

Company Registration No.3317483

THE LINK STORES LIMITED

Annual Report and Financial Statements

52 weeks ended 30 April 2005



THE LINK STORES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS 2005

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THE LINK STORES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 weeks ended 30 April 2005. Comparative figures are for the 52 weeks ended 1 May 2004.

PARENT COMPANY AND CONTROLLING ENTITY

The Company's ultimate parent and controlling entity changed its name by Special Resolution passed on 7 September 2005 from Dixons Group plc to DSG international plc.

References in this Annual Report and Financial Statements should be read accordingly.

PRINCIPAL ACTIVITY

The Company is part of a Group that specialises in the sale in the UK of communication products and related services through stores trading as "The Link". The directors anticipate that this activity and the financial position of the Company will be maintained.

RESULTS

The results of the Company are shown on page 6.

DIVIDENDS

The directors have proposed a final dividend of £204,000 per 'A' ordinary share and £204,000 per 'B' ordinary share (2003/04 final dividend of £180,000 per 'A' ordinary share and £180,000 per 'B' ordinary share).

DIRECTORS

The directors of the Company during the period were:

	Date of appointment	Date of resignation
S Alder	26 May 2004	
R Bengougam	26 May 2004	
S Crowfoot		26 May 2004
S J Davies		26 May 2004
V Dev	26 May 2004	16 February 2005
R Dunne	16 February 2005	
C Keers		26 May 2004
D P McGlade		26 May 2004
A Milliken	26 May 2004	
S Turner		26 May 2004
J Welsh	26 May 2004	

DIRECTORS' SHARE INTERESTS

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

Beneficial and family interests

	Ordinary shares 30 April 2005		Ordinary shares 1 May 2004*	
	Unrestricted	Restricted	Unrestricted	Restricted
S Alder	-	-	-	-
R Bengougam	-	39,935	-	3,075
R Dunne	-	-	-	-
A Milliken	-	36,070	7,352	-
J Welsh	-	-	789	2,675

* Date of appointment, if later

THE LINK STORES LIMITED **DIRECTORS' REPORT (continued)**

Directors' share options

	At 2 May 2004*	Granted in period	Exercised in period	Lapsed in period	At 30 April 2005
S Alder	-	-	-	-	-
R Bengougam	154,046	58,730	-	-	212,776
R Dunne	-	-	-	-	-
A Milliken	187,512	88,411	-	-	275,923
J Welsh	123,652	43,574	-	-	167,226

* Date of appointment, if later

Restricted beneficial interests comprise shares held in share banks under the Deferred Equity Participation Plan ("DEPP") and share awards potentially payable under the Long Term Incentive Plan ("LTIP"). Details of the DEPP and LTIP are shown in the financial statements of Dixons Group plc.

Each of the directors who are Dixons Group employees, is interested as a potential beneficiary in 1,732,531 (1 May 2004 1,316,813) ordinary shares owned by Dixons TSR Trust ("the Trust") an employee share ownership trust. The particulars of the Trust are shown 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 (apart from contracts of service) to which the Company or any other group undertaking was a party during or at the end of the financial period.

POLICY AND PRACTICE ON PAYMENT OF SUPPLIERS

It is the Group's policy to agree and clearly communicate terms of payment with its suppliers. Payments are made in accordance with these terms provided that the supplier has complied with all relevant contractual obligations. There were no trade creditors at 30 April 2005 (1 May 2004 £nil).

POLITICAL AND CHARITABLE DONATIONS

No donations were made to political parties. The Group made no charitable donations.

EQUAL OPPORTUNITIES

It is the policy of the Group to provide equal opportunities to all its employees regardless of their age, sex, colour, race, religion or ethnic origin and 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. A disability working group monitors compliance with legal obligations under the Disability Discrimination Act 1995.

THE LINK STORES LIMITED

DIRECTORS' REPORT (continued)

EMPLOYEE INVOLVEMENT

The Group continues to operate flexible working arrangements and to provide equal opportunities to all its employees with regard to age, sex, race and religion.

Employees are increasingly involved in the implementation of changes to the Group's operations and working practices. This is achieved through a structure of consultative forums with elected representatives from local business operations as well as a European Forum chaired by the Chief Executive of Dixons Group plc.

Feedback is obtained through focus groups and employee engagement surveys in addition to the recently introduced whistle blowing procedure. Significant communications are delivered through a cascading system of management briefings and in the employee newspaper 'Frontline'. The independent Employee Assistance Programme gives free advice and support on practical, financial, legal and personal matters.

