

DIXONS OVERSEAS INVESTMENTS LIMITED

REGISTERED NO. 2734677

ANNUAL REPORT AND FINANCIAL STATEMENTS

53 weeks ended 3 May 1997



DIXONS OVERSEAS INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS 1997

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DIXONS OVERSEAS INVESTMENTS 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 Company is the holding company of a group whose principal activities are financial services, investment and property development. 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 5.

Dividends

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

Directors

The directors of the Company during the period were:

G D Budd
I P Livingston
R N Shrager
M J Sidders

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

	3 May 1997	Ordinary shares 27 April 1996
G D Budd	55,697	56,032
I P Livingston	2,415	7,020
R N Shrager	38,687	14,000
M J Sidders	-	-

Directors' share options

	At 27 April 1996	Granted in period	Exercised in period	At 3 May 1997
G D Budd	101,021	-	(35,739)	65,282
I P Livingston	51,469	-	(26,000)	25,469
R N Shrager	344,254	-	(283,707)	60,547
M J Sidders	57,646	10,634	-	68,280

Each of the directors is interested as a potential beneficiary in 762,000 Ordinary shares of Dixons Group plc 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.

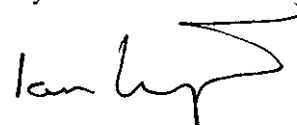
No director had a beneficial interest in the shares of the Company or any other group undertaking except as disclosed above or in any contract or arrangement to which the Company or any other group undertaking was a party during or at the end of the financial period.

DIXONS OVERSEAS INVESTMENTS 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.

By Order of the Board

A handwritten signature in black ink, appearing to read 'Ian Livingston', with a stylized flourish at the end.

I P Livingston
Director

28 May 1998
Registered office
Maylands Avenue
Hemel Hempstead
Hertfordshire
HP2 7TG

DIXONS OVERSEAS INVESTMENTS 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 OVERSEAS INVESTMENTS LIMITED
AUDITORS' REPORT**

To the Members of Dixons Overseas Investments Limited

We have audited the financial statements on pages 5 to 12 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 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.

28 May 1998
Hill House
1 Little New Street
London EC4A 3TR



Deloitte & Touche
Chartered Accountants
and Registered Auditors

DIXONS OVERSEAS INVESTMENTS LIMITED
PROFIT AND LOSS ACCOUNT
for the 53 weeks ended 3 May 1997

	<i>Note</i>	1996/97 £'000	1995/96 £'000
Operating profit	<i>2</i>	9,097	275
Income from shares in subsidiary undertakings		2,454	3,087
Exceptional amount written off investment	<i>3</i>	-	(33,715)
Interest	<i>4</i>	2,258	295
Profit/(loss) on ordinary activities before taxation		13,809	(30,058)
Taxation on profit/(loss) on ordinary activities	<i>6</i>	(4,554)	(3,013)
Retained profit/(loss) for the period	<i>13</i>	9,255	(33,071)

All operating profit is derived from the results of continuing operations in the United Kingdom.

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

DIXONS OVERSEAS INVESTMENTS LIMITED
BALANCE SHEET
as at 3 May 1997

	<i>Note</i>	<u>£'000</u>	<u>1997</u> <u>£'000</u>	<u>£'000</u>	<u>1996</u> <u>£'000</u>
Fixed assets					
Investments	7		107,181		107,181
Current assets					
Debtors	8	27,075		18,954	
Creditors - due within one year					
Other creditors	9	<u>(5,612)</u>		<u>(6,210)</u>	
Net current assets			<u>21,463</u>		<u>12,744</u>
Total assets less current liabilities			<u>128,644</u>		<u>119,925</u>
Provisions for liabilities and charges	10		<u>(1,542)</u>		<u>(2,078)</u>
			<u>127,102</u>		<u>117,847</u>
Equity shareholders' funds					
Ordinary share capital	11		200		138
Share premium account	12		175,170		113,249
Profit and loss account	13		<u>(48,268)</u>		<u>(57,523)</u>
			<u>127,102</u>		<u>55,864</u>
Non-equity shareholders' funds					
Ordinary share capital	11		-		62
Share premium account	12		-		61,921
			-		61,983
			<u>127,102</u>		<u>117,847</u>

The financial statements were approved by the Board of Directors on 28 May 1998 and signed on its behalf by:



I P Livingston

DIXONS OVERSEAS INVESTMENTS LIMITED
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the 53 weeks ended 3 May 1997

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Profit/(loss) for the period	9,255	(33,071)
New share capital subscribed	-	77
Premium on new share capital subscribed	<u>-</u>	<u>77,535</u>
Net additions to shareholders' funds	9,255	44,541
Opening shareholders' funds	<u>117,847</u>	<u>73,306</u>
Closing shareholders' funds	<u><u>127,102</u></u>	<u><u>117,847</u></u>

DIXONS OVERSEAS INVESTMENTS 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 53 weeks ended 3 May 1997. Comparative figures are for the 52 weeks ended 27 April 1996.

1.2 Fixed asset investments

Investments are stated at cost less provisions for permanent diminution in value.

1.3 Deferred taxation

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

1.4 Cash flow statement

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

1.5 Foreign currency

Certain investments which are hedged by long term foreign currency borrowings are denominated in foreign currency and translated at closing rates of exchange. Exchange differences arising on these investments together with exchange differences on hedging are taken direct to reserves.

	1996/97 £'000	1995/96 £'000
2. OPERATING PROFIT		
Administration expenses	-	(72)
Other operating income	9,097	347
	<u>9,097</u>	<u>275</u>

The auditors' remuneration is borne by the ultimate parent company.

