

Company Registration No. 2792167

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED

Annual Report and Financial Statements

52 weeks ended 30 April 2011

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DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS 2011

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DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 weeks ended 30 April 2011. Comparative figures are for the 52 weeks ended 1 May 2010

PRINCIPAL ACTIVITY

The principal activity of the Company is treasury management and funding to other companies in the Dixons Retail plc group of companies. The directors anticipate that this activity and the financial position of the Company will be maintained

BUSINESS REVIEW AND RESULTS

Services provided

The Company carries out the treasury functions of the Dixons Retail plc group of companies. Part of this activity consists of holding assets and liabilities in foreign currencies and the principal risks of the Company arise from this activity. During the period profits were made arising mainly from movements in foreign exchange rates, particularly the Norwegian krone and the euro. The Company continues to carry out its activities and it is anticipated that it will do so for the foreseeable future.

Objective and strategy

The objective of the Company is to deliver value to its shareholder

Principal risks to achieving the Company's objective

Risk is present in all businesses. The Board regularly reviews the risks faced by the Company. The directors consider that the major risks to achieving the Company's objective are those set out below. The Board however recognises that the profile of risks changes constantly and additional risks not presently known or that are currently deemed immaterial may also impact on attainment of the Company's business objective.

(i) Dependence on the undertakings of other members of the Dixons Retail plc group

The Company is dependent on the requirements of other members of the Dixons Retail plc group of companies

(ii) Treasury risks and policies

Treasury operations are managed centrally within policies approved by the Board of Dixons Retail plc and are subject to periodic independent internal and external reviews. Group Treasury reports regularly to the Audit Committee and the Tax & Treasury Committee. The major treasury risks to which Dixons Retail plc group companies are exposed relate to market risks (movements in foreign exchange and interest rates), liquidity risk and credit risk. Areas where risks are most likely to occur are evaluated regularly. The group uses financial instruments and derivatives to manage these risks in accordance with defined policies. All such financial instruments applicable to UK companies in the Dixons Retail plc group are made through the Company. Throughout the period under review, in accordance with Dixons Retail plc policy, no speculative use of derivatives or other instruments was permitted.

Exchange rate risk

The Company is exposed to exchange movements on intercompany balances and translated values of foreign currency assets and liabilities. The Company's principal translation currency exposures are the euro and Norwegian krone. Taking into account the cost of hedging, the Company's policy is to match, in whole or in part, currency assets with currency liabilities through the use of appropriate hedging instruments.

The Company is also exposed to certain transactional currency exposures arising from transactions made by other members of the Dixons Retail plc group of companies. Such exposures arise from purchases in currencies other than in the functional currency of the entity. The Company's principal such exposures are the US dollar and euro. It is Dixons Retail plc policy to minimise the currency exposures on such purchases through the use of appropriate hedging instruments such as forward exchange contracts, however, such eliminations do not arise at the Company's level owing to the hedging instruments being held in the Company and many of the underlying transactions arising in other group companies. Such contracts are designed to cover exposures ranging from one month to one year.

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED

DIRECTORS' REPORT continued

Interest rate risk

The principal interest rate risks of the Company arise in respect of sterling cash, hedged internal Norwegian krone liabilities and euro borrowings of Dixons Retail plc's subsidiary companies. Potential exposure to interest rate movements is mitigated by Dixons Retail plc's policy to match to the extent possible the profile of interest payments with that of its interest receipts. Such exposures do however still exist at the Company's level.

Credit risk

The Company's exposure to credit risk on cash and derivative financial instruments arises from the risk of non-performance of counterparties, with a maximum exposure equal to the fair value of these assets. The Company limits its exposure to credit risk through application of Dixons Retail plc treasury policy which restricts counterparties to those with a minimum Moody's long term credit rating of A1, bank financial strength of C and short-term credit rating of P1. The Company also has policies that limit the financial exposure to any single financial institution. The Company continuously reviews the credit quality of counterparties, the limits placed on individual credit exposures and categories of investments.

Results and financial position

The results of the Company are shown on page 7 and mainly comprise gains and losses on translation of assets and liabilities held in foreign currency, together with interest on loans to and from subsidiary companies. The assets of the Company comprise mainly intra-group debtors. The financial position of the Company at the period end was satisfactory.

DIVIDENDS

The directors recommend that no dividend be paid (2009/10 £nil).

DIRECTORS

The directors of the Company throughout the period were

N T Cadbury
H C Grantham
E J C Leigh
D M E Page
H S M Singer

Date of resignation
1 September 2011

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED
DIRECTORS' REPORT continued

AUDITOR AND DISCLOSURE OF INFORMATION TO AUDITOR

Deloitte LLP are willing to continue in office as auditor of the Company and pursuant to section 487(1) of the Companies Act 2006, their term of office is deemed to continue

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

By Order of the Board



DSG Corporate Services Limited
Corporate Company Secretary

Secretary

✓ September 2011

Registered office
Maylands Avenue
Hemel Hempstead
Hertfordshire
HP2 7TG
Company Registration No 2792167

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation of the directors' 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 and under that law, the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and IFRS issued by the International Accounting Standards Board.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for the period. In preparing those financial statements, the directors are also required to

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial position and financial performance.