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

AUDITORS

Deloitte & Touche LLP 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

27 February 2006

Registered office:

Maylands Avenue
Hemel Hempstead
Hertfordshire
HP2 7TG

THE LINK STORES LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 and the Group as at the end of each financial period and of the profit or loss of the Group 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 the Group and to prevent and detect fraud or any other irregularities.

THE LINK STORES LIMITED

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the members of The Link Stores Limited

We have audited the financial statements of The Link Stores Limited for the 52 weeks ended 30 April 2005 which comprise the profit and loss account, the balance sheets, the reconciliation of movements in shareholder's funds, the cash flow statement and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to members those matters we are required to state to them in an auditors' 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable UK law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant UK legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with UK 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 Company's and the Group's circumstances, 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 and the Group as at 30 April 2005 and of the Group's profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

24 February 2006

THE LINK STORES LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the 52 weeks ended 30 April 2005

	Note	Underlying results £'000	Exceptional Items £'000	Total 2004/05 £'000	2003/04 £'000
Turnover		<u>407,785</u>	<u>-</u>	<u>407,785</u>	<u>389,057</u>
Operating profit	2,3	<u>11,200</u>	<u>(456)</u>	<u>10,744</u>	<u>9,708</u>
Interest receivable and similar income	4	<u>1,697</u>	<u>-</u>	<u>1,697</u>	<u>1,755</u>
Profit on ordinary activities before taxation		<u>12,897</u>	<u>(456)</u>	<u>12,441</u>	<u>11,463</u>
Taxation on profit on ordinary activities	6	<u>(4,263)</u>	<u>137</u>	<u>(4,126)</u>	<u>(4,066)</u>
Profit on ordinary activities after taxation		<u>8,634</u>	<u>(319)</u>	<u>8,315</u>	<u>7,397</u>
Dividend	7	<u>(20,400)</u>	<u>-</u>	<u>(20,400)</u>	<u>(18,000)</u>
Retained loss for the period	15	<u>(11,766)</u>	<u>(319)</u>	<u>(12,085)</u>	<u>(10,603)</u>

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

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

THE LINK STORES LIMITED
CONSOLIDATED BALANCE SHEET
As at 30 April 2005

	Note	£'000	2005 £'000	£'000	2004 £'000
Fixed assets					
Tangible assets	8		20,473		20,457
Current assets					
Stocks	10	24,611		34,532	
Debtors	11	15,321		8,908	
Short term investments	9	39,573		50,800	
Cash at bank and in hand		83		7	
		<u>79,588</u>		<u>94,247</u>	
Creditors: amounts falling due within one year	12	<u>(33,944)</u>		<u>(36,272)</u>	
Net current assets			<u>45,644</u>		<u>57,975</u>
Total assets less current liabilities			<u>66,117</u>		<u>78,432</u>
Provisions for liabilities and charges	13		<u>-</u>		<u>(230)</u>
			<u>66,117</u>		<u>78,202</u>
Capital reserves					
Called up share capital	14		-		-
Share premium account	15		70,887		70,887
Profit and loss account	15		(4,770)		7,315
Equity shareholders' funds			<u>66,117</u>		<u>78,202</u>

The financial statements were approved by the directors on 24 February 2006 and signed on their behalf by:



J Welsh

THE LINK STORES LIMITED
COMPANY BALANCE SHEET
As at 30 April 2005

	Note	£'000	2005 £'000	2004 £'000
Fixed assets				
Tangible assets	8	20,473		20,457
Investments	9	<u>1,513</u>		<u>-</u>
			21,986	20,457
Current assets				
Stocks	10	24,611		34,532
Debtors	11	13,249		6,725
Short term investments	9	39,573		50,800
Cash at bank and in hand		<u>3</u>		<u>-</u>
		77,436		92,057
Creditors: amounts falling due within one year	12	<u>(34,785)</u>		<u>(55,611)</u>
Net current assets			42,651	36,446
Total assets less current liabilities			64,637	56,903
Provisions for liabilities and charges	13		<u>-</u>	<u>(230)</u>
			64,637	56,673
Capital reserves				
Called up share capital	14		-	-
Share premium account	15		70,887	70,887
Profit and loss account	15		<u>(6,250)</u>	<u>(14,214)</u>
Equity shareholders' funds			64,637	56,673

The financial statements were approved by the directors on 24 February 2006 and signed on their behalf by:



J Welsh

THE LINK STORES LIMITED
RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS
For the 52 weeks ended 30 April 2005

