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Dixons Carphone

Annual Report and Accounts

2016/17

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A45 31/01/2018 #28
COMPANIES HOUSE

www.dixonscarphone.com
@DixonsCarphone

"Over the last few years a great deal of work has been done to make the company stronger, lower risk and more resilient. We are seeing the upside of these efforts now as we declare record headline profits before tax of over half a billion pounds – up 10%. More importantly, the improvement in our cost base, the strong leadership position that we have built, the investment that we have made in our digital business and, above all, the enormous shift in customer satisfaction and price competitiveness that we have driven leave us well positioned to flourish in the years ahead.

While the UK consumer environment seems to be holding up for us, there will undoubtedly continue to be changes in the way people buy all of the products that we sell from phones to washing machines. Change always represents opportunity, and our job is to find the propositions that keep us compelling to our customers forever. We are excited about our plans in services and about the myriad of initiatives that will drive long-term relationships with our customers.

In short, it has been a good year for Dixons Carphone and it gives me great pleasure once again to thank my 43,000 colleagues for the work that they have done to deliver so well and so energetically for our customers."

Sebastian James
Group Chief Executive
27 June 2017

Cautionary statement
Certain statements made in this Annual Report and Accounts are forward looking. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future events or results referred to in these forward looking statements. Unless otherwise required by applicable laws, regulations or accounting standards, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise. Nothing in this Annual Report and Accounts should be regarded as a profit forecast.

Contents

Highlights of the year

Dixons Carphone plc is Europe's leading specialist electrical and mobile phone retailer and services company, employing over 43,000 people in 10 countries.

- Group like-for-like* revenue up 4%
- Total statutory revenue up 9%
- Group headline* PBT of £501 million, up 10%, total statutory PBT of £386 million
- Group headline* basic EPS of 33.8p, statutory basic EPS 25.6p
- Free cash flow* of £160 million
- Year end net debt* at £271 million
- Final dividend of 7.75p proposed, taking total dividends for the year to 11.25p

Headline* revenue (£million)

Headline* EBIT (£million)

Headline* basic EPS (pence)

Our European store presence

Store numbers	Own	Franchise	Total
• UK and Ireland	1,148	—	1,148
• Nordics	249	144	393
• Southern Europe	311	287	598
	1,708	**431**	**2,139**

* See glossary for definition of terms including headline performance measures. Results for 2015/16 have been restated as set out in note 32 to the Group financial statements.
Figures presented in charts for 2014/15 and previous periods are 'pro forma' results as defined in the glossary

Business segments

We operate four segments as follows:

	Brands	Websites
UK & Ireland • CurrysPCWorld is the largest specialist electrical retailing and services operator in the UK & Ireland. • Carphone Warehouse is the largest independent telecommunications retailer in the UK & Ireland. • Dixons Travel operates in major UK airports, Dublin and Oslo. • Team Knowhow is our market-leading services brand. • Geek Squad is the repairs and support provider for Carphone Warehouse. • iD Mobile is one of the UK's fastest growing MVNOs offering innovative and flexible propositions. • Simplifydigital is the UK's largest, and fastest growing, multi-channel broadband, phone and TV switching platform. • PC World Business provides computing products and services to business to business ('B2B') customers.	CurrysPCWorld	currys.co.uk currys.ie pcworld.co.uk pcworld.ie
	Carphone Warehouse	carphonewarehouse.com carphonewarehouse.ie
	Dixons Travel	dixonstravel.com
	Team Knowhow	knowhow.com
	Geek Squad	geeksquad.co.uk
	iD Mobile	idmobile.co.uk
	Simplifydigital	simplifydigital.co.uk
	PC World Business	pcworldbusiness.co.uk
Nordics • The Elkjøp Group is the leading specialist electrical retailer across the Nordics. • Elkjøp, Elkjøp Phonehouse and Lefdal stores operate in Norway, Elgiganten and Elgiganten Phone House in Sweden and Denmark and Gigantti in Finland. • Knowhow has been introduced in the Nordic region. • InfoCare is the largest consumer electrical repair company in the region, operating in Norway, Sweden, Denmark and Finland.	Elkjøp	elkjop.no
	Elgiganten	elgiganten.se elgiganten.dk
	Gigantti	gigantti.fi
	Lefdal	lefdal.com
	Phone House	phonehouse.se
	InfoCare	infocareworkshop.no
Southern Europe • Kotsovolos is Greece's leading specialist electrical retailer. • Phone House is the leading independent telecommunications retailer in Spain. • Geek Squad is the repairs and support provider for the Phone House in Spain.	Kotsovolos	kotsovolos.gr
	Phone House	phonehouse.es
	Geek Squad	geeksquad.es
Connected World Services ('CWS') • CWS aims to leverage the Group's existing expertise, operating processes and technology to provide a range of services to businesses. • CWS organises its services into two product towers: – Value Chain Services – honeybee platform		connectedworldservices.com honeybeesolutions.com

Chairman's Statement

I am delighted to be reporting to you as the newly appointed Chairman of Dixons Carphone plc. It is great to be back at a business I served for more than a decade. Importantly, I would like to pay tribute to the achievements of my predecessor, Sir Charles Dunstone, one of the UK's great entrepreneurs, who founded half of this business that has gone on to be one of the world's major retailers, serving millions of customers every year in 10 countries and employing more than 43,000 people.

It has been a remarkable and sometimes challenging year. In the days after the referendum on the UK's membership of the EU, the Company's share price fell by as much as 34%, as retailers were considered vulnerable to a post Brexit slowdown. In this environment and despite the uncertainty, the team got on with their job of making the business stronger by serving our customers better.

In the UK & Ireland our new 3-in-1 stores bring together Currys, PC World and Carphone Warehouse in an exciting shopping environment and we are very pleased with the initial results of these stores. We have also improved our online capabilities, particularly with a new Carphone Warehouse web platform and we have experienced strong online sales growth across all our brands.

And it's not just about great products. Team Knowhow, our new services brand, is piloting a range of expanded services in the Leeds and London conurbations. We think that this support will be ever more important to help customers to get the best from the amazing world which modern technology can offer.

We also have become an important centre to help customers choose the best providers of other services. We successfully integrated Simplifydigital into the Group and both in store and online made switching your energy, broadband or TV service easy. Go to one of our stores and try our 30 second challenge to save you money!

In the Nordic region, our expanded distribution centre in Jönköping, Sweden, one of the largest in Northern Europe, was completed to time and on budget with its own railway station inside the centre. It distributes across the Nordics and we expect to see benefits in stock availability and efficiency.

We continue to gain market share across our businesses. A particular mention should be made of Kotsovolos in Greece which further enhanced its position as market leader with 3ppts market share growth against a clearly difficult economic environment.

The hard work of all our people and the management team led by Seb – and a huge thank you to all of them - have helped deliver a 10% growth in headline profit before tax on 9% higher revenue with total profit before tax increasing £123 million. This is an excellent achievement at a time when many retailers are struggling. This has allowed the Company to announce a dividend of 7.75 pence per share for the full year, an increase of 19%, to be paid on 22 September 2017.

In business, it is not just what a company does but how it does it that matters and we are proud of our contribution to the societies in which we operate. Our relationship with our key stakeholders and the way we manage the business in a sustainable manner are set out in our Corporate Responsibility Statement on pages 28 to 35. We believe that our unique expertise in technology can be used to help tackle social issues and we are hugely supportive of our colleagues' roles in contributing to good causes. Dixons Carphone is proud to be a founding partner of Heads Together, which seeks to support those with mental health issues. We are also a Charity Partner of the Mix which supports the physical and mental wellbeing of young people. This was recognised when Dixons Carphone were shortlisted for Charity Partnership of the Year.

The future holds many opportunities and a few challenges and uncertainties. But we are well positioned. We have invested to make our stores best in class. We are market leaders in our key markets. We believe that the future will become more connected and more complicated. Customers will choose and buy through a mix of online and offline. We will be there with them providing technical knowhow and unbiased independent advice together with the ever important great prices, excellent service and great choice. Our job is to provide great value for customers and shareholders alike.

Finally I would like to take this opportunity to express my thanks to not only Sir Charles but also Tim How and Baroness Sally Morgan who will both be stepping down from the Board following the 2017 Annual General Meeting. Tim and Sally have been long-serving members of the Board and have provided invaluable support and guidance during their terms. I wish them both all the very best in their future activities. I am also pleased to welcome Fiona McBain to the Board; Fiona's business leadership, in particular in the financial services sector, will be a great asset as we evolve our consumer services propositions.

Lord Livingston of Parkhead
Chairman
27 June 2017

Group Chief Executive's Statement

I am very pleased to be reporting another set of strong numbers for the Group. In what continues to be a lively political environment, in particular in the UK, it has been good to see the business deliver a good year for Dixons Carphone both financially and operationally.

Dixons Carphone has had another strong year financially; Group like-for-like revenues were up 4% over the year, with growth in every region in the Group leading to a 10% increase in Group headline PBT from £457 million to £501 million, slightly above the guidance we gave, resulting in an increase in headline basic EPS from 30.2p to 33.8p. At the same time, it is pleasing to see – across the Group – sustained high levels of customer satisfaction and Net Promoter Scores driven by our continued relentless focus on improving our proposition for our customers. Total reported profit before tax has increased by £123 million driven by the increase in headline EBIT and a reduction in year on year non-headline costs, principally those associated with our 'big-box' property plan, the costs of which were fully recognised in FY16.

Our business in the UK & Ireland enjoyed a good year despite some headwinds in particular within phone, with like-for-like revenues up 4% over the year and headline EBIT up 4% to £385 million. This sales growth was driven in large part by growth in electricals in a flat overall market. This was somewhat tempered by a more challenging phone sector which was impacted by product safety issues, a limited supply in the market of some key lines and some changing trends in SIM-only. Against this backdrop, the team have delivered good profit growth underpinned by solid cost control across the business.

Over the course of the year we all but completed our 'big-box' property plan, closing 80 stores, and providing a consistent experience with the latest categories and look-and-feel now right across our estate. Virtually all of our CurrysPCWorld stores now offer a fully-fledged embedded Carphone Warehouse shop-in-shop. Separately we have trialled a new format for our standalone Carphone Warehouse stores; we now have 9 open and will continue to open more during the course of the year. The performance of these stores has been highly encouraging, in particular for sales of accessories and insurance. In addition we have launched a new Carphone Warehouse web platform which is trading well.

Price competitiveness continues to be an area of real focus; our customers are – rightly – savvy, and we need to be both competitive and transparent - not only on the products themselves, but also on the cost and availability of delivery and services. Today, we show competitor prices on our websites so that customers can feel confident at all times that they are getting a great deal from us. We continue to be at parity or better versus our most aggressive pure-play competitors on pretty much all of our products, pretty much all of the time and we are transparent about our delivery availability versus our main competitors. Our free app 'Compare Prices' is a great tool for colleagues and customers to check prices themselves.

iD mobile operations in the UK continue to grow from strength to strength since launch in May 2015. iD allows us to offer highly differentiated propositions to customers, supported by an innovative IT platform, enabling us to tailor plans, for example, with the ability to transfer data between friends and family, as well as being at the vanguard of free roaming. These propositions are proving to be very successful and I am very pleased that the active customer base is now more than 600,000, making iD one of the fastest growing postpay MVNOs (Mobile Virtual Network Operator) in UK mobile history.

Multi-play has had a great year. The proposition was re-launched and supercharged a little over a year ago and we have more than doubled our market share of the fixed line switching market. We are the only place where a customer can compare, discuss, choose and switch – from a wide choice of national providers – the broadband and TV package that is perfect for them, expanding the expertise we have developed in mobile to all telecommunications and TV content needs, but we will not stop there. We have ambitious plans for the business including our innovative energy switching proposition in the coming year.

Both our Dixons Travel business and Harrods Technology have had a very strong year, benefiting from an influx of visitors post the EU referendum. In Dixons Travel we opened new stores in Heathrow Terminal 2 and at London City Airport as well as in Oslo, all trading well. In Harrods, while sales have been good across the board the sales of mobile phone hardware has been particularly strong. While we do not expect to see the currency benefit extend indefinitely in these stores, we have been pleased to be able to take advantage of the increased demand.

Our new Team Knowhow proposition has had a promising start, including our Leeds and London pilots. This has focused initially on phone and white goods repairs and NPS levels have been very encouraging indeed. Repair is a critical first step, but we think that finance, protection and support and services will all be strong elements of the expanded proposition and we have put in place a strong team, led by Feilim Mackle, to drive this business forward. We believe passionately that customers will increasingly want somebody to take responsibility for keeping the dozens of devices and appliances in their homes working, always on and upgraded and that we are uniquely placed to do that cost-effectively and well.