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 and the financial statements have been prepared on the going concern basis.

The directors are responsible for maintaining adequate accounting records, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud or any other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 2006. 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.

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the member of DSG international Treasury Management Limited

We have audited the financial statements of DSG international Treasury Management Limited for the 52 weeks ended 30 April 2011 which comprise the income statement, the balance sheet, the cash flow statement, the statement of changes in equity and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's member, 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 member 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 member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinions

Financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 April 2011 and of its profit for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

IFRSs issued by the IASB

As explained in note 1.1 the Company, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB). In our opinion the financial statements comply with IFRSs as issued by the IASB.

Other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

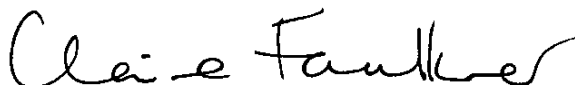
DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED
INDEPENDENT AUDITOR'S REPORT

Matters on which we are required to report by exception

We have nothing to report upon in respect of the following

Under the Companies Act 2006 we are required to report to you if in our opinion

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



Claire Faulkner (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

6 September 2011

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED
INCOME STATEMENT
For the 52 weeks ended 30 April 2011

		2010/11			2009/10		
	Note	Underlying results £'000	Non-underlying* items £'000	Total £'000	Underlying results £'000	Non-underlying* items £'000	Total £'000
Operating profit for the period	2	6,023	10,709	16,732	17,996	(12,397)	5,599
Finance income	5	48,685	-	48,685	35,230	-	35,230
Finance costs	5	(51,285)	-	(51,285)	(48,264)	-	(48,264)
Net finance costs		(2,600)	-	(2,600)	(13,034)	-	(13,034)
Profit / (loss) before tax		3,423	10,709	14,132	4,962	(12,397)	(7,435)
Income tax expense	6	(7,422)	-	(7,422)	(290)	-	(290)
Profit / (loss) for the period		(3,999)	10,709	6,710	4,672	(12,397)	(7,725)

All operating profit / (loss) is derived from continuing operations in the UK

There are no other items of comprehensive income or expense other than the result for the current and preceding periods

* Non-underlying items comprise business impairment charges and other one-off non-recurring items, profit on sale of investments and fair value remeasurements of financial instruments. Further information on such items is shown in note 3

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED
BALANCE SHEET
As at 30 April 2011

	Note	2011 £'000	2010 £'000	2009 £'000
Non-current assets				
Trade and other receivables	7	20,938	24,959	30,312
Deferred tax asset	6	416	7,838	8,128
		<u>21,354</u>	<u>32,797</u>	<u>38,440</u>
Current assets				
Trade and other receivables	7	1,255,657	1,317,259	1,150,868
Cash and cash equivalents		79,541	508	374,809
		<u>1,335,198</u>	<u>1,317,767</u>	<u>1,525,677</u>
Total assets		<u>1,356,552</u>	<u>1,350,564</u>	<u>1,564,117</u>
Current liabilities				
Bank overdraft	8	-	(34,295)	-
Trade and other payables	9	(1,517,517)	(1,481,360)	(1,686,928)
		<u>(1,517,517)</u>	<u>(1,515,655)</u>	<u>(1,686,928)</u>
Net current liabilities		<u>(182,319)</u>	<u>(197,888)</u>	<u>(161,251)</u>
Non-current liabilities				
Trade and other payables	9	(97,157)	(99,741)	(134,296)
		<u>(97,157)</u>	<u>(99,741)</u>	<u>(134,296)</u>
Total liabilities		<u>(1,614,674)</u>	<u>(1,615,396)</u>	<u>(1,821,224)</u>
Net liabilities		<u>(258,122)</u>	<u>(264,832)</u>	<u>(257,107)</u>
Capital and reserves				
Called up share capital	11	-	-	-
Retained earnings		(258,122)	(264,832)	(257,107)
Total equity		<u>(258,122)</u>	<u>(264,832)</u>	<u>(257,107)</u>

These financial statements were approved by the directors on 5 September 2011 and signed on their behalf by



D M E Page

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED
CASH FLOW STATEMENT
For the 52 weeks ended 30 April 2011

	Note	2010/11 £'000	2009/10 £'000
Operating activities			
Cash generated from / (utilised by) operations	12	116,693	(401,260)
Net cash flows from operating activities		<u>116,693</u>	<u>(401,260)</u>
Investing activities			
Interest received		48,426	41,119
Net cash flows from investing activities		<u>48,426</u>	<u>41,119</u>
Financing activities			
Interest paid		(51,791)	(48,455)
Net cash flows from financing activities		<u>(51,791)</u>	<u>(48,455)</u>
Increase / (decrease) in cash and cash equivalents	*	<u>113,328</u>	<u>(408,596)</u>
Cash and cash equivalents at beginning of period	* 12	(33,787)	374,809
Cash and cash equivalents at end of period	* 12	<u>79,541</u>	<u>(33,787)</u>

* For the purposes of this cash flow statement, cash and cash equivalents comprise those items disclosed as "cash and cash equivalents" on the face of the balance sheet, less overdrafts, which are classified within current liabilities on the face of the balance sheet. A reconciliation to the balance sheet amounts is shown in note 12.

