 decision to move part of our contact centre operations to be operated by a third party and the March 2020 decision to close standalone Carphone Warehouse stores in the UK and focus on selling mobile devices and connectivity through the shop-in-shops in Currys PC World stores and online. In addition, the Board has supported the executive team during the planning for Brexit and the response to the Covid-19 pandemic. A summary of all Board topics considered during the year is included in this report.

Q How was the Board performance evaluation completed during 2019/20?

A comprehensive external Board evaluation was carried out in 2018/19 and the findings from that process have been implemented. This year we have carried out an internal evaluation by way of a questionnaire supported by individual meetings with the Chair of the Board. I am pleased to report that the 2019/20 process concluded that the Board is operating effectively. The directors collaborate well together, all directors invest significant time and energy in their roles both at and between board meetings and there is robust challenge of management and performance. There was a significant number of ad hoc Board meetings and informal Board calls during this year to discuss key strategic decisions and respond to external events and all directors attended all of these sessions although several had to be arranged at short notice. More detail on the 2019/20 board effectiveness process has been included in this report.

Q How has the Board taken into account feedback from Colleagues during the year?

2019/20 is the first full year that the new colleague listening forums in the UK & Ireland and International businesses have been in place. These help us enhance and streamline our engagement with colleagues and the Board was pleased to receive an update during the year reporting that these forums are working well and generating useful information and feedback. More information on the outcomes of these forums is on page 34. Our Board is committed to promoting and embracing all forms of diversity and there have been detailed discussions during the year on the strategic plans and initiatives to accelerate diversity improvements across the Group. There is further information on measures to enhance diversity on page 41. This year the Board has continued to enjoy meeting many colleagues from all areas of the business. One Board meeting this year was held in Oslo to allow directors to spend a day visiting stores and meeting store colleagues. Another Board meeting was held at the Company's training centre The Academy@FortDunlop in Birmingham to provide directors with an insight into the training programme that all new colleagues complete before starting work in our stores. Several directors have also been on individual visits to stores and other facilities such as our main distribution and repair centre in Newark.

Conclusion

The challenging external sales environment and the impacts of Brexit and the Covid-19 pandemic have presented significant hurdles for the Group to overcome. In spite of this, 2019/20 has been an important year and the Board and colleagues have successfully delivered strong progress with our business transformation. We are further along on our journey to deliver a more valuable business for our customers, colleagues, shareholders and other stakeholders.

Lord Livingston of Parkhead
Chair of the Board
14 July 2020

The Board and Committees Structure

Corporate Governance statement

The Board confirms that throughout the year ended 2 May 2020 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 68 to 70 details how the principles and provisions have been applied.

Role of the Board

The Board is responsible for overall leadership and promoting the long-term sustainable success of the company, generating value for shareholders and contributing to wider society. The Board sets the Company strategy and oversees its implementation 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 considers the impact on, and the responsibility it has to, all the Company's stakeholders as part of 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

Corporate Governance Framework

The Dixons Carphone plc Board is supported by four committees:

- Audit Committee – oversees the financial reporting, internal controls and the relationship with the external auditor;
- Disclosure Committee – oversees the procedures and controls for the identification and disclosure of price sensitive information;
- Nominations Committee – oversees the composition of the Board and its committees and that a diverse pipeline is in place for succession planning; and
- Remuneration Committee – oversees remuneration of the executive directors and senior management and the structure of remuneration for the workforce.

These committees are each comprised of directors of the Dixons Carphone plc 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 is responsible for leading the implementation of the strategy that has been approved by the Board. The Group Chief Executive is supported by an Executive Committee which consists of 10 senior leaders in the business and also by a wider Group Leadership Team of approximately 70 colleagues who support the Executive Committee in driving the management agenda. The Environmental, Social and Governance (ESG) Committee reports into the Executive Committee. The ESG Committee drives the sustainability, wellbeing and ethical impact initiatives in the Group including consideration of the impacts of climate change.

Dixons Carphone plc is the ultimate beneficial owner of the two main operating subsidiaries in the Group. The Risk and Regulatory Committee is a committee of the main operating subsidiary boards and monitors emerging risks and oversees the management of risks. The Product Governance Committee reports into the Risk and Regulatory Committee and oversees the development of, and any subsequent material changes to, regulated products.

Board composition and independence

At year end, the Board comprised eight members: the Chair of the Board, 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 Chair of the Board, 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.

Corporate Governance Report continued

There have not been any changes to the composition of the Board during 2019/20. The Board, with the support of the Nominations Committee, considered the composition of the Board and its committees during the year. The Chair of the Board keeps Board composition under regular review and addressed this specifically with each director as part of the one to one meetings held during the Board effectiveness review process. Overall, the Board is satisfied that the current composition is appropriate given the needs of the business.

In accordance with the Code, all directors will stand for re-election at the Company's Annual General Meeting ('AGM'). Biographical information, committee membership and the Board meeting attendance of each of the directors is shown on pages 54 and 55.

Board diversity

The Board composition review takes account of all forms of diversity, including gender, social and ethnic backgrounds, cognitive and personal strengths. At year end, the Board had three female directors, one of whom is based outside the UK, one director that meets the ethnic minority criteria as set out in the Parker review and the majority of the directors have substantial international business experience. The review this year again concluded that the Board possessed the necessary personal attributes, skills and experience to discharge its duties fully and to challenge management effectively.

Time commitment

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. There were a number of ad hoc Board meetings and additional informal update calls during 2019/20. These were convened due to the important strategic decisions that were made during the year and the challenging external circumstances created by the Covid-19 pandemic. All directors made themselves available to attend all these unscheduled calls and update calls including those that had to be arranged at short notice. The Nominations Committee considers the external appointments of each of the directors on at least an annual basis. It was concluded again for 2019/20 that none of the directors had external commitments that would hinder their ability to devote sufficient time to discharging their Board role. Details of the directors' attendance at the nine scheduled and four ad hoc Board meetings that took place during the year can be found on page 54 and 55.

Director responsibilities

In accordance with the Code, there is a clear division of responsibility between the Chair of the Board and the Group Chief Executive. Role descriptions are in place for the Chair of the Board, 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 approved by the Board in January 2020 and are available on the Company's website www.dixonscarphone.com. The main responsibilities of the different components of the Board are set out below.

Chair of the Board's responsibilities

- overall Board effectiveness and leadership;
- Board culture, including the encouragement of openness and debate and constructive relations between the executive and non-executive directors;
- the appropriate balance of skills, experience and knowledge on the Board;
- oversight of the induction, development, performance evaluation, and succession planning of the Board;
- promotion of diversity and equality of opportunity across the Group;
- representation of all stakeholders' interests; and
- promotion (with the support of the Company Secretary) of the highest standards of corporate governance.

Group Chief Executive's responsibilities

- formulation and proposal of the Group strategy and delivery of the strategy approved by the Board;
- delivery of Group financial performance;
- leadership of the Group and senior management including effective performance and succession planning;
- representation of the Company to key stakeholders;
- communication of Company culture and ensure operational practices drive appropriate behaviours;
- communication to the Board of views of the workforce;
- promotion of diversity and equality of opportunity across the Group;
- identification of business development opportunities;
- management of Group risk profile and ensuring internal controls and risk mitigation measures are in place;
- ensuring compliant management of the Group's business; and
- oversight of the operational and support functions.

Senior Independent Director's responsibilities

- available to communicate with shareholders;
- annual appraisal of the performance of the Chair of the Board;
- oversight of an orderly succession for the position of Chair of the Board;
- support the Chair of the Board in the performance of their duties; and
- work with the Chair of the Board, 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

- provision of an independent perspective;
- ensuring constructive challenge of management;
- considering the effectiveness of the implementation of the strategy within the risk appetite; and
- contribution of 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 for the Chair of the Board and non-executive directors;
- ensuring that the Board and committees have the appropriate type and quality of information they need to make sound business decisions; and
- ensuring 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 January 2020 and the directors agreed that the balance of matters reserved and matters delegated remain appropriate. The matters reserved for Board decision are available on the Company's website www.dixonscarphone.com and these 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 certain Group policies; and
- approval of shareholder communications.

Board meetings and information

The Chair of the Board 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 current issues. The Company uses an electronic board paper system which enables the safe and secure dissemination of quality information to the Board. Paper templates and guidance are provided to ensure that directors are provided with the information they 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 their nominee, and are approved by the Board or committee at the next meeting.

The Chair of the Board 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. Prior to the Covid-19 pandemic, Board dinners were held periodically 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 and have been held by videoconference since the Covid-19 pandemic. The Board usually holds meetings at other Group locations from time to time. This enables directors to visit stores and operational centres throughout the portfolio and gain a deeper understanding of the business. During 2019/20 Board meetings were held in Oslo in October 2019 and at The Academy@FortDunlop training centre in Birmingham in January 2020. In Oslo, the Board met several store and management colleagues and received a detailed presentation on the Nordics business. The Academy@FortDunlop, the directors were given an overview of the training programme that all colleagues complete before starting work in stores.

Corporate Governance Report continued

Board topics 2019/20

Each Board meeting follows a tailored agenda agreed in advance by the Chair of the Board, Group Chief Executive, Group Chief Financial Officer and the General Counsel and Company Secretary. Standing items at scheduled board meetings include:

- Group CEO reports on recent trading and strategic projects;
- Group CFO reports on financial performance, transformation updates and Investor Relations updates;
- Reports from Board Committee Chairs on the key discussion points at committee meetings and any recommendations made;
- Legal, governance and regulatory updates; and
- Reports from operating subsidiary board meetings of DSG Retail Limited and The Carphone Warehouse Limited.

The Board meetings agendas included the following additional topics during 2019/20:

Strategy and Company Performance
- Future of the UK Mobile business proposals;
- Deep dive session on credit;
- Deep dive on Nordics strategy;
- IT infrastructure and cyber security updates;
- 5-year plan;
- Strategy for enhancing customer contact centres;
- New store design (Space Mix);
- Updates and business response to Covid-19;
- Re-consideration of strategic projects following Covid-19;

Financial updates
- Q1 Trading Update, Interim Results, Peak Trading Update, Covid-19 Trading Updates;
- Transformation updates;
- Budget updates;
- Dividend proposals;
- Updated Delegated Authority Policy;
- Interest rate hedging;
- Tax strategy;
- Company pension fund update;
- Capital expenditure approvals;

Governance, legal, risk and regulatory
- Litigation updates;
- Annual corporate governance review;
- Product recall procedure;
- Board and Committee evaluation – proposal and results;
- Annual review of conflicts;
- Share Dealing Code and Disclosure Policy;
- Insurance update;
- Competition law update;
- Regulator engagement Plan;
- SMCR update;
- Board Matters Reserved and Committee Terms of Reference;
- Role Descriptions: CEO, Chair of the Board, SID;
- Risk Appetite Statement;
- Risk horizon scanning;
- NED fee review;
- Annual review of conflicts of interest;
- Presentation from Deloitte on external corporate governance environment;

People and Culture
- Annual health and safety review;
- Colleague Shareholder Scheme award;
- Modern slavery update and statement;
- 2019-21 people plan and priorities;
- Company values update;
- Inclusion and diversity update;
- Colleague engagement and colleague listening survey;
- People operations proposal;
- Gender pay gap reporting;

Shareholders
- Annual General Meeting documents;
- Proxy agency and shareholder engagement plan and updates; and
- Investor Relations updates.

The Board's areas of focus in 2020/21 are expected to include:
- Reconsideration of strategic projects following the Covid-19 pandemic;
- Embedding of the Group's purpose, values and culture;
- Oversight of the next phase of the Group's transformation;
- financial and operational performance;
- Review of principal risks, emerging risks and risk appetite;
- Regulatory compliance;
- IT infrastructure and cyber security;
- Succession planning for Board and senior management;
- Diversity and inclusion;
- Health and safety; and
- Corporate social responsibility including climate change response.

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. An example of a typical induction programme is included in the table below. The Chair of the Board will meet with a new director on appointment to agree any appropriate changes to be made before the start of the induction. Directors are provided with a comprehensive induction pack on appointment and in addition, group information and policies are maintained within the electronic board paper software to ensure directors have access to current resources. There were no new appointments to the Board during 2019/20.

Standard induction programme briefings and information	**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 best practice guidance – UK listed company requirements including Market Abuse Regime – 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 – members of the external audit team – store and distribution centre colleagues **Sites to visit** – different format stores that are convenient for new director to visit; – the Newark distribution centre; and – the store colleague training centre The Academy@ FortDunlop.

Corporate Governance Report continued

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 external corporate governance developments (including an overview of the section 172 statement requirements), the Senior Managers & Certification Regime and regulatory engagement.

Succession planning

The average director tenure is three years, only two directors have been on the Board since the formation of the Company in 2014 and both the Group Chief Executive and the Group Chief Financial Officer joined the Board in 2018. However, the Board, with the support of the Nominations Committee, continues to view the need for robust succession plans as a priority. During 2019/20 the Nominations Committee considered the skills and expertise of the Board and concluded that the existing composition is appropriate to meet the leadership needs of the business. The appointment of an additional director was considered during 2019 but it was agreed not to proceed with an appointment in that year. The Chair of the Board discussed the future Board succession planning needs during individual meetings with each director to support Board composition planning. In respect of senior management succession planning, the Executive Committee completed a detailed talent review of GLT members during the year and the Board will receive an update during H2 2020. There have been a number of new senior hires during the year including three new Executive Committee members appointed during 2020. In response to the Covid-19 pandemic, the Executive team put in place emergency succession plans for each Executive Committee member and other key roles in the business. The Nominations Committee will review updated succession plans for all Board and senior management roles during 2020.

Performance evaluation

2018/19 process

An externally facilitated Board performance evaluation was carried out in 2018/19. The outcomes of this process are summarised below:

Actions relating to meeting format;

- Only bring non-Board members into Board meetings to discuss substantive business to ensure greater time for the most important topics;
- Add 90 minutes to the length of Board meetings; and
- Use the Board dinner forums to provide updates on people, recruitment culture and succession plans.

Actions relating to agenda content:

- Review and resolve duplication of topics across the Board and its Committees;
- Increase Board agenda time allocated to People and culture;
- Use the Reading Room area of the Board portal for detailed paper appendices to reduce the length of meeting packs; and
- Consider a broader view of emerging risks.

Actions relating to our colleagues:

- Increase the visibility the directors have of diversity and inclusion initiatives in the wider organisation;
- Review succession plans and processes; and
- Increase contact between directors and executives below Executive Committee level.

Other actions:

- More frequent director meetings with the Chair of the Board; and
- Seek increased contact between the Board and major shareholders.

All of these follow up actions have since been successfully implemented other than increasing the access that directors have to team members below Executive Committee level. The Board has agreed that each non-executive director will host discussion sessions with small groups of colleagues but this programme is on hold due to Covid-19.

2019/20 process

An internal Board effectiveness evaluation process was undertaken in 2019/20 by way of questionnaires and individual interviews with the Chair of the Board.

The process addressed all matters relating to the performance of the Board and included the roles of the executive and non-executive directors, the Board, committees, the effectiveness of each director and the Chair of the Board, leadership, culture, strategy and corporate governance. A report summarising the findings of the review was tabled at the Board meeting on 28 April 2020.

Overall, the process was very positive. The directors provided positive feedback on the below items in particular;

- the length of Board meetings was now appropriate;
- the use of the Reading Room area of the Directors paper portal for appendices and detailed updates was working well;
- using Board dinners to provide updates on People, succession planning and culture had worked well;
- the majority of Board agenda time was allocated to key business and strategic topics and this had been demonstrated by sufficient time being available to debate the important strategic decisions made during the year;
- the reduction of number of presenters attending meetings had improved meeting time efficiency; and
- the additional weekly Board updates during the early stages of the Covid-19 pandemic had been useful and had enabled more effective use of time at the scheduled Board meetings as the non-executives had already

been comprehensively briefed on the Covid-19 logistical response.

The process identified some further actions to help enhance effectiveness:

- following the success of the Covid-19 update videoconference calls, directors agreed that videoconference update calls should be scheduled during the year at times when there is a significant gap between scheduled Board meetings;
- those attending meetings to present papers to be given additional briefings on areas of focus for the presentation;
- some of the regular Board update papers do not require discussion at each meeting and should be for noting only;
- the Board requested to have more agenda time allocated to ESG matters and colleagues; and
- the Board requested further details for any future non-executive director recruitment processes.

Chair of the Board performance

The Senior Independent Director collated feedback from the Board on the performance of the Chair of the Board and carried out his annual performance review. The directors provided positive feedback on the Chair of the Board's leadership during the year. The Board is of the opinion that the Chair of the Board 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.

Individual Director performance

Following the results of the evaluation, the Board confirms that all directors, including the Chair of the Board, 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 68 to 70. Such information is incorporated into this Corporate Governance statement by reference and is deemed to be part of it.

Risk management and internal control

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

The Board is supported by the Audit Committee, the Group Risk & Compliance Committee, the FCA Compliance Committee, business unit risk committees and the Risk team in delivering on this responsibility.

The Group operates a process of continuous identification and review of business risks. This includes the monitoring of principal risks, undertaking horizon scanning to identify emerging risks, evaluating how risks may affect the achievement of business objectives and, by taking into account risk appetite, reviewing management's treatment of the risks.

The main business units, locations and functions are responsible for preparing and maintaining risk registers and operating risk management processes for their areas of responsibility. Risk registers and the risk processes are undertaken in accordance with a consistent Group Risk Management methodology, toolkit and process.

The Group Risk & Compliance Committee meets at least four times annually. The work of the Group Risk & Compliance Committee includes: assessing and challenging the consolidated risk profile, agreeing and monitoring the Group's principal risks; determining the prioritisation of mitigating actions; reviewing the Company's horizon-scanning processes and its emerging risks; providing reports and recommendations to the Audit Committee and Board including to assist with the setting of risk appetite with regard to the principal risks.

In addition to the Group's principal risks, the business faces emerging threats which have been identified through Horizon Scanning that may potentially impact the business in the longer-term. The Group Risk & Compliance Committee evaluates the appropriateness of management planning to address such emerging risks. In some areas, there may be insufficient information to understand the scale, impact or velocity of these risks. Emerging risks continue to be monitored as part of the ongoing risk management process in order to ensure that action is taken at the right time.

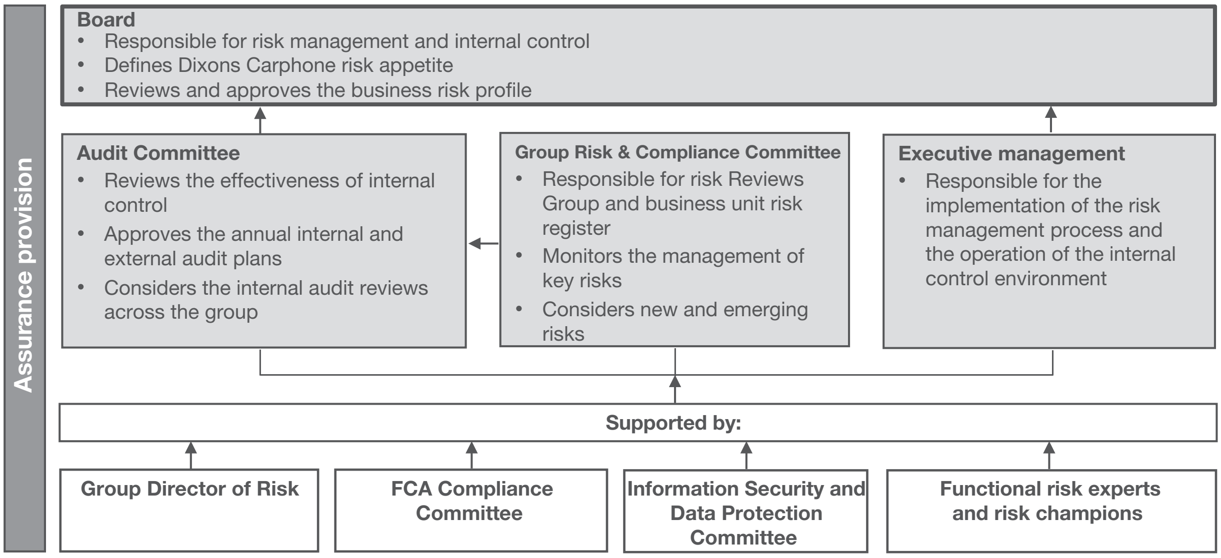
The directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. A description of these risks, together with details of how they are managed or mitigated, is set out on pages 20 to 23.

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 2019/20, which were approved by the Audit Committee and the Board.

Corporate Governance Report continued

Group Risk Management Structure



The diagram above shows the governance structure in place over the Group's risk management activities, as at July 2020.

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 inherent in operations and necessary to foster innovation and growth within its business practices.

The system of risk management and internal control

Dixons Carphone's system of risk management and internal control consists 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 'Tone from the Top' communicates a clear commitment to do the right thing for customers, colleagues and shareholders. – The organisation demonstrates its commitment to ethical values through its range of ESG initiatives and programmes. – The business is committed to 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 Board reviewed the Group's principal risks throughout the period. – The Board undertook a horizon scanning review to identify future risks and opportunities that may impact the business. – The effectiveness of internal control 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 ExCo continues to strengthen its capabilities in order to drive the delivery of the business strategy. – The Board and its various sub-committees have defined a delegation of authorities that cascades throughout the Group. – The creation of the Chief Technology Officer role has strengthened management in areas of IT, Infosec and Data Management risks. – A Transformation Management Office governs the Programmes in place 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. – Financial Services coaches help the business to ensure that we are selling regulated products compliantly.
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. – Business reviews covering financial and operational involves comparison of actual results with the original budget and the updating of a full year forecast. – The Minimum Controls framework allocated control objectives for key operational and financial controls. – A Conduct Risk & Control Framework identifies control objectives for activities that underpin our delivery of Good Customer Outcomes in our FCA regulated activities.

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 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 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.	– Management accountabilities and responsibilities are reviewed to ensure that they remain appropriate following changes in organisational design.
The organisation communicates with external parties regarding matters affecting the functioning of internal control.	– The Group communicates with external stakeholders, including industry bodies and regulators on the management of risks and issues.
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 is approved by the Audit Committee. – A Compliance Monitoring function reviews operation of financial services regulated activities. – Business Management is supported by evaluations conducted by internal or external specialists over the operation of controls for the principal risks of the business.
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. – Control improvement actions resulting from Internal Audit and Minimum Controls are reviewed and tracked to completion.

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 the year and is usually agreed at the April Audit Committee meeting for the year ahead. The internal audit plans are prepared taking into account the principal risks across the Group with input from management and the Audit Committee. The internal audit 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 considers the alignment of the internal audit plan with the principal risks faced by the Group as part of its approval process. The Audit Committee approved the 2020/21 internal audit plan in June 2020, having considered the impacts of Covid-19 and the revised audit priorities.

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. The Audit Committee concluded that the internal audit function was operating effectively during the year.

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. 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 Board receives a report from the Investor Relations team at every scheduled meeting and this includes a summary of investor interactions during the period and a synopsis of questions and feedback from shareholders. During 2019/20 the Board wrote to shareholders representing over 70% of the Company's issued share capital. This communication confirmed the appropriate contact details for engagement and offered engagement meetings with any of the Chair of the Board, the Chair of the Audit Committee or the Chair of the Remuneration Committee. The Company wrote to this group of shareholders again in March 2020 to consult with them on Remuneration issues. More details are available in the Remuneration Report on page 100.

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 Chair of the Board 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 corporate website, as are other external announcements and press releases.

The AGM usually provides an opportunity for the Company to engage with shareholders and for the Board to provide an account of the progress made by the business during the year, along with a synopsis of current issues facing the business. Unfortunately, it will not be possible for shareholders to attend the 2020 AGM due to Covid-19. Shareholders are encouraged to submit votes in advance of the meeting and submit any questions to the Board via the General Counsel and Company Secretary at cosec@dixonscarphone.com. We look forward to receiving your feedback and questions.

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

Lord Livingston of Parkhead
Chair of the Board
14 July 2020

Directors' Report

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 53, the Corporate Governance Report on pages 56 to 67, together with this Directors' Report on pages 68 to 70. 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 54 and 55.

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. In accordance with the UK Corporate Governance Code, 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 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 and is available on the Company's website at www.dixonscarphone.com.

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 112.

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 84 to 111. Details of dividends waived by shareholders are given below in this Directors' Report. There is no further information required to be disclosed under Listing Rule 9.8.4R.

Dividend

The Board has not proposed a final dividend for the year ended 2 May 2020. Dividend payments will not be resumed at least until our standby debt facilities have been cancelled. Given the current uncertain environment, the Board will keep the payment of dividends under review to establish the appropriate time and level to recommence payment. An interim dividend was paid during the year:

	Year ended 2 May 2020	Year ended 27 April 2019
Interim dividend	**2.25p**	**2.25p**
Final dividend	**Nil**	**4.5p**
Total dividends	**2.25p**	**6.75p**

The right to receive an interim dividend was waived by the trustees of the Company's Employee Benefit Trust ('EBT') over a holding of 5,902,665 shares.

Colleague involvement

The Group has a robust communications programme in place to provide colleagues with information on matters of concern to them. This includes regular publications on the Group's intranet, email updates from the Group Chief Executive, monthly Townhall sessions and regular meetings with line managers. The Executive Committee team regularly communicates matters of current interest and concern with colleagues. During 2019 the colleague listening framework was enhanced to ensure that colleague feedback is received effectively and consistently across all countries in the Group. These forums support the development of action plans to allow colleagues the opportunity to input and influence change. More information on these forums and colleague engagement is included on pages 38 to 42. Details of the colleagues' involvement in the Group's share plans are disclosed in the Remuneration Report on pages 84 to 111.

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 and support the career development of 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 Stakeholders and Sustainable Business report on pages 31 to 53. 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 23 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 4 to the Group financial statements. As at 2 May 2020, the Dixons Carphone plc EBT held 10.1 million shares. The EBT acquired 9.75 million shares by market purchase 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 2 May 2020, 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	64,515,107	5.55%
RWC Asset Management LLP	62,906,333	5.41%
BlackRock	60,261,946	5.20%
Majedie Asset Management	59,063,441	5.08%
Lansdowne Partners	57,675,527	5.01%
Ruffer	62,845,115	5.00%
D P J Ross	55,738,699	4.80%
Tameside MBC re Greater Manchester Pension Fund	40,916,049	3.52%
Capital Group	34,578,355	3.00%
Cobas Asset Management	34,811,516	3.00%
Sir Charles Dunstone CVO	14,440,134	1.24%

On 29 May 2020, the Company received a notification that Wishbone Management LP had a voting interest in 41,500,000 ordinary shares of the Company, or 5.25% of the issued share capital. On 15 June, the Company received notification that Fil Limited had a voting interest in 58,551,510 ordinary shares of the Company, or 5.03% of the issued share capital.

At 14 July 2020, being the last practicable date prior to the publication of this Annual Report and Accounts, no further changes to the shareholdings reported above had been notified to the Company in accordance with DTR 5.

Directors' Report continued

Directors' interests in the Company's shares and the movements thereof are detailed in the Remuneration Report on pages 84 to 111.

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 2019 shareholders approved a resolution to give the directors authority to allot shares up to an aggregate nominal value of £386,737. 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 2019 to purchase a maximum of 116,021,022 shares, such authority remaining valid until 27 October 2020 or until the conclusion of the Company's AGM in 2020. 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 26 to the Group financial statements.

Post-balance sheet date events

Events after the balance sheet date are disclosed in note 33 to the Group financial statements.

Auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themself 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
14 July 2020

Audit Committee Report

Audit Committee Report

Chair's statement

Introduction

I am pleased to present the Audit Committee (the 'Committee') report for the year ended 2 May 2020. This report describes how the Committee has carried out its duties to provide independent scrutiny of the Group's financial reporting, risk management and internal control systems in order to determine whether these remain effective and appropriate.

In addition to the scheduled Committee meetings, I have met regularly with the Group Chief Financial Officer, the Chief Information Security Officer, Internal Audit and the external Auditor in the absence of management 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 and I continue to liaise directly with members of the team that prepare updates that fall within the remit of the Committee as appropriate. I have also met with Deloitte LLP's Head of Audit Quality and Risk, UK to discuss Deloitte's approach to audit quality and assurance in connection with the audit of the Group, in particular in the course of the Covid-19 pandemic.

There have not been any significant changes to the responsibilities 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 Terms of Reference for the Committee were last approved in January 2020 and the Committee is satisfied that its Terms of Reference remain appropriate at the current time. The Committee Terms of Reference are available on the Group's corporate website www.dixoncarphone.com.

This year the Committee has continued to oversee the accounting implications of changes to the business as well as to respond to specific matters that have arisen. The Committee considered the accounting implications of the closure of the standalone Carphone Warehouse stores in the UK. Cyber security, IT infrastructure, data management and regulatory compliance continue to be 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.

The Committee also considered the continuing implications of the Covid-19 outbreak during 2020, taking account of external guidance as appropriate as the situation has evolved, and reviewing in particular the impact on the control environment and on the 'three lines of defence' – management, risk & compliance and internal audit.

The Committee considered the requirements arising from the Companies (Miscellaneous Reporting) Regulations 2018 and the 2018 UK Corporate Governance Code as part of the process to review the non-financial information included in this Annual Report, including in particular the section 172(1) statement on pages 31 to 37.

Key activities

This year, the Committee's work included:

- considering significant accounting and reporting judgements, the appropriateness of taxation disclosures and the appropriateness of the Group's going concern position and longer-term viability statement;
- considering and recommending that the Annual Report and Accounts ('ARA') 2019/20, when taken as a whole, are fair, balanced and understandable;
- reviewing the interim results and strategy update on 11 December 2019;
- reviewing the Covid-19 Trading Updates released on 26 March and 29 April 2020;
- considering the presentation, fairness, and balance of the Group's alternative performance measures (APMs);
- considering the FRC Thematic review on impairment of non-financial assets;
- reviewing all correspondence from and to the Financial Reporting Council (FRC) following a request for further information on certain aspects of the ARA 2018/19. The constructive correspondence lead to enhanced disclosures in the ARA 2019/20;
- considering the accounting implications of the closure of the standalone Carphone Warehouse stores in the UK;
- considering the implications of the Covid-19 outbreak relevant to the remit of the Committee;
- reviewing the Group Risk Register and considering the effectiveness of the risk management system and internal controls, operated by management;
- considering updates on Information Security, IT infrastructure, Data Management and Business Transformation;
- providing oversight of the businesses regulated by the Financial Conduct Authority ('FCA') and receiving updates from the Head of Compliance;

Audit Committee Report continued

– 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;

– considering the external audit plan, audit reports and updates from Deloitte LLP;

– considering the effectiveness of the external Auditor and the reappointment of the external Auditor; and

– receiving presentations and challenging management on matters such as system access controls, data management, payment processes, supplier funding, regulatory compliance-related customer claims, minimum control standards assessments, whistleblowing, and procedures in place to prevent bribery and corruption.

Membership

There have not been any changes to the membership of the Committee during the financial year.

Looking ahead

It has been a significant year in terms of progressing the Business Transformation. The Committee will continue to support this work by reviewing and challenging the governance, risk and control environments relating to strategic transformation plans. The Covid-19 pandemic has had extensive repercussions across the business landscape in terms of business disruption and causing fundamental changes to customer behaviours and the risks to which companies are exposed. The Committee will continue to keep those considerations and risks that fall within the Committee's remit under review. The Committee will continue to receive presentations from management on the challenges faced by the business and the operation of internal controls. The Committee will also continue to be responsive to the issues raised by the 'three lines of defence' internally as well as to the external evolving risk landscape and regulatory environment.

Meetings

The Committee met six scheduled times during the period under review. One additional Committee meeting was arranged with management during the year to enable an additional detailed discussion on the network debtor. Since the year end there has been two further Committee meetings. The Chair of the Board, Group Chief Executive, Group Chief Financial Officer, Group Financial Controller, Group Director of Internal Audit, General Counsel and Company Secretary, members of the senior leadership team with responsibility for Cyber Security, Data Management and Transformation and representatives from Deloitte LLP have joined all Committee meetings during the year at the invitation of the Committee Chair. Other members of senior management attend Committee meetings by invitation when appropriate.

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 54 and 55.

Current members	Scheduled meetings
Fiona McBain (Committee Chair)	6 of 6
Gerry Murphy	6 of 6
Eileen Burbidge	5* of 6

*Eileen was unable to attend one Committee meeting during the year but reviewed the meeting pack, provided questions to the Chair of the Audit Committee in advance and received an update following the meeting.

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.

The Committee members meet without management present before and after each Committee meeting. The Director of Internal Audit and representatives of Deloitte LLP are invited to these private discussions periodically to allow discussion of matters which the external Auditor or Director of Internal Audit may wish to raise in the absence of management.

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.

