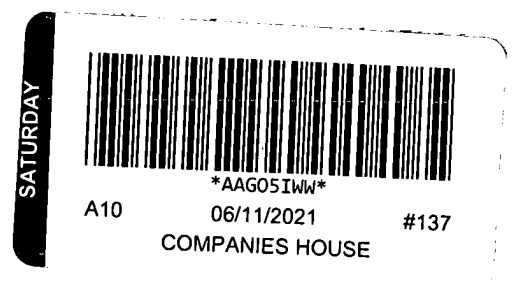


Company Registration No. 00504877

CURRYS GROUP LIMITED
(formerly DSG Retail Limited)

Annual Report and Financial Statements

For the year ended 1 May 2021



CURRYS GROUP LIMITED
Annual report and financial statements 2021

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CURRYS GROUP LIMITED

Officers and professional advisers

Directors

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

	<u>Date of appointment</u>	<u>Date of resignation</u>
M Allsop	28 July 2020	
A Baldock		
E Connolly	28 July 2020	
P Coughlan		
L Haselhurst	28 July 2020	
A Malic	28 July 2020	
B Marsh	22 July 2021	
S Ager		10 June 2020
A Athanassopoulos		27 November 2020
J Mason		9 July 2021
A Ritchie		7 August 2020

Company secretaries

DSG Corporate Services Limited
S Thomas

Registered office

1 Portal Way
London
W3 6RS
United Kingdom

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Bankers

HSBC
8 Canada Square
London
United Kingdom

Currys Group Limited

Strategic report

The directors present their annual report and audited financial statements for the year ended 1 May 2021 for Currys Group Limited (the "Company"). The directors, in preparing this Strategic Report, have complied with section 414C of the Companies Act 2006.

On 27 September 2021 the Company changed its name from DSG Retail Limited to Currys Group Limited.

Principal activity

The Company is a specialist electrical and computing retailer, which sells consumer electronics, personal computers, domestic appliances, photographic equipment, communication products and related services. It is an omnichannel retailer, selling products in stores, over the internet and by phone and provides product support services to customers. It also undertakes business to business ('B2B') sales and services, especially through its store network.

Business review

The Company made strong progress across its transformation in line with the new vision and strategy, which is discussed in the future developments section below. We are outperforming the consumer electronics market and continue to gain market share both online and in stores. Profit before tax increased from £43.0m to £239.5m in the current year.

- Sales increased by 7% to £4,764.0m (2019/20: £4,453.5m), as strong like-for-like growth was offset by the impact of store closures and the impact of an additional week of trading in the prior year. Like-for-like growth of +12.9% was driven by strong online sales growth which more than compensated for sales lost through temporary enforced store closures and the almost complete loss of sales from the Dixons Travel operations. In the year, we closed eleven Currys PCWorld stores, including seven High Street stores. We also took the difficult but necessary decision to close our 33 Dixons Travel stores.
- During the year, online sales grew +113% to £3,298.0m (2019/20: £1,549.0m). Across the year, all major categories grew with computing sales the standout performer, growing +30% with especially high growth in Apple products, laptops and gaming. Consumer electricals sales were strong as sales of large TVs and smart tech offset declines in Imaging and Audio products, despite very strong growth in headphones. Major domestic appliance sales were adversely impacted by the closure of stores but trends since reopening have been encouraging in this category.
- Adjusted EBIT increased from £133.2m to £173.1m
- The Company fully reimbursed all Government support for furlough money received for the year, having no impact on operating costs in the year (2019/20: £16.1m reduction in operating costs for support received).
- The Company received £321.8m of dividends from its subsidiary investment DSG Card Handling Services Limited (2019/20: £nil) and subsequently recognised an impairment in the investment of £108.2m thereby reducing the carrying value to £nil.
- The Directors approved and paid a dividend of £301.7m during the year.
- Adjusting items increased year on year and are explained below and in Glossary and Definitions to the financial statements on pages 59-60.

The tax charge increased from £2.6m to £4.4m and profit after tax increased from £40.4m to £235.1m in the current year.

Adjusting items

Adjusting items (before tax) totalled a credit of £112.1m (2019/20: £43.7m cost) and comprised:

- £24.2m costs for strategic change programmes (2019/20: £9.9m), relating to continued reorganisation and costs to exit non-core operations that were announced in prior periods as the Company looks to continue focus on our core electricals offering;
- £199.7m of impairment losses and onerous contracts related to investments in subsidiaries, intangible assets, IT contracts, right-of-use and store and store related assets (2019/20: £19.8m impairment over right-of-use assets) following the unprecedented effects of Covid-19 and the temporary closure of the Company's store estate;
- £0.9m related to past service costs for the Company's defined benefit pension scheme following an additional judgement on GMP equalisation (2019/20: £nil);
- £0.2m costs associated with the data incident announced 13 June 2018 (2019/20: £0.2m);
- Other credits of £23.7m were recognised in the period within other costs following the settlement of two independent legal cases found in the Company's favour where the counterparties were deemed to be engaged in anti-competitive practices. Of which, £4.9m was received during the period, while the remaining amount was settled following the balance sheet date and is further disclosed in note 26 (2019/20: £0.2m);
- £8.4m net interest on defined benefit pension schemes (2019/20: £13.6m);
- Dividend income of £321.8m (2019/20: £nil) from its wholly owned subsidiary DSG Card Handling Services Limited.

See page 58 for further information on the Company's alternative performance measures (APMs), including definitions, purpose and reconciliations to the nearest IFRS measure.

Currys Group Limited

Strategic report continued

Key performance indicators

KPIs are for the period until 1 May 2021 are based on 52 weeks of trade (2019/20: 53 weeks).

Financial and operational

What we measure ⁽¹⁾	Why we measure	Our performance	
Statutory revenue	The ability to grow revenue is an important measure of a brand's appeal to customers and its competitive position. It is a key measure of the Company's progress against our strategic priority to continue to enhance and drive successful and sustainable retail business models in a multi-channel world.	2021 £4,764.0m	2020 £4,453.5m
Like-for-like revenue growth	Like-for-like revenue enables the performance of the Company to be measured on a consistent year-on-year basis.	2021 12.9%	2020 1.0%
Market position	This is an important measure of how well customers are being engaged by the Company's brands in each market. We are a market leader in the areas in which we operate, and our objective is to continue to grow market share.	Market leading position	Market leading position
Adjusted EBIT	Continued growth of adjusted EBIT enables the Company to invest in its future and provide a return for shareholders. It is a key measure of progress against our strategic priority to continue to enhance and drive successful and sustainable retail business models in an omnichannel world. Statutory EBIT increased from £103.1m to £293.6m in the year.	2021 £173.1m	2020 £133.2m
Adjusted profit before tax	Continued growth of adjusted profit before tax represents a measure of Company performance to external investors and stakeholders against our strategic priorities. Statutory PBT increased from £43.0m to £239.5m in the year.	2021 £127.4m	2020 £86.7m
Net Promoter Score (NPS)	Customer satisfaction is vital to delivering our strategy and building a sustainable business. Net Promoter, a rating used by the Company to measure customers' likelihood to recommend its operations.	2021 55%	2020 47%
Colleague Engagement	Capable and committed colleagues are key to delivering our strategy. Our "Make a Difference" survey allowed our colleagues to provide honest and open feedback on what it is like to work at Currys.	2021 77%	2020 62%

⁽¹⁾ Definitions of measurement for Alternative Performance Measures and reconciliations from Alternative Performance Measures to statutory measures are given in the glossary and definitions on pages 58 to 63.

Currys Group Limited

Strategic report continued

Future developments

Our Vision

As part of the Currys group, we share the same vision: 'We Help Everyone Enjoy Amazing Technology'. We help customers choose, afford and enjoying amazing technology however they choose to shop with us.

As a market leading consumer electrical, mobile phone and services retailer, our vision drives everything we do. Customers find technology incredibly exciting, but also confusing and expensive. Our vision goes beyond ensuring customers can choose, afford and enjoy the right tech.

We help customers make the most of their amazing tech through our unique services. We get the product working, keep it working, help customers make the most out of it and at the end of the lifecycle, trade in and recycle products. We are uniquely positioned to help customers throughout their life, and by doing so we will drive relationships that are long-lasting and more valuable to our customers and to us.

Our strategic priorities

Technology plays a more important role in our lives than ever. We provide the vital technology our customers need, to keep them connected with loved ones, their families fed, clean, healthy and entertained, to work from home and home-school their children. Our strategic priorities build on our strengths to help everyone enjoy amazing technology:

- Omnichannel – Omnichannel is our way of bringing the strengths of all channels, store and online, to all our customers however they choose to shop, having more than doubled online sales, growing our online range without compromising availability, sharpening our pricing and making it easier to shop in the year. By delivering our plan for stronger online growth set out in December 2018 we now have strong foundations in omnichannel but there is a lot more to go. We will continue to build on our progress, as demonstrated by innovations like ShopLive.
- Services – We are uniquely positioned to provide services to our customers to help them enjoy technology for life. We can provide this range of services at scale in ways no competitor can match. We aim to grow the number of customers and proportion of sales that use our valued services by using our omnichannel platform to make it easier to offer, and customers to buy, services.
- Credit – Credit appeals to customers as technology is exciting but expensive, and credit makes it more affordable by allowing them to spread the cost. We aim to grow the number of customers and proportion of sales that use our credit solutions by offering more flexible propositions and optimising the customers shopping journey to encourage higher take-up of credit.
- Mobile – We are focused on mobile: as the single-most important piece of technology we are focused on creating a successful mobile category that better reflects what customers want: flexibility, transparency and value.

Principal risks to achieving the company's objectives

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

During the year, two new risks were added to the principal risk register, *sustainability* and *people*, reflecting the key importance of the effective management of these risks to the delivery of the Company's strategy.

The principal risks and uncertainties, together with their impacts, are set out in the tables below along with an illustration of what is being done to mitigate them. These risks are aggregated by category and are consistent with the principal risks of Currys plc (formerly Dixons Carphone plc), the Company's ultimate parent, and can be found on pages 46 to 52 of its Annual Report and Accounts 2020/21.

Currys Group Limited

Strategic report continued

Specific Risks and Potential Impacts

Principal Risk	What is the risk?	What is the potential impact?
STRATEGIC RISKS		
Covid-19	<ul style="list-style-type: none"> Failure to adapt the operations of the Company to ensure the safety of colleagues and customers in compliance with Government guidelines. 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow Colleague / customer illness or loss of life
Dependence on key suppliers	<ul style="list-style-type: none"> The Company is dependent on relationships with key suppliers to source products on which availability may be limited. 	<ul style="list-style-type: none"> Investments by suppliers scaled down Pricing and stock availability terms could worsen, leading to decreasing sales / reduced margin Reduced revenue and profitability Deteriorating cash flow Reduced market share
Business transformation	<ul style="list-style-type: none"> Failure to respond with a business model that enables the business to compete against a broad range of competitors on service, price and / or product range. Failure to optimise digital opportunities. Failure to respond to changes in consumer preferences and behaviours. 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow Reduced market share
REGULATORY RISKS		
Non-compliance with Financial Conduct Authority ('FCA') and other financial services regulation	<ul style="list-style-type: none"> Failure to manage the business of the Company in compliance with FCA regulation and other financial services regulation to which the Company is subject; including consumer credit activities. 	<ul style="list-style-type: none"> Enforcement action by the regulator Loss of authorisation and inability to trade regulated products Reputational damage Financial penalties Reduced revenues and profitability Deteriorating cash flow Customer compensation
Data protection	<ul style="list-style-type: none"> Major loss of customer, colleague, or business sensitive data. Adequacy of internal systems, policy, procedures and processes to comply with the requirements EU General Data Protection Regulation ('GDPR'). 	<ul style="list-style-type: none"> Reputational damage Financial penalties Reduced revenue and profitability Deteriorating cash flow Loss of competitive advantage Customer compensation
TECHNOLOGY RISKS		
IT systems and infrastructure	<ul style="list-style-type: none"> A key system become unavailable for a period of time. 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow Loss of competitive advantage Restricted growth and adaptability Reputational damage

