

**DSG EUROPEAN INVESTMENTS LIMITED**

**Annual Report and Financial Statements**

**52 weeks ended 28 April 2007**



# **DSG EUROPEAN INVESTMENTS LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2007**

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# DSG EUROPEAN INVESTMENTS LIMITED

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 weeks ended 28 April 2007. Comparative figures are for the 52 weeks ended 29 April 2006

### PRINCIPAL ACTIVITY

The Company is the holding company of a group whose principal activities are retailing and the provision of financial and other related services and investment. The directors anticipate that these activities and the financial position of the Company will be maintained.

### BUSINESS REVIEW AND RESULTS

The Company holds equity investments in other subsidiary companies of the DSG international plc Group. The principal risk faced by the Company is an impairment in the value of these subsidiaries. A review is carried out at least annually to identify any such impairment and, as a result of such a review, the value of the investment in UniEuro S p A has been impaired by £101 million. During the period no further direct acquisitions were made but additional capital was made available to fund development of overseas businesses. The assets of the Company also comprise intra-group debtors. It is not considered that any significant risk attaches to these assets. The position of the Company at the period end was satisfactory.

The results of the Company are shown on page 5

### DIVIDENDS

On 14 July 2006 the directors declared and paid an ordinary dividend of £0.01894 per ordinary share (2005/06 £nil)

### DIRECTORS

The directors of the Company during the period were

	<u>Date of appointment</u>	<u>Date of resignation</u>
G D Budd		27 April 2007
S C Carroll		23 April 2007
J C Clare	2 January 2007	
H Grantham	27 April 2007	
B Marsh	18 September 2006	
A Owen		13 April 2007
D M E Page	27 February 2007	
M J Sidders		18 September 2006

**DSG EUROPEAN INVESTMENTS LIMITED  
DIRECTORS' REPORT**

**AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS**

Pursuant to section 386 of the Companies Act 1985, an elective resolution dispensing with the requirement to appoint auditors annually has been in place throughout the period. Accordingly Deloitte & Touche LLP are deemed to continue as auditors.

In accordance with the provisions of Section 234ZA of the Companies Act 1985, 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 auditors are 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 auditors are aware of that information

By Order of the Board



**H H Thomas**

Secretary

*H* July 2007

Registered office  
Maylands Avenue  
Hemel Hempstead  
Hertfordshire  
HP2 7TG

**DSG EUROPEAN INVESTMENTS LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for the preparation of the financial statements and have chosen to prepare such financial statements under UK Generally Accepted Accounting Practice (UK GAAP)

The directors are required by UK company law to prepare such financial statements for each financial period which give a true and fair view of the state of affairs of the Company, in accordance with UK GAAP, as at the end of each 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and compliance of the financial statements with the Companies Act 1985. The directors are also responsible for the safeguard of the assets of the Company and hence for taking reasonable steps to prevent and detect fraud or any other irregularities.

# DSG EUROPEAN INVESTMENTS LIMITED

## INDEPENDENT AUDITORS' REPORT

### Independent auditors' report to the member of DSG European Investments Limited

We have audited the financial statements of DSG European Investments Limited for the 52 weeks ended 28 April 2007 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholder's funds and the related notes 1 to 14. 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 the 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether, in our opinion, the information given in the directors' report is 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 other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

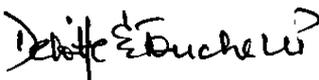
### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with UK GAAP, of the state of the Company's affairs as at 28 April 2007 and of its loss for the period then ended, have been properly prepared in accordance with the Companies Act 1985 and the information given in the directors' report is consistent with the financial statements.



**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
London

1st August 2007

**DSG EUROPEAN INVESTMENTS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**For the 52 weeks ended 28 April 2007**

	Note	2006/07 £'000	2005/06 £'000
<b>Operating loss</b>	2	<u>(1,136)</u>	<u>(2,389)</u>
<b>Loss on ordinary activities before interest</b>		<u>(1,136)</u>	<u>(2,389)</u>
Amount written off fixed asset investment	7	(101,545)	-
Net interest	3	<u>(331)</u>	<u>(6,963)</u>
<b>Loss on ordinary activities before taxation</b>		<u>(103,012)</u>	<u>(9,352)</u>
Taxation credit/(charge) on loss on ordinary activities	5	64	(6)
<b>Loss for the period</b>	11	<u><u>(102,948)</u></u>	<u><u>(9,358)</u></u>