Our Nordics business, against, again, a relatively tough market backdrop, had a very respectable year with like-for-like revenues up 1% over the year and 2% in the fourth quarter, and headline EBIT increased 13% to £89 million. Operationally the region has delivered some positive improvements including the building and commissioning of the new small-product warehouse in Sweden, creating the most efficient and modern operation of its type in Europe, integrating InfoCare, the largest computer repair company in the region, developing its digital infrastructure, improving its online proposition and integrating the Fona business in Denmark. The business is also implementing electronic shelf-edge ticketing and a new merchandising model which will drive cost and stock out and improve margins.

Our Southern European business had a very good year in the face of ongoing political and economic turbulence and I am pleased it has reported Group leading 6% rise in like-for-like revenues over the year with headline EBIT growing from £17 million to £22 million. I am particularly proud of the team in Greece; our Greek business has increased profitability in 2016/17 against what continues to be a tough operating environment on the back of continued innovation and vigour. In the last year the team has opened new stores, grown market share, radically improved delivery options for customers across the country and developed a new digital agenda including a new e-commerce platform due to launch in the coming year. In Spain, we have continued to be agile in tough, albeit improving, economic conditions. We continue to move to a more flexible franchise approach, and to pivot the model to offer multi-play, SIM-only and handset only, as well as gaining traction with our new SmartHouse proposition.

Our Connected World Services division has also had a good year, generating £21 million of headline EBIT, driven by deepening our existing partnerships. Our relationship with Sprint continues to evolve and we are currently in the process of rolling-out our IT platform, honeybee, across their estate. In light of very volatile US market situations and responding to Sprint's desire to accelerate its own distribution platform we have agreed to sell our share of the joint venture that we built together back to them. honeybee, our unique software platform, continues to push forward, and we have signed an agreement with WebHelp, a large French outsourcer for our Contact Centre product.

Finally, the political sands in the UK continue to shift. We have, I believe, been able to manage the immediate fallout of the referendum result without significant issues and our proposition remains as competitive and attractive as ever. Nevertheless, we will remain vigilant as the questions arising out of the recent election ebb and flow and look, as always, to turn changes in the market to our advantage.

In short, it has been another year of strong delivery within the business and I feel pleased to be ending the year well-positioned for the year ahead. I am also acutely aware that we are only in this position thanks to our more than 43,000 colleagues operating in 10 countries across the Group and my sincere thanks go out to them all. I am constantly impressed by the passion and commitment of the men and women who make up the Dixons Carphone family, and am very proud to work alongside them.

Sebastian James
Group Chief Executive
27 June 2017

Strategy, KPIs and Risks overview

Our markets[1]	Our strategic priorities[2]	Achievements in 2016/17[3]
Product	**Continue to enhance and drive successful and sustainable retail business models in a multi-channel world**	Market share and like-for-like revenue growth in core markets Sustained high levels of customer satisfaction and price competitiveness Largely completed our 3-in-1 property programme and increased our SWAS presence Strong growth in iD mobile base and multi-play share Launch of new Carphone Warehouse web platform and store format Rollout of click and collect to 500 Carphone stores Launch of same-day delivery Opened newly extended distribution centre in Sweden
Services	**Leverage our scale, our knowhow, and our unique infrastructure to drive growth in new product areas including growth in services**	Feilim Mackle hired to lead the team Successful Leeds trial, extended to London Launch of energy saver app Instant repair trial in Nordics
Connected World Services ('CWS')	**Develop the Connected World Services model and establish it as a material contributor to earnings**	Extension of contract with TalkTalk, renewal with RBS

Plans for 2017/18[3]	Relevant Group KPIs[4]	Principal risks[5]
Unrelenting approach to price and service Extension of same day delivery and order up to midnight for next day Enhanced and simplified online journeys Expand new Carphone store format roll-out Develop B2B in Nordics	*Headline revenue* *Like-for-like revenue growth* Market position Headline EBIT Headline profit before tax Free cash flow Return on capital employed	*Dependence on networks* *Dependence on key suppliers* Consumer environment and sustainable business model Greek business IT systems and infrastructure Information security Non-compliance with Financial Conduct Authority ('FCA') regulation Colleague retention and capability Business continuity plans are not effective Health and safety Fraud Impact of Brexit
Rebrand and national roll-out of Team Knowhow Development of proposition Develop Nordic on-site repair network and expand at home services	Headline revenue Market position Return on capital employed	Consumer environment and sustainable business model IT systems and infrastructure Information security Colleague retention and capability Business continuity plans are not effective Fraud Impact of Brexit
Develop and convert pipeline	Headline revenue Market position Headline EBIT Return on capital employed	Consumer environment and sustainable business model IT systems and infrastructure Information security Non-compliance with Financial Conduct Authority ('FCA') regulation Colleague retention and capability Business continuity plans are not effective

1 *Our markets pages 10 to 11*
2 Business model and strategy pages 12 to 14
3 Chairman's and Group Chief Executive's Statements on pages 4 to 7
4 Key Performance Indicators are explained on page 15
5 Principal risks to achieving the Group's objectives on pages 16 to 21

Our markets

Our markets

The Group's core retail focus is the sale of consumer electricals and mobile phone products and connectivity. The Group also has a significant services infrastructure focused on maintenance, support, repairs, delivery and installation of hardware and services. In addition, the Group has developed a business-to-business operation via its Connected World Services division which leverages the specialist skills, operating processes and technology of the business to provide services to third parties.

Product

CurrysPCWorld Carphone Warehouse is the only nationwide consumer electricals and mobile phone retailer in the UK & Ireland. The Elkjøp Group in the Nordics and Kotsovolos in Greece are the largest consumer electrical retailers in their respective markets.

The consumer electricals retail market can be split between specialist electrical retailers, such as CurrysPCWorld, and general retailers which sell electrical goods as part of a wider offering. The market can also be broken down into two distinct distribution channels: 'assisted' and 'unassisted'. In the assisted channel, specialist retailers help customers through the buying process in the form of product advice, add-on services, delivery and installation. The unassisted channel, which includes single channel internet retailers as well as general retailers, tends not to offer all of these services.

Specialist electrical retailers are the predominant destination for customers in the European consumer electrical market. Buying groups, general merchants and independents also have a retail presence through stores and / or online. The market is served by a relatively small number of global manufacturers supplying goods to local, regional, national and international electrical retailers.

In each of our markets there are varying numbers of specialist retailers who compete in the assisted market. Whilst we do compete against general retailers, this is usually limited to certain lower price categories and we consider that these retailers do not offer the full range of products, assisted sale or the other services that we are able to provide.

In mobile phone retailing, Carphone Warehouse as the only nationwide independent channel is uniquely placed to offer impartial advice over the vast array of network, handset and operating platform propositions available in the market.

In addition to Carphone Warehouse, the mobile phone market is served by Mobile Network Operators ('MNOs'), with whom the Group has long and well-established relationships, as well as independent and generalist retailers. The MNOs will offer propositions for their own networks, whilst independent and generalist retailers will provide a greater variety of propositions on one or multiple networks. Furthermore there are online-only retailers providing a variety of these services. This market is also served by MVNOs as well as a relatively small number of global manufacturers supplying goods to local, regional, national and international MNOs / MVNOs and retailers.

The sophistication of mobile phones continues to grow, from simple mobile devices to sophisticated hardware with advanced functionality. There is a wide choice of operating platforms and network options for customers, which makes the Group's expert and impartial advice, simplified by the tablet based tool, Pin Point, particularly relevant.

Customers continue to use ever increasing levels of data. As MNOs roll out their 4G networks and begin to trial 5G technology, quality and speeds improve, facilitating much faster downloads and providing levels of performance comparable to many Wi-Fi networks, enabling a much better platform for streaming, in particular for video content.

We have seen some significant shifts in capacity in many of our markets in recent years; in consumer electricals some mass merchandisers have been reducing space for electrical products, some single channel internet operators have de-emphasised certain segments, and in some specialists have exited the market entirely. These shifts have helped us to gain market share and it underpins our view that a strong service-led multi-channel operation satisfies both customer and supplier needs while delivering a sustainable business as customer shopping habits continue to evolve. We believe further consolidation will occur in some of our markets.

The internet has established itself as an important part of the retail landscape. It supports enhanced product information as well as price comparability. It is an essential part of the buying process for customers, particularly for large ticket discretionary products. However, the expert advice provided by well-informed sales advisors within stores is highly valued by customers and manufacturers. Larger retailers, with an integrated multi-channel offer, with scalable distribution and systems, together with proven after-sales service and support are increasingly attractive to customers.

The increase in online penetration provides us with the opportunity to increase both the range of goods on offer and the availability of product information. Our multi-channel approach is well placed to exploit synergies between our internet sites and stores.

Our *reserve&collect* service (*collect@store* in the Nordics), where customers can order on the internet and collect from a convenient store at a time to suit them is proving to be increasingly attractive to customers. Similarly, our *pay&collect* service, where customers can access a wider range of products than is typically available in their local store for either home delivery or later collection from the store, is also increasingly popular. Over the course of the year we have greatly extended this option, enabling customers to collect smaller electrical products in over 500 Carphone Warehouse stores, providing a more convenient collection point in high streets across the country.

Innovation brings new products with improved functionality that drives sales growth. These include 4K Ultra High Definition ('UHD') and smart TVs, wearable technology, connected products for the home such as heating and lighting and the latest smartphones. Content, such as social media, apps, camera picture quality, digital media and cloud storage, also help to drive hardware innovation and replacement.

The economic backdrop determines whether customers trade up or down. The consumer electricals market tends to grow at a rate that is at or exceeding the economy during years of economic growth. The effects of an economic downturn may be mitigated by innovation. The mobile market is less cyclical and mobile phones are considered an essential part of modern life.

The rapid innovation cycle may lead to price deflation, but also drives volumes as products become more affordable and replacement cycles accelerate. For larger ticket items, the low frequency of purchases limits the impact of price deflation on total market sales as consumers typically trade up to higher specification products. Our 'Customer Journeys' are designed to explain the features and benefits of the latest technology to customers and help them understand the reasons for trading up to these newer technologies.

The sale of white goods is also driven by the dynamics of the housing market as new construction, house sales and refurbishment trigger new purchases.

Services

Everyday technology, whether smart TVs, computing, mobile phones or kitchen appliances, is becoming more complicated with connectivity and inter-operability becoming increasingly necessary. Families are dependent on this technology for keeping in touch with friends and family, entertainment, work, finances and school homework.

In addition, innovation drives new service requirements, including TV installation, data backup, computer set up and instructional Showhow teach-ins. In this complex world we believe our assisted sales model is best placed to help customers navigate the market and to help them choose a complete solution that best meets their needs.

Most homes in markets in which we operate have more than ten connected devices, and this is expected to grow dramatically over the near term, creating more demand for home technology support services.

We believe the market for home technology support to be already large, worth around £5bn in the UK alone, of which we estimate to hold a c. 10% share. Despite the significant demand and a large market, the supply of services is highly fragmented.

There is a major opportunity to grow our share in these valuable and growing markets more closely to match our share of product sales. Our aim is for Team Knowhow to be the leader in technology support.

Importantly we start from a position of real strength; our services capabilities and operating platform developed to support our product sales business is already class-leading and at real scale. We are the UK's leading technology support business with: over 11m warranty and insurance customers; 1.1m mobile repairs per year; 4.2m home visits per year; 700,000 computer and TV repairs per year; and over 400,000 finance customers.

We have Europe's largest tech and white goods repair facility in Newark with more technical support agents than any other business providing a nationwide solution. This is a complex business to replicate.

We have put in place a new leadership team dedicated to this division and developed a commercial model with refreshed and innovative propositions that we will roll-out during 2017 and 2018. Our revised service propositions will be accessed and delivered by customers through an increasingly digital interface with highly responsive care around the clock, easily accessed at home or on the move.

Once fully executed we expect our services business to provide long-term sustainable revenues in attractive, growing markets.

Connected World Services ('CWS')

Connected World Services aims to leverage the specialist skills, operating processes and technology of the business to provide services to third parties looking to develop their own connected world solutions. CWS already provides managed services to a number of major international businesses and has a significant pipeline of active opportunities. The current focus is on delivering value and growth from two specific areas, Value Chain Services and our proprietary IT software, honeybee.