Currys Group Limited

Strategic report continued

Principal risks to achieving the company's objectives continued

Specific Risks and Potential Impacts continued

Principal Risk	What is the risk?	What is the potential impact?
OPERATIONAL RISKS		
Information security	<ul style="list-style-type: none"> • Vulnerability to attack, malware, and associated cyber risk. 	<ul style="list-style-type: none"> • Reputational damage • Financial penalties • Reduced revenue and profitability • Deteriorating cash flow • Customer compensation • Loss of competitive advantage
Health and safety	<ul style="list-style-type: none"> • Failure to effectively protect customers and / or colleagues and / or contractors from injury or loss of life. 	<ul style="list-style-type: none"> • Employee / customer illness, injury or loss of life • Reputational damage • Financial penalties • Legal action
Business continuity	<ul style="list-style-type: none"> • A major incident impacts the Company's ability to trade and business continuity plans are not effective, resulting in an inadequate incident response. 	<ul style="list-style-type: none"> • Reduced revenue and profitability • Deteriorating cash flow • Reputational damage • Loss of competitive advantage
Product safety	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Financial penalties • Reduced cash flow • Reputational damage
Sustainability	<ul style="list-style-type: none"> • Our commitment to sustainability and being a good corporate citizen is either not delivered or not adequately communicated to or recognised by customers and investors. 	<ul style="list-style-type: none"> • Reduced cash flow as customers shop elsewhere • Reputational damage • Loss of competitive advantage
PEOPLE RISKS		
People	<ul style="list-style-type: none"> • Not having the right workforce capacity, capability, and colleague commitment necessary to delivery on our strategy. 	<ul style="list-style-type: none"> • Reduced revenue and profitability • Failure to achieve strategic objectives without strong leadership and capable and committed colleagues

Currys Group Limited

Strategic report continued

Principal risks to achieving the company's objectives continued

Example Mitigating Actions

Principal Risk	How we manage it	Changes since last report
STRATEGIC RISKS		
Covid-19	<ul style="list-style-type: none"> A range of initiatives grouped under three 'Big Priorities' – To Protect Colleagues, Help Customers and Secure Our Future 	This risk has decreased due to the Company successfully adapting to operating in the Covid-19 environment and wider measures to control the pandemic.
Dependence on key suppliers	<ul style="list-style-type: none"> Ensuring alignment of key suppliers to the Companies strategy Continuing to leverage the scale of operations to strengthen relationships with key suppliers and maintain a good supply of scarce products Working with suppliers to ensure availability of products through the Covid-19 crisis in order to help our customers Broadening the range of suppliers to support the Company's Extended Range offerings Ethical supply chain due diligence over our supplier base Control structures to ensure appropriate Supplier Relationship Management for GFR, GNFR and OEM 	<p>This risk has remained stable over 2020/21.</p> <p>Following the reporting date, there has been increased pressure on supply chains as a result of a national driver shortage. Management are closely monitoring the situation on the Company's supply chain and are working closely with logistic partners and suppliers to minimise the impact to the business.</p>
Business Transformation	<ul style="list-style-type: none"> Continued strengthening of digital expertise as part of omnichannel capability Transformation Programme office established and delivering key strategic objectives Future mobile strategy Development of customer credit propositions Development of omnichannel capabilities Enhancement of data analytics capabilities 	Significant progress has been made in the delivery of the Transformation Programme and consequently the overall risk is decreasing as projects are being completed.
REGULATORY RISKS		
Non-compliance with Financial Conduct Authority ('FCA') and other financial services regulation	<ul style="list-style-type: none"> 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 and if required CBI / other regulators certification implemented Regulatory Compliance Committee, Product Governance and other internal governance structures Control structures to ensure appropriate compliance Compliance monitoring and internal audit review of the operation and effectiveness of compliance standards and controls Recruitment, remuneration and training competency programmes Conduct risk and control framework, including defined minimum control standards 	This risk has remained stable over 2020/21.
Data Protection	<ul style="list-style-type: none"> The operation of a Data Management Function to ensure compliance with GDPR compliant operations processes and controls The operation of a Data Protection Officer to ensure appropriate governance and oversight of the Company's data protection activities Control activities operate over management of customer and employee data in accordance with the Company's data protection policy and processes Investment in information security safeguards and IT security controls and monitoring. 	The risk temporarily increased due to home working but with the introduction of mitigating controls has reduced to the level prior to the Covid-19 outbreak.

Currys Group Limited

Strategic report continued

Principal risks to achieving the company's objectives continued

Example Mitigating Actions continued

Principal Risk	How we manage it	Changes since last report
TECHNOLOGY RISKS		
IT systems and infrastructure	<ul style="list-style-type: none"> • Ongoing IT transformation to align IT infrastructure to the Company's strategic priorities • Peak planning and preparation to ensure system stability and availability over high-demand periods • Individual system recovery plans in place in the event of failure which are tested regularly, with full recovery infrastructure available for critical systems • Long-term partnerships with 'tier 1' application and infrastructure providers established • Strengthening of Technology leadership team 	Whilst the reliance on IT systems and infrastructure increased during the period where the UK and Ireland business traded online only, the control environment remained stable over the period.
OPERATIONAL RISKS		
Information security	<ul style="list-style-type: none"> • 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 policy and standards defined and communicated • 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 • Infosec training and awareness programmes for employees • Audit programme over key suppliers' information security standards • Introduction of enhanced security tooling and operations • Ongoing programme of penetration testing 	The move to home working during Covid-19 presented additional challenges but these were successfully addressed with the introduction of mitigating controls. The risk now remains at the same level as prior to the Covid-19 outbreak.
Health and safety	<ul style="list-style-type: none"> • Implementation of Covid-19 controls to protect colleagues in the workplace and customers in the retail estate including continuous monitoring of changing government regulation in all jurisdictions • Health and Safety strategy • Comprehensive Health and Safety policies and standards supporting continued improvement • Comprehensive Health and Safety policies and standards supporting continued improvement. • Health and Safety management / Governance Committee • Operational Health and Safety teams located across business units • Risk assessment programme covering retail, support centres, distribution and home services • Incident reporting tool and process • Health and Safety training and development framework • Health and Safety inspection programme • Audit programme including factory audits for own brand products and third-party supply chains 	This risk has remained unchanged over 2020/21.
Business continuity	<ul style="list-style-type: none"> • Business continuity and crisis management plans in place and tested for key business locations • Enablement of home working for office-based and contract centre colleagues • Disaster recovery plans in place and tested for key IT systems and data centres • Crisis team appointed to manage response to significant events • Major risks insured 	This risk has remained unchanged over 2020/21.

Currys Group Limited

Strategic report continued

Principal risks to achieving the company's objectives continued

Example Mitigating Actions continued

Principal Risk	How we manage it	Changes since last report
Product safety	<ul style="list-style-type: none"> • Factory Audits conducted over OEM suppliers • Technical evaluation of OEM products prior to production • Product inspection of OEM products prior to shipment. • Monitoring of reported incidents • Safety Governance reviews conducted by internal Technical and Business Standards teams • Establish protocols and procedures to manage product recalls 	This risk has remained unchanged over 2020/21.
Sustainability	<ul style="list-style-type: none"> • Roadmap to Net Zero • Commitment to EV100 • Oversight from ESG Committee • ESG strategy which is regularly revised • Maintenance of a brand tracker • Commitment to TCFD ahead of mandatory compliance for the Group 	Given the number of initiatives, regulatory requirements and expectations of stakeholders this has been added as a new principal risk for 2020/21.
PEOPLE RISKS		
People	<ul style="list-style-type: none"> • Strengthening leadership capability and succession • Increasing colleague capability and engagement to deliver against customer promise • Advancing the People Operations Fix the Fundamentals Transformation • Approach for remuneration and incentives that supports a high-performance culture, reinforces the right behaviours aligned to our values and supports selling responsibility to customers 	The challenge to satisfy new working practices and need to develop new skills to achieve our strategy means this has been added as a new principal risk for 2020/21.

Section 172(1) statement

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

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

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

The Company is an indirect wholly owned subsidiary of Currys plc, which is listed on the London Stock Exchange and subject to the 2018 UK Corporate Governance Code. The Currys plc (formerly Dixons Carphone plc) section 172(1) statement is available on page 28 of its annual report and accounts 2020/21 and describes how the Group engages with stakeholders on behalf of all Group subsidiaries and complies with section 172(1). A clear corporate governance structure is in place which, together with the Group's Delegated Authority Policy, ensures that business decisions are made by the appropriate people, in the appropriate forum (in accordance with the terms of reference of that forum), and the relevant stakeholder considerations are embedded as part of decision-making processes.

Currys Group Limited

Strategic report continued

Section 172(1) statement continued

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

The Company has the following main stakeholder groups:

Our Customers - Customer engagement is led by the Currys plc Board and details of the approach taken are on pages 30- 31 of the Currys plc (formerly Dixons Carphone plc) annual report and accounts 2020/21. The Company uses a Voice of Customer dashboard to monitor customer feedback, use this feedback to generate improvements and to incorporate customer views in decision making. While verbatim customer feedback is captured from thousands each week to gain insights and help the business better understand customer expectations, machine learning and AI solutions are used to quantify the sentiment of the comments and is considered by the directors as part of Board decision-making. One key decision made during the year, based on customer considerations, was the extended roll out of ShopLive, enabling customers to receive advice from store colleague's expertise remotely. Having received regular updates on the demand for ShopLive and on those customer satisfaction scores; the Board extended the roll out and increased the number of colleagues trained on the capability. Following this, the medium and long-term impacts that Covid-19 has had on consumer shopping habits is under review alongside customer demand and feedback on ShopLive, highlighting just one example of how customers input into the Company's strategic decision making.

Our Colleagues - Colleague engagement for the Group is led by the board of Currys plc and details of the approach taken are included on pages 30-31 of the Currys plc (formerly Dixons Carphone plc) annual report and accounts 2020/21. The Company received regular updates on colleague matters and the results of colleague engagement surveys during the year. To improve the colleague experience and communications during the year where many of our colleagues were working from home a central 'People Place' intranet set was made available: providing access to HR policies and guidance, logging issues or questions as well as providing a 'wellbeing corner' to support colleagues during the difficult period that Covid-19 has brought. A central International Colleague Forum is also in place to unify the long-term existing forums into a single listening and engagement forum for all colleagues.

Our Communities and environment – A description of how the Company, as part of the Currys plc group, engages with the wider communities on environment, sustainability and charitable matters is on page 40 of the Currys plc (formerly Dixons Carphone plc) annual report and accounts 2020/21, including our commitment to achieve net zero emissions by 2040.

Our Suppliers – Supplier engagement is led by the Board of Currys plc and details of the approach taken are included on pages 30-31 of the Currys plc (formerly Dixons Carphone plc) annual report and accounts 2020/21. The Group Chief Executive, who is also a director of the Board, participates in regular meetings with the Company's largest suppliers and receives regular supplier updates from the Chief Commercial Officer. Supplier updates are provided to the Board of the Company, the Executive Committee and the Currys plc Board as appropriate.

Our Shareholders - the Company's ultimate shareholder is Currys plc and there is engagement with and reporting to the Currys plc Board as part of the Group's corporate governance and risk and control frameworks. The Executive Directors of the Currys plc Board are directors of the Company and a non-executive director of the Currys plc Board attends Board meetings of the Company to ensure independent oversight. Information on how Currys plc engages with shareholders is available on pages 30-31 of the Currys plc (formerly Dixons Carphone plc) annual report and accounts 2020/21.

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



B Marsh

Director

1 November 2021

Registered office:

1 Portal Way

London

W3 6RS

Registered number: 00504877

Currys Group Limited

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 1 May 2021. Details of future developments and events, how the Company works with suppliers, fosters relationships with customers and the principal risks and uncertainties can be found in the Strategic Report on pages 2 to 10 and form part of this report by cross reference.

On 27 September 2021 the Company changed its name from DSG Retail Limited to Currys Group Limited.

Results and dividends

The profit for the year after taxation was £235.1m (2019/20: £40.4m). On 27 April 2021 the Directors declared and paid an ordinary dividend of £1.91 per ordinary share (2019/20: £nil). The Board has not recommended or approved a final year dividend to be paid after the reporting date.

Funding

The Company, as part of Currys plc, benefits from the Currys Group having total committed borrowing facilities totalling £551m, which provide the appropriate level of committed financing for the Company's needs.

Going concern

In considering the going concern basis for preparing the financial statements, the Directors have considered the Company's objectives and strategy, risks and uncertainties in achieving its objectives and its business performance, as set out within this strategic report.

