

MASTERCARE SERVICE AND DISTRIBUTION LIMITED

REGISTERED NO. 1314676

ANNUAL REPORT AND FINANCIAL STATEMENTS

52 weeks ended 28 April 2001



MASTERCARE SERVICE AND DISTRIBUTION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2001

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MASTERCARE SERVICE AND DISTRIBUTION LIMITED
DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the 52 weeks ended 28 April 2001. Comparative figures are for the 52 weeks ended 29 April 2000.

Principal activities

The principal activities of the Company are the provision of delivery, installation and after sales maintenance services for electrical and consumer electronic products, personal computers, domestic appliances, photographic equipment and mobile telephones and the provision of warehousing, distribution and administration services. The directors anticipate that these activities and the financial position of the Company will be maintained.

Results

The results of the Company are shown on page 6.

Dividends

The directors do not recommend the payment of a final dividend (1999/00 £nil).

Directors

The directors of the Company during the period were:

	<u>Date of Appointment</u>	<u>Date of Resignation</u>
A Alexander		
G P Bellingham		
G D Budd		
E M Fitzmaurice		
M Fletcher		
D S Gilbert		
P Jenner	1 June 2000	27 April 2001
M Marks		
R P Middleton		
M J Sidders		
L F Smith		
J C Sorby		24 November 2000

Directors' share interests

The directors' interests in the share capital of the ultimate parent were:

Beneficial and family interests	Ordinary shares	
	28 April 2001	29 April 2000
A Alexander	-	-
G Bellingham	242	220
G D Budd	528,876	291,788
E M Fitzmaurice	6,876	4,972
M Fletcher	5,598	-
D S Gilbert	139,649	146,849
M Marks	-	-
R P Middleton	-	-
M J Sidders	67,605	89,062
L F Smith	-	-

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
DIRECTORS' REPORT continued

Between the balance sheet date and 3 July 2001 the interests of the following directors changed:

	3 July 2001	Ordinary shares 28 April 2001
G D Budd	534,591	528,876
D S Gilbert	148,779	139,649

Directors' share options

	At 29 April 2000	Granted in period	Exercised in period	At 28 April 2001
A Alexander	61,656	15,284	(4,116)	72,824
G Bellingham	68,812	13,278	(21,852)	60,238
G D Budd	655,616	60,440	(216,752)	499,304
E M Fitzmaurice	207,476	51,489	(10,296)	248,669
M Fletcher	45,684	14,080	(9,848)	49,916
D S Gilbert	645,188	93,407	-	738,595
M Marks	60,516	12,152	(21,616)	51,052
R P Middleton	83,156	24,223	(11,240)	96,139
M J Sidders	112,644	26,421	-	139,065
L F Smith	67,084	11,873	-	78,957

Each of the directors is interested as a potential beneficiary in 7,776,341 (3 July 2001, 7,878,258) ordinary shares owned by Dixons TSR Trust Limited, the trustee of the Dixons Group plc share ownership plans. The particulars of the Trust are disclosed in the financial statements of Dixons Group plc.

No director had a beneficial interest in the shares of the Company or any other Group undertaking except as disclosed above or in any contract or arrangement to which the Company or any other Group undertaking was a party during or at the end of the financial period.

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
DIRECTORS' REPORT continued

Payment policy

The Company has adopted the CBI Prompt Payment Code, information about which may be obtained from the CBI. It is Company policy that payments to suppliers are made in accordance with the terms agreed with them under which business transactions are conducted, provided that the supplier has complied with all relevant terms and conditions.

There were no trade creditors as at 28 April 2001 (29 April 2000 £nil).

Equal opportunities

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

During the year a comprehensive programme of training and education has been developed under the designation "Respect for People". This will increase awareness amongst all employees of the Dixons Group's codes and standards in relation to all forms of discrimination and ensure compliance with their own legal obligations. A disability working group monitors compliance with legal obligations under the Disability Discrimination Act.

Employee involvement

The Dixons Group seeks to engage all employees in both its short and long term goals. This is achieved through a number of communication methods such as senior management briefings, focus groups, videos, newsletters and, increasingly, through the use of intranet technology.

The Chief Executive of Dixons Group chairs the Dixons Group European Forum. This is a body of independently elected employee representatives and is underpinned by a number of forums comprising elected representatives of individual business units including the company. Their meetings provide the framework for the Dixons Group's consultative process; representatives provide invaluable input on a wide range of issues including customer service, business efficiency and performance improvement.

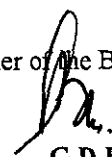
Further employee feedback is obtained through census surveys. Findings from these surveys are used to design bespoke reward and training programmes and to assist the development of employment policy.

The Dixons Group operates a number of share bonus and incentive schemes. These reinforce the philosophy of encouraging employees to contribute directly to the achievement of the Dixons Group's goals and of rewarding individual and collective success.