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 monitor that 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 colleagues may raise concerns about possible improprieties in financial reporting or other matters;

Internal audit

- approving the appointment of the Director of Internal Audit;
- monitoring and reviewing the effectiveness of the Group's internal audit function;
- approving the internal audit plan;
- considering the reports of work performed by internal audit and reviewing the actions taken by management to implement the recommendations of 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

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 2 May 2020, 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 29 of the ARA 2019/20. In particular, the Committee considered: – the impact in respect of the Covid-19 pandemic situation; – 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 20 to 23 of the ARA 2019/20, 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, and reduced forecast profitability and cash flow as a result of a significant change in mobile phone consumer behaviour. The Committee concurred with management's conclusions that the viability statement, including the three-year period of assessment, disclosed on page 29 of the ARA 2019/20 is appropriate. The Board was advised accordingly.
Closure of Carphone Warehouse standalone stores	During the year, on 17 March 2020, the Company announced the closure of its 531 standalone Carphone Warehouse stores in the UK. The Committee carefully considered the impact of this announcement on the 2019/20 Financial Statements. In particular, the Committee considered the impact of the store closures on the impairment of assets including the IFRS 16 right-of-use lease assets, the restructuring provisions recognised, and the assessment of the existence of any onerous contracts as a result of the decision. The Committee also considered the treatment of store closure related costs as adjusting items when considering if the ARA as a whole are fair, balanced, and understandable. Following detailed review, the Committee agreed with management's conclusions that the judgements and estimates and accounting treatment applied 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 adjusting and non-adjusting items including consideration of the £306 million pre-tax adjusting items disclosed in note A5 in the glossary and definitions section of the ARA 2019/20, and the tax impact thereon. The assessment considered whether items fell within the Group's definition of adjusting items 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 2019/20 to ensure that they explain 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 adjusting 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 202 to 218. The Committee concluded that the ARA 2019/20, taken as a whole, are fair, balanced and understandable, and that the measures used and disclosures made are appropriate to provide users of the ARA 2019/20 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	The Group discloses revenue recognition in relation to network commissions as a 'key source of estimation uncertainty' as set out in note 1(t) to the Group financial statements. 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 trends within the mobile industry. Particular attention was paid to the consistency of application of the underlying assumptions used, significant changes in inputs to the valuation model, and historical forecasting accuracy. The Committee debated and reviewed enhancements to the network commission contract assets and receivables disclosures included in note 15 to the Group financial statements. The carrying value of ongoing network commission contract assets and receivables at the balance sheet date was £616 million (2018/19: £797 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; issues identified in the prior year were fully addressed. Further information in relation to supplier funding can be found in note 1 to the Group financial statements.
Impairment testing of goodwill, intangible assets and fixed asset investments	The Group has significant goodwill, intangible assets and fixed asset investments in the UK and Ireland 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 interim and year end dates. Specific attention was paid to cash flow forecasts in light of the Covid-19 pandemic, and the level of sensitivities applied by management in determining reasonably possible changes to cash flows.
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 £83m (2018/19: £98m). The Committee also reviewed the appropriateness of the disclosures made around tax provisions, and the disclosure of related contingent liabilities.

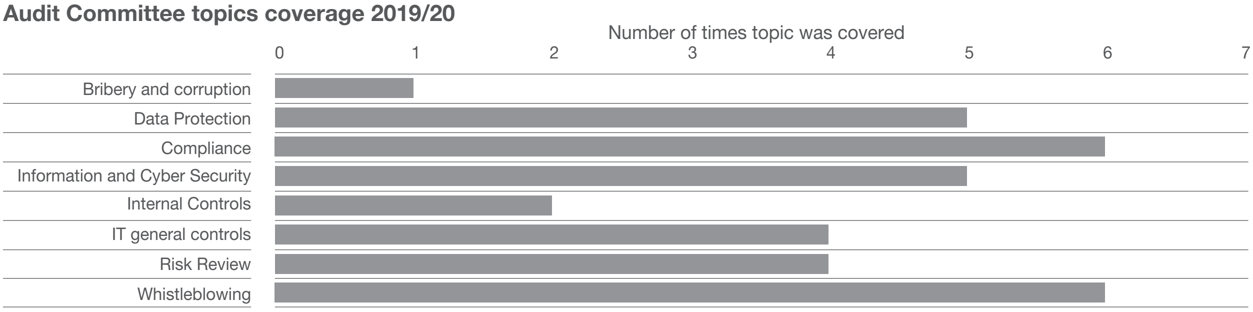
Risk management and internal control

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 56 to 67 of this ARA 2019/20. 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 interim review procedures and the annual audit performed by the external Auditor. The Committee also ensured that all Risk topics were covered, as defined by its Terms of Reference, with detailed reviews of risk topics scheduled throughout the year monitoring potential areas of concern.

Audit Committee Report continued

The table below shows the number of times specific matters were considered by the Committee in 2019/20:

Audit Committee topics coverage 2019/20



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
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').
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 FCA Compliance Committee ("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 monitor 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 manage the risk appropriately in order 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 that, along with the Board, receives regular updates on the progress and maturity of our control environment. During the year, the Committee requested that management commission a third-party review on the IT transformation Programme. EY was appointed to carry out this work.
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 2020/21 and agreed the statements contained in the ARA 2019/20. The Committee continues to review the results of Internal Audit reviews and Minimum Controls Standards assessments.
Whistleblowing	– The Committee reviews a summary at every meeting of all whistleblowing calls received by the Group, both through the independently operated hotline and other channels. The Committee confirmed that the calls had been appropriately dealt with (both individually and in aggregate) in accordance with the Group's whistleblowing policy.

Internal audit

Internal audit is an independent, objective assurance function that impartially appraises the Group'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;
	  – future EU relationship;
	  – 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.
	– The Committee also considered how the internal audit plan was realigned in light of the Covid-19 pandemic.
	– 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 Senior Managers Certification regime readiness, HR transformation programme, Identity and Access management programme and goods not for resale, business to business retail, repairs, prepaid gift vouchers, consumer credit, Hong Kong sourcing, supplier funding and marketing processes;
	  – Nordics programme assurance, Epoq kitchens, business to business retail and goods not for resale processes and controls;
	  – Greek health and safety framework and stock controls; and
	  – whistleblowing framework, Brexit readiness, and minimum controls framework.
	– 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.

Audit Committee Report continued

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 the appointment of a new Group Director of Internal Audit in June 2020. The Committee was involved in the selection process for this role. The new Group Director of Internal Audit joined a Committee meeting as a guest and met with the Audit Committee Chair prior to his appointment date as part of ensuring an effective handover process. – 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 113 to 129. – 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. – Following the year end, 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, level of challenge, 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 the 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 2020.

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

Under the Group's policy on Auditor independence, the Auditor may only provide services which include:

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

b) audit-related services comprising review of the Group's consolidated interim financial statements, and opinions / audit reports on information provided by the Group 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 Chief 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 £0.5m (2018/19: £0.4m) compared with £1.5m (2018/19: £1.6m) of audit fees. The non-audit fees as a percentage of audit fees were 33.3% (2018/19: 25%), which reflects the restrictive policy governing the use of Deloitte LLP for non-audit services.

Consideration of Auditor appointment and independence

The Committee considers the appropriateness of the reappointment of the external Auditor each year, including the 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 and will therefore need to rotate at or before the end of the 2020/21 financial year.

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.

During the year, the Committee discussed the most appropriate time to carry out the external Auditor tender process. In particular, the Committee considered the timeframe and process steps necessary to conduct an effective tender process, the new EU requirement for a 12 month "cooling in" period, the current consultancy services that would need to be exited prior to a tender process and having an adequate period of transition to a new auditor. The Committee concluded that a tender to appoint a new auditor for 2021/22 did not allow sufficient time to complete a thorough process and would have precluded some firms from participating in a tender.

The Committee will continue to evaluate annually the performance of the Auditor and will recommend a tender for this service prior to June 2023.

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 reappointment this year, the Committee considered the Audit 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 reappoint Deloitte LLP as the independent Auditor of the Company. The Committee's recommendation, that a resolution to reappoint Deloitte LLP be proposed at this year's AGM, was accepted and endorsed by the Board.

Fiona McBain
Chair of the Audit Committee
14 July 2020

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 Chair of the Board 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 their 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 performance, Terms of Reference and responsibilities are reviewed periodically, and at least once a year. The Terms of Reference were last reviewed and approved by the Board in January 2020. The Committee was considered as part of the internal board and committee effectiveness review this year and this review concluded that the Committee discharges its duties effectively.

Meetings

- The Committee has scheduled meetings in advance of the preliminary and interim results and the Christmas trading update. It meets at other times as and when required.
- The Committee held 7 meetings during the period under review. Since the financial year end, there have not been any other 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 for each member can be found on pages 54 and 55.

Members	Scheduled and unscheduled meetings
Jonny Mason (Chair)	7 of 7
Alex Baldock	7 of 7
Nigel Paterson	7 of 7

The Chair of the Board and the Senior Independent director were not required to act as alternate Committee members during the year.

The Committee receives input as appropriate from other directors, the Company's brokers and senior management. The Committee invites the Group Strategy and Corporate Affairs Director to attend all meetings.

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;
- determine whether information is inside information and if it requires immediate disclosure;
- keep under review the adequacy of the Disclosure and Communications Policies, implement and monitor compliance;
- 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 2020 and are available on the Group's corporate website, www.dixonscarphone.com.

Key matters considered

During the year ended 2 May 2020, the Committee met to consider the following key matters:

- the draft proposals for the FY2019/20 Group budget;
- the preliminary results for the financial year ended 27 April 2019;
- the interim results for the 26 weeks ended 26 October 2019;
- the Peak trading update for the 10 weeks ended 4 January 2020;
- the closure of the Carphone Warehouse standalone stores; and
- the updated financial guidance following the Covid-19 pandemic.

Jonny Mason
Chair of the Disclosure Committee
14 July 2020

Nominations Committee Report

Chair's statement

The Nominations Committee (the 'Committee') has continued to oversee the structure, size and composition of the Board during the year, having regard to the collective skills, knowledge, experience and diversity in all its forms. This report sets out the key responsibilities of the Nominations Committee and describes how it discharges its duties.

The Committee completed a review in March 2020 to assess compliance with the Code and concluded that the Board size and composition remain appropriate to meet the leadership needs of the business and operational needs of the Company. This review included consideration of the time commitments of each director, director independence, director tenure, the diversity of the Board, the collective skills and experience of the Board, directors' external appointments and potential conflicts of interests.

The Board meets the voluntary diversity targets in both the Hampton Alexander review and Parker review although is not complacent about diversity. A new Chief People Officer was appointed during 2019 and there have been a number of additions to the HR function senior management team during the year to enhance our recruitment, development and diversity of our colleagues particularly in some senior positions. Although succession planning and the oversight of the development of a diverse pipeline for succession fall within the remit of the Committee, these discussions have also taken place at Board meetings and Board dinners during 2019/20. Enhancing diversity and succession planning remain a priority for the whole Board and delivering the colleague agenda is a critical component of the successful business transformation of the Group. It has therefore warranted input from all directors. The Board received several comprehensive updates from the HR team during the year including an update on the diversity initiatives in progress.

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 in addition to all directors receiving a succession planning update at a Board dinner.

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 54 and 55.

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 are invited to attend meetings at the request of the Chair.

The Company Secretary, or their 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 to the Board as necessary;
- 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;
- identify and nominate candidates to fill vacancies on the Board when they arise;
- carry out a formal, rigorous and transparent 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; and
- review all the recommendations from the annual board effectiveness process that relate to Board composition, diversity or how effectively board members work together.

The Committee's Terms of Reference are reviewed on at least an annual basis and updated to take account of any changes to corporate governance best practice. In the 2019/20 financial year, they were reviewed by the Committee in October 2019 then approved by the Board in January 2020. These terms of reference are available on the Group's corporate website, www.dixonscarphone.com.

Nominations Committee Report continued

Key matters considered

During the year, the Committee considered the following matters:

- an evaluation of the size, composition and structure of the Board and its committees;
- the Company's diversity policy taking account of the recommendations of the Hampton-Alexander Review, Parker Review, and McGregor-Smith Review;
- the independence and time commitments of the directors;
- the director external appointments policy;
- director effectiveness during the year and concluding that each director be recommended for re-election at the 2020 AGM;
- the Committee's performance and Terms of Reference;
- the role descriptions of the Chair of the Board, Senior Independent Director and the Group Chief Executive; and
- external corporate governance developments relating to the remit of the Committee.

Board evaluation

Following an externally facilitated Board effectiveness review in 2018/19, an internal evaluation of the Board was carried out by way of questionnaires and individual interviews with the Chair of the Board. The evaluation process found that the Committee is operating effectively. Further information on the outcomes of the Board effectiveness review is available on page 62.

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 used when recruiting directors.

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.

In October 2019, the Committee considered the appointment of an additional non-executive director. Further to a rigorous review, the Committee resolved that no further appointments to the Board were required at this time.

Succession planning

The business requires a talented Board with appropriate experience, expertise and diversity. The longest serving director recently reached a six-year tenure and half of the directors on the Board have served for less than four years. The Committee considered the composition during the year and concluded that the current Board size of eight directors continued to be appropriate for the current and near future needs of the business. As part of the internal Board effectiveness process for 2019/20, the Chair of the Board had discussions with each director individually to discuss Board succession planning needs and seek input to support discussions on director succession planning. The Board skills matrix is used to support conversations on the additional skills, experience and attributes that could benefit the Board.

During the year, the Executive Committee carried out a detailed talent review across every area of the business. Succession plans are in place for every member of the Executive Committee and this was refreshed in March 2020 during the Covid-19 pandemic. The Committee, together with the Board, is focused on ensuring that credible succession plans are maintained and that there is a talent pipeline for future business leaders.

Diversity

The Company is committed to developing a diverse workforce and equal opportunities for all. The Board recognises that enhancing diversity in all its forms is a critical part of having an effective and engaged workforce which in turn supports the long-term sustainable success of the business.

The Board meets the voluntary targets recommended by the Hampton-Alexander Review and the Parker Review. At the end of the financial year 37.5% of the Board, and 18% of the Executive Committee, are female. One member of the Board meets the criteria as set out in the Parker Review. Whilst the Board is strongly supportive of enhancing all forms of diversity across the Board and wider workforce as a matter of priority, the Board does not currently set specific targets on gender balance or ethnicity. The Committee and the Board continue to be very mindful of the benefits of greater diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths, in all appointments.

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 2019. 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 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.

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 enhance the Board's knowledge of these international markets. This Non-Executive Director also attends the International colleague forum to support colleague listening and engagement. More information on this forum is included in the Strategic Report on page 34. In addition, the Group Chief Financial Officer also has 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 54 and 55 will present themselves for 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 54 and 55.

Lord Livingston of Parkhead
Chair of the Board
14 July 2020

Remuneration Committee Report

Committee Chair's statement

On behalf of the Board, I am pleased to present the 2019/20 Directors' Remuneration Report and the report of the Remuneration Committee (the 'Committee') for the financial year ending 2 May 2020. This report describes the duties of the Committee and how these have been discharged during the year. As with last year, we have included a Remuneration at a glance section in our report on page 87.

Remuneration Policy

Our Directors' Remuneration Policy (the 'Policy') was approved by shareholders at the Annual General Meeting ("AGM") in September 2019. We would like to thank shareholders for their engagement during 2019 as we consulted on this Policy and then for the 89.26% vote in favour of the Policy at the AGM. In line with evolving market practice and shareholder sentiment, the Remuneration Committee gave an additional undertaking in August 2019 that the pension contributions for any new executive directors would be aligned to pension contributions of the wider workforce. The Committee is also mindful of the investor expectations regarding pension contribution rates and is exploring ways to align the level of pension contributions for the current executive directors with those of the wider workforce.

2018/19 Remuneration Report

Our remuneration report received less support from our shareholders than the Policy, and, whilst we welcomed the support of over three-quarters of shareholders who voted in favour, we sought to better understand the concerns of those who did not. To that end we invited engagement with shareholders and welcomed the opportunity to have constructive discussions on remuneration with those that responded. The concerns expressed by those shareholders and shareholder advisers that provided feedback primarily related to the level of bonus payments for 2018/19, given the assessment of business performance; and the number of shares awarded in the 2019 LTIP grant, given the lower share price.

Some shareholders felt that the bonus outturn was excessive in the context of the financial results in 2018/19 which were down on the prior year. The Remuneration Committee recognised that the determination of the 2018/19 bonus outcome was a difficult judgement to make during the business transformation. However, on the basis that the Group Chief Executive and Group Chief Financial Officer joined the business in April 2018 and August 2018 respectively and then delivered the financial targets for 2018/19 in line with the Company's guidance issued in 2018, the Remuneration Committee concluded that the bonus outcomes were reasonable. In addition, both executive directors voluntarily deferred 100% of their 2018/19 cash bonus into share awards, that will not vest for 2 years, in order to more strongly align themselves with shareholders. We undertook to continue to ensure that our incentive targets balance a realistic assessment of the opportunities and risks that face the business, with the need to reflect both the shareholder experience on overall pay outs as well as the performance in the context of market and external environment.

Some shareholders also considered that the 2019 LTIP award should have been scaled back to recognise the fall in share price over the period since the previous award. The Remuneration Committee did consider whether a scale back of the award was required and considered business performance, share price and market practice at the time. In fact, many companies with similar share price falls had not scaled back awards. The Committee noted that there was already a reduction in the allocation amount from the prior year from 275% to 250% of salary, in line with the implementation of the new Remuneration Policy, and the Committee judged at the time that the award levels were appropriate in the context of incentivising a new management team embarking on a major transformation of the business. We listened to and understood shareholders' views on this matter and it was the main reason we have reached our decision to scale back the 2020 LTIP award, details of which are set out below.

A report on the shareholder engagements and feedback has also been included in this report. Please see page 100 for further information.

Long-term incentive awards in 2019/20

In the prior financial year, we made a change to the TSR comparator group used as one of the measures for our long-term incentive awards. We previously measured performance against a basket of companies from all industry sectors, but such a broad group is subject to different business dynamics and pressures to Dixons Carphone, so we identified a group of companies with which we have more in common. A group of specialist retailers provided a better fit when we examined the historical movement and volatility in share prices and their underlying business profile and risk. We reviewed a UK-only peer group as well as a European group and decided the latter was better aligned with our European footprint as well as providing a far larger sample of companies (and therefore a more robust comparator group). We used this group last year and plan to use this same comparator group when making the 2020/21 awards. Please see page 103 for further information on the comparator group.

The long-term incentive plan awards made in 2017 reached the end of their performance period at the end of the 2019/20 financial year. None of the performance measures were met and therefore these awards lapsed when they vested in June 2020. Neither of the current executive directors received awards under this grant, as they were not employed by the Company when the awards were made. Please see page 104 for further information.

Covid-19 implications and pay and performance for 2019/20

In line with Government guidance, the Company closed all stores across the UK and Ireland from 24 March 2020. This followed closures of our stores in Greece from 18 March 2020. Our online operations in these countries were able to continue, and online trading remained strong, recovering some of the lost store sales. Meanwhile, our stores in the Nordics have been able to continue to trade. To protect our business and our colleagues, we are focused on our Big Three priorities: Keeping our colleagues safe, helping our customers and securing our future. On this basis we furloughed over 16,000 store, corporate, supply chain and contact centre colleagues in the UK and Ireland; and to show total alignment across the business, all members of the Board and the UK Executive Committee members agreed to a temporary 20% reduction in base pay. UK and Ireland colleagues at the two grades below Executive Committee level agreed to a 10% reduction in base pay. The pay reduction was effective from 5 April 2020 to 28 June 2020.

Prior to the onset of the Covid-19 restrictions, Group performance was on track to deliver a bonus out-turn above threshold. However, as a result of significantly reduced revenues caused by the pandemic closures in the last two months of the year, the profit underpin was missed for the year as a whole. The Remuneration Committee considered whether it was appropriate to over-ride this mechanism in light of ten months of strong performance and the exceptional and wholly external reasons why the year's target was missed. However, the management did not believe paying a bonus would have been the right course of action at a time when the focus should be on protecting the business and its cashflow for the benefit of all our stakeholders. The Remuneration Committee accepted and welcomed management's position on this issue. As well as there being no bonus for 2019/20, the Remuneration Committee agreed that there would be no standard pay increases for executive directors, Executive Committee and corporate colleagues for 2020.

Pay and performance for 2020/21

In line with our Remuneration Policy, the maximum bonus opportunity for 2020/21 is 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, and, as in 2019/20, the bonus will also include a clawback facility to demonstrate the Company's objective to reinforce a culture of 'Treating Customers Fairly'.

The Committee recognises that significant uncertainties remain as the country (and therefore the Company) moves out of lockdown, and therefore will review the bonus position as the year progresses, using its overriding discretion, if appropriate, in a manner that recognises the context of the business and shareholder experience, but maintains the incentive necessary to spur our recovery. The Committee will also use its discretion when reviewing bonus pay outs should it be demonstrated that a windfall gain has been received as a result of the use of any government subsidies received during the Covid-19 period. 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 200% of base salary, which is 20% lower than the 250% normal award level under our policy. The Committee was mindful of the feedback received from some investors who believed that last year's LTIP award should have been scaled back to reflect the fall in share price prior to that award. Based on the share price progression this year alone, there were sound argument as to why we might not have scaled back. Up to the onset of the Covid-19, the share price had risen by over 16% and some investors have signalled that falls resulting from Covid-19 may be disregarded for this purpose. However, the Committee believed that to have proceeded with a full award would not adequately have reflected shareholders' feedback following the 2019 award. This decision follows other remuneration elements which have shown restraint on pay – the temporary 20% base pay reduction, no 2019/20 bonus payment despite strong performance prior to Covid-19, and no pay increase in 2020. We remain very conscious of the need to motivate our talented team in this challenging period, but believe these adjustments are right in the circumstances.

This year, we plan to set the targets and make the awards after we have announced our annual results. This reflects the greater uncertainty as our stores are only just in the process of fully re-opening and we need 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 include them in next year's Remuneration Report.

Enabling Colleagues to become shareholders

We strongly believe in the positive benefits of making our colleagues shareholders in the business driven by one of our core values 'We Own It'. We have seen that colleagues welcome the opportunity to become shareholders through the introduction of our Colleague Shareholder Scheme ("CSS"). This year we were delighted to receive shareholder approval for the CSS at the 2019 AGM and to announce our decision to extend the CSS for another year. Under the CSS 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 at least £1,000 of options were granted to every permanent colleague with 12 months' service. Since February 2019, awards have been made to

Remuneration Committee Report continued

over 38,000 colleagues globally and these awards will vest after three years. However, these awards are not allocated to senior management. The awards have been well received, with much positive feedback from both colleagues and shareholders. We are already seeing tangible benefits since the launch of the scheme resulting in significant improvements in our customer metrics.

The initial awards under this scheme were made using shares purchased in the market and so did not affect our dilution limits. However, we would like to have the ability to fund awards to newly eligible employees using new-issue shares. Whilst the approval gained from shareholders in 2019 allows this, it would cause us a technical problem against our current dilution limits. This issue arises because our share plans count the CSS awards against the dilution limit on ‘discretionary’ schemes with a 5% dilution limit – a label that normally applies to schemes for senior management, whereas the CSS is available to all eligible colleagues and specifically not senior management. Following consultation with a number of our major shareholders, who expressed strong support for this scheme and recognised the issue it created with the technical dilution limit, we are proposing to change the rules in our share plans to allow us to treat the CSS as an all-employee scheme and count its dilution just within our overall 10% limit on share usage.

Engaging with our colleagues

We are committed to continuing to engage with the wider workforce and I have been given responsibility by the Board to lead on this. As part of this role I attended the UK and International colleague listening forums with the Chief People Officer, Paula Coughlan. My fellow Committee member Andrea Gisle Joosen attended the Nordics colleague forum. Attendance at these forums provided us with a very welcomed opportunity to directly engage with the wider workforce and to bring colleagues’ views to both the Committee and Board discussions in addition to the existing methods such as our company wide engagement survey. I am looking forward to engaging further with colleagues during the coming year.

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. This year has been exceptional due to the Covid-19 pandemic. In this environment, the Board and Remuneration Committee have sought to take the interests of all stakeholders into account whilst focusing on our Three Big priorities. The executive directors and management team have skilfully navigated the business through this crisis. However, we are also mindful that we need to strike a balance on the one hand with short-term renumeration sacrifices and on the other hand the need to motivate and incentivise management to create long-term shareholder value. We look forward to your continued engagement and thank you for the feedback provided to date.

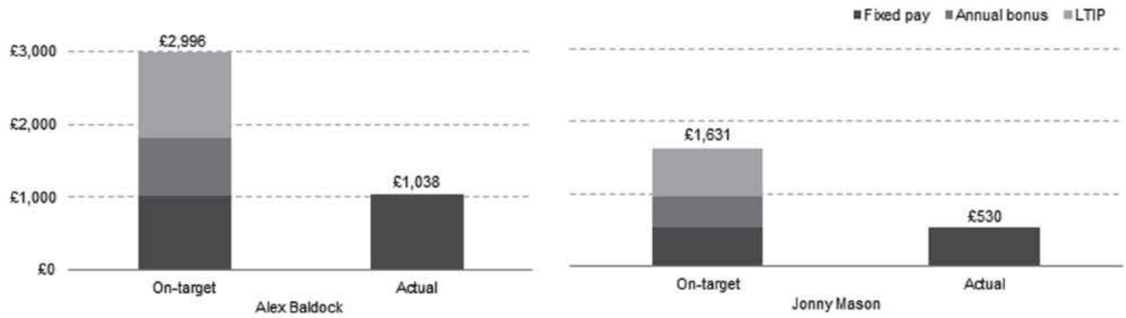
Tony DeNunzio CBE
Chair of the Remuneration Committee
14 July 2020

Remuneration Report — Remuneration Policy

Remuneration at a glance

		2019/20	2020/21 proposed
Base salary		• CEO – £867,000 • CFO - £479,400	• CEO – £867,000 (no increase) • CFO - £479,400 (no increase)
		Note: Due to the COVID-19 impact, the Executive Directors agreed to a 20% reduction from the above salaries with effect from 5 April 2020 to 28 June 2020.	
Annual bonus	Maximum opportunity	150% of base salary One third deferred into shares for a period of two years (although executives voluntarily deferred 100% of their bonus)	150% of base salary One third 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 and "Treating Customers Fairly" clawback.	• EBIT (50%) • Average net debt (20%) • Net Promoter Score (15%) • Employee engagement (15%) • EBIT underpin and "Treating Customers Fairly" clawback.
LTIP	Maximum opportunity	250% of base salary	200% of base salary. Scaled back by 20% from 250% maximum
	Performance metrics (weighting)	• TSR relative to a bespoke group of UK and European retailers (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 • 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	• 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

Total remuneration earned in the year



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 2 May 2020 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 5 September 2019 and is effective from that date. The Annual Remuneration Report will 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 5 of the Code and has paid close regard to the principles of clarity, transparency, risk management, proportionality and alignment to culture and strategy. The Committee has complied with those principles in the year under review.

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

The policy set out here is the version approved by shareholders other than minor updates to certain sections such as the Remuneration Committee objectives, illustration of remuneration policy, shareholder and employee consultation, service agreements and dilution limits. The actual version which was approved by shareholders can be found in the annual report and accounts 2018/19.

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 2019/20 financial year, they were reviewed by the Committee in December 2019 and subsequently approved by the Board in January 2020. 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 colleagues. Our remuneration strategy is therefore designed to motivate high-performing colleagues 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 colleagues. 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 94 to 96. 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	Current executive directors will receive 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. Any executive director appointed after 5 September 2019 will receive a pension contribution in line with the level paid to the majority of the UK workforce across the Group, 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 June 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 2020/21 are set out in the Annual Remuneration Report on page 111 and full details will be disclosed at grant.
– 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 109.

Non-executive directors and Chair of the Board / Deputy Chair 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 Chair of the Board, Deputy Chair, 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

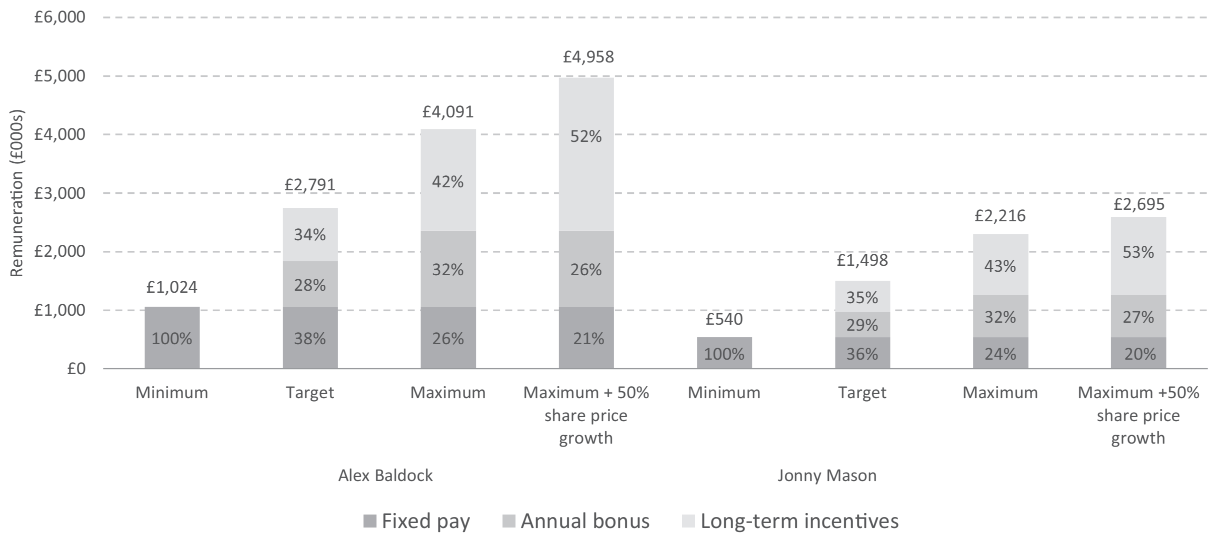
The policy provides flexibility for the Committee to determine the measures to be used in the Annual Performance Bonus and the LTIP. The measures used currently, and their purposes are set out below.

Measure	Where used	Purpose
EBIT	Annual Performance Bonus	Key measure of annual financial delivery
Average net debt	Annual Performance Bonus	Focus on the business's cash position
Net promoter score	Annual Performance Bonus	Captures the overall perception of our business in the eyes of our customers
Employee engagement	Annual Performance Bonus	Reflects how well we engage our colleagues – a factor which we know to be a key driver of retention and performance
Cumulative free cashflow	LTIP	A principal measure of the financial health of the business including the management of working capital, captured over a multi-year period
Relative TSR	LTIP	Seeks to measure the growth in shareholders' investment in Dixons Carphone (share price movements plus dividends paid) relative to other similar 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 2020, 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. No awards vest at the minimum performance level. Target performance assumes a vesting of 110% of salary (i.e. 55% of maximum award) and maximum performance vesting of 200% of salary. The LTIP reflects the scaled back award level of 200% made in 2020 (normal maximum: 250%).

(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.

Whilst employees are not formally consulted on executive remuneration, a number of them are shareholders and as such are able to exercise their influence. The Committee welcomes the introduction of the 'employee voice' initiative. During the year, an International Colleague forum was established to unify the existing country forums into a single, listening and engagement forum for colleagues. Tony DeNunzio, the Deputy Chair and Senior Independent Director attends the UK forum meetings with the Chief People Officer and Andrea Gisle Joosen, Independent Non-Executive Director attends the Nordics colleague forum meetings. Attendance at these forums provides a welcomed opportunity to directly engage with the wider workforce and to bring colleagues' views to both the Committee and Board discussions. In addition, 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 colleagues 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 provides the opportunity for all colleagues, subject to eligibility criteria, to become shareholders in the Company and the Company has put 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 and the provision of benefits. This discretion will not be used in respect of pension contributions in excess of the Committee's commitment to ensure that any newly appointed executive director will receive a pension contribution in line with the level paid to the majority of the UK workforce across the Group, up to 10% of base salary.

- 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 Chair of the Board 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 Chair of the Board 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 for executive directors

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 Chair of the Board Deputy Chair and the other non-executive directors have a notice period of three months from either party.

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

External appointments

The Board supports executive directors should they chose to take non-executive directorships as a part of their continuing development and agrees that the executive directors may retain their fees from one such appointment. Currently neither of the executive directors hold any non-executive directorships.

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 are made available at annual general meetings. Also scanned copies are available on request from cosec@dixonscarphone.com.

Legacy arrangements
For the avoidance of doubt, 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 14 July 2020, the Company's dilution position, which remains within the current Guidelines, was 5.2% for all plans (against a limit of 10%) and 3.8% 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 10 September 2020.

Remuneration Committee membership and attendance

Meetings

- The Remuneration Committee meets as and when required and at least twice a year.
- The Committee attended 6 scheduled meetings and 3 unscheduled meeting during the period under review.
- The Committee has met once 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 54 to 55.

Current members	Scheduled meetings
Tony DeNunzio (Chair)	6 of 6
Andrea Gisle Joosen	6 of 6
Gerry Murphy	6 of 6

Only members of the Remuneration Committee are entitled to attend Committee meetings. The Chair of the Board, Group Chief Executive, Group Chief Financial Officer, General Counsel and Company Secretary, Chief People Officer, Group Reward Director, Head of Executive Reward and Share Plans and 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 Chair of the Board and Deputy Chair;
- 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;
- reviewing the reward and benefits structures across the group for all levels of colleagues; 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 2019/20 included:

- reviewing and approving the Directors' Remuneration Report;
- assessing the performance of executive directors against pre-determined targets set for the 2018/19 annual bonus and approving the payments;
- agreeing the design of the 2019/20 annual bonus including performance measures and targets;
- agreeing the design of the 2019/20 share awards including the performance measures, reviewing the TSR peer group, considering whether awards should be scaled back in light of a fall in the Company's share price and setting targets;
- approving share awards to senior management under the 2016 Long Term Incentive Plan;
- agreeing the terms for the Sharesave;
- approving plans to make ongoing use of the Colleague Shareholder Scheme for new joiners;
- consulting with shareholders on remuneration matters, including the 2019 AGM voting outcome for the Remuneration Report and the dilution impact of ongoing awards under the Colleague Shareholder Scheme;
- approving the Deferred Share Bonus Plan rules;
- reviewing the Gender Pay submission;
- monitoring the developments in the corporate governance environment and investor expectations; and
- monitoring and ensuring alignment of remuneration practices across the Group.