After reviewing the Company's expenditure commitments, current financial projections and expected future cash flows, together with the available cash resources and undrawn committed borrowing facilities, the Directors have considered that adequate resources exist for the Company to continue in operational existence for the foreseeable future and at least 12 months from the date of signing these financial statements. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

Directors

The Directors who served throughout the year and up to the date of signing (except as noted) are shown on page 1.

Directors' and officers' liability insurance

Pursuant to Article 62 of the Articles of Association, the directors, secretary and other officers of the Company are entitled to be indemnified by the Company out of its own funds against liabilities arising from the conduct of the Company's business to the extent permitted by law. Qualifying third party indemnity insurance cover has been purchased which in general terms indemnifies individual directors' and officers' of the Company, the immediate parent company and all subsidiary companies, from personal legal liability and costs for claims arising out of actions taken in connection with the Company's business.

Capital structure

The Company's only class of share is ordinary shares. All ordinary shares are held by the Company's parent company, DSG International Holdings Limited. Details of the issued share capital during the year are provided in note 20 to the Financial Statements.

During the period, the Company issued an additional two £1 ordinary shares at a premium to its parent company, undertook a share reorganisation whereby it converted 85,600,000 7.26% cumulative preference shares into £1 ordinary shares and capitalised its share option reserve by issuing 71,257,945 shares to the sole member. All allotments rank pari passu with existing issued shares of the same class. The Company subsequently undertook a capital reduction to reduce the nominal value of the ordinary shares from £1 each to £0.00000001 each. The transactions are disclosed further in note 20.

Use of financial instruments

Information about the use of financial instruments is given in note 19 to the Financial Statements. The Company uses hedge accounting to record the fair value of its cash flow hedges, namely forward foreign exchange contracts and foreign exchange swaps.

Currys Group Limited

Directors' report continued

Financial risk management

Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet, the main financial risks the Directors consider relevant to the Company are credit risk, liquidity risk and cash flow risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet its contractual obligations. The Company's principal financial assets are bank balances and trade and other receivables.

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

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

The Company's bank balances and cash are centrally pooled with other subsidiaries of Currys plc. The credit risk on these centrally pooled bank and cash balances is limited as the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

Funding for all subsidiaries of Currys plc, including the Company, is arranged centrally. In order to ensure that sufficient funds are available for ongoing operations and future developments, Currys plc has multi-currency revolving credit facilities of £551m, which mature in April 2025.

Cash flow risk

The Company's activities expose it primarily to financial risk of changes in foreign currency exchange rates and interest rates. The Company uses foreign exchange forward and swap contracts to hedge these exposures.

Research and development

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

Employees

The Company places emphasis on its employees' involvement in the business at all levels. Managers are remunerated according to results wherever possible and all employees are kept informed of issues affecting the Company through formal and informal meetings and through the Company's intranet.

It is the Company's policy to assist the employment of disabled people, their training and career development, having regard to particular aptitudes and abilities. Every endeavour is made to find suitable alternative employment and to re-train any employee who becomes disabled while serving the Company.

Environment

A full analysis of the key regulatory and social risks of the industry in which the Currys plc Group operates is described on pages 34-45 of the Group's Annual Report and Accounts 2020/21, which does not form part of this Report. As a subsidiary entity, the Company operates in accordance with group policies.

Currys Group Limited

Directors' report continued

Auditor and disclosure of information to the auditor

Deloitte LLP have indicated their willingness to be appointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting. In accordance with the provisions of Section 418 of the Companies Act 2006, each of the directors at the date of approval of this report confirms that, to the best of their knowledge and belief, and having made appropriate enquiries of other officers of the Company:

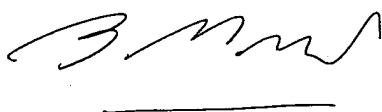
- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware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

Events after the balance sheet date

Following the balance sheet date the Company settled a claim for £18.0m following an ongoing dispute for damages with an independent third party following their involvement in anti-competitive behaviour that adversely impacted the Company in prior periods. A further £0.8m was also awarded to cover legal expenses incurred.

On 15 September the Company's ultimate parent and controlling entity changed its name from Dixons Carphone plc to Currys plc.

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



B Marsh

Director

1 November 2021

Registered office:

1 Portal Way

London

W3 6RS

Registered number: 00504877

Currys Group Limited

Directors' responsibilities statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Currys Group Limited

Independent auditor's report

Independent auditor's report to the members of Currys Group Limited (formerly DSG Retail Limited)

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Currys Group Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 1 May 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income and expense;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Consideration of the nature of the Company, 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;
- Consideration of whether the Company is reliant on support from the Ultimate Parent entity and other entities within the Currys plc group and the available cash resources and undrawn committed borrowing facilities available to the Company through the wider Currys plc group;
- Evaluation of the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used, such as forecast revenue and operating costs, against historical and forward looking data;
- Evaluation of the directors' plans for future actions in relation to their going concern assessment which includes review of the Company's future cash forecasts and profit projections, which are based on market data, past experience and the potentially prolonged impact of Covid-19; and,
- Assessment of the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Currys Group Limited

Independent auditor's report continued

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pension legislations, tax legislations and FCA regulations; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the entity's health and safety and environmental regulations.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions, IT, and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- accounting for supplier funding arrangements: we obtained an understanding of the controls relating to supplier funding, understood significant changes in the overall terms of key arrangements, recalculated samples of income with reference

Currys Group Limited

Independent auditor's report continued

to sales agreements and traced to cash receipts, obtained confirmations from suppliers for the total amounts incurred during the year and assessed whether conditions for recognition for accruals held at the year-end had been fulfilled. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- enquiring of management and in-house and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception


Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



David Griffin FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

2 November 2021

Currys Group Limited
Income statement
For the year ended 1 May 2021

	Note	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Revenue	2	4,764.0	4,453.5
Operating profit	2	<u>293.6</u>	<u>103.1</u>
Finance income		1.7	2.8
Finance costs		<u>(55.8)</u>	<u>(62.9)</u>
Net finance costs	3	<u>(54.1)</u>	<u>(60.1)</u>
Profit before tax		239.5	43.0
Income tax expense	5	<u>(4.4)</u>	<u>(2.6)</u>
Profit after tax for the year		<u><u>235.1</u></u>	<u><u>40.4</u></u>

Revenue and operating profit are all derived from continuing operations in the United Kingdom.

Currys Group Limited
Statement of comprehensive income and expense
For the year ended 1 May 2021

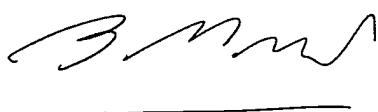
	Note	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Profit after tax for the year		235.1	40.4
<i>Items that may be reclassified to the income statement in subsequent periods</i>			
Cash flow hedges			
Fair value remeasurement losses	19	(1.6)	(0.1)
<i>Items that will not be reclassified to the income statement in subsequent periods</i>			
Actuarial gain/ (losses) on defined benefit pension scheme	18	30.2	(3.4)
Deferred tax income / (expense) on defined benefit pension scheme	5	5.3	(44.5)
Current tax on defined benefit pension scheme	5	7.1	6.2
Current tax on other items	5	0.3	-
Other comprehensive income / (expense) for the year net of tax		42.9	(41.7)
Total comprehensive income / (expense) for the year		276.4	(1.4)

Currys Group Limited
Balance sheet
As at 1 May 2021

		1 May 2021 £m	2 May 2020 £m
	Note		
Fixed assets			
Intangible assets	6	195.9	236.0
Property, plant & equipment	7	76.8	123.0
Right-of-use assets	8	628.7	671.6
Lease receivable	9	2.8	3.3
Investment in subsidiaries	10	-	36.6
Deferred tax assets	5	93.7	85.7
		<u>997.9</u>	<u>1,156.2</u>
Current assets			
Inventories	11	548.1	433.6
Lease receivable	9	0.5	0.8
Trade and other receivables	12	1,710.4	1,460.4
Cash and cash equivalents	13	30.1	236.6
		<u>2,289.1</u>	<u>2,131.4</u>
Total assets		<u>3,287.0</u>	<u>3,287.6</u>
Current liabilities			
Lease liabilities	14	(100.0)	(117.8)
Loans and other borrowings	15	-	(9.1)
Trade and other payables	16	(1,067.5)	(978.6)
Provisions	17	(16.1)	(17.4)
		<u>(1,183.6)</u>	<u>(1,122.9)</u>
Net current assets		<u>1,105.5</u>	<u>1,008.5</u>
Total assets less current liabilities		<u>2,103.4</u>	<u>2,164.7</u>
Non-current liabilities			
Lease liabilities	14	(690.5)	(701.2)
Retirement benefit obligation	18	(482.0)	(549.6)
Other payables	16	(68.1)	(118.7)
Provisions	17	(5.0)	(14.2)
		<u>(1,245.6)</u>	<u>(1,383.7)</u>
Total liabilities		<u>(2,429.2)</u>	<u>(2,506.6)</u>
Net assets		<u>857.8</u>	<u>781.0</u>
Capital and reserves			
Share capital	20	-	0.3
Share premium reserve		-	563.1
Hedging reserve		(0.4)	1.2
Accumulated profits		858.2	216.4
Total equity		<u>857.8</u>	<u>781.0</u>

Currys Group Limited
Balance sheet continued
As at 1 May 2021

These financial statements of Currys Group Limited (registered number 00504877) were approved by the Directors and authorised for issue on 1 November 2021. They were signed on their behalf by:

A handwritten signature in black ink, appearing to be 'B Marsh', written over a horizontal line.

B Marsh
Director
Registered number: 00504877

Currys Group Limited
Statement of changes in equity
For the year ended 1 May 2021

	Note	Share capital £million	Share premium £million	Hedging reserve * £million	Accumulated profits / (losses) ** £million	Total equity £million
At 27 April 2019		0.3	563.1	1.3	230.1	794.8
Adjustment on initial application of IFRS 16 (net of tax)		-	-	-	(22.3)	(22.3)
Adjusted balance as at 27 April 2019		0.3	563.1	1.3	207.8	772.5
Profit for the year		-	-	-	40.4	40.4
Fair value remeasurement losses	19	-	-	(0.1)	-	(0.1)
Actuarial gain on defined benefit pension scheme	18	-	-	-	(3.4)	(3.4)
Deferred tax on defined benefit pension scheme	5	-	-	-	(44.5)	(44.5)
Current tax on defined benefit pension scheme	5	-	-	-	6.2	6.2
Total comprehensive expense for the year		-	-	(0.1)	(1.3)	(1.4)
Share-based payments	21	-	-	-	9.9	9.9
At 2 May 2020		0.3	563.1	1.2	216.4	781.0
Profit for the year		-	-	-	235.1	235.1
Fair value remeasurement losses	19	-	-	(1.6)	-	(1.6)
Actuarial gain on defined benefit pension scheme	18	-	-	-	30.2	30.2
Deferred tax on defined benefit pension scheme	5	-	-	-	5.3	5.3
Current tax on defined benefit pension scheme	5	-	-	-	7.1	7.1
Current tax on other items	5	-	-	-	0.3	0.3
Deferred tax temporary differences	5	-	-	-	(0.4)	(0.4)
Total comprehensive expense for the year		-	-	(1.6)	277.6	276.0
Ordinary shares issued	20	-	71.6	-	-	71.6
Conversion of irredeemable preference shares into ordinary shares	20	86.5	-	-	(65.4)	21.1
Bonus issue of shares	20	71.3	-	-	(71.3)	-
Capital reduction	20	(158.1)	(634.7)	-	792.8	-
Equity dividends		-	-	-	(301.7)	(301.7)
Share-based payments	21	-	-	-	9.8	9.8
At 1 May 2021		-	-	(0.4)	858.2	857.8

Currys Group Limited
Statement of changes in equity continued
For the year ended 1 May 2021

- * Hedging reserve represents the effective portion of changes in the fair value of financial instruments that are designated as cash flow hedges, as recognised in other comprehensive income. Amounts previously recognised are recycled to profit or loss in the periods when the hedged item is recognised in the Income statement. Any ineffective portion of the financial instrument designated as a cash flow hedge is recognised in the Income statement.
- ** Accumulated profits / (losses) represents the aggregated value of the current and all previous financial years' revenue and expenses as recorded in both the Income Statement and the Statement of Other Comprehensive Income and Expense.