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.

By Order of the Board


G D Budd
Secretary

3 July 2001
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 15 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, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 United Kingdom 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 28 April 2001 and of the profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

3 July 2001
Hill House
1 Little New Street
London EC4A 3TR

Deloitte & Touche

Deloitte & Touche
Chartered Accountants
and Registered Auditors

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
PROFIT AND LOSS ACCOUNT
for the 52 weeks ended 28 April 2001

	<i>Note</i>	<u>2000/01</u> <u>£'000</u>	<u>1999/00</u> <u>£'000</u>
Turnover	<i>1</i>	<u>176,847</u>	<u>179,388</u>
Operating profit (including exceptional item of £3,267,000 in 2000/01)	<i>2, 3</i>	<u>7,652</u>	<u>8,775</u>
Net interest	<i>4</i>	<u>1,084</u>	<u>880</u>
Profit on ordinary activities before taxation		<u>8,736</u>	<u>9,655</u>
Taxation on profit on ordinary activities	<i>6</i>	<u>(2,998)</u>	<u>(2,792)</u>
Profit on ordinary activities after taxation		<u>5,738</u>	<u>6,863</u>
Retained profit for the period	<i>17</i>	<u>5,738</u>	<u>6,863</u>

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

There are no recognised gains or losses other than the profit for the current and preceding periods.

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
BALANCE SHEET
as at 28 April 2001

	Note	<u>£'000</u>	<u>2001 £'000</u>	<u>£'000</u>	<u>2000 £'000</u>
Fixed assets					
Tangible	7		58,517		59,519
Investments	8		3,368		-
Total fixed assets			<u>61,885</u>		<u>59,519</u>
Current assets					
Stocks	9	9,355		7,676	
Debtors	10	48,266		36,007	
Cash at bank and in hand		<u>262</u>		<u>190</u>	
		57,883		43,873	
Creditors - due within one year					
Borrowing	11	(8,648)		(5,091)	
Other creditors	11	<u>(52,627)</u>		<u>(50,526)</u>	
		(61,275)		(55,617)	
Net current liabilities			<u>(3,392)</u>		<u>(11,744)</u>
Total assets less current liabilities			<u>58,493</u>		<u>47,775</u>
Creditors - due after more than one year					
Other creditors	12		(9,698)		(9,450)
Provisions for liabilities and charges	13		<u>(1,922)</u>		<u>(1,191)</u>
			<u>46,873</u>		<u>37,134</u>
Equity shareholders' funds					
Ordinary share capital	14		11,010		10,010
Share premium account	15		22,392		19,391
Revaluation reserve	16		350		358
Profit and loss account	17		<u>13,121</u>		<u>7,375</u>
			<u>46,873</u>		<u>37,134</u>

The financial statements were approved by the Board of Directors on 3 July 2001 and signed on its behalf by:

D S Gilbert

D.S. Gilbert

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
NOTE OF HISTORICAL COST PROFITS AND LOSSES
For the 52 weeks ended 28 April 2001

	2000/01 £'000	1999/00 £'000
Profit on ordinary activities before taxation	8,736	9,655
Difference between historical cost depreciation and actual depreciation charge in the period calculated on the revalued amount	8	8
Historical cost profit on ordinary activities before taxation	<u>8,744</u>	<u>9,663</u>
Historical cost retained profit for the period after taxation	<u>5,746</u>	<u>6,871</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the 52 weeks ended 28 April 2001

	2000/01 £'000	1999/00 £'000
Opening shareholders' funds	<u>37,134</u>	<u>30,271</u>
Profit for the period	5,738	6,863
Issue of ordinary share capital	4,001	-
Net additions to shareholders' funds	<u>9,739</u>	<u>6,863</u>
Closing shareholders' funds	<u>46,873</u>	<u>37,134</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 52 weeks ended 28 April 2001. Comparative figures are for the 52 weeks ended 29 April 2000.

1.2 Turnover

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

1.3 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and, where appropriate, provision for impairment or estimated loss on disposal. Depreciation is provided to write off the cost of the assets by equal instalments over their estimated useful lives. The rates used are:

Short leasehold property	- over the term of the lease
Freehold and long leasehold buildings	- $1\frac{2}{3}\%$ - $2\frac{1}{2}\%$ per annum
Fixtures, fittings and equipment	- 10% - $33\frac{1}{3}\%$ per annum

No depreciation is provided on freehold and long leasehold land or on assets in course of construction.

1.4 Investments

Fixed asset investments are stated at cost less provision for impairment in value.

Current asset investments are stated at the lower of cost and net realisable value with the exception of assets held to maturity, which are stated at cost net of amortised premium or discount

1.5 Stocks

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

1.6 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.