All operating losses are derived from continuing operations in the UK

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

**DSG EUROPEAN INVESTMENTS LIMITED****BALANCE SHEET**

As at 28 April 2007

	Note	2007 £'000	2006 £'000
<b>Fixed assets</b>			
Investments	7	312,025	346,206
<b>Current assets</b>			
Debtors – falling due within one year	8	250,745	673,698
		<u>250,745</u>	<u>673,698</u>
<b>Creditors: amounts falling due within one year</b>			
Borrowings	9	-	(2)
Other creditors	9	(117,751)	(461,935)
		<u>(117,751)</u>	<u>(461,937)</u>
<b>Net current assets</b>		<u>132,994</u>	<u>211,761</u>
<b>Total assets less current liabilities</b>		<u>445,019</u>	<u>557,967</u>
<b>Capital and reserves</b>			
Called up share capital	10	528,000	528,000
Profit and loss account	11	(82,981)	29,967
<b>Equity shareholder's funds</b>		<u>445,019</u>	<u>557,967</u>

These financial statements were approved by the directors on 26 July 2007 and signed on their behalf by



D M E Page

**DSG EUROPEAN INVESTMENTS LIMITED**  
**RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS**  
**For the 52 weeks ended 28 April 2007**

	2006/07 £'000	2005/06 £'000
<b>Opening equity shareholder's funds</b>	<u>557,967</u>	<u>567,325</u>
<b>Loss for the period</b>	(102,948)	(9,358)
<b>Dividend</b>	<u>(10,000)</u>	<u>-</u>
<b>Net reductions in equity shareholder's funds</b>	<u>(112,948)</u>	<u>(9,358)</u>
<b>Closing equity shareholder's funds</b>	<u><u>445,019</u></u>	<u><u>557,967</u></u>

**DSG EUROPEAN INVESTMENTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with UK law and applicable accounting standards  
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 are for the 52 weeks ended 28 April 2007. Comparative figures are for the 52 weeks ended 29 April 2006.

**1.2 Investments**

Investments in subsidiary undertakings are stated at cost less provisions for impairment in value.

**1.3 Foreign exchange**

Exchange differences arising from foreign exchange transactions are included in profit on ordinary activities before taxation at the rate ruling on the transaction date. Exchange differences arising on forward contracts together with exchange differences on other assets and liabilities are taken to the profit and loss account at the rate ruling at the balance sheet date.

**1.4 Cash flow statement**

As permitted by FRS 1 (Revised 1996) "Cash flow statements", the Company has not prepared a cash flow statement because it is a wholly-owned subsidiary and consolidated financial statements in which the Company's results are included are publicly available.

**2. OPERATING LOSS**

	2006/07 £'000	2005/06 £'000
Administrative expenses	(1,136)	(1,342)
Other operating expenses	-	(1,047)
	<u>(1,136)</u>	<u>(2,389)</u>
Operating loss		
Operating loss is stated after charging		
Auditors' remuneration – audit fees	<u>12</u>	<u>12</u>

**3. NET INTEREST**

	2006/07 £'000	2005/06 £'000
Interest receivable and similar income		
Interest receivable and similar income from group undertakings	13,232	9,441
Interest receivable and similar income from third parties	-	11
	<u>13,232</u>	<u>9,452</u>
Interest payable and similar charges		
Interest payable on loans from group undertakings	(9,162)	(23,235)
Interest payable on bank loans, overdrafts and other third party loans repayable within five years	(3)	(141)
	<u>(9,165)</u>	<u>(23,376)</u>
Foreign exchange (losses)/gains on translation	(4,398)	6,961
	<u>(331)</u>	<u>(6,963)</u>
<b>Net interest payable</b>		

**DSG EUROPEAN INVESTMENTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**4. EMPLOYEES AND DIRECTORS**

The Company had no employees during the period (2005/06 none) The directors received no remuneration for services to the Company during the period (2005/06 £nil)

