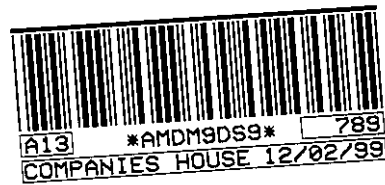


**DIXONS FINANCIAL SERVICES LIMITED**

REGISTERED NO. 1986157

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

52 weeks ended 2 May 1998



# **DIXONS FINANCIAL SERVICES LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 1998**

### **CONTENTS**

Directors' Report	1
Directors' Responsibilities for the Financial Statements	3
Auditors' Report	4
Financial Statements	
Profit and Loss Account	5
Balance Sheet	6
Reconciliation of Movements in Shareholders' Funds	7
Notes to the Financial Statements	8

## **DIXONS FINANCIAL SERVICES LIMITED**

### **DIRECTORS' REPORT**

The directors present their report and the audited financial statements of the Company for the 52 weeks ended 2 May 1998. Comparative figures are for the 53 weeks ended 3 May 1997.

#### **Principal activity**

The principal activity of the Company is the provision of administration services to Cornhill Insurance Public Limited Company. 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 5.

The Company has commenced a major programme of work to ensure that its computer and other operating systems are able to function effectively in the year 2000 and thereafter.

Further particulars of the programme are disclosed in the financial statements of Dixons Group plc.

#### **Dividends**

The directors recommend the payment of a dividend of £50,000 per Ordinary share for the period (1996/97 nil).

#### **Directors**

The directors of the Company during the period were:

S C Carroll  
R N Shrager

I P Livingston was appointed and R N Shrager resigned as a director on 3 May 1998.

#### **Directors' share interests**

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

	<b>2 May 1998</b>	<b>Ordinary shares 3 May 1997</b>
S C Carroll	-	2,500
R N Shrager	<b>89,834</b>	38,687

#### **Directors' share options**

	<b>At 3 May 1997</b>	<b>Granted in period</b>	<b>Exercised in period</b>	<b>At 2 May 1998</b>
S C Carroll	36,523	-	(15,390)	<b>21,133</b>
R N Shrager	60,547	-	(5,547)	<b>55,000</b>

**DIXONS FINANCIAL SERVICES LIMITED**  
**DIRECTORS' REPORT** continued

Each of the directors is interested as a potential beneficiary in 626,370 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.

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 of arrangement to which the Company or any other group undertaking was a party during or at the end of the financial period.

Directors' interests were unchanged at 8 July 1998.

**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

8 July 1998  
Registered office  
Maylands Avenue  
Hemel Hempstead  
Hertfordshire  
HP2 7TG

**DIXONS FINANCIAL SERVICES 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.

## **DIXONS FINANCIAL SERVICES LIMITED AUDITORS' REPORT**

### **To the Members of Dixons Financial Services Limited**

We have audited the financial statements on pages 5 to 13 which have been prepared under the accounting policies set out on page 8.

### **Respective responsibilities of directors and auditors**

As described on page 3, 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 2 May 1998 and of the profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

8 July 1998  
Hill House  
1 Little New Street  
London, EC4A 3TR

  
**Deloitte & Touche**  
Chartered Accountants  
and Registered Auditors

**DIXONS FINANCIAL SERVICES LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**for the 52 weeks ended 2 May 1998**

	<i>Note</i>	<b>1997/98</b> <b>£'000</b>	<b>1996/97</b> <b>£'000</b>
<b>Turnover</b>		<b>3,647</b>	<b>6,511</b>
<b>Operating profit</b>	<i>2</i>	<b>3,006</b>	<b>4,634</b>
Net interest	<i>3</i>	<b>885</b>	<b>762</b>
<b>Profit on ordinary activities before taxation</b>		<b>3,891</b>	<b>5,396</b>
Taxation on profit on ordinary activities	<i>5</i>	<b>(1,229)</b>	<b>(1,778)</b>
<b>Profit on ordinary activities after taxation</b>		<b>2,662</b>	<b>3,618</b>
Dividend	<i>6</i>	<b>(5,000)</b>	<b>-</b>
<b>Retained (loss)/profit for the period</b>	<i>12</i>	<b>(2,338)</b>	<b>3,618</b>


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

There are no recognised gains or losses other than the loss for the current period or profit for the preceding period.