STATEMENT OF CHANGES IN EQUITY
For the 52 weeks ended 30 April 2011

	Share capital £'000	Retained earnings £'000	Total £'000
As at 3 May 2009	-	(257,107)	(257,107)
Loss for the period	-	(7,725)	(7,725)
As at 1 May 2010	-	(264,832)	(264,832)
Profit for the period	-	6,710	6,710
At 30 April 2011	<u>-</u>	<u>(258,122)</u>	<u>(258,122)</u>

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, IFRS issued by the International Accounting Standards Board and those parts of the Companies Act 2006 applicable to those companies reporting under IFRS. Accounting policies have been consistently applied throughout the current and preceding periods.

After making due enquiry, on the basis of current financial projections and the continuing support of the parent company, the directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The Company's income statement identifies separately underlying performance measures and non-underlying items. Underlying performance measures reflect an adjustment to total performance measures to exclude the impact of non-underlying items. Underlying performance measures comprise profits and losses incurred as part of the day-to-day ongoing activities of the Company. The directors consider 'underlying' performance measures to be a more accurate reflection of the core activities of the Company and believe that these measures provide additional useful information for shareholders on the Company's performance and are consistent with how business performance is measured internally.

Non-underlying items may comprise business impairment charges and other one off, non-recurring items, profit on sale of investments and fair value remeasurements of financial instruments. Items excluded from underlying results can evolve from one financial year to the next depending on the nature of re-organisation or one-off type activities described above.

The financial statements include the results of the Company for the 52 weeks ended 30 April 2011. Comparative figures are for the 52 weeks ended 1 May 2010. The principal accounting policies are set out below.

1.2 Translation of foreign currencies

Transactions in foreign currencies are initially recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date. Exchange gains and losses arising on settlement or retranslation of monetary assets and liabilities are included in the income statement.

1.3 Financial assets

The Company's financial assets comprise 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 note 7, with the exception of derivatives. Under the classifications stipulated by IAS 39 trade and other receivables (excluding derivative financial instruments) are classified as "loans and receivables". Cash and cash equivalents and derivative financial instruments which are further described in note 1.5 and 1.7 are classified as "loans and receivables" and "held for trading unless designated in a hedge relationship".

Other receivables

Other receivables (excluding derivative financial assets) are recorded at cost less an allowance for estimated irrecoverable amounts and any other adjustments required to align cost to fair value. Bad debts are written off when identified.

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES continued

1.4 Tax

Current tax

Current taxation is the expected tax payable on the taxable income for the period, using prevailing tax rates and adjusted for any tax payable in respect of previous periods

Deferred tax

Deferred tax liabilities are recognised for all taxable temporary differences and 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 charged or credited in the income statement.

Deferred tax is measured based on tax rates and laws that have been enacted, or substantially enacted by the balance sheet date. Deferred tax balances are not discounted.

1.5 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, bank overdrafts and short term highly liquid deposits with a maturity of three months or less and which are subject to an insignificant risk of changes in value. Bank overdrafts, which form part of cash and cash equivalents for the purpose of the cash flow statement, are shown under current liabilities.

1.6 Borrowings and other 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 8 and 9 with the exception of derivative financial instruments. Under the classifications stipulated by IAS 39, and trade and other payables are classified as "financial liabilities measured at amortised cost". Derivative financial instruments, which are described further in note 1.7 below, are classified as "held for trading unless designated in a hedge relationship".

Other payables

Other payables are recorded at cost.

1.7 Derivative financial instruments

Derivative financial instruments held by the Company are initially recognised in the balance sheet at fair value within assets or liabilities as appropriate and then subsequently remeasured to fair value at each balance sheet date. Gains and losses arising from revaluation at the balance sheet date are recognised in the income statement as the derivative financial instruments held by the Company do not qualify for hedge accounting as the hedged items are held by other companies within the Dixons Retail plc group of companies.

Fair values are derived from market values. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

Hedge accounting

The Company's activities expose it primarily to the financial risks associated with changes in interest rates and foreign currency exchange rates. The Company uses derivative financial instruments such as interest rate swaps, options, cross currency swaps and forward currency contracts to hedge these risks. The Company does not use derivative financial instruments for speculative purposes.

