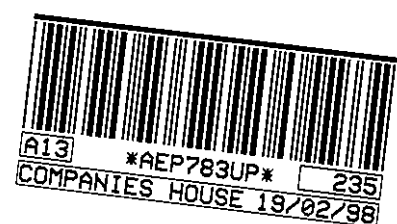


MASTERCARE SERVICE AND DISTRIBUTION LIMITED

REGISTERED NO. 1314676

ANNUAL REPORT AND FINANCIAL STATEMENTS

53 weeks ended 3 May 1997



MASTERCARE SERVICE AND DISTRIBUTION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 1997

CONTENTS

Directors' Report	1
Directors' Responsibilities for the Financial Statements	4
Auditors' Report	5
Financial Statements	
Profit and Loss Account	6
Balance Sheet	7
Note of Historical Cost Profits and Losses	8
Notes to the Financial Statements	9

MASTERCARE SERVICE AND DISTRIBUTION LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the 53 weeks ended 3 May 1997. Comparative figures are for the 52 weeks ended 27 April 1996.

Principal activity

The principal activity of the Company is the provision of after sales maintenance and installation services for electrical and consumer electronic products, personal computers, domestic appliances and photographic equipment and the provision of warehousing and distribution services. The directors anticipate that this activity and the financial position of the Company will be maintained.

Results

The results of the Company are shown on page 6.

Dividends

The directors recommend that no dividend be paid (1995/96 £nil).

Fixed assets

The directors are of the opinion that the present market values of the Company's fixed asset properties do not differ materially from the amounts at which they are shown in the financial statements.

Directors

The directors of the Company during the period were:

	<u>Date of Appointment</u>	<u>Date of Resignation</u>
G Bellingham		
E M Fitzmaurice		
J C Francis		
D Hamid		
D Heathcote		14 June 1996
C J Langley	11 October 1996	
K Martin-Smith	11 October 1996	
R P Middleton	14 October 1996	
N M Olive	11 October 1996	
J R Sills		
D Wilkes		31 July 1996

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
DIRECTOR'S REPORT continued

The directors' beneficial and family interests in the share capital of the ultimate parent company, Dixons Group plc were:

	Ordinary shares	
	3 May 1997	27 April 1996
G Bellingham	55	54
E M Fitzmaurice	-	-
J C Francis	-	-
D Hamid	1,685	6,422
C J Langley	-	-
K Martin-Smith	-	-
R P Middleton	-	-
N M Olive	-	-
J R Sills	3,000	1,000

Directors' share options

	At 27 April 1996	Granted in period	Exercised in period	At 3 May 1997
G Bellingham	55,337	5,402	(31,439)	29,300
E M Fitzmaurice	32,586	7,862	-	40,448
J C Francis	57,949	7,365	(30,730)	34,584
D Hamid	85,955	1,243	(58,248)	28,950
C J Langley	38,281	9,121	(12,000)	35,402
K Martin-Smith	-	10,510	-	10,510
R P Middleton	-	2,487	-	2,487
N M Olive	-	8,379	-	8,379
J R Sills	75,796	6,990	(40,375)	42,411

Each of the directors is interested as a potential beneficiary in 762,000 Ordinary shares owned by Dixons TSR Trust Limited, the trustee of the Dixons Group plc share ownership plan. The particulars of the trust are disclosed in the financial statements of Dixons Group plc.

Directors' interests were unchanged at 9 July 1997.

No director had a beneficial interest in the shares of the Company or of any other group undertaking, except as disclosed above or in any contract or arrangement (apart from contracts of service) to which the Company or any other group undertaking was a party during or at the end of the financial period.

Policy and Practice on Payment of Creditors

The Company has adopted the CBI Prompt Payment Code. Information about the Code may be obtained from the CBI. The Company is responsible for agreeing the terms and conditions under which business transactions with its suppliers are conducted. It is Company policy that payments to suppliers are made in accordance with these terms, provided that the supplier complies with all relevant terms and conditions. Trade creditors at 3 May 1997 represented 34 days of average purchases.

