

LINK FS LIMITED

REGISTERED NO. 3357545

ANNUAL REPORT AND FINANCIAL STATEMENTS

52 weeks ended 1 May 1999



LINK FS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 1999

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LINK FS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the 52 weeks ended 1 May 1999. Comparative figures are for the 54 week period from incorporation to 2 May 1998.

Principal activity

The principal activity of the Company is the marketing and sale of extended warranties, credit products and other financial services. The directors anticipate that this activity and the financial position of the Company will be maintained.

Results

The results of the Company are shown on page 5.

Year 2000

The extensive programme, started in 1997, to ensure that the Company's systems and operations were Year 2000 compliant has been completed. No material problems or failures were identified over the New Year period.

Dividends

The directors recommend that no dividend be paid (1997/98 £nil).

Directors

The directors of the Company during the period were:

	<u>Date of Appointment</u>	<u>Date of Resignation</u>
R Braybrook	8 March 1999	
D Hamid		
M Marks		
P McCormack	9 July 1998	8 March 1999
D Moyles		9 July 1998

Directors' share interests

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

	<u>1 May 1999</u>	<u>Ordinary shares 2 May 1998*</u>
R Braybrook	-	-
D Hamid	26,912	16,760
M Marks	-	-

* Date of appointment, if later.

Directors' share options

	<u>At 2 May 1998*</u>	<u>Granted in period</u>	<u>Exercised in period</u>	<u>At 1 May 1999</u>
R Braybrook	675	-	-	675
D Hamid	16,261	34,138	(12,840)	37,559
M Marks	19,638	5,734	(7,448)	17,924

* Date of appointment, if later.

LINK FS LIMITED
DIRECTORS' REPORT continued

Each of the directors is interested as a potential beneficiary in 482,244 Ordinary shares owned by Dixons TSR Trust Ltd, 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 (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.

Except as stated below the directors' interests remained unchanged at 15 February 2000.

Directors' Share Options

	At 1 May 1999	Granted in period	Exercised in period	At 15 February 2000
R Braybrook	675	1,937	-	2,612
D Hamid	37,559	115,000	-	152,559
M Marks	17,924	2,240	(5,035)	15,129

Auditors

Deloitte & Touche were appointed auditors on 5 July 1999 to replace PricewaterhouseCoopers. A resolution to re-appoint Deloitte & Touche and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

By Order of the Board


G D Budd
Secretary

15 February 2000
Registered office
Maylands Avenue
Hemel Hempstead
Hertfordshire
HP2 7TG

LINK FS 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.

LINK FS LIMITED
AUDITORS' REPORT

To the Members of Link FS Limited

We have audited the financial statements on pages 5 to 10 which have been prepared under the accounting policies set out on page 7.

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 Company'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 as at 1 May 1999 and of the profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

15 February 2000
Hill House
1 Little New Street
London EC4A 3TR



Deloitte & Touche
Chartered Accountants
and Registered Auditors

LINK FS LIMITED
PROFIT AND LOSS ACCOUNT
for the 52 weeks ended 1 May 1999

	<i>Note</i>	1998/99 £'000	1997/98 £'000
Turnover		6,544	3,188
Operating profit	2	6,519	3,165
Net interest	3	510	129
Profit on ordinary activities before taxation		7,029	3,294
Taxation on profit on ordinary activities	5	(2,179)	(1,021)
Retained profit after taxation for the period	9	4,850	2,273

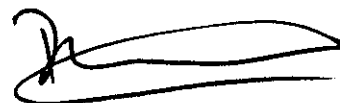
All turnover and operating profit are derived from continuing operations in the United Kingdom.

There are no recognised gains or losses or movements in shareholder's funds other than the profit for the current and preceding period.

LINK FS LIMITED
BALANCE SHEET
as at 1 May 1999

	<i>Note</i>	<u>£'000</u>	<u>1999</u> <u>£'000</u>	<u>£'000</u>	<u>1998</u> <u>£'000</u>
Current assets					
Debtors	6	11,805		5,330	
Cash at bank and in hand		<u>-</u>		<u>1</u>	
			11,805		5,331
Creditors - due within one year					
Other creditors	7		(4,682)		(3,058)
Net current assets			<u>7,123</u>		<u>2,273</u>
Equity shareholder's funds					
Ordinary share capital	8		-		-
Profit and loss account	9		7,123		2,273
			<u>7,123</u>		<u>2,273</u>

The financial statements were approved by the Board of Directors on 15 February 2000 and signed on its behalf by :



D Hamid

LINK FS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The principal accounting policies are set out below.