**5. TAXATION (CREDIT)/CHARGE ON LOSS ON ORDINARY ACTIVITIES**

	2006/07 £'000	2005/06 £'000
Current taxation		
-UK corporation tax at 30%	-	(2,806)
Adjustment in respect of earlier periods		
-Corporation tax	(64)	2,812
	<u>(64)</u>	<u>2,812</u>
Current taxation charge/(credit) on loss on ordinary activities	<u>(64)</u>	<u>6</u>

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

Loss on ordinary activities at UK statutory rate of 30%	(30,903)	(2,806)
Amount written off investments	30,463	-
Group relief not paid for	440	-
Adjustment in respect of earlier periods	(64)	2,812
	<u>(64)</u>	<u>2,812</u>
Current taxation charge/(credit) on loss on ordinary activities	<u>(64)</u>	<u>6</u>

**6. DIVIDENDS**

	Per share	2006/07 £'000	Per share	2005/06 £'000
<b>On ordinary shares of £1 each</b>				
Interim	<u>£0.01894</u>	<u>10,000</u>	<u>-</u>	<u>-</u>

**7. FIXED ASSET INVESTMENTS**

	Subsidiary undertakings £'000
<b>Cost and net book value</b>	
At 30 April 2006	346,206
Additions	68,070
Disposal	(706)
Provision for impairment	(101,545)
	<u>(101,545)</u>
<b>At 28 April 2007</b>	<u>312,025</u>

In accordance with FRS 11 "Impairment of fixed assets and goodwill", following a sustained period of underperformance, the carrying value of the Company's investment in UniEuro S p A , has been compared to its recoverable amount represented by its value in use to the Company As a result of this review, the carrying value has been reduced by £101.5 million

Details of the principal subsidiary undertakings are set out in note 14

**DSG EUROPEAN INVESTMENTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**8 DEBTORS**

	<b>2007</b>	2006
	<b>£'000</b>	£'000
<b>Falling due within one year</b>		
Amounts due from subsidiary undertakings	250,745	284,137
Amounts due from group undertakings	-	389,561
	<u>250,745</u>	<u>673,698</u>

**9. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2007</b>	2006
	<b>£'000</b>	£'000
<b>Borrowings</b>		
Bank overdraft	-	2
	<u>-</u>	<u>2</u>
<b>Other creditors</b>		
Amounts due to group undertakings	115,776	461,310
Corporation tax	1,223	113
Accruals and deferred income	752	512
	<u>117,751</u>	<u>461,935</u>
	<u>117,751</u>	<u>461,937</u>

**10. CALLED UP SHARE CAPITAL**

	<b>2007</b>	2006
	<b>£'000</b>	£'000
<b>Authorised</b>		
750,000,000 ordinary shares of £1 each	<u>750,000</u>	<u>750,000</u>
<b>Allotted and fully paid</b>		
528,000,001 ordinary shares of £1 each	<u>528,000</u>	<u>528,000</u>

**11. PROFIT AND LOSS ACCOUNT**

	<b>£'000</b>
At 30 April 2006	29,967
Loss for the period	(102,948)
Equity dividend paid	(10,000)
<b>At 28 April 2007</b>	<u>(82,981)</u>

**12. RELATED PARTY DISCLOSURE**

The Company has applied the exemption allowed by FRS 8 regarding disclosure of transactions with other undertakings which are members of the DSG international plc Group

**DSG EUROPEAN INVESTMENTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**13. PARENT COMPANY**

The Company's immediate parent and controlling entity is DSG Overseas Investments Limited

The Company's ultimate parent and controlling entity is DSG international plc, which is incorporated in Great Britain and is registered in England and Wales. DSG international 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

**14. PRINCIPAL SUBSIDIARY UNDERTAKINGS**

The principal subsidiary undertakings at 28 April 2007 are listed below

Dixons Stores Group Retail (Norway) AS (Norway)  
Elkj p Norge AS (Norway) \*  
PC City Spain SL (Spain)  
PC City Sweden AB (Sweden)  
PC City Finland OY (Finland)  
Ei System Computer SA (Spain) \*  
UniEuro S p A (Italy)

\* Indirect subsidiaries of the Company

All principal subsidiary undertakings are wholly owned and operate in their country of incorporation as indicated above

Consolidated financial statements have not been prepared as the Company is a wholly owned subsidiary of a company registered in England and Wales. The Company's financial statements present information about it as an individual undertaking and not as a group

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