Remuneration Report — Annual Remuneration Report continued

Statement of voting at shareholder meetings

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 2019:

Resolution	Votes for	%	Votes against	%	Withheld
Approval of directors' remuneration policy	831,610,451	89.26	100,031,252	10.74	33,572,688

The following table sets out the voting results in relation to the resolutions put to the annual general meeting 2019:

Resolution	Votes for	%	Votes against	%	Withheld
Approval of annual remuneration report	738,083,754	76.54	226,263,505	23.46	867,132

Shareholder Engagement

2019 AGM Remuneration Report voting outcome

The 2018/19 Directors' remuneration report was passed with 76.54% votes cast in favour at the Annual General Meeting ("AGM") held on 5 September 2019. The Committee acknowledged that this meant that a significant minority of shareholders did not support the resolution.

Prior to and after the AGM results, the Company and the Committee consulted with those shareholders and shareholder advisers who voted against the resolution and / or raised their concerns in order to better understand the issues behind the vote. From these discussions the primary concerns raised were:

- the level of bonus payments for 2018/19 given the assessment of business performance; and
- the number of shares in the 2019 LTIP award given the lower share price.

In the context of the concerns raised with respect to the 2018/19 bonus outcome, the Remuneration Committee recognised that the outcome was a difficult judgement at the point during the business transformation when it was taken. The Group Chief Executive and Group Chief Financial Officer joined the business in April 2018 and August 2018 respectively, at the start of the transformation and the 2018/19 targets when set represented a stretching view of performance in the context of the plan approved by the Board and market consensus. The executive directors delivered the financial targets for 2018/19 in line with this plan, exceeding the EBIT threshold and the Company's guidance issued in 2018.

The executive directors also both voluntarily deferred all of their cash bonus for 2018/19 into share awards that will not vest for 2 years. The executive directors volunteered to do this as they were keen to align themselves more strongly with shareholders. On this basis the Committee considered that the bonus pay out level was appropriate.

With regard to the LTIP award size, the Committee did consider whether a scale back of the award was required based on business performance, share price and market practice at the time. A review of comparable companies highlighted that many had not scaled back awards despite a similar share price fall. The Committee noted that there was already a reduction in the allocation amount from the prior year from 275% to 250% of salary, in line with the implementation of the new Remuneration Policy, and the Committee believed that the award levels were appropriate in the context of incentivising a new management team embarking on a major transformation of the business. However, the Committee understands that some shareholders took a different view and will be mindful of this when assessing the size of future awards.

Since the AGM, the Company has sought further engagement with our shareholders and the proxy agencies. As part of this engagement, the Company has either met with, or written to, shareholders representing over 70% of the Company's share capital and invited them to attend meetings with their choice of the Group Chair of the Board, Chair of the Remuneration Committee or Chair of the Audit Committee.

The Remuneration Committee and the Board has welcomed the opportunity to have constructive discussions on remuneration with our shareholders. The Committee has considered the feedback received when assessing the level of award for the 2020 LTIP and determined that a reduction of 20% in this year's award is appropriate. This decision is explained further in the Chair's opening letter.

Colleague Shareholder Scheme changes and dilution limits

In March 2020 we wrote to our major shareholders and the Investment Association regarding proposals to recategorise our Colleague Shareholder Scheme ("CSS") from a discretionary scheme (subject to the 5% dilution limit) to an all employee scheme (subject to the 10% dilution limit). We believed this to be consistent with the spirit of the scheme, and therefore this change effectively remedies a technical anomaly. The CSS is awarded to all eligible colleagues with the exclusion of senior management. The technical anomaly results from different share award values at different levels in the organisation and the fact that senior management are deliberately excluded. However, the CSS is effectively an all colleague scheme.

Following the feedback received during the consultation process, and given the strong support received from shareholders for this scheme and the recognition of our aim to increase all colleague share ownership within the business, the Committee will put a resolution to shareholders at the AGM to allow us to treat the CSS as an all-employee scheme and count its dilution just within our overall 10% limit on share usage.

Advice

The Committee retained Aon Hewitt throughout 2019/20 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 2019/20 for all remuneration services provided to the Group. Aon Hewitt received fees of £75,255 (2018/19: £180,000) in relation to the provision of those services. Fees are charged on a time and expenses basis. During the year, Aon Hewitt also provided other ad hoc remuneration services outside the scope of the Committee to the Company.

Remuneration details for 2019/20

The following sections set out how the Remuneration Policy was implemented during 2019/20 and how it will be implemented for the following year.

Single figure of directors' remuneration for the year ended 2 May 2020 (audited information)

	Basic salary and fees £'000[1]	Pension contributions[2] £'000	Annual bonus £'000	Taxable benefits[3] £'000	Total emoluments £'000	LTIP payments £'000	Total remuneration £'000
Executive							
Alex Baldock	850	85	0	103	1,038	—	1,038
Jonny Mason	470	47	0	13	530	—	530
	1,320	**132**	**0**	**116**	**1,568**	—	**1,568**
Non-executive							
Eileen Burbidge	64	0	0	1	65	—	65
Tony DeNunzio	138	0	0	2	140	—	140
Andrea Gisle Joosen	70	0	0	5	75	—	75
Lord Livingston of Parkhead[4]	296	0	0	1	297	—	297
Fiona McBain	74	0	0	6	80	—	80
Gerry Murphy	69	0	0	0	69	—	69
	711	**0**	**0**	**15**	**726**	**0**	**726**
	2,031	**132**	**0**	**131**	**2,294**	**0**	**2,294**

(1) Due to the impact of Covid-19, all members of the Board agreed to a temporary 20% reduction in base pay and fees from 5 April 2020 to 28 June 2020. Base pay amounts waived by Alex Baldock and Jonny Mason for the period from 5 April 2020, were £12,480 and £6,900, respectively. Andrea Gisle Joosen is paid on a lunar payroll cycle and therefore the impact of the 20% reduction on basic fees paid in the financial year is slightly different than for other non-executives, who are on a monthly payroll cycle. The reduction was applied from 5 April 2020 for all.

(2) Pension contributions comprise the Company's contribution or allowance in lieu. The contribution amount was 10% of salary for Alex Baldock and Jonny Mason.

(3) Taxable benefits for executive directors include private medical insurance and car allowance or driver benefit amounts. £101,863 for Alex Baldock relates to the grossed-up element payable to cover the tax liability for his car and driver, arising from business activities considered taxable by HMRC. 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 taxable by HMRC.

(4) 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 2019 (audited information)

	Basic salary and fees £'000[1]	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. The award will vest two years from the grant date, unless the executive director is dismissed for gross misconduct.
(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.

Annual bonus for 2019/20 (audited information)

The maximum bonus opportunity for executive directors was 150% of base salary based on performance in the 12-month period to the end of the financial year. The maximum is payable at the maximum level of performance, 20% of the maximum opportunity is payable on achievement of threshold performance (30% of base salary) and 60% on achievement of target performance (90% of base salary). No bonus is payable if the minimum EBIT threshold is not achieved.

Prior to the onset of the Covid-19 restrictions, Group performance was on track to deliver a bonus out-turn above threshold. However, as a result of significantly reduced revenues caused by the pandemic closures in the last two months of the year, the profit underpin was missed for the year as a whole. The Committee considered whether it was appropriate to over-ride this mechanism in light of ten months of strong performance and the exceptional and wholly external reasons why the year's target was missed. However, the executive team did not believe paying a bonus would have been the right course of action at a time when the focus should be on protecting the business and its cashflow for the benefit of all our stakeholders. The Committee accepted and welcomed the executive team's position on this issue. Therefore, notwithstanding the performance of the underlying measures shown in the table below, as the EBIT threshold was not met the Committee determined that there will be no annual bonus paid for 2019/20.

Measure	As a percentage of maximum bonus opportunity	Threshold	Target	Maximum	Actual	Potential Bonus % Achieved
Adjusted EBIT	50%	£234m	£254m	£284m	£194m	0%
Average net (debt) – variance vs budget	20%	(£50m)	0	£50m	£87m	20%
Customer Net Promoter Score	15%	64.5%	65.7%	66.6%	67.9%	15%
Employee engagement score(1)	15%	63%	65%	67%	62%	0%
Total						35%
Total Awarded						Nil

(1) Due to Covid-19, the Nordics business group did not carry out their annual engagement survey and so, as the Group target is a weighted average based on targets set for each region, in the absence of a Nordics result, both the target and outcome are shown excluding this region.

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 above the targets on a retrospective basis and the actual performance against these. The 2019/20 targets when set represented a stretching view of performance in the context of the plan approved by the Board and market consensus.

Long Term Incentive Plans (LTIP) and other share awards (audited information)

LTIP Awards made during 2019/20

Nil cost option awards of 250% of base salary were made to executive directors on 25 July 2019.

The awards made on 25 July 2019 have two equally weighted performance conditions. Half of the awards will be subject to the achievement of a relative TSR performance condition, measured against a bespoke comparator group comprised of 22 European Special Lines Retailers and other comparable companies at the start of the performance period. Awards made in years prior to 2019/20, were measured against the FTSE 51-150 group of companies, but that group is subject to different business dynamics and pressures to the Company. The Committee identified an alternative group of companies with similar characteristics for measurement. Looking at the closeness of share-price movement, relative share-price volatility and analysis of the business risk profile - a retail group was deemed to provide a better measure of outperformance. The Committee considered a UK-only peer group as well as a European group, with the latter providing a far larger sample of companies (and therefore a more robust comparator group) with little decline in quality of comparison versus the UK peers. The Committee therefore concluded that a peer group made up of UK and European Special Lines retailers would be the best group against which to measure performance. The list of companies included in the group is provided below.

The remaining half of the awards will be subject to the achievement of a cumulative free cash flow target.

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%

Comparator Group: AO World, Ceconomy Ag, Dufry AG, Dunelm Group, Esprit, Fenix Outdoor International AG, Fielmann AG, FNAC Darty SA, Grandvision N.V., JD Sports Fashion, Kingfisher, Maisons Du Monde S.A., Marks & Spencer Group., Mobilezone Holding Ag, Pets At Home Group, SMCP S.A.S., Sports Direct International, Superdry, Valora Holding AG, WH Smith, XXL ASA, Zur Rose Group AG.

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 2021/22 financial year	% of the free cash flow element vesting
Below £500m	0%
£500m	10%
Between £500m and £586m	Pro rata between 10% and 25% on a straight-line basis
£586m	25%
Between £586m and £674m	Pro rata between 25% and 100%
Above £674m	100%

Remuneration Report — Annual Remuneration Report continued

The free cash flow targets were set taking into account a number of inputs including market consensus at the time of the award and the external environment 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 205; 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.

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 table below sets out the LTIP awards made to the executive directors in 2019/20:

	Nil Cost Options awarded	Share Price at date of award £	Face Value £[1]	End of Performance Period	Vesting Date	Minimum value at threshold vesting £[2]
Alex Baldock – 250% of salary[3]	1,737,530	1.223	2,125,000	1 May 2022	25 July 2022	371,875
Jonny Mason – 250% of salary[4]	960,752	1.223	1,175,000	1 May 2022	25 July 2022	205,625

(1) The face value is calculated based on the number of options awarded multiplied by the share price at the date of award.
2) The minimum value at threshold vesting is calculated on 50% of the award operating with a threshold vesting of 25% of maximum, and 50% with a threshold vesting of 10% of maximum.
(3) Nil cost option awards were made to Alex Baldock on 25 July 2019 and the share price used to calculate the number of shares granted was the mid-market price on the day prior to grant, being 24 July 2019 (£1.223).
(4) Nil cost option awards were made to Jonny Mason on 25 July 2019 and the share price used to calculate the number of shares granted was the mid-market price on the day prior to grant, being 24 July 2019 (£1.223).

Deferred Share Bonus Plan Awards made during 2019/20

On 25 July 2019 the following nil cost options were granted to Alex Baldock and Jonny Mason under the Dixons Carphone 2018/19 Deferred Share Bonus Plan ("DSBP"):

	Nil Cost Options awarded	Share Price used to grant award [1] £	Face Value £[2]	Vesting Date
Alex Baldock	506,490	1.223	619,438	25 July 2021
Jonny Mason	199,494	1.223	243,981	25 July 2021

(1) The share price used to calculate the numbers of shares granted was using the mid-market price on the day prior to grant, being 24 July 2019.
(2) The face value is calculated based on the number of options awarded multiplied by the share price used to grant the award.

Each award (a nil cost option) will be satisfied using market purchase shares and will ordinarily vest and become exercisable on the second anniversary of grant.

Vesting of awards made under 2016 Long Term Incentive Plan (audited information)

Awards granted in June 2017 under the 2016 Long Term Incentive Plan (the 'LTIP') vested on 29 June 2020. The performance period for this award ended on 2 May 2020.

Neither of the current executive directors have awards in respect of this grant as the awards were made before they joined. However, the former executive directors, Sebastian James and Andrew Harrison, were both granted awards in June 2017 and were granted good leaver status on leaving, resulting in their awards being pro-rated for time.

Based on the achieved level of performance, the threshold required for vesting for both of the performance measures has not been met. The Committee decided whether any discretion should be applied to the vesting outcomes and determined that the awards lapsed on reaching their vesting date.

The performance measures for the award and the outcomes are shown below.

TSR Target

Level of Performance	Below Threshold	Threshold	Maximum	Achieved
TSR Performance over performance period	Below Median	Median	Upper Quartile	Below median
Vesting Level	0%	25%	100%	0%

EPS Target

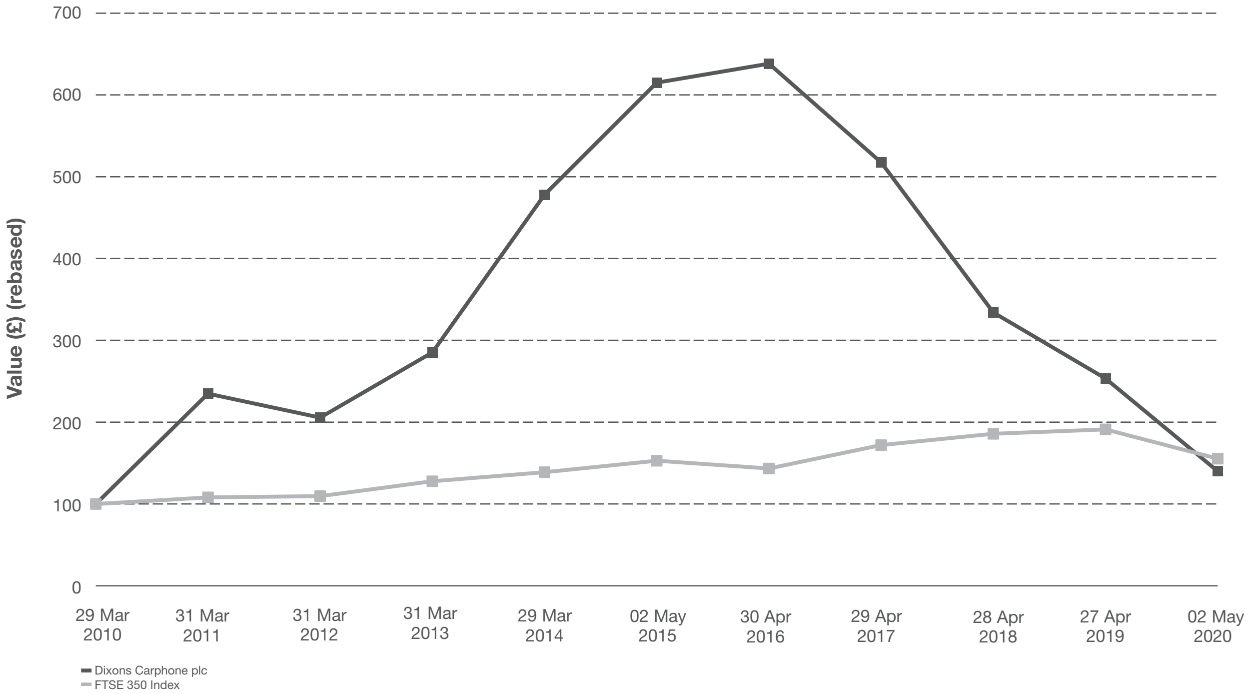
Level of Performance	Below Threshold	Threshold	Maximum	Achieved
EPS Growth over performance period	0%	7.5%	20%	-66%
Vesting %	0%	25%	100%	0%

Performance graph

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

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

Total shareholder return
Source: FactSet



This graph shows the value, by 2 May 2020, 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 ten-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 a gainst maximum %	Long-term incentive vesting rates against maximum opportunity %
2019/20	Alex Baldock[5]	**1,038**	**0**	**n/a**
2018/19	Alex Baldock	1,619	58%[4]	n/a
2017/18	Alex Baldock	75	0%	n/a
2017/18	Sebastian James	2,716[3]	0%	n/a
2016/17	Sebastian James	1,795	83%	n/a
2015/16	Sebastian James	1,616	68%	n/a
2014/15	Sebastian James	1,687	100%	n/a
2014/15	Andrew Harrison	420	100%	n/a
2013/14	Andrew Harrison	679	54%	n/a
2013/14	Roger Taylor	159	n/a	n/a
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.
(5) As a result of Covid-19, Alex Baldock voluntarily agreed to a temporary 20% base pay reductions with effect from 5 April 2020 to 28 June 2020.

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	0%[1]	1%[1][2]
Taxable benefits[3]	0%	0%
Annual bonuses[4]	-100%	-100%

(1) A 2% base pay increase was applied for 2019/20 for the Group Chief Executive and UK head-office based staff, however the Chief Executive and his direct reports voluntarily agreed to a temporary 20% base pay reductions with effect from 5 April 2020 to 28 June 2020.
(2) Changes in salary relating to changes in roles and / or responsibilities have been excluded from the increase presented for the wider Group.
(3) The percentage change in taxable benefits is considered to be 0% since there have been no material changes in Group benefits.
(4) No bonus was paid out for 2019/20 for either the UK & Ireland or Group, due to the EBIT performance threshold not being met by the business areas.

Relative importance of spend on pay

The following table sets out both the total cost of remuneration for the Group compared with adjusted EBIT and profits distributed for 2019/20 and the prior year. Adjusted EBIT was chosen by the Committee as it is the most appropriate measure of the Group's performance. Adjusted EBIT is defined in the glossary on page 203.

	2019/20 £million	2018/19 £million	Change %
Dividends paid[(1)]	**78**	116	-32.76%
Adjusted EBIT	**194**	363	-46.56%
Total staff costs – continuing operations[(2)]	**1,123**	1,170	-4.02%

	Number	Number	Change %
Average employee numbers – continuing operations[(2)]	42,209	42,990	-1.82%

(1) Extracted from note 24 to the Group financial statements.
(2) Extracted from note 4 to the Group financial statements.
(3) There were no share buybacks in 2018/19 or 2019/20.

CEO Pay Ratio

The legislation requires the publishing of the ratio of total remuneration of the Group 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)
2019/20	Option A	54:1	48:1	37:1
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 as at 30 April 2020 and ranked using 2019/20 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.
- The 2018/19 corporate bonus was excluded from the P60 figure as it related to earnings paid in respect of the prior year.
- 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 106.

The following table provides base salary and total remuneration information in respect of the 25th, 50th and 75th percentile colleagues, on a full-time equivalent basis.

Financial Year	Remuneration	Group Chief Executive	P25 (Lower Quartile)	P50 (Median)	P75 (Upper Quartile)
2019/20	Base salary	£850,455	£19,206	£20,202	£26,704
	Total remuneration	£1,038,737	£19,206	£21,590	£27,704

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.

Last year, the CEO pay ratio was disclosed on a voluntary basis. The pay ratio has improved since last year primarily because there was no 2019/20 bonus received by the CEO this year.

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 Service agreements section of the report on pages 107 to 108.

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 Chair of the Board's, Deputy Chair's and non-executive directors' services can be terminated by either party, the Company or the director, giving not less than three months' notice.

Remuneration Report — Annual Remuneration Report continued

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 Service agreements section of the report on pages 107 to 108.

External directorships

The policy relating to external directorships is outlined in the Remuneration Policy. No Executive Director held external directorships during 2019/20.

Leavers and joiners (audited information)

Full details were provided in last year's Remuneration Report on the changes in executive directors that took place during 2018/19. No changes took place in 2019/20 and no payments.

Payments to Past Directors (audited information)

No payments were made to past directors during 2019/20.

Directors' interests in LTIP (audited information)

	Date of grant	At 27 April 2019	Awarded in the year	Lapsed or forfeited in the year	Exercised in the year	At 2 May 2020	Date from which first exercisable	Expiry of the exercise period	Exercise Price (p)
Alex Baldock									
2016 LTIP	25 July 2019	–	**1,737,530**	–	–	**1,737,530**	25 July 2022	25 July 2029	–
2018/19 DSBP	25 July 2019	–	**506,490**	–	–	**506,490**	25 July 2021	25 July 2029	–
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)						**3,390,353**			
Total (without performance conditions)						**1,495,568**			
Jonny Mason									
2016 LTIP	25 July 2019	–	**960,752**	–	–	**960,752**	25 July 2022	25 July 2029	–
2018/19 DSBP	25 July 2019	–	**199,494**	–	–	**199,494**	25 July 2021	25 July 2029	–
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)						**1,962,456**			
Total (without performance conditions)						**280,929**			

Directors' interests in Sharesave (audited information)

	Date of grant	Exercise price (p)	At 27 April 2019	Awarded in the year	Lapsed or cancelled in the year	Exercised in the year	At 2 May 2020	Date from which first exercisable	Expiry of the exercise period
Alex Baldock									
Sharesave	10 Sep 2019	97.28	–	**13,939**	–	–	**13,939**	1 Oct 2024	1 Apr 2025
				13,939	–	–	**13,939**		

Directors' shareholding (audited information)

The Company share ownership guidelines are designed to encourage shareholding in the Company for executive directors.

The level of shareholding requirement for executive directors is 200% of base salary to be achieved five years from their appointment date.

Beneficially owned shares (including any interests held by connected persons e.g. spouse) count towards the guidelines, together with:

- unvested awards, on a 'net-of-tax' basis, granted under any deferred bonus arrangement or other plan/arrangement with no post-grant performance conditions; and
- shares subject to an unexpired holding period (including any shares held under a vested but unexercised option), on a 'net-of-tax' basis and provided that no further performance targets must be met.

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

	27 April 2019	27 April 2019	Purchased or awarded in the year			2 May 2020	2 May 2020
	Shares awarded (without performance conditions)	Beneficially owned shares (including any interests held by connected persons	Shares Purchased in year	Shares awarded (without performance conditions)	Sharesave	Total beneficial interests under share ownership guidelines[9]	Total beneficial share interests as a % of salary[10]
Executive directors							
Alex Baldock[1][11]	989,078	225,533	**150,000**	**506,490**	**13,939**	**1,176,889**	**97%**
Jonny Mason[2][11]	81,435	100,000	**75,000**	**199,494**		**322,909**	**48%**
Non-executive directors							
Eileen Burbidge[3]	—	0	**4,200**	**—**	**—**	**4,200**	**—**
Tony DeNunzio[4]	—	100,000	**100,000**	**—**	**—**	**200,000**	**—**
Andrea Gisle Joosen[5]	—	20,176	**4,800**	**—**	**—**	**24,976**	**—**
Lord Livingston of Parkhead[6]	—	105,631	**100,000**	**—**	**—**	**205,631**	**—**
Gerry Murphy[7]	—	50,000	**50,000**	**—**	**—**	**100,000**	**—**
Fiona McBain[8]	—	19,129	**9,000**	**—**	**—**	**28,129**	**—**

(1) Alex Baldock purchased 150,000 shares on 21 June 2019. The purchase price was £1.14 per share.
(2) Jonny Mason purchased 75,000 shares on 21 June 2019. The purchase price was £1.14 per share.
(3) Eileen Burbidge purchased 4,200 shares on 21 June 2019. The purchase price was £1.14 per share.
(4) Tony DeNunzio purchased 100,000 shares on 21 June 2019. The purchase price was £1.13 per share.
(5) Andrea Gisle Joosen purchased 4,800 shares on 21 June 2019. The purchase price was £1.14 per share.
(6) Lord Livingston of Parkhead purchased 100,000 shares on 21 June 2019. The purchase price was £1.14 per share.
(7) Gerry Murphy purchased 50,000 shares on 21 June 2019. The purchase price was £1.15 per share.
(8) Fiona McBain purchased 9,000 shares on 21 June 2019. The purchase price was £1.11 per share.
(9) This figure is calculated on a 'net of tax and commission basis', as appropriate.
(10) The percentage is based on base salary as at 2 May 2020 (before the 20% temporary reduction) and an average share price over the month to 2 May 2020 of £0.7127.
(11) Executive directors have five years from their appointment date to reach their shareholding requirement of 200%.

There were no changes in the directors' share interests between 2 May 2020 and the date of this Report.

Non-executive directors' and Chair of the Board's fees

The fees for the independent non-executive directors, including the Deputy Chair, 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 Chair of the Board 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.

Remuneration Report — Annual Remuneration Report continued

The fees were reviewed during 2019/20 and remain unchanged. The Chair of the Board and Deputy Chair 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.

	2019/20 £'000[4]	2018/19 £'000
Chair of the Board[1]	**300**	300
Deputy Chair[2]	**140**	140
Chair of Audit Committee[3]	**15**	15
Member of Audit Committee	**5**	5
Member of Nominations Committee	**5**	5
Member of Remuneration Committee	**5**	5

(1) The Chair of the Board's fee includes Chairship of the Nominations Committee.
(2) The Deputy Chair's fee includes the Senior Independent Director, Chairship of the Remuneration Committee, and membership of the Nominations Committee fees.
(3) The Chair of the Audit Committee fee includes fees for attending the board meetings of the two main operating subsidiaries.
(4) Due to the impact of Covid-19, all non-executive directors agreed to a temporary 20% reduction in fees with effect from 5 April 2020 to 28 June 2020. The figures represented do not reflect this 20% reduction, as it is temporary in nature.

How the Remuneration Policy will be applied in 2020/21

Executive directors

i) Base Salary

The following salaries will apply during the 2020/21 financial year:

	Salary at 2 May 2020 £'000[1]	Increase in salary in 2020/21 £'000	Salary at 1 August 2020 £'000
Current directors			
Alex Baldock	**867**	0	**867**
Jonny Mason	**479**	0	**479**

(1) Due to the impact of Covid-19, the executive directors agreed to a temporary 20% reduction in fees with effect from 5 April 2020 to 28 June 2020. The figures represented do not reflect this 20% reduction, as it is temporary in nature.

ii) Pension Contributions

Company pension contributions or allowance in lieu of 10% of base salary will be paid. The Committee is also mindful of investor expectations regarding pension contribution rates and is exploring ways to achieve alignment of the pension contributions for the current executive directors with those of the wider workforce.

iii) Annual performance bonus

The maximum annual bonus for 2020/21 will be 150% of base salary. Measures are selected to reflect the Group's key objectives and for 2020/21 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. One-third of any bonus earned will be deferred into shares for two years after payment. The Committee recognises that significant uncertainties remain as the country (and therefore the Company) moves out of lockdown, and therefore will review the bonus position as the year progresses, using its overriding discretion, if appropriate, in a manner that recognises the context of the business and shareholder experience, but maintains the incentive effective necessary to spur our recovery. The Committee will also use its discretion when reviewing bonus pay outs should it be demonstrated that a windfall gain has been received as a result of the use of any government subsidies received during the Covid-19 period. The Committee feels that specific targets relating to the 2020/21 bonus scheme are 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 2020/21 are shown in the table below:

	Weighting (as a percentage of maximum bonus opportunity
Adjusted 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. The normal level of awards, following the change in Policy in 2019, is 250% of salary for each of the executive directors. However, the Committee has considered carefully whether it is appropriate to grant this full amount and concluded it is not; rather awards will be made at 200% of salary, a 20% reduction on the normal level.

In reaching this conclusion, the Committee weighed several competing considerations. Since last year's LTIP awards were made the Company's share price has fallen from £1.22 to around 87p at the time this year's award was determined on 13 July 2020. Ordinarily, based on investors' guidance, this would trigger calls for awards to be scaled back. However, immediately prior to the onset of the Covid-19 pandemic, the share price had risen to around £1.42, an increase of over 16%. This is relevant since guidance from several investor bodies including the Investment Association is that share price falls related solely to Covid-19 should not necessarily trigger scale-back of awards so long as the Committee monitors the eventual vesting and is prepared to adjust for windfall gains. On the other hand, the Committee was conscious of the context of the 2019 AGM vote on remuneration, in which some shareholders voted against the remuneration report as a result of the 2019 LTIP awards not having been scaled back.

In our judgement, proceeding with a full award would have ignored this context and shareholders' recent experience. Equally, to have granted a number of shares with reference to the share price in 2018 and based on a share price depressed as a result of Covid-19 would have been punitive. While wishing to respond appropriately to shareholder concerns, we kept in mind the need to continue to reward and motivate an executive team that is continuing to make excellent progress on a major transformation programme while navigating unprecedented external challenges.

We believe that a scale back of 20% in award size strikes an appropriate balance between these considerations. The number of shares to be awarded was set as a fixed number of shares on 13 July 2020, based on 200% of the executives' respective salaries and the closing share price on 10 July 2020; the Board retains the flexibility to make adjustments if the share price moves significantly between the 10 July 2020 and the actual award date; awards will be made within six weeks of the announcement of our full-year results.

In light of the evolving external environment, we will set the targets for this award later than normal to allow a clearer picture to emerge on our emergence from lock-down and to gauge the market expectation of the long-term performance of the business. Full details of these 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.

Compliance

As required by the Regulations, resolutions to approve this Remuneration Report will be proposed at the 2020 Annual General Meeting.

Tony DeNunzio CBE
Chair of the Remuneration Committee
14 July 2020

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
14 July 2020

Jonny Mason
Group Chief Financial Officer
14 July 2020

Independent Auditor's Report

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Dixons Carphone plc (the 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 2 May 2020 and of the Group's loss for the 53 week period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement;
- the Company balance sheet;
- the Company statement of changes in equity; and
- the related notes 1 to 33 of the Group financial statements and notes C1 to C10 of the Company financial statements.

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 Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. 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 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. The non-audit services provided to the Group and Company for the year are disclosed in note 3 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report continued

3. 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; – Carphone Warehouse restructuring; – tax provisioning; – the going concern basis of accounting; and – impairment of UK&I Electricals goodwill, central assets and Company investments. Last year we included a key audit matter in respect of the allocation of goodwill and impairment in relation to the Mobile and Electricals UK & Ireland (UK&I) groups of cash generating units (CGUs). The allocation of goodwill in relation to the Mobile and Electricals UK&I groups of CGUs was a one-off matter triggered by the change in Operating Segments in the previous financial year. All goodwill allocated to the Mobile group of CGUs was impaired in the previous financial year. Our key audit matter has been revised for this year to be in respect of impairment of the UK&I Electricals goodwill, central assets and Company investments. Last year we included a key audit matter in respect of the IT infrastructure environment. Management has taken appropriate remedial action to address the most significant findings identified by our evaluation of the Group's controls over certain information systems. 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 announcement of the restructuring of the Carphone Warehouse business on the 17 March 2020, we have identified an additional key audit matter in the current year. This has been identified due to the judgement required in determining the valuation of the provisions associated with the restructuring. Due to the impact of the Covid-19 pandemic, the level of audit effort, judgement and complexity in the area of going concern has significantly increased. Accordingly, this is a key audit matter in the current year.
Materiality	The materiality that we used for the Group financial statements was £9.5m which was determined on the basis of considering a number of different metrics used by investors and other readers of the financial statements. These included: – adjusted profit before tax; – total assets; and – revenue. We have changed the basis on which we have determined materiality in the current period to reflect the volatility in the results of the Group arising from the impact of Covid-19. For further details refer to section 6 of this report.
Scoping	Our full scope audit procedures provided coverage at the Group's key locations, being the retail operations in the UK and Nordics, representing 94% of the Group's revenue.
Significant changes in our approach	We have identified the going concern basis of accounting and restructuring of the Carphone Warehouse business as additional key audit matters as set out above.

4. Conclusions relating to going concern, principal risks and viability statement

4.1. 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 both the Covid-19 pandemic and 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.

Refer to section 5.2 for details of our work regarding going concern.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2. 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 20-23 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 112 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 29 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.

Viability means the ability of the Group to continue over the time horizon considered appropriate by the directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Independent Auditor's Report continued

5. 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.

5.1. Revenue recognition – valuation of UK network receivables

Key audit matter description

The Group sells mobile phone contracts on behalf of a number of mobile operators. The valuation of gross network receivable and commission contract assets (2 May 2020: £1,005m, 27 April 2019: £1,294m), 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 subject to significant management judgement.

Included within the gross value are contract assets of £546m (27 April 2019: £702m). These are recognised where the performance obligations have been met but the right to consideration from the customer is conditional on something other than passage of time. The valuation is based on management's estimate of the extent to which it is highly probable that recognised revenue will not be subject to a material reversal in the future.