**DIXONS FINANCIAL SERVICES LIMITED**  
**BALANCE SHEET**  
as at 2 May 1998

	Note	<u>£'000</u>	<u>1998</u> <u>£'000</u>	<u>£'000</u>	<u>1997</u> <u>£'000</u>
<b>Fixed assets</b>					
Tangible assets	7		22		50
<b>Current assets</b>					
Debtors	8	13,041		8,918	
Cash at bank and in hand		3		-	
		<u>13,044</u>		<u>8,918</u>	
<b>Creditors - due within one year</b>					
Borrowing	9	-		(1,678)	
Other creditors	9	(10,659)		(2,545)	
		<u>(10,659)</u>		<u>(4,223)</u>	
<b>Net current assets</b>			<u>2,385</u>		<u>4,695</u>
<b>Total assets less current liabilities</b>			<u>2,407</u>		<u>4,745</u>
<b>Equity shareholders' funds</b>					
Ordinary share capital	11		-		-
Profit and loss account	12		2,407		4,745
			<u>2,407</u>		<u>4,745</u>

The financial statements were approved by the Board of Directors on 8 July 1998 and signed on its behalf by:



S C Carroll



**DIXONS FINANCIAL SERVICES LIMITED**  
**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**for the 52 weeks ended 2 May 1998**

	<b>1997/98</b> <b>£'000</b>	<b>1996/97</b> <b>£'000</b>
Opening shareholders' funds	<u>4,745</u>	<u>1,127</u>
Profit for the period	2,662	3,618
Dividend	<u>(5,000)</u>	<u>-</u>
Net (reductions in)/additions to shareholders' funds	<u>(2,338)</u>	<u>3,618</u>
Closing shareholders' funds	<u>2,407</u>	<u>4,745</u>

**DIXONS FINANCIAL SERVICES 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. The financial statements include the results of the Company for the 52 weeks ended 2 May 1998. Comparative figures are for the 53 weeks ended 3 May 1997.

**1.2 Turnover**

Turnover comprises fees receivable for the administration of insurance policies.

**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:

Fixtures, fittings and equipment - between 10% and 33 $\frac{1}{3}$ % per annum

**1.4 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.

**1.5 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.

**1.6 Post retirement benefits**

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 scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

**1.7 Cash flow statement**

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

**2 OPERATING PROFIT**

	<u>1997/98</u> <u>£'000</u>	<u>1996/97</u> <u>£'000</u>
Turnover	3,647	6,511
Administration expenses	(641)	(1,877)
	<u>3,006</u>	<u>4,634</u>
Operating profit is stated after charging:		
Depreciation	28	54
Auditors' remuneration		
- audit fees	4	5
Rentals paid under operating leases		
- other	82	82
	<u>82</u>	<u>82</u>

**DIXONS FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

	<u>1997/98</u> <u>£'000</u>	<u>1996/97</u> <u>£'000</u>
<b>3 NET INTEREST</b>		
Interest receivable and similar income from group undertakings	<u>885</u>	<u>762</u>

**4 EMPLOYEES AND DIRECTORS**

Staff costs for the period were:

Wages and salaries	471	1,178
Social security costs	39	90
Other pension costs	1	25
	<u>511</u>	<u>1,293</u>

	<u>Employees</u>	<u>Employees</u>
The average monthly number of employees, including directors, was:	<u>33</u>	<u>83</u>

<u>Number</u>	<u>Number</u>
---------------	---------------

The number of directors who exercised share options during the period was:	<u>2</u>	<u>2</u>
--	----------	----------

The directors received no remuneration for services to the Company during the period (1996/97 £nil).