3. EXCEPTIONAL AMOUNT WRITTEN OFF INVESTMENT

Fretter, Inc.	<u>-</u>	<u>33,715</u>
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The Company holds 30 per cent of the issued common stock, \$30 million 5% cumulative convertible preferred stock due 2008 and \$15 million 6% cumulative preferred stock due 2008 of Fretter, Inc. An exceptional provision was made against the full value of the Company's investment in Fretter, Inc. in the previous period.

	1996/97 £'000	1995/96 £'000
4. INTEREST		
Interest receivable and similar income from group undertakings	903	269
Interest receivable and similar income from third parties	1,355	26
	<u>2,258</u>	<u>295</u>

DIXONS OVERSEAS INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

5. EMPLOYEES AND DIRECTORS

The directors received no remuneration from the Company during the period (1995/96 £nil). The Company had no employees during the period (1995/96 none).

	1996/97 £'000	1995/96 £'000
6. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES		
UK Corporation tax at 32.8% (1995/96 33%)	4,919	-
Overseas taxation	137	181
Group relief	-	887
Deferred taxation	(536)	1,604
	<u>4,520</u>	<u>2,672</u>
Adjustment in respect of earlier periods:		
Group relief	34	-
Deferred taxation	-	341
	<u>4,554</u>	<u>3,013</u>

	Investments £'000	Subsidiary & related undertakings £'000	Total £'000
7. FIXED ASSET INVESTMENTS			
Cost			
At 27 April 1996	33,715	107,181	140,896
Investment written off	(33,715)	-	(33,715)
At 3 May 1997	<u>-</u>	<u>107,181</u>	<u>107,181</u>
Provisions for permanent diminution in value			
At 27 April 1996	33,715	-	33,715
Investment written off	(33,715)	-	(33,715)
At 3 May 1997	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 3 May 1997	-	107,181	107,181
At 27 April 1996	<u>-</u>	<u>107,181</u>	<u>107,181</u>

Investments represent the Company's interest in Fretter, Inc.

Details of the principal subsidiary and related undertakings are set out in note 17.

DIXONS OVERSEAS INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	1997 £'000	1996 £'000
8. DEBTORS		
Due within one year		
Amounts due from group undertakings	22,653	18,928
Prepayments and accrued income	4,422	26
	<u>27,075</u>	<u>18,954</u>
9. CREDITORS - due within one year		
Corporation tax	4,920	-
Accruals and deferred income	692	6,210
	<u>5,612</u>	<u>6,210</u>
10. PROVISIONS FOR LIABILITIES AND CHARGES		
	<u>£'000</u>	
Deferred taxation		
At 27 April 1996	2,078	
Credit for the period	(536)	
At 3 May 1997	<u>1,542</u>	
	<u>1997 £'000</u>	<u>1996 £'000</u>
Additional information on deferred taxation		
Deferred taxation for which provision has been made:		
Other timing differences	<u>1,542</u>	<u>2,078</u>
There are no unprovided amounts of deferred taxation.		
	<u>1997 £</u>	<u>1996 £</u>
11. SHARE CAPITAL		
Authorised Equity		
1,100,000 Ordinary shares of £1 each	1,100,000	-
1,000,000 "A" Ordinary shares of £1 each	<u>-</u>	<u>1,000,000</u>
Non-equity		
100,000 "B" Ordinary shares of £1 each	<u>-</u>	<u>100,000</u>
Allotted and fully paid Equity		
200,345 Ordinary shares of £1 each	200,345	-
138,362 "A" Ordinary shares of £1 each	<u>-</u>	<u>138,362</u>
Non-equity		
61,983 "B" Ordinary shares of £1 each	<u>-</u>	<u>61,983</u>

On 8 November 1996 the "A" and "B" Ordinary shares were converted into Ordinary shares.

DIXONS OVERSEAS INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	<u>£'000</u>
12. SHARE PREMIUM	
Equity	
At 27 April 1996	113,249
Transferred from non-equity share capital	<u>61,921</u>
At 3 May 1997	<u><u>175,170</u></u>
Non-equity	
At 27 April 1996	61,921
Transferred to equity share capital	<u>(61,921)</u>
At 3 May 1997	<u><u>-</u></u>

On 8 November 1996 the "A" and "B" Ordinary shares were converted into Ordinary shares.

13. PROFIT AND LOSS ACCOUNT

At 27 April 1996	(57,523)
Retained profit for the period	<u>9,255</u>
At 3 May 1997	<u><u>(48,268)</u></u>

14. CONTINGENT LIABILITIES

The Company has given guarantees in respect of certain group undertakings' bank facilities. No amounts were drawn against these facilities at 3 May 1997 (27 April 1996 £nil).

15. RELATED PARTY DISCLOSURE

The Company has taken advantage of the exemption given by FRS 8 regarding disclosure of intragroup transactions.

16. PARENT COMPANY

The Company's immediate and 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.

DIXONS OVERSEAS INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

17. PRINCIPAL SUBSIDIARY AND RELATED UNDERTAKINGS

The principal subsidiary and related undertakings at 3 May 1997 are listed below:

Codic GmbH (Germany)
Codic International SA (Belgium) *
Codic SA (Belgium)
Codic SA (France)
Dixagon SA (Switzerland) *
Dixons Finance B.V. (Netherlands) *
Dixons Stores Group (Far East) Limited (Hong Kong) *

* Direct subsidiaries of the Company

Unless otherwise indicated, all principal subsidiaries are wholly-owned. All subsidiaries operate in their country of incorporation as indicated above.

Consolidated financial statements have not been prepared as the Company is a wholly owned subsidiary of a company registered in England and Wales.

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

Principal related undertaking

Immobiliere Boulevard Jacqumain SPRL (Belgium, 15,000 "B" Ordinary shares held by Codic SA (Belgium), representing 50% of the total share capital).