The valuation of the expected receivable is determined by four key assumptions:

- the expected level of customer spend in excess of their current contracted amount (known as out of bundle spend);
- the forecast customer default rate within the contract period;
- the forecast rate of customer renewals with the same network provider; and
- the expected customer behaviour beyond the initial contract period.

We have focused our risk related to the valuation of contract assets on the determination of these four key assumptions for the largest operators with which the Group has a relationship. Due to the level of judgement involved, we have determined that there is potential for manipulation of this balance.

The value of these assumptions influences the level of network commission revenue that the Group recognises. A change in these assumptions can also lead to the adjustment of revenue that has been recognised in prior periods. In determining these assumptions the Group considers historical activity by customers and operators and makes an assessment as to how this activity will change in the future. These future variations can be influenced by external factors, including customer behaviour, operator behaviour and changes to market regulations.

The downward revaluation of the opening network commission contract asset was recognised as a reversal of revenue of £47m. The reversal of revenue is related to a number of events or conditions that have changed since the previous balance sheet date including the Group's announcement of a significant strategic change for the Carphone Warehouse business and the impact of Covid-19 on the Group's assessment of future expected consumer behaviour as described in footnote iv in note 15.

5.1. Revenue recognition – valuation of UK network receivables (continued)

As described in note 15, in determining the revenue to recognise the Group applies a constraint to the total amount of commission that the Group will receive over the life of the relationship between the customer and the operator. This commission is recognised in full in the month of connection between the consumer and the operator as the Group has completed its performance obligation relating to connection. When estimating these future assumptions the Group does so to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur in a future period.

As described in note 1e to the Group financial statements, remeasurement of prior period assumptions due to changes in consumer behaviour, or where more recent information becomes available, are recognised as revenue in the income statement. Any changes in prior period assumptions, and their consequential impact on revenue, are eliminated from the Group's adjusted profit before tax which is a key alternative performance measure.

The key judgements and estimates involved are described in more detail in the Audit Committee report on page 74, in the key sources of estimation uncertainty disclosed in note 1t and in note 15 to the Group financial statements.

How the scope of our audit responded to the key audit matter

We obtained an understanding 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 procedures to assess the reasonableness of the four key assumptions. 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 and analysis.

In considering the assumptions we analysed existing and forthcoming changes in regulation and wider macro-economic environment. We considered whether these could lead to behavioural changes which would impact the amount of revenue recognised in the current year. Such changes could also risk the reversal of revenue recognised in previous accounting periods and the recoverability of the receivable on the balance sheet. Specifically, we considered expected behavioural changes relating to the events described in footnote iv in note 15 and challenged the quantum of constraint applied contract asset recognised at year end. 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 considered whether the reversal of revenue recognised was appropriate as a result of events occurring in the period.

We assessed the changes in assumptions in relation to the revenue recognised for current year connections between consumers and operators, and in relation to revenue recognised in previous accounting periods. In doing so we verified that the amount of revenue recognised in each circumstance is consistent with the captions disclosed in note 15. We assessed the disclosures relating to the treatment of out of period revaluations as an adjusting item in the reconciliation of adjusted profit before tax, a key alternative performance measure.

Independent Auditor's Report continued

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, summarised in note 15, provide an appropriate understanding of the estimates taken by management and how changes in these estimates have influenced the total revenue recognised from network commissions in the year. We consider that the reversal of revenue relating to prior periods is correctly stated and relates to the factors stated in note 15, part iv.

5.2.The going concern basis of accounting

Key audit matter description	The consolidated financial statements have been prepared on the going concern basis. Management has concluded that there are no material uncertainties which may cast significant doubt over the Group's and Company's ability to continue as a going concern for at least twelve months from the date of approval of the financial statements. In undertaking their assessment of going concern, which is supported by the cash flows of the Group, management reviewed the forecast future performance and anticipated cash flows. Management has updated their 2020/21 budget and three year forecasts to take into account their estimate of the impact of the Covid-19 pandemic and the financial support provided by the government to the Group. As part of their assessment, management considered the financing available to the Group, forecast compliance with the associated debt covenants and potential cost saving actions that the Group could take. At 2 May 2020, the Group had net cash and overdrafts of £120m and committed facilities of £1,360m, of which £324m had been drawn down. These facilities consist of three revolving credit facilities (£800m and £250m expiring in October 2022; and £266m expiring in April 2021) and a €50m term loan expiring in October 2020. These facilities contain covenants relating to the Group's leverage and fixed charges cover ratios. On 23 March 2020, the Group closed all its retail outlets in the UK. These started to reopen, albeit on a restricted basis, from 15 June 2020. During this period the Group's primary sources of revenue were from the online business in the UK and Greece, and from the Nordics business where the majority of the store estate remained open through enacting strict social distancing measures. The impact of the Covid-19 pandemic is described further on page 136. The implications of Covid-19 are evolving and there is significant uncertainty in respect of future potential financial impacts as a result. Should the impacts of the pandemic on trading conditions be more prolonged or severe than those currently considered by the Directors, the Group would need to implement additional operational or financial measures. In particular, there is significant judgement in managements' assessment of the reductions in cash inflows, the risk of further government restrictions in the future, the impact of mitigations initiated by the Group and compliance with the conditions of the Group's facility arrangements. Due to the impact of the pandemic there is significantly more judgement applied in developing short-term cash flow forecasts, particularly from the UK store estate, and in assessing the long-term impacts of the pandemic on consumer spending in all territories.

5.2.The going concern basis of accounting (continued)

Management has considered a range of scenarios in assessing the impact of Covid-19 as detailed on page 136, which includes a reverse stress test of assumptions that would need to occur for the Group to require additional sources of financing. The scenarios considered by management primarily model an impact on forecast revenue and operating profit margin against their initial budget, the impact of cost savings primarily related to the transformation of the Mobile business, and mitigations initiated by the Group. Full details of the scenarios applied by management are set out in detail on page 136.

Taking into account the sensitivities, management has concluded that the Group and Company have adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

We have identified a key audit matter related to the going concern basis of accounting as a result of the judgement required to conclude there is not a material uncertainty related to going concern. The key audit matter is pinpointed to the assumptions and mitigations to which the fixed charge cover ratio covenant is most sensitive to. This reflects that this covenant is the most sensitive to downside assumptions in forecast trading performance.

Further details of the Directors' assessment are included within the Strategic Report on pages 2 to 30, the Audit Committee Report on page 71 to 79 and in note 1a to the financial statements.

How the scope of our audit responded to the key audit matter

In responding to the identified key audit matter we completed the following audit procedures:

- obtained an understanding of key controls over management's going concern models, including the review of the inputs and assumptions used in those models and evaluated whether such controls had been effectively implemented;
- tested the accuracy of management's models, including agreement to the most recent board approved budgets and forecasts which included the impact of Covid-19;
- we challenged the key assumptions of these forecasts by:
  - reading analyst reports, industry data and other external information and comparing these with management's estimates;
  - comparing forecast sales with the Group's performance during the period of closure due to the initial Covid-19 pandemic. This included the performance of the online operations of the business during March, April and May 2020 while the Group's UK store estate was closed and performance of the online operations and the stores once the estate reopened in June 2020. We also challenged the future performance of the UK store estate with reference to the performance of the Nordics business segment which did not close, and the post re-opening trading in Ireland and Greece;
  - considering the forecast revenue from the Nordics business segment with reference to its performance throughout March to May 2020;
  - challenging management's assessment of the impact of mitigations initiated by the Group to reduce costs and manage cash flows;
  - understanding the level of further mitigations available to the Group beyond those included within the forecast. This included challenging the extent to which these mitigations are within the control of management against historical financial information and costs included in the management's underlying forecasts;

Independent Auditor’s Report continued

5.2.The going concern basis of accounting (continued)

– assessed the impact of reasonably possible downside scenarios on the Group’s funding position, including requesting the Directors to perform additional sensitivity analysis to reflect a more severe or prolonged period of uncertainty. This included an assessment of the likelihood of the ‘reverse stress test’ scenario;

– reviewed the basis of the calculation per the loan agreement to the calculation that management performed for determining the forecast fixed charge cover ratio covenant at each covenant measurement point;

– reviewed correspondence relating to the availability of the Group’s financing arrangements, including the reduction in the hurdle rate for assessing covenant compliance for October 2020 obtained by the Group in relation to its revolving credit facilities. We also reviewed the Group’s covenant compliance over the forecast period and challenged whether the forecast covenant calculations were in accordance with the specified terms of the facility agreements and included all appropriate revenue and costs;

– assessed the accuracy of the forecast fixed charges included in management’s forecast compliance with the fixed charges cover ratio covenant; and

– assessed the sufficiency of the Group’s disclosure concerning the going concern basis and uncertainties arising.

Key observations

Management’s forecasts, reasonably possible downside scenarios and reverse stress test, indicate that the Group has sufficient financial resources over the going concern period.

We are satisfied with management’s conclusion that there are no material uncertainties over the Group and Company’s ability to continue as a going concern.

We reviewed the disclosures prepared by the Directors set out on pages 135 to 137 and consider them to be appropriate.

5.3. Carphone Warehouse Restructuring

Key audit matter description

Following the announcement of the closure of all standalone Carphone Warehouse stores, we identified a key audit matter in relation to the valuation of restructuring provisions. Impairment of IFRS 16 right of use assets as a result of the closure of the Carphone Warehouse property estate totals £32m. Additionally, Carphone Warehouse related restructuring provisions form a significant part of the total reorganisation and property provisions disclosed in note 21. The total reorganisation and property provisions held at 2 May 2020 are £25m and £40m respectively. Accounting for these provisions is complex and involves management making a number of forward-looking estimates such as future redundancy costs, property-related costs and IT costs.

Furthermore, there is incentive for management to inappropriately identify costs as relating to the restructuring of the Carphone Warehouse business, as these will be treated as an adjusting item which directly impacts the value of adjusted profit before tax which is a key metric for the Group. Therefore we have also pinpointed our key audit matter to the classification of costs related to the restructuring.

Due to the incentive for management to inappropriately identify costs as relating to the restructuring of the Carphone Warehouse business, we have determined that there is potential for manipulation through the misleading presentation of the costs associated with this restructuring programme.

Further information in this area is discussed in note 21 to the financial statements, in the Audit Committee report and in section A5 of the alternative performance measures (APMs) appendix to the Annual Report.

5.3. Carphone Warehouse Restructuring (continued)

How the scope of our audit responded to the key audit matter	We obtained an understanding of the senior management review control of the valuation of the restructuring provisions and which costs were determined to relate to restructuring of the Carphone Warehouse business. We obtained management's estimation of the total costs associated with the restructure. For each component of the provision we have performed procedures to assess, based on current facts and circumstances, whether the estimates made by management are appropriate. In order to assess the valuation of the individual elements of the provision we assessed the completeness and accuracy of the data used by management. This included agreeing amounts to payslips, agreeing to actual property costs incurred and challenging whether the allocated IT costs were specific to the restructuring of the business. We challenged management on the classification of adjusted items attributed to the Carphone Warehouse restructuring against the Group's accounting policy, as set out in the APMs appendix to the Annual Report.
Key observations	We concur with the amounts recognised in relation to the Carphone Warehouse restructuring provisions. We agree that the related adjusted items included in management's reconciliation of adjusted profit before tax, a key alternative performance measure, are appropriately disclosed as being in respect of the Carphone Warehouse restructuring.

5.4. Tax Provisioning

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 £220m in relation to uncertain tax positions, excluding any penalties and interest, as set out in note 31 and note 1t. Our key audit matter is focused on the valuation of the provision in respect of the two largest exposures in the UK, 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 1t and in note 31 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 and disclosures 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 and legal counsel which management has utilised in calculating the provisions. Our specialists also held discussions with, and assessed the competency, capabilities and objectivity of, management's external advisors in determining the extent of any amount that could become payable.

Independent Auditor's Report continued

5.4. Tax Provisioning (continued)

Key observations

We concur with the 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.

5.5 Impairment of UK&I Electricals goodwill, central assets and Company investments

Key audit matter description

In light of the impact of Covid-19, there is a heightened risk of impairment in respect of the UK&I Electricals goodwill of £1,840m, allocable central assets and Company investments in subsidiaries of £2,670m.

£1,840m of goodwill is reviewed by management for impairment within the UK&I Electricals group of cash generating units (CGUs). As set out in note 8b to the Group financial statements, management assess the recoverable amount of the group of CGUs by calculating its value in use using projections covering a five-year period.

There is judgement required by management in determining their forecasts, particularly in respect of the later and terminal years of their five-year period projections.

As disclosed in note 8 we note that a reasonably possible change in management's forecast annual operating profit by the end of their Strategic Plan forecasts in 2023/24 would result in headroom of the UK&I combined groups of CGUs being eroded to nil. We note there is uncertainty in the assumptions underlying these forecasts, particularly in respect of forecast operating profit. Management has included a key source of estimation uncertainty in note 1t, and provided associated sensitivity disclosures in respect of the long term operating profit of the UK&I Electricals group of CGUs as set out in note 8.

Management has reviewed the recoverability of the investment in subsidiaries held by the Company at 2 May 2020 by comparing to the total value in use of their forecasts for the Group. As stated in note C4, as at 2 May 2020, management's forecasts for the Group value the business significantly higher than the valuation implied by the Group's market capitalisation.

Further information in this area is discussed in the Audit Committee report on page 75 and in note 8 to the Group financial statements.

5.5 Impairment of UK&I Electricals goodwill, central assets and Company investments (continued)

How the scope of our audit responded to the key audit matter

We have completed the following procedures:

- obtained an understanding of key controls relating to the review and approval of the impairment review and evaluated whether such controls had been effectively implemented;
- tested the mechanical accuracy of the model and cash flow forecasts and assessed whether the methodology used in determining the recoverable amount is consistent with IAS 36;
- challenged the key assumptions used by management in their impairment review through comparison to historical performance and external evidence. In particular, we challenged management in respect of their forecast improvement in operating profit. We assessed this by:
  - considering the extent to which the possible effects of Covid-19 should be included in the impairment models and assessing the impact of the pandemic with reference to the recent performance of the Group while the store estate was closed and subsequent to the reopening of stores in key territories;
  - challenging management on the overall valuation of their forecasts by benchmarking the minimum EBIT multiple valuation required to support the carrying value of assets against the EBIT multiple of comparator companies;
  - considering the reasonableness of management's short term cash flow forecasts, including cost savings related to the transformation of the Mobile business that the Group expects to achieve, which form a key part of management's value in use model used to derive the recoverable amount of the group of CGUs. We assessed whether the Group was committed to these plans to the extent that the cost savings can be included in an impairment assessment under IAS 36; and
  - evaluating management's assessment of the sensitivity to forecast operating profit margin required to indicate an impairment. We compared the breakeven operating profit margin to the margins achieved by comparator companies;
- engaged our internal valuation specialist to assess the appropriateness of the discount rate;
- benchmarked the long term growth rates to applicable macro-economic and market data;
- challenged management's rationale for the premium of the net assets of the Group and Company above the market capitalisation of the Group;
- assessed the completeness of assets being included in the asset base and the appropriateness of any liability balances included by management;
- evaluated management's assessment of assets which cannot be allocated on a reasonable and consistent basis to the UK&I Electricals group of CGUs; and
- we assessed the completeness and accuracy of disclosures included in note 1t and 8 against the requirements of IAS 1 and IAS 36 respectively.

Independent Auditor's Report continued

5.5 Impairment of UK&I Electricals goodwill, central assets and Company investments (continued)	
Key observations	We considered that the related disclosures in note 1t, and associated sensitivity disclosures in note 8, appropriately summarise the uncertainties associated with this assumption. We concur with management's conclusion that no impairment of the goodwill or central assets allocated to the UK&I Electricals group of CGUs is required. We concur with management's conclusion that no impairment of the Company investments is required.

6. Our application of materiality

6.1. 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:

	Consolidated financial statements	Company financial statements
Materiality	£9.5m (2018/19: £12.4m)	£9.0m (2018/19: £11.7m)
Basis for determining materiality	We considered the following metrics: – Adjusted profit before tax – Total assets – Revenue Using professional judgement we determined materiality to be £9.5m. In the prior year, materiality was determined on the basis of 5% of adjusted profit before tax, taking into account the amortisation of acquisition intangibles and pension finance costs due to their recurring nature.	Company materiality equates to 0.33% of net assets, which is capped at 95% of group materiality.
Rationale for the benchmark applied	In determining our benchmark for materiality we considered a number of different metrics used by investors and other readers of the financial statements. This approach is a change from the prior year to reflect the volatility in the results of the Group arising from the impact of Covid-19. Materiality for the current year represents 7.5% of adjusted profit before tax (2018/19: 4.1%), 0.12% of total assets (2018/19: 0.16%) and 0.09% of revenue (2018/19: 0.12%).	Net assets was selected as an appropriate benchmark for determining materiality, as the Company acts as a holding company.

6.2. Performance materiality

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 2019/20 audit (2018/19: 70%). In determining performance materiality, we considered the following factors:

a. The impact of Covid-19 and industry wide pressure on the financial statements, the judgements taken by management and the associated disclosures;

b. Our risk assessment, including our assessment of the Group's overall control environment and our reliance on controls in the Nordics; and

c. Our past experience of the audit, including the low value of profit impacting misstatements identified in prior periods and management's willingness to correct any misstatements identified.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.5m (2018/19: £0.6m), 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.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our group audit scope primarily on the audit work of the retail operations in the UK and the Nordics, which is consistent with the previous year. Each of these components requires a local statutory audit.

These locations represent the principal business units and account for approximately 94% of the Group's revenue from continuing operations (2018/19: 93%). 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 £5.7m to £6.7m (2018/19: £8.6m to £9.3m).

7.2. Our consideration of the control environment

Dixons Carphone plc is reliant on the effectiveness of a number of IT applications and controls to ensure that financial transactions are processed and recorded completely and accurately.

UK control environment

The revenue earned from extended warranty service agreements with customers relies upon a single financial reporting system, the general IT controls of which we found to be operating effectively. As a result, in the UK, we relied on the operating effectiveness of controls over this operating cycle. We also tested and relied upon the operating effectiveness of controls associated with the Dixons supplier funding operating cycle, as this does not rely upon automated controls.

Due to the IT deficiencies identified in prior years, we did not plan to rely on the effectiveness of the controls over other operating cycles as these rely on automated controls.

As a result of the IT deficiencies identified in the prior and current years, we completed additional substantive procedures. 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 Group's IT infrastructure.

General IT controls continue to be a focus area for management and the Audit Committee. Further information is set out in the risk management and internal control section of the Audit Committee report on page 75.

Nordics control environment

In the Nordics, we relied upon controls across the following operating cycles: inventory, supplier funding, cash, property, plant & equipment, trade payables, revenue and cost of goods sold.

We tested and relied upon the operating effectiveness of two finance systems. In assessing the general IT controls of these systems, we identified some minor control deficiencies in both systems. We completed additional procedures to mitigate the risk arising from these control deficiencies. As a result, where required, we relied upon the operating effectiveness of these IT systems for our testing of the above operating cycles.

Independent Auditor's Report continued

7.3. Working with other auditors

The same audit team is responsible for both the Group and UK component audit work, incorporating the services of Deloitte India for certain areas of the UK component audit work where these business processes are led by the Group's outsourced service provider in India.

The Group audit team engaged a component audit team from Deloitte Norway to perform an audit of the Nordics sub-consolidation. The Group audit team held regular communication with the component auditor ahead of and during the year end audit process. Oversight of the component audit team included reviewing the audit work of the component audit team via video conferencing.

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.

8. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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.

We have nothing to report in respect of these matters.

9. 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 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 Company or to cease operations, or have no realistic alternative but to do so.

10. 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations 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.

11. 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.

11.1. 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, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their 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 fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the valuation of management's provision in respect of future customer compensation in relation to the mis-selling of Geek Squad mobile phone insurance policies;
- the matters discussed among the audit engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, insurance, pensions, IT and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: valuation of UK network receivables, the going concern basis of accounting, Carphone Warehouse restructuring and supplier funding. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation, tax legislation and FCA regulation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's health and safety, insurance selling and environmental regulations.

Independent Auditor's Report continued

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of UK network receivables, the going concern basis of accounting and Carphone Warehouse restructuring as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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 provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- assessing the valuation of UK&I Electricals supplier funding related accruals that require the most significant level of management judgment by confirming a sample of items directly with the supplier;
- 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
- 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

12. 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 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.

13. Matters on which we are required to report by exception

13.1. 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. 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.

14. Other matters

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board on 31 July 2003 to audit the financial statements of the Group for the year ending 29 March 2003 and subsequent financial periods. The period of total uninterrupted engagement as the Group's auditor, including previous renewals and reappointments of the firm is 18 years, covering the years ending 2003 to 2020. The period of engagement as the Company's auditor, following a group restructuring, since being incorporated in 2009, is 10 years, covering the years ending 2011 to 2020.

14.2. 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).

15. 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

14 July 2020

Consolidated Income Statement

	Note	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Continuing operations			
Revenue	2,3	**10,170**	10,433
Loss before interest and tax	2,3	**(28)**	(223)
Finance income		**10**	11
Finance costs		**(122)**	(47)
Net finance costs	5	**(112)**	(36)
Loss before tax		**(140)**	(259)
Income tax expense	6	**(21)**	(52)
Loss after tax – continuing operations		**(161)**	(311)
Loss after tax – discontinued operations	25	**(2)**	(9)
Loss after tax for the period		**(163)**	(320)
Loss per share (pence)	7		
Basic – continuing operations		**(13.9)p**	(26.8)p
Diluted – continuing operations		**(13.9)p**	(26.8)p
Basic – total		**(14.1)p**	(27.6)p
Diluted – total		**(14.1)p**	(27.6)p

Consolidated Statement of Comprehensive Income

	Note	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Loss after tax for the period		**(163)**	(320)
Items that may be reclassified to the income statement in subsequent years:			
Cash flow hedges	23		
Fair value movements recognised in other comprehensive income		**26**	10
Reclassified and reported in income statement		**12**	(19)
Exchange loss arising on translation of foreign operations		**(39)**	(30)
Tax on items that may be subsequently reclassified to profit or loss		**—**	2
		(1)	(37)
Items that will not be reclassified to the income statement in subsequent years:			
Actuarial losses on defined benefit pension schemes – UK	22	**(3)**	(128)
– Overseas	22	**(1)**	(1)
Fair value through other comprehensive income financial assets	13		
(Losses) / gains arising during the period		**(8)**	1
Tax on actuarial movements on defined benefit pension schemes	6	**(39)**	22
		(51)	(106)
Other comprehensive expense for the period (taken to equity)		**(52)**	(143)
Total comprehensive expense for the period		**(215)**	(463)

Consolidated Balance Sheet

	Note	2 May 2020 £m	27 April 2019 (restated) £m	28 April 2018 (restated) £m
Non-current assets				
Goodwill	8	**2,803**	2,840	3,088
Intangible assets	9	**469**	464	478
Property, plant & equipment	10	**240**	276	394
Right-of-use assets*	11	**1,114**	—	—
Lease receivable*	12	**4**	—	—
Investments	13	**10**	18	17
Interests in joint ventures and associates		**—**	—	1
Trade and other receivables	15	**294**	387	507
Deferred tax assets	6	**259**	282	240
		5,193	4,267	4,725
Current assets				
Inventory	14	**970**	1,156	1,145
Lease receivable*	12	**1**	—	—
Trade and other receivables	15	**831**	1,039	1,154
Derivative assets	26	**76**	18	27
Assets held for sale		**—**	—	17
Cash and cash equivalents**	16	**660**	665	1,383
		2,538	2,878	3,726
Total assets		**7,731**	7,145	8,451
Current liabilities				
Trade and other payables	17	**(2,017)**	(2,350)	(2,505)
Derivative liabilities	26	**(52)**	(6)	(7)
Contingent consideration	18	**(1)**	(1)	(1)
Income tax payable*		**(78)**	(76)	(72)
Loans and other borrowings**	19	**(584)**	(559)	(1,218)
Lease liabilities*	20	**(258)**	(3)	(3)
Liabilities held for sale		**—**	—	(2)
Provisions*	21	**(114)**	(86)	(67)
		(3,104)	(3,081)	(3,875)
Non-current liabilities				
Trade and other payables	17	**(131)**	(252)	(318)
Contingent consideration	18	**(2)**	(4)	(12)
Loans and other borrowings	19	**(280)**	(288)	(329)
Lease liabilities*	20	**(1,186)**	(80)	(82)
Retirement benefit obligations	22	**(550)**	(579)	(472)
Deferred tax liabilities	6	**(162)**	(156)	(135)
Provisions	21	**(36)**	(65)	(32)
		(2,347)	(1,424)	(1,380)
Total liabilities		**(5,451)**	(4,505)	(5,255)
Net assets		**2,280**	2,640	3,196
Capital and reserves	23			
Share capital		**1**	1	1
Share premium reserve		**2,263**	2,263	2,263
Accumulated profits***		**791**	1,089	1,610
Other reserves***		**(775)**	(713)	(678)
Equity attributable to equity holders of the parent company		**2,280**	2,640	3,196

* During the period the Group has adopted IFRS 16: 'Leases' using the modified retrospective approach, as a result prior year comparative numbers have not been restated. Lease liabilities for the year ended 27 April 2019 relate solely to finance lease obligations recognised in accordance with IAS 17. See note 32 for details of transitional impacts.

** Cash and cash equivalents and loans and other borrowings have been restated to meet the presentational requirements of IAS 32 as further described in note 1. This has had no impact on net assets.

*** In order to provide better visibility of reserves, the Group has restated the comparative periods to reclassify certain reserves balances. The Group has separately presented 'other reserves' for the first time in the period. This is to separately disclose the hedging, investment in own shares, and investment revaluation reserves which were previously presented within accumulated profits. Other reserves also include the previously disclosed translation and demerger reserves. These are described in detail and a full reconciliation of these reserves is provided in note 23.

The financial statements were approved by the directors on 14 July 2020 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 £m	Share premium reserve £m	Other reserves* £m	Accumulated profits £m	Total equity £m
At 28 April 2018*		1	2,263	(678)	1,610	3,196
Adjustment on initial application of IFRS 15 (net of tax)		—	—	—	4	4
Adjustment on initial application of IFRS 9 (net of tax)		—	—	—	(1)	(1)
Adjusted balance at 28 April 2018		1	2,263	(678)	1,613	3,199
Loss for the period		—	—	—	(320)	(320)
Other comprehensive income and expense recognised directly in equity		—	—	(36)	(107)	(143)
Total comprehensive income and expense for the period		—	—	(36)	(427)	(463)
Amounts transferred to the carrying value of inventory purchased during the year		—	—	1	—	1
Equity dividends	24	—	—	—	(116)	(116)
Net movement in relation to share schemes		—	—	—	19	19
At 27 April 2019		1	2,263	(713)	1,089	2,640
Adjustment on initial application of IFRS 16	32	—	—	—	(45)	(45)
Taxation on IFRS 16 transition adjustment	32	—	—	—	8	8
Adjusted balance at 27 April 2019		**1**	**2,263**	**(713)**	**1,052**	**2,603**
Loss for the period		**—**	**—**	—	**(163)**	**(163)**
Other comprehensive expense recognised directly in equity		**—**	**—**	**(9)**	**(43)**	**(52)**
Total comprehensive income for the period		**—**	**—**	**(9)**	**(206)**	**(215)**
Amounts transferred to the carrying value of inventory purchased during the year		**—**	**—**	**(41)**	**—**	**(41)**
Equity dividends	24	**—**	**—**	**—**	**(78)**	**(78)**
Net movement in relation to share scheme		**—**	**—**	**—**	**23**	**23**
Purchase of own shares		**—**	**—**	**(12)**	**—**	**(12)**
At 2 May 2020		**1**	**2,263**	**(775)**	**791**	**2,280**

* In order to provide better visibility of reserves, the Group has restated the comparative periods to reclassify certain reserves balances. The Group has separately presented 'other reserves' for the first time in the period. This is to separately disclose the hedging, investment in own shares, and investment revaluation reserves which were previously presented within accumulated profits. Other reserves also include the previously disclosed translation and demerger reserves. These are described in detail and a full reconciliation of these reserves is provided in note 23.

Consolidated Cash Flow Statement

	Note	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Operating activities			
Cash generated from operations*	27	**649**	377
Contributions to defined benefit pension scheme		**(46)**	(46)
Income tax paid		**(20)**	(45)
Net cash flows from operating activities		**583**	286
Investing activities			
Net cash outflow arising from acquisitions		**(3)**	(1)
Proceeds from disposal of property, plant & equipment		**—**	9
Proceeds on sale of business		**2**	8
Acquisition of property, plant & equipment and other intangibles		**(191)**	(166)
Net cash flows from investing activities		**(192)**	(150)
Financing activities			
Interest paid*		**(106)**	(23)
Capital repayment of lease liabilities*		**(219)**	(8)
Purchase of ordinary shares		**(12)**	—
Equity dividends paid		**(78)**	(116)
Drawdown / (repayment) of borrowings		**36**	(61)
Facility arrangement fees paid		**(4)**	(1)
Net cash flows from financing activities		**(383)**	(209)
Increase / (decrease) in cash and cash equivalents and bank overdrafts		**8**	(73)
Cash and cash equivalents and bank overdrafts at beginning of the period		**106**	185
Currency translation differences		**6**	(6)
Cash and cash equivalents and bank overdrafts at end of the period		**120**	106

* During the period the Group has adopted IFRS 16 using the modified retrospective approach, as a result prior year comparative numbers have not been restated. For the year ended 27 April 2019 capital repayments on lease liabilities relate solely to finance leases recognised in accordance with IAS 17. Prior period cash generated from operations includes lease rental expenses that fall within the scope of IFRS 16 in the current period. The transitional impact is further described in note 32.

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 based on the Group's primary economic environment, and on the historical cost basis except for the revaluation of certain financial instruments and defined benefit pension obligations, as explained below. All amounts have been rounded to the nearest £1m, unless otherwise stated.

The Group has adopted IFRS 16: 'Leases' effective for the current financial year from 28 April 2019 using the modified retrospective approach. Comparatives for the prior reporting period have not been restated and continue to be reported under IAS 17: 'Leases', as permitted under the specific transitional provisions of IFRS 16. The reclassifications and the adjustments arising from the new leasing standard are therefore recognised in opening reserves as at 28 April 2019. Further details on the adoption and transitional impacts of IFRS 16 are described in note 32.

Alternative performance measures (APMs)
In the prior year, the financial statements included presentation of alternative performance measures in addition to IFRS measures. In the current year, the financial statements present only IFRS measures which are in line with the basis of preparation disclosed above. The alternative performance measures used by the group are included within the glossary and definitions section of the Annual Report on page 202. This includes further information on the definitions, purpose, and reconciliation to IFRS measures.

Going concern
Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements. The Group and Company's business activities, factors likely to affect future development, performance and position, as well as the principal risks are set out in the Strategic Report on pages 20 to 23. The Group and Company's funding arrangements and processes for managing its exposure to liquidity risk are set out in notes 19 and 26. The Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the annual financial statements. The Directors have reached this conclusion based on the following considerations.

Key judgements
The key judgement that the Directors have considered in forming their conclusion is the potential impact of Covid-19 on future revenue and earnings. In relation to forecast revenue the primary consideration is the likelihood and future impact of a recurrence of Covid-19 which could result in the closure of stores in the Group's key markets. The Directors have also considered the longer-term economic outlook in the countries where the Group operates. In forming their conclusion, the Directors have reviewed the trading performance during the first lockdown period, which varied across the countries where the Group operates, between 18 March 2020 and 14 June 2020, the trading performance since restrictions have been lifted in the Group's key markets and have considered the extent to which the observed level of trading activity should influence the trading forecasts over the lookout period, particularly in light of the uncertain economic environment.

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

Operational impact of the virus
Stores
- In line with Government regulations, the Group's stores in Greece closed on 18 March 2020 and all UK and Ireland stores closed on 24 March 2020. Our Nordics stores predominantly remained open throughout the period. Our stores in Greece were then fully reopened between 11 - 18 May 2020, and our stores in UK and Ireland began to reopen from 15 June 2020 and 18 May 2020 respectively.
- In our stores we have ensured colleague and customer safety through measures including protective barriers for cashiers, contactless payment, pre-paid pickups and increased cleaning and hygiene actions.

Online
- Across the Group, the online sales channel remained operational, and as described on page 8, the Group benefitted from an increase in online activity. To ensure delivery colleague safety, shift patterns were adjusted to reduce potential congestion and rosters are designed to keep colleagues in the same pairs and the same vehicle wherever possible. Among many measures, our colleagues are equipped with masks and full safety equipment, and deliveries are done on a no-contact basis. We ask customers to keep a safe distance from our colleagues while they are delivering to, or working in or near, their homes.
- Our distribution centres have introduced extensive measures to keep our colleagues safe, including social distancing in all areas, one-way systems, signage and tannoy reminders, regular cleaning and sanitisation of all frequently touched surfaces.

Notes to the Group Financial Statements continued

1 Accounting policies continued

a) Basis of preparation continued

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

Mitigations implemented
In responding to the impact of the pandemic the Group has initiated a number of mitigations that are relevant for assessing cashflows during the going concern period:

Utilised Government cost support – We furloughed over 16,500 store, supply chain and support colleagues across territories who were temporarily not working due to Covid-19. All UK&I furloughed colleagues are paid at 80% of their salary, with the Company making up any difference beyond the Government subsidy limits. In 2019/20 the UK job retention scheme combined with the UK business rates suspension and International government support measures lowered net operating costs by c.£30m. We expect these measures to reduce net operating costs by c.£80m in 2020/21.