	2004/05 £'000	2003/04 £'000
Opening shareholders' funds	<u>78,202</u>	<u>88,805</u>
Profit for the period	8,315	7,397
Dividends	<u>(20,400)</u>	<u>(18,000)</u>
Net reductions in shareholders' funds	<u>(12,085)</u>	<u>(10,603)</u>
Closing shareholders' funds	<u><u>66,117</u></u>	<u><u>78,202</u></u>

THE LINK STORES LIMITED
CONSOLIDATED CASH FLOW STATEMENT
For the 52 weeks ended 30 April 2005

	Note	2005 £'000	2004 £'000
Net cash inflow from operating activities	16	17,045	11,452
Returns on investments and servicing of finance			
Interest received		1,650	1,755
Taxation			
Taxation paid		(3,929)	(2,494)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(7,778)	(8,523)
Sale of tangible assets		(139)	-
		(7,917)	(8,523)
Equity dividend		(18,000)	-
Net cash inflow before management of liquid resources and financing		(11,151)	2,190
Management of liquid resources			
Decrease / (increase) in short term deposits		11,227	(8,250)
Increase / (decrease) in cash in the period		76	(6,060)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
For the 52 weeks ended 30 April 2005

	2004/05 £'000	2003/04 £'000
Increase/(decrease) in cash in the period	76	(6,060)
(Decrease) / increase in short term deposits	(11,227)	8,250
Change in net funds resulting from cash flows	(11,151)	2,190
Opening net funds	50,807	48,617
Closing net funds	39,656	50,807

THE LINK STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with UK law and applicable accounting standards. FRS 17 'Retirement benefits' is being adopted in line with the transitional timetable laid down by the standard. The principal accounting policies are set out below.

1.1 Accounting convention

The financial statements are prepared under the historical cost convention. The financial statements include the results of the Company for the 52 weeks ended 30 April 2005. Comparative figures are for the 52 weeks ended 1 May 2004.

The Company's ultimate parent and controlling entity changed its name by Special Resolution passed on 7 September 2005 from Dixons Group plc to DSG international plc. References in this Annual Report and Financial Statements should be read accordingly.

1.2 Turnover

Turnover comprises sales of goods and services excluding value added tax. Retail commissions earned from the provision of credit and from the sale of extended warranty and service contracts are included in turnover in the period in which the right to consideration has been obtained.

1.2 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
Fixtures, fittings and equipment:	- between 10% and 33 $\frac{1}{3}$ % per annum

1.3 Investments

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

Short term investments are stated at the lower of cost and net realisable value.

1.4 Stocks

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

1.5 Deferred taxation

Deferred tax is provided for in full on all timing differences which have not reversed at the balance sheet date. Deferred tax assets are only recognised to the extent that they are regarded as recoverable. Deferred tax balances are not discounted.

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 Dixons Group maintains a pension scheme for eligible UK employees comprising both a defined benefit and a defined contribution section. The expected cost of providing pensions under the defined benefit section, 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.

It is not practical to allocate the underlying assets and liabilities of the defined benefit section to individual group companies, on a consistent and reasonable basis. Therefore, following full implementation of FRS 17, the Company will, as required, account for its contributions to the defined benefit section of the scheme as if it were a defined contribution scheme.

The Company's contributions to the defined contribution section of the pension scheme are charged to the profit and loss account on an accruals basis as they become payable.

THE LINK STORES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2. OPERATING PROFIT

	Underlying results	Exceptional items (note 3)	2004/05 Total	2003/04 Total
	£'000	£'000	£'000	£' 000
Turnover	407,785	-	407,785	389,057
Cost of sales	(380,226)	(456)	(380,682)	(358,057)
Gross profit	27,559	(456)	27,103	31,000
Administrative expenses	(16,359)	-	(16,359)	(21,292)
Operating profit	<u>11,200</u>	<u>(456)</u>	<u>10,744</u>	<u>9,708</u>
Operating profit is stated after charging:				
Depreciation:				
- owned assets			7,302	6,293
- exceptional impairment			456	-
Auditors' remuneration				
- audit fees			16	15
Rentals paid under operating leases:				
- other			27,943	26,859

The above auditors' remuneration relates to both the Company and the Group.