1.7 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.

1.8 Post retirement benefits

The Company participates in a funded defined benefit pension scheme for its eligible employees. 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 members in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

1.9 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

	2000/01 £'000	1999/00 £'000
2 OPERATING PROFIT		
Turnover	176,847	179,388
Cost of sales	(152,462)	(155,300)
Gross profit	24,385	24,088
Administration expenses (including exceptional item of £3,267,000 in 2000/01)	(17,593)	(16,970)
Other operating income	860	1,657
	<u>7,652</u>	<u>8,775</u>

Operating profit is stated after charging :

Depreciation	10,051	8,088
Auditors' remuneration - audit fees	20	20
Rentals paid under operating leases		
- plant and machinery	1,700	2,274
- other	<u>5,024</u>	<u>4,482</u>

3 EXCEPTIONAL ITEM

Restructuring service operations	<u>3,267</u>	<u>-</u>
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4 NET INTEREST

Interest receivable on loans to group undertakings	<u>1,084</u>	<u>880</u>
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5 EMPLOYEES AND DIRECTORS

Staff costs for the period were:

Wages and salaries	79,605	78,835
Social security costs	6,742	7,047
Other pension costs	3,235	3,162
	<u>89,582</u>	<u>89,044</u>

	2000/01 Employees	1999/00 Employees
The average number of employees, including directors, was	<u>4,702</u>	<u>4,998</u>

	2000/01 £'000	1999/00 £'000
The remuneration of the directors was :		
Emoluments	<u>615</u>	<u>652</u>
	<u>615</u>	<u>652</u>

Five directors (1999/00: six) received no remuneration for services to the Company.

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

5 EMPLOYEES AND DIRECTORS continued

	<u>2000/01</u> <u>Number</u>	<u>1999/00</u> <u>Number</u>
The number of directors who exercised options over shares in Dixons Group plc during the period was :	7	4

The number of directors accruing benefits under defined benefit pension schemes was:	10	11
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Two directors (1999/00 one director) received ordinary shares in Dixons Group plc under the long term incentive plan.

	<u>2000/01</u> <u>£'000</u>	<u>1999/00</u> <u>£'000</u>
The remuneration of the highest paid director was :		
Emoluments	154	140

At 28 April 2001 the amount of the highest paid director's accrued annual pension was £16,329 (£12,962).

The highest paid director did not exercise share options during the period.

	<u>2000/01</u> <u>£'000</u>	<u>1999/00</u> <u>£'000</u>
6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES		
UK corporation tax at 30%	1,892	2,522
Group relief	1,218	-
Deferred taxation	(330)	626
	<u>2,780</u>	<u>3,148</u>
Adjustment in respect of earlier periods:		
Corporation tax	(179)	(208)
Group relief	4	(172)
Deferred taxation	393	24
	<u>2,998</u>	<u>2,792</u>

The tax charge of 34% differs from the UK corporation tax rate of 30% mainly as a result of non qualifying expenditure regarding property transactions and prior year adjustments.

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	Land and buildings £'000	Fixtures fittings and equipment £'000	Total £'000
7 TANGIBLE FIXED ASSETS			
Cost or valuation			
At 29 April 2000	37,372	65,360	102,732
Additions	72	10,295	10,367
Disposals	-	(5,120)	(5,120)
Intra group transfers	-	-	-
At 28 April 2001	<u>37,444</u>	<u>70,535</u>	<u>107,979</u>
Depreciation			
At 29 April 2000	2,312	40,901	43,213
Charge for the period	(203)	10,254	10,051
Disposals	-	(3,786)	(3,786)
Intra group transfers	-	(16)	(16)
At 28 April 2001	<u>2,109</u>	<u>47,353</u>	<u>49,462</u>
Net book value			
At 28 April 2001	<u>35,335</u>	<u>23,182</u>	<u>58,517</u>
At 29 April 2000	<u>35,060</u>	<u>24,459</u>	<u>59,519</u>
Comparable amounts at historical cost			
Cost	37,024	70,535	107,559
Depreciation	(2,047)	(47,353)	(49,400)
Net book value at 29 April 2001	<u>34,977</u>	<u>23,182</u>	<u>58,159</u>
		<u>2001</u>	<u>2000</u>
		<u>£'000</u>	<u>£'000</u>
Land and buildings at cost or valuation to the Company			
Freehold		36,105	36,093
Long leasehold		1,194	1,134
Short leasehold		145	145
		<u>37,444</u>	<u>37,372</u>

8 FIXED ASSET INVESTMENTS

Loan to Employee Share Ownership Trust

At 29 April 2000	-
Additions	3,639
Repayment	(271)
At 28 April 2001	<u>3,368</u>

The loan has been made to the employee share ownership trust for the purpose of acquiring shares which will subsequently be awarded to specific employees of the Company upon satisfaction of the terms of the award.