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

Reduced capital expenditure – The Group capital expenditure in 2019/20 was £191m, slightly lower than previous guidance of around £200m. Due to the delay to transformation projects, we would expect 2020/21 expenditure to be closer to run rate of £175m than the previously expected £240m. The Group has the ability to control capital expenditure and will continue to evaluate the right level for 2020/21 as the Covid-19 situation develops.

Streamlined working capital – We moved some of our rents to monthly payments and, where offered, have accepted extended payment terms from some of our large, global suppliers. Our normal inventory commitment is 4-14 weeks in advance, depending on product.

Delayed tax payments – At the end of 2019/20 the Group had a cash benefit from Government backed tax payment delays of c.£70m which will reverse through 2020/21. In addition, UK VAT payments due between March and July 2020 will be deferred until March 2021.

Spread pension payments – The Group's annual pension contribution will now be paid in monthly instalments, instead of an annual lump sum.

Not declared a final dividend – The Group paid an interim dividend of 2.25p per share (£26m total) in January. The Board has decided not to pay a final dividend for 2019/20. Dividend payments will not be resumed at least until our standby debt facilities have been cancelled. Given the current uncertain environment, the Board will keep the payment of dividends under review to establish the appropriate time and level to recommence payment.

Modelling and potential future impact of Covid-19
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 recent past experience. Given the global political and economic uncertainty resulting from the Covid-19 pandemic, it is difficult to estimate with precision the impact on the Groups prospective financial performance. We have therefore modelled a range of Covid-19 scenarios into our going concern considerations.

The Directors have also modelled a 'downside worst case' scenario which assumes that the Group's stores are required to shut in all territories in the event of a second Covid-19 outbreak during our peak Christmas trading period later in the year, with a gradual reopening throughout the following two months. The scenario assumes Group sales decrease by approximately £800m throughout the closure and following two months. Throughout this second closure, which we have modelled within our peak trading period, we have assumed no government support across our territories. This modelled 'downside worst case' scenario is significantly worse than the initial Covid-19 outbreak we have witnessed to date given our stores in the Nordics markets did not close in this period. In this scenario once the stores reopen this is followed by ongoing reduced sales against pre Covid-19 levels for the remainder of the going concern period across all of the Group's key markets. The scenario models a recessionary impact of 15% for the UK&I and Greece markets, and 7% within the Nordics markets over the remainder of the going concern 12 month period. The scenario models approximately £1.4bn lower sales over the 12 month going concern period compared to a similar 12 month period of the pre-Covid-19 budget for 2020/21. During this period, online in these territories would continue operating at a level similar to that seen during the first period of lockdown but would not include any increase for recovery of store sales during the following two month period, which is again a worse case than has actually occurred during the first period of lockdown. This 'downside worst case' scenario includes a number of cost savings and cash mitigations that are within the Group's control and would need to be implemented. Throughout this 'downside worst case' scenario the Group would not breach any of their financing covenants and would not require any additional sources of financing.

As a result of the uncertainties surrounding the forecasts due to the Covid-19 pandemic, the Group has also modelled a reverse stress test scenario. The reverse stress test models the decline in sales that the Group would be able to absorb before requiring additional sources of financing in excess of those that are committed. Such a scenario, and the sequence of events which could lead to it, is considered to be remote.

1 Accounting policies continued

a) Basis of preparation continued

Financing
The Group has extended its committed debt facilities with an additional £266m RCF and now has total committed facilities in excess of £1,350m. At the year end the Group had net debt of £284m and access to over £1bn of unutilised committed facilities. The Group has a number of financing facilities that contain covenants terms requiring the Group to comply with certain financial covenants. The financial covenants are tested semi-annually in line with our October interim reporting and April year end reporting. The covenants relate to fixed charge cover (1.75x) and leverage (2.5x) ratios. These covenants are normally met with significant headroom and are outside times of peak liquidity demands for the Group which tends to be in February and March following peak trading inventory purchases. As at 2 May 2020 the financial covenants were met. As a result of the Covid-19 outbreak and the uncertainty caused, the Group requested and received a reduction in the hurdle rate for assessing covenant compliance for October 2020. The additional £266m RCF expires in April 2021. The other RCF's totalling £1bn expire in October 2022 and the €50m term loan expires in October 2020.

Under the 'downside worst case' Covid-19 scenario as explained above, factoring in the cost savings and mitigations within the Group's control, the Group is forecast to comply with all financial covenants throughout the going concern period.

Going concern conclusion
The additional RCF and the reduction in the hurdle rate for assessing covenant compliance agreed with the banks combined with the other measures taken mean that, even under the Covid-19 scenarios modelled (excluding the reverse stress test), the business would continue to have significant liquidity headroom on its existing facilities and against the revolving credit facility financial covenants for the going concern period. As a result, the Board believes that the Group is well placed to manage its financing and other significant risks satisfactorily and that the Group will be able to operate within the level of its facilities for the foreseeable future. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements. The long-term impact of Covid-19 is uncertain and should the impacts of the pandemic on trading conditions be more prolonged or severe than what the Directors consider to be reasonably possible, the Group would need to implement additional operational or financial measures.

Restatement of prior periods
Within the period, it was determined that the Group's cash and overdrafts within notional cash pooling arrangements did not meet the requirements for offsetting in accordance with IAS 32: 'Financial Instruments: Presentation' and cannot be presented net in the balance sheet. For presentational purposes, amounts have therefore been restated for the preceding period ended 27 April 2019 and the beginning of the preceding period being 28 April 2018 in accordance with IAS 8: 'Accounting Policies, Changes in Accounting Policies and Errors'. The impact of this change is to increase both cash and cash equivalents and overdrafts within current loans and other borrowings for the year ended 27 April 2019 by £540m (2017/18: £1,155m) in the Group's Consolidated balance sheet.

This has had no impact on net assets as seen on the face of the Consolidated balance sheet.

b) Accounting convention and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power over the investee; is exposed, or has rights, to variable return from its involvement with the investee; and has the ability to use its power to affect its returns.

The results of subsidiaries and joint ventures acquired or sold during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate, which is the date from which the power to control passes. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intercompany transactions and balances are eliminated on consolidation.

c) Foreign currency translation and transactions

Transactions denominated in foreign currencies are translated to the Group's functional currency using the exchange rate at the date of the transaction. The Group uses foreign exchange ('FX') forward contracts to hedge material transactions denominated in foreign currencies, as outlined in section (q).

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.

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.

1 Accounting policies continued

c) Foreign currency translation and transactions continued

All other exchange differences are included in profit or loss in the year in which they arise.

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	
	2020	2019	**2020**	2019
Euro	**1.14**	1.14	**1.14**	1.16
Norwegian Krone	**11.71**	10.96	**12.93**	11.23
Swedish Krona	**12.18**	11.80	**12.31**	12.29
US Dollar	**1.26**	1.30	**1.25**	1.29

d) Revenue and supplier income

Revenue

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 at a point in time on completion of the performance obligation under the individual contract with the Mobile Network Operator (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. Where consideration is received in advance of the performance of the obligations being satisfied, a contract liability is recognised. 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;

– revenue arising on services (including delivery and installation, product repairs and product support) is recognised when the obligation to the customer is fulfilled; and

– insurance revenue relates to the sale of third-party insurance products. Sales commission received from third parties is recognised when the insurance policies to which it relates are sold, there are no ongoing performance obligations, and it is highly probable that there will not be a material reversal of revenue. The Group recognises a contract asset in relation to this revenue. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is becomes billable and is no longer conditioned on something other than the passage of time. Revenue from the provision of insurance administration services is recognised over the life of the relevant policies when the Group's performance obligations are satisfied.

Income received from suppliers such as volume rebates

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.

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

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

Supplier funding amounts that have been recognised and not invoiced are shown within accrued income on the balance sheet. 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. Each connection made to an MNO's network relates to an individual consumer. The consumer enters into a contract with the MNO for the MNO to supply the ongoing airtime over that contract period.

The 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

1 Accounting policies continued

e) Network commissions continued

the MNO. Consideration from the MNO becomes receivable over the course of the contract between the MNO and the consumer. A judgement associated with this recognition is the unit of account used in measurement. As there is a large population of homogeneous items, in measuring the amount of revenue to recognise the Group has determined that the number and value of consumers provided to each MNO in any given month (a 'cohort') represents the best unit of account.

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

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

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

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

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

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

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

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

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.

1 Accounting policies continued

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 expensed 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 of 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

IFRS 16 – For the year ended 2 May 2020
The Group has adopted IFRS 16: 'Leases' effective for the current financial year from 28 April 2019 using the modified retrospective approach. Comparatives for the prior reporting period have not been restated and continue to be reported under IAS 17: 'Leases', as permitted under the specific transitional provisions of IFRS 16. The reclassifications and adjustments arising from the new leasing standard are therefore recognised in opening reserves as at 28 April 2019. Further details on the adoption and transitional impacts of IFRS 16 are described in note 32.

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

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

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

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

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. For the prior period, in accordance with IAS 17, the intermediate lessor was required to classify the sublease by reference to the underlying assets. Because of this change, the Group has reclassified certain sublease agreements as finance leases and recognised financial lease asset receivables as outlined in note 12.

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

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

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

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

1 **Accounting policies** continued

i) **Leases** continued

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

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

The Group did not make any such adjustments during the periods presented.

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

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

Right-of-use 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 as further described in note 1m.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

IAS 17 – For the comparative year ended 27 April 2019
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The determination of the classification of property leases is made by reference to the land and buildings elements separately. All leases not classified as finance leases are classified as operating leases.

The 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 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

Notes to the Group Financial Statements continued

1 Accounting policies continued

j) Taxation continued

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:

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

This amortisation is recognised in adjusting items as an administrative expense.

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

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

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

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

m) Property, plant & equipment continued

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

Land and buildings	1.7% – 4% per annum
Fixtures, fittings and equipment	10% – 33.3% per annum

Property, plant & equipment are assessed on an ongoing basis to determine whether circumstances exist that could lead to the conclusion that the net book value is not supportable. Where assets are to be taken out of use, an impairment charge is levied. Where the property, plant & equipment form part of a separate CGU, such as a store, and business indicators exist which could lead to the conclusions that the net book value is not supportable, the recoverable amount of the CGU is determined by calculating its value in use. The value in use is calculated by applying discounted cash flow modelling to management's projection of future profitability and any impairment is determined by comparing the net book value with the value in use.

n) Financial assets

Financial assets are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the investment. The Group's financial assets comprise cash and cash equivalents, receivables which involve a contractual right to receive cash from external parties, and financial assets designated as at FVTOCI. Financial assets comprise all items shown in notes 12, 13, 15 and 16 with the exception of prepayments and contract assets.

When the Group recognises a financial asset, it classifies it in accordance with IFRS 9. Trade receivables are initially measured at their transaction price. Where there is a significant financing component, trade and other receivables are discounted at contract inception using a discount rate that is at an arm's length basis and which would be reflected in a separate financing transaction between the Group and the customer. All other financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Cash and cash equivalents, trade and other receivables (excluding derivative financial assets) and lease receivables are classified as held at amortised cost. The Group has elected to classify its investment in listed shares as FVTOCI, recognising the movement in the investment's fair value in other comprehensive income. These are long-term investments and the Group considers this classification to be more relevant.

All of the Group's assets are subject to impairments driven by the expected credit loss (ECL) model as further stipulated in note 15 and 26.

Financial assets are derecognised when the contractual rights to the cash flows expire or the Group has transferred 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.

Cash and cash equivalents include restricted cash which predominantly comprises funds held by the Group's insurance businesses to cover regulatory reserve requirements.

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 17 to 20. 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. In the event that the terms in which the Group are contractually obliged are substantially modified, the financial liability to which it relates is derecognised and subsequently re-recognised on the modified terms.

Where the Group has the right and intention to offset in relation to financial assets and liabilities under IAS 32, these are presented on a net basis. See note 26 for a description of the financial assets and liabilities presented on a net basis.

Borrowings
Borrowings in the Group's balance sheet represent bank loans drawn under committed and uncommitted facilities. 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.

Notes to the Group Financial Statements continued

1 Accounting policies continued

q) Borrowings and other financial liabilities continued

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 26, 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.

Contingent consideration
On initial recognition, contingent consideration is measured using the income approach to estimate fair value. Contingent consideration that does not qualify as a measurement period adjustment is subsequently remeasured to fair value at each reporting date with changes in fair value recognised in profit or loss.

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 to fair value at each prevailing balance sheet date and are recorded within assets or liabilities as appropriate. 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.

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 and accumulated in the cash flow hedge reserve are recycled to the income statement, in the same line as the recognised hedged item, 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 and recognised within finance costs.

Where hedged forecast transactions result in the recognition of a non-financial asset or liability, the gains and losses previously recognised and accumulated in the cash flow hedge reserve are subsequently removed and included in the initial cost of the non-financial asset or liability. Such transfers will not affect other comprehensive income.

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 within finance costs.

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 onerous contracts are recognised when the Group believes that the unavoidable costs of meeting or exiting the contract exceed the economic benefits expected to be received under the contract. Where the Group has assets dedicated to the fulfilment of a contract that cannot be redirected, an impairment loss is recognised before a separate provision for an onerous contract.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

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

1 Accounting policies continued

s) Government grants

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

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

t) Critical accounting judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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 22 for further information.

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. This leads to a judgement over the unit of account for measurement of the amounts arising from the MNO and an estimate over the transaction price due to the variability of revenue. A level of constraint is applied to the revenue recognition to ensure revenue is only recognised when it is highly probable there will not be a significant reversal. By the nature of this constraint, applied in line with IFRS 15: 'Revenue from Contracts with Customers', it is possible that additional revenue will be recognised in future periods from performance obligations satisfied in prior periods. For example, the network commission receivables are routinely increased each year in line with RPI, however as part of the variable revenue constraint, the Group does not include this RPI estimate in the revenue recognised at point of sale. For the year ended 2 May 2020, the revenue recognised includes a value of £14m (2018/19: £13m) relating to the application of RPI increases on end consumer contracts by the respective MNOs relating to performance obligations satisfied in prior periods. In addition to this, within the current period, given the unprecedented nature of the current Covid-19 pandemic and the potential impact on consumer behaviour, a further constraint has been applied to the network commissions receivable at year end. If these risks do not transpire, it is reasonably possible that additional revenue may be recognised in future periods from performance obligations satisfied in prior periods of between nil and £20m.

Further details of the estimations involved with network commissions can be found at note 1e and a reconciliation of the movements in the network commission receivables within the year is included within note 15.

Impairment of non-financial assets

The group tests whether goodwill has suffered any impairment on an annual basis based on the value of the discounted future cash flows allocated to the group of CGUs to which it is allocated. The methodology and key assumptions used in assessing the carrying value of goodwill are set out in note 8. The key assumptions made for long term projections, sales and costs growth rates, discount rate and the potential impact of Brexit and Covid-19 all include an element of estimation that may give rise to a difference between the value ascribed and the actual outcomes. Due to the current Covid-19 global pandemic, there is an increased level of risk and therefore a key source of estimation uncertainty with the growth in sales and growth in costs assumptions that drive the operating profit forecasts and it is reasonably possible that a change in these assumptions could lead to a material change in the carrying value of goodwill specifically within the UK & Ireland Electricals operating segment, where £1,840m of goodwill is allocated, within the next financial year. Further details of the key assumptions used and the sensitivity analysis in respect of the recoverable amount of UK & Ireland Electricals goodwill is disclosed in note 8.

Critical accounting judgements

Taxation

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 specialists, and where appropriate third-party taxation and legal advisers, 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. 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 (or changes in existing provisions) assessed where necessary.

The Group has recognised provisions in relation to uncertain tax positions of £83m at 2 May 2020 (2018/19: £98m). Due

Notes to the Group Financial Statements continued

1 Accounting policies continued

t) Critical accounting judgements and key sources of estimation uncertainty continued

to the nature of the provisions recorded, the timing of the settlement of these amounts remains uncertain.

Furthermore, 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. One of the underlying pre-merger transactions under enquiry is considered to have a "more likely than not" chance of resulting in settlement. The Group therefore determined, due to this level of risk, that a provision was appropriate and this was recognised in the 2018/19 financial statements. This enquiry is still open and the treatment as a provision continues to be deemed appropriate, with £39m (comprising both the amount of tax due on settlement together with interest up to 2 May 2020) included within the uncertain tax provisions balance explained above as at 2 May 2020. Refer to note 6 for further information.

In addition, the Group has a further open tax enquiry arising from a separate pre-merger legacy corporate transaction. Based on the strength of third-party legal advice it is not considered "more likely than not" that this enquiry will result in an economic outflow to the Group and therefore no provision has been made. The potential range of tax exposures relating to this enquiry is estimated to be approximately £nil - £220m excluding interest and penalties. Interest on the upper end of the range is approximately £50m up to 2 May 2020. Penalties could range from nil to 30% of the principal amount of any tax. This potential outflow has been disclosed as a contingent liability within note 31.

u) 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 28 April 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements with the exception of IFRS 16: 'Leases' as discussed above and disclosed further in note 32. The Group has considered the following standards whose impact is not deemed to be material:

IFRIC 23: 'Uncertainty over Income Tax Treatments'

Amendments to IFRS 9 Prepayment Features with Negative Compensation

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

Annual Improvements to IFRS Standards 2015–2017 Cycle: Amendments to IFRS 3: 'Business Combinations', IFRS 11: 'Joint Arrangements', IAS 12: 'Income Taxes' and IAS 23: 'Borrowing Costs'

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

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

IFRS 17: 'Insurance Contracts'

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 3 Definition of a business

Amendments to IAS 1 and IAS 8 Definition of material

Conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards

Amendments to IFRS 9: 'Financial Instruments', IAS 39: 'Financial Instruments: Recognition and Measurement' and IFRS 7: 'Financial Instruments: Disclosures' on interest rate benchmark reform

2 Segmental analysis

The Group's operating segments reflect the segments routinely reviewed by the Board and which are used to manage performance and allocate resources. This information is predominantly based on geographical areas which are either managed separately or have similar trading characteristics such that they can be aggregated together into one segment.

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

- UK & Ireland Electricals comprises the operations of Currys PCWorld 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.

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.

In accordance with IFRS 5, discontinued operations are disclosed separately as a single amount within the Group's consolidated income statement after profit after tax for continuing operations. Discontinued operations are therefore excluded from the segmental analysis. Further information on the Group's operations classified as discontinued is outlined in note 25.

2 Segmental analysis continued

(a) Segmental results

	Year ended 2 May 2020					
	UK & Ireland Electricals £m	**UK & Ireland Mobile £m**	**Nordics £m**	**Greece £m**	**Eliminations £m**	**Total £m**
External revenue	**4,538**	**1,589**	**3,573**	**470**	**—**	**10,170**
Inter-segmental revenue	**86**	**98**	**—**	**—**	**(184)**	**—**
Total revenue	**4,624**	**1,687**	**3,573**	**470**	**(184)**	**10,170**
Profit / (loss) before interest and tax	**119**	**(282)**	**115**	**20**	**—**	**(28)**

	Year ended 27 April 2019					
	UK & Ireland Electricals £m	UK & Ireland Mobile £m	Nordics £m	Greece £m	Eliminations £m	Total £m
External revenue	4,475	1,998	3,501	459	—	10,433
Inter-segmental revenue	79	90	—	—	(169)	—
Total revenue	4,554	2,088	3,501	459	(169)	10,433
Profit / (loss) before interest and tax	94	(438)	100	21	—	(223)

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
UK & Ireland Electricals	**119**	94
UK & Ireland Mobile	**(282)**	(438)
Nordics	**115**	100
Greece	**20**	21
Loss before interest and tax	**(28)**	(223)
Finance income	**10**	11
Finance costs	**(122)**	(47)
Loss before tax	**(140)**	(259)

No individual customer represents more than 10% of the Group's revenue in the current or prior period.

b) Geographical information

Revenues are allocated to countries according to the entity's country of domicile. Revenue by destination is not materially different to that shown by domicile. Non-current assets exclude financial instruments and deferred tax assets.

	Year ended 2 May 2020					Year ended 27 April 2019				
	UK £m	**Norway £m**	**Sweden £m**	**Other £m**	**Total £m**	UK £m	Norway £m	Sweden £m	Other £m	Total £m
Revenue	**5,865**	**1,119**	**1,121**	**2,065**	**10,170**	6,200	1,111	1,081	2,041	10,433
Non-current assets	**3,184**	**519**	**453**	**729**	**4,885**	2,666	429	349	489	3,933
Capital expenditure	**111**	**43**	**13**	**24**	**191**	108	24	14	20	166

Notes to the Group Financial Statements continued

3 Revenue and profit / (loss) before interest and taxation

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Revenue	**10,170**	10,433
Cost of sales	**(8,318)**	(8,330)
Gross profit	**1,852**	2,103
Operating expenses	**(1,880)**	(2,326)
Loss before interest and tax	**(28)**	(223)

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 2 May 2020
	UK & Ireland Electricals £m	**UK & Ireland Mobile £m**	**Nordics £m**	**Greece £m**	**Total £m**
Sale of goods	**4,147**	**397**	**3,218**	**446**	**8,208**
Commission revenue	**5**	**1,090**	**268**	**1**	**1,364**
Support services revenue	**285**	**—**	**30**	**17**	**332**
Other services revenue	**97**	**102**	**57**	**6**	**262**
Other revenue	**4**	**—**	**—**	**—**	**4**
Total revenue	**4,538**	**1,589**	**3,573**	**470**	**10,170**

					Year ended 27 April 2019
	UK & Ireland Electricals £m	UK & Ireland Mobile £m	Nordics £m	Greece £m	Total £m
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 revenue	4,475	1,998	3,501	459	10,433

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 2 May 2020 £m	Year ended 27 April 2019 £m
Depreciation of property, plant & equipment	81	91
Impairment of property, plant & equipment	5	28
Depreciation of right-of-use assets*	217	—
Impairment of right-of-use assets*	50	—
Amortisation of acquisition intangibles	25	28
Impairment of acquisition intangibles	—	10
Amortisation of other intangibles	44	55
Impairment of other intangibles	9	84
Impairment of goodwill	—	225
Impairment of inventory	92	87
Net impairment on financial assets (see note 15)	11	7
Loss on disposal of property, plant & equipment	3	1
Cost of inventory recognised as an expense	7,789	8,217
Cash flow hedge amounts reclassified and reported in income statement	12	(19)
Short-term lease expense*	21	—
Low value lease expense*	1	—
Variable lease expense*	18	—
Rentals paid under operating leases*:		
Non-contingent rent	—	308
Contingent rent	—	26
Rentals received under operating leases – subleases*	—	(2)
Income from sub-leasing right-of-use assets*	(1)	—
Government grant income	(20)	—
Net foreign exchange (gains) / losses	(2)	7
Share-based payments expense	23	21
Other employee costs (see note 4)	1,100	1,149
Restructuring costs**	56	32
Regulatory costs**	30	52

* During the period the Group has adopted IFRS 16: 'Leases', which requires lease liabilities and corresponding right-of-use assets to be recognised on the balance sheet. The Group has adopted IFRS 16 using the modified retrospective approach. As a result, prior year comparative numbers have not been restated.
Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and are depreciated over the shorter period of lease term and useful life of the underlying asset.
Those lease liabilities that are classified as short-term and leases of low value continue to be recognised as operating expenses on a straight-line basis over the term of the lease. This is further discussed in note 1i and the initial adoption is described in note 32.

** Regulatory costs and restructuring costs are further detailed within note A5 of the glossary.

Notes to the Group Financial Statements continued

3 Revenue and profit / (loss) before interest and taxation continued

Auditor's remuneration comprises the following:

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.2	0.1
Fees payable to the Company's auditor and its associates for their audit of the Company's subsidiaries	1.3	1.5
Total audit fees	1.5	1.6
Audit-related assurance services		
Review of interim statement	0.3	0.3
Other assurance services	0.1	—
Total audit and audit-related assurance services	1.9	1.9
Tax compliance services	0.1	0.1
Total audit and non-audit fees	2.0	2.0

4 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 2 May 2020 £m	Year ended 27 April 2019 £m
Salaries and performance bonuses	949	999
Social security costs	117	120
Other pension costs	34	30
	1,100	1,149
Share-based payments	23	21
	1,123	1,170

Aggregate remuneration for discontinued operations are salaries and performance bonuses of £nil (2018/19: £2m) and social security costs of £nil (2018/19: £nil).

The average number of employees for continuing operations is:

	Year ended 2 May 2020 number	Year ended 27 April 2019 number
UK & Ireland Electricals	20,908	21,173
UK & Ireland Mobile	8,585	9,304
Nordics	10,113	10,045
Greece	2,603	2,468
	42,209	42,990

The average number of employees for discontinued operations is nil (2018/19: 5).

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

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Short-term employee benefits	6	10
Share-based payments	3	6
	9	16

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.

4 Employee costs and share-based payments continued

b) Share-based payments

i) Share option schemes

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

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

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

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

In February 2019, 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 2 May 2020		Year ended 27 April 2019	
	Number million	WAEP £	Number million	WAEP £
Outstanding at the beginning of the period	55	—	22	—
Granted during the period	26	—	42	—
Forfeited during the period	(16)	—	(8)	—
Exercised during the period	(2)	—	(1)	—
Outstanding at the end of the period	63	—	55	—
Exercisable at the end of the period	—	—	—	—

	Year ended 2 May 2020	Year ended 27 April 2019
Weighted average market price of options exercised in the period	£1.08	£1.75
Weighted average remaining contractual life of awards outstanding	8.8 yrs	9.1 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 2 May 2020		Year ended 27 April 2019	
	Number million	WAEP £	Number million	WAEP £
Outstanding at the beginning of the period	12	1.90	19	2.00
Granted during the period	14	0.97	—	—
Exercised during the period	—	0.97	—	1.65
Forfeited during period	(11)	1.71	(7)	2.16
Outstanding at the end of the period	15	1.19	12	1.90
Exercisable at the end of the period	1	1.88	1	3.03

Financial Statements

4 Employee costs and share-based payments continued

b) Share-based payments continued

	Year ended 2 May 2020	Year ended 27 April 2019
Weighted average market price of options exercised in the period	£0.77	£2.31
Weighted average remaining contractual life of awards outstanding	2.7 yrs	2.3 yrs
Range of exercise prices for options outstanding	£0.97 — £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 the Group.

The weighted average fair value of options granted during the period was £0.75 (2018/19: £1.33). The following table lists the inputs to the model:

	Year ended 2 May 2020	Year ended 27 April 2019
Exercise price	£nil — £0.97	£nil
Dividend yield	0% — 5.7%	0% — 5.7%
Historical and expected volatility	31% — 37%	36% — 37%
Expected option life	4 — 10 yrs	10 yrs
Weighted average share price	£1.24	£1.54

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 2 May 2020, the Group recognised a non-cash accounting charge to profit and loss of £23m (2018/19: £21m) in respect of equity settled share-based payments, with a corresponding credit through reserves.

c) Employee Benefit Trust ('EBT')

	2 May 2020			27 April 2019		
	Market value £m	Nominal value £m	Number m	Market value £m	Nominal value £m	Number m
Investment in own shares	8	—	10.1	1	—	0.7
Maximum number of shares held during the period	12	—	10.4	5	—	2.8

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 administering the EBT are charged to the income statement in the year to which they relate. Investment in own shares are recorded at cost and are recognised directly in equity within other reserves.

The EBT acquired 2.1m of the Company's shares during the year ended 2 May 2020 at nominal value and 9.8m via market purchases for cash consideration of £11.8m. For the comparative period 2.2m shares were acquired at nominal value.

The EBT has waived rights to receive dividends and agrees to abstain from exercising their right to vote. The shares have not been allocated to specific schemes as further disclosed in the Directors' Report.

5 Net finance costs

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Unwind of discounts on trade receivables	10	11
Finance income	10	11
Interest on bank overdrafts, loans and borrowings	(15)	(17)
Interest expense on lease liabilities[i]	(80)	—
Finance lease interest payable[i]	—	(6)
Net interest on defined benefit pension obligations	(14)	(12)
Unwind of discounts on liabilities	—	(4)
Amortisation of facility fees[ii]	(2)	(2)
Other interest expense	(11)	(6)
Finance costs	(122)	(47)
Total net finance costs	(112)	(36)

(i) During the period the Group has adopted IFRS 16: 'Leases' using the modified retrospective approach, as a result prior year comparative numbers have not been restated. Interest expense on lease liabilities for the year ended 27 April 2019 relates to finance leases recognised in accordance with IAS 17.

(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.

6 Tax

a) Tax expense

The corporation tax charge comprises:

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Current tax		
UK corporation tax at 19% (2018/19: 19%)	9	51
Overseas tax	24	29
	33	80
Adjustments made in respect of prior years:		
UK corporation tax	(5)	(10)
Overseas tax	1	(5)
	(4)	(15)
Total current tax	29	65
Deferred tax		
UK tax	(3)	(16)
Overseas tax	3	1
	—	(15)
Adjustments in respect of prior years:		
UK corporation tax	(4)	2
Overseas tax	(4)	—
	(8)	2
Total deferred tax	(8)	(13)
Total tax charge	21	52

Tax related to discontinued operations is included in the figures set out in note 25.

Financial Statements

Notes to the Group Financial Statements continued

6 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 2 May 2020 £m	Year ended 27 April 2019 £m
Loss before taxation	**(140)**	(259)
Tax at UK statutory rate of 19% (2018/19: 19%)	**(27)**	(49)
Items attracting no tax relief or liability (i)	**7**	105
Movement in unprovided deferred tax (ii)	**52**	(1)
Effect of change in statutory tax rate	**(2)**	4
Differences in effective overseas tax rates	**3**	5
Adjustments in respect of prior year – provisions (iii)	**(17)**	–
Adjustments in respect of prior years - other	**5**	(12)
Total tax charge	**21**	52

(i) Items attracting no tax relief or liability relate mainly to non-deductible depreciation in the UK business.
(ii) Deferred tax assets relating principally to tax losses in the UK business have not been recognised due to uncertainty over the group's ability to utilise the losses in the future.
(iii) As disclosed within our key sources of estimation uncertainty in note 1t, 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. One of the underlying pre-merger transactions under enquiry is considered to have a "more likely than not" chance of resulting in settlement. Due to this level of risk, a provision was recognised in the prior year. This enquiry is still open and a release of £17m has been made during the period to reflect the current status of discussions.

c) Deferred tax

	Accelerated capital allowances £m	Retirement benefit obligations £m	Losses carried forward £m	Other temporary differences £m	Total £m
At 28 April 2018	(32)	79	3	55	105
Credited directly to income statement	1	—	2	10	13
Charged 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
Taxation on IFRS 16 transition adjustment	—	—	—	6	6
Adjusted balance at 27 April 2019	**(39)**	**97**	**5**	**69**	**132**
(Charged) / credited directly to income statement	**(12)**	**—**	**34**	**(13)**	**9**
Charged to equity	**—**	**(44)**	**—**	**—**	**(44)**
At 2 May 2020	**(51)**	**53**	**39**	**56**	**97**

Deferred tax comprises the following balances:

	2 May 2020 £m	27 April 2019 £m
Deferred tax assets	**259**	282
Deferred tax liabilities	**(162)**	(156)
	97	126

6 Tax continued

c) Deferred tax continued

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

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Defined benefit pension schemes	**(44)**	18
Other temporary differences	**—**	(1)
	(44)	17

The Group has total unrecognised deferred tax assets relating to gross tax losses of £1,257m of which £1,242m relates to the UK (2018/19: £1,075m). £1,052m of these losses relate to carried forward capital losses in the legacy Dixons group. The balance of the losses relates to carried forward trading losses, principally due to the losses realised in the Carphone Warehouse business in the UK in the current period and in the prior period.

A deferred tax asset has not been recognised in respect of the losses for the period (£183m), other deductible temporary differences (£123m) and pension contributions (£266m) expected to reverse after the period of the Group's 5-year plan which is used to determine the availability of future taxable profits.

There were no temporary differences associated with non-distributable earnings of subsidiaries for which deferred tax liabilities had not been recognised at the end of the current period or the prior period.

The Group has a current tax credit of £5m (2018/19: £5m) recognised through equity in relation to pensions (2018/19: £4m in relation to pensions and £1m in respect of other items).

7 Loss per share

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Total loss		
Continuing operations	**(161)**	(311)
Discontinued operations	**(2)**	(9)
Total	**(163)**	(320)
	Million	Million
Weighted average number of shares		
Average shares in issue	**1,162**	1,160
Less average holding by Group EBT	**(5)**	(1)
For basic loss per share	**1,157**	1,159
Dilutive effect of share options and other incentive schemes	**25**	9
For diluted loss per share	**1,182**	1,168
	Pence	Pence
Basic loss per share		
Total (continuing and discontinued operations)	**(14.1)**	(27.6)
Adjustment in respect of discontinued operations	**0.2**	0.8
Continuing operations	**(13.9)**	(26.8)
Diluted loss per share		
Total (continuing and discontinued operations)	**(14.1)**	(27.6)
Adjustment in respect of discontinued operations	**0.2**	0.8
Continuing operations	**(13.9)**	(26.8)

Basic and diluted losses per share are based on the loss for the period attributable to equity shareholders.