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES continued

1.7 Derivative financial instruments continued

Cash flow hedges

The Company uses foreign exchange forwards and swaps to hedge the foreign currency exposure on inventory ordered and purchased and certain sales of inventory. It is Company policy to hedge between 80% and 100% of the committed purchase orders and sales of other Dixons Retail plc group companies. At any point in time the Company also hedges up to 80% of the estimated foreign currency exposure in respect of forecast purchases and sales for the subsequent 12 months. Orders and purchases as well as sales are each considered to be separately hedged transactions. Gains and losses on derivative financial instruments are recorded in the income statement.

Fair value hedges

The Company uses interest rate swaps to hedge the exposure to changes in the fair value of recognised assets and liabilities held by other Dixons Retail plc group companies. Gains and losses on derivative financial instruments are recorded in the income statement.

Net investment hedges

The Company uses currency forward contracts and currency swaps to hedge the Dixons Retail plc group's currency risk on the translation of net investments in foreign entities held by other companies in the Dixons Retail plc group. Gains and losses on derivative financial instruments are recorded in the income statement.

1.8 Estimates, judgements and critical accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information becomes available. The most critical accounting policies in determining the financial condition and results of the Company are those requiring the greatest degree of subjective or complex judgements. This relates to the recoverability of other receivables as set out below.

Recoverability of other receivables

Other receivables are recorded at cost less an allowance for estimated irrecoverable amounts and any other adjustments to align cost to fair value. Provision for bad and doubtful debts is made for specific receivables when there is objective evidence that the Company will not be able to collect all the amounts due. In assessing the evidence available the directors may be required to make judgements regarding the expected recoverability of amounts due. The directors draw upon experience in making these judgements.

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. OPERATING PROFIT

	2010/11			2009/10		
	Underlying £'000	Non- underlying £'000	Total £'000	Underlying £'000	Non- underlying £'000	Total £'000
Administrative (expenses) / credits	(247)	10,508	10,261	(178)	(13,916)	(14,094)
Other operating income	6,270	201	6,471	18,174	1,519	19,693
Operating profit	<u>6,023</u>	<u>10,709</u>	<u>16,732</u>	<u>17,996</u>	<u>(12,397)</u>	<u>5,599</u>

Other operating income comprises the gains and losses on translation of assets and liabilities held in foreign currencies, and gains and losses on derivative financial instruments

Non-underlying items comprise business impairment charges and other one off, non-recurring items, profit on sale of investments and fair value remeasurements of financial instruments. Such items are described further in note 3

	2010/11 £'000	2009/10 £'000
Operating profit is stated after charging		
Foreign exchange (losses) / gains on derivatives on an accruals basis	(3,453)	10,025
Auditor's remuneration – audit services	<u>22</u>	<u>22</u>

3. NON-UNDERLYING ITEMS

	Note	2010/11 £'000	2009/10 £'000
Included in operating profit / (loss):			
Write off of intercompany debtors	(i)	-	(13,916)
Reversal of prior period write offs of intercompany debtors	(ii)	10,508	-
Fair value remeasurement gains on financial instruments	(iii)	10,876	23,019
Fair value remeasurement losses on financial instruments	(iii)	<u>(10,675)</u>	<u>(21,500)</u>
Total impact on profit / (loss) before tax		<u>10,709</u>	<u>(12,397)</u>

(i) 2009/10 On 10 May 2009 Dixons Retail plc closed the operations of Markantalo in Finland. As a result, an intra-group debtor of £10,322,000 was written off in full.

In 2009/10, the Company advanced further funds to PC City (France) SNC to continue the completion of the exit of their operations. As a result of this, an intra-group debtor of £3,594,000 arose during the period which was subsequently written off in full.

(ii) As part of the wind-down of the closed Markantalo operations, during 2010/11 a contribution was provided to Markantalo by another group company to enable it to settle its outstanding liabilities, including the balance payable to the Company. As a result, £9,802,000 of the amount owing to the Company which was written off in the previous year has been reversed.

Also during 2010/11, a fellow Dixons Retail plc subsidiary company, PC City (France) SNC, succeeded in recovering amounts contingently owed to it and therefore not previously recorded. Furthermore, certain provisions and accruals in PC City (France) SNC were deemed surplus and accordingly released. These two items have resulted in an equivalent portion of the Company's intercompany receivable with PC City (France) SNC which was written off in 2009/10 being written back owing to its subsequent recoverability.