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
DIRECTORS' REPORT continued

Auditors

Deloitte & Touche are willing to continue in office as auditors to the Company. A resolution for their reappointment and to authorise the directors to agree their remuneration will be proposed at the annual general meeting.

Equal opportunities

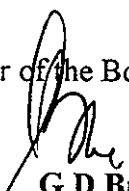
The Company seeks to provide equal opportunities for all its employees regardless of their age, sex, colour, race, religion or ethnic origin. It is the policy of the Company that disabled persons should enjoy the same employment opportunities, training and career development as others where they possess the appropriate skills, experience and qualifications. Special consideration is given to the continuity of employment of any existing employee who becomes disabled and to the provision of alternative employment.

Employee involvement

The Company maintains its commitment to pro-active programmes for involving its employees in Group affairs. This is achieved in a variety of ways, including the regular publication of newsletters and staff newspapers, audio tapes, video presentations, staff briefings and by consultation with recognised trade unions and staff committees. Regular staff attitude surveys are undertaken and a number of suggestion schemes are in operation, providing a regular flow of ideas for improving efficiency and performance.

The Company's philosophy is to offer highly incentivised pay schemes and focused training programmes to enable staff to perform well and to develop their full potential. Staff at all levels are involved in the design and regular review of these programmes.

By Order of the Board



G D Budd
Secretary

9 July 1997
Registered Office
Maylands Avenue
Hemel Hempstead
Hertfordshire
HP2 7TG

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors are required by UK company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for that period. In preparing the financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Applicable accounting standards have been followed. The financial statements have been prepared on the going concern basis. The directors are also responsible for maintaining adequate accounting records and sufficient internal controls to safeguard the assets of the Company and to prevent and detect fraud or any other irregularities.

MASTERCARE SERVICE AND DISTRIBUTION LIMITED

AUDITORS' REPORT

To the Members of Mastercare Service and Distribution Limited

We have audited the financial statements on pages 6 to 16 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 4, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 3 May 1997 and of the profit for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

9 July 1997
Hill House
1 Little New Street
London EC4A 3TR

Deloitte & Touche
Chartered Accountants
and Registered Auditors

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
PROFIT AND LOSS ACCOUNT
for the 53 weeks ended 3 May 1997

	<i>Note</i>	<u>1996/97</u> <u>£'000</u>	<u>1995/96</u> <u>£'000</u>
Turnover		<u>125,470</u>	<u>92,124</u>
Operating profit			
Continuing operations - before exceptional charges		2,832	2,809
Exceptional cost of sales charges	2	-	(1,797)
	2	<u>2,832</u>	<u>1,012</u>
Interest	3	(451)	61
Profit on ordinary activities before taxation		<u>2,381</u>	<u>1,073</u>
Taxation on profit on ordinary activities	5	(810)	(462)
Retained profit for the period	14	<u>1,571</u>	<u>611</u>

All turnover and operating profit are derived from continuing operations in the United Kingdom.

There are no recognised gains or losses or movements in shareholders' funds other than the profit for the current or preceding period.

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
BALANCE SHEET
as at 3 May 1997

	Note	<u>£'000</u>	<u>1997</u> <u>£'000</u>	<u>£'000</u>	<u>1996</u> <u>£'000</u>
Fixed assets	6		37,461		20,939
Current assets					
Stocks	7	7,401		5,046	
Debtors	8	21,821		24,318	
Cash at bank and in hand		<u>155</u>		<u>74</u>	
		29,377		29,438	
Creditors - due within one year					
Borrowing	9	(208)		(96)	
Other creditors	9	<u>(42,655)</u>		<u>(27,894)</u>	
		(42,863)		(27,990)	
Net current (liabilities)/assets			(13,486)		1,448
Total assets less current liabilities			<u>23,975</u>		<u>22,387</u>
Provisions for liabilities and charges	10		<u>(1,498)</u>		<u>(1,480)</u>
			<u>22,477</u>		<u>20,907</u>
Equity shareholders' funds					
Ordinary share capital	11		10,010		10,010
Share premium account	12		9,391		9,391
Revaluation reserve	13		382		390
Profit and loss account	14		<u>2,694</u>		<u>1,116</u>
			<u>22,477</u>		<u>20,907</u>