Currys Group Limited

Notes to the financial statements

1. ACCOUNTING POLICIES

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

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 10.

1.1 Basis of preparation

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Currys plc. The group accounts of Currys plc (formerly Dixons Carphone plc) are available to the public and can be obtained as set out in note 24.

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

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

Where relevant, equivalent disclosures have been given in the group accounts of Currys plc.

The financial statements have been presented in Pound Sterling, the functional currency of the Company derived from the Company'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 in the accounting policies notes below.

In addition to IFRS measures, the Company uses certain alternative performance measures that are considered to be additional informative measures of ongoing trading performance of the Company and are consistent with how performance is measured internally. The alternative performance measures used by the Company in addition to IFRS measures are included within the glossary and definitions on pages 58 to 59. This includes further information on the definitions, purpose, and reconciliation to IFRS measures of those alternative performance measures that are used for internal reporting and presented to Chief Operating Decision Maker (CODM). The CODM has been determined to be the Board.

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

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

Currys Group Limited

Notes to the financial statements

1. Accounting policies continued

1.2 Going Concern

In considering the going concern basis for preparing the financial statements, the Directors have considered the Company's objectives and strategy, risks and uncertainties in achieving its objectives and its review of business performance as set out in the Strategic Report on pages 2 to 10. As discussed on page 11, as part of the Currys plc group, the Company benefits from the Currys group's total committed borrowing facilities of £551m, which provide the appropriate level of committed financing for the Company's needs. Further information on the funding arrangements and management can be found in notes 19 and 26 of the Currys plc (formerly Dixons Carphone plc) Annual Report and Accounts 2020/21.

In their consideration of going concern, the directors have reviewed the Company's future cash forecasts and profit projections, which are based on market data and past experience. The directors are of the opinion that the Company's forecasts and projections, which take into account reasonably possible changes in trading performance, including the potentially prolonged impact of Covid-19, together with the available cash resources and undrawn committed borrowing facilities available through the wider Currys group, that the Company is able to operate within its current facilities and comply with its banking covenants for the foreseeable future.

As a result of the uncertainties surrounding the forecasts due to the Covid-19 pandemic, the wider Currys group has also modelled a reverse stress test scenario, as funding is arranged centrally. The reverse stress test models the decline in sales that the wider 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.

Accordingly, the Directors believe that the Company is well placed to manage its financing and other significant risks satisfactorily and that the Company will be able to operate within the level of its facilities for the foreseeable future. The Board therefore consider it appropriate for the Company to adopt the going concern basis in preparing its financial statement.

1.3 Revenue

Revenue comprises sales of goods and services excluding sales taxes. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to the customer, fulfilling the obligations privity to the contract with customers.

The following accounting policies are applied to the principal revenue generating activities in which the Company is engaged:

- revenue from the sale of goods is recognised at the point of sale or, where later, upon delivery to the customer. Where consideration is received, or receivable, in advance of the customer obtaining control and the performance obligations being satisfied, a contract liability is recognised;
- revenue earned from the sale of customer support agreements is recognised as the stand-ready performance obligation are satisfied under the contracts with the customer. Where consideration is received in advance of the performance 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; and
- revenue arising on services (including delivery and installation, product repairs and product support) is recognised when the obligation to the customer is fulfilled.

1.4 Leases

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

The Company as a lessor

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

Currys Group Limited

Notes to the financial statements

1. Accounting policies continued

1.4 Leases continued

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

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

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

The Company as a lessee

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

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the 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 exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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

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

Currys Group Limited

Notes to the financial statements

1. Accounting policies continued

1.4 Leases continued

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, any initial direct costs and any dilapidation costs, less any lease incentives received. 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 1.7.

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.

1.5 Foreign currency translation and transactions

Transactions denominated in foreign currencies are translated to the Company's presentational currency using the exchange rate at the date of the transaction. The Company uses foreign exchange ('FX') forward contracts to hedge material transactions denominated in foreign currencies, as outlined in note 1.9.

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 translated at the rates prevailing at the balance sheet date. Monetary assets and liabilities denominated in foreign currencies not hedged are reported at the rates of exchange prevailing at that balance sheet date.

Exchange differences arising on the translation of monetary assets and liabilities are included in profit or loss in the year in which they arise.

1.6 Intangible assets

Brand names

Brand names acquired are capitalised and amortised over their useful economic lives on a straight-line basis. They are stated at cost less accumulated amortisation, and where appropriate, provision for impairment in value or estimated loss on disposal.

Software and other intangibles

Software includes 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.

Currys Group Limited

Notes to the financial statements

1. Accounting policies continued

1.6 Intangible assets continued

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.

1.7 Property, plant and equipment

Property, plant and 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 less their residual values over their expected useful lives from the date the asset was brought into use or capable of being used on a straight-line basis.

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

- Freehold buildings: between 1²/₃% and 2¹/₂% per annum
- Fixtures, fittings and equipment: between 10% and 33 ¹/₃% per annum

Property, plant and equipment are assessed on an ongoing basis to determine whether circumstances exist that could lead to the conclusion that the net book value is not supportable. Where assets are to be taken out of use, an impairment charge is levied. Where the property, plant & equipment form part of a separate cash generating unit (CGU), such as a store, 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.

1.8 Non-derivative financial assets

Financial assets are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the investment. The Company's financial assets comprise investments in subsidiaries, cash and cash equivalents, and those receivables which involve a contractual right to receive cash from external parties. Financial assets comprise all items shown in notes 9, 10, 12 and 13 with the exception of prepayments.

When the Company recognises a financial asset, it classifies it in accordance with IFRS 9 depending on the Company's intention with regard to the collection, or sale, of contractual cash flows and whether the financial asset's cash flows relate solely to the payment of principal and interest on the principal outstanding. All of the Company's assets measured at amortised cost are subject to impairments driven by the expected credit loss (ECL) model. The Company has adopted the simplified approach to calculate lifetime expected credit losses. 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.

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

Investment in subsidiaries

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

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

Trade and other receivables

Trade and other receivables 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 such that would be reflected in a separate financing transaction between the Company and the

Currys Group Limited

Notes to the financial statements

1. Accounting policies continued

1.8 Non-derivative financial assets continued

customer. Other receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, trade and other receivables are measured at amortised cost.

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 cashflows of the counterparty and subsidiary companies with the ability to distribute cash to it are considered.

Cash and cash equivalents

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

1.9 Derivative financial instruments and hedging activity

The Company uses derivatives to manage its exposures to fluctuating 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.

Cash flow hedge accounting

At inception the relationship between the hedging instrument and the hedged item is documented, as well as 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.

The effective portion of changes in the fair value is recognised in other comprehensive income and accumulated in the cash flow hedge reserve. Any gain or loss relating to the ineffective portion is recognised immediately in the income statement within finance costs. 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

Derivatives that do not qualify for hedge accounting 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.

1.10 Taxation

Current taxation

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

Currys Group Limited

Notes to the financial statements

1. Accounting policies continued

1.10 Taxation continued

Deferred taxation

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

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 substantively enacted by the balance sheet date.

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

Current tax and deferred tax for the year

Current and deferred tax is recognised in the income statement except when they relate to items that are recognised in other comprehensive income and expense or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income and expense or directly in equity as appropriate.

1.11 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.

Certain purchases of inventory may be subject to cash flow hedges to address foreign exchange risk. Where this is the case a basis adjustment is made; the initial cost of hedged inventory is adjusted by the associated gain or loss transferred from the cash flow hedge reserve.

1.12 Non-derivative financial liabilities

The Company's financial liabilities are those which involve a contractual obligation to deliver cash to external parties at a future date. Financial liabilities comprise all items shown in notes 14, 15 and 16 with the exception of other taxation and social security, contract liabilities and other non-financial creditors. Financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities (or a part of a financial liability) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. In the event that the terms in which the Company are contractually obliged are substantially modified, the financial liability to which it relates is derecognised and subsequently re-recognised on the modified terms.

Borrowings

Borrowings in the Company's balance sheet represent bank loans drawn under 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.

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.

Trade and other payables

Trade and other payables are initially recorded at fair value and subsequently measured at amortised cost.

Currys Group Limited

Notes to the financial statements

1. Accounting policies continued

1.12 Non-derivative financial liabilities

Preference share capital

The Company's preference share capital falls within the definition of a financial liability rather than equity. The annual dividends payable on such preference share capital are accounted for as an interest expense within the profit and loss account. Special dividends payable on such preference share capital represent a repayment of these liabilities and accordingly any special dividends paid are treated as a reduction in these liabilities with an equivalent transfer to the non-distributable reserve.

1.13 Retirement benefit obligations

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

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 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 statement of comprehensive income and expense as they arise. Such amounts are not reclassified to the income statement in subsequent years.

Defined benefit costs recognised in the income statement comprise mainly net interest expense or income with such interest being recognised within finance costs. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset taking into account any changes in the net defined benefit obligation during the year as a result of contribution or benefit payments.

1.14 Share based payments

The ultimate parent company issues equity settled share-based payments to certain employees of the Company which are measured at fair value at the date of grant, and expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. 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 such as TSR, because the likelihood that the performance criteria will be met is taken into account when estimating the fair value of the award on the grant date. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in reserves.

1.15 Provisions

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

Provisions for onerous contracts are recognised when the Company believes that the unavoidable costs of meeting or exiting the contract exceed the economic benefits expected to be received under the contract. Where the Company 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 Company 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.

Currys Group Limited

Notes to the financial statements

1. Accounting policies continued

1.16 Finance Income and Expense

Interest income and expense is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

1.17 Government grants

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

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

1.18 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.

For the year ended 1 May 2021, management does not consider there to be any critical accounting judgements in applying the accounting policies listed to the Company's financial statements.

Key sources of estimation uncertainty

Defined benefit pension schemes

The surplus or deficit in the defined benefit pension scheme that is recognised through the 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 18 for further information including a sensitivity analysis on the primary assumptions.

Impairment of non-financial assets

Property, plant and equipment, right-of-use assets, and other non-current assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of an asset or cash generating unit is not recoverable. A cash generating unit is an individual store. The recoverable amount is the greater of the fair value less costs to sell and value-in-use. In calculating the value in use of each store CGU, order & collect sales (and associated costs) have been included, however e-commerce sales that have been delivered directly to the consumer (rather than ordered in store or collected in store) are not attributed to the stores. Due to the current Covid-19 global pandemic, there is an inherent key assumption as to how customers will behave in the future, in particular the proportion of customers that will shop in store or online. As a result, there is an increased level of risk associated with the forecast split of operating profit contribution generated by the stores and online sales channels. Therefore a key source of estimation uncertainty associated with the sales and cost growth assumptions that drive the operating profit forecasts attributable directly to the store portfolio has been identified. It is considered reasonably possible that a change in these operating profit forecast assumptions could lead to a material change in the carrying value of assets specifically attributed to the stores, within the next financial year. If the operating profit generated by the store portfolio including order & collect reduces by a reasonably possible 20% from FY2021/22 onwards, this would result in a further impairment of store assets by £23.0m. The directors do not consider that the relevant change in this assumption would have a consequential effect on other key assumptions.