3. EXCEPTIONAL ITEMS

	2004/05 £'000	2003/04 £'000
Restructuring charge	<u>456</u>	<u>-</u>

The restructuring charge in 2004/05 relates to the impairment of fixed assets which are to be used in the business for a shorter period than their current useful lives resulting from the decision to reorganise the information system of the Group.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2004/05 £'000	2003/04 £'000
Interest receivable and similar income from third parties	<u>1,697</u>	<u>1,755</u>

THE LINK STORES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

5. EMPLOYEES AND DIRECTORS

	2004/05 £'000	2003/04 £'000
Staff costs, including directors, for the period were:		
Wages and salaries	30,436	30,646
Social security costs	2,461	2,585
Other pension costs	874	866
	<u>33,771</u>	<u>34,097</u>

	Number	Number
The average number of employees, including directors, was:	<u>2,334</u>	<u>2,319</u>

The directors received no remuneration for services to the Group during the period (2003/04 £nil). No directors (2003/04 none) exercised options over shares in Dixons Group plc during the period.

	Number	Number
Directors who accrued benefits under defined benefit pension schemes:	<u>5</u>	<u>3</u>

Five directors received ordinary shares in Dixons Group plc under the Deferred Equity Participation Plan ("DEPP") (2003/04 two directors received ordinary shares in Dixons Group plc under the DEPP and under bonus arrangements entered into following the disposal of Freeserve). Further details of the DEPP are given in the accounts of Dixons Group plc.

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2004/05 £'000	2003/04 £'000
Current taxation:		
UK corporation tax at 30%	4,532	4,045
Adjustment in respect of earlier periods		
- UK corporation tax	(48)	(29)
	<u>4,484</u>	<u>4,016</u>
Deferred taxation:		
Current period	(356)	80
Adjustment in respect of earlier periods	(2)	(30)
	<u>(358)</u>	<u>50</u>
	<u>4,126</u>	<u>4,066</u>

A reconciliation of the notional current taxation charge to the actual taxation charge is set out below:

Profit on ordinary activities at UK statutory rate of 30%	3,732	3,438
Depreciation for the period in excess of capital allowances	332	(24)
Other timing differences	24	(55)
Expenses not deductible for tax purposes	444	686
Adjustments in respect of earlier periods	(48)	(29)
	<u>4,484</u>	<u>4,016</u>

THE LINK STORES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

7. DIVIDENDS

	Per share	2004/05 £'000	Per share	2003/04 £'000
On 'A' ordinary shares of £1 each:				
Amounts proposed	£204,000	12,240	£180,000	10,800
On 'B' ordinary shares of 50 pence each:				
Amounts proposed	£204,000	8,160	£180,000	7,200
Total amounts proposed		<u>20,400</u>		<u>18,000</u>

8. GROUP AND COMPANY TANGIBLE FIXED ASSETS

	Short leasehold property £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 2 May 2004	5,104	52,419	57,523
Additions	279	7,895	8,174
Disposals	(94)	(1,024)	(1,118)
At 30 April 2005	<u>5,289</u>	<u>59,290</u>	<u>64,579</u>
Depreciation			
At 2 May 2004	2,838	34,225	37,063
Charge for the period	492	6,810	7,302
Exceptional Impairment	-	456	456
Disposals	(33)	(682)	(715)
At 30 April 2005	<u>3,297</u>	<u>40,809</u>	<u>44,106</u>
Net book value			
At 30 April 2005	<u>1,992</u>	<u>18,481</u>	<u>20,473</u>
At 1 May 2004	<u>2,266</u>	<u>18,191</u>	<u>20,457</u>

THE LINK STORES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENTS

	Parent Company £
Fixed asset investments	
Company	
At 1 May 2004	1
Additions	1,513,000
At 30 April 2005	<u>1,513,001</u>

Details of the principal subsidiary undertaking are set out in note 23.

	Group £'000	2005 Company £'000	Group £'000	2004 Company £'000
Short term investments				
Short term deposits	<u>39,573</u>	<u>39,573</u>	<u>50,800</u>	<u>50,800</u>

10. STOCKS

Finished goods and goods for resale	<u>24,611</u>	<u>24,611</u>	<u>34,532</u>	<u>34,532</u>
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There is no significant difference between the replacement cost of stocks and the amounts shown above.

