

LINK FS LIMITED

REGISTERED NO. 3357545

REPORT AND FINANCIAL STATEMENTS

For the 54 week period from incorporation
on 16 April 1997 to 2 May 1998



LINK FS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 1998

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LINK FS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the 54 week period from incorporation on 16 April 1997 to 2 May 1998.

Date of Incorporation

The company was incorporated on 16 April 1997 and commenced trading on 4 May 1997.

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.

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

Dividends

The directors recommend that no dividend be paid.

Directors

The directors of the Company during the period were:

	<u>Date of Appointment</u>	<u>Date of Resignation</u>
D Hamid	21 April 1997	
M Marks	5 January 1998	
D Moyles	21 April 1997	
N Olive	21 April 1997	1 September 1997
A J W Rose	16 April 1997	22 April 1997

D Moyles resigned as a director on 9 July 1998 and P McCormack was appointed as a director on 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>2 May 1998</u>	<u>Ordinary shares 16 April 1997*</u>
D Hamid	16,760	1,685
M Marks	-	-
D Moyles	-	-

* Date of appointment, if later.

Directors' share options

	<u>At 16 April 1997*</u>	<u>Granted in period</u>	<u>Exercised in period</u>	<u>At 2 May 1998</u>
D Hamid	28,950	2,178	(14,867)	16,261
M Marks	18,767	871	-	19,638
D Moyles	6,793	3,318	(1,250)	8,861

* Date of appointment, if later.

LINK FS LIMITED
DIRECTORS' REPORT continued

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

Between the balance sheet date and 1 December 1998 the interests of the following directors changed:

Directors' share options

	At 2 May 1998	Granted in period	Exercised in period	At 1 December 1998
M Marks	19,638	-	(7,448)	12,190

Auditors

Price Waterhouse were appointed on 4 July 1997. Price Waterhouse merged with Coopers & Lybrand on 1 July 1998 and a resolution to appoint the new firm, PricewaterhouseCoopers, as auditors to the company 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

1 December 1998
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 11 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

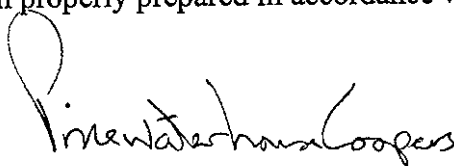
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 2 May 1998 and of the profit for the 54 week period from incorporation on 16 April 1997 to 2 May 1998 then ended and have been properly prepared in accordance with the Companies Act 1985.

1 December 1998
10 Bricket Road
St Albans
AL1 3JX



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

LINK FS LIMITED
PROFIT AND LOSS ACCOUNT
for the 54 week period from incorporation on 16 April 1997 to 2 May 1998

	<i>Note</i>	<u>1997/98</u> <u>£'000</u>
Turnover		<u>3,188</u>
Operating profit	<i>2</i>	3,165
Net interest	<i>3</i>	129
Profit on ordinary activities before taxation		<u>3,294</u>
Taxation on profit on ordinary activities	<i>5</i>	<u>(1,021)</u>
Retained profit after taxation for the period	<i>9</i>	<u>2,273</u>

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

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

LINK FS LIMITED
BALANCE SHEET
as at 2 May 1998

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

The financial statements were approved by the Board of Directors on 1 December 1998 and signed on its behalf by :



D Hamid

LINK FS LIMITED
RECONCILIATION OF MOVEMENTS IN
SHAREHOLDERS' FUNDS
for the 54 week period from incorporation on 16 April 1997 to 2 May 1998

	1997/98 <u>£'000</u>
Profit for the period	2,273
Ordinary shares issued	<u>-</u>
Net additions to shareholders' funds	<u>2,273</u>
Closing shareholders' funds	<u>2,273</u>

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 54 week period from 16 April 1997 to 2 May 1998.

1.2 Turnover

Turnover comprises sales of goods and services excluding VAT and sales taxes.

1.3 Cashflow statement

The Company is exempt from the requirement to prepare a cashflow 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.

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

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

3. NET INTEREST

Interest receivable and similar income from group undertakings	<u>129</u>
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LINK FS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

4 EMPLOYEES AND DIRECTORS

1997/98
£'000

Staff costs for the period were:

Wages and salaries

21

Social security costs

2

23

Staff costs under joint contracts of service were apportioned on the basis of time spent providing services to the Company.

1997/98
£'000

The remuneration of the directors was:

Emoluments

14

One director received no remuneration for his services to the Company.

Number

The number of directors who exercised share options during the period was:

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:

2

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

LINK FS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	1997/98 £'000
5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES	
UK corporation tax at 31%	1,021
6. DEBTORS	1998 £'000
Due within one year	
Amounts due from group undertakings	5,330
	5,330
7. CREDITORS - due within one year	
Other creditors	
Amounts due to group undertakings	2,022
Corporation tax	1,021
Other taxation and social security payable	15
	3,058
	£
8. SHARE CAPITAL	
Authorised	
100 Ordinary shares of £1 each	100
Allotted and fully paid	
1 Ordinary shares of £1 each	1
	£'000
9. PROFIT AND LOSS ACCOUNT	
Retained profit for the period	2,273
At 2 May 1998	2,273

LINK FS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

10. CONTINGENT LIABILITIES

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

11. POST RETIREMENT BENEFITS

The majority of the Company's employees are eligible to participate in a funded, defined benefit 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 to the scheme 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 employees in the scheme.

The scheme is valued by a qualified actuary at least every three years. The last valuation was carried out as at 6 April 1995, using the projected unit method.

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

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.