9 STOCKS

Finished goods and goods for resale	<u>9,355</u>	<u>7,676</u>
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MASTERCARE SERVICE AND DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	2001 £'000	2000 £'000
10 DEBTORS		
Due within one year		
Trade debtors	1,965	2,484
Amounts due from group undertakings	45,618	31,346
Other debtors	395	63
Prepayments and accrued income	288	2,114
	<u>48,266</u>	<u>36,007</u>
11 CREDITORS - due within one year		
Borrowing		
Bank overdrafts	8,648	5,091
Other creditors		
Amounts due to group undertakings	15,969	11,173
Corporation tax	1,623	2,385
Other taxation and social security payable	4,613	3,151
Sundry other creditors	1,821	3,848
Accruals and deferred income	28,601	29,969
	<u>52,627</u>	<u>50,526</u>
	<u>61,275</u>	<u>55,617</u>
12 CREDITORS - due after more than one year		
Other creditors		
Accruals and deferred income	9,698	9,450
	<u>£'000</u>	
13 PROVISIONS FOR LIABILITIES AND CHARGES		
Restructuring service operations		
At 29 April 2000	-	
Charge made in period	3,267	
Utilised	(2,600)	
At 28 April 2001	<u>667</u>	
Deferred taxation		
At 29 April 2000	1,191	
Charge for the period	64	
At 28 April 2001	<u>1,255</u>	
Total provisions for liabilities and charges		
At 28 April 2001	1,922	
At 29 April 2000	<u>1,191</u>	
	<u>2001</u>	<u>2000</u>
	<u>£'000</u>	<u>£'000</u>
Additional information on deferred taxation		
Deferred taxation for which provision has been made :		
Accelerated capital allowances	1,594	1,434
Other timing differences	(339)	(243)
	<u>1,255</u>	<u>1,191</u>

There are no unprovided amounts of deferred taxation.
MASTERCARE SERVICE AND DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	2001 £'000	2000 £'000
14 SHARE CAPITAL		
Authorised		
15,000,000 Ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>
Allotted and fully paid		
11,010,420 Ordinary shares of £1 each (29 April 2000 10,010,000)	<u>11,010</u>	<u>10,010</u>

On 7 February 2001 the company issued 1,000,400 ordinary shares of £1 each fully paid to Dixons Group Holdings Limited for a total consideration of £4,000,000 and 20 ordinary shares of £1 each fully paid to DSG Retail Limited for a total consideration of £20.

	£'000	
15 SHARE PREMIUM		
At 29 April 2000	19,391	
Premium on shares issued	<u>3,001</u>	
At 28 April 2001	<u>22,392</u>	

16 REVALUATION RESERVE		
At 29 April 2000	358	366
Transfer of amount equivalent to additional depreciation on revalued assets	<u>(8)</u>	<u>(8)</u>
At 28 April 2001	<u>350</u>	<u>358</u>

17 PROFIT AND LOSS ACCOUNT		
At 29 April 2000	7,375	504
Retained profit for the period	5,738	6,863
Transfer of amount equivalent to additional depreciation on revalued assets	<u>8</u>	<u>8</u>
At 28 April 2001	<u>13,121</u>	<u>7,375</u>

	2001 £'000	2000 £'000
18 CAPITAL COMMITMENTS		
Contracted for but not provided	<u>1,488</u>	<u>721</u>

19 CONTINGENT LIABILITIES

The Company has given guarantees in respect of certain Group undertakings' bank facilities. At 28 April 2001 £415 million (29 April 2000 £329 million) was drawn against these facilities.

MASTERCARE SERVICE AND DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2001		2000	
Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000

20 OPERATING LEASE COMMITMENTS

At 28 April 2001 the Company was committed to the following payments during 2001/02 in respect of operating leases which expire:

Within one year	82	62	233	-
Between two and five years	2,089	-	1,925	62
After five years	2,722	-	2,457	-
	<u>4,893</u>	<u>62</u>	<u>4,615</u>	<u>62</u>

21 POST RETIREMENT BENEFITS

Subject to certain criteria, the Company's permanent employees are eligible to join a funded, contributory 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 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 members. The scheme is valued by a qualified actuary at least every three years. The last valuation was carried out as at 6 April 1998, using the projected unit method. Further particulars of the scheme are disclosed in the financial statements of Dixons Group plc.

22 RELATED PARTY DISCLOSURE

The Company has applied the exemption allowed by FRS 8 regarding disclosure of transactions with other undertakings which are members of the Dixons Group.

23 PARENT COMPANY

The Company's immediate parent and controlling party is Dixons Group Holdings Limited.

The Company's ultimate parent and controlling party 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.