11. DEBTORS

	Group £'000	2005 Company £'000	Group £'000	2004 Company £'000
Amounts due from other group undertakings	10,804	8,732	6,815	4,632
Other debtors	4,389	4,389	2,093	2,093
Deferred taxation asset (note 13)	128	128	-	-
	<u>15,321</u>	<u>13,249</u>	<u>8,908</u>	<u>6,725</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group £'000	2005 Company £'000	Group £'000	2004 Company £'000
Amounts due to subsidiary undertaking	-	3,069	-	28,447
Amounts due to other group undertakings	4,221	4,221	9,243	4,047
Corporation tax	4,595	2,517	4,039	350
Other taxation and social security	7	-	2,355	2,230
Accruals and deferred income	4,721	4,578	2,635	2,537
Dividends payable	20,400	20,400	18,000	18,000
	<u>33,944</u>	<u>34,785</u>	<u>36,272</u>	<u>55,611</u>

THE LINK STORES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Group £'000	Company £'000
Deferred taxation liability / (asset)		
At 2 May 2004	230	230
Adjustment in respect of earlier periods	(2)	(2)
Utilisation	(356)	(356)
	<u>(128)</u>	<u>(128)</u>
At 30 April 2005	<u>(128)</u>	<u>(128)</u>

	Group £'000	2005 Company £'000	Group £'000	2004 Company £'000
The net deferred taxation (asset)/liability comprises:				
Accelerated capital allowances	(92)	(92)	242	242
Other timing differences	(36)	(36)	(12)	(12)
	<u>(128)</u>	<u>(128)</u>	<u>230</u>	<u>230</u>

The deferred taxation asset is included within debtors in note 11.

14. CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised:		
20 ordinary shares of £1 each	20	20
60 'A' ordinary shares of £1 each	60	60
40 'B' ordinary shares of 50 pence each	20	20
	<u>100</u>	<u>100</u>
Allotted and fully paid:		
60 'A' ordinary shares of £1 each	60	60
40 'B' ordinary shares of 50 pence each	20	20
	<u>80</u>	<u>80</u>

'A' and 'B' ordinary shares rank pari passu in all respects except for voting rights and the rights to appoint and remove directors. The holders of the 'A' ordinary shares are entitled to 3 votes in aggregate and the holders of the 'B' ordinary shares are entitled to 2 votes in aggregate.

THE LINK STORES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

15. RESERVES

	Share premium account £'000	Profit and loss account £'000
Group		
At 2 May 2004	70,887	7,315
Retained loss for the period	-	(12,085)
At 30 April 2005	70,887	(4,770)
Company		
At 2 May 2004	70,887	(14,214)
Retained profit for the period	-	7,964
At 30 April 2005	70,887	(6,250)

The cumulative amount of goodwill written off directly against reserves at the start and end of the year is £56,960,000.

As permitted by section 230 of the Companies Act 1985, no profit and loss account for the Company is included in these financial statements. The profit of the Company for the period was £28,364,000.

16. NOTES TO THE CASHFLOW STATEMENT

	2004/05 £'000	2003/04 £'000
a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	10,744	9,708
Depreciation	7,302	6,293
Exceptional impairment	456	-
Decrease / (increase) in stocks	9,921	(9,130)
Increase in debtors	(6,413)	(4,080)
(Decrease) / increase in creditors	(5,507)	8,046
Loss on disposal of fixed assets	542	615
	17,045	11,452

	2 May 2004 £'000	Cash flow £'000	30 April 2005 £'000
b) Analysis of net funds			
Cash at bank and in hand	7	76	83
Short term investments	50,800	(11,227)	39,573
Net funds	50,807	(11,151)	39,656

THE LINK STORES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

17. CAPITAL COMMITMENTS

	2005	2004
	Group and	Group and
	Company	Company
	£'000	£'000
Contracted for but not provided in the accounts	<u>240</u>	<u>40</u>

18. CONTINGENT LIABILITIES

In the normal course of business, the Company has contingent liabilities in respect of lease covenants including those relating to premises assigned to third parties.

19. OPERATING LEASE COMMITMENTS

	2005	2004
	Land and	Land and
	buildings	buildings
	£'000	£'000
At 30 April 2005 the Group and Company was committed to the following payments during 2005/06 in respect of operating leases which expire:		
- Within 1 year	81	952
- Between 2 and 5 years	3,663	3,838
- After 5 years	9,331	11,088
	<u>13,075</u>	<u>15,878</u>

20. POST RETIREMENT BENEFITS

Dixons Group plc maintains a pension scheme for eligible employees in the UK comprising both a defined benefit and defined contribution section. The defined benefit section is a funded scheme with assets held in a separate trustee administered fund. 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. Pension costs are accounted for in accordance with SSAP 24 "Accounting for pension costs". The last valuation was carried out as at 5 April 2004, using the projected unit method and has been used to determine the level of funding to the scheme.