Currys Group Limited

Notes to the financial statements

1. Accounting policies continued

1.19 Recent accounting developments

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for the financial year beginning 3 May 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. The Company has considered the following standards whose impact is not deemed to be material:

- Amendments to IFRS 9: 'Financial Instruments', IAS 39: 'Financial Instruments: Recognition and Measurement' and IFRS 7: 'Financial Instruments: Disclosures' on Phase 1 of interest rate benchmark reform
- Amendments to IAS 1 and IAS 8 Definition of material
- Amendments to IFRS 3 Definition of a business
- Conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards
- Amendment to IFRS 16 Covid-19 Related Rent Concessions

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 IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle: Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
- Amendments to IFRS 9: 'Financial Instruments', IAS 39: 'Financial Instruments: Recognition and Measurement', IFRS 7: 'Financial Instruments: Disclosures', IFRS 4: 'Insurance Contracts' and IFRS 16: 'Leases' on Phase 2 of interest rate benchmark reform

Currys Group Limited

Notes to the financial statements

2. Revenue and operating profit

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Revenue	4,764.0	4,453.5
Income from subsidiary entities	321.8	-
Cost of sales	(4,428.1)	(4,158.1)
Gross profit	657.7	295.4
Operating expenses	(364.1)	(192.3)
Operating profit	293.6	103.1

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

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Sale of goods	4,414.1	4,066.3
Commission revenue	6.0	9.9
Support services revenue	255.4	280.6
Other services revenue	83.7	93.0
Other revenue	4.8	3.7
Total revenue	4,764.0	4,453.5

Currys Group Limited

Notes to the financial statements

2. Revenue and operating profit continued

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

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Depreciation of property, plant and equipment	40.1	41.3
Impairment of property, plant and equipment	5.2	-
Depreciation of right-of-use assets	110.6	123.3
Impairment of right-of-use assets	15.8	19.8
Amortisation of intangible assets	43.1	30.0
Impairment of intangible assets	46.6	-
Net amounts of financial assets (recovered) / impaired	(2.6)	6.7
Impairment of inventory	52.5	46.5
Cost of inventory recognised as an expense	3,913.1	3,616.6
Gain on disposal of property, plant and equipment & intangible assets	(0.8)	(3.3)
Short-term lease expense	5.9	7.8
Low value lease expense	-	0.4
Variable lease expense	2.8	15.9
Income from subleasing right-of-use assets	(0.2)	(0.4)
Government grant income	-	(16.1)
Net foreign exchange (gain) / losses	(2.4)	1.1
Share-based payments expense	9.6	10.0
Other employee costs (See note 4)	410.5	433.2
Other exceptional income*	(23.7)	-
Auditor's remuneration – for the financial statements	0.4	0.4

*Other exceptional income is further detailed within note A2 of the glossary.

There have been no other additional services performed by the auditor in the year (2019/20: none).

3. Net finance costs

	Note	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Loans to group undertakings		-	2.0
Bank and other interest receivable	(i)	1.5	0.6
Finance lease interest receivable		0.2	0.2
Finance income		1.7	2.8
Bank loans, overdrafts and other interest payable	(i)	-	(4.0)
Interest expense on lease liabilities		(45.9)	(43.5)
Dividend payable on 7.26% cumulative preference shares recognised in Trade and Other Payables		(1.5)	(1.8)
Net interest on defined benefit pension obligations		(8.4)	(13.6)
Finance costs		(55.8)	(62.9)
Total net finance costs		(54.1)	(60.1)

- (i) Included in Bank and other interest receivable is credit of £2.4m in relation to net foreign exchange gains (2019/20: £1.1m cost included in bank and other interest payable). No interest was paid to group undertakings (2019/20: £nil). No income is removed from equity and included in the income statement for cash flow hedges (2019/20: £nil).

Currys Group Limited

Notes to the financial statements

4. Employees and directors

Staff costs for the year were:

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Wages and salaries	368.5	389.3
Social security costs	31.3	32.2
Other pension costs	10.7	11.7
	<u>410.5</u>	<u>433.2</u>

The monthly average number of employees, including part-time employees was:

	2021 Number	2020 Number
Store staff	12,021	13,210
Administrative staff	5,584	6,717
	<u>17,605</u>	<u>19,927</u>

Remuneration of the directors:

- Emoluments

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
	<u>3.9</u>	<u>1.2</u>

There were amounts paid to directors as compensation for loss of office of £0.5m (2019/20: £nil).

Eight directors (2019/20: five) received contributions under money purchase pension schemes where Company contributions were £5,000 (2019/20: £2,000). Other than share awards issued under schemes disclosed in note 21, there were no other long-term incentive schemes for directors in the current or prior years. Six directors exercised share options during the year (2019/20: three).

The remuneration of the highest paid director was:

- Emoluments

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
	<u>1.1</u>	<u>0.3</u>

Emoluments include cash bonuses payable in respect of the relevant financial year.

The Company paid £1,000 in relation to the highest paid director in respect of money purchase pension schemes (2019/20: £1,280). The highest paid director exercised 367,288 share options in the year (2019/20: 242,000).

Currys Group Limited

Notes to the financial statements

5. Tax

(a) Income tax expense / (credit)

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Current tax		
UK corporation tax at 19% (2019/20: 19%)	7.4	6.5
Adjustments in respect of earlier periods	-	-
	<u>7.4</u>	<u>6.5</u>
Deferred tax		
Current year	(9.0)	(0.7)
Adjustment in respect of earlier periods	6.0	(3.2)
	<u>(3.0)</u>	<u>(3.9)</u>
Income tax expense	<u>4.4</u>	<u>2.6</u>

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

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Profit before tax	<u>239.5</u>	<u>43.0</u>
Tax on profit at UK statutory rate of 19% (2019/20: 19%)	45.5	8.2
Group relief received for nil consideration	(15.5)	(2.5)
Expenses not deductible for tax purposes	(33.4)	3.6
Adjustments to deferred tax in respect of tax rate change	-	(3.5)
Adjustments in respect of earlier periods	6.0	(3.2)
Other temporary differences	1.8	-
Income tax expense	<u>4.4</u>	<u>2.6</u>

Currys Group Limited

Notes to the financial statements

5. Tax continued

(b) Deferred tax

	Accelerated capital allowances £m	Retirement benefit obligations £m	Other temporary differences £m	Total £m
At 27 April 2019	21.8	98.5	4.7	125.0
(Charged) / credited to the income statement for the current period	(0.4)	-	1.1	0.7
(Charged) / credited to the income statement for the prior period	(1.0)	-	4.2	3.2
(Charged) / credited to equity in the period ⁽ⁱ⁾	-	(44.5)	1.3	(43.2)
At 2 May 2020	20.4	54.0	11.3	85.7
(Charged) / credited to the income statement for the current period	9.0	-	-	9.0
(Charged) / credited to the income statement for the prior period	(1.0)	-	(4.9)	(5.9)
(Charged) / credited to equity in the period ⁽ⁱ⁾	-	5.3	(0.4)	4.9
At 1 May 2021	28.4	59.3	6.0	93.7

⁽ⁱ⁾ In the current period, a credit of £18.1m to reserves has been recorded in relation to the recognition of deferred tax assets recognised against the Company's defined benefit pension scheme (2019/20: £50.6m charge). A further charge of £12.8m has been recorded against movements in the period on the defined benefit pension scheme (2019/20: charge of £5.5m has been recorded against movements in the period on the defined benefit pension scheme which has been offset by a credit of £11.6m as a result of the redacted tax rate change to 17%).

Other temporary differences primarily relate to those arising on provisions and intangible assets.

The Company has current tax income of £7.1m (2019/20: £6.2m) through equity in relation to pensions and £0.3m (2019/20: £nil) in relation to other items.

Analysis of deferred tax credited / (charged) to equity in the year:

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Actuarial gain / (loss) on defined benefit pension scheme	5.3	(44.5)
Expensed to comprehensive income / (expense) for the year	5.3	(44.5)
(Charged) / credited to equity in the year	(0.4)	1.3
	4.9	(43.2)

On 24 May 2021 the Finance Bill 2021 passed through all stages in the House of Commons and became substantively enacted, which included a legislative change to increase the rate of corporation tax to 25% with effect from 1 April 2023. As the Bill was not substantively enacted at the balance sheet date, its effects are not included in these financial statements.

Currys Group Limited

Notes to the financial statements

5. Tax continued

The Company has an unrecognised deferred tax asset of £152m (2019/20: £152m) relating to capital losses of £802m. The directors do not expect any chargeable gains to arise in the foreseeable future against which the losses can be set, and accordingly the deferred tax asset in relation to capital losses remains unrecognised at the year end.

The Currys Group realised a net loss for UK corporation tax purposes in the year ended 1 May 2021. Accordingly, the directors have reviewed the Group's 5-year plan in order to determine the amount of deferred tax asset that it is appropriate to recognise in the Company's accounts, based on the level of taxable profits expected to arise in the company, taking account of losses available from other group companies, over the period of the plan. As a result, the company is recognising a deferred tax asset of £34.5m on other temporary differences and accelerated capital allowances and the deferred tax asset relating to retirement benefits has been reduced by £32.4m, with a carrying value as at 1 May 2021 of £59.3m, based on temporary differences of £312.0m.

As at 1 May 2021, the Company also has an unrecognised deferred tax asset of £2.1m on temporary differences of £6.3m because these differences are expected to reverse after the period of the 5-year plan.

6. Intangible assets

	Brand name and trademarks £m	Software (externally acquired) £m	Software (internally generated) £m	Sub-total software intangibles £m	Total £m
Balance at 2 May 2020	49.8	149.3	36.9	186.2	236.0
Additions	-	12.5	37.0	49.5	49.5
Amortisation	(5.0)	(14.9)	(23.1)	(38.0)	(43.0)
Impairment	-	(38.4)	(8.2)	(46.6)	(46.6)
At 1 May 2021	44.8	108.5	42.6	151.1	195.9
Cost	54.8	287.7	133.7	421.4	476.2
Accumulated amortisation and impairment losses	(10.0)	(179.2)	(91.1)	(270.3)	(280.3)
At 1 May 2021	44.8	108.5	42.6	151.1	195.9
Included in net book value as at 1 May 2021	-	31.5	-	31.5	31.5
Assets in the course of construction	-	31.5	-	31.5	31.5

Currys Group Limited
Notes to the financial statements

6. Intangible assets continued

	Brand name and trademarks £m	Software (externally acquired) £m	Software (internally generated) £m	Sub-total software intangibles £m	Total £m
Balance at 27 April 2019	54.8	128.1	33.4	161.5	216.3
Additions	-	34.4	15.4	49.8	49.8
Amortisation	(5.0)	(13.2)	(11.8)	(25.0)	(30.0)
Disposals	-	-	(0.1)	(0.1)	(0.1)
At 2 May 2020	<u>49.8</u>	<u>149.3</u>	<u>36.9</u>	<u>186.2</u>	<u>236.0</u>
Cost	54.8	275.2	96.7	371.9	426.7
Accumulated amortisation and impairment losses	(5.0)	(125.9)	(59.8)	(185.7)	190.7
At 2 May 2020	<u>49.8</u>	<u>149.3</u>	<u>36.9</u>	<u>186.2</u>	<u>236.0</u>
Included in net book value as at 2 May 2020					
Assets in the course of construction	-	72.2	-	72.2	72.2

Included within the Company's intangible assets is the brand Currys which is considered individually material to the financial statements. At the year ended 1 May 2021 it had a net book value of £44.8m and remaining amortisation period of 9 years.

Following the unprecedented effects of the Covid-19 pandemic and the enforced store closures throughout the year ended 1 May 2021, the Company accelerated the operational roll out of its long-term strategic plan in moving towards a full omnichannel offering. This resulted in an impairment charge of £46.6m being recognised over software development costs and IT related assets that could not be repurposed following the transition to cloud-based solutions.

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Notes to the financial statements

7. Property, plant & equipment

	Buildings short leasehold £m	Freehold buildings £m	Sub-total land and buildings £m	Fixtures, fittings and equipment £m	Total £m
Balance at 2 May 2020	4.8	0.3	5.1	117.9	123.0
Reclassification	8.8	-	8.8	(8.8)	-
Additions	0.1	-	0.1	-	0.1
Depreciation	(2.1)	-	(2.1)	(38.0)	(40.1)
Impairment	-	-	-	(5.2)	(5.2)
Disposals	-	-	-	(1.0)	(1.0)
At 1 May 2021	<u>11.6</u>	<u>0.3</u>	<u>11.9</u>	<u>64.9</u>	<u>76.8</u>
Cost	38.6	0.7	39.3	769.9	809.2
Accumulated depreciation and impairment losses	(27.0)	(0.4)	(27.4)	(705.0)	(732.4)
At 1 May 2021	<u>11.6</u>	<u>0.3</u>	<u>11.9</u>	<u>64.9</u>	<u>76.8</u>
Included in net book value as at 1 May 2021					
Assets in the course of construction	-	-	-	14.2	14.2

	Buildings finance lease £m	Buildings short leasehold £m	Freehold buildings £m	Sub-total land and buildings £m	Fixtures, fittings and equipment £m	Total £m
Balance at 27 April 2019	41.7	4.1	0.3	46.1	102.0	148.1
Adjustment on initial application of IFRS 16*	(41.7)	-	-	(41.7)	-	(41.7)
Additions	-	2.3	-	2.3	56.9	59.2
Depreciation	-	(1.6)	-	(1.6)	(39.7)	(41.3)
Disposals	-	-	-	-	(1.3)	(1.3)
At 2 May 2020	<u>-</u>	<u>4.8</u>	<u>0.3</u>	<u>5.1</u>	<u>117.9</u>	<u>123.0</u>
Cost	-	29.7	0.7	30.4	780.0	810.4
Accumulated depreciation	-	(24.9)	(0.4)	(25.3)	(662.1)	(687.4)
At 2 May 2020	<u>-</u>	<u>4.8</u>	<u>0.3</u>	<u>5.1</u>	<u>117.9</u>	<u>123.0</u>
Included in net book value as at 2 May 2020						
Assets in the course of construction	-	-	-	-	34.4	34.4

Currys Group Limited

Notes to the financial statements

7. Property, plant & equipment continued

- * The Company adopted IFRS 16: 'Leases' for the first time during the year. 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 and subsequently recognised as right-of-use assets as further disclosed in note 8.