8 Goodwill

Cost	£m
As at 28 April 2018	3,088
Disposals	—
Foreign exchange	(23)
As at 27 April 2019	3,065
Disposals	—
Foreign Exchange	(37)
As at 2 May 2020	3,028

Accumulated impairment	£m
As at 28 April 2018	—
Impairment	(225)
As at 27 April 2019 and 2 May 2020	(225)

Carrying amount	£m
As at 28 April 2018	3,088
As at 27 April 2019	2,840
As at 2 May 2020	2,803

a) Carrying value of goodwill

The components of goodwill comprise the following businesses:

	2 May 2020 £m	27 April 2019 £m
UK & Ireland Electricals	1,840	1,840
UK & Ireland Mobile	—	—
Nordics	963	1,000
	2,803	2,840

No impairment charge has been recognised over goodwill in the current period.

The prior year impairment of £225m related to the full impairment of goodwill in the UK & Ireland Mobile segment due to the deterioration of the forecast performance within this segment. The recoverable amount of the UK & Ireland Mobile segment as at 27 April 2019 was £317m based on the value in use of this group of cash generating units.

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.

8 Goodwill continued

b) Goodwill impairment testing continued

The long term projections are based on Board approved budgets for 2020/21 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.

Given the global political and economic uncertainty resulting from the Covid-19 pandemic, the cash flows have been adjusted to represent management's best estimate of the economic conditions that will exist over the five-year period. In forming these assumptions, management have incorporated guidance from the governments in which each business unit operates and readily available external market information. Further information on the assumptions used for Covid-19 estimations can be found in the going concern section of the accounting policies note.

Key assumptions used in determining the five-year projections comprise the growth in sales and costs over this period. The compound annual growth rate in sales and costs can rise as well as fall year-on-year depending not only on the year five targets, but also on the current financial year base. These targets, when combined, accordingly drive the resulting profit margins and the profit in year five of the projections which is in turn used to calculate the terminal value in the VIU calculation. Historical amounts for the businesses under impairment review as well as from other parts of the Group are used to generate the values attributed to these assumptions.

The value attributed to these assumptions for the most significant components of goodwill are as follows:

	2 May 2020				27 April 2019			
	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	**4.2%**	**4.0%**	**1.4%**	**7.8%**	1.3%	1.3%	1.6%	9.6%
UK & Ireland Mobile	**—**	**—**	**—**	**—**	(0.5%)	(1.5%)	1.6%	9.6%
Nordics	**3.2%**	**3.1%**	**1.8%**	**7.6%**	2.6%	2.4%	1.7%	9.4%

Growth rates used were determined based on third-party long-term growth rate forecasts and are based on the GDP growth rate for the territories in which the businesses operate. The pre-tax discount rates applied to the forecast cash flows reflect current market assessments of the time value of money and the risks specific to the CGUs.

c) Goodwill impairment sensitivity analysis

In line with the assumptions noted above and highlighted in note 1t, the Group undertook an impairment review of the UK & Ireland Electricals group of CGUs, where £1,840m of goodwill is allocated. The goodwill relating to the UK & Ireland Mobile group of CGUs was fully written off in a previous period. Within the Group's UK & Ireland Electricals operating segment and the UK & Ireland Mobile operating segment there are corporate assets that are not allocable to these separate groups of CGUs on a reasonable and consistent basis. Accordingly, the Group tests such assets for impairment by comparing the combined recoverable amount of the UK & Ireland Electricals and UK & Ireland Mobile group of CGUs with the combined carrying value of assets of these respective groups of CGUs including the corporate assets.

These impairment tests are prepared using the methodology required by IAS 36. The recoverable amount, based on value in use, shows headroom of £730m above the carrying amount of UK & Ireland Electricals and UK & Ireland Mobile combined group of CGUs. Within the value in use model growth in sales and growth in costs assumptions drive the operating profit forecasts in line with the Group's strategic plan. The key assumption within the value in use model is therefore the operating profit forecast in the final year of the strategic plan which is underpinned by the recovery from the impact of Covid-19 and the delivery of key strategic initiatives.

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

For the Nordics group of CGUs, where £963m of goodwill is allocated, the Directors do not consider that any reasonably possible changes to the key assumptions would reduce the recoverable amount to its carrying value.

9 Intangible assets

	Acquisition intangibles				
	Brands £m	Customer relationships £m	Sub-total £m	Software and licences £m	Total £m
Balance at 28 April 2019	**246**	**3**	**249**	**215**	**464**
Additions	**—**	**—**	**—**	**90**	**90**
Reclassification from property, plant & equipment	**—**	**—**	**—**	**3**	**3**
Amortisation	**(24)**	**(1)**	**(25)**	**(44)**	**(69)**
Impairment	**—**	**—**	**—**	**(9)**	**(9)**
Foreign exchange	**(4)**	**—**	**(4)**	**(6)**	**(10)**
Balance at 2 May 2020	**218**	**2**	**220**	**249**	**469**
Cost	**367**	**73**	**440**	**712**	**1,152**
Accumulated amortisation and impairment losses	**(149)**	**(71)**	**(220)**	**(463)**	**(683)**
Balance at 2 May 2020	**218**	**2**	**220**	**249**	**469**

	Acquisition intangibles				
	Brands £m	Customer relationships £m	Sub-total £m	Software and licences £m	Total £m
Balance at 29 April 2018	274	16	290	188	478
Additions	—	—	—	119	119
Reclassification from property, plant & equipment	—	—	—	48	48
Amortisation	(25)	(3)	(28)	(55)	(83)
Impairment	—	(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

Software and licences include assets with a cost of £75m (2018/19: £49m) on which amortisation has not been charged as the assets have not yet been brought into use.

For the year ended 2 May 2020, an impairment of £9m was recognised in the UK & Ireland Mobile operating segment following the announcement to close the Carphone Warehouse standalone stores within the UK.

The impairment recognised in the prior year primarily represents the impairment of intangible assets in the UK & Ireland Mobile business following the separation of the UK & Ireland operating segment in accordance with IFRS 8.

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:

	2 May 2020		27 April 2019	
	Net book value £m	Remaining amortisation period Years	Net book value £m	Remaining amortisation period Years
Currys PCWorld	**106**	**10**	117	11
Elgiganten	**47**	**10**	52	11
Elkjøp	**31**	**10**	40	11
Gigantti	**25**	**10**	27	11

10 Property, plant & equipment

	Land and buildings £m	Fixtures, fittings and other equipment £m	Total £m
Balance at 28 April 2019	69	207	276
Adjustment on initial application of IFRS 16*	(41)	—	(41)
Additions	7	91	98
Reclassification to intangible assets	—	(3)	(3)
Depreciation	(7)	(74)	(81)
Disposals	—	(2)	(2)
Impairment	(3)	(2)	(5)
Foreign exchange	—	(2)	(2)
Balance as at 2 May 2020	25	215	240
Cost	52	693	745
Accumulated depreciation	(27)	(478)	(505)
Balance as at 2 May 2020	25	215	240
Included in net book value as at 2 May 2020			
Assets in the course of construction	—	35	35

* The Group adopted IFRS 16: 'Leases' for the first time during the period. As at 28 April 2019, those assets previously held under finance leases in accordance with IAS 17 have been removed from property, plant and equipment (cost £67m net of £26m accumulated depreciation) and subsequently recognised as right-of-use assets as further disclosed in note 11.

	Land and buildings £m	Fixtures, fittings and other equipment £m	Total £m
Balance at 29 April 2018	77	317	394
Additions	7	46	53
Reclassification to intangible assets	—	(48)	(48)
Depreciation	(9)	(82)	(91)
Disposals	—	(2)	(2)
Disposed with subsidiary	—	—	—
Impairment	(6)	(22)	(28)
Foreign exchange	—	(2)	(2)
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			
Assets in the course of construction	—	25	25
Assets held under finance leases	41	—	41

For the year ended 2 May 2020, an impairment of £5m was recognised in the UK & Ireland Mobile operating segment following the announcement to close the Carphone Warehouse standalone stores within the UK.

In the prior year, following the separation of the UK & Ireland operating segment into separate UK & Ireland Electricals and Mobile operating segments an impairment indicator was identified. This resulted in an impairment of £28m being recognised over central and store related assets recognised in the UK & Ireland Mobile operating segment.

11 Right-of-use assets

Right-of-use assets	2 May 2020 £m
Land and buildings	1,084
Vehicles, equipment and other	30
	1,114

Additions to the right-of-use assets for the period were £229m.

The total cash outflow for leases amount to £300m.

Amounts recognised in profit and loss	Year ended 2 May 2020 £m
Depreciation expense on right-of-use assets:	
Land and buildings	207
Vehicles, equipment and other	10
Total depreciation on right-of-use assets	217
Impairment of right-of-use assets	50
Interest expense on lease liabilities	80
Expense relating to short-term leases	21
Expense relating to leases of low value assets	1
Expense relating to variable lease payments not included in the measurement of the lease liability	18
Income from subleasing right-of-use assets	1

12 Lease receivables

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

For the year ended 27 April 2019, in accordance with IAS 17, the intermediate lessor was required to classify the sublease by reference to the underlying asset. Therefore, all subleases were previously recognised as operating leases as further disclosed in note 30.

	2 May 2020 £m	27 April 2019 £m
Net investment in the lease analysed as:		
Recoverable after 12 months	4	—
Recoverable within 12 months	1	—
	5	—

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

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

	2 May 2020 £m	27 April 2019 £m
Undiscounted amounts receivable under finance leases:		
Year 1	1	—
Year 2	1	—
Year 3	1	—
Year 4	1	—
Year 5	1	—
Onwards	2	—
Undiscounted lease payments	7	—
Less: unearned finance income	(2)	—
Net investment in the lease	5	—

13 Interests in associates and investments

The Group's interests in associates are analysed as follows:

	2 May 2020 £m	27 April 2019 £m
Opening balance	—	1
Additions	—	—
Share of results	—	—
Disposals	—	(1)
Closing balance	—	—

During the year ended 27 April 2019 the Group disposed of associate investments previously held by our Nordic operations through the franchise network.

Investments

	2 May 2020 £m	27 April 2019 £m
Financial assets designated as at FVTOCI	10	18

The Group holds a 10.2% investment in Unieuro S.p.A, an Italian retailer of consumer electronics and household appliances listed on the Borsa Italiana. Given a readily determinable fair value is available based on the market price of the listed shares, the investment has been valued at £10m.

These investments in equity instruments are not held for trading. Instead, they are held for long-term strategic purposes. Accordingly, the Group has elected to designate these investments in equity instruments as at FVTOCI with the movement in investment value being recognised in other comprehensive income.

The fair valuation techniques used are outlined in note 26.

14 Inventory

	2 May 2020 £m	27 April 2019 £m
Finished goods and goods for resale	970	1,156

15 Trade and other receivables

	2 May 2020 £m	27 April 2019 £m
Trade receivables*	396	452
Less expected credit loss allowances	(26)	(17)
	370	435
Contract assets*	565	725
Prepayments	50	100
Other receivables	71	58
Accrued income	69	108
	1,125	1,426
Non-current	294	387
Current	831	1,039
	1,125	1,426

* Trade receivables and contract assets for the prior year have been restated to reflect the correct classification between trade receivables and contract assets (previously reported as £524m and £653m for trade receivables and contract assets respectively). This has had no impact on the overall trade and other receivables balances reported at 27 April 2019.

The majority of trade and other receivables are non-interest bearing. Non-current receivables mainly comprise commission receivable on sales, as described below. Where there is a significant financing component, trade and other receivables are discounted at contract inception using a discount rate that is at an arm's length basis and which would be reflected in a separate financing transaction between the Group and the customer.

Included within other receivables is £20m of government grants receivable (2018/19: nil). This relates to compensation for expenses already incurred by the Group that have been pledged by national governments, primarily the UK governments 'Coronavirus Job Retention Scheme', in light of the recent Covid-19 pandemic.

15 Trade and other receivables continued

	2 May 2020 Gross trade receivables £m	2 May 2020 Expected credit loss allowances £m	2 May 2020 Net trade receivables £m	27 April 2019 Gross trade receivables £m	27 April 2019 Expected credit loss allowances £m	27 April 2019 Net trade receivables £m
Ageing of gross trade receivables and expected credit loss allowances:						
Not yet due	**312**	**(3)**	**309**	363	—	363
Past due:						
Under two months	**35**	**(1)**	**34**	47	(1)	46
Two to four months	**13**	**(2)**	**11**	9	(1)	8
Over four months	**36**	**(20)**	**16**	33	(15)	18
	84	**(23)**	**61**	89	(17)	72
	396	**(26)**	**370**	452	(17)	435

Movements in the expected credit loss allowances for trade receivables is as follows:

	2 May 2020 £m	27 April 2019 £m
Opening balance	**(17)**	(13)
IFRS 9 opening adjustment	**—**	(1)
Charged to the income statement	**(12)**	(9)
Receivables written off as irrecoverable	**2**	4
Amounts recovered during the year	**1**	2
Closing balance	**(26)**	(17)

Further details with regards to trade receivables credit risk are included in note 26.

Contract assets

	2 May 2020 £m	27 April 2019 £m
Insurance commission contract assets	**19**	23
Network commission contract assets	**546**	702
	565	725

The Group recognises contract assets where the performance obligations have been met but the right to consideration from the customer is conditioned on something other than the passage of time. This occurs on both insurance commission revenue and network commission revenue as detailed in note 1d.

The Group has considered the risk profile for amounts due from network and insurance customers based on historical experience and forward looking information. The contract asset values are adjusted at each reporting date to reflect the future expected value.

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

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

The Group adopted IFRS 15: 'Revenue from Contracts with Customers' with effect from 29 April 2018 and in doing so only recognises such revenue to the extent that it is highly probable that there will not be a material reversal in the future. Determining the amount of revenue to recognise is judgemental and subject to a degree of estimation uncertainty in particular due to the nature of the variable revenue constraint applied in line with IFRS 15 as described in note 1t. In previous periods, the Group has estimated such revenue with a high level of accuracy, as evidenced and regularly monitored by the level of cash the Group receives from MNOs in the periods subsequent to acquiring consumers on their behalf.

15 Trade and other receivables continued

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

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

- revenue share percentage - the percentage of the consumer's spend (to the MNO) to which the 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 percentage of total spend;
- consumer default rate – rate at which consumers disconnect from the MNO;
- spend beyond the initial contract period – period of time the consumer remains connected to the MNO after the initial contract term; and
- upgrade propensity – the percentage of consumers initially connected by the Group estimated to be subsequently upgraded by an MNO.

Having estimated the expected consideration, the Group applies a constraint to reduce to a level where any future material reversal of revenue would be considered highly improbable. Management makes a regular assessment of historical amounts and market data to ensure that the amounts recognised still meet the requirements of IFRS 15. In the prior year ended 27 April 2019, the net revaluation recognised from performance obligations satisfied in previous periods was a reduction of £3m and in the preceding year ended 28 April 2018 this was an increase of £3m.

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

		2 May 2020 £m	27 April 2019 £m
Gross network commission receivable and contract asset: Opening balance	(i)	**1,294**	1,545
Less: amounts received in advance from MNO's		**(497)**	(488)
Net network commission receivable and contract asset: Opening balance	(ii)	**797**	1,057
Revenue recognised in respect of current year sales	(iii)	**997**	1,235
Revaluation of opening network commission contract asset	(iv)	**(47)**	(41)
Revenue (reversed) / recognised in respect of prior period sales not previously included in the estimation of revenue recognised	(v)	**(2)**	38
Revenue (reversed) / recognised in respect of prior period sales		**(49)**	(3)
Revenue recognised in the period		**948**	1,232
Cash received from network operators	(vi)	**(1,139)**	(1,503)
Movements due to the effect of discounting		**10**	11
Net network commission receivable and contract asset: closing balance	(vii)	**616**	797
Comprising:			
Net network commission receivable and contract asset in less than 1 year		**357**	444
Net network commission receivable and contract asset in more than 1 year		**259**	353
		616	797
Less amount billed (network commission trade receivable)	(viii)	**(70)**	(95)
Net network commission contract asset	(ix)	**546**	702

15 Trade and other receivables continued

i. Net of discounting for the time value of money. The unwind of this discounting is recognised as finance income in the relevant period. The amount of related finance income within the year, as shown in the table above, was £10m (2018/19: £11m).

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

iii. This relates to revenue recognised from connections made in the current year. This revenue is recognised at point of sale as explained within the accounting policies in note 1e. This figure includes in-year adjustments to the carrying value of revenue recognised (net of constraints) where the estimated consideration has changed since point of recognition within the year. In response to the events highlighted in (iv) below and in consideration of other market headwinds, the level of constraint applied to revenue recognised in the current year has been increased.

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

– During the second half of the year, on 17 March 2020, the Group announced a significant strategic change for the Carphone Warehouse business. The Group took the decision to close all standalone Carphone Warehouse stores in the UK. This was a positive step for the long term value of the Group but resulted in a reduction in the expected value of the variable consideration in relation to previously recognised network commission revenues reflecting reduced ability to service the market. This strategic decision only came into fruition in the second half of the financial year and previously would have been considered remote.

– The global pandemic Covid-19 caused the Group to reassess the future expected consumer behaviour in terms of consumer default rate and consumer spend, which resulted in a more prudent assessment and therefore increases to the constraint on the estimated consideration that will be received. In previous years when the revenue was recognised, the possibility of a global pandemic was considered to be remote.

– From 15 February 2020, new Ofcom regulation required MNOs to notify consumers that their contracts are ending. Although this regulation was known about at the prior year end, MNO voluntary action in response was unforeseen. This has impacted potential future cash receipts worse than initially estimated.

– Due to the impact of the unforeseen events described above, and in consideration of other market headwinds, the Group has reassessed the expected value of commissions to be received from MNOs in respect of revenue recognised in previous periods and has recognised an additional constraint.

In the prior year, the £41m revaluation of opening network commission contract assets principally related to changes in anticipated out-of-bundle spend following bill-capping legislation in October 2018 and a reduction in spend after the initial contract term.

This revaluation of £47m (2018/19: £41m) discussed above is the figure that has historically been used by the Group to monitor the accuracy of assumptions made in previous periods and is excluded from measuring the performance of the UK & Ireland Mobile segment in our alternative performance measures as explained within the glossary to the Annual Report. This amount is also presented as the Group has received feedback from certain stakeholders that its separate presentation is helpful, in order to present more clearly the underlying performance in year.

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

vi. Cash received in the period.

vii. Gross network receivable and contract asset balance of £1,005m, offset by amounts received in advance of £389m. This is in line with the explanation in (ii) above.

15 Trade and other receivables continued

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

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

16 Cash and cash equivalents

	2 May 2020 £m	27 April 2019 (restated) £m
Cash at bank and on deposit	660	665

As disclosed in note 1, the Group's cash and cash equivalents have been restated to meet the presentational requirements for offsetting in accordance with IAS 32. Comparative information for the year ended 27 April 2019 has increased from £125m to £665m. This has had no impact on the Group's net assets.

Cash at bank and on deposit includes short-term bank deposits which are available on demand. Within cash and cash equivalents, £32m (2018/19: £43m) 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.

17 Trade and other payables

	2 May 2020		27 April 2019	
	Current £m	Non-current £m	Current £m	Non-current £m
Trade payables	1,249	—	1,571	—
Other taxes and social security	363	—	298	—
Other creditors	2	—	29	109
Contract liabilities	184	92	160	112
Accruals	219	39	292	31
	2,017	131	2,350	252

Non-current other creditors in the prior year related principally to property leases that were deemed to be off market rent which arose from acquisitions. These liabilities were unwound over the period of the relevant lease, of up to 19 years. On initial adoption of IFRS 16, the right-of-use asset was adjusted for these amounts.

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 agreed with the supplier using a supplier financing facility. These payment terms are customary in the industry and in line with credit terms offered by our other suppliers of similar products. These terms are made available and administered under arrangements between the supplier and third-party banks selected by the supplier. The total amount outstanding on such extended payment terms at 2 May 2020 is £51m (2018/19: £59m). These arrangements do not provide the Group with a significant benefit of additional financing and accordingly are classified as trade payables.

Contract liabilities
Movements in the contract liabilities balance are as follows:

	2 May 2020 £m	27 April 2019 £m
Opening balance	272	300
IFRS 15 opening adjustment	—	(24)
Revenue recognised in the period that was included in the opening balance	(147)	(136)
Increase in contract liabilities in the period not yet recognised in revenue	151	132
Closing balance	276	272

Notes to the Group Financial Statements continued

17 Trade and other payables continued

Contract liabilities predominantly relate to the sale of customer support agreements. Revenue is recognised in full as each performance obligation is satisfied under the contracts with the customer. Where consideration is received in advance of the performance of the obligations being satisfied, a contract liability is recognised. 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. The above reconciliation from opening to closing balance shows there has been no significant movement in the balance compared to prior year. The reduction in the contract liability balance due to amounts recognised as revenue within the year that were included in the balance at the start of the year have been offset by new sales made and consideration received in advance of satisfying the performance obligations.

As shown above, £147m included in contract liabilities at the start of the period was recognised as revenue during the year.

18 Contingent consideration

	2 May 2020		27 April 2019	
	Current £m	**Non-current £m**	Current £m	Non-current £m
Contingent consideration	**1**	**2**	1	4

	2 May 2020 £m	27 April 2019 £m
Opening balance	**5**	13
Settlements	**(2)**	(1)
Change in valuation	**—**	(7)
Closing balance	**3**	5

Earn-out consideration of up to £3m is payable in cash (2018/19: £5m) and is contingent on the performance of the Epoq kitchen business against earnings growth targets in the period following the balance sheet date. The fair value of contingent consideration arrangements has been estimated by applying the income approach. A change in growth assumptions used in the fair value methodology could result in an amount of contingent consideration payable per annum decreasing to £nil.

19 Loans and other borrowings

	2 May 2020 £m	27 April 2019 (restated) £m
Current liabilities		
Bank overdrafts*	**540**	559
Loans and other borrowings	**44**	—
	584	559
Non-current liabilities		
Loans and other borrowings	**280**	288
	864	847

* As disclosed in note 1, the Group's bank overdrafts have been restated to meet the presentational requirements for offsetting in accordance with IAS 32. Comparative information for the year ended 27 April 2019 has increased from £19m to £559m. This has had no impact on the Group's net assets.

Committed facilities

£800m Revolving Credit Facility

In October 2015, the Group signed a five-year £800m 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. For the year ended 2 May 2020, the Group had drawn down on this facility by £280m (2018/19: £245m).

19 Loans and other borrowings continued

£250m Revolving Credit Facility

In October 2016, the Group signed a four-year £250m RCF with a group of relationship banks; this facility is on broadly similar terms to the £800m RCF; this facility was extended in February 2019 by an additional two years and the facility expires October 2022.

€50m term loan

In October 2016, the Group signed a four-year term loan of €50m with BBVA. The terms of this facility are also broadly similar to the £800m RCF and expires in October 2020. This loan was fully drawn at the current and proceeding balance sheet dates.

£266m Revolving Credit Facility

In April 2020, the Group signed a one-year £266m RCF to mitigate any potential impact of the Covid-19 crisis with a group of relationship banks; this facility is on broadly similar terms to the £800m and £250m 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 £57m (2018/19: £109m).

All borrowings are unsecured.

20 Lease Liabilities

	2 May 2020 £m
Analysed as:	
Non-current	**1,186**
Current	**258**
	1,444

Total undiscounted future committed payments due are as follows:

	2 May 2020 £m
Amounts due:	
Year 1	**306**
Year 2	**261**
Year 3	**237**
Year 4	**209**
Year 5	**179**
Onward	**589**
	1,781

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

Notes to the Group Financial Statements continued

20 Lease Liabilities continued

The Group has adopted IFRS 16: 'Leases' using the modified retrospective approach. Comparatives for the prior reporting period have therefore not been restated and continue to be reported under IAS 17: 'Leases', as permitted under the specific transitional provisions of IFRS 16. For the year ended 27 April 2019, the obligations under those leases previously defined as finance leases is as follows.

	27 April 2019	
	Minimum lease payments £m	Present value of minimum lease payments £m
Amounts due:		
Within one year	9	8
In more than one year and not more than five years	41	31
In more than five years	82	44
	132	83
Less future finance charges	(49)	—
Present value of lease obligations	83	83
Less amounts due within one year	(3)	(3)
Amounts due after more than one year	80	80

The majority of finance leases related to properties in the UK where obligations are denominated in Sterling and remaining lease terms as at 27 April 2019 varied between 6 and 17 years. The effective borrowing rate on individual leases at this date ranged between 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 Group's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 11.

21 Provisions

	2 May 2020					27 April 2019				
	Reorg-anisation £m	**Sales £m**	**Property £m**	**Other £m**	**Total £m**	Reorg-anisation £m	Sales £m	Property £m	Other £m	Total £m
At beginning of period	**16**	**7**	**98**	**30**	**151**	15	10	63	11	99
Adjustment on initial application of IFRS 16	**—**	**—**	**(47)**	**—**	**(47)**	—	—	—	—	—
Additions	**51**	**14**	**45**	**37**	**147**	30	13	66	63	172
Released in the period	**—**	**—**	**—**	**(6)**	**(6)**	(1)	—	(2)	(3)	(6)
Utilised in the period	**(28)**	**(13)**	**(32)**	**(21)**	**(94)**	(28)	(16)	(29)	(41)	(114)
Disposed	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—
Foreign exchange	**—**	**(1)**	**—**	**—**	**(1)**	—	—	—	—	—
At end of period	**39**	**7**	**64**	**40**	**150**	16	7	98	30	151
Analysed as:										
Current	**39**	**5**	**31**	**39**	**114**	14	6	37	29	86
Non-current	**—**	**2**	**33**	**1**	**36**	2	1	61	1	65
	39	**7**	**64**	**40**	**150**	16	7	98	30	151

Reorganisation:
Reorganisation provisions relate principally to redundancy costs and other costs arising as a result of restructuring and are only recognised where plans are demonstrably committed and where appropriate communication to those affected has been undertaken at the balance sheet date.

21 Provisions continued

As part of the Group's long-term strategy in joining up the UK mobile operations with the wider business, the Group took the next steps in the turnaround of the mobile business by announcing on 17 March 2020 that it would be closing the Carphone Warehouse UK store estate and continue to focus on selling devices and connectivity through its shop-in-shops in 305 big Currys PCWorld stores and online. Further information on the announcement can be found here: https://www.dixonscarphone.com/en/news-and-media/press-releases/year/2020/dixons-carphone-takes-essential-next-stepturnaround-uk. The provision as at 2 May 2020 predominantly relates to costs associated with this strategic decision.

Sales:
Sales provisions relate to 'cash-back' and similar promotions and product and service warranties. The anticipated costs of these are assessed by reference to historical trends and any other information that is considered relevant. Management estimates the related provision for future related claims based on historical information, as well as recent trends that might suggest that past cost information might differ from future claims.

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

For the current period, property provisions include closure costs and dilapidations provisions relating to previously announced closure programmes. This predominantly relates to the closure of the Carphone Warehouse standalone store estate, as discussed above.

Other provisions
Other provisions relate to regulatory costs, data incident costs, and warranties in relation to discontinued operations.

The Group operates in a regulated environment and failure to manage the business in line with regulation could expose the Group to financial penalties.

In the year ended 27 April 2019 the Group reported that it was subject to a £29m fine imposed by the FCA following the conclusion of an investigation into historical Geek Squad mobile phone insurance selling processes. This fine related to a period prior to June 2015. Historical regulatory investigations may be subject to potential future claims and subsequent payments that may take several years to complete and evaluate. The Group ran two voluntary redress programmes which led to the refund of £1.5m.

Nonetheless, the Group has subsequently received claims from a number of customers who believe they were mis-sold Geek Squad policies. These claims are carefully considered by the Group on a case by case basis. The majority of claims received have been invalid. The Group has recorded an additional regulatory costs provision of £30m in the period for customer compensation, with £16m paid out by year end.

During the current year, VAT assessments have also been issued for historical periods relating to the previously disposed Phone House Germany business. The full amount of these assessments have been provided, resulting in a current year charge of £6m. This is further disclosed in note 25.

For the year ended 27 April 2019, further costs of £20m associated with the data incident announced on 13 June 2018 were also provided for.

Non-current provisions are expected to be utilised over a period up to ten years.

22 Retirement and other post-employment benefit obligations

	2 May 2020 £m	27 April 2019 £m
Retirement benefit obligations – UK	550	579
– Nordics	—	—
	550	579

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 £34m (2018/19: £30m).

b) UK defined benefit pension scheme – actuarial valuation and assumptions

A full actuarial valuation of the scheme was carried out as at 31 March 2019 and showed a shortfall of assets compared with liabilities of £645m. A 'recovery plan' based on this valuation was agreed with the Trustees such that contributions in respect of the scheme will be £46m for the 2020/21 financial year, rising to £78m per year from the 2021/22 financial year until 2027/28, with a final payment of £52m in 2028/29.

The principal actuarial assumptions as at 31 March 2019 were:

		Rate per annum
Discount rate for accrued benefits†	– Equity portfolio	3.85%
	– Multi-asset credit portfolio	3.00%
	– Matching portfolio	1.50%
Rate of increase to pensions		0.00% — 3.80%
Inflation		3.40%

† 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 8 years from 2026 to 2034 so that by 2034 the asset portfolio is projected to be 100% invested in matching assets and multi-asset credit.

c) UK Defined benefit pension scheme – IAS 19

At 31 March 2019, the market value of the scheme's investments was £1,210m and, based on the above assumptions, the value of the assets was sufficient to cover 65% of the benefits accrued to members with the liabilities amounting to £1,855m.

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.

22 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.

	2 May 2020	27 April 2019
Rates per annum		
Discount rate	**1.60%**	2.50%
Rate of increase in pensions in payment / deferred pensions (pre / post April 2006 accrual)	**2.55% / 1.95%**	3.25% / 2.20%
Inflation	**2.55%**	3.25%

The Group uses demographic assumptions underlying the formal actuarial valuation of the scheme as at 31 March 2019. In particular, post retirement mortality has been assumed to follow the standard mortality tables 'S3' All Pensioners tables published by the CMI, based on the experience of Self-Administered Pension Schemes (SAPS) with multipliers of 108% for males and 104% for females. In addition, an allowance has been made for future improvements in longevity from 2003 by using the new CMI 2018 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 86.4 years and 88.1 years for men and between 88.8 years and 90.3 years for women for those reaching 65 over the next 20 years.

(ii) Amounts recognised in consolidated income statement

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Past service cost	**—**	15
Net interest expense on defined benefit obligation	**14**	12
Total expense recognised in the income statement	**14**	27

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 £15m, which was recorded as a past service cost in the prior 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 other comprehensive income:

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Remeasurement of defined benefit obligation – actuarial gains / (losses) arising from:		
Changes in demographic assumptions	**93**	—
Changes in financial assumptions	**(136)**	(142)
Experience adjustments	**(46)**	(53)
Remeasurement of scheme assets:		
Actual return on plan assets (excluding amounts included in net interest expense)	**86**	67
Cumulative actuarial loss	**(3)**	(128)

Amounts recognised in other comprehensive income include amounts arising from changes in demographic and membership modelling estimates identified from the full actuarial valuation of the Scheme as at 31 March 2019. Changes in demographic assumptions include gains of £97m arising from the update of pensioner longevity assumptions by using the new CMI 2018 Core projections. Experience adjustments include losses of £59m to align modelling of future liabilities with updated membership data used for the actuarial valuation at 31 March 2019.

22 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

	2 May 2020 £m	27 April 2019 £m
Present value of defined benefit obligations	**(1,850)**	(1,775)
Fair value of plan assets	**1,300**	1,196
Net obligation	**(550)**	(579)

Changes in the present value of the defined benefit obligation:

	2 May 2020 £m	27 April 2019 £m
Opening obligation	**1,775**	1,584
Past service cost	**—**	15
Interest cost	**45**	44
Remeasurements in other comprehensive income – actuarial (gains) / losses arising from changes in:		
Demographic assumptions	**(93)**	—
Financial assumptions	**136**	142
Experience adjustments	**46**	53
Benefits paid	**(59)**	(63)
Closing obligation	**1,850**	1,775

The weighted average maturity profile of the defined benefit obligation at the end of the year is 21 years (2018/19: 21 years), comprising an average maturity of 25 years (2018/19: 25 years) for deferred members and 13 years (2018/19: 13 years) for pensioners.

Changes in the fair value of the scheme assets:

	2 May 2020 £m	27 April 2019 £m
Opening fair value	**1,196**	1,114
Interest income	**31**	32
Employer special contributions	**46**	46
Remeasurements in other comprehensive income:		
Actual return on plan assets (excluding interest income)	**86**	67
Benefits paid	**(59)**	(63)
Closing fair value	**1,300**	1,196

22 Retirement and other post-employment benefit obligations continued

c) UK Defined benefit pension scheme – IAS 19 continued

Analysis of scheme assets:

		2 May 2020 £m	27 April 2019 £m
Overseas and global equities	— Listed	—	132
Diversified growth	— Listed	—	14
Multi-asset credit funds	— Listed	133	141
	— Unlisted	151	115
Private equity	— Unlisted	11	20
Corporate bonds	— Listed	108	96
Other credit linked funds*	— Listed	358	—
	— Unlisted	8	—
Liability driven investments ('LDIs')*	— Listed	855	508
	— Unlisted	(302)	—
Synthetic equity*	— Unlisted	(24)	—
Cash and cash instruments	— Listed	1	64
	— Unlisted	—	105
Other	— Unlisted	1	1
		1,300	1,196

* These assets are managed together as part of one investment portfolio.