1.1 Accounting convention

The financial statements are prepared in accordance with the historical cost convention. The financial statements include the results of the Company for the 52 weeks ended 1 May 1999. Comparative figures are for the 54 week period from 16 April 1997 to 2 May 1998.

1.2 Turnover

Turnover comprises commission received on sale of extended warranty insurance and the provision of credit and credit related products and services.

1.3 Cash flow statement

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

1.4 Post retirement benefits

The expected cost of providing pensions, as calculated periodically by qualified actuaries, is charged to the profit and loss account so as to spread the pension cost over the normal expected service lives of employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

	1998/99	1997/98
	£'000	£'000
2 OPERATING PROFIT		
Turnover	6,544	3,188
Cost of sales	-	-
Gross profit	6,544	3,188
Administration expenses	(25)	(23)
	<u>6,519</u>	<u>3,165</u>

The auditors' remuneration was borne by the immediate parent company.

	1998/99	1997/98
	£'000	£'000
3 NET INTEREST		
Interest receivable and similar income from group undertakings	<u>510</u>	<u>129</u>

LINK FS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

4 EMPLOYEES AND DIRECTORS

Staff costs for the period were:

	<u>1998/99</u> <u>£'000</u>	<u>1997/98</u> <u>£'000</u>
Wages and salaries	23	21
Social security costs	2	2
Pension costs	-	-
	<u>25</u>	<u>23</u>

The remuneration of the directors was:

	<u>1998/99</u> <u>£'000</u>	<u>1997/98</u> <u>£'000</u>
Emoluments	7	14

Two directors received no remuneration for their services to the Company.

	<u>Number</u>	<u>Number</u>
The number of directors who exercised options over Ordinary shares in Dixons Group plc during the period was:	2	2
The number of directors accruing benefits under money purchase pension schemes was:	-	-
The number of directors accruing benefits under defined benefit pension schemes was:	<u>2</u>	<u>2</u>

No directors received Ordinary shares in Dixons Group plc under the long term incentive plan.

LINK FS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	1998/99	1997/98
	£'000	£'000
5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES		
UK corporation tax at 30.9% (1997/98 31%)	<u>2,179</u>	<u>1,021</u>
	1999	1998
	£'000	£'000
6 DEBTORS		
Due within one year		
Amounts due from group undertakings	<u>11,805</u>	<u>5,330</u>
	<u>11,805</u>	<u>5,330</u>
7 CREDITORS – due within one year		
Other creditors		
Amounts due to group undertakings	4,674	2,022
Corporation tax	-	1,021
Other taxation and social security payable	8	15
	<u>4,682</u>	<u>3,058</u>
	<u>£</u>	<u>£</u>
8 SHARE CAPITAL		
Authorised		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>
		£'000
9 PROFIT AND LOSS ACCOUNT		
At 2 May 1998		2,273
Retained profit for the period		<u>4,850</u>
At 1 May 1999		<u>7,123</u>

LINK FS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

10. CONTINGENT LIABILITIES

The Company has given guarantees in respect of its immediate parent company's bank facilities. No amounts were drawn against these facilities at 1 May 1999 (2 May 1998 £nil).

11. POST RETIREMENT BENEFITS

Subject to certain age criteria, all the Company's permanent employees are eligible to join a funded contributory pension scheme which provides, inter alia, pension benefits based on final pensionable salary. The assets of the scheme are held by a separate trust. Contributions are assessed in accordance with the advice of independent qualified actuaries so as to spread the pension cost over the normal expected service lives of members.

The scheme is valued by a qualified actuary at least every three years. The last valuation was carried out as at 6 April 1998, using the projected unit method.

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

12. RELATED PARTY DISCLOSURE

All purchases, payments and receipts were transacted through other group companies on behalf of the Company. All transactions were made on normal commercial terms.

Period end balances with group undertakings are disclosed in notes 6 and 7.

13. PARENT COMPANY

The Company's immediate parent is The Link Stores Limited.

The Company's ultimate parent is Dixons Group plc which is registered in England and Wales. Copies of its accounts may be obtained from its registered office at Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TG.