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. NON-UNDERLYING ITEMS continued

(iii) Net fair value remeasurement gains and losses on revaluation of financial instruments These represent the gains and losses arising from the revaluation of derivative financial instruments under methodologies stipulated by IAS 39 compared with those on an accruals basis (the basis upon which all other items in the financial statements is prepared) Such a treatment is a form of revaluation gain or loss created by an assumption that the derivatives will be settled before their maturity

Such gains and losses are unrealised and in the directors' view also conflict with both the commercial reasons for entering into such arrangements as well as Dixons Retail plc Treasury policy whereby early settlement in the majority of cases would amount to speculative use of derivatives

4. EMPLOYEES AND DIRECTORS

The Company had no employees during the period (2009/10 none) The directors received no remuneration for services to the Company during the period (2009/10 £nil)

5. NET FINANCE COSTS

	2010/11 £'000	2009/10 £'000
Loans to group undertakings	48,548	35,095
Bank and other interest receivable	137	135
Finance income	<u>48,685</u>	<u>35,230</u>
Loans from group undertakings	(51,269)	(48,246)
Bank loans, overdrafts and other interest payable – other	(16)	(18)
Finance costs	<u>(51,285)</u>	<u>(48,264)</u>
Total net finance costs	<u>(2,600)</u>	<u>(13,034)</u>

6. TAX

(a) Income tax expense

	2010/11 £'000	2009/10 £'000
Current tax		
UK corporation tax at 27.83% (2009/10 28%)	-	-
Deferred tax		
Current period	8,076	1,479
Charge in respect of tax rate change	80	-
Adjustment in respect of earlier periods	(734)	(1,189)
	<u>7,422</u>	<u>290</u>
Income tax expense	<u>7,422</u>	<u>290</u>

The UK corporation tax rate for the period was 28% for the period up to 31 March 2011 and 26% thereafter

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS

6. TAX continued

A reconciliation of the notional to the actual taxation expense / (credit) is set out below

	2010/11 £'000	2009/10 £'000
Profit / (loss) before tax	<u>14,132</u>	<u>(7,435)</u>
Tax on profit / (loss) at UK corporation tax rate of 27.83% (2009/10 28%)	3,933	(2,082)
Group relief received free of charge	(1,594)	(336)
Permanent differences	5,737	3,897
Adjustment to deferred tax in respect of tax rate change	80	-
Adjustment in respect of earlier periods	<u>(734)</u>	<u>(1,189)</u>
Income tax expense	<u>7,422</u>	<u>290</u>

(b) Deferred tax

	Losses carried forward £'000	Other timing differences £'000	Total £'000
At 3 May 2009	8,097	31	8,128
(Charged) / credited to the income statement	<u>(763)</u>	<u>473</u>	<u>(290)</u>
At 1 May 2010	7,334	504	7,838
Charged to the income statement	<u>(7,334)</u>	<u>(88)</u>	<u>(7,422)</u>
At 30 April 2011	<u>-</u>	<u>416</u>	<u>416</u>

7 TRADE AND OTHER RECEIVABLES

	2011 Current £'000	2011 Non- Current £'000	2010 Current £'000	2010 Non- Current £'000	2009 Current £'000	2009 Non- Current £'000
Amounts due from ultimate parent	234,244	-	431,275	-	177,734	-
Amounts due from group undertakings	1,015,607	-	876,635	-	968,630	-
Derivative financial instruments	<u>5,806</u>	<u>20,938</u>	<u>9,349</u>	<u>24,959</u>	<u>4,504</u>	<u>30,312</u>
	<u>1,255,657</u>	<u>20,938</u>	<u>1,317,259</u>	<u>24,959</u>	<u>1,150,868</u>	<u>30,312</u>

The total financial assets included within trade and other receivables are £1,249,851,000 (2010 £1,307,910,000 and 2009 £1,146,364,000). The carrying amount of trade and other receivables approximates fair value. There are no past-due or impaired receivable balances (2010 and 2009 £nil).

8. BORROWINGS

	2011 £'000	2010 £'000	2009 £'000
Bank overdrafts	<u>-</u>	<u>34,295</u>	<u>-</u>

Bank overdrafts are repayable on demand

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. TRADE AND OTHER PAYABLES

	2011	2011	2010	2010	2009	2009
	Current	Non-	Current	Non-	Current	Non-
	£'000	Current	£'000	Current	£'000	Current
		£'000		£'000		£'000
Amounts due to group undertakings	1,510,500	-	1,472,248	-	1,648,373	-
Derivative financial instruments	7,017	97,157	9,112	99,741	38,535	134,296
Accruals	-	-	-	-	20	-
	<u>1,517,517</u>	<u>97,157</u>	<u>1,481,360</u>	<u>99,741</u>	<u>1,686,928</u>	<u>134,296</u>

Financial liabilities comprise amounts due to group undertakings. The carrying amount of trade and other payables approximates their fair value.

10. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Dixons Retail plc treasury function provides services to the Company. It monitors and manages the treasury risks to which the Company, and the Dixons Retail plc group of companies, is exposed to, including market risks (including foreign exchange and interest rates), liquidity risk and credit risk. Areas where risks are most likely to occur are evaluated regularly. The Company enters into derivative contracts for both itself and other companies in the Dixons Retail plc group to hedge the risks identified above.