Value Chain Services

Value chain services leverages the end-to-end capabilities of Dixons Carphone to provide a full suite of services that enable the sale and support of connected devices. We run the largest mobile phone repair centre in Europe, operate the biggest handset sourcing operation in Europe, are proven experts in this complex and regulated industry and we already have a significant established client base, including TalkTalk, RBS and EE. We provide the following services to our clients: connectivity, insurance services in partnership with Aviva, device supply, sales operations, forward and reverse logistics, software platforms, and customer service.

honeybee

honeybee is our proprietary IT software, developed in-house initially to serve our mobile phone customers. It is a unique omni-channel, multi-industry software that simplifies the delivery and management of complex digital customer journeys. The software has been developed through 25 years' experience of complex digital journey innovation and today enables multi-country carrier activations which can revolutionise customer journey development tools. honeybee's use is not limited to mobile phone retailing and we have recently signed an agreement with WebHelp to trial the platform to improve the efficiency of its call centre operations for a leading European MNO.

Business model and strategy

Business model

Our core retail business model, driven by customer insight, comprises three pillars underpinned by a low-cost operating model.

In order to ensure we understand what products and services our customers want, how they use the products they buy from us and what they think of the service they get from us, we use extensive customer insights. This includes customer panels, interviews, home visits and detailed surveys. We use this information to build our ranges, improve our stores and services and for other business decisions. This is supported by mystery shoppers, exit surveys and customer feedback. During the year our UK & Ireland and Nordics businesses continued to sustain high levels of customer satisfaction.

Taking each of the three pillars in turn, our model can be described as follows:

Multi-channel retailing

The shopping trip for customers is constantly evolving.

Our objective is to provide our customers with a seamless and personalised experience where convenience, ease of navigation and simplicity are key in attracting customers to shop with us whether it is online, in store or a combination of both.

We constantly aim to develop and improve our customer journey whether via our assisted sales tool Pin Point or by improving stores, making them easier to shop in, with, for example, improved navigation, better signage, and enabling customers to interact with products before they buy. Within our recently refitted stores, the TV and audio category is set up to resemble a living room enabling customers to experience the full sensation of a large wall-mounted 4K television with surround speakers. These journeys are supported by product specialists providing expert advice on the products' features and benefits.

Our websites are a crucial and fundamental part of the customer shopping journey. A customer's initial interaction is often online as is more and more of the customer's journey. In recognition of how customer trends are evolving we have made it easier for our colleagues, in particular within our CurrysPCWorld stores, to access products and extended ranges in store.

Our training programmes, combined with our product learning centres and customer journeys, provide our colleagues with the right tools to understand customers' needs and to provide them with the complete solution to properly meet those needs. We will continue to improve the training of our colleagues and the ways in which we can make them experts in the products we sell. For example we have in the year recruited and trained colleagues in the selling of multi-play, helping to double our share of the broadband switching market. In the Nordics we have launched a new e-learning management system.

We constantly review our store portfolio to ensure we have the right store for customers in the most competitive locations. Over the course of 2016/17 we have all but completed the roll-out of Carphone Warehouse SWAS ('stores-within-a-store') and the transformation of our stores to the 3-in-1 format. These stores allow us to offer the best of both worlds to customers, attracting new footfall and often at a lower cost.

In the Nordic region as well as Greece and Spain we also operate a number of franchise stores. This arrangement allows our brands to be present in a wider range of catchments, while increasing the volume of purchases and therefore buying power of the Group and reducing our capital requirements.

The Group sees distribution as one of the keys to success in maintaining highly competitive margins and delivering outstanding, market-beating service to customers. We operate a centralised system of distribution centres for each of the regions in which we operate. This delivers significant competitive advantages, including reduced operating costs, reduced supplier delivery costs, reduced stock volumes in store, increased flexibility as to where to deliver and when, and a more efficient home delivery network for both us and our customers.

While continuing to reduce costs, we are also constantly raising the bar, both in terms of successful delivery and installation rates, but also the range and quality of services we offer customers nationwide. In our Nordic operations (Jönköping, Sweden) and the UK (Newark), we operate two of the largest distribution centres of their kind in Europe. The Jönköping site is also expanding to incorporate an up-to-date automated 'small box' operation. In the UK alone we now make more than 50,000 deliveries per week, including some 600,000 installations per year.

Products

Combining our customer insight with our market-leading presence we can make sure we have the right range of products and services in our stores to suit customers' needs. Our scale and relationships with suppliers mean that we can work with them to showcase the latest technology, connectivity and products in our stores with areas dedicated to key suppliers.

As market leader with an excellent reputation in the consumer electricals market we have exceptional relationships with suppliers. In a complex multi-channel environment, suppliers trust us with their new product releases and stock allocations, as they appreciate the service and advice offered by our stores and indeed our websites, as well as the exciting environments offered by our transformed stores in which customers can experience their brands and products.

In consumer electricals, own-brand products enable us to offer customers greater choice and access to a range of products at competitive prices. We have defined a clear 'good, better, best' brand range including: Currys and PC World Essentials, Logik, iWantit, Advent, Goji and Sandstrøm brands. We see particular opportunities in the area of accessories and essentials with, for example, our own range of Sandstrøm cables. In addition, we continue to focus on the roll-out of our kitchen furniture brand, Epoq, in the Nordics.

After-sales services and support

Our customers need help with their products, whether it be maintenance and repair or delivery and installation, help keeping their products up and running or repair should things go wrong. Our business in the UK & Ireland sets the benchmark for our services infrastructure under our Geek Squad and Team Knowhow brands; the latter is also available across the Nordics.

We operate the largest network of two-man deliveries in the UK with an average of 50,000 deliveries per week enabling us to provide customers with the convenience of next-day delivery in a four-hour time slot or the option of a free delivery at a later date. We repair more than 1m handsets per year and provide over 11m insurance or service agreements, carry out approximately 500,000 computing set-ups per year and take over 40,000 technical support calls each week.

Our Geek Squad and Team Knowhow teams in stores, in our call centres as well as field technicians, can provide set-up and upgrade services and online fix and backup services. Our market-leading range of help and support services ensure a customer, both business-to-customer (B2C) and business-to-business ('B2B'), has the backing of expertise and support that keeps their technology up and running. Our state-of-the-art repair facility in Newark is able to repair and return a laptop in seven days. Our network of field technicians offer white goods repair in a market we estimate to be worth around £700 million a year.

Through ownership of the service infrastructure we can ensure the quality of service delivered to customers. This, we believe, provides us with a significant competitive advantage in meeting the needs of our customers, as well as a revenue stream not readily available to single channel online and mass market competitors.

Strategy

Dixons Carphone is Europe's leading specialist electrical and telecommunications retailer and services company, employing more than 43,000 people in 10 countries. Focused on helping customers navigate the connected world, Dixons Carphone offers a comprehensive range of electrical and mobile products, connectivity and expert after-sales services from the Geek Squad and Team Knowhow. The Group's core retail focus is the sale of consumer electrical and mobile phone products. The Group also has a significant services infrastructure focused on maintenance, support, repairs, delivery and installation. In addition, the Group has developed a business-to-business operation via its Connected World Services division which leverages the specialist skills, operating processes and technology of the business to provide services to third parties.

The Group's primary brands include CurrysPCWorld Carphone Warehouse in the UK & Ireland, Elkjøp and Elkjøp Phonehouse, Elgiganten and Elgiganten Phone House, Gigantti and Lefdal in the Nordic countries, Kotsovolos in Greece, Dixons Travel in a number of European airports albeit predominantly in the UK and Phone House in Spain.

Our key service brands include Team Knowhow in the UK, Ireland and the Nordics, and Geek Squad in the UK, Ireland and Spain.

B2B services are provided through CWS, PC World Business, Elkjøp Business and Carphone Warehouse Business. Connected World Services aims to leverage the Group's existing expertise, operating processes and technology to provide a range of services to other businesses.

We continue to drive the Group forward from a position of strength with a focus on three strategic priorities. By focusing on these we can deliver not only a better business for our customers and colleagues, but also better returns for our shareholders.

The strategic priorities are:

1. Continue to enhance and drive successful and sustainable retail business models in a multi-channel world;
2. Leverage our scale, our knowhow, and our unique infrastructure to drive growth in value added consumer services; and
3. Continue to develop the CWS B2B division.

Looking at each of these in turn:

1. Continue to enhance and drive successful and sustainable retail business models in a multi-channel world

Our customers tell us that when buying consumer electricals they want advice to ensure they are making the right choices, particularly as these are often major purchases that customers will own for several years. The growth of the internet has empowered customers, providing instant access to information including product knowledge and price transparency.

In mobile, we are uniquely positioned in the UK & Ireland and the Nordics to provide independent advice and meet customer requirements for impartiality, comparability and flexibility, both online and in store with the Pin Point tool in the UK. In consumer electricals, single channel internet operators have a different model whose principal advantage is structurally lower costs and which have historically been able to offer competitive prices versus store-based operators. By focusing on the advantages that we, as a multi-channel specialist, can offer customers and suppliers we can eliminate the cost advantage that pure-play internet operators have historically enjoyed. As a result we are able to offer customers very competitive prices against our competitor set and still be more profitable.

There are four distinct activities that we believe are the key strengths of our multi-channel, service-based model and which will support our competitive advantage going forward:

1. Work closely with suppliers to harness benefits available to our business model: Suppliers want to ensure that

Business model and strategy

customers not only choose their brands, but also experience the benefits of the latest products. As a multi-channel operator we work with our suppliers to ensure we can explain the benefits of these products and demonstrate them to customers in our stores and our suppliers support us in this work in a variety of ways.

2. Ensure a seamless and personalised multi-channel experience for customers: We are indifferent whether our customers buy in store and / or click 'Buy' online, but the experience across these channels must be joined-up and consistent. Today all our stores are equipped with Beacon devices and we are increasingly able to gain a better understanding of consumer activity to improve their shopping experience as well as tailoring more focused customer orientated marketing activity.
3. Reduce costs: The scale of our operations across stores, ranges, logistics, distribution, repairs and services means that we can continually improve processes to reduce costs. We have removed a considerable amount of cost from the business over the last few years by making the business simpler, easier to operate and more efficient; we remain relentlessly focused on managing costs to make our business more efficient. Over the course of 2016/17 we have all but completed our UK & Ireland property plan, right sizing and revamping of 'big-box' estate into a best-in class 3-in-1 format.
4. Drive our service proposition: We need to be able to stand shoulder to shoulder with our customers and for them to know they can come to our stores and get knowledgeable advice and great service to help them buy the right product. They need to be confident that we will solve their problem quickly and efficiently. Geek Squad in the UK & Ireland and Team Knowhow in the UK & Ireland and in the Nordics offer customers services and technical support that can help them with their product throughout its lifetime. This is expanded in our second strategic priority. In consumer electricals, we do more than simply sell the product; we will also get it working and keep it working, as well as delivering it, and providing peace of mind through product support and after-sales services. The conversations our colleagues have in store with customers give us an opportunity to explain the benefits of these solutions and sell more of them than our single-channel competition.

2. Leverage our scale, our knowhow, and our unique infrastructure to drive growth in value added consumer services

We continue to expand and strengthen our proposition to customers, our service capability and our relationship with suppliers to underpin and drive even greater advantage in the markets in which we operate.

Growing complexity and interconnectivity of products means that customers are increasingly demanding help and support, not just in choosing the right product, but also installation, connection, support and repair. Our Geek Squad and Team Knowhow services are at the forefront of this in the UK and we have introduced our Knowhow services across the Nordics.

We must continue to innovate new services to help customers and to remain relevant to the way products and connectivity is evolving. Behind our end-to-end service operation we have a comprehensive infrastructure, including technical phone support, delivery, installation, repair and recycling. We can leverage this infrastructure to widen our customer base either to customers who bought their products through a third party (for example, our *fault&fix* computer service), or for business customers. By doing this we can increase the efficiency of using this infrastructure and deliver even better value services to our customers.

We are driven to provide unparalleled expertise and services to help our customers navigate the new digital era. We are focused on improving every possible aspect of the shopping journey. We want our colleagues to become famous for service and we want to retain customers for life by having exciting new stores, with the best range at great prices and providing excellent after-sales support and service. We are making excellent progress; however, we can continue to make improvements to delight customers and to outpace the competition.