	<u>1997/98</u> <u>£'000</u>	<u>1996/97</u> <u>£'000</u>
<b>5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b>		
UK corporation tax at 31 % (1996/97 32.8%)	1,223	1,773
Deferred taxation	<u>9</u>	<u>7</u>
	1,232	1,780
Adjustment in respect of earlier periods:		
Corporation tax	(9)	2
Group relief	-	(4)
Deferred taxation	<u>6</u>	<u>-</u>
	<u>1,229</u>	<u>1,778</u>

**DIXONS FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

	<u>1997/98</u> <u>£'000</u>	<u>1996/97</u> <u>£'000</u>
<b>6 DIVIDEND</b>		
Dividend of £50,000 per Ordinary share proposed (1996/97 nil).	<u>5,000</u>	<u>-</u>
	<b>Fixtures fittings and equipment £'000</b>	
<b>7 TANGIBLE FIXED ASSETS</b>		
<b>Cost</b>		
At 3 May 1997	1,212	
Disposals	(10)	
At 2 May 1998	<u>1,202</u>	
<b>Depreciation</b>		
At 3 May 1997	1,162	
Charge for the period	28	
Disposals	(10)	
At 2 May 1998	<u>1,180</u>	
<b>Net book value</b>		
At 2 May 1998	22	
At 3 May 1997	<u>50</u>	
	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
<b>8 DEBTORS</b>		
<b>Due within one year</b>		
Trade debtors	2,687	11
Amounts due from group undertakings	10,296	8,834
Deferred taxation (see note 10)	49	64
Other debtors	9	9
	<u>13,041</u>	<u>8,918</u>

**DIXONS FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

	1998 £'000	1997 £'000
	<u>          </u>	<u>          </u>

**9 CREDITORS - due within one year**

**Other borrowing**

Bank overdrafts

-	1,678
<u>          </u>	<u>          </u>

**Other creditors**

Amounts due to group undertakings

Corporation tax

Accruals and deferred income

8,544	132
1,223	1,775
892	638
<u>10,659</u>	<u>2,545</u>
<u>10,659</u>	<u>4,223</u>

£'000

**10 PROVISIONS FOR LIABILITIES AND CHARGES**

**Deferred taxation**

At 3 May 1997

Charge for the period

At 2 May 1998

(64)
15
<u>(49)</u>

1998 £'000	1997 £'000
<u>          </u>	<u>          </u>

**Additional information on deferred taxation**

Deferred taxation for which provision has been made:

Accelerated capital allowances

Other timing differences

(43)	(58)
(6)	(6)
<u>(49)</u>	<u>(64)</u>

The deferred taxation asset at 2 May 1998 is included within debtors (see note 8).

There are no unprovided amounts of deferred taxation.

**11 SHARE CAPITAL**

**Authorised**

1,000 Ordinary shares of £1 each

**Allotted and fully paid**

100 Ordinary shares of £1 each

£	£
<u>          </u>	<u>          </u>
1,000	1,000
<u>100</u>	<u>100</u>

**DIXONS FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

	<u>£'000</u>
<b>12 PROFIT AND LOSS ACCOUNT</b>	
At 3 May 1997	4,745
Retained loss for the period	<u>(2,338)</u>
At 2 May 1998	<u>2,407</u>

**13 CONTINGENT LIABILITIES**

The Company has given guarantees in respect of certain group undertakings' bank facilities. No amounts were drawn against these facilities at 2 May 1998 (3 May 1997 £nil).

	<u>1998</u>	<u>1997</u>
	<u>Other</u>	<u>Other</u>
	<u>£'000</u>	<u>£'000</u>
<b>14 OPERATING LEASE COMMITMENTS</b>		
At 2 May 1998 the Company was committed to the following payments during the 52 weeks ending 1 May 1999 in respect of operating leases which expire:		
After 5 years	<u>82</u>	<u>82</u>

**15 POST RETIREMENT BENEFITS**

Subject to certain age criteria, all 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 1995, using the projected unit method.

Further particulars of the scheme are disclosed in the financial statements of Dixons Group plc.

**DIXONS FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**16 RELATED PARTY DISCLOSURE**

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

**17 PARENT COMPANY**

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

The Company's ultimate parent 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.