

**Company Registration No. 4185110**

**DSG CARD HANDLING SERVICES LIMITED**

**Annual Report and Financial Statements**

**52 weeks ended 30 April 2011**

**TUESDAY**



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**DSG CARD HANDLING SERVICES LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS 2011**

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## **DSG CARD HANDLING SERVICES 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 non-equity investment in other Dixons Retail plc subsidiary companies

### **BUSINESS REVIEW AND RESULTS**

#### **Objective and strategy**

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

#### **Results and financial position**

The Company did not trade during the period and it is not anticipated that it will do so in the foreseeable future. The net assets of the Company comprise investments in a fellow group undertaking and intra-group debtors. It is not considered that any significant risk attaches to the recoverability of these assets. It is not contemplated that any further development of the Company will take place in the near future.

The results of the Company are shown on page 5

### **DIVIDENDS**

The directors recommend that no dividend be paid (2009/10 £8,000 per ordinary share)

### **DIRECTORS**

The directors of the Company throughout the period were

E J C Leigh  
D M E Page  
H S M Singer

### **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

**S** September 2011

Registered office  
Maylands Avenue  
Hemel Hempstead  
Hertfordshire  
HP2 7TG  
Company Registration No 4185110

## **DSG CARD HANDLING SERVICES 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 CARD HANDLING SERVICES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT**

#### **Independent auditor's report to the members of DSG Card Handling Services Limited**

We have audited the financial statements of DSG Card Handling Services 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 CARD HANDLING SERVICES LIMITED**  
**INDEPENDENT AUDITOR'S REPORT continued**

*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 CARD HANDLING SERVICES LIMITED**  
**INCOME STATEMENT**  
**For the 52 weeks ended 30 April 2011**

	<b>Note</b>	<b>2010/11 £'000</b>	<b>2009/10 £'000</b>
<b>Operating result</b>	<b>2</b>	<b>-</b>	<b>-</b>
Finance income	3	15,111	15,171
Finance costs	3	(5,413)	(5,413)
<b>Net finance income</b>		<b>9,698</b>	<b>9,758</b>
<b>Profit before tax</b>		<b>9,698</b>	<b>9,758</b>
Income tax credit / (charge)	5	-	-
<b>Profit for the period</b>		<b>9,698</b>	<b>9,758</b>

All operating results are derived from continuing operations in the UK

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

**DSG CARD HANDLING SERVICES LIMITED**  
**BALANCE SHEET**  
**As at 30 April 2011**

	<b>Note</b>	<b>2011 £'000</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
<b>Non-current assets</b>				
Investments	7	170,000	170,000	170,000
<b>Current assets</b>				
Trade and other receivables	8	72,021	59,076	57,333
<b>Total assets</b>		<b>242,021</b>	<b>229,076</b>	<b>227,333</b>
<b>Current liabilities</b>				
Trade and other payables	9	(5,153)	(1,906)	(1,921)
<b>Net current assets</b>		<b>66,868</b>	<b>57,170</b>	<b>55,412</b>
<b>Non-current liabilities</b>				
Trade and other payables	9	(71,638)	(71,638)	(71,638)
<b>Total liabilities</b>		<b>(76,791)</b>	<b>(73,544)</b>	<b>(73,559)</b>
<b>Net assets</b>		<b>165,230</b>	<b>155,532</b>	<b>153,774</b>
<b>Capital and reserves</b>				
Called up share capital	11	1	1	1
Retained earnings		128,629	118,931	117,173
Capital reserve		36,600	36,600	36,600
<b>Total equity</b>		<b>165,230</b>	<b>155,532</b>	<b>153,774</b>