3. Develop the Connected World Services division

Building on the success of PinPoint, which has been transformational in our Carphone Warehouse stores, we are now seeking to expand our honeybee platform into new categories and across all brands. Good progress has also been made in securing honeybee software contracts in the US, with Sprint and a leading device manufacturer in Canada. The honeybee proposition of simplifying the delivery and management of complex digital customer journeys has resonated well across several industries and we now have an active pipeline in the travel, general retail and finance sectors, alongside significant opportunities in our mobile heartland. To achieve global scale quickly and access new industry verticals, we have agreed partnerships with both Accenture and PwC who bring industry experience, global scale and delivery credibility.

Key Performance Indicators

Financial and operational

What we measure(1)	Why we measure	Our performance	
Headline revenue(2),(3)	The ability to grow revenue is an important measure of a brand's appeal to customers and its competitive position. It is a key measure of the Group's progress against our strategic priority to continue to enhance and drive successful and sustainable retail business models in a multi-channel world.	**2016/17** **£10,580m**	2015/16 £9,736m
Like-for-like revenue growth	Like-for-like revenue enables the performance of the Group to be measured on a consistent year-on-year basis.	**2016/17** **4%**	2015/16 5%
Market position	In line with the Group's strategy to be the leading specialist electrical and mobile retailer in Europe, this is an important measure of how well customers are being engaged by the Group's brands in each market. Retailing operations should be, or be capable of becoming, the number one specialist electrical or mobile retailer in their market.	Market-leading positions in: **UK & Ireland** **Nordics** **Greece**	
Headline EBIT(2),(3)	Continued growth of headline EBIT enables the Group to invest in its future and provide a return for shareholders. It is a key measure of progress against our strategic priority to continue to enhance and drive successful and sustainable retail business models in a multi-channel world.	**2016/17** **£517m**	2015/16 £478m
Headline profit before tax(2),(3)	Continued growth of headline profit before tax represents a measure of Group performance to external investors and stakeholders against our strategic priorities.	**2016/17** **£501m**	2015/16 £457m
Free cash flow(2)	The management of cash usage, in particular working capital employed in the business, optimises resources available for the Group to invest in its future growth and to generate shareholder value.	**2016/17** **£160m**	2015/16 £202m
Return on Capital Employed (ROCE)(3)	ROCE is a key measure of the efficiency of the capital invested by the Group and the long-term value created for our stakeholders.	**2016/17** **22%**	2015/16 21%

Shareholder

What we measure(1)	Why we measure	Our performance	
Headline basic earnings per share(2),(3) (EPS)	The level of growth in EPS provides a suitable measure of the financial health of the Group and its ability to deliver returns to shareholders each year.	**2016/17** **33.8p**	2015/16 29.3p

(1) Definitions of measurement for Key Performance Indicators are given in the glossary and definitions on pages 156 to 160.
(2) Headline performance measures are as defined in the Performance Review on pages 22 to 27.
(3) Prior year comparatives restated to remove the impact of businesses to be exited. See notes 1, 4 and 32 to the Group financial statements for details of businesses to be exited and restatement.

Principal risks to achieving the Group's objectives

The Group recognises that taking risks is an inherent part of doing business and that competitive advantage can be gained through effectively managing risk. The Group continues to develop robust risk management processes, integrating risk management into business decision-making. The Group's approach to risk management is set out in the Corporate Governance Report on pages 54 to 56. The principal risks and uncertainties, together with their potential impacts, are set out in the tables below along with an illustration of what is being done to mitigate them. These risks are aggregated by risk category.

Specific risks and potential impacts

Principal risks	Specific risks	Potential impacts
STRATEGIC RISKS		
1. Dependence on networks	• Changes in MNO strategies in relation to the Group, or more generally, and / or their performance, could materially affect the revenues and profits of the business	• Reduced revenue and profitability • Deteriorating cash flow • Reduced market share
2. Dependence on key suppliers	• The Group is dependent on relationships with key suppliers to source products on which availability may be limited	• Reduced revenue and profitability • Deteriorating cash flow • Reduced market share
3. Impact of Brexit	• Economic uncertainty and impact on consumer confidence caused by the decision of the UK to leave the European Union ('Brexit') • Further adverse exchange rate volatility • Longer term changes in tax, regulation and other frameworks that may impact our ability to operate across our European businesses	• Reduced revenue and profitability • Deteriorating cash flow
4. Greek business	• Economic uncertainty and / or possibility of Greece's exit from the Euro ('Grexit') could lead to a deterioration in consumer confidence and disposable income resulting in a significant impact on our Greek business, Kotsovolos	• Reduced revenue and profitability • Deteriorating cash flow
5. Consumer environment and sustainable business model	• Failure to respond with a business model that enables the business to compete against a broad range of competitors on service, price and / or product range • Failure to respond effectively to changes in the industry, economic and / or competitor landscape • Failure to accommodate changes in consumer preferences and behaviours	• Reduced revenue and profitability • Deteriorating cash flow • Reduced market share
REGULATORY RISKS		
6. Non-compliance with Financial Conduct Authority ('FCA') regulation	• Failure to manage the business of the Group in compliance with FCA regulation to which the Group is subject in a number of areas including the mobile insurance operations of The Carphone Warehouse Limited and the consumer credit activities of DSG Retail Limited	• Reputational damage • Financial penalties • Reduced revenues and profitability • Deteriorating cash flow • Customer compensation

Example mitigating actions and related strategic priorities

Example mitigating actions	Change in net risk in 2016/17
• Multi-year commercial agreements are in place with all the major MNOs, which align interests and drive value for both parties	This risk has remained stable over 2016/17
• Continuing to leverage the scale of operations to strengthen relationships with key suppliers and maintain a good supply of scarce products	This risk has remained stable over 2016/17
• Strategic and business planning takes into account varying economic scenarios, with ongoing monitoring by finance and senior executives • Long-term credit facilities in place • Foreign exchange hedging to mitigate impact of currency fluctuation • Long-term contingency planning to address wider regulatory and legislative changes	The risk has increased in 2016/17 following the decision to leave the EU
• Ongoing monitoring of local political and economic developments • Focus on optimising business performance and management of costs • Operation of controls over supplier funding and consumer credit arrangements to reduce risk exposure	This risk has remained stable over 2016/17
• Close scrutiny of product performance, trading results, competitor activity and market share • Use of customer insight / advocacy to monitor success of initiatives and actions • Continued focus on driving cost improvements through cost-efficiency initiatives • Ongoing evolution of our multi-channel proposition • Differentiation from competitors through strategic partner relationships, innovative propositions, and high quality customer service • Working to leverage expertise and scale to build partnerships with other retailers and businesses • Development of the Services strategy	This risk has increased in 2016/17 as uncertainty caused by the decision to leave the EU has impacted the financial markets' evaluation of the prospects for the UK economy and in particular the consumer sector
• Board oversight and risk management structures actively monitor compliance and ensure that the Company's culture puts customer outcomes first • Approved Persons perform oversight, monitoring of compliance, adherence to policy and monitoring of any required mitigating actions • Internal committees, including a dedicated FCA compliance committee, and control structures to ensure appropriate compliance (e.g. undertaking quality assurance procedures for samples of mobile phone sales) and to react swiftly should issues arise • Ongoing investment in the compliance team • Continuous review of the operation and effectiveness of compliance standards and controls with the development of control improvement plans where required • New training programmes for colleagues implemented across the retail estate	This risk has decreased over 2016/17 due to improvements over the operation and monitoring of a comprehensive control environment covering all of the Group's FCA-regulated activities

Principal risks to achieving the Group's objectives

Specific risks and potential impacts

Principal risks	Specific risks	Potential impacts
REGULATORY RISKS continued		
7. Data Protection	• Adequacy of internal systems and processes to comply with requirements of forthcoming EU General Data Protection Regulation ('GDPR') which comes into effect in May 2018 • Major loss of customer, colleague, or business sensitive data	• Reputational damage • Financial penalties • Reduced revenue and profitability • Deteriorating cash flow • Loss of competitive advantage
OPERATIONAL RISKS		
8. Information security	• Vulnerability to attack, malware, and associated cyber risks	• Reputational damage • Financial penalties • Reduced revenue and profitability • Deteriorating cash flow • Loss of competitive advantage
9. Health and Safety	• Failure to effectively protect customers and / or colleagues and / or contractors from injury or loss of life	• Employee / customer injury or loss of life • Reputational damage • Financial penalties • Legal action
10. Business continuity plans are not effective and major incident response is inadequate	• A major incident impacts the Group's ability to trade and business continuity plans are not effective resulting in an inadequate incident response	• Reduced revenue and profitability • Deteriorating cash flow • Reputational damage • Loss of competitive advantage
TECHNOLOGY RISKS		
11. IT systems and infrastructure	• Failure to appropriately invest in IT systems and infrastructure, or an inability to effectively integrate IT assets across the Group constrains the Group's ability to grow and / or adapt quickly. A key system becomes unavailable for a period of time	• Reduced revenue and profitability • Deteriorating cash flow • Loss of competitive advantage • Restricted growth and adaptability • Reputational damage

Example mitigating actions and related strategic priorities

Example mitigating actions	Change in net risk in 2016/17
• A comprehensive GDPR readiness assessment is being conducted across the Group's operations to benchmark current practices against requirements of new legislation • Existing control activities operate over management of customer and employee data in accordance with the Group's Data Protection policy and processes • Ongoing training programmes for colleagues on requirements for data protection	This risk was presented as part of the information security risk in 2015/16 and is now shown separately to reflect our focus on meeting the requirements of GDPR. The risk has remained stable over 2016/17
• Investment in information security safeguards, IT security controls, monitoring, in-house expertise and resources as part of a managed Information Security Improvement Plan • Information Security and Data Protection Committee comprising senior management in the UK & Ireland, set up with responsibility for oversight, co-ordination and monitoring of information security policy and risk • Information policy and standards defined and communicated • Ongoing training and awareness programmes for employees • Audit programme over key suppliers' information security standards • Ongoing programme of penetration testing	Our overall information security position has improved in 2016/17 following significant and ongoing management effort and investment to reduce this risk exposure
• Group Health and Safety strategy • Group Health and Safety policy • Health and Safety management / governance committee • Comprehensive set of policies and standards supporting continued improvement • Head of Health and Safety and operational Health and Safety teams located across business units and markets • Risk assessment programme covering retail, support centres, distribution and home services • Health and Safety training and development framework • Health and Safety inspection programme • Audit programme including factory audits for own brand products and third-party supply chains	This risk has decreased in 2016/17 as a result of actions initiated following a comprehensive internal review of Health and Safety processes conducted in 2015/16
• Business continuity and crisis management plans in place and tested for key business locations • Disaster recovery plans in place and tested for key IT systems and data centres • Crisis team appointed to manage response to significant events • Major risks insured	This risk has remained stable over 2016/17
• Significant investment being made in IT systems and infrastructure across the Group, supported by rigorous testing processes • Ongoing IT transformation to align IT infrastructure to future needs of the business • Individual system recovery plans in place in the event of failure which are tested regularly, with full recovery infrastructure available for critical systems • Long-term partnerships with 'tier 1' application and infrastructure providers established	The risk has remained stable over 2016/17

Principal risks to achieving the Group's objectives

Specific risks and potential impacts

Principal risks	Specific risks	Potential impacts
PEOPLE RISKS		
12. Colleague retention and capability	• Failure to attract, develop and retain quality and depth of necessary leadership, management and colleague talent • Maturing of long term incentive schemes may increase risk of higher turnover in senior management population	• Reputational damage • Reduced revenue and profitability • Deteriorating cash flow • Loss of competitive advantage
FINANCIAL RISKS		
13. Fraud	• Payment card fraud • Manipulation or misuse of Electronic Point of Sale system and / or other payment systems • Customer false identity and other 'no intention to pay' frauds in taking out network contracts	• Reduced revenue and profitability • Reputational damage

Example mitigating actions and related strategic priorities

Example mitigating actions	Change in net risk in 2016/17
• Ongoing review to ensure appropriate and effective roles, responsibilities, and accountabilities • Defined and standardised performance management frameworks in place and reward aligned to attract and retain talent • Store structures which provide a clear career path for colleagues, retaining and developing the best retail talent • Bonus plans which include components relating to both business and personal performance • Continued improvements in the quality of training courses and development programmes with specialist focus on core business areas • Development of appropriate Board succession planning, as set out in the Nominations Committee Report on pages 59 and 60	The business is subject to competition to attract and retain talent in growth areas of the business. Our exposure to this risk increased in 2016/17 as we approach the vesting date of various long term incentive plans
• Fraud prevention and detection controls • Real-time transaction monitoring • 24/7 fraud and loss prevention teams • Customer identity verification and credit checks for network contracts • Liaison with banks, card providers and MNOs to identify and mitigate opportunities for fraud • Reporting and oversight by the Audit Committee • Whistleblowing arrangements	This risk has remained stable over 2016/17