8. Right-of-use assets

	1 May 2021 £m	2 May 2020 £m
Right-of-use assets:		
Land and buildings	607.5	646.1
Vehicles, equipment and other	21.2	25.5
	<u>628.7</u>	<u>671.6</u>

Additions to the right-of-use assets for the period were £81.1m (2019/20: £138.2m).

Total cash outflow for leases amounts to £151.2m (2019/20: £148.4m).

	1 May 2021 £m	2 May 2020 £m
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets:		
Land and buildings	102.2	116.0
Vehicles, equipment and other	8.4	7.3
Total depreciation on right-of-use assets	110.6	123.3
Impairment of right-of-use assets	15.8	19.8
Interest expense on lease liabilities	45.9	43.5
Expense relating to short-term leases	5.9	7.8
Expenses relating to leases of low value assets	-	0.4
Expense relating to variable lease payments not included in the measurement of the lease liability	2.8	15.9
Income from subleasing right-of-use assets	0.2	0.4

Variable lease payments that are not included in the measurement of the lease liability relate to revenue-based rents.

Following the unprecedented effects of the Covid-19 pandemic and enforced store closures through the year ended 1 May 2021 the Company experienced a deterioration in individual store forecast performance and identified this as an impairment indicator over its right-of-use store estate.

The Company identifies the lowest level of cash generating unit as an individual store and tests for impairment using the value in use for each store CGU based on store and order & collect sales as disclosed in note 1.18. Following the review, it was identified that the carrying value exceeded the recoverable amount of a number of stores across the estate resulting in the recognition of an impairment over right-of-use assets of £15.8m (2019/20: £19.8m). In calculating the future value in use and determining the level of impairment to be recognised the Company uses a discount rate of 8.65% (2019/20: 7.80%) and a long term growth rate of 1.40% (2019/20: 1.40%).

Currys Group Limited

Notes to the financial statements

9. Lease receivables

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

	1 May 2021 £m	2 May 2020 £m
Net investment in the lease analysed as:		
Recoverable after 12 months	2.8	3.3
Recoverable within 12 months	0.5	0.8
	<u>3.3</u>	<u>4.1</u>

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

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

	1 May 2021 £m	2 May 2020 £m
Undiscounted amounts receivable under sub-leases classified as operating leases:		
Year 1	0.7	1.0
Year 2	0.6	0.7
Year 3	0.6	0.6
Year 4	0.6	0.6
Year 5	0.6	0.6
Onwards	0.8	1.4
Undiscounted lease payments	3.9	4.9
Unearned finance income	(0.6)	(0.8)
Net investment in the lease	3.3	4.1

Currys Group Limited

Notes to the financial statements

10. Investment in subsidiaries

	£m
Cost	
At 2 May 2020	220.1
Additions	71.6
At 1 May 2021	291.7
Impairment	
At 2 May 2020	183.5
Charge for the year	108.2
At 1 May 2021	291.7
Net book value at 1 May 2021	-
Net book value at 2 May 2020	36.6

Refer to note 25 for a list of investments held by the Company.

On 7 April 2021, the Company acquired 43,015,112 7.58% cumulative C preference shares of £1 each with a book value of £43,015,112 and 58,000,000 7.58% cumulative D preference shares of £1 each with a book value of £28,618,462 in DSG Card Handling Services Limited from DSG International Holdings Limited for two £1 ordinary shares at a premium.

DSG Card Handling Services Limited subsequently converted both classes of preference shares into ordinary shares on 13 April 2021.

On 27 April 2021, DSG Card Handling Services Limited declared and paid a dividend of £321.8m. Following the distribution, the Company identified an indicator of impairment in DSG Card Handling Services as the carrying value of the investment previously recorded exceeded the recoverable amount of the investment of £nil. As such, an impairment of £108.2m was recognised, thereby reducing the netbook value to £nil.

11. Inventories

	1 May 2021 £m	2 May 2020 £m
Finished goods and goods for resale	567.3	452.8
Provision for obsolete and slow-moving goods	(19.2)	(19.2)
	548.1	433.6

Currys Group Limited

Notes to the financial statements

12. Trade and other receivables

	1 May 2021 £m	2 May 2020 £m
Trade debtors	10.7	26.3
Less expected credit loss allowances	(8.0)	(11.6)
	<u>2.7</u>	<u>14.7</u>
Amounts due from ultimate parent company	1,533.0	1,296.2
Amounts due from subsidiary undertakings	0.2	0.2
Amounts due from other group undertakings	28.0	13.1
Other debtors	21.2	17.0
Derivative financial instruments	-	2.0
Prepayments	22.9	11.0
Accrued income	102.4	106.2
	<u>1,710.4</u>	<u>1,460.4</u>

Included within other debtors for the year ended 1 May 2021 is £18.8m for amounts receivable following the settlement of a legal case after the reporting date. This is further disclosed in note 26.

For the year ended 2 May 2020, other debtors includes £16.2m of government grants receivable. This relates to compensation for expenses already incurred by the Company that have been pledged by the UK government for the 'Coronavirus Job Retention Scheme', in light of the recent Covid-19 pandemic. The Company did not benefit from such reliefs offered for the current financial period.

The Company does not hold any collateral as security over the receivables balances.

Amounts due from ultimate parent company comprises an unsecured loan receivable repayable on demand with interest, charged at the relevant one month base rate less 50bps with a zero floor, capitalised on a monthly basis.

Amounts due from other group undertakings comprise operating expenses owed from other group companies, do not bear interest and are payable within 60 days.

13. Cash and cash equivalents

	1 May 2021 £m	2 May 2020 £m
Cash at bank	30.0	236.5
Money market deposits	0.1	0.1
	<u>30.1</u>	<u>236.6</u>

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

Currys Group Limited

Notes to the financial statements

14. Lease liabilities

	1 May 2021 £m	2 May 2020 £m
Analysed as:		
Non-current	690.5	701.2
Current	100.0	117.8
	<u>790.5</u>	<u>819.0</u>

Total undiscounted future committed payments due are as follows:

	1 May 2021 £m	2 May 2020 £m
Amounts due:		
Year 1	142.8	151.3
Year 2	137.7	137.0
Year 3	124.4	129.6
Year 4	119.2	114.5
Year 5	99.6	106.9
Onward	385.6	399.7
	<u>1,009.3</u>	<u>1,039.0</u>

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

15. Loans and other borrowings

	1 May 2021 £m	2 May 2020 £m
Bank overdrafts	-	9.1
	<u>-</u>	<u>9.1</u>

Currys Group Limited

Notes to the financial statements

16. Trade and other payables

	1 May 2021		2 May 2020	
	Current £m	Non-current £m	Current £m	Non-current £m
Trade payables	642.7	-	574.1	-
86,500,000 7.26 % cumulative preference shares of £1 each	-	-	-	21.1
Amounts due to other group undertakings	40.9	-	57.1	-
Other taxation and social security	95.1	-	142.0	-
Other creditors	50.5	-	30.8	-
Derivative financial instruments	0.9	-	-	-
Accruals	118.7	-	65.8	27.6
Contract liabilities	118.7	68.1	108.8	70.0
	<u>1,067.5</u>	<u>68.1</u>	<u>978.6</u>	<u>118.7</u>

Included in other creditors is £31.1m (2019/20: £17.7m) relating to other non-financial liabilities. The total financial liabilities included in trade and other payables are £822.6m (2019/20: £758.8m). The carrying amount of trade and other payables approximates their fair value.

On 7 April 2021, the Company eliminated its preference share liability as it converted its 86,500,000 7.26% cumulative preference shares into 86,500,000 £1 ordinary shares via a direct share issue to DSG International Holdings Limited, the Company's immediate parent and holder of the preference shares at the date of conversion.

Amounts due to other group undertakings comprise operating expenses owed to other group companies and do not include any borrowings.

Included in trade payables for the prior year ended 2 May 2020 was £19.8m of 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. No such facility was in use as at 1 May 2021.

Contract liabilities

	1 May 2021 £m	2 May 2020 £m
Opening balance	178.8	185.2
Revenue recognised in the period that was included in the opening balance	(114.1)	(89.5)
Increase in contract liabilities in the period not yet recognised in revenue	122.1	83.1
	<u>186.8</u>	<u>178.8</u>

Contract liabilities predominantly relate to the sale of customer support agreements as explained in Note 1.3. 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 mainly offset by new sales made and consideration received in advance of satisfying the performance obligations.

Currys Group Limited

Notes to the financial statements

17. Provisions

	1 May 2021			2 May 2020		
	Property related £m	Severance and other £m	Total £m	Property related £m	Severance and other £m	Total £m
At beginning of period	19.7	11.9	31.6	53.8	15.0	68.8
Adjustment on initial application of IFRS 16	-	-	-	(19.6)	-	(19.6)
Additions	8.4	40.2	48.6	0.1	19.7	19.8
Utilisation	(3.8)	(43.2)	(47.0)	(14.6)	(22.8)	(37.4)
Released in the period	(6.4)	(5.7)	(12.1)	-	-	-
At end of period	17.9	3.2	21.1	19.7	11.9	31.6
Analysed as:						
Current	12.9	3.2	16.1	5.5	11.9	17.4
Non-current	5.0	-	5.0	14.2	-	14.2
	17.9	3.2	21.1	19.7	11.9	31.6

Property related:

Following the previously announced store closure programmes, the Company has a number of present obligations related to its property portfolio that are explicitly excluded from the measurement of lease liabilities in accordance with IFRS 16. As such, the Company has onerous contracts for unavoidable store closure costs including service fees, legal costs and dilapidations of £9.5m primarily relating to the Currys PCWorld 3-in-1 programmes.

Provisions for the costs described above are only recognised where there is a definitive business decision to exit a leased property, it is believed the unavoidable cost of meeting or exiting the obligations exceed the expected benefit to be received and after any impairment being recorded over right-of-use and store related assets in accordance with IAS 36.

Of the £9.5m related to closure programmes announced in prior periods, utilisation is to be incurred in conjunction with the profile of the leases to which they relate. The longest lease will unwind over the next nine years. Where appropriate, and in the interests of the Company, management will proactively seek to exit any liabilities early. Where there is a substantive expectation that the unavoidable costs provided for will be reduced as a result of exit negotiations, the provision will be remeasured based on the best available information and an amount released, as seen in the period.

As further disclosed in note A2, management announced the closure of the Dixons Travel business during the year ended 1 May 2021. The Company has calculated the least net unavoidable costs of meeting the obligations under their property contracts as being £8.4m, all of which is expected to be utilised within the next 12 months.

Severance and other:

Severance provisions and other provisions relate principally to data incident, redundancy costs and other costs arising from 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.

Additions in the period primarily relate to further redundancy costs for central operations as well as for store colleagues following the redesign of the store management structure. Reorganisation provisions are only recognised when a detailed formal plan is in place and it has been communicated to those affected.

In the comparative period costs of £19.7m were provided in the year as the Company announced the next phase of the long-term strategic change programme; sharpening our focus on the core and joining up the customer offer as an omnichannel retailer and the business behind the scenes. This related primarily to restructuring and redundancy costs for central operations as well as costs associated with implementing the strategy. These were fully utilised in the current year.

£5.8m of provisions related to restructuring the legacy concession agreements were released following their successful exit.

Currys Group Limited

Notes to the financial statements

18. Retirement benefit obligation

Dixons Retail Group Limited operates a pension scheme, for which the Company is a participating employer, that 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.

The defined benefit pension scheme exposes the Company 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 plan.

