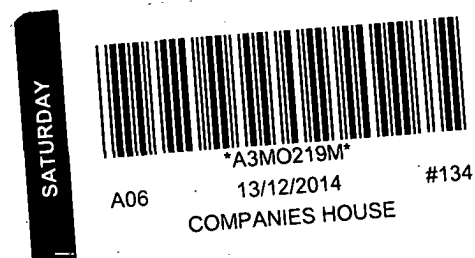


Company Registration No. 4185110

DSG CARD HANDLING SERVICES LIMITED

Annual Report and Financial Statements

year ended 30 April 2014



**DSG CARD HANDLING SERVICES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS 2014**

CONTENTS	Page
Strategic report	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditor's report	4
Income statement	6
Balance sheet	7
Cash flow statement	8
Statement of changes in equity	8
Notes to the financial statements	9
Additional information	16

DSG CARD HANDLING SERVICES LIMITED

STRATEGIC REPORT

The directors present their annual report and the audited financial statements for the year ended 30 April 2014.

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

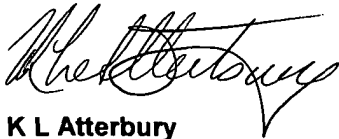
The objective of the Company is to deliver value to its shareholder.

Principal risk to achieving the Company's objective

Impairment risk

The Company holds non-equity investments in other subsidiary companies of Dixons Retail plc. The principal risk faced by the Company is an impairment in the value of these subsidiaries and a review is carried out at least annually to identify any potential impairments.

By Order of the Board



K L Atterbury

signed on behalf of DSG Corporate Services Limited
Corporate Company Secretary

31 July 2014

Registered office:
Maylands Avenue
Hemel Hempstead
Hertfordshire
HP2 7TG

DSG CARD HANDLING SERVICES LIMITED

DIRECTORS' REPORT

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 6.

DIVIDENDS

The directors recommend that no dividend be paid (2012/13 £nil).

DIRECTORS

The directors of the Company throughout the year were:

D M E Page
J J L Smith

POST BALANCE SHEET EVENTS

Details of significant events since the balance sheet date are contained in note 15 to the financial statements.

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 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



K L Atterbury
signed on behalf of DSG Corporate Services Limited
Corporate Company Secretary

3 | July 2014

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 annual 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. 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 year ended 30 April 2014 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 Strategic Report and 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.



Georgina Robb FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
1 August 2014

DSG CARD HANDLING SERVICES LIMITED
INCOME STATEMENT
For the year ended 30 April 2014

	Note	2013/14 £'000	2012/13 £'000
Operating result	2	-	-
Finance income	3	14,759	15,326
Finance costs	3	(5,655)	(5,615)
Net finance income		9,104	9,711
Profit before tax		9,104	9,711
Income tax	5	-	-
Profit for the period		9,104	9,711

All 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 2014

	Note	2014 £'000	2013 £'000	2012 £'000
Non-current assets				
Investments	6	<u>170,000</u>	<u>170,000</u>	<u>170,000</u>
Current assets				
Trade and other receivables	7	<u>117,247</u>	<u>102,490</u>	<u>87,164</u>
Total assets		<u>287,247</u>	<u>272,490</u>	<u>257,164</u>
Current liabilities				
Trade and other payables	8	<u>(21,899)</u>	<u>(16,246)</u>	<u>(10,631)</u>
Net current assets		<u>95,348</u>	<u>86,244</u>	<u>76,533</u>
Non-current liabilities				
Trade and other payables	8	<u>(71,638)</u>	<u>(71,638)</u>	<u>(71,638)</u>
Total liabilities		<u>(93,537)</u>	<u>(87,884)</u>	<u>(82,269)</u>
Net assets		<u>193,710</u>	<u>184,606</u>	<u>174,895</u>
Capital and reserves				
Called up share capital	10	1	1	1
Retained earnings		157,109	148,005	138,294
Capital reserve		<u>36,600</u>	<u>36,600</u>	<u>36,600</u>
Total equity		<u>193,710</u>	<u>184,606</u>	<u>174,895</u>

These financial statements were approved by the directors on 31 July 2014 and signed on their behalf by:



D M E Page
Director

DSG CARD HANDLING SERVICES LIMITED
CASH FLOW STATEMENT
For the year ended 30 April 2014