Capital risk management

The Company manages its capital to ensure that it is able to continue as a going concern. The capital structure of the Company consists of cash and cash equivalents and equity, comprising issued share capital and retained earnings.

(b) Fair values of financial assets and liabilities

For receivables and payables classified as financial assets and liabilities in accordance with IAS 32, fair value is estimated to be equivalent to book value. These values are shown in notes 7, 8 and 9. The categories of financial assets and liabilities and their related accounting policy are set out in notes 1.3 and 1.6.

For those financial assets and liabilities which bear either a floating rate of interest or no interest, fair value is estimated to be equivalent to book value. These values are shown in note (f) below.

Fair value of derivatives is predominantly determined using observable market data such as interest rates and foreign exchange rates. As such, derivatives are classified as "Level 2" under the requirements of IFRS 7 "Financial Instruments - Disclosures".

Fair values of derivatives by designation

	Trade and other receivables		Trade and other payables		2011
	Current	Non-current	Current	Non-current	
	£'000	£'000	£'000	£'000	£'000
Hedge fair value interest rate risk	-	18,287	-	(18,287)	-
Manage the currency exposure of					
Net investments in overseas subsidiaries	-	2,651	-	(78,870)	(76,219)
Financial assets and liabilities	580	-	(1,476)	-	(896)
Future transactions occurring within one year	5,226	-	(5,541)	-	(315)
	<u>5,806</u>	<u>20,938</u>	<u>(7,017)</u>	<u>(97,157)</u>	<u>(77,430)</u>

10. FINANCIAL INSTRUMENTS continued

2010

	Trade and other receivables		Trade and other payables		2018
	Current	Non-current	Current	Non-current	
	£'000	£'000	£'000	£'000	£'000
Hedge fair value interest rate risk	-	24,959	-	(24,959)	-
Manage the currency exposure of					
Net investments in overseas					
subsidiaries	-	-	-	(74,782)	(74,782)
Financial assets and liabilities	237	-	-	-	237
Future transactions occurring					
within one year	9,112	-	(9,112)	-	-
	<u>9,349</u>	<u>24,959</u>	<u>(9,112)</u>	<u>(99,741)</u>	<u>(74,545)</u>
					2009
	Current	Non-current	Current	Non-current	£'000
	£'000	£'000	£'000	£'000	£'000
Hedge fair value interest rate risk	-	30,312	-	(30,312)	-
Manage the currency exposure of					
Financial assets and liabilities	2,574	-	(12,471)	-	(9,897)
Net investments in overseas					
subsidiaries	-	-	(24,134)	(103,984)	(128,118)
Future transactions occurring					
within one year	1,930	-	(1,930)	-	-
	<u>4,504</u>	<u>30,312</u>	<u>(38,535)</u>	<u>(134,296)</u>	<u>(138,015)</u>

(c) Hedging activities

The Company manages exposures for both itself and other companies within the Dixons Retail plc group. It manages exposures that arise on purchases and sales denominated in foreign currencies by entering predominantly into forward foreign currency exchange contracts. It also uses swaps and options to manage its interest rate and foreign exchange translation exposure. The Company also enters into derivatives with other companies in the Dixons Retail plc group in order to match the exposure to the hedged items.

At 30 April 2011 the Company had forward foreign currency exchange contracts in place with counterparties external to the Dixons Retail plc group and within the Dixons Retail plc group with a notional value of £392,263,000 (2010 £129,028,000 and 2009 £127,726,000) that did not qualify for hedge accounting because the hedged item is held in another Dixons Retail plc group company. Accordingly all gains and losses on these contracts have been recorded in the income statement.

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. FINANCIAL INSTRUMENTS continued

(c) Hedging activities continued

Fair value hedges

At 30 April 2011 the Company had interest rate swaps in place with a notional amount of £250 million (2010 £250 million and 2009 £300 million) with counterparties external to the Dixons Retail plc group and within the Dixons Retail plc group. The Company pays and receives a fixed interest rate of 6.125% and pays and receives a floating rate of 3 month libor plus a margin. The swaps are used to hedge the exposure to changes in the fair value of the 6.125% Guaranteed Bonds which are held in Dixons Retail plc and have the same critical terms. The fair value of interest rate swaps are an equal and opposite asset and liability of £18,287,000 (2010 £24,959,000 and 2009 £30,312,000).

The above hedges did not qualify for hedge accounting because the hedged item is held in another Dixons Retail plc group company. Accordingly all gains and losses on these contracts have been recorded in the income statement.

Hedge of net investments in foreign operations

At 30 April 2011 the Company had forward foreign exchange contracts and cross currency swaps in place with a notional value of £207,598,000 (2010 £272,024,000 and 2009 £374,000,000) which have been designated as a hedge of the net investments in foreign operations. The above hedges did not qualify for hedge accounting because the hedged item is held in another Dixons Retail plc group company. Accordingly all gains and losses on these contracts have been recorded in the income statement. The fair value of currency derivatives entered into as net investment hedges is a £76,219,000 loss (2010 loss of £74,782,000 and 2009 £128,118,000).