Performance review

Highlights: 12 months to 29 April 2017

- Group like-for-like revenue[3] up 4%, Statutory revenue up 9%.
- Strong profit performance:
  - Headline PBT[1] of £501 million (2015/16: £457 million), up 10%
  - Headline basic EPS[1] 33.8p (2015/16: 30.2p), statutory basic EPS 25.6p (2015/16: 14.0p)
  - Total statutory profit before tax of £386 million (2015/16: £263 million) after non-headline[1] charges of £115 million (2015/16: £194 million)
- Free cash flows[8] of £160 million (2015/16: £202 million) and net debt[9] broadly flat year-on-year at £271 million
- Final dividend of 7.75p (2015/16: 6.50p) proposed, taking total dividends for the year to 11.25p (2015/16: 9.75p), up 15% year-on-year

Headline results[1]

		Headline revenue[1]					Headline profit / (loss)[1]	
	Note	2016/17 £million	2015/16 (restated) £million	Reported rate % change	Local currency[2] % change	Like-for-like[3] % change	2016/17 £million	2015/16 (restated) £million
UK & Ireland	(4)	**6,550**	6,402	**2%**	**2%**	**4%**	**385**	371
Nordics	(5)	**3,156**	2,632	**20%**	**5%**	**1%**	**89**	79
Southern Europe	(6)	**661**	550	**20%**	**4%**	**6%**	**22**	17
Connected World Services	(7)	**213**	152	**41%**	**37%**	**N/A**	**21**	11
Group		**10,580**	9,736	**9%**	**3%**	**4%**	**517**	478
Net finance costs							**(16)**	(21)
Profit before tax							**501**	457
Tax							**(112)**	(110)
Profit after tax							**389**	347
Headline basic EPS							**33.8p**	30.2p

- In the UK & Ireland, like-for-like revenues in the full year improved by approximately 3% as a net result of sales successfully transferred from closed stores and sales disruptions

Notes.

(1) Headline results exclude amortisation of acquisition intangibles, Merger integration and transformation costs, businesses to be exited, property rationalisation costs, acquisition-related costs and other one-off, non-recurring items, net interest on defined benefit pension schemes and discontinued operations. Such excluded items are described as 'non-headline'. For further details see notes 4 and 25 to the Group financial statements. Comparatives have been restated following the classification of the iD mobile operations in the Republic of Ireland and the Sprint joint venture as businesses to be exited, and therefore included in non-headline results. For further details see note 32 to the Group financial statements.
(2) Change in local currency revenue reflects total revenues on a constant currency and period basis.
(3) Like-for-like revenue is defined in the glossary on pages 156 to 160.
(4) UK & Ireland comprises operations in the UK and Ireland and the Dixons Travel business.
(5) Nordics comprises operations in Norway, Sweden, Finland, Denmark, and Iceland.
(6) Southern Europe comprises operations in Spain and Greece.
(7) Connected World Services comprises the Group's B2B operation which leverages the specialist skills, operating processes and technology of the Group to provide managed services to third parties looking to develop their own connected world solutions.
(8) Free Cash Flow comprises cash generated from / (utilised by) continuing operations before special pension contributions, less net finance expense, less income tax paid and net capital expenditure.
(9) Net debt is defined in the glossary on pages 156 to 160.
See glossary on pages 156 to 160 for further definitions of terms.

Headline results

The performance review below refers, unless otherwise stated, to headline information for continuing businesses. Prior year comparatives have been restated to remove the results of businesses to be exited as disclosed in note 32 to the Group financial statements.

Group

Group headline revenue increased 3% on a local currency basis and 9% in Sterling terms to £10,580 million (2015/16: £9,736 million). Like-for-like revenue growth was 4%, reflecting growth across all divisions.

Headline EBIT was up 8% to £517 million (2015/16: £478 million).

Headline profit before tax was £501 million (2015/16: £457 million), with a reduced year-on-year interest charge.

UK & Ireland

Revenue in the UK & Ireland increased by 2% to £6,550 million (2015/16: £6,402 million), with like-for-like revenue for the year up 4%, benefiting by approximately 3% as a net result of sales transferred from closed stores and sales disruption. The electricals business delivered a solid result with market share gains across consumer electronics, white goods, computing and multiplay.

The mobile market was more challenging due to product safety and supply issues, limited product innovation, delays in product launches and more competitive SIMO propositions. iD in the UK continues to benefit from its differentiated proposition and innovative tariffs with the number of active customers increasing to more than 600,000 from 325,000 in the prior year.

Headline EBIT has increased 4% to £385 million. Electricals profitability growth has reflected revenue growth with margins remaining relatively flat year on year. There has been an in-year benefit of £28 million from changes in the cost profile of services provided under long-term customer support agreements[a].

Electricals growth has offset lower mobile margin caused by higher handset costs. In addition we have seen lower out of bundle spend (partly due to new EU roaming legislation) but have experienced higher average customer contract life[b] (net impact positive £21 million; 2015/16: £32 million). Changes in contractual terms for the sale of third party insurance contracts have benefited headline EBIT by £22 million[c].

We have made the decision to exit our iD mobile operations in the Republic of Ireland. The iD mobile operations in the Republic of Ireland represent a different business model to the UK, as it is a capacity MVNO with options for expanding its spectrum. This brings with it excellent control, but that comes with upfront costs and increased administration, and we believe the business will flourish faster under dedicated ownership.

Nordics

The Nordic business delivered 5% revenue growth on a local currency basis with growth across all countries. Reported revenues increased 20% to £3,156 million (2015/16: £2,632 million) benefiting from the weakness of Sterling.

Like-for-like revenue was up 1% with the difference between like-for-like growth and local currency growth predominantly reflecting new store openings, FONA store acquisitions and the contribution of Infocare, which was acquired in the prior year. Like-for-like revenue growth was helped by strong audio and mobile sales more than offsetting a decline in tablet sales.

Headline EBIT in local currency remained broadly flat year on year. Reported headline EBIT growth of 13% to £89 million reflects the translation benefit of weaker Sterling.

Southern Europe

Southern Europe had strong underlying results with like-for-like revenue up 6%, and revenue on a local currency basis up 4%. The increase was driven by the business in Greece which delivered excellent growth. Our Spanish business continues to evolve to offer multi-play, sim-only and handset propositions and move to a more flexible franchise approach in a changing market.

(a) See Note 1t) to the Group financial statements
(b) See Note 26h) to the Group financial statements
(c) See Note 1d) to the Group financial statements

Southern Europe headline EBIT was £22 million (2015/16: £17 million), up 29% benefiting from the increased revenue noted above and the relative strengthening of the Euro against Sterling.

Connected World Services

Connected World Services ('CWS') has continued to grow, delivering revenue of £213 million, up from £152 million in the prior year with headline EBIT growth of £10 million to £21 million. Year-on-year revenue and profit growth is driven by contracts with EE and TalkTalk for mobile phone insurance and the distribution of mobile, TV and broadband connectivity, as well as the honeybee platform development contract with Sprint.

On 9 June the Group announced that in light of the changing US mobile market landscape and Sprint's review of its own distribution strategy, the companies have reached mutual agreement that CWS will focus on the deployment of the honeybee platform across the entire Sprint estate and that Sprint will acquire the CWS 50% share of the distribution joint venture. The Group's share of joint venture losses (£17 million, 2015/16: £4 million), have been classified as non-headline items in accordance with the Group policy for businesses to be exited.

We continue to develop the honeybee pipeline, and have signed an agreement with WebHelp, a large French outsourcer, and a pilot call centre agreement with Capita, both of which we anticipate will deliver further agreements with new customers.

Net finance costs

Headline net finance costs were £16 million (2015/16: £21 million). The reduction in net financing costs reflects the full year benefit of lower margin on the revolving credit facility negotiated in October 2015 coupled with reduced LIBOR rates and finance income received from the loan with the Group's investment in the Unieuro operations.

Tax

The headline effective tax rate for the full year is 22% (2015/16: 24%). The rate is higher than the UK statutory rate of 20% due mainly to higher statutory rates in the Nordics, certain non-deductible items mainly in the UK and a net increase in tax related provisions in the year.

Cash and movement on net debt

Free Cash Flow

	2016/17 £million	2015/16 £million
Headline EBIT	**517**	478
Depreciation and amortisation	**152**	137
Working capital	**(104)**	(80)
Capital expenditure	**(242)**	(221)
Taxation	**(72)**	(56)
Interest	**(23)**	(31)
Other items	**2**	18
Free cash flow before restructuring items – continuing operations	**230**	245
Restructuring costs	**(70)**	(43)
Free Cash Flow	**160**	202

Performance review

Free Cash Flow before restructuring was an inflow of £230 million (2015/16: £245 million), a decrease of 6%.

The Group experienced a working capital outflow of £104 million (2015/16: £80 million), largely as a result of increased receivables balances relating to network commissions in the UK and changes in contractual terms for the sale of third party insurance contracts coupled with lower deferred income as a result of changes to the cost profile of services provided under long-term customer support agreements as discussed earlier in this report.

Capital expenditure in the period was £242 million (2015/16: £221 million). The year-on-year increase reflected spend on SWAS stores and the refit of the stores as part of the property rationalisation programme announced in the prior year, together with further investment in IT platforms and continued development in both our retail and Connected World Services businesses.

The reduction in interest paid is as a result of facility fees that were paid in H1 2015/16 and the reduction in financing costs explained above.

Restructuring costs primarily comprise the cash costs associated with the Merger, transformation activities and the property rationalisation programme noted below within non-headline items.

A reconciliation of free cash flow to cash flow from operations is presented in note 27c) to the Group financial statements.

Funding

	2016/17 £million	2015/16 £million
Free Cash Flow	**160**	202
Dividends	**(115)**	(106)
Acquisitions and disposals including discontinued operations	**(25)**	(82)
Pension contributions	**(43)**	(35)
Other items	**19**	14
Movement in net debt	**(4)**	(7)
Opening net debt	**(267)**	(260)
Closing net debt	**(271)**	(267)

At 29 April 2017 the Group had net debt of £271 million, broadly flat year-on-year to net debt of £267 million in the prior year. Free Cash Flow was an inflow of £160 million (2015/16: £202 million) for the reasons described above.

Net cash outflows from acquisitions and disposals in the current year represents cash outflows relating to the Sprint joint venture, the acquisition of Simplifydigital and the FONA stores in Denmark, offset by cash receipts in relation to the Group's previously disposed retail operations in Germany.

The increase in pension contributions reflects the agreed deficit reduction plan following the 2016 triennial valuation. Other items primarily relate to foreign exchange movements on net debt.

Statutory results

Income statement - continuing operations

	2016/17 £million	2015/16 £million
Revenue	**10,585**	9,738
EBIT	**418**	304
Net finance costs	**(32)**	(41)
Profit before tax	**386**	263
Tax	**(95)**	(84)
Profit after tax - continuing operations	**291**	179
Profit / (loss) after tax - discontinued operations	**4**	(18)
Profit after tax for the period	**295**	161
Basic EPS	**25.3p**	15.6p
Diluted EPS	**25.2p**	15.1p

Revenue increased 9% to £10,585 million due to the reasons discussed earlier in this report.

Earnings before interest and tax increased from £304 million to £418 million in the current period, largely due to the reasons discussed earlier in this report and a reduction in non-headline costs incurred in the current year which are explained later in this report.

Net finance costs have decreased by £9 million due to reduced interest on borrowings reflecting the full year benefit of lower interest rates on amounts drawn under the revolving credit facility as described above and prior year non-headline costs relating to the write off of deferred facility fees incurred as disclosed below.

The tax charge increased from £84 million to £95 million reflecting higher statutory profit in the year partially offset by the impact of the lower effective tax rate discussed above. Tax credits on non-headline items reduced as a result of lower non-headline costs incurred in the year.

Basic EPS has increased from 15.6p to 25.3p for the period due to the higher reported profit after tax. Diluted EPS has increased from 15.1p to 25.2p reflecting the increase in the reported profit after tax and the lower number of potentially dilutive shares following the post-Brexit decline in the Group share price.

Non-headline items

Statutory profit before tax of £386 million (2015/16: £263 million) includes non-headline charges of £115 million (2015/16: £194 million). These charges are analysed below. Further details can be found in note 4 to the Group financial statements.