	Note	2013/14 £'000	2012/13 £'000
Operating activities			
Cash utilised by operations	11	(884)	(1,375)
Net cash flows from operating activities		<u>(884)</u>	<u>(1,375)</u>
Investing activities			
Interest received		884	1,375
Net cash flows from investing activities		<u>884</u>	<u>1,375</u>
Movement in cash and cash equivalents		-	-
Cash and cash equivalents at beginning and end of period	11	<u>-</u>	<u>-</u>

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 April 2014

	Share capital £'000	Retained earnings £'000	Capital reserve £'000	Total £'000
At 29 April 2012	1	138,294	36,600	174,895
Profit for the period	-	9,711	-	9,711
At 30 April 2013	1	148,005	36,600	184,606
Profit for the period	-	9,104	-	9,104
At 30 April 2014	1	157,109	36,600	193,710

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 year ended 30 April 2014.

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 7. 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 8. 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.

DSG CARD HANDLING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES CONTINUED

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.

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 (2012/13 £2,000) is borne by another group undertaking.

3. NET FINANCE INCOME

	2013/14 £'000	2012/13 £'000
Interest on Loans to group undertakings	884	1,375
Dividend receivable on 8.25% cumulative preference shares	4,125	4,148
Dividend receivable on 8.125% cumulative preference B shares	9,750	9,803
Finance income	14,759	15,326
Dividend payable on 7.58% cumulative C preference shares	(3,261)	(3,278)
Dividend payable on 7.58% cumulative D preference shares	(2,168)	(2,178)
Interest payable to group undertakings	(226)	(159)
Finance costs	(5,655)	(5,615)
Net finance income	9,104	9,711

4. EMPLOYEES AND DIRECTORS

The Company had no employees during the period (2012/13 none). The directors received no remuneration for services to the Company during the period (2012/13 £nil).

DSG CARD HANDLING SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

5. TAX

	2013/14	2012/13
	£'000	£'000
Current tax		
UK corporation tax at 22.84% (2012/13 23.92%)	-	-
Income tax (credit) / expense	-	-

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

	2013/14	2012/13
	£'000	£'000
Profit before tax	9,104	9,711
Profit on ordinary activities at the UK statutory rate of 22.84% (2012/13 23.92%)	2,079	2,323
Group relief received free of charge	(150)	(305)
Dividends receivable from group companies	(3,169)	(3,337)
Non-deductible dividend payments	1,240	1,319
Income tax (credit) / expense	-	-

The UK corporation tax rate for the period was 23% for the period up to 31 March 2014 and 21% thereafter (2012/13 24% for the period up to 31 March 2013 and 23% thereafter).

6. INVESTMENTS

	£'000
Cost and net book value	
At 30 April 2014, 30 April 2013 and 30 April 2012	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.

7. TRADE AND OTHER RECEIVABLES

	2014	2013	2012
	£'000	£'000	£'000
Amounts due from group undertakings	117,247	102,490	87,164

The carrying amount of trade and other receivables approximates fair value. There are no past-due or impaired receivable balances (2013 and 2012 £nil).

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

8. TRADE AND OTHER PAYABLES

	2014	2014	2013	2013	2012	2012
	Current	Non-	Current	Non-	Current	Non-
	£'000	current	£'000	current	£'000	Current
		£'000		£'000		£'000
Accrued preference dividends	21,899	-	16,246	-	10,631	-
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>21,899</u>	<u>71,638</u>	<u>16,246</u>	<u>71,638</u>	<u>10,631</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.

9. 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, 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 7 and 8, respectively. The categories of financial assets and liabilities and their related accounting policy are set out in notes 1.2 and 1.4.

(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 12.

(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**

9. 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 group 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 £1,172,000 (2012/13 positive effect of £169,000). 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
2014				
Non-derivative financial liabilities				
Trade and other payables	(21,899)	-	(21,899)	(21,899)
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>(21,899)</u>	<u>(71,638)</u>	<u>(93,537)</u>	<u>(93,537)</u>
2013				
Non-derivative financial liabilities				
Trade and other payables	(16,246)	-	(16,246)	(16,246)
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>(16,246)</u>	<u>(71,638)</u>	<u>(87,884)</u>	<u>(87,884)</u>
2012				
Non-derivative financial liabilities				
Trade and other payables	(10,631)	-	(10,631)	(10,631)
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>(10,631)</u>	<u>(71,638)</u>	<u>(82,269)</u>	<u>(82,269)</u>

DSG CARD HANDLING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. 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 12.