(a) Defined contribution pension scheme

The pension charge in respect of the defined contribution scheme was £10.7m (2019/20 £11.7m).

(b) Defined benefit section - 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 were £46.7m for the 2020/21 financial year, rising to £78.0m per year from the 2021/22 financial year until 2027/28, with a final payment of £52.0m 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.

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.

(c) Defined benefit pension scheme – IAS 19

The following summarises the components of net defined benefit expense recognised in the income statement, the funded status and amounts recognised in the balance sheet and other amounts recognised in the statement of comprehensive income. The methods set out in IAS 19 are different from those used by the scheme actuaries in determining funding arrangements.

(i) Principal assumptions adopted

The assumptions used in calculating the expenses and obligations are set by the directors after consultation with the company's independent actuaries.

Rates per annum	1 May 2021	2 May 2020
Discount rate	1.90%	1.60%
Rate of increase in pensions in payment / deferred pensions (pre / post April 2006 accrual)	3.20% / 2.20%	2.55% / 1.95%
Inflation	3.20%	2.55%

Currys Group Limited

Notes to the financial statements

18. Retirement benefit obligation continued

(c)(i) Defined benefit pension scheme – IAS 19 continued

The Company uses demographic assumptions underlying the formal actuarial valuation of the scheme as at 31 March 2019. 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 2020 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 86.5 years and 88.1 years for men and between 89.0 years and 90.4 years for women for those reaching 65 over the next 20 years.

(ii) Amounts recognised in income statement

	1 May 2021 £m	2 May 2020 £m
Past service cost	(0.9)	-
Net interest expense on defined benefit obligation	(8.4)	(13.6)
Total expense recognised in the income statement	<u>(9.3)</u>	<u>(13.6)</u>

On 20 November 2020, the High Court issued a judgement in relation to historical transfer values impacted by Guaranteed Minimum Pensions (GMPs) equalisation in the Lloyds Banking Group's defined benefits pension schemes. This judgement is in addition to an earlier judgement on unequal GMPs in October 2018. We estimate that this will increase the liability by £0.9m, and therefore have recorded this as a past service cost in the current period.

(iii) Amounts recognised in the statement of comprehensive income

	1 May 2021 £m	2 May 2020 £m
Remeasurement of defined benefit obligation – actuarial gains / (losses) arising from:		
- Changes in demographic assumptions	(4.0)	93.0
- Changes in financial assumptions	(70.2)	(135.9)
- Experience adjustments	16.9	(46.2)
Remeasurement of scheme assets		
- Actual return on plan assets (excluding amounts included in net interest expense)	87.5	85.7
Cumulative actuarial gain / (loss)	<u>30.2</u>	<u>(3.4)</u>

For the year ended 2 May 2020, 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 included gains of £97m arising from the update of pensioner longevity assumptions by using the new CMI 2018 Core projections. Experience adjustments included losses of £59m to align modelling of future liabilities with updated membership data used for the actuarial valuation at 31 March 2019.

Currys Group Limited

Notes to the financial statements

18. Retirement benefit obligation continued

(iv) Amounts recognised in the balance sheet

	1 May 2021 £m	2 May 2020 £m
Present value of defined benefit obligations	(1,885.1)	(1,849.8)
Fair value of plan assets	1,403.1	1,300.2
Net obligation	<u>(482.0)</u>	<u>(549.6)</u>

Changes in the present value of the defined benefit obligation:

	1 May 2021 £m	2 May 2020 £m
Opening obligation	1,849.8	1,775.0
Past service cost	0.9	-
Interest cost	29.1	44.3
Remeasurements in other comprehensive income – actuarial losses / (gains) arising from changes in:		
- Demographic assumptions	4.0	(93.0)
- Financial assumptions	70.2	135.9
- Experience adjustments	(16.9)	46.2
Benefits paid	(52.0)	(58.6)
Closing obligation	<u>1,885.1</u>	<u>1,849.8</u>

The weighted average maturity profile of the defined benefit obligation at the end of the year is 20 years (2019/20: 21 years), comprising an average maturity of 25 years (2019/20: 25 years) for deferred members and 12 years (2019/20: 13 years) for pensioners.

Changes in the fair value of the scheme assets:

	1 May 2021 £m	2 May 2020 £m
Opening fair value	1,300.2	1,196.4
Interest income	20.7	30.7
Employer special contributions	46.7	46.0
Remeasurements in other comprehensive income:		
- Actual return on plan assets (excluding interest income)	87.5	85.7
Benefits paid	(52.0)	(58.6)
Closing fair value	<u>1,403.1</u>	<u>1,300.2</u>

Currys Group Limited

Notes to the financial statements

18. Retirement benefit obligation continued

(iv) Amounts recognised in the balance sheet

Analysis of scheme assets:

		1 May 2021 £m	2 May 2020 £m
Multi asset credit funds	– Listed	124.5	132.9
	– Unlisted	175.5	150.8
Private equity	– Unlisted	18.3	10.7
Property	– Unlisted	0.1	-
Corporate bonds	– Listed	109.7	108.3
Other credit linked funds*	– Listed	345.5	358.6
	– Unlisted	40.6	8.3
Liability driven investment (LDIs)*	– Listed	104.3	855.2
	– Unlisted	(43.4)	(302.2)
Synthetic equity*	– Unlisted	499.7	(23.9)
Cash and cash instruments	– Listed	-	0.5
	– Unlisted	27.3	-
Other	– Unlisted	1.0	1.0
		1,403.1	1,300.2

*These assets are managed together as part of one investment portfolio.

The table above provides the market value of the Scheme's assets split into key categories as at 1 May 2021. The Scheme's investment strategy is to:

- gain economic exposure to equity markets equivalent to a third of its assets through derivatives;
- invest a third of its assets in credit markets;
- use a third of its assets to hedge inflation and interest rate risk.

The Scheme invests part of its assets in a bespoke fund to achieve this strategy. The fund consists of a synthetic equity portfolio, a credit portfolio and a liability hedging portfolio. The synthetic equity portfolio uses equity total return swaps and equity futures to provide economic exposure to a range of equity markets while the credit portfolio provides economic exposure to short duration global credit. The objective of the liability hedging portfolio is to hedge the Scheme's liabilities against inflation and interest rate risk up to the value of the Scheme's assets.

In the fair value hierarchy, listed investments are categorised as level 1. Unlisted investments (including unlisted LDIs and synthetic equity) 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 financial statements of each investment plus any known movements including distributions since the last audited financial statements.

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.

Currys Group Limited

Notes to the financial statements

18. Retirement benefit obligation continued

(iv) Amounts recognised in the balance sheet continued

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 (excluding interest income) was a gain of £87.5m (2019/20: £85.7m).

(v) Sensitivities

The value of the 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 2020/21 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 income statement and balance sheet.

Positive / (negative) effect	Net finance costs		Net deficit	
	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Discount rate: 0.5% increase	1.2	2.5	179.0	183.9
Inflation rate: 0.5% increase *	(2.4)	(3.6)	(146.5)	(151.3)
Mortality rate: 1 year increase	(1.2)	(1.8)	(75.4)	(74.0)

* 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.

19. Derivatives

Fair values of derivatives by designation

	2021 Trade and other payables Current £m	2020 Trade and other receivables Current £m
Manage the currency exposure of: Future transactions occurring within only one year	(0.9)	2.0

Derivative financial instruments comprise forward foreign exchange contracts and foreign exchange swaps. The Company has designated financial instruments under IFRS 9 as follows:

Currys Group Limited

Notes to the financial statements

19. Derivatives continued

Cash flow hedges

The objective of the Company's policy on foreign exchange hedging is to protect the Company from adverse currency fluctuations and to gain greater certainty of earnings by protecting the Company from sudden currency movements. All hedging of foreign currency exposures is managed centrally within the Currys Group Treasury function. The Company 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 the Currys Group's transactional hedging policy. The Company generally prefers to use vanilla forward FX contracts as hedging instruments for hedges of forecasted transactions. The Company adopts a layering approach in defining its hedged items so that all its hedges are eligible for IFRS 9 cash flow hedge accounting. The Company has a policy that all its FX rate derivatives must be eligible for hedge accounting. The Company 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 policies or strategy on managing foreign currency risk must be approved by the Currys Group's Tax and Treasury Committee.

At 1 May 2021 the Company had forward and swap foreign exchange contracts in place with a notional value of £149.1m (2019/20: £131.6m) that were designated and effective as cash flow hedges. These contracts are expected to cover exposures ranging from one month to one year.

Fair values have been arrived at by discounting future cash flows, assuming no early redemption, or by revaluing forward and swap foreign exchange contracts to period end market rates as appropriate to the instrument.

Hedging reserve

	1 May 2021 £m	2 May 2020 £m
Opening balance	(1.2)	(1.3)
Movement in the fair value remeasurement gains on cash flow hedges	2.9	(0.7)
Losses on cash flow hedges recycled to the Income Statement	(1.3)	0.8
	<hr/>	<hr/>
Fair value remeasurement losses recognised in other comprehensive income	1.6	0.1
	<hr/>	<hr/>
Closing balance	0.4	(1.2)

20. Share capital

	1 May 2021 £m	2 May 2020 £m
Allotted and fully paid		
158,075,797 ordinary shares of £0.00000001 each		
(2019/20: 317,850 ordinary shares of £1 each)	-	0.3
	<hr/>	<hr/>

The ordinary shares have no rights to fixed dividends or other income and no redemption rights.

During the period, the Company issued a further 2 ordinary £1 shares at a premium to its parent company, DSG International Holdings Limited, in return for 43,015,112 7.58% cumulative C preference shares of £1 each and 58,000,000 7.58% cumulative D preference shares as further disclosed in note 10.

Currys Group Limited

Notes to the financial statements

20. Share capital continued

The Company also undertook a share re-organisation on 7 April 2021 whereby it converted its own 86,500,000 7.26% cumulative preference shares of £1 each into ordinary shares as further disclosed in note 16. The Company also capitalised £71,257,945, being the amount standing to the credit of the Company's share option reserve within accumulated profits, and appropriated such amount to the Sole Member, applying such sum in paying up in full 71,257,945 ordinary shares of £1.00 each (Bonus Shares) which shares shall be allotted, credited as fully paid, to the Sole Member and that the Bonus Shares shall as from allotment rank in all respects pari passu with the existing issued shares of the same class.

The Company increased the allotted and fully paid ordinary share capital in the period from 317,850 £1 ordinary shares to 158,075,797 £1 ordinary shares before the Company undertook a capital reduction to reduce the nominal value of the ordinary shares from £1 each to £0.00000001 each and reducing the share premium account to £nil.

21. Share-based payments

Equity-settled

Share option plans

Save As You Earn (SAYE)

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

Currys share option scheme

Currys plc offers discretionary awards under share option schemes which allows nil-priced options to be offered 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.

For awards granted during the years ended 28 April 2018, 27 April 2019 and 2 May 2020, awards granted to executive directors and key management of Currys plc are subject to performance conditions as outlined below. For awards issued to other senior management, awards are not subject to performance conditions. For awards granted during the year ended 1 May 2021, awards issued to other senior management are also subject to performance conditions.

For awards granted during the years ended 28 April 2018 and 27 April 2019, awards granted to executive directors and key management of Currys plc are subject to performance conditions based on relative TSR performance against the constituents of the FTSE 51-150 at the start of the performance period and either EPS growth or cumulative free cash flow growth.

For awards granted during the year ended 2 May 2020 and 1 May 2021, 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.

Currys Group Limited

Notes to the financial statements

21. Share-based payments continued

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

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

1,725,287 share options (2019/20: 1,430,382) were exercised during the year, with a weighted average exercise price of £0.05 per share (2019/20: £nil).

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

	Year ended 1 May 2021	Year ended 2 May 2020
(i) weighted average remaining contractual life for options outstanding	6.2 years	6.6 years
(ii) range of exercise prices for options outstanding	£nil - £3.77	£nil - £3.77

22. Capital commitments

	1 May 2021 £m	2 May 2020 £m
Intangible assets	12.8	3.2
Property, plant and equipment	3.0	7.0
Committed purchase orders contracted for but not provided in the financial statements	15.8	10.2

23. Operating lease arrangements

The Company as a lessor

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

	1 May 2021 £m	2 May 2020 £m
Undiscounted amounts receivable under sub-leases classified as operating leases:		
Year 1	0.3	0.4
Year 2	0.2	0.4
Year 3	0.2	0.4
Year 4	0.2	0.4
Year 5	0.2	0.4
Onwards	0.5	1.0

24. Parent company

The Company's immediate parent and controlling entity is DSG international Holdings Limited, a company incorporated in the United Kingdom.