In the fair value hierarchy, listed investments are categorised as level 1. Unlisted investments relate to derivatives, which are categorised as level 2, and private credit and private equity funds which are categorised as level 3. Private credit investments are valued by aggregating bid and offer quotes from brokers where this information is available. If this information is not available, investments are valued at amortised cost, with provision for impairment where appropriate. Private equity fund valuations are based on the last audited accounts of each investment plus any known movements including distributions 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 £86m (2018/19: gain of £67m).

Notes to the Group Financial Statements continued

22 Retirement and other post-employment benefit obligations continued

c) UK Defined benefit pension scheme – IAS 19 continued

(v) Sensitivities

The value of the UK defined benefit pension scheme assets is sensitive to market conditions. Changes in assumptions used for determining retirement benefit costs and liabilities may have a material impact on the 2019/20 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 2 May 2020 £m	Year ended 27 April 2019 £m	**2 May 2020 £m**	27 April 2019 £m
Positive / (negative) effect				
Discount rate: 0.5% (2018/19: 0.25%) increase	**3**	1	**184**	91
Inflation rate: 0.5% (2018/19: 0.25%) increase†	**(4)**	(2)	**(151)**	(71)
Mortality rate: 1 year increase	**(2)**	(2)	**(74)**	(71)

† The increase in scheme benefits provided to members on retirement is subject to an inflation cap.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

d) Other post-employment benefits – IAS 19

The Group offers other post-employment benefits to employees in overseas territories, in particular in Greece. These benefits are unfunded. At 2 May 2020 the net obligation in relation to these benefits was £5m (2018/19: £4m) which is included in trade and other payables.

23 Share capital, retained earnings and reserves

a) Share capital

	2 May 2020 million	27 April 2019 million	**2 May 2020 £m**	27 April 2019 £m
Authorised, allotted, called-up and fully paid ordinary shares of 0.1p each	**1,162**	1,160	**1**	1

	2 May 2020 million	27 April 2019 million	**2 May 2020 £m**	27 April 2019 £m
Ordinary shares of 0.1p each in issue at the beginning of the period	**1,160**	1,158	**1**	1
Issued during the period	**2**	2	**—**	—
Ordinary shares of 0.1p each in issue at the end of the period	**1,162**	1,160	**1**	1

During the year ended 2 May 2020, 2,149,777 (2018/19: 2,178,994) ordinary shares with nominal value of 0.1p each were issued for consideration at nominal value (2018/19: at nominal value) 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.

The Group has separately presented 'other reserves' for the first time in the period. This is to separately disclose the hedging, investment in own shares, and investment revaluation reserves which were previously included within accumulated profits. Other reserves also include the previously disclosed translation and demerger reserves.

In the 2018/19 Annual Report and Accounts, accumulated profits at 27 April 2019 were disclosed as £1,117m (28 April 2018: £1,646m after the adjustments on transition to IFRS 9: 'Financial Instruments' and IFRS 15: 'Revenue from Contracts with Customers'). Following the change in presentation of the hedging, investment in own shares and investment revaluation reserves balances to other reserves, the disclosed accumulated profits at 27 April 2019 has been restated to £1,089m before recognising the adjustments of transition to IFRS 16: 'Leases' (28 April 2018: £1,613m after the adjustments on transition to IFRS 9: 'Financial Instruments' and IFRS 15: 'Revenue from Contracts with Customers').

23 Share capital, retained earnings and reserves continued

b) Retained earnings and reserves continued

Movements within in the individual reserves are as follows:

	Hedging reserve £m	Investments revaluation reserve £m	Investment in own share reserve £m	Translation reserve £m	Demerger reserve £m	Total £m
At 28 April 2018	17	17	(1)	39	(750)	(678)
Other comprehensive income and expense recognised directly in equity	10	1	—	(30)	—	(19)
Reclassified to income statement during the year (net of tax)	(17)	—	—	—	—	(17)
Amounts transferred to the carrying value of inventory purchased during the year	1	—	—	—	—	1
As at 27 April 2019	11	18	(1)	9	(750)	(713)
Other comprehensive income and expense recognised directly in equity	**26**	**(8)**	**—**	**(39)**	**—**	**(21)**
Reclassified to income statement during the year	**12**	**—**	**—**	**—**	**—**	**12**
Amounts transferred to the carrying value of inventory purchased during the year	**(41)**	**—**	**—**	**—**	**—**	**(41)**
Purchase of own shares	**—**	**—**	**(12)**	**—**	**—**	**(12)**
As at 2 May 2020	**8**	**10**	**(13)**	**(30)**	**(750)**	**(775)**

The hedging reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. Amounts are subsequently either transferred to the initial cost of inventory or reclassified to profit or loss as appropriate.

The investments revaluation reserve represents changes in the fair value of investments in listed shares which the Group has elected to classify as FVTOCI. These changes are accumulated within the investments revaluation reserve, and amounts are transferred from this reserve to accumulated profits when the listed shares are sold.

The investment in own shares reserve is used to recognise the cost of shares held by the EBT.

The translation reserve accumulates exchange differences arising on translation of foreign subsidiaries which are recognised in other comprehensive income. The cumulative amount is reclassified to accumulated profits when the related net investment is disposed of.

The demerger reserve arose as part of the demerger of the Group from TalkTalk in 2010.

24 Equity dividends

	2 May 2020 £m	27 April 2019 £m
Amounts recognised as distributions to equity shareholders in the period – on ordinary shares of 0.1p each		
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
Final year dividend for the year ended 27 April 2019 of 4.50p per ordinary share	**52**	—
Interim dividend for the year ended 2 May 2020 of 2.25p per ordinary share	**26**	—
	78	116

Following the Group's Covid-19 business update, announced 29 April 2020, the Board has made the decision not to pay a full year dividend.

Notes to the Group Financial Statements continued

25 Discontinued operations and assets held for sale

There have been no additional operations classified as discontinued during the year ended 2 May 2020. The following were classified as discontinued in the year ended 27 April 2019 and have continued to incur costs in the current financial year:

honeybee

For the year ended 2 May 2020 no profit or loss has been recognised in relation to the disposal of the honeybee operation.

For the year ended 27 April 2019 additional costs of £7m were recognised in relation to onerous contracts following the sale of the operation and compensation to previous employees. A further £4m tax credit was recognised in the year ended 27 April 2019 relating to accelerated capital allowances.

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. For the year ended 27 April 2019, the £1m tax credit was recognised in relation to the reversal of previously held provisions for tax risks due to the fact that the statute of limitations had lapsed.

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.

During the current year, VAT assessments have been issued for historical periods relating to the disposed Phonehouse Germany business. These assessments fall under warranties given as part of the sale agreement and as such, it is probable that the Group will need to pay these amounts. Therefore, the full amount of these assessments has been provided, resulting in a current year charge of £6m.

An additional £4m credit has been recognised following the release of provisions relating to other legacy European Carphone operations which are now in liquidation.

No additional profit or loss has been recognised in relation to Portugal (2018/19: £2m) or Virgin Mobile France (2018/19: £5m) in the current period.

	Year ended 2 May 2020			
	honeybee £m	**Spain £m**	**Other £m**	**Total £m**
Revenue	**—**	**—**	**—**	**—**
Expenses	**—**	**—**	**(2)**	**(2)**
Loss before tax	**—**	**—**	**(2)**	**(2)**
Income tax	**—**	**—**	**—**	**—**
	—	**—**	**(2)**	**(2)**

	Year ended 27 April 2019			
	honeybee £m	Spain £m	Other £m	Total £m
Revenue	—	—	—	—
Expenses	(7)	—	(7)	(14)
Loss before tax	(7)	—	(7)	(14)
Income tax	4	1	—	5
	(3)	1	(7)	(9)

25 Discontinued operations and assets held for sale continued

b) Cash flows from discontinued operations

The net cash flows incurred by the discontinued operation during the year are as follows. These cash flows are included within the consolidated cash flow statement:

	Year ended 2 May 2020			
	honeybee £m	Spain £m	Other £m	Total £m
Operating activities	—	—	(1)	(1)
Investing activities	2	—	—	2
	2	—	(1)	1

	Year ended 27 April 2019			
	honeybee £m	Spain £m	Other £m	Total £m
Operating activities	(5)	—	(3)	(8)
Investing activities	8	—	—	8
	3	—	(3)	—

26 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).

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 18. The impact of Covid-19 has had no material impact on the fair value of contingent consideration.

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 carrying amount of financial assets and liabilities recorded at amortised cost and their fair value are not materially different.

Financial Statements

26 Financial risk management and derivative financial instruments continued

The carrying amount of the Group's financial assets, liabilities and derivative financial instruments are as follows:

	2 May 2020 £m	27 April 2019 (restated) £m
Investments(1)	10	18
Cash and cash equivalents(2)**	660	665
Trade and other receivables excluding derivative financial assets(2)	510	601
Derivative financial assets(3)	76	18
Derivative financial liabilities(3)	(52)	(6)
Trade and other payables(2)	(1,509)	(2,032)
Leases(2)*	—	(83)
Deferred and contingent consideration(3)	(3)	(5)
Loans and other borrowings(2)**	(864)	(847)

(1) Held at fair value through other comprehensive income
(2) Held at amortised cost.
(3) Held at fair value through profit and loss
* During the period the Group has adopted IFRS 16: 'Leases' using the modified retrospective approach, as a result prior year comparative numbers have not been restated. Lease liabilities for the year ended 27 April 2019 relate solely to lease obligations recognised in accordance with IAS 17. In accordance with changes to IFRS 7 within the period, leases recognised under IFRS 16 are no longer recognised within the Group's financial instruments fair value disclosure.
** As disclosed in note 1, the Group's cash and bank overdrafts have been restated to meet the presentational requirements for offsetting in accordance with IAS 32. Comparative information for the year ended 27 April 2019 has increased cash from £125m to £665m and overdrafts from £19m to £559m.

Offsetting financial assets and financial liabilities

The Group has forward foreign exchange contracts and cash that are subject to enforceable master netting arrangements and cash pooling arrangements that do not meet the IAS 32 criteria for offset in balance sheet:

(i) Financial assets

					2 May 2020
	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the balance sheet £m	Net amounts of financial assets presented in the balance sheet £m	Financial instruments not set off in the balance sheet £m	Net amount £m
Forward foreign exchange contracts*	76	—	76	(39)	37
Cash and cash equivalents	660	—	660	(540)	120
	736	—	736	(579)	157

					27 April 2019 (restated)
	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the balance sheet £m	Net amounts of financial assets presented in the balance sheet £m	Financial instruments not set off in the balance sheet £m	Net amount £m
Forward foreign exchange contracts*	18	—	18	(6)	12
Cash and cash equivalents**	665	—	665	(540)	125
	683	—	683	(546)	137

26 Financial risk management and derivative financial instruments continued

(ii) Financial liabilities

					2 May 2020
	Gross amounts of recognised financial liabilities £m	**Gross amounts of recognised financial assets set off in the balance sheet £m**	**Net amounts of financial liabilities presented in the balance sheet £m**	**Financial instruments not set off in the balance sheet £m**	**Net amount £m**
Forward foreign exchange contracts*	**(52)**	**—**	**(52)**	**39**	**(13)**
Overdrafts	**(540)**	**—**	**(540)**	**540**	**—**
	(592)	**—**	**(592)**	**579**	**(13)**

					27 April 2019 (restated)
	Gross amounts of recognised financial liabilities £m	Gross amounts of recognised financial assets set off in the balance sheet £m	Net amounts of financial liabilities presented in the balance sheet £m	Financial instruments not set off in the balance sheet £m	Net amount £m
Forward foreign exchange contracts*	(6)	—	(6)	6	—
Overdrafts**	(559)	—	(559)	540	(19)
	(565)	—	(565)	546	(19)

* 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.

** As disclosed in note 1, the Group's cash and cash equivalents and loans and other borrowings have been restated to meet the presentational requirements for offsetting in accordance with IAS 32. Comparative information for the year ended 27 April 2019 has therefore been restated to remove the previously disclosed cash and cash equivalents from the master netting tables presented above. This has had no impact on the Group's net assets.

a) Financial risk management policies

The Group's activities expose it to certain financial risks including market risk (such as foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's treasury function, which operates under treasury policies approved by the Board, uses certain financial instruments to mitigate potentially adverse effects on the Group's financial performance from these risks. These financial instruments consist of bank loans and deposits, spot and forward foreign exchange contracts, foreign exchange swaps and interest rate swaps.

Throughout the period under review, in accordance with Group policy, no speculative use of derivatives, foreign exchange or other instruments was permitted. No contracts with embedded derivatives have been identified and, accordingly, no such derivatives have been accounted for separately.

b) Foreign exchange risk

The Group undertakes certain transactions that are denominated in foreign currencies and as a consequence has exposure to exchange rate fluctuations. These exposures primarily arise from inventory purchases, with most of the Group's exposure being to Euro 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 2 May 2020, the total notional principal amount of outstanding currency contracts was £2,201m (2018/19: £2,004m) and had a net fair value of £24m asset (2018/19: £12m asset). Monetary assets and liabilities and foreign exchange contracts are sensitive to movements in foreign exchange rates.

There is no impact from the movement in foreign exchange rates on the Group's profit and loss as all monetary assets and liabilities in foreign currency are offset by non-hedged derivatives or offsetting monetary assets or liabilities.

26 Financial risk management and derivative financial instruments continued

b) Foreign exchange risk continued

This sensitivity can be analysed in comparison to year end rates (assuming all other variables remain constant) as follows:

	Year ended 2 May 2020		Year ended 27 April 2019	
	Effect on profit before tax £m	**Effect on total equity £m**	Effect on profit before tax £m	Effect on total equity £m
10% movement in the US dollar exchange rate	**—**	**13**	—	13
10% movement in the Euro exchange rate	**—**	**62**	—	61
10% movement in the Swedish Krona exchange rate	**—**	**30**	—	29
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	**—**	**6**	—	7

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 2 May 2020		Year ended 27 April 2019	
	Effect on profit before tax increase / (decrease) £m	**Effect on total equity increase / (decrease) £m**	Effect on profit before tax increase / (decrease) £m	Effect on total equity increase / (decrease) £m
1% increase in the Sterling interest rate	**1**	**(2)**	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 response to Covid-19, the Group entered into a one year facility of £266m due to mature in April 2021.

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 £1,360m (2018/19: £1,093m). Further details of committed borrowing facilities are shown in note 19.

26 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 £m	In more than one year but not more than five years £m	In more than five years £m	Total £m
2 May 2020				
Lease liabilities*	**(306)**	**(886)**	**(589)**	**(1,781)**
Derivative financial instruments – payable:				
Forward foreign exchange contracts	**(2,201)**	**–**	**–**	**(2,201)**
Derivative financial instruments – receivable:				
Forward foreign exchange contracts	**2,225**	**–**	**–**	**2,225**
Loans and other borrowings	**(589)**	**(287)**	**–**	**(876)**
Deferred consideration	**(1)**	**(2)**	**–**	**(3)**
Trade and other payables	**(1,470)**	**(39)**	**–**	**(1,509)**
	(2,342)	**(1,214)**	**(589)**	**(4,145)**

	Within one year (restated) £m	In more than one year but not more than five years £m	In more than five years £m	Total (restated) £m
27 April 2019				
Lease liabilities*	(9)	(41	(82)	(132)
Derivative financial instruments – payable:				
Forward foreign exchange contracts	(1,992)	–	–	(1,992)
Derivative financial instruments – receivable:				
Forward foreign exchange contracts	2,004	–	–	2,004
Loans and other borrowings**	(565)	(303)	–	(868)
Deferred consideration	(1)	(4)	–	(5)
Trade and other payables***	(1,892)	(140)	–	(2,032)
	(2,455)	(488)	(82)	(3,025)

* The Group has adopted IFRS 16 during the period using the modified retrospective approach. As a result prior year comparative numbers have not been restated. Prior period lease liabilities relate solely to finance lease obligations recognised in accordance with IAS 17.

** As disclosed in note 1, the Group's Loans and other borrowings have been restated to meet the presentational requirements for offsetting in accordance with IAS 32. For the year ended 27 April 2019, Loans and other borrowings payable within one year have increased from £25m to £565m to reflect £540m of overdrafts.

*** Trade and other payables have been restated in the presentation of the above table for the comparative period to remove other taxes and social security that do not meet the definition of financial liabilities. This has led to trade and other payables reducing by £298m to £2,032m.

26 Financial risk management and derivative financial instruments continued

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.

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 of £565m (2018/19: £725m), 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. 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. Further information for credit risk associated to contract assets and the MNOs is disclosed within note 15.

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.

Of the Group's £510m trade and other receivables that fall within the classification of financial assets (2018/19: £601m), £120m is deemed by the Group to have a material level of credit risk (2018/19: £120m). The Group applies the expected credit loss model, as described above, to those receivables with a material level of credit risk. For the year ended 2 May 2020, management have considered the impact of Covid-19 by increasing the expected level of default however this has resulted in an immaterial increase in the Group's expected credit losses. The areas of risk and corresponding expected credit loss are as follows:

		2 May 2020		27 April 2019
	Gross carrying amount £m	Expected credit loss £m	Gross carrying amount £m	Expected credit loss £m
UK – PC World Business (B2B)	8	3	8	2
UK – DSG Retail – Main Sales Ledger	31	3	33	2
UK – CPW Concessions	2	2	2	2
Nordics – Business to Business	20	—	29	1
Nordics – Franchise Debtors	29	2	21	—
Greece – Business to Business	4	1	4	—
Greece – Franchise Debtors	3	2	3	2
Greece – Consumer Credit	20	1	17	1
Greece – Main Sales Ledger	3	1	3	2
	120	15	120	12

26 Financial risk management and derivative financial instruments continued

e) Credit risk continued

Ageing of the areas of credit risk is set out in the tables below:

Gross amounts of recognised financial assets	2 May 2020 £m	27 April 2019 £m
Not Yet Due	**93**	97
0-90 Days	**12**	8
91-180 Days	**3**	4
180+ Days	**12**	11
	120	120

The Group's funding is reliant on its £1,360m bank facilities, which are provided by ten 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.

f) Capital risk

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern, 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 (a target of up to 80% hedged a year in advance). The Group generally prefers to use vanilla forward FX contracts as hedging instruments for hedges of forecasted transactions. 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.

26 Financial risk management and derivative financial instruments continued

g) Derivatives continued

At 2 May 2020 the Group had forward and swap foreign exchange contracts in place with a notional value of £1,499m (2018/19: £1,492m) and a net fair value of £23m asset (2018/19: £11m 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 £1m asset (2018/19: £1m asset).

Possible sources of ineffectiveness are scenarios where future cash 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.

Covid-19 has had an impact on the timing and volume of foreign currency purchases into the UK business. However, all hedged items are considered highly probable, therefore no material ineffectiveness has been recognised.

As of 2 May 2020, the Group holds the following levels of foreign exchange hedging derivatives (foreign exchange forwards) to hedge its exposure to fluctuating foreign exchange rates of the next 12 months:

			Year ended 2 May 2020			Year ended 27 April 2019
	Maturing hedges in the next 12 months £m	**Weighted average hedge rate**	**Change in value during the period £m**	Maturing hedges in the next 12 months £m	Weighted average hedge rate	Change in value during the period £m
Hedging USD purchases into GBP (UK)	**51**	**1.2649**	**1**	57	1.3130	–
Hedging EUR purchases into GBP (UK)	**18**	**1.1401**	**–**	12	1.1250	–
Hedging CNY purchases into GBP (UK)	**65**	**9.0544**	**1**	74	8.9595	2
Hedging EUR purchases into NOK (Nordics)	**733**	**10.6596**	**48**	720	9.7915	(2)
Hedging USD purchases into NOK (Nordics)	**88**	**9.3812**	**8**	85	8.3819	3
Hedging SEK sales into NOK (Nordics)	**285**	**1.0215**	**(20)**	288	1.0604	7
Hedging DKK sales into NOK (Nordics)	**190**	**0.7081**	**(15)**	189	0.7611	1
Hedging EUR purchases into GBP (Ireland)	**69**	**0.8755**	**–**	67	0.8798	–
	1,499		**23**	1,492		11

The change in value of hedged items is a total of £23m (2018/19: £11m), this is used in assessing the economic relationship between hedged items and hedging instruments.

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 to fix its floating rate borrowings, 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 £280m (2018/19: £110m), and a fair value which rounds to £nil (2018/19: £nil), whereby the Group receives a floating rate of interest based on LIBOR and pays a fixed interest rate. These contracts mature between June 2020 and June 2024.

26 Financial risk management and derivative financial instruments continued

g) Derivatives continued

As of 2 May 2020, 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 5 years:

	Year ended 2 May 2020		Year ended 27 April 2019	
	Notional value of swaps £m	Weighted Average fixed rate %	Notional value of swaps £m	Weighted Average fixed rate %
Financial year ending 2020	—	—	70	0.55
Financial year ending 2021	220	0.68	30	0.66
Financial year ending 2022	10	0.71	10	0.71
Financial year ending 2023	20	0.54	—	—
Financial year ending 2024	20	0.52	—	—
Financial year ending 2025	10	0.52	—	—

A reconciliation of the Group's hedging items included in the hedging reserve is set out in note 23b.

27 Notes to the cash flow statement

a) Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Loss before interest and tax – continuing operations	(28)	(223)
Loss before interest and tax – discontinued operations	(2)	(14)
Depreciation and amortisation	367	174
Share-based payment charge	23	21
Loss on disposal of fixed assets	3	—
Impairments and other non-cash items	51	347
Operating cash flows before movements in working capital	414	305
Movements in working capital:		
Decrease / (increase) in inventory	156	(26)
Decrease in receivables	284	226
(Decrease) in payables	(248)	(182)
Increase in provisions	43	54
	235	72
Cash generated from operations	649	377

27 Notes to the cash flow statement continued

b) 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.

	28 April 2019 £m	Adjustment on initial application of IFRS 16 £m	Financing cash flows £m	New leases £m	Other changes[i] £m	2 May 2020 £m
Loans and other borrowings (note 19)*	(288)	–	(10)	–	(26)	(324)
Lease liabilities (note 20)[ii]	(83)	(1,403)	299	(194)	(63)	(1,444)
Total liabilities from financing activities	(371)	(1,403)	289	(194)	(89)	(1,768)

* The Group uses interest rate swaps and FX forward contracts to hedge borrowings. The fair value of these derivatives rounded to £nil (2019: £nil). There were no material cash flows or changes in fair value on these instruments during the year.
(i) Other changes include interest accruals and FX.
(ii) During the period the Group has adopted IFRS 16 using the modified retrospective approach. The current period lease liabilities are recognised on balance sheet under IFRS 16.

	29 April 2018 £m	Financing cash flows £m	Other changes[i] £m	27 April 2019 £m
Loans and other borrowings (note 19)**	(349)	84	(23)	(288)
Lease liabilities (note 20)[ii]	(85)	8	(6)	(83)
Total liabilities from financing activities	(434)	92	(29)	(371)

** The presentation of Financing cash flows has increased from £61m to £84m and Other changes decreased from £nil to -£23m for the year ended 27 April 2019 to reflect the gross movement of interest paid on Loans and other borrowings. This has had no impact on the opening or closing balance of liabilities.

28 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 4a for details of related party transactions with key management personnel.

The Group had the following transactions and balances with its associates and joint venture:

	2 May 2020 £m	27 April 2019 £m
Revenue from sale of goods and services	14	13
Amounts owed to the Group	2	2

All transactions entered into with related parties were completed on an arm's length basis.

29 Capital commitments

	2 May 2020 £m	27 April 2019 £m
Intangible assets	4	15
Property, plant & equipment	8	6
Contracted for but not provided for in the accounts	12	21

30 Operating lease arrangements

The Group as a lessee

The Group adopted IFRS 16: 'Leases' from 28 April 2019 using the modified retrospective approach. See note 11 and note 20 for details of the Group as a lessee for the year ended 2 May 2020. Comparatives for the prior reporting period have not been restated to reflect this and therefore continue to be reported under IAS 17: 'Leases'. As such, for the year ended 27 April 2019, the total undiscounted future committed payments due for continuing operations are as follows:

	27 April 2019 (Restated*)	
	Land and buildings £m	Other assets £m
Total undiscounted future committed payments due:		
Within one year	302	18
Between two and five years	839	27
After five years	489	5
	1,630	50

* Operating lease commitments have been restated as at 27 April 2019 to reflect the future minimum lease payments under non-cancellable operating leases in line with IAS 17. The figure disclosed within the 27 April 2019 Annual Report and Accounts overstated these future lease payments by £171m.

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

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

The future minimum sub-lease payments expected to be received under non-cancellable sub-leases at 27 April 2019 was £9m.

The Group as a lessor

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

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

31 Contingent liabilities

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. There are two separate material underlying transactions where there are open enquiries. These have been explained further within note 1t. One of the enquiries has resulted in a contingent liability being disclosed. This determination is based on the strength of third-party legal advice on the matter and therefore the Group does not consider it "more likely than not" that these enquiries will result in an economic outflow. The potential range of tax exposures relating to this enquiry is estimated to be approximately £nil - £220m excluding interest and penalties. Interest on the upper end of the range is approximately £50m up to 2 May 2020. Penalties could range from nil to 30% of the principal amount of any tax.

Notes to the Group Financial Statements continued

32 Changes in accounting policies

The group has adopted IFRS 16: 'Leases' from 28 April 2019 using the modified retrospective approach. Comparatives for the prior reporting period have not been restated and continue to be reported under IAS 17: 'Leases', as permitted under the specific transitional provisions of IFRS 16. The reclassifications and the adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on 28 April 2019.

IFRS 16 introduces new requirements with respect to lease accounting. It presents significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

Impact of the new definition of a lease

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

– the right to obtain substantially all of the economic benefits from the use of an identified asset; and

– the right to direct the use of that asset.

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet and charged to the income statement on a straight-line basis over the period of the lease.

On initial application of IFRS 16, for all leases (except as noted below), the Group:

a) Recognises right-of-use assets and lease liabilities in the consolidated balance sheet, initially measured at the present value of future lease payments;

b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement; and

c) Recognises the total amount of cash paid (both principal and interest portion) within financing activities (previously presented within operating activities under IAS 17) in the consolidated cash flow statement.

On transition to IFRS 16 these lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 28 April 2019. The Group's weighted average incremental borrowing rate applied to the lease liabilities on 28 April 2019 was 5.4%.

Lease incentives (e.g. rent-free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

On initial adoption, the right-of-use assets were adjusted for any previously recognised prepaid and accrued lease payments as well as any liabilities from previously applying IFRS 3: 'Business Combinations' relating to unfavourable terms of an operating lease.

Under IFRS 16, there is a lease-by-lease transition choice whereby a lessee can take a practical expedient to rely on assessments immediately before the date of initial application of whether leases are onerous under the IAS 37: 'Provisions, Contingent Liabilities and Contingent Assets' definition and to adjust the right-of-use asset by this amount. Alternatively, the new requirements under IFRS 16 can be applied and the right-of-use asset is tested for impairment in accordance with IAS 36: 'Impairment of Assets'. The Group has considered this on a lease by lease basis with a transitional impairment review taken on a number of leases.

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

32 Changes in accounting policies continued

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

Former finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 28 April 2019.

Impact on lessor accounting

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

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

Practical expedients applied on adoption

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

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

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

	£m
Operating lease commitments restated as at 27 April 2019*	1,680
Discounted using the lessee's incremental borrowing rate at the date of initial application	1,346
Finance lease liabilities recognised as at 27 April 2019	83
Short-term leases recognised on a straight-line basis as expense	(23)
Adjustments as a result of a different treatment of extension and termination options	79
Lease liability recognised at 28 April 2019	**1,485**
Of which are:	
Current	210
Non-current	1,275
	1,485

* Operating lease commitments have been restated as at 27 April 2019 to reflect the correct future minimum lease payments under non-cancellable operating leases in line with IAS 17. The figure disclosed within the 27 April 2019 Annual Report and Accounts overstated these future lease payments.

33 Events after the balance sheet date

The impact of the Covid-19 pandemic on the Group's operations is discussed within the strategic report on page 8 as well as set out within note 1 to the financial statements which summarises the downside worse case Covid-19 scenario modelled by the Group. Subsequent to the balance sheet date, the Group has monitored trade performance, internal actions, as well as other relevant external factors (such as changes in any of the government restrictions). No adjustments to the key estimates and judgements that impact the balance sheet as at 2 May 2020 have been identified.

Company Balance Sheet

	Note	**2 May 2020 £m**	27 April 2019 (restated) £m
Fixed assets			
Investments in subsidiaries	C4	**2,670**	2,676
Debtors	C5	**4**	—
		2,674	2,676
Current assets			
Cash and cash equivalents		**160**	123
Debtors	C5	**2,803**	2,768
Derivative assets	C7	**124**	24
		3,087	2,915
Creditors: amounts falling due within one year	C6	**(2,593)**	(2,511)
Loans payable	C8	**(44)**	—
Derivative liabilities	C7	**(124)**	(24)
Net current assets		**326**	380
Total assets less current liabilities		**3,000**	3,056
Loans payable	C8	**(280)**	(288)
Net assets		**2,720**	2,768
Capital and reserves			
Share capital	C9	**1**	1
Share premium reserve	C9	**2,263**	2,263
Profit and loss account		**456**	504
		2,720	2,768

The Company's profit for the year was £42m (2018/19: £34m).

Cash and cash equivalents and creditors: amounts falling due within one year have been restated to meet the presentational requirements of IAS 32 as further described in note C1. This has had no impact on net assets.

The financial statements of the Company (registered number 07105905) were approved by the Board on 14 July 2020 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 £m	Share premium reserve £m	Profit and loss account £m	Total equity £m
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
Profit for the year	**—**	**—**	**42**	**42**
Total comprehensive income for the year	**—**	**—**	**42**	**42**
Purchase of own shares	**—**	**—**	**(12)**	**(12)**
Equity dividends	**—**	**—**	**(78)**	**(78)**
At 2 May 2020	**1**	**2,263**	**456**	**2,720**

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 as issued by the Financial Reporting Council.

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 2 May 2020 (2018/19: nil). All directors were remunerated by other group companies.

Restatement of prior periods
Within the period, it was determined that the Company's cash and overdrafts within notional cash pooling arrangements did not meet the requirements for offsetting in accordance with IAS 32: 'Financial Instruments: Presentation'. For presentational purposes, amounts have therefore been restated for the preceding period ended 27 April 2019 and the beginning of the preceding period being 28 April 2018 in accordance with IAS 8: 'Accounting Policies, Change in Accounting Policies and Errors'. The impact of this change is to increase both cash and cash equivalents and overdrafts within current loans and other borrowings by £46m.

This has had no impact on net assets as seen on the face of the Consolidated balance sheet.

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 2 May 2020 was £42m (2018/19: £34m). 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 24 of the Group financial statements.

C4 Fixed asset investments

	2 May 2020 £m	27 April 2019 £m
Opening balance	**2,676**	2,677
Impairments	**(6)**	(1)
Closing balance	**2,670**	2,676
Cost	**2,776**	2,776
Accumulated impairments	**(106)**	(100)
Net carrying amount	**2,670**	2,676

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.

The directors acknowledged that as at 2 May 2020 the market capitalisation of Dixons Carphone plc was less than the net assets of the company, which primarily consists of investments in subsidiaries. This was considered an indicator of impairment and an impairment test over the investment in subsidiaries was performed. The recoverable amounts of the investments have been determined based on value-in-use calculations which require the use of estimates. Management has prepared discounted cash flows based on the latest 5 year strategic plan updated for the impact of Covid-19 as further explained in the Group accounting policies within the consolidated financial statements. No impairment charge was recognised over investment subsidiaries as a result of the impairment test detailed above.

For the year ended 2 May 2020, an impairment of £6m (2018/19: £1m) was recognised over subsidiaries where trading has ceased during the period. The Company received a dividend in the period from these entities which led to an impairment being recognised as the investment exceeded the net assets of the subsidiaries.

C5 Debtors

	2 May 2020 £m	27 April 2019 £m
Amounts owed by Group undertakings	**2,798**	2,761
Prepayments	**9**	6
Other debtors	**—**	1
	2,807	2,768

Amounts owed by Group undertakings are unsecured, repayable on demand and any interest charged is at current market rates.

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. The Company recognised an impairment of £19m in the period (2018/19: £nil) in relation to amounts owned by Group undertakings.

Included within debtors, £4m (2018/19: £nil) of prepayments is classified as non-current. All other amounts are due within one year.

C6 Creditors

	2 May 2020 £m	27 April 2019 (restated) £m
Amounts owed to Group undertakings	**2,124**	2,099
Overdrafts*	**468**	409
Corporation tax	**—**	2
Accruals and deferred income	**1**	1
Amounts falling due within one year	**2,593**	2,511

* As disclosed in note C1, the Company's overdrafts have been restated to meet the presentational requirements for offsetting in accordance with IAS 32. Comparative information for the year ended 27 April 2019 has increased from £363m to £409m. This has had no impact on the Company's net assets.

Notes to the Company Financial Statements continued

C7 Derivatives

	2 May 2020 £m	27 April 2019 £m
Foreign exchange contracts	124	24
Derivative assets	124	24
Foreign exchange contracts	(124)	(24)
Derivative liabilities	(124)	(24)

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 26 for further details.

C8 Loans payable

Details of loans payable are provided in note 19 to the Group financial statements.

C9 Share capital and share premium

Details of movements in share-capital and share premium are disclosed in note 23 to the Group financial statements.