The financial statements were approved by the Board of Directors on 9 July 1997 and signed on its behalf by:

J. R. Sills
J R Sills

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the 53 weeks ended 3 May 1997

	<u>1996/97</u> <u>£'000</u>	<u>1995/96</u> <u>£'000</u>
Profit on ordinary activities before taxation	2,381	1,073
Difference between historical cost depreciation and actual depreciation charge in the period calculated on the revalued amount	<u>8</u>	<u>8</u>
Historical cost profit on ordinary activities before taxation	<u>2,389</u>	<u>1,081</u>
Historical cost retained profit for the period after taxation	<u>1,579</u>	<u>619</u>

MASTERCARE SERVICE AND DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The principal accounting policies are set out below.

1.1 Accounting convention

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of land and buildings. The financial statements include the results of the Company for the 53 weeks ended 3 May 1997. Comparative figures are for the 52 weeks ended 27 April 1996.

1.2 Turnover

Turnover comprises fees receivable for warehousing, distribution, product servicing and installation services, excluding VAT.

1.3 Tangible fixed assets

The cost to the Company of tangible fixed assets is depreciated over the estimated useful lives of the relevant assets. Depreciation is computed on the straight line basis as follows:

Short leasehold property	- over the term of the lease
Freehold and long leasehold buildings	- 1 2/3% - 2 1/2% pa
Fixtures, fittings and equipment	- 10% - 33 1/3% pa

No depreciation is provided on freehold and long leasehold land.

1.4 Stocks

Stocks are stated at the lower of cost and net realisable value.

1.5 Deferred taxation

Provision is made or recovery anticipated in respect of all timing differences likely to reverse in the foreseeable future at rates at which the liability or the asset is expected to crystallise.

1.6 Operating leases

Rentals payable under property leases are charged to the profit and loss account in equal instalments up to each market rent review date, throughout the lease term. Rentals payable under leases for plant and machinery are charged to the profit and loss account in equal instalments over the total lease term.

1.7 Pension costs

The expected cost of providing pensions, as calculated periodically by qualified actuaries, is charged to the profit and loss account so as to spread the pension cost over the normal expected service lives of employees in the schemes in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

1.8 Cash flow statement

The Company is exempt from the requirement to prepare a cash flow statement because it is a wholly owned subsidiary.

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	1996/97 £'000	1995/96 £'000
2 OPERATING PROFIT		
Turnover	125,470	92,124
Cost of sales - base	(112,516)	(82,925)
Cost of sales - exceptional item	-	(1,797)
Gross profit	12,954	7,402
Administration expenses	(10,964)	(7,175)
Other operating income	842	785
	<u>2,832</u>	<u>1,012</u>
Operating profit is stated after charging :		
Depreciation	5,070	3,796
Auditors' remuneration		
- audit fees	19	18
Rentals paid under operating leases		
- plant and machinery	1,445	997
- other	2,962	2,648
Exceptional item		
- Provision for re-organisation of national distribution facilities	-	1,797
	<u>-</u>	<u>1,797</u>
3 INTEREST		
Interest (payable)/receivable on loans to group undertakings	(451)	61
	<u>-</u>	<u>61</u>
4 EMPLOYEES AND DIRECTORS		
Staff costs for the period were:		
Wages and salaries	54,347	42,806
Social security costs	4,570	3,474
Other pension costs	1,123	515
	<u>60,040</u>	<u>46,795</u>