	2016/17 £million	2015/16 £million
Businesses to be exited	(28)	(10)
Merger and transformation-related costs	(31)	(52)
Amortisation of acquisition intangibles	(34)	(40)
Property rationalisation costs	–	(70)
Acquisition-related costs	–	(6)
Share plan taxable benefit compensation	(11)	–
Unieuro income	5	–
Total non-headline items before interest and tax	(99)	(178)
Net pension interest	(16)	(16)
Total non-headline items before tax	(115)	(194)
Tax	17	26
Profit / (loss) after tax – discontinued operations	4	(18)
Total non-headline items	(94)	(186)

Businesses to be exited relates to the trading losses of the iD mobile operations in the Republic of Ireland of £10 million (2015/16: £6 million), and the share of trading losses from joint ventures of £18 million (2015/16: £4 million) (including segmental allocation of central costs of £1 million (2015/16: £nil)) for which an agreement has been reached to sell the Group's 50% interest to Sprint.

Costs incurred in relation to the Merger relate to integration costs of £18 million (2015/16: £48 million) and functional transformation costs of £13 million (2015/16: £nil). Integration costs primarily reflect professional fees, employee severance and incentive costs associated with the initial integration of the two merged businesses. During the current period functional transformation projects have commenced across the finance, procurement and human resources functions to rationalise shared service centre activities and harmonise policies and procedures across key support functions of the business. During 2015/16, Merger-related costs also included the write-off of £4 million deferred facility fees which were incurred as a result of the Merger and the financing required to facilitate the Merger at short notice.

The charge for the amortisation of acquisition intangibles was £34 million (2015/16: £40 million) with the decrease due to some of the acquisition intangibles arising on the CPW Europe Acquisition being fully amortised during the prior period.

In the prior year the Group initiated a reorganisation of its property portfolio. The costs associated with this programme recognised in the prior year of £70 million related to committed property exit costs, asset write-downs and operational costs associated with the 3-in-1 store concept roll-out across the UK & Ireland.

Acquisition-related costs in the prior period related to professional fees incurred as a result of the acquisition of Simplifydigital in the UK and Infocare in the Nordics and the revaluation of deferred consideration payable to the former shareholders of the Epoq kitchen business in the Nordics.

As discussed in the Remuneration Committee Chairmen's statement on page 61, in the event of non-vesting, compensation will be paid to participants of the Share Plan for any tax charges arising from taxable benefits from the waiver of any portion of loans granted under the scheme. Based on the current share performance it is considered probable that this liability will crystallise and therefore a provision of £11 million has been made during 2016/17.

Unieuro income relates to a special dividend to the Group to distribute the proceeds raised through the 31.8% IPO of its investment in Unieuro on the Milan stock exchange.

Net pension interest was £16 million reflecting the charge incurred in relation to the Dixons Retail UK pension scheme.

Discontinued operations

A loss of £18 million was recognised during the prior year in relation to the disposal of the Group's retail operations in Germany, the Netherlands and Portugal. In the current year, £4 million income principally relates to the write back of the previously impaired loan to Unieuro which was repaid during the year. Consistent with the original impairment this income is treated as discontinued operations.

Balance sheet

	2016/17 £million	2015/16 £million
Goodwill	3,111	3,054
Other fixed assets	973	906
Working capital	(203)	(361)
Net debt	(271)	(267)
Tax, pension & other	(555)	(472)
	3,055	2,860

The movement in goodwill is primarily due to the retranslation of currency denominated balances largely in the Nordics. Other fixed assets have increased, with the higher capital expenditure during the year exceeding amortisation and depreciation. Negative working capital has reduced in the year largely as a result of network commission receivables increasing due to favourable assumptions over future contractual receipts, increased consumer insurance commission receivables following changes in contractual terms for the sale of third party insurance contracts, a reduction in provisions due to utilisation of property related provisions in the year and increases in stock offset by increases in trade payables. Net debt has marginally increased as described above. Other net liabilities (tax, pension & other) have increased primarily as a result of the increase in the IAS 19 accounting deficit described below offset by the increase in carrying value of the joint venture and recognition of the investment in the remaining interest in Unieuro.

Performance review

Cash flow statement

	2016/17 £million	2015/16 £million
EBIT – continuing operations	**418**	304
EBIT – discontinued operations	**–**	(4)
Depreciation and amortisation	**186**	177
Working capital	**(154)**	(8)
Other operating cash flows	**(86)**	(73)
Cash flows from operating activities	**364**	396
Acquisitions	**(46)**	(59)
Capital expenditure	**(242)**	(221)
Other investing cash flows	**41**	54
Cash flows from investing activities	**(247)**	(226)
Dividends paid	**(115)**	(106)
Other financing cash flows	**(41)**	(11)
Cash flows from financing activities	**(156)**	(117)
(Decrease) / increase in cash and cash equivalents	**(39)**	53

The statutory EBIT increase and working capital outflow increase in the year are for those reasons outlined above.

Acquisition cash outflows in the current period of £46 million relate to £29 million further capital injected into the US joint venture with Sprint, £10 million deferred consideration payment for the prior year acquisition of Simplifydigital, £2 million in the Nordics in relation to the 'Epoq' kitchen business acquired in 2011/12 and £5 million for the acquisition of ten FONA stores in Denmark. The prior year reflected the final CPW Europe Acquisition deferred payment and the acquisitions of Simplifydigital and InfoCare. The increase in capital expenditure reflects those reasons outlined above.

The increase in other financing outflows is due to interest paid on and reduction in year end amounts drawn under the revolving credit facilities.

Comprehensive income / changes in equity

Total equity of the Group has increased from £2,860 million to £3,055 million primarily reflecting the total statutory profit of £295 million, the gain on retranslation of overseas operations of £76 million offset by the payment of dividends of £115 million and actuarial loss (net of taxation) relating to the defined benefit pension scheme of £123 million.

Other matters

Pensions

The IAS 19 accounting deficit of the defined benefit section of the UK pension scheme of Dixons Retail amounted to £589 million at 29 April 2017 compared to £472 million at 30 April 2016. Contributions during the period under the terms of the deficit reduction plan amounted to £43 million (2015/16: £35 million). The deficit has increased during the year as a result of changes in financial assumptions, primarily the discount and inflation rates, which determine liabilities, partially offset by an increase in underlying asset values.

Dividends

The Board declared an interim dividend of 3.5p per share, up from 3.25p per share last year. The interim dividend was paid on 27 January 2017.

We are proposing a final dividend of 7.75p per share, taking the total dividend for the year to 11.25p per share, a 15% increase on the previous year (2015/16: 9.75p). The final dividend is subject to shareholder approval at the Company's forthcoming Annual General Meeting. The ex-dividend date is 24 August 2017, with a record date of 25 August 2017 and an intended final dividend payment date of 22 September 2017.

Going concern

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position, are set out within this Strategic Report, including the risk management section. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are shown in the balance sheet, cash flow statement and accompanying notes to the Annual Report and Accounts.

The directors have reviewed the future cash and profit forecasts of the Group, which they consider to be based on prudent assumptions. Based on these forecasts, the Directors consider that it is appropriate to prepare the Group financial statements on the going concern basis.

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code 2014, the Directors have assessed the viability of the Group over a period longer than the 12 months covered by the "Going Concern" provision above.

In assessing the viability of the Group, the Directors have considered the Group's current position and prospects, risk appetite, and those principal risks and mitigating actions as described on pages 16 to 21 of the Strategic Report.

The Board concluded that a period of three years was appropriate for this assessment as it is consistent with the period of focus of the annual strategic plan and reflects a period of greater certainty over forecasting assumptions.

The strategic plan considers the forecast revenue, EBITDA, working capital, cash flows and funding requirements on a business by business basis as well as the available borrowing facilities to the Group over the assessment period and the financial covenants to which those facilities need to comply. The strategic plan has been subject to robust stress-testing, modelling the impact of a combination of severe but plausible adverse scenarios based on those principal risks facing the group. Examples include the impact of regulation or information security incidents and reduced forecast profitability and cash flow as a result in a significant change in consumer behaviour. The model assumes no further funding facilities are required over and above those currently committed to the Group as disclosed in note 18 to the Annual Report and Accounts.

Based on the results of this analysis, the Directors have an expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of their assessment. In doing so, it is recognised that such future assessments are subject to a level of uncertainty and as such future outcomes cannot be guaranteed or predicted with certainty.

Humphrey Singer
Group Finance Director
27 June 2017

Corporate Responsibility

Dixons Carphone is committed to the highest standards of corporate and social responsibility (CSR) across the Group.

It is our ambition to understand how technology can be used to tackle social issues and then leverage our skills, experience and position to support communities, connected homes and the families within them. We will do this by helping to ensure occupants are properly equipped, safe and confident to explore the connected world.

We are building a sustainable, responsible and ethical business by listening to customers, shareholders, employees and wider communities to understand expectations and make sure they are reflected in our business decisions. We recognise good sustainability practices make sound business sense, not only to benefit the environment, stakeholders and the communities in which we operate, but also to achieve our strategic priorities.

We are improving the visibility of our work across our CSR principles of people, connected community, environment and supply chain by enhancing our website, responding again to the CDP Climate Change programme and updating and making available several of our key policies.

Dixons Carphone is a member of the Government's All Party Corporate Responsibility Group and for 2017/18 we joined Business in the Community to explore and share the role of business in creating a fairer society and more sustainable future.

We are reviewing our overall long-term commitment to CSR so we focus on areas where we have the most impact as a Group. As part of this review we will be:

- Engaging more deeply with stakeholders;
- Benchmarking ourselves against our peers and best practice leaders;
- Determining what is material to us as a business; and
- Developing an approach to long term targets, strategy and reporting through a new sustainability programme called Live Earth Neutral.

We are committed to creating a great place to work and making a positive social impact, while building trust and brand loyalty across all our brands. We strive for a sustainable environment, minimal waste and optimum efficiency and operate an ethical business, valuing rights and prosperity across our value chain.

We aim to deliver transformative change through innovation, collaborate with stakeholders as partners, and directly or indirectly invest in initiatives which benefit the communities in which we operate.

Integrated activity

Our approach to corporate responsibility means taking business decisions guided by our values and code of ethics. Throughout our business, dedicated personnel drive and deliver our sustainability activities, with our Head of Corporate Responsibility helping to co-ordinate and report on progress while strategising and delivering our social impact agenda. CSR is approved and represented at Senior Management then Board level by the IR, PR and Corporate Affairs Director, where the Strategy is reviewed annually, with specific issues and activity discussed whenever necessary throughout the year.

People

Our people make us who we are, and as a business we are passionate about attracting, recruiting and retaining the best talent to help drive our growth and keep us at the forefront of innovation and outstanding customer experience.

In 2016 we launched our Graduate Scheme which saw 15 university leavers given the opportunity to establish their careers with bespoke training, on-the-job experience and management coaching. The scheme continues in 2017 with an increased intake of 19 graduates.

Our Apprentice scheme also goes from strength to strength. This year we recruited 135 new apprentices through learning providers, colleges and social media. Working across different roles, brands and functions our apprentices are providing us with a pipeline of talent and demonstrating improved rates of retention, engagement and performance.

Apprenticeships

2014/15	2015/16	2016/17	2017/18
75	75	135	Est. 200

Investing in colleague expertise

As part of our learning strategy, formal and informal training and management coaching is available to all employees to help them grow their careers. Training is in line with our business strategy and designed to create reliable experts our customers can trust.

All new colleagues follow a 90-day induction plan and every employee has regular one to one meetings with their managers, as well as twice yearly formal performance reviews where future development and career plans are considered.

In 2016/17 we recorded over 220,000 learning hours with over 80% of this completed digitally. We also run talent and leadership development programmes to develop high achievers and hone management leadership skills.

In 2017/18 we will increase volunteering opportunities through an initiative with social housing charity, Abbeyfield, so employees so can build their communication and team work skills to benefit local communities.

To strengthen trust we expect high standards in employment practices. We regularly review our comprehensive suite of employment policies and procedures, which includes anti-corruption and bribery, guidance on being family friendly, colleague dispute management, as well as diversity and equal opportunities. All employees are required to read and digitally acknowledge key company policies.

Engaging our colleagues

We are committed to communicating openly and honestly with colleagues across the Group and listen to their views. All employees are asked to participate in our annual engagement survey, Make a Difference. Administered externally and in confidence, this balanced scorecard gauges how people feel about working for Dixons Carphone and is used to monitor and improve performance, help us make decisions, and recognise success. 88% of colleagues gave their feedback in the 2017 survey, an increase of 5 percentage points from 2016.

Our people have access to innovative information channels, with an emphasis on collaboration and peer-to-peer communication. In 2016/17 we introduced two new HR platforms and following a successful launch in the Nordics, rolled out 'Workplace' by Facebook to 12,000 colleagues in the UK & Ireland. We are an early adopter of Workplace, which provides colleagues with an intuitive mechanism to engage and collaborate on projects, partake in social activities and share best practice. We plan to roll-out Workplace across the Group in 2017/18.

We will also continue to produce *360 Magazine* specifically for Team Knowhow and *Connected*, a magazine available online and in hard copy to all colleagues. This communication channel consistently receives positive feedback from recipients and holds the title of 'Best New Publication' from the Institute of Internal Communications.

Employee Benefits

Our employee benefits packages are periodically reviewed to remain attractive and conducive to the recruitment and retention of talented individuals. Colleagues are encouraged to participate in our SAYE Scheme to build a personal stake in the business. 25% of our UK & Ireland workforce are signed up to this scheme. As part of the harmonisation of benefits across the organisation, we are implementing a new benefits platform during 2017 that all UK colleagues will be able to access and see the value of the core company benefits – such as life assurance - and choose additional benefits suited to their personal needs and lifestyle, such as childcare vouchers, eye care vouchers, cycle to work scheme and dental plans.

Minimum Wage

We pay a minimum hourly rate of £7 to all colleagues in the United Kingdom under 21 + location allowance + bonus. Colleagues aged 21 and over in the United Kingdom are paid a minimum hourly rate of £7.50. In addition to basic pay we pay location allowance, where applicable, and bonus.

Equal opportunities

We are committed to equality of opportunity across all of our employment practices throughout the Group. We strive to prevent unlawful discrimination in the workplace on the grounds of sex, race, disability, sexual orientation, religion or religious belief, age, marriage and civil partnership, gender reassignment, pregnancy and maternity. We promote an honest and open environment and encourage colleagues with concerns to report issues to us either directly through line managers or via an independent, confidential integrity line.

Rainbow Award (Nordics)
In the Nordics, we were proud to win the Danish Rainbow Awards for supporting LGBT through our Valentines Campaign.

Diversity

We value the benefits a diverse workplace brings, and the importance diversity plays in achieving the right mix of skills, knowledge and experience our organisation needs to reach its potential. Diversity in terms of age and gender remains a key priority.

Across the Group

Work Level	All Employees		Senior Managers		Directors	
	Number	%	Number	%	Number	%
Male	30,518	69.54	95	74.80	9	69.23
Female	13,365	30.46	32	25.20	4	30.77
Total	43,883		127		13	

Health, Safety and Wellbeing

Our Group Health and Safety ('H&S') Policy sets control standards for key risks as well as responsibilities to our customers, colleagues and other stakeholders (franchisees, agency workers, supply chain and contractors). This Policy is widely displayed on noticeboards and acknowledged in our statutory H&S training. Our compliance with this policy is regularly audited.

Health and Safety Award 2017
We are proud to have received awards from The Royal Society for the Prevention of Accidents for our management of Retail Health and Safety and Health and Safety in our Newark Distribution Centre.

Through our employee wellbeing strategy, we aim to create a happier, healthier and more productive workforce, while reducing time off through sickness and ensuring optimum levels of energy and resilience. Employee turnover across the Group was broadly flat at 29% in 2016/17.

Corporate Responsibility

Healthy living is encouraged through corporate challenge initiatives, while on-site fitness facilities include a gym in our main support centre, shower facilities, secure bicycle storage and restaurants offering a balanced menu and range of healthy nutritionist-approved foods.

Dixons Carphone Race to the Stones 2016
Since our initial sponsorship in 2014, we have led the way in the corporate challenge space, collaborating with organisers, Threshold Sports, to transform the positioning and purpose of ultra-events into accessible ultra-experiences, attracting a diverse range of participants: from people who want to get fit, socialise, take on a new challenge or strengthen their mental wellbeing, to charities looking for a demanding and rewarding addition to their fundraising portfolio.

In 2016/17 over 2,500 participants chose to run, trek or walk 100 km along the ancient Ridgeway to Avebury Stone Circle, generating over three million Facebook impressions. 130 employees took part, raising over £36,000 for our charity partner, The Mix. Overall, £108,027 was raised for a variety of good causes and 100% of participating employees agreed our sponsorship was positive.

For 2017 we have donated 100 places to Heads Together, providing the opportunity for people affected by mental health issues to benefit from the positive aspects of participating in an endurance challenge. We are also working with our suppliers to further enhance the event experience through free demonstrations of wellness related tech and household health-related electrical items along the route.

Average to Awesome 2016
This UK wellbeing initiative focused on transforming employees' attitude to health and fitness as they prepared for the Dixons Carphone Race to the Stones. Thirteen sedentary employee volunteers were given the support of a personal trainer, nutrition plan and Fitbit accessories. After 12 weeks, we recorded their combined weight loss at 104 kg. The team all completed the 100km event and developed a strong bond. They continue positive changes to their lifestyle habits and there is evidence of wider health benefits to families and co-workers.

An Employee Assistance Programme operates 24/7 offering support for a range of issues such as stress, smoking cessation and debt management.

We participated in Mercer's 2016 *Britain's Healthiest Workplace* with approximately 500 UK employees responding to this comprehensive company-wide online survey. The results provided a benchmark for improvement for our 2017/18 workplace mental wellbeing strategy and helped us to identify further actions to protect employee welfare and improve our ranking.

Mental health management training has been introduced for HR Business Partners and all colleagues receive regular updates and information on health, resilience and wellbeing. In addition, ergonomics advice and equipment is provided to prevent musculoskeletal injuries, along with training and protective equipment for installers and delivery teams.

Ultimate Workforce
We gave specialist military units the mission to recruit, train and up-skill eleven employee volunteers during a cutting-edge wellbeing programme designed to create the Ultimate Workforce. Run with support from SONYXperia and GARMIN, this programme combined latest tech with elite military training and insights to equip participants with key skills such as first aid, influence and persuasion, weightlifting, ergonomics and orienteering.

As well as the physical health gains (the team lost 27.9 kg / 18.1% body fat and grew 17.4% muscle), their strengthened mental resilience has prepared them to be effective in any Volatile, Uncertain, Complex and Ambiguous ('VUCA') market place. Feedback from managers and participants has been remarkable, with demonstrable improvements to posture, confidence, overall outlook, interaction with stakeholders, team working, problem solving and leadership.

Connected community

Every decision we make is driven by insights and our ambition to provide unparalleled expertise and services to help customers and businesses navigate the digital era, while building brand loyalty and trust. We are committed to being a responsible member of every community we do business in: whether it's by match-funding employee fundraising, community initiatives or charity partnerships, we implement new ideas to make a positive impact locally.

Founding Partner of Heads Together

Dixons Carphone is proud to be a Founding Partner of Heads Together, a campaign spearheaded by the Duke and Duchess of Cambridge and Prince Harry. Throughout 2016/17 Heads Together made ground breaking progress in helping to end the stigma around mental health and change the conversation around mental health from fear and shame to confidence and support. Our long-term charity partner, The Mix, is one of eight charities that comprise Heads Together.

#Thereforme
This Dixons Carphone social media initiative paid tribute to individuals who had 'been there' for people during tough emotional times. Co created by Dixons Carphone and promoted in-store across the UK, it became of one Heads Together's most successful campaigns, with over 3.5 million impressions and a 'sentiment score' of 99 out of 100.

Mental Health Marathon
13 Dixons Carphone colleagues completed the London Marathon as part of #TeamHeadsTogether. Led by our Group Finance Director, Humphrey Singer, their efforts raised £33,783 for The Mix.

#DCTaking Steps
To involve all employees in our work with Heads Together, we launched Dixons Carphone Taking Steps, inviting them to pledge one positive step towards tackling the wider mental health issue – from identifying when a colleague needs someone to talk to, to volunteering or sponsoring colleagues taking physical steps to help support young people with mental health issues in corporate challenges.

Charity partnership

We continued our support of The Mix (registered charity number 1048995). Just as Dixons Carphone matches customers with the most suitable equipment and services for their needs, The Mix supports the physical and mental wellbeing of young people under 25 across the UK, whatever their issue, through the technology of their choice.

The Mix operates a free, confidential support service, available 24/7, 365 days a year, via phone, text, web, social media and counselling.

In 2016/17 we gave a total of £623,723 to The Mix, including gift in kind office and helpline accommodation and fundraising through employee events and initiatives such as our charity dinner, treks and challenges and a tennis tournament held at Queens.

Our sixteen-year support of The Mix received recognition in April 2017 when we were shortlisted for *Charity Partnership of the Year* in the Business Charity Awards. Plans to develop the partnership in 2017/18 include expanding corporate volunteering opportunities and offering an employee assistance programme for colleagues aged 25 and under.

Pennies
Pennies is a digital upgrade of the traditional charity collection box which offers customers the opportunity to make a 25p charitable donation when they pay by card at point of sale. We successfully trialled this tech in 2016/17 and anticipate a wider roll-out in 2017/18. We conservatively estimate a charitable revenue of £100,000 per annum across 300 stores (Phase 1 roll-out) and £520,000 per annum across 1,000 outlets.

Internet Matters
We joined forces with the online child safety experts to host free advice workshops on how to keep families and children safe on the internet. A series of 'Digital Drop In' events for parents were hosted in our top 70 stores and 200,000 information leaflets were distributed by our delivery drivers. This activity featured in national and local media including the Evening Standard. Google, BT, TalkTalk, Sky, BBC and Virgin Media are also partners.

Project BluPoint
This groundbreaking solar powered device transmits digital content to areas without reliable or affordable connectivity, on any handset using Wi-Fi, FM Radio or Bluetooth. We sent two teams of employee volunteers to South Africa to deploy this new invention in 16 locations where it continues to make a significant impact on the lives of over 50,000 learners and educators.

The Dixons Carphone Foundation ('Foundation')

The Group operates two charitable foundations, The DSG International Foundation, registered with the Charities Commission, and a Dixons Carphone Foundation fundraising account established under the Charities Aid Foundation ('CAF') for the benefit of the charity or charities selected by Dixons Carphone and approved by CAF. The Dixons Carphone fundraising account was set up post-Merger to deliver our ambition of improving lives through technology and facilitates employee match-funding applications and one-off donations to emergencies and disaster funds. In 2016/17 we donated £15,950 through the Charities Aid Foundation to a variety of causes. We did not transact through the DSG International Foundation in 2016/17.

Kode (Greece)
Kotsovolos is the first and only Greek retailer to create an online learning platform teaching kids how to code, 'the language of today'. With nine out of ten parents wanting their children to study programming, but only one in four schools offering this service, Kotsovolos offers an amazing opportunity for children and teens to learn to code and fulfill the growing demand for programmers.

Other charitable support

During 2016/17 employees donated £35,281 through Give As You Earn, benefiting 78 local and national causes. Colleagues also raised thousands of pounds for good causes via a variety of fundraising events and activities, which the business supports through match-funding up to £100 or £300 for teams fundraising for the same event.

Outside the UK, Elkjøp and Lefdal continued to support the Red Cross Water for Life (Vann for Livet) project, raising 780,000 NKR (£71,968). In Denmark, 65000 DKK (£8,400) raised during a Christmas Foundation was donated to local organisations chosen by employees.

Corporate Responsibility

Environment

We are fully committed to meeting our environmental responsibilities and limiting the impact of our operations in a way that is both practically and economically feasible. Our environmental policy, endorsed by the Board, covers material issues including energy consumption, carbon emissions, supply chain and operational waste. We conduct activities to address each of these areas and our progress this year is presented below.

We have established a formalised enterprise risk management process that operates at business unit and Group level and includes climate change as a risk category. At asset (store) level, climate change risks are identified as part of business contingency / continuity processes – with the identified risks mainly relating to extreme weather events.

Energy management

We recognise that the operation of our retail stores is one of our major environmental impacts and have set ourselves an ambitious energy and CO_2 reduction target to help mitigate this.

UK Energy Consumption Reduction target
Dixons Carphone has an agreed target of reducing its UK energy consumption by 30% by 2020, and corresponding CO_2 emissions by 35%.

(Measured from a 2013/14 baseline, the year prior to the merger between Dixons Retail and Carphone Warehouse)

As part of our long-term review we are considering what our longer term targets will be and whether to adopt a science-based target. To ensure we meet our reduction target by 2020, Dixons Carphone has a structured energy management programme within the UK & Ireland that provides an overarching framework of activities and projects to manage and reduce our consumption while maximising our efficiency.

The energy consumption and corresponding CO_2 emissions of our business have reduced year on year. For the UK & Ireland portfolio in isolation, we have achieved a reduction in electricity usage of 1.7% on a like-for-like basis and 10.3% on an absolute basis.

Dixons Carphone – UK&I Consumption 2015-16 v's 2016-17 (kWh)

Utility	2016/17	2015/16	Change
Electricity	**168,599,606**	187,930,892	(10.3%)
Gas	**29,882,655**	36,724,101	(18.6%)
Combined	**198,482,261**	224,654,993	(11.7%)

At Group level, overall energy consumption has decreased by 9.1%, electricity consumption has decreased by 8% and natural gas by 17.8%. The UK is the largest kWh contributor to both these reductions.

Total company-wide kWh energy consumption is as follows:

Dixons Carphone – Group Energy Consumption (kWh)

Utility	2016/17	2015/16	Change
Electricity	**279,189,910**	303,551,007	(8.0%)
Gas	**30,185,347**	36,725,630	(17.8%)
Fuel Oil for heating purposes	**246,555**	217,368	13.4%
Total	**309,621,812**	340,494,005	(9.1%)

To continue to drive down consumption we embrace the opportunities of improving our efficiency through property development, disposals, acquisitions, our own internal energy efficiency programme and, where financially viable, utilising products, equipment and suppliers with the least environmental impact.

In 2015/16 we combined the energy management reporting platform and processes of the legacy Dixons Retail and Carphone Warehouse businesses which has delivered great results for Dixons Carphone through 2016/17. This helps us manage our energy consumption through the collection and analysis of half-hourly data at individual site level and ensures optimum efficiency with minimal wastage. Through 2016/17 this work has helped mitigate consumption by approximately 1,834 MWh.

In the UK, part of our programme to drive down energy consumption in our stores includes the use of energy dashboards at site level. Both our legacy Dixons Retail and Carphone Warehouse retail sites now have access to energy dashboards as a visual display of their consumption profiles. Financial incentives are offered to business unit, facility and energy managers for meeting their energy consumption budgets or targets.

Dixons Carphone remains an active member of the Retail Energy Forum and the British Retail Consortium engaging on areas such as enhanced capital allowances for energy-efficient technologies and the Government's Electricity Demand Reduction ('EDR') scheme.

Capital Expenditure Projects

As with previous years, Dixons Carphone has invested significant sums in projects to ultimately reduce our energy consumption and improve our efficiency. LED lighting again features heavily in our 2016/17 energy efficiency programme which has seen c. £2 million invested in this technology. This year we have converted 42 large stores to LED lighting alongside a selection of large car parks and Building 2 (750,000 sq ft) of our National Distribution Centre in Newark.

Solar Photovoltaic Schemes

Following last year's successful installation of two Solar PV schemes at Coventry and Southampton, our largest roof-mounted installation to date was completed in June 2017. A 1 MWp solar scheme (over 3,600 panels) will generate approx. 940,000 kWh of electricity for our Newark National Distribution Centre, reducing the site's CO_2 emissions by over 500 tonnes per annum.

Water

We have merged our water bureau services with energy throughout the UK & Ireland to increase reporting capabilities and facilitate activities surrounding the water market deregulation.

Carbon Emissions

This section provides the emission data and supporting information required by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, Part 7: Disclosures Concerning Greenhouse Gas Emissions.

This report covers the international operations of the Group, including the UK & Ireland, Northern and Southern Europe. Operational control has been used to determine organisational boundary. All scope one and two emissions are included except where noted.

Our 2016/17 scope 1 and 2 emissions data has been independently assured to ISO 14064-3 standards.

Overall Group emissions and emissions per sq ft have decreased by over 15%.

The GHG emissions for the Dixons Carphone business are:

Ref	Category	Tonnes of CO_2e emitted 2016/17	Increase/ (decrease) %	Tonnes of CO_2e emitted 2015/16	Tonnes of CO_2e emitted 2014/15
A	Emissions from combustion of fuel[1]	**21,698**	5%	20,614	19,760
B	Emissions from the operation of any facility[2]	**2,399**	(14%)	2,797	3,661
C	Emissions from purchase of electricity[3],[4]	**88,496**	(19%)	109,534	127,607
	Total:	**112,593**	(15%)	132,945	151,028

Intensity measures
The emissions per unit area of occupied space are as follows:

Division	Tonnes of CO_2e emitted per 1,000 sq ft of floor area[5] 2016/17	Tonnes of CO_2e emitted per 1,000 sq ft of floor area 2015/16	Tonnes of CO_2e emitted per 1,000 sq ft of floor area 2014/15
Dixons Retail	**4.81**	5.76	5.73
Carphone Warehouse	**11.27**	13.75	17.41
Total	**5.33**	6.36	n/a

Notes
(1) 'Emissions from combustion of fuel' includes a proportion of private cars being used for business travel, which would be classified as Scope 3. It is not practical to exclude this data from the company's expense records so in keeping with the previous years it has been included to provide a conservative view of emissions. For a proportion of our company cars, we have moved from using claimed business mileage to fuel card purchases (litres of fuel) this year. This is more accurate but has led to a small increase in overall emissions.
(2) Refrigerant data processing methodology and exclusions:
   a. Where refrigerant top-ups are reported, we assume this covers all leakage across the area of the estate under that contractor's responsibility, so have not estimated leakage from other units where no top-ups were carried out.
   b. Refrigerant data from the Wednesbury Carphone Warehouse site is not included as the data was not available for 2015/16 and 2016/17 (although this is estimated to be significantly less than 1% of total emissions for the Group).
   c. Refrigerant top-ups across the Nordics has been estimated for 2016/17 based on the top-ups reported in 2015/16 as the data was unavailable.
   d. In previous years, some refrigerant charges for new installations were reported as leakage which has been amended for 2016/17 onwards. This accounts for most of the reduction compared to 2015/16.
(3) The electricity consumption figure includes Scope 2 generation emissions but not Scope 3 transmission and distribution losses.
(4) Electricity and gas usage is based on supplier bills. Manual gap filling was conducted for April 2017 in the UK & Ireland for smaller electricity supplies, using an average of the consumption year to date. This is because this report was due before some electricity bills had been provided by the suppliers.
(5) Overall floor area of the Dixons Carphone business is estimated to be 21,111,540 sq ft. This is split between the Dixons Retail business which is estimated to be 19,390,570 sq ft and the overall floor area of the Carphone Warehouse business which is estimated to be 1,720,970 sq ft. Carphone Warehouse floor space now includes back of house areas, contributing to the increase in this division's floor area of approximately 135,000 sq ft since 2015/16

The calculations use the methodology set out in Defra's updated greenhouse gas reporting guidance, Environmental Reporting Guidelines (ref. PB 13944), issued in June 2013 and is being independently assured.

Supply Chain

At Dixons Carphone, we work hard to understand and manage our impact in our supply chain and customer use of products. We have a strong focus on ensuring our products are sourced ethically and are taking action to address the risk of modem slavery in our supply chain.

We also see our supply chain as an opportunity to help consumers reduce their environmental footprint, offering energy-saving products such as *Hive* and *Nest*.

Ethical sourcing

We have an Ethical Sourcing Policy which reflects our commitment to acting ethically and with integrity in all our business relationships. Our Ethical Sourcing Policy is based on the Social Accountability 8000 standard, FTSE4Good criteria and takes into account the Modem Slavery Act. We also work closely with organisations such as SEDEX and the British Retail Consortium to ensure our policies and procedures remain relevant.

Our Original Equipment Manufacturer ('OEM') in Hong Kong sources many product types that are sold under our own or licensed brand names. This part of our operation is well established and has been actively engaging in ethical auditing / risk assessment for many years. We require our OEM suppliers to comply with our strict trading terms and operational procedures, and to implement and enforce effective systems and controls to meet our minimum standards in respect of Health and Safety, wages, working hours, equal opportunities, freedom of association, collective bargaining and disciplinary procedures. It is against our terms of operation to employ any forced or child labour.

Corporate Responsibility

We monitor adherence to our policies by auditing our suppliers prior to selection and on an ongoing basis. Where working practice failures have been identified, we work with suppliers to help them improve their working practices. Where this is not possible or no improvements are made, they will not be approved as a supplier, or will be delisted. During the year under review, 15 of the 25 suppliers classified as red failed to make improvements and therefore the Group did not approve them to supply our branded products or they were delisted.

The results of ethical supply chain audits carried out during the period under review are detailed below:

Performance indicators 2016/17

	Green	Amber	Red	Total	Delisted/ not approved
Audit status	33	99	25	157	15

Modern Slavery

Our Board fully supports the aims of the Act and is committed to combatting slavery and human trafficking in our business.

In the past twelve months we have made progress to map our own business and key suppliers to identify those more at risk from Modern Slavery, not just in the UK but also in all countries where the Company and its subsidiaries conduct their business.

The Board have also agreed our Modern Slavery Policy and the Company have commenced a process to introduce it to our businesses, suppliers, agents and partners.

Our Statement and Policy on Modern Slavery can be found on www.dixonscarphone.com.

Waste and recycling

We strive to deliver continuous improvements to our recycling and sustainability programme. All recyclables from our stores are backhauled to our national recycling facility at Newark. Across our estate, our 16 customer service centre depots have standardised equipment to deliver consistent grades of cardboard, plastic and expanded polystyrene to our recyclers in order to ensure we utilise the transport to a maximum and obtain the best value we can achieve for our material.

We actively encourage our employees to recycle through communication campaigns and the provision of recycling facilities at all sites.

Product responsibility

We continually pursue ways to help our customers reduce their environmental impact through providing low carbon products and offering Waste Electrical and Electronic Equipment ('WEEE') re-use schemes.

In 2017/18 we will introduce a new OEM LED light bulb range. LED bulbs use 90% less energy than traditional Incandescent bulbs and last up to 15 years so customers can save over £100 per year on their energy bills (based on 2.5 hours' per day).

Following our acquisition of Simplifydigital we now offer our customers energy switching services, including our Voltz App, which saves them money and reduces their energy consumption. We are also collaborating with SSE to support the roll-out of their smart metering to six million customers in the UK.

We have several schemes in place to encourage and enable WEEE recycling. Online customers buying white goods or a TV larger than 39" are prompted with the option to have an old appliance collected for recycling. At this point, customers can also click through to our recycling page which gives details of our free in-store take back which covers smaller electronics too. In store, our sales teams inform customers about our collection and recycling service.

This has resulted in WEEE tonnage of 67,000 tonnes being collected in 2016/17 (7.8% increase on 2015/16) which is an estimated 75,000 tonnes of CO_2 saved.

We also work with 11 UK charities who select unwanted WEEE from our Customer Service Centres which they repair and reuse to sell. This has helped households save an estimated £2,342,250 and 1,275 tonnes of CO_2 during 2016/17. This translates to a reuse percentage of 8% (1% increase on 2015/16).

In total, over 14,000 tonnes of packaging recycled (3% less than 2015/16, driven by lighter and less packaging used around products) which is an estimated 16,000 tonnes of CO_2 saved (figures from our waste management agency responsible for all cardboard, plastic, polystyrene and wood recycled across our estate).

We are also currently working on a project to improve the wood recycling process for the business and enable us to sell fuel into the UK biomass market.

Second Home (Greece)

Kotsovolos has launched a successful recycling scheme which places unwanted or used electrical appliances and devices in new homes among families who can't afford to buy new ones. The retailer collects, refurbishes and delivers devices to local authorities who redistribute them to those families in need, recycling any appliances unable to be repaired.

Re-use Innovation with HM Prisons
A three-way partnership between Dixons Carphone, DHL EnviroSolutions and WasteCare in collaboration with National Offenders Management Service ('NOMS') sees unwanted large appliances repaired in a HM Prison within purpose-built rooms. Inmates are trained in the necessary skills and then refurbish the appliances, which are sent for sale to charities and social housing projects. The prisoners are paid a weekly wage to do this. The overall objective will see an increase in the re-use rate of WEEE and reduce reoffending rates by giving inmates purposeful skills which they can use to gain employment upon release.

We actively engage to achieve a more resource-efficient economy. This year we worked with WRAP, the Waste and Resources Action Programme to support their Electrical and Electronic Equipment Sustainability Action Plan to improve business efficiency and gain greater value from re-use and recycling by setting up a WEEE trial in Cardiff.

We are also working in collaboration with Axion Consultancy to offer collection points at CurrysPCWorld stores in Stockport, White City, Bury, Bolton and Cheetham Hill. This collection accepts broken or working