10. CALLED UP SHARE CAPITAL

	2014 £'000	2013 £'000	2012 £'000
Authorised:			
5,000,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
Allotted and fully paid:			
1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>

11. NOTES TO THE CASH FLOW STATEMENT

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

	2013/14 £'000	2012/13 £'000
Operating result	<u>-</u>	<u>-</u>
Movements in working capital:		
Increase in trade and other receivables	<u>(884)</u>	<u>(1,375)</u>
Cash utilised by operations	<u>(884)</u>	<u>(1,375)</u>

(b) Analysis of net funds / (debt)

At 30 April 2013 the Company had £nil net funds or debt (2013 and 2012 £nil).

12. RELATED PARTIES

	2013/14 £'000	2012/13 £'000
Other group undertakings		
Preference dividends receivable	13,875	13,951
Preference dividends payable	(5,429)	(5,456)
Interest receivable	884	1,375
Interest payable	<u>(226)</u>	<u>(159)</u>

Loans due from other group undertakings are repayable within one month (2012/13 within one month) and bear interest at 4.25% (2012/13 4.25%).

DSG CARD HANDLING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13. CONTINGENT LIABILITIES

	2014 £'000	2013 £'000	2012 £'000
Guarantees in respect of ultimate parent company borrowings			
8.75% Guaranteed Notes 2015	100,561	100,561	150,000
8.75% Guaranteed Notes 2017	150,000	150,000	-
Drawings on the Amended Facility (2013 the Amended Facility, 2012 the Previous Facility)	-	-	-
	<u>250,561</u>	<u>250,561</u>	<u>150,000</u>

The ultimate parent company and the Company itself, together with certain other Dixons Retail plc subsidiary companies, were parties to a revolving credit facility agreement (the Amended Facility) which in May 2012, though amended and restated, replaced a previous revolving credit facility for £360 million (the Previous Facility). The Company acted as a guarantor under the Amended Facility and was also a guarantor under the Previous Facility. The Amended Facility was initially for £300 million and reduced to £225 million by 30 April 2013 and further reduced to £200 million in September 2013.

As set out in note 15, on 19 May 2014, a new revolving credit facility agreement for £150 million (the New Facility) was entered into, which replaced the Amended Facility. The Company is not a guarantor under the New Facility. Furthermore, as a result of the Company no longer being a guarantor under the Amended Facility, it is also no longer a guarantor under either the 8.75% Guaranteed Notes 2015 or the 8.75% Guaranteed Notes 2017.

14. 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 group financial statements are prepared. Copies of its financial statements may be obtained from its registered office at Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7TG.

15. POST BALANCE SHEET EVENTS

On 15 May 2014, the boards of Dixons Retail plc (Dixons), the Company's ultimate parent undertaking, and Carphone Warehouse Group plc (Carphone) announced that they had reached agreement on the terms of a recommended all-share merger of Dixons and Carphone (the Merger), which is to be implemented by way of a scheme of arrangement of Dixons. The new merged entity is proposed to be named Dixons Carphone plc (Dixons Carphone). The Merger will result in each of Dixons' and Carphone's shareholders holding exactly 50% of Dixons Carphone on a fully diluted basis taking into account existing share options and award schemes for both companies.

Documentation setting out details of the proposed merger and seeking shareholder approval was issued to shareholders on 26 June 2014. Completion is expected to take place in the summer of 2014.

On 19 May 2014, the ultimate parent company, Dixons Retail plc, signed a new revolving credit facility agreement (the New Facility) for £150 million. The Company is not a guarantor under the New Facility.

DSG CARD HANDLING SERVICES LIMITED

ADDITIONAL INFORMATION

UNAUDITED 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 2014 £'000
Retained earnings	157,109
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	21,438
Less cumulative net interest receivable unpaid on cumulative redeemable preference shares	(83,440)
Add capital reserves	36,600
Reserves available for distribution	<u>(12,080)</u>