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	<u>1996/97</u> <u>Employees</u>	<u>1995/96</u> <u>Employees</u>
4 EMPLOYEES AND DIRECTORS (continued)		
The average number of employees, including directors, was	<u>3,663</u>	<u>3,046</u>
	<u>1996/97</u> <u>£'000</u>	<u>1995/96</u> <u>£'000</u>
The remuneration of the directors, including contributions made to money purchase pension schemes, was :		
Emoluments	<u>782</u>	<u>451</u>
Compensation for loss of office	<u>138</u>	<u>-</u>
	<u>920</u>	<u>451</u>
	<u>Number</u>	<u>Number</u>
The number of directors who exercised share options during the period was :	<u>5</u>	<u>7</u>
The number of directors accruing benefits under defined benefit pension schemes was:	<u>7</u>	<u>7</u>
	<u>1996/97</u> <u>£'000</u>	<u>1995/96</u> <u>£'000</u>
The remuneration of the highest paid director, including contributions made to money purchase pension schemes, was :		
Emoluments	<u>211</u>	<u>102</u>
	<u>211</u>	<u>102</u>
At 3 May 1997 the amount of the highest paid director's accrued annual pension was £ 46,928 .		
The highest paid director exercised share options during the period .		

	<u>1996/97</u> <u>£'000</u>	<u>1995/96</u> <u>£'000</u>
5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES		
Group relief	<u>(116)</u>	<u>630</u>
Deferred taxation - Base	<u>965</u>	<u>381</u>
Deferred taxation - Exceptional item	<u>-</u>	<u>(593)</u>
	<u>849</u>	<u>418</u>
Adjustment in respect of earlier periods:		
Corporation tax	<u>2</u>	<u>-</u>
Group relief	<u>(103)</u>	<u>319</u>
Deferred taxation	<u>62</u>	<u>(275)</u>
	<u>810</u>	<u>462</u>

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	Land and buildings £'000	Fixtures fittings and equipment £'000	Total £'000
6 TANGIBLE FIXED ASSETS			
Cost or valuation			
At 27 April 1996	8,261	37,494	45,755
Additions	11,628	10,824	22,452
Disposals	(59)	(3,804)	(3,863)
Net transfers (from)/to group undertakings	(209)	102	(107)
At 3 May 1997	<u>19,621</u>	<u>44,616</u>	<u>64,237</u>
Depreciation			
At 27 April 1996	825	23,991	24,816
Charge for the period	163	4,907	5,070
Disposals	(19)	(3,097)	(3,116)
Net transfers (from)/to group undertakings	(45)	51	6
At 3 May 1997	<u>924</u>	<u>25,852</u>	<u>26,776</u>
Net book value			
At 3 May 1997	18,697	18,764	37,461
At 27 April 1996	<u>7,436</u>	<u>13,503</u>	<u>20,939</u>
Comparable amounts at historical cost			
Cost	19,201	44,616	63,817
Depreciation	(886)	(25,852)	(26,738)
Net book value at 3 May 1997	<u>18,315</u>	<u>18,764</u>	<u>37,079</u>
		1997 £'000	1996 £'000
Land and buildings at cost or valuation to the Company			
Freehold		18,591	7,928
Long leasehold		905	194
Short leasehold		125	139
		<u>19,621</u>	<u>8,261</u>

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	1997 £'000	1996 £'000
7 STOCKS		
Finished goods and goods for resale	<u>7,401</u>	<u>5,046</u>
8 DEBTORS		
Due within one year		
Trade debtors	1,505	1,328
Amounts due from group undertakings	19,225	19,223
Corporation tax recoverable	175	177
Other debtors	228	1,609
Prepayments and accrued income	634	1,738
Deferred taxation asset (see note 10)	-	186
	<u>21,767</u>	<u>24,261</u>
Due after more than one year		
Other debtors	<u>54</u>	<u>57</u>
	<u>21,821</u>	<u>24,318</u>
9 CREDITORS - due within one year		
Borrowing		
Bank overdrafts	<u>208</u>	<u>96</u>
Other creditors		
Trade creditors	5,366	3,738
Amounts due to group undertakings	28,254	16,495
Other taxes and social security payable	1,296	986
Other creditors	1,368	448
Accruals and deferred income	6,371	6,227
	<u>42,655</u>	<u>27,894</u>
	<u>42,863</u>	<u>27,990</u>