(d) Interest rate profile of financial assets and liabilities by currency

The following table sets out the interest rate exposure of the financial assets and liabilities of the Company. The financial instruments not included in the table are non-interest bearing and are therefore not subject to interest rate risk.

	Sterling £'000	Other £'000	2011 Total £'000
Cash and cash equivalents			
Floating rate	79,309	232	79,541
Net borrowings	79,309	232	79,541
	Sterling £'000	Other £'000	2010 Total £'000
Cash and cash equivalents			
Floating rate	-	508	508
Borrowings			
Bank overdrafts	(28,142)	(6,153)	(34,295)
Net borrowings	(28,142)	(5,645)	(33,787)
	Sterling £'000	Other £'000	2009 Total £'000
Cash and cash equivalents			
Floating rate	373,782	1,027	374,809
Net funds	373,782	1,027	374,809

The weighted average effective interest rate on bank overdrafts approximated 1.5% (2009/10 1.5% and 2008/09 3.7%).

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. FINANCIAL INSTRUMENTS continued

(d) Interest rate profile of financial assets and liabilities by currency continued

Cash comprises cash at bank and earns interest at floating rates based either on daily bank deposit rates or central bank lending rates. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

(e) Sensitivity analysis

The following analysis, required by IFRS 7, shows the sensitivity of the profit / (loss) before tax and total equity to changes in specified market variables on monetary assets and liabilities and derivative financial instruments as listed below. As a consequence, the sensitivity reflects the position as at 30 April 2011 and 1 May 2010 and is not necessarily representative of actual or future outcomes.

Changes in exchange rates affect the Company's profit / (loss) before tax due to changes in the value of monetary assets and liabilities and derivative financial instruments. The Company's sensitivity to a reasonably possible change in the Company's key foreign currency, the Euro, with other variables held constant, is presented below. A 10% decrease would have an equal and opposite effect. A 10% increase in exchange rates would have a negative effect on loss before tax and equity of £14,435,000 (2009/10 negative effect on loss before tax and equity of £22,653,000).

Changes in interest rates affect the Company's loss before tax, mainly due to the impact of floating rate borrowings and cash. The Company's principal floating rate interest rate exposures are based on LIBOR. The sensitivity to a reasonably possible change in interest rates (uniform across all currencies), with other variables held constant, is presented below. A 1% decrease would have an equal and opposite effect. A 1% increase in interest rates would have a negative effect on loss before tax and equity of £1,818,000 (2009/10 negative effect on loss before tax and equity of £14,709,000).

The following assumptions were made in calculating the sensitivity analysis:

- the balance of borrowings, investments and the derivative portfolio are all held constant for the whole year
- all net investment, fair value and cash flow hedges are assumed to be highly effective
- the effect of changes in interest rates on fixed rate bonds is calculated after taking into account the effect of interest rate swaps. In combination these financial instruments are floating in nature
- changes in the carrying value of derivative financial instruments designated as net investment hedges arising from movements in interest rates are recorded in the income statement. The impact of movements in exchange rates is recorded directly in equity
- changes in the carrying value of derivative financial instruments that are not in hedging relationships arising from movements in interest rates and exchange rates only affect the income statement to the extent that they are not offset by changes in an underlying transaction

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS

10. FINANCIAL INSTRUMENTS continued

(f) Liquidity risk

The Company manages liquidity risk via Dixons Retail plc's treasury operations using sources of financing from other Dixons Retail plc group entities and investing excess liquidity. The Company maintains adequate reserves by continuously monitoring forecast and actual cash flows against the maturity profiles of financial assets and liabilities.

The table below analyses the Company's contractual undiscounted cash flows payable under financial liabilities into their maturity groupings. The table includes both principal and interest flows.

	2011		
	Within one year £'000	In more than one year but not more than five years £'000	Carrying value £'000
Non-derivative financial liabilities			
Trade and other payables	(1,510,500)	-	(1,510,500)
Derivatives			
Derivative contracts - inflows	592,217	378,562	970,779
- outflows	(596,943)	(454,601)	(1,048,146)
	<u>(4,726)</u>	<u>(76,039)</u>	<u>(80,765)</u>
			2010
	Within one year £'000	In more than one year but not more than five years £'000	Carrying value £'000
Non-derivative financial liabilities			
Trade and other payables	(1,472,248)	-	(1,472,248)
Derivatives			
Derivative contracts - inflows	1,210,474	258,090	1,468,564
- outflows	(1,211,479)	(332,525)	(1,544,004)
	<u>(1,005)</u>	<u>(74,435)</u>	<u>(75,440)</u>
			2009
	Within one year £'000	In more than one year but not more than five years £'000	Carrying value £'000
Non-derivative financial liabilities			
Trade and other payables	(1,648,373)	-	(1,648,393)
Derivatives			
Derivative contracts - inflows	1,279,042	665,383	1,944,425
- outflows	(1,316,753)	(772,011)	(2,088,764)
	<u>(37,711)</u>	<u>(106,628)</u>	<u>(144,339)</u>