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

Currys Group Limited

Notes to the financial statements

25. Subsidiary undertakings

The subsidiary undertakings at 1 May 2021 are listed below:

Name	Country of incorporation or registration	Registered address	Class of shares	Nature of business	Percentage Held
DSG Card Handling Services Limited	England & Wales	1 Portal Way London W3 6RS United Kingdom	Ordinary	Intra-group investment	100%
DSG International Belgium BVBA	Belgium	Havenlaan 86C Bus 204 B-1000 Brussels Belgium	Ordinary	Non trading	99.995%
Dixons Travel Srl	Italy	Foro Buonaparte 70 20121 Milano Italy	Ordinary	In liquidation	100%
Dixons Deutschland GmbH	Germany	Ottostraße 21 80333 Munich Germany	Ordinary	Non trading	100%

Unless otherwise indicated all subsidiary undertakings are wholly and directly owned. All subsidiary undertakings have financial year ends coterminous with the Company's, with the exceptions of DSG International Belgium BVBA and Dixons Deutschland GmbH which have year ends of 31 July and 31 December respectively.

Consolidated financial statements have not been prepared as the Company is a wholly owned subsidiary of a company registered in England and Wales. The Company's financial statements present information about it as an individual undertaking and not as a group.

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

26. Events after the balance sheet date

Following the balance sheet date the Company settled a claim for £18.0m following an ongoing dispute for damages with an independent third party following their involvement in anti-competitive behaviour that adversely impacted the Company in prior periods. A further £0.8m was also awarded to cover legal expenses incurred.

On 15 September the Company's ultimate parent and controlling entity changed its name from Dixons Carphone plc to Currys plc.

Currys Group Limited

Alternative Performance Measures (APMs)

Alternative Performance Measures (APMs)

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

Adjusting items

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

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

Impact of IFRS 16: 'Leases'

The Group adopted IFRS 16: 'Leases' using the modified retrospective method in the prior year. In order to aid comparability with prior year measures, the impact of IFRS 16 was included within adjusting items and adjusted results were reported under IAS 17.

Following the adoption, and ability to report comparatives under IFRS 16, the impact of such is no longer considered to be an adjusting item. The adjusted results and adjusting items for the comparative reporting period ended 2 May 2020 have subsequently been restated to reflect this.

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 Company below, including full reconciliations back to the closest equivalent statutory measure.

Currys Group Limited
Alternative Performance Measures (APMs)

Alternative performance measure	Closest equivalent GAAP measure	Reconciliation to FRS 101 measure	Definition and purpose
Revenue measures			
Like for Like (LFL) % change	No direct equivalent	Not applicable	Like-for-like revenue is calculated based on adjusted store and online revenue (including order and collect, Online In-Store and ShopLive) using constant exchange rates consistent with the currency neutral % change measure detailed below. 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 Group'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 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.
Profit measures			
Adjusted profit / (loss) before tax, adjusted EBIT and adjusted profit / (loss) after tax	Profit / (loss) before tax, profit / (loss) before interest and tax	See note A1 and A2	As discussed above, the Company uses adjusted profit measures in order to provide a useful measure of the ongoing performance of the Company. These are adjusted from total measures to remove adjusting items, the nature of which are disclosed above.
EBIT	Profit / (loss) before interest and tax	No reconciling items	Earnings before interest and tax (EBIT) is directly comparable to profit / (loss) before tax. The terminology used is consistent with that used historically and in external communications.
Other earnings measures			
Adjusted net finance costs	Net finance costs	See note A2 and A3	Adjusted net finance costs exclude certain adjusting finance costs from total finance costs. The adjusting items include net pension interest costs 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 A2 and A4	Adjusted income tax expense / (credit) represents the income tax on adjusted earnings. Income tax expense / (credit) on adjusting items represents the tax on items classified as 'adjusting', either in the current year, or the current year effect of prior year tax adjustments on items previously classified as 'adjusting'. We consider the adjusted income tax measures represent a useful measure of the ongoing tax charge / credit of the Company.

Currys Group Limited

Alternative Performance Measures (APMs)

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

	Year ended 1 May 2021			Year ended 2 May 2020		
	Statutory £m	Adjusting Items £m	Adjusted £m	Statutory £m	Adjusting Items (restated)* £m	Adjusted (restated)* £m
Revenue	4764.0	-	4764.0	4,453.5	-	4,453.5
Income from subsidiary entities	321.8	(321.8)	-	-	-	-
Cost of sales	(4,428.1)	-	(4,428.1)	(4,158.1)	-	(4,158.1)
Gross profit	657.7	(321.8)	335.9	295.4	-	295.4
Operating expenses	(364.1)	201.3	(162.8)	(192.3)	30.1	(162.2)
Earnings before interest and tax	293.6	(120.5)	173.1	103.1	30.1	133.2
Finance income	1.7	-	1.7	2.8	-	2.8
Finance costs	(55.8)	8.4	(47.4)	(62.9)	13.6	(49.3)
Net finance costs	(54.1)	8.4	(45.7)	(60.1)	13.6	(46.5)
Profit before tax	239.5	(112.1)	127.4	43.0	43.7	86.7

*Adjusted results for the year ended 2 May 2020 have been restated from those previously reported to exclude the impact of IFRS 16 from adjusting items.

Currys Group Limited

Alternative Performance Measures (APMs)

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

	Note	Year ended 1 May 2021 £m	Year ended 2 May 2020 (restated)* £m
Included within gross profit / (loss):			
Income from subsidiary entities		321.8	-
Included in operating profit / (loss):			
Income from subsidiary entities	(i)	321.8	-
Strategic change programmes	(ii)	(24.2)	(9.9)
Data incident costs	(iii)	(0.2)	(0.2)
Regulatory costs	(iv)	(0.9)	-
Other items	(v)	23.7	(0.2)
Impairment losses and onerous leases	(vi)	(199.7)	(19.8)
		<u>120.5</u>	<u>(30.1)</u>
Included in net finance costs:			
Net non-cash finance costs on defined benefit pension schemes	(vii)	(8.4)	(13.6)
Total impact on profit / (loss) before tax		<u>112.1</u>	<u>(43.7)</u>
Included in income tax		<u>14.8</u>	<u>7.5</u>
Total impact on profit / (loss) after tax for the year		<u>126.9</u>	<u>(51.7)</u>

*Adjusted results for the year ended 2 May 2020 have been restated from those previously reported to exclude the impact of IFRS 16 from adjusting items.

(i) Income from subsidiary entities:

During the year ended 1 May 2021, the Company recognised £321.8m (2019/20: £nil) of dividend income from its subsidiary entity DSG Card Handling Services Limited.

(ii) Strategic change programmes:

During the year, a further £24.2m (2019/20: £9.9m) of costs have been incurred as the Company continues to deliver its long-term strategic plan by becoming clearer, simpler and faster in order to improve the overall customer experience with an Omnichannel offering. The costs incurred relate to the following:

- £22.4m of restructuring and redundancy costs across the store estate for store team management colleagues restructuring (2019/20: £nil);
- £10.0m (2018/19: £18.5m) in relation to restructuring and redundancy costs for central operations organisational design; and
- These were offset by a credit of £2.2m primarily relating to the release of costs previously provided for restructuring the legacy concession agreements following their successful exit.

Property Rationalisation costs:

The Company previously provided for property rationalisation costs in relation to the Currys PCWorld 3-in-1 and Carphone Warehouse programme announced in 2015/16. During the year £6.0m (2019/20: £8.6m) of these provisions were no longer required, and this amount was released.

Currys Group Limited

Alternative Performance Measures (APMs)

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

(iii) Data incident costs:

Costs of £0.2m (2019/20: £0.2m) associated with the data incident announced on 13 June 2018 have been recorded. These costs primarily related to investigation and remediation activities with remaining costs expected to be incurred within the next twelve months.

(iv) Regulatory costs:

Costs of £0.9m have also been recognised in relation to past service costs for the DSG Retirement and Employee Security Scheme following an additional judgement on GMP equalisation. This is further disclosed in note 18. No regulatory costs were recognised in the comparative period.

(v) Other items:

Following the reporting date, the Company settled a claim for £18.0m following an ongoing dispute for damages with an independent third party following their involvement in anti-competitive behaviour that adversely impacted the Company in prior periods. A further £0.8m was also awarded to cover legal expenses incurred.

Further credits of £4.9m were received during the year primarily relating to compensation received following the settlement of a separate legal case in relation to anti-competitive behaviour engaged by a different counterparty.

No amounts were recognised in other items for the year ended 2 May 2020.

(vi) Impairment losses and onerous leases:

Following the unprecedented effects of Covid-19 and the enforced store closures throughout the year ended May 2021, the Company accelerated the operational roll out of its long term strategic plan in moving towards a full omnichannel offering; bringing stores and online together, giving customers the best of both worlds at scale.

This change, accelerated by the pandemic, has resulted in the identification of a material non-cash impairment over tangible and intangible assets within the UK & Ireland Electricals business, together with impairment of related assets to be recognised against individual stores and additional onerous IT contracts. The breakdown of the impairment recorded in relation to the UK & Ireland Electricals asset base is as follows:

- £46.3m of intangible assets, primarily related to software development costs, as the Group moves towards best in class cloud-based solutions to achieve operational efficiencies and improve the customer journey;
- £18.4m over right-of-use and store related assets following the deterioration in individual store forecast performance. This is further disclosed in note 1.18.

In addition, a £15.8m one-off cash charge related to the early settlement of contracted IT service arrangements has been recognised.

Following the continued impact of Covid-19 on the aviation and travel and tourism industry, coupled with the UK government's decision to remove airside tax-free shopping, the Group announced the difficult decision on 28 April 2021 to close the Dixons Travel business. This has led to recognition of:

- £10.9m of onerous contracts and store related asset impairments.

The Group also recognised a £108.2m impairment during the year against its investment in DSG Card Handling Services Limited. As further disclosed in note 10, following a distribution made by DSG Card Handling Services Limited, the Company identified an indicator of impairment in DSG Card Handling Services as the carrying value of the investment previously recorded exceeded the recoverable amount of the investment.

For the year ended 2 May 2020, an impairment indicator was identified following the initial government enforced store closure across the United Kingdom. Management considered the future cash flow forecasts and adjusted for the negative impact of Covid-19 using the best available knowledge at that time. This resulted in an impairment of £19.8m being recorded over right-of-use assets.

Currys Group Limited

Alternative Performance Measures (APMs)

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

(vii) Net non-cash financing costs from defined benefit pension scheme:

Under IAS 19 'Employee Benefits', the net interest charge on defined benefit pension schemes is calculated by applying the corporate bond yield rates applicable on the last day of the previous financial year to the net defined benefit liability. Corporate bond yield rates vary over time which in turn creates volatility in the income statement and balance sheet and results in a non-cash remeasurement cost which can be volatile due to corporate bond yield rates prevailing on a particular day and is also unrepresentative of the actual investment gains or losses made or the liabilities paid and payable. Consistent with a number of other companies, the accounting effects of these non-cash revaluations of net defined benefit pension liabilities have been excluded from headline earnings.

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

	Year ended 1 May 2021 £m	Year ended 2 May 2020 (restated)* £m
Total net finance costs	(54.1)	(60.1)
Net interest on defined benefit pension obligations	8.4	13.6
Adjusted total net finance costs	(45.7)	(46.5)

*Adjusted results for the year ended 2 May 2020 have been restated from those previously reported to exclude the impact of IFRS 16 from adjusting items.

A4 Adjusted tax credit

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Current tax		
UK corporation tax at 19% (2019/20: 19%) – Adjusted	22.2	14.0
– Adjusting	(14.8)	(7.5)
Adjustments in respect of earlier periods	-	-
	7.4	6.5
Deferred tax		
Current year – Adjusted	(9.0)	(0.7)
Adjustment in respect of earlier periods – Adjusted	6.0	(3.2)
	(3.0)	(3.9)
Total tax expense	4.4	2.6
Adjusted income tax credit	(14.8)	(7.5)