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	<u>£'000</u>	
10 PROVISIONS FOR LIABILITIES AND CHARGES		
Provision for re-organisation of national distribution facilities		
At 27 April 1996	1,480	
Utilised	<u>(823)</u>	
At 3 May 1997	<u>657</u>	
Deferred taxation		
At 27 April 1996	(186)	
Charge for the period	<u>1,027</u>	
At 3 May 1997	<u>841</u>	
Total provision for liabilities and charges		
At 27 April 1996	1,294	
Charge for the period	<u>1,027</u>	
Utilised	<u>(823)</u>	
At 3 May 1997	<u>1,498</u>	
	<u>1997</u>	<u>1996</u>
	<u>£'000</u>	<u>£'000</u>
Additional information on deferred taxation		
Deferred taxation for which provision has been made :		
Accelerated capital allowances	1,060	473
Other timing differences	<u>(219)</u>	<u>(659)</u>
	<u>841</u>	<u>(186)</u>

The deferred taxation asset at 27 April 1996 is included within debtors (see note 8).

There are no unprovided amounts of deferred taxation.

	<u>1997</u>	<u>1996</u>
	<u>£'000</u>	<u>£'000</u>
11 SHARE CAPITAL		
Authorised		
10,010,000 Ordinary shares of £1 each	<u>10,010</u>	<u>10,010</u>
Allotted and fully paid		
10,009,500 Ordinary shares of £1 each	<u>10,010</u>	<u>10,010</u>

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

		<u>£'000</u>	
12	SHARE PREMIUM		
	At 3 May 1997 and 27 April 1996	<u>9,391</u>	
13	REVALUATION RESERVE		
	At 27 April 1996	390	
	Transfer of amount equivalent to additional depreciation on revalued assets	<u>(8)</u>	
	At 3 May 1997	<u>382</u>	
14	PROFIT AND LOSS ACCOUNT		
	At 27 April 1996	1,115	
	Retained profit for the period	1,571	
	Transfer of amount equivalent to additional depreciation on revalued assets	<u>8</u>	
	At 3 May 1997	<u>2,694</u>	
		<u>1997</u>	<u>1996</u>
		<u>£'000</u>	<u>£'000</u>
15	CAPITAL COMMITMENTS		
	Contracted	<u>10,891</u>	<u>603</u>
16	CONTINGENT LIABILITIES		

The Company has given guarantees in respect of certain group undertakings' bank facilities. An amount of £4,000 was drawn against these facilities at 3 May 1997 (27 April 1996 £nil).

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	1997		1996	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
17 OPERATING LEASE COMMITMENTS				
At 3 May 1997 the Company was committed to the following payments during 1997/98 in respect of operating leases which expire:				
Within 1 year	220	-	150	6
Between 2 and 5 years	1,034	-	198	-
After 5 years	1,717	-	2,253	-
	<u>2,971</u>	<u>-</u>	<u>2,601</u>	<u>6</u>

18 PENSION SCHEME

The majority of the Company's employees are eligible to participate in a funded, defined benefit pension scheme which provides inter alia pension benefits based on final pensionable salary. The assets of the scheme are held by a separate trust. Contributions to the scheme are assessed in accordance with the advice of independent qualified actuaries so as to spread the pension cost over the normal expected service lives of employees in the scheme.

The scheme is valued by a qualified actuary at least every three years. The last valuation was carried out as at 6 April 1995, using the projected unit method.

Particulars of the actuarial valuation of the scheme are disclosed in the financial statements of Dixons Group plc.

19 RELATED PARTY DISCLOSURE

The company has taken advantage of the exemption given by FRS 8 regarding disclosure of intra group transactions.

20 PARENT COMPANY

The Company's immediate parent company is Dixons Group Management Limited.

The Company's ultimate parent company is Dixons Group plc which is registered in England and Wales. Copies of its accounts may be obtained from its registered office at Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TG.