C10 Subsidiary undertakings

a) Principal subsidiaries as at 2 May 2020

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 Deferred A Ordinary B Ordinary	100* 100* 84.6** 100*	Holding company
Dixons Retail Group Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary Deferred	100 100*	Holding company
Dixons South East Europe A.E.V.E.	90 Marinou Antypa str.,Neo Irakleio, Athens 14121	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(1)	Baker Tilly Hughes Blake, Joyce House, 22-23 Holles Street, Dublin 2	Ireland	Ordinary	100	Insurance

C10 Subsidiary undertakings continued

a) Principal subsidiaries as at 2 May 2020 continued

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.
(1) New Technology Insurance Unlimited Company was dissolved on 8 May 2020.

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 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
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

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
New CPWM	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
PC City (France) SNC	52 rue de la Victoire 75009 Paris	France	Partnership	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

Notes to the Company Financial Statements continued

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
Dixons Carphone Holdings Limited	07866062
Dixons Retail Group Limited	03847921
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
New CPWM Limited	07866069
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 – Adjusted and Pro forma

	2019/20 £m	2018/19 £m	2017/18 £m	2016/17 £m	2015/16 £m
Adjusted[(1)]					
Revenue	**10,217**	10,474	10,555	10,221	9,412
Net profit after tax	**125**	269	327	370	326
Earnings per share					
– Basic	**10.8p**	23.2p	28.3p	32.1p	28.3p
– Diluted	**10.6p**	23.0p	28.2p	32.0p	27.4p
Pro forma adjusted results[(1)]					
Revenue	**10,217**	10,474	10,555	10,221	9,412
EBIT	**194**	363	430	495	453
Interest	**(28)**	(24)	(18)	(16)	(22)
Profit before taxation	**166**	339	412	479	431

(1) Adjusted results – continuing operations reflect the statutory results of the Group excluding items classified as adjusting items.

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.

The Shareholder Helpline is available (phone numbers above) on UK business days between 9.00am and 5.00pm (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 in certain circumstances. 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.

Electronic communications

Shareholders will receive annual reports and other documentation electronically, unless they tell our registrars that they would like to continue to receive printed materials. This is in line with best practice and underpins our commitment to reduce waste.

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 at dixonscarphone.com. The website includes information about the organisation, its strategy and business performance, latest news and press releases and the Group's approach to corporate governance.

The investors section provides a comprehensive breakdown of Dixons Carphone investor proposition, share price, financial results, shareholder meetings and dividends.

Auditor
Deloitte LLP
1 New Street Square
London
EC4A 3BZ
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

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
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:
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Glossary and Definitions

Alternative performance measures ('APMs')

In the reporting of financial information, and as set out in the Strategic Report, the Group uses certain measures that are not required under IFRS. These are presented in accordance with the Guidelines on APMs issued by the European Securities and Markets Authority ("ESMA"). We consider that these additional measures (commonly referred to as 'alternative performance measures') provide additional information on the performance of the business and trends to shareholders. These measures are consistent with those used internally, and are considered critical to understanding the financial performance and financial health of the 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.

Adjusting items
Included within our APMs we report adjusted revenue, adjusted PBT, adjusted EBIT, and adjusted EPS. These measures exclude items which are significant in size or volatility or by nature are non-trading or highly infrequent. Adjusted 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, out of period mobile network debtor revaluations and non-recurring charges), income from previously disposed operations and net pension interest costs. There are no adjustments made to exclude the impact of Covid-19. 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.

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

Out of period network debtor revaluations
Following the separation of the UK & Ireland Mobile reporting segment in the prior year, those performance measures, internal targets and KPIs included in the information reviewed by the board and performance guidance given to the external stakeholders have evolved to provide greater transparency over in year trading results. To reflect this, current year adjusting items also include the impact of out of period network debtor revaluations. When we recognise transactions, we do not expect material revaluations. If they arise it is because of unanticipated one-off changes in the external environment, for example changes in regulation. These out of period revaluations can be either positive or negative. They are explained in detail within note 15, below the network commission contract assets and receivables reconciliation table in footnote (iv), to the financial statements. Our treatment for these revaluations is to exclude from our APMs, changes in the expected consideration related to revenue recognised from performance obligations satisfied in previous years. In contrast, whether positive or negative, for the changes to expected revenue where the point of sale (i.e. the initial recognition of commission) was within the current financial year we recognise these changes within our APMs for that year.

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

As explained within note 1t to the financial statements, the network commission receivables are increased each year in line with RPI. As part of the variable revenue constraint, the Group does not include this RPI estimate in the revenue recognised at point of sale. This revenue is recognised once a year when the RPI figure is confirmed. In addition to this, there are other out of period amounts settled in relation to historical transactions that are not included in the initial estimate of revenue at point of sale. As the Group does not recognise an estimate of these amounts within revenue at the point of sale, they are recognised in revenue within each financial year once the amounts for that period are known and our treatment is to include these items within our APMs. They are explained in detail within note 15, below the network commission contract assets and receivables reconciliation table in footnote (v), to the financial statements.

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.

Definitions and reconciliations

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

Alternative performance measure	Closest equivalent GAAP measure	Note reference showing reconciliation to IFRS measure	Definition and purpose
Revenue measures			
Adjusted revenue	Revenue	See note A1	Adjusted revenues are adjusted to remove out of period mobile network debtor revaluations and the revenues of those operations which the Group classifies as exited or to be exited but do not meet the definition of discontinued in accordance with IFRS 5: 'Non-Current Assets Held for Sale and Discontinued Operations'.
Like-for-like (LFL) % change	No direct equivalent	Not applicable	Like-for-like revenue is calculated based on adjusted store and online 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 (where closed by the Company's decision and not where closed due to government imposed restrictions related to the global Covid-19 pandemic) 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.
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			
Adjusted profit / (loss) before tax, EBIT	Profit / (loss) before tax, Profit / (loss) before interest and tax.	See note A2 and A5	As discussed above, the Group uses adjusted profit measures in order to provide a useful measure of the ongoing performance of the Group. These are adjusted from total measures to remove adjusting items, the nature of which are disclosed above.
EBIT	Profit / (loss) before interest and tax	No reconciling items	Earnings before interest and tax (EBIT) is directly comparable to profit / (loss) before tax. The terminology used is consistent with that used historically and in external communications.
Adjusted EBITDA	Profit / (loss) before interest and tax	See note A4	As discussed above, the Group uses adjusted profit measures in order to provide a useful measure of the ongoing performance of the Group. These are adjusted from total measures to remove adjusting items, the nature of which are disclosed above.

Glossary and Definitions continued

Alternative performance measure	Closest equivalent GAAP measure	Note reference showing reconciliation to IFRS measure	Definition and purpose
EBITDA	Profit / (loss) before interest and tax	See note A3	Earnings before interest, tax, depreciation and amortisation (EBITDA). Provides a measure of profitability based on profit / (loss) before tax, and after adding back depreciation and amortisation expense. The terminology used is consistent with that used historically and in external communications.
Other earnings measures			
Adjusted net finance costs	Net finance costs	See note A5 and A6	Adjusted net finance costs exclude certain adjusted finance costs from total finance costs. The adjusting items include the impact of IFRS 16, the finance charge of business 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 adjusted earnings measure in order to remove this non-cash volatility.
Adjusted income tax expense / (credit)	Income tax expense / (credit)	See note A5 and A7	Adjusted income tax expense / (credit) represents the income tax on adjusted earnings. Income tax expense / (credit) on adjusting items represents the tax on items classified as 'adjusted', either in the current year, or the current year effect of prior year tax adjustments on items previously classified as adjusted. We consider the adjusted income tax measures represent a useful measure of the ongoing tax charge / credit of the Group.
Adjusted / Total effective tax rate	No direct equivalent	Not applicable	The effective tax rate measures provide a useful indication of the tax rate of the Group. Adjusted effective tax is the rate of tax recognised on headline earnings, and total effective tax is the rate of tax recognised on total earnings.

Alternative performance measure	Closest equivalent GAAP measure	Reconciliation to IFRS measure	Definition and purpose
Earnings per share measures			
Adjusted basic EPS – continuing operations, adjusted diluted EPS – continuing operations, adjusted basic EPS – total, adjusted diluted EPS – total	Statutory EPS figures	See note A8	EPS measures are presented to reflect the impact of adjusting items in order to show an adjusted EPS figure, which reflects the adjusted earnings per share of the Group. We consider the adjusted 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 A9	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. Free cash flow is derived from adjusted EBIT which excludes the impact of IFRS 16 and other adjusting items.
Net debt	No direct equivalent	See note A10	Comprises cash and cash equivalents and short-term deposits, less borrowings and before the incremental impact of IFRS 16 lease liabilities. The impact of previous finance lease liabilities under the scope of IAS 17 are included. We consider that this provides a useful measure of the indebtedness of the Group and a comparable measure with prior periods.

Glossary and Definitions continued

A1 Reconciliation from Statutory to adjusted revenue

Year ended 2 May 2020

	UK & Ireland Electricals £m	UK & Ireland Mobile £m	Nordics £m	Greece £m	Eliminations £m	Total £m
Statutory external revenue	4,538	1,589	3,573	470	—	10,170
Out of period mobile network debtor revaluations	—	47	—	—	—	47
Adjusted external revenue	4,538	1,636	3,573	470	—	10,217
Inter-segmental revenue	86	98	—	—	(184)	—
Total adjusted revenue	4,624	1,734	3,573	470	(184)	10,217
Adjusted EBIT	162	(104)	116	20	—	194

Year ended 27 April 2019 (restated)

	UK & Ireland Electricals £m	UK & Ireland Mobile £m	Nordics £m	Greece £m	Eliminations £m	Total £m
Statutory external revenue	4,475	1,998	3,501	459	—	10,433
Out of period mobile network debtor revaluations	—	41	—	—	—	41
Adjusted external revenue*	4,475	2,039	3,501	459	—	10,474
Inter-segmental revenue	79	90	—	—	(169)	—
Total adjusted revenue*	4,554	2,129	3,501	459	(169)	10,474
Adjusted EBIT*	180	50	112	21	—	363

* Adjusted results have been restated for the year ended 27 April 2019 to exclude the out of period mobile network debtor revaluations to reflect the performance measures reported to the board, who are considered the Chief Operating Decision Maker under IFRS 8: 'Operating Segments'. IFRS 16, as further described in note 32 has been adopted using the modified retrospective approach and as such prior year results have not been restated.

A2 Reconciliation from Statutory loss before interest and tax to adjusted EBIT and adjusted PBT

Year ended 2 May 2020

	Total profit / (loss) £m	Mobile network debtor revaluations £m	Acquisition / disposal related items £m	Strategic change programmes £m	Regulatory costs £m	Impairment losses £m	Impact of IFRS 16 £m	Pension scheme interest £m	Adjusted profit / (loss) £m
UK & Ireland Electricals	119	—	14	13	—	18	(2)	—	162
UK & Ireland Mobile	(282)	47	1	107	30	—	(7)	—	(104)
Nordics	115	—	11	—	—	—	(10)	—	116
Greece	20	—	—	1	—	—	(1)	—	20
EBIT	(28)	47	26	121	30	18	(20)	—	194
Finance income	10	—	—	—	—	—	—	—	10
Finance costs	(122)	—	—	—	—	—	70	14	(38)
(Loss) / profit before tax	(140)	47	26	121	30	18	50	14	166

A2 Reconciliation from Statutory loss before interest and tax to adjusted EBIT and adjusted PBT continued

Year ended 27 April 2019 (restated)

	Total profit / (loss) £m	Mobile network debtor revaluations £m	Acquisition / disposal related items £m	Strategic change programmes £m	Data incident costs £m	Regulatory costs £m	Impairment losses and onerous leases £m	Pension scheme interest £m	Adjusted profit / (loss)* £m
UK & Ireland Electricals	94	—	14	44	12	16	—	—	180
UK & Ireland Mobile	(438)	41	(3)	23	8	36	383	—	50
Nordics	100	—	12	—	—	—	—	—	112
Greece	21	—	—	—	—	—	—	—	21
EBIT	(223)	41	23	67	20	52	383	—	363
Finance income	11	—	—	—	—	—	—	—	11
Finance costs	(47)	—	—	—	—	—	—	12	(35)
(Loss) / profit before tax	(259)	41	23	67	20	52	383	12	339

* Adjusted results have been restated for the year ended 27 April 2019 to exclude the out of period mobile network debtor revaluations to reflect the performance measures reported to the board, who are considered the Chief Operating Decision Maker under IFRS 8: 'Operating Segments'. IFRS 16, as further described in note 32 has been adopted using the modified retrospective approach and as such prior year results have not been restated.

A3 Reconciliation from Statutory loss before interest and tax to EBITDA

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Loss before interest and tax	**(28)**	(223)
Depreciation*	**298**	91
Amortisation	**69**	83
EBITDA	**339**	(49)

* During the period the Group has adopted IFRS 16: 'Leases', which requires depreciation of right-of-use assets to be recognised in the income statement. The Group has adopted IFRS 16 using the modified retrospective approach. As a result, prior year comparative numbers have not been restated. Depreciation and amortisation can be found in note 3 of the Group financial statements.

A4 Reconciliation from Adjusted EBIT to Adjusted EBITDA

	Year ended 2 May 2020 £m	Year ended 27 April 2019 (restated)* £m
Adjusted EBIT	**194**	363
Depreciation	**84**	91
Amortisation	**44**	55
Adjusted EBITDA	**322**	509

* Adjusted results have been restated for the year ended 27 April 2019 to exclude the out of period mobile network debtor revaluations to reflect the performance measures reported to the board, who are considered the Chief Operating Decision Maker under IFRS 8: 'Operating Segments'. IFRS 16, as further described in note 32 has been adopted using the modified retrospective approach and as such prior year results have not been restated. Depreciation and amortisation can be found in note 3 of the Group financial statements. As disclosed in note A5, adjusted results exclude amortisation of acquisition intangibles and depreciation on right of-use assets recognised in accordance with IFRS 16 but includes £3m of depreciation on right-of-use assets that were previously capitalised as they met the definition of a finance lease under IAS 17.

Glossary and Definitions continued

A5 Further information on the adjusting items between statutory profit to adjusted profit measures noted above

	Note	Year ended 2 May 2020 £m	Year ended 27 April 2019 (restated)* £m
Included in revenue			
Mobile network debtor revaluation*	(i)	**47**	41
		47	41
Included in (loss) / profit before interest and tax:			
Mobile network debtor revaluation*	(i)	**47**	41
Acquisition / disposal related items	(ii)	**26**	23
Strategic change programmes	(iii)	**121**	67
Data incident costs	(iv)	**—**	20
Regulatory costs	(v)	**30**	52
Impairment losses and onerous leases	(vi)	**18**	383
Impact of IFRS 16	(vii)	**(20)**	—
		222	586
Included in net finance costs:			
Impact of IFRS 16	(vii)	**70**	—
Net non-cash finance costs on defined benefit pension schemes	(viii)	**14**	12
		84	12
Total impact on (loss) / profit before tax		**306**	598
Tax regulatory matters	(ix)	**(17)**	46
Tax on other adjusting items	(x)	**(3)**	(64)
Total impact on (loss) / profit after tax — continuing operations		**286**	580
Discontinued operations	25	**2**	9
Total impact on (loss) / profit after tax		**288**	589

* Adjusted results have been restated for the year ended 27 April 2019 to exclude the out of period mobile network debtor revaluations to reflect the performance measures reported to the board, who are considered the Chief Operating Decision Maker under IFRS 8: 'Operating Segments'.

(i) Mobile network debtor revaluations
Changes in consumer behaviour and legislative impacts on previously recognised transactions have led to negative revaluations of network receivables of £47m (2018/19: £41m). Further information can be found in footnote (iv) of the network commission receivables and contract assets reconciliation table within note 15 to the Group financial statements.

(ii) Acquisition / disposal related items
Amortisation of acquisition intangibles:

A charge of £26m (2018/19: £28m) relates primarily to amortisation of acquisition intangibles arising on the Dixons Retail Merger. The prior period includes intangibles recognised on the CPW Europe and Simplify Digital acquisitions which were subsequently impaired at 27 October 2018.

Acquisition related:

During the prior period, acquisition related income of £5m primarily relates to the release of deferred consideration for a previous acquisition no longer payable given the strategic change of the business.

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

A5 Further information on the adjusting items between statutory profit to adjusted profit measures noted above continued

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

During the current period, one-off implementation costs and redundancy costs of £56m (2018/19: £49m) have been incurred in relation to this Group strategic change programme.

In addition to this, property rationalisation costs related to this strategic change programme, specifically in the UK & Ireland Mobile operating segment have been recorded as follows:

– An additional £24m property closure and dilapidations provisions related to the closure of the Carphone Warehouse standalone stores;

– £32m of right-of-use asset impairment related to the Carphone Warehouse store estate;

– £15m of asset impairments, primarily relating to software development costs and store assets.

£6m of property provisions recognised within the UK & Ireland Electricals operating segment from previously announced strategic change programmes have been released in the period.

(iv) Data incident costs:
During the year ended 27 April 2019, costs associated with the data incident announced on 13 June 2018 of £20m were recorded.

(v) Regulatory costs:
The Group operates in a regulated environment and failure to manage the business in line with regulation could expose the Group to financial penalties.

In the year ended 27 April 2019 the Group reported that it was subject to a £29m fine imposed by the FCA following the conclusion of an investigation into historical Geek Squad mobile phone insurance selling processes. This fine related to a period prior to June 2015. Historical regulatory investigations may be subject to potential future claims and subsequent payments that may take several years to complete and evaluate. The Group ran two voluntary redress programmes which led to the refund of £1.5m.

Nonetheless, the Group has subsequently received claims from a number of customers who believe they were mis-sold Geek Squad policies. These claims are carefully considered by the Group on a case by case basis. The majority of claims received have been invalid. The Group has paid a total of £16m in respect of customer compensation.

Following the relatively small proportion of customers who have made claims, the volume and the value of any potential future claims is uncertain. Despite this level of uncertainty, the Group has recorded an additional regulatory costs provision of £30m in the period.

For the year ended 27 April 2019, £15m of additional pension related costs following the High Court judgement on the GMP Lloyds Banking Group case and £1m of redress for ongoing employee related matters for historical periods were also recognised.

(vi) Impairment losses and onerous leases (prior year):
Following the unprecedented effects of Covid-19 and the closure of stores across the UK & Ireland, an impairment indicator was identified, and an impairment review was performed over the store estate. Management considered future cash flow forecasts derived from the board-approved budget and strategic plan and adjusted to model the negative impact of Covid-19. This resulted in an impairment of £18m being recorded over right-of-use assets in UK & Ireland Electricals operating segment.

In the prior year, a strategic review was performed by the Group which led to the separation of the previously reported UK & Ireland operating segment into separate UK & Ireland 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) was separated into the UK & Ireland Electricals and UK & Ireland Mobile CGUs. This identified a material non-cash impairment charge to be recorded in the UK & Ireland Mobile segment of £383m for the year ended 27 April 2019.

(vii) Impact of IFRS 16
During the period the Group has adopted IFRS 16: 'Leases' using the modified retrospective approach, as a result prior year comparative numbers have not been restated. The impact of adoption is included as an adjusting item for the year ended 2 May 2020 as the directors believe this adjustment is helpful to users in aiding comparability of adjusted results against prior periods which are reported under IAS 17. The impact of IFRS 16 results in a net credit of £20m to profit / loss before interest and tax and a charge of £70m in net finance costs on a statutory basis.

Glossary and Definitions continued

A5 Further information on the adjusting items between statutory profit to adjusted profit measures noted above continued

(viii) 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 adjusted earnings.

(ix) Tax regulatory matters:
As previously disclosed, the Group has been co-operating with HMRC in relation to the tax treatment of certain 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 was such that a provision was recognised in the year ended 27 April 2019. The provision has been adjusted in the current period to reflect the current status of discussions (see note 6b(iii)).

(x) Taxation:
The effective tax rate on adjusting items is 7%. The rate of relief is lower than the UK statutory rate of 19% predominantly due to a release of part of the provision recognised in relation to pre-merger legacy corporate transactions (see note 6b(iii)). For the year ended 27 April 2019, the effective tax rate on adjusting items was 3% predominantly due to non-deductible goodwill impairment and the creation of the provision for tax regulatory matters.

A6 Reconciliation from Statutory Net finance costs to adjusted net finance costs

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Total net finance costs	**(112)**	(36)
Impact of IFRS 16	**70**	—
Net interest on defined benefit pension obligations	**14**	12
Adjusted total net finance costs	**(28)**	(24)

* The total IFRS 16 lease interest is £80m, of which £5m relates to previously held finance leases under IAS 17. The incremental impact of IFRS 16 excludes the previously held finance leases and the unwind of discounting on IFRS 3 fair value provisions held on balance sheet prior to the adoption of IFRS 16. These items are excluded as adjusted net finance costs is on a pre-IFRS 16 basis as explained in the definitions.

A7 Adjusted tax expense

a) Tax expense

The corporation tax charge comprises:

		Year ended 2 May 2020 £m	Year ended 27 April 2019 (restated) £m
Current tax			
UK corporation tax at 19% (2018/19: 19%)	– Adjusted	**13**	34
	– Adjusting	**(4)**	17
Overseas tax	– Adjusted	**26**	29
	– Adjusting	**(2)**	—
		33	80
Adjustments made in respect of prior years:			
UK corporation tax	– Adjusted	**12**	(5)
	– Adjusting	**(17)**	(5)
Overseas tax	– Adjusted	**1**	(4)
	– Adjusting	**—**	(1)
		(4)	(15)
Total current tax		**29**	65
Deferred tax			
UK tax	– Adjusted	**(9)**	11
	– Adjusting	**6**	(27)
Overseas tax	– Adjusted	**6**	3
	– Adjusting	**(3)**	(2)
		—	(15)
Adjustments in respect of prior years:			
UK corporation tax	– Adjusted	**(4)**	2
Overseas tax	– Adjusted	**(4)**	—
		(8)	2
Total deferred tax		**(8)**	(13)
Total tax charge		**21**	52
Adjusted tax charge*		**41**	70

* Adjusted results have been restated for the year ended 27 April 2019 to exclude the out of period mobile network debtor revaluations to reflect the performance measures reported to the board, who are considered the Chief Operating Decision Maker under IFRS 8: 'Operating Segments' as disclosed on page 202. The restatement has no impact on statutory reported results.

Tax related to discontinued operations is included in the figures set out in note 25 to the consolidated financial statements.

Glossary and Definitions continued

A7 Adjusted tax expense 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 2 May 2020			Year ended 27 April 2019 (restated)		
	Adjusted £m	Adjusting items £m	Statutory £m	Adjusted* £m	Adjusting items* £m	Statutory £m
Profit / (loss) before taxation	166	(306)	(140)	339	(598)	(259)
Tax at UK statutory rate of 19% (2018/19: 19%)	31	(58)	(27)	64	(113)	(49)
Items attracting no tax relief or liability	3	3	6	7	98	105
Movement in unprovided deferred tax	—	52	52	(1)	—	(1)
Effect of change in statutory tax rate	(2)	(1)	(3)	1	3	4
Differences in effective overseas tax rates	4	(1)	3	5	—	5
Adjustments in respect of prior years – provision	—	(17)	(17)	—	—	—
Adjustments in respect of prior years	5	—	5	(6)	(6)	(12)
Other	—	2	2	—	—	—
Total tax charge / (credit)	**41**	**(20)**	**21**	70	(18)	52

* Adjusted results have been restated for the year ended 27 April 2019 to exclude the out of period mobile network debtor revaluations to reflect the performance measures reported to the board, who are considered the Chief Operating Decision Maker under IFRS 8: 'Operating Segments' as disclosed on page 202. The restatement has no impact on statutory reported results.

The effective tax rate on adjusted earnings for the year ended 2 May 2020 is 25% (2018/19: 21%).

(i) Items attracting no tax relief or liability relate mainly to non-deductible depreciation in the UK business. Adjustments in respect of prior periods relate to the reversal of an expected historical tax credit that is no longer available in the UK.

The effective tax rate on adjusting items is 7% (2018/19: 3%).

(ii) Deferred tax assets relating principally to tax losses in the UK business have not been recognised due to uncertainty over the group's ability to utilise the losses in the future.

(iii) As disclosed within the key sources of estimation uncertainty in note 1t, 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. One of the underlying pre-merger transactions under enquiry is considered to have a "more likely than not" chance of resulting in settlement. Due to this level of risk, a provision was recognised in the prior period. This enquiry is still open and a release of £17m has been made during the period to reflect the current status of discussions.

The future effective tax rate is likely to be impacted by the geographical mix of profits and the Group's ability to take advantage of currently unrecognised deferred tax assets.

A8 Adjusted earnings per share

	Year ended 2 May 2020 £m	Year ended 27 April 2019 (restated) £m
Adjusted earnings		
Continuing operations	**125**	269
Total loss		
Continuing operations	**(161)**	(311)
Discontinued operations	**(2)**	(9)
Total	**(163)**	(320)

	Million	Million
Weighted average number of shares		
Average shares in issue	**1,162**	1,160
Less average holding by Group EBT	**(5)**	(1)
For basic earnings per share	**1,157**	1,159
Dilutive effect of share options and other incentive schemes	**25**	9
For diluted earnings per share	**1,182**	1,168

	Pence	Pence
Basic earnings per share		
Total (continuing and discontinued operations)	**(14.1)**	(27.6)
Adjustment in respect of discontinued operations	**0.2**	0.8
Continuing operations	**(13.9)**	(26.8)
Adjustments — continuing operations (net of taxation)	**24.7**	50.0
Adjusted basic earnings per share	**10.8**	23.2
Diluted earnings per share		
Total (continuing and discontinued operations)	**(14.1)**	(27.6)
Adjustment in respect of discontinued operations	**0.2**	0.8
Continuing operations	**(13.9)**	(26.8)
Adjustments— continuing operations (net of taxation)	**24.5**	49.8
Adjusted diluted earnings per share	**10.6**	23.0

Basic and diluted earnings per share are based on the profit for the period attributable to equity shareholders. Adjusted earnings per share is presented in order to show the underlying performance of the Group. Adjustments used to determine adjusted earnings are described further in note A5.

Glossary and Definitions continued

A9 Reconciliation of cash inflow from operations to free cash flow

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Cash inflow from operations	**649**	377
Operating cash flows from discontinued operations(i)	**1**	8
Taxation	**(20)**	(45)
Interest, facility arrangement fees and repayment of finance leases(ii)	**(39)**	(30)
IFRS 16 impact(iii)	**(291)**	—
Capital expenditure	**(191)**	(166)
Proceeds from disposal of fixed assets	**—**	9
Other movements	**—**	—
Free cash flow	**109**	153

(i) Operating cash flows from discontinued operations are removed in the above reconciliation as free cash flow is presented on a continuing basis.
(ii) Current period excludes cash interest on leases and repayment of leases now within the scope of IFRS 16. Prior period interest and capital repayment on lease obligations relate solely to finance leases recognised in accordance with IAS 17.
(iii) In the comparative periods cash inflow from operations includes rental expenses on leases that now fall under the scope of IFRS 16 and are therefore now included within cash flows from financing activities within the current period. As part of the reconciliation of free cash flow, the cash flows arising from leases have been reclassified into free cash flow in the current period. See note 32 for details of transitional impacts.

Reconciliation of adjusted EBIT to free cash flow

Within the performance review we include a reconciliation from adjusted EBIT to free cash flow. Both of these APMs are on a pre-IFRS16 basis as explained within the definitions.

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Adjusted EBIT (note A2)	**194**	363
Depreciation and amortisation (note A4)	**128**	146
Working capital (note A11)	**108**	(17)
Capital expenditure	**(191)**	(166)
Taxation	**(20)**	(45)
Interest(i)	**(31)**	(30)
Other	**—**	9
Free cash flow before exceptional items	**188**	260
Exceptional items(ii)	**(79)**	(107)
Free cash flow	**109**	153

(i) Interest per the cash flow statement is £106m, this differs to the above interest due to the incremental impact of IFRS 16 interest. The total IFRS 16 lease interest is £80m, of which £5m relates to previously held finance leases under IAS 17.
(ii) Relates to the cash flows on the adjusting items that are described in note A5.

A10 Reconciliation from liabilities arising from financing activities to net debt

	2 May 2020 £m	27 April 2019 (restated) £m
Loans and other borrowings (note 19)*	(324)	(288)
Lease liabilities (note 20)	(1,444)	(83)
Total liabilities from financing activities (note 27b)	(1,768)	(371)
Cash and cash equivalents (note 16)*	660	665
Overdrafts (note 19)*	(540)	(559)
Add back lease liabilities excluding previous IAS 17 finance leases**	1,364	—
Net (debt)	(284)	(265)

* Cash and cash equivalents and loans and other borrowings have been restated to meet the presentational requirements of IAS 32 as further described in note 1. This has had no impact on net assets or net debt.

** During the period the Group has adopted IFRS 16 using the modified retrospective approach, as a result prior year comparative numbers have not been restated. Prior period lease liabilities relate solely to finance leases recognised in accordance with IAS 17. See note 32 for details of transitional impacts.
As described above, the Group has lease liabilities of £1,444m. To aid comparability with prior periods, net debt for the year ended 2 May 2020 includes £80m (2018/19: £83m) of lease liabilities that fell within the definition of finance lease liabilities in accordance IAS 17 and excludes the incremental impact of lease liabilities of £1,364 that fall within the scope of IFRS 16.

A11 Reconciliation of statutory working capital cash inflow to adjusted working capital cash inflow

Within the performance review on page 24, a reconciliation of the adjusted EBIT to free cash flow is provided. Within this, working capital balance of £108m (2018/19: -£17m) differs to the statutory working capital balance of £235m (2018/19: £72m) as cash flows on adjusting items are separately disclosed. A reconciliation of the disclosed working capital balance is as follows:

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Working capital cash inflow (Note 27a)	235	72
Share based payments	23	21
Discontinued Operations	—	1
Exceptional provisions	(43)	(55)
GMP equalisation	—	(15)
Network debtor out of period revaluation	(47)	(41)
IFRS16	(56)	—
Facility arrangement fees	(4)	—
Working capital inflow within free cash flow	108	(17)

Investor Information

Glossary and Definitions continued

A12 Summary of working capital presented within the performance review

Within the performance review on page 24, a summary balance sheet is provided which includes a working capital balance of -£795m (2018/19: -£956m). The below table provides a breakdown of how the summary working capital balance ties through to the statutory balance sheet. Network commission receivables are excluded from the breakdown as they are presented separately. Further information on network commission receivables can be found in note 15.

	Note	**Year ended 2 May 2020 £m**	Year ended 27 April 2019 £m
Non-current assets			
Trade and other receivables*	15	**35**	34
Current assets			
Inventory	14	**970**	1,156
Trade and other receivables*	15	**474**	595
Derivative assets	26	**76**	18
Current liabilities			
Trade and other payables	17	**(2,017)**	(2,350)
Derivative liabilities	26	**(52)**	(6)
Provisions	21	**(114)**	(86)
Non-current liabilities			
Trade and other payables	17	**(131)**	(252)
Provisions	21	**(36)**	(65)
Working capital presented within the performance review		**(795)**	(956)

* Trade and other receivables excludes network commission receivables and contract assets of £616m (2018/19: £797m) as these are presented separately within the condensed balance sheet in the performance review.

A13 Summary IFRS 16 leases presented within the performance review

Within the performance review, a summary balance sheet is provided which includes an IFRS 16 leases balance of -£1,359m. The below table provides a breakdown of how the summary IFRS 16 leases balance ties through to the statutory balance sheet. Comparative year is nil as IFRS 16 was not adopted until 28 April 2019.

	Year ended 2 May 2020 £m	Year ended 27 April 2019 £m
Lease receivables	**5**	—
Lease liabilities	**(1,444)**	—
Exclude IAS 17 finance lease liabilities (included in net debt)	**80**	—
IFRS 16 leases presented within the performance review	**(1,359)**	—

The lease receivables and lease liabilities are included on the face of the statutory balance sheet. The IAS 17 finance leases that were previously on balance sheet before the adoption of IFRS 16 are then excluded as they are included within the net debt line within the summary balance sheet in the performance review in order to aid comparability with prior periods.

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 adjusted earnings measures in order to increase comparability between segments.
Active credit customers	Customers with an open "Your Plan" account
ADRs	American Depositary Receipts
ARPU	Average monthly revenue per user
B2B	Business to business
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
Colleague engagement	Measured using 'Make a Difference' survey in Greece and UK & Ireland and a colleague engagement survey in the Nordics
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
CPW	The continuing business of the Carphone Group
CPW Europe Acquisition	The Company's acquisition of Best Buy's interest in CPW Europe, which completed on 26 June 2013
Credit adoption	Sales on Credit as a proportion of total sales
CRM	Customer Relationship Management
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
Electricals	Represents the combination of our UK & Ireland Electricals, Nordics, and Greece operating segments
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
Mobile	Represents sales made from legacy Carphone brands, iD Mobile and SimplifyDigital
MVNO	Mobile virtual network operator
NPS	Net Promoter Score, a rating used by the Group to measure customers' likelihood to recommend its operations
Online-in-store	Online-in-store is the term used for sales that are generated through in-store tablets for product that is not stocked in the store
Peak / post peak	Peak refers to the 10 week trading period ending on 4 January 2020 as reported in the Group's Christmas Trading statement on 21 January 2020. Post peak refers to the trading period from 5 January 2020 to the Group's year-end on 2 May 2020
RCF	Revolving credit facility
Sharesave or SAYE	Save as you earn share scheme
SIMO	Sales of SIM-only contracts, without attached handset
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

Shareholder Notes

Shareholder Notes continued

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