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

  
D M E Page  
Director



**DSG CARD HANDLING SERVICES LIMITED**  
**CASH FLOW STATEMENT**  
**For the 52 weeks ended 30 April 2011**

	Note	2010/11 £'000	2009/10 £'000
<b>Operating activities</b>			
Cash generated from operations	12	892	12,094
<b>Net cash flows from operating activities</b>		<u>892</u>	<u>12,094</u>
<b>Investing activities</b>			
Interest received		1,274	1,334
<b>Net cash flows from investing activities</b>		<u>1,274</u>	<u>1,334</u>
<b>Financing activities</b>			
Preference share dividends paid		(2,166)	(5,428)
Equity dividend paid		-	(8,000)
<b>Net cash flows from financing activities</b>		<u>(2,166)</u>	<u>(13,428)</u>
<b>Movement in cash and cash equivalents</b>		-	-
Cash and cash equivalents at beginning and end of period	12	<u>-</u>	<u>-</u>

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

	Share capital £'000	Retained earnings £'000	Capital reserve £'000	Total £'000
At 3 May 2009	1	117,173	36,600	153,774
Profit for the period	-	9,758	-	9,758
Dividend paid	-	(8,000)	-	(8,000)
At 1 May 2010	1	118,931	36,600	155,532
Profit for the period	-	9,698	-	9,698
At 30 April 2011	1	<u>128,629</u>	<u>36,600</u>	<u>165,230</u>

The capital reserve represents a receipt from the Company's immediate parent company

# DSG CARD HANDLING SERVICES 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, 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 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 Investments and other financial assets

The Company's financial assets comprise those receivables which involve a contractual right to receive cash from external parties. Financial assets comprise all items shown in note 8. Under the classifications stipulated by IAS 39 other receivables are classified as "loans and receivables".

##### *Investments*

Investments are stated at cost less any provision for impairment in value.

##### *Other receivables*

Other receivables 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.

#### 1.3 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.

#### 1.4 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 note 9. Under the classifications stipulated by IAS 39 other payables are classified as "financial liabilities measured at amortised cost".

##### *Other payables*

Other payables are recorded at cost.

#### 1.5 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. These relate to valuation of investments and recoverability of other receivables as set out below.

##### *Investment impairment reviews*

Investments are reviewed on an ongoing basis to determine whether any potential impairment exists. Such calculations require judgement relating to the appropriate discount factors and long term growth prevalent in a particular market as well as short and medium term business plans. The directors draw upon experience as well as external resources in making these judgements.

# **DSG CARD HANDLING SERVICES LIMITED** **NOTES TO THE FINANCIAL STATEMENTS**

## **1. ACCOUNTING POLICIES CONTINUED**

### **1.5 Estimates, judgements and critical accounting policies - continued**

#### *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.

## **2. OPERATING RESULT**

The auditor's remuneration of £2,000 (2009/10 £2,000) is borne by another group undertaking.

## **3. NET FINANCE INCOME**

	2010/11 £'000	2009/10 £'000
Loans to group undertakings	1,274	1,334
Dividend receivable on 8 25% cumulative preference shares	4,114	4,114
Dividend receivable on 8 12.5% cumulative preference B shares	9,723	9,723
Finance income	<u>15,111</u>	<u>15,171</u>
Dividend payable on 7 5.8% cumulative C preference shares	(3,252)	(3,252)
Dividend payable on 7 5.8% cumulative D preference shares	(2,161)	(2,161)
Finance costs	<u>(5,413)</u>	<u>(5,413)</u>
Net finance income	<u>9,698</u>	<u>9,758</u>

## **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).

**DSG CARD HANDLING SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**5. TAX**

	2010/11 £'000	2009/10 £'000
<b>Current tax</b>		
UK corporation tax at 27.83% (2009/10 28%)	-	-
<b>Income tax credit / expense</b>	-	-

A reconciliation of the notional to the actual income tax credit / expense is set out below

	2010/11 £'000	2009/10 £'000
Profit before tax	9,698	9,758
Profit on ordinary activities at the UK statutory rate of 27.83 % (2009/10 28%)	2,699	2,732
Group relief received free of charge	(354)	(374)
Dividends receivable from group companies	(3,851)	(3,874)
Non-deductible dividend payments	1,506	1,516
Income tax credit / expense	-	-