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. FINANCIAL INSTRUMENTS continued

(g) Credit risk

The Company's exposure to credit risk on cash & cash equivalents and trade & other receivables arises from the non-performance of counterparties, with a maximum exposure equal to the book value of these assets

Dixons Retail plc's treasury operations limits the Company's exposure to credit risk through application of Dixons Retail plc treasury policy which restricts counterparties to those with specific ratings and limits the amount of credit exposure to any single financial institution. They monitor continuously the credit quality of counterparties and the limits place on individual credit exposures. The Company does not anticipate the non-performance of counterparties and believes it is not subject to material concentration of credit risk given the policies in place.

The Company's receivable balances mainly consist of amounts due from group undertakings. Further information on the Company's exposure to significant concentration of credit risk on receivables from group undertakings is detailed in note 14.

11. CALLED UP SHARE CAPITAL

	2011 £	2010 £
Authorised		
100,000,000 ordinary shares of £1 each	<u>100,000,000</u>	<u>100,000,000</u>
Allotted and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

12. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash flows from operating activities

	2010/11 £'000	2009/10 £'000
Operating profit	<u>16,732</u>	<u>5,599</u>
Movements in working capital		
Decrease / (increase) in trade and other receivables	68,834	(160,801)
Increase / (decrease) in trade and other payables	31,127	(246,058)
	<u>99,961</u>	<u>(406,859)</u>
Cash generated from / (utilised by) operations	<u>116,693</u>	<u>(401,260)</u>

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED **NOTES TO THE FINANCIAL STATEMENTS**

12. NOTES TO THE CASH FLOW STATEMENT continued

(b) Analysis of net funds / (debt)

	2 May 2010 £'000	Cash flow £'000	30 April 2011 £'000
Cash and cash equivalents	* 508	79,033	79,541
Bank overdrafts	(34,295)	34,295	-
Net (debt) / funds	(33,787)	113,328	79,541
	3 May 2009 £'000	Cash flow £'000	1 May 2010 £'000
Cash and cash equivalents	* 374,809	(374,301)	508
Bank overdrafts	-	(34,295)	(34,295)
Net funds / (debt)	374,809	(408,596)	(33,787)

* Cash and cash equivalents are represented as a single class of assets on the face of the balance sheet. For the purposes of the cash flow, cash and cash equivalents comprise those amounts represented on the balance sheet as cash and cash equivalents, less bank overdrafts (which are disclosed separately on the balance sheet and as disclosed in note 8).

13. CONTINGENT LIABILITIES

	2011 £'000	2010 £'000	2009 £'000
Guarantees in respect of ultimate parent company borrowings			
8 75% Guaranteed Notes 2015	150,000	-	-
Drawings on £360 million Facility (2010 and 2009 £400 million Facility)	130,000	95,000	250,000
	280,000	95,000	250,000

The ultimate parent company and the Company itself, together with certain other Dixons Retail plc subsidiary companies, are parties to a £360 million revolving credit facility agreement (the New Facility). The Company acts as a guarantor under this facility. The Company was previously a guarantor under the ultimate parent company's £400 million revolving credit facility agreement which was cancelled on 9 July 2010 when the New Facility came into effect.

DSG INTERNATIONAL TREASURY MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS

14. RELATED PARTIES

	2010/11	2009/10
	£'000	£'000
Ultimate parent company		
Recharge of costs	235	156
Net interest receivable	6,881	2,106
Other group undertakings		
Net interest payable	<u>(9,602)</u>	<u>(15,257)</u>

Recharge of costs with related parties comprise management charges for services provided by the ultimate parent

Amounts due from the ultimate parent of £234,244,000 (2010 £431,275,000 and 2009 £177,735,000) with maturity of 28 days (2009/10 28 days) bears interest at 4.25% (2009/10 between 1.5% and 4.25%) Amounts due from other group undertakings include amounts of £941,136,000 (2010 £821,239,000 and 2009 £956,002,000) with maturity between 23 to 43 days (2009/10 7 to 90 days) and bear interest between 4.6% and 6.2% (2009/10 1.5% and 4.4%)

Amounts due to other group undertakings include £1,463,245,000 (2010 £1,401,619,000 and 2009 £1,634,712,000) with maturity between 6 to 180 days (2009/10 7 to 90 days) and bear interest between 4.3% and 5.9% (2009/10 1.5% and 4.4%)

15. PARENT COMPANY

The Company's immediate parent is DSG international Holdings Limited

The Company's ultimate parent and controlling entity is Dixons Retail plc, which is incorporated in Great Britain and is registered in England and Wales Dixons Retail 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 Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7TG