The last actuarial valuation of the defined benefit section, showed the value of assets to be sufficient to cover 87% of the benefits accrued to members after allowing for expected future increases in earnings. At 30 April 2005, the valuation of the defined benefit section for the purposes of FRS 17 showed a gross pension deficit of £186.5 million (1 May 2004 £125.7 million). Further particulars of the scheme are shown in Note 27 to the financial statements of Dixons Group plc.

Since 1 September 2002, the defined benefit section of the pension scheme has been closed to new entrants. Membership of the defined contribution section is now offered to eligible employees.

THE LINK STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

21. RELATED PARTY DISCLOSURE

Transactions with group undertakings

During the period, the Company paid DSG Retail Limited £10,623,000 (2003/04 £13,295,000) for the provision of management services. In addition, all purchases, payments and receipts were made through DSG Retail Limited on behalf of the Company. All transactions were made on normal commercial terms.

Period end balances with group undertakings are as follows:

	2004/05 £'000	2003/04 £'000
Group		
Debtors:		
DSG Retail Limited	6,929	-
DSG Card Handling Services Limited	435	435
Coverplan Insurance Services Limited	3,440	1,854
	<u>10,804</u>	<u>2,289</u>
Creditors:		
Mastercare Service and Distribution Limited	(4,221)	(4,336)
DSG Retail Limited	-	(381)
	<u>(4,221)</u>	<u>(4,717)</u>

Transactions with minority shareholder

40% of the share capital of the Company is held by O2 (UK) Limited ("O2").

Under normal commercial terms, the Company received cellular telephone income from O2 for the period of £58,330,000 (2003/04 £56,044,000).

22. PARENT COMPANY

The Company's immediate parent is DSG Retail Limited.

The Company's ultimate parent and controlling entity is Dixons Group plc, a company which is incorporated in Great Britain and is registered in England and Wales. Dixons Group plc is the parent of the largest group which includes the Company and for which consolidated financial statements are prepared. The parent undertaking of the smallest such group is DSG Retail Limited, a company incorporated in Great Britain and is registered in England and Wales. Copies of the consolidated financial statements of both Dixons Group plc and DSG Retail Limited may be obtained from their registered office at Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TG.

23. PRINCIPAL SUBSIDIARY UNDERTAKINGS

The principal subsidiary undertaking at 30 April 2005 was Link FS Limited. It is wholly owned, incorporated and operates in Great Britain and is registered in England and Wales. Its principal activity is the marketing and sale of extended warranties, credit products and other financial services.

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

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ADDITIONAL INFORMATION

RECONCILIATION OF PROFIT AND LOSS ACCOUNT RESERVE TO AMOUNTS AVAILABLE FOR DISTRIBUTION

On 3 May 1997, the assets and liabilities of The Link (then a division of DSG Retail Limited) were sold to the Company. This generated goodwill in the Company which was written off to the profit and loss account reserve in accordance with SSAP 22 "Accounting for goodwill". Whilst immediate write off to reserves was a treatment in accordance with SSAP 22, capitalisation and subsequent amortisation was also an alternative method permitted by this accounting standard. The appendices to SSAP 22 and FRS 10 "Goodwill and intangible assets", the successor accounting standard to SSAP 22, indicate that where goodwill is written off on acquisition as a matter of accounting policy, rather than because of an actual diminution in value, realised reserves should not be reduced immediately. These accounting standards were based on the concept in the Companies Act 1985 legislation that purchased goodwill has a limited life so that ultimately, its elimination must constitute a realised loss. The appendices to these accounting standards conclude by stating that in order to maintain parity of effect as regards to distributable reserves with the amortisation method permitted by SSAP 22, the amount written off should be held as unrealised reserves and then transferred from unrealised reserves to realised reserves so as to reduce realised reserves on a systematic basis in the same way as if the goodwill had been amortised.

The profit and loss account reserve as presented in these financial statements has been diminished by the full write off of the goodwill arising in 1997. Using the guidance described above, reserves available for distribution have been calculated by reinstating the goodwill written off in 1997 and transferring an amount from unrealised reserves to realised reserves over a period of ten years. This period represents management's view of the appropriate amortisation period used had the goodwill been capitalised and amortised.

The following table shows a reconciliation between the profit and loss account reserve as disclosed in the financial statements and those reserves which are available for distribution to shareholders.

	30 April 2005 £'000
Profit and loss account reserve	(6,250)
Transfer from unrealised reserves	<u>11,400</u>
Reserves available for distribution	<u><u>5,150</u></u>