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

**6. DIVIDENDS**

	Per share	2010/11 £'000	Per share	2009/10 £'000
On ordinary shares of £1 each				
Amounts declared and paid				
- interim dividend	-	-	£8,000	8,000

**7. INVESTMENTS**

	£'000
<b>Cost and net book value</b>	
At 30 April 2011, 1 May 2010 and 2 May 2009	170,000

Investments relate to shares in DSG Overseas Investments Limited, a fellow group undertaking of the ultimate parent undertaking, comprising 50,000,000 8 25% non voting cumulative redeemable preference shares of £1 each and 120,000,000 8 125% non voting cumulative redeemable B preference shares of £1 each

**8. TRADE AND OTHER RECEIVABLES**

	2011 £'000	2010 £'000	2009 £'000
Amounts due from subsidiary undertakings	72,021	59,076	57,333

The carrying amount of trade and other receivables approximates fair value. There are no past-due or impaired receivable balances (2010 and 2009 £nil)

# DSG CARD HANDLING SERVICES 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
Accrued preference dividends	5,153	-	1,906	-	1,921	-
43,015,112 7.58% cumulative C preference shares of £1 each	-	43,015	-	43,015	-	43,015
58,000,000 7.58% cumulative D preference shares of £1 each	-	28,623	-	28,623	-	28,623
	<u>5,153</u>	<u>71,638</u>	<u>1,906</u>	<u>71,638</u>	<u>1,921</u>	<u>71,638</u>

The carrying amount of trade and other payables approximates their fair value

The 7.58% cumulative C preference shares of £1 each and the 7.58% cumulative D preference shares of £1 each rank ahead of ordinary shares in the event of a return of assets on liquidation

### 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 is exposed to, including liquidity risk and credit risk. Areas where risks are most likely to occur are evaluated regularly. The Company does not enter into derivative contracts.

#### Capital risk management

The Company maintains its capital structure to ensure that it is able to continue as a going concern.

#### (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 8 and 9 respectively. The categories of financial assets and liabilities and their related accounting policy are set out in notes 1, 2 and 14.

#### (c) Interest rate profile of financial assets and liabilities

The Company is exposed to interest rate risk on receivables from other subsidiaries of Dixons Retail plc as set out in note 13.

#### (d) Sensitivity analysis

The following analysis, required by IFRS 7, shows the sensitivity of profit before tax to changes in specified market variables on monetary assets and liabilities.

**DSG CARD HANDLING SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**10. FINANCIAL INSTRUMENTS continued**

**(d) Sensitivity analysis continued**

Changes in interest rates affect the Company's profit before tax, due to the impact of amounts due from subsidiary undertakings which bear interest at floating rate. The analysis is calculated assuming a reasonably possible change in interest rates and that the balance is held constant for the whole year. A 1% increase in interest rates would have a positive effect on profit before tax and equity of £302,000 (2009/10 positive effect of £591,000). A 1% decrease would have an equal and opposite effect.

**(e) Liquidity risk**

The Company is not subject to any significant liquidity risk as all of its receivables and payables are with other subsidiaries of Dixons Retail plc.

The Company manages liquidity risk via Dixons Retail plc's treasury operations using sources of financing from other Dixons Retail plc subsidiary 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.

**Contractual undiscounted cash flows**

	Within one year £'000	In more than five years £'000	Total £'000	Carrying value £'000
<b>2011</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	(5,153)	-	(5,153)	(5,153)
7.58% cumulative C preference shares	-	(43,015)	(43,015)	(43,015)
7.58% cumulative D preference shares	-	(28,623)	(28,623)	(28,623)
	<u>(5,153)</u>	<u>(71,638)</u>	<u>(76,791)</u>	<u>(76,791)</u>
<b>2010</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	(1,906)	-	(1,906)	(1,906)
7.58% cumulative C preference shares	-	(43,015)	(43,015)	(43,015)
7.58% cumulative D preference shares	-	(28,623)	(28,623)	(28,623)
	<u>(1,906)</u>	<u>(71,638)</u>	<u>(73,544)</u>	<u>(73,544)</u>
<b>2009</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	(1,921)	-	(1,921)	(1,921)
7.58% cumulative C preference shares	-	(43,015)	(43,015)	(43,015)
7.58% cumulative D preference shares	-	(28,623)	(28,623)	(28,623)
	<u>(1,921)</u>	<u>(71,638)</u>	<u>(73,559)</u>	<u>(73,559)</u>

**DSG CARD HANDLING SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**10. FINANCIAL INSTRUMENTS continued**

**(f) Credit risk**

The Company's exposure to credit risk on trade and other receivables arises from the non-performance of counterparties, the significant portion of which are other Dixons Retail plc subsidiaries, with a maximum exposure equal to the book value of these assets. Further information on these exposures is detailed in note 13.

**11. CALLED UP SHARE CAPITAL**

	2011 £'000	2010 £'000	2009 £'000
<b>Authorised:</b>			
5,000,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
<b>Allotted and fully paid:</b>			
1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>

**12. NOTES TO THE CASH FLOW STATEMENT**

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

	2010/11 £'000	2009/10 £'000
Operating result	<u>-</u>	<u>-</u>
Movements in working capital		
Decrease in trade and other receivables	892	12,109
Decrease in trade and other payables	<u>-</u>	<u>(15)</u>
	<u>892</u>	<u>12,094</u>
<b>Cash generated from operations</b>	<u><b>892</b></u>	<u><b>12,094</b></u>

**(b) Analysis of net funds / (debt)**

The Company had £nil net funds or debt (2010 and 2009 £nil)

**13. RELATED PARTIES**

	2010/11 £'000	2009/10 £'000
Other group undertakings		
Preference dividends receivable	13,837	13,853
Preference dividends payable	(5,413)	(5,428)
Interest receivable	<u>1,274</u>	<u>1,334</u>

Amounts due from other group undertakings are repayable within one month (2009/10 within one month) and bear interest between 3.75% and 4.25% (2009/10 1.5% and 4.25%)

**DSG CARD HANDLING SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**14. CONTINGENT LIABILITIES**

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

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.

**15. PARENT COMPANY**

The Company's immediate parent and controlling entity is DSG Retail 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.



## DSG CARD HANDLING SERVICES LIMITED

### ADDITIONAL INFORMATION

#### RECONCILIATION OF RETAINED EARNINGS TO AMOUNTS AVAILABLE FOR DISTRIBUTION

IAS 32 stipulates that the Company's preference share capital is classified as a financial liability. Accordingly, rather than affecting retained profits, dividends paid to the preference shareholders are treated as repayments of that liability and the interest accrued increases the liability.

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

	30 April 2011 £'000
<b>Retained earnings</b>	<b>128,629</b>
Less adjustments in respect of adoption of IAS 32	
- Net reduction in liabilities arising from dividends accrued and special dividends paid on 7.225% cumulative redeemable preference shares of £1 each	(37,695)
- Net reduction in liabilities arising from dividends accrued and special dividends paid on 7.499% cumulative redeemable 'B' preference shares of £1 each	(42,092)
Less subsequent special dividends	
- Special dividend paid on 7.499% cumulative redeemable 'B' preference shares	(34,000)
- Special dividend paid on 7.58% cumulative redeemable 'D' preference shares	(15,000)
- Special dividend paid on 7.58% cumulative redeemable 'D' preference shares	(7,000)
- Special dividend paid on 7.58% cumulative redeemable 'D' preference shares	(8,000)
Add cumulative net interest payable unpaid on cumulative redeemable preference shares	5,153
Less cumulative net interest receivable unpaid on cumulative redeemable preference shares	(41,777)
Add capital reserves	36,600
<b>Reserves available for distribution</b>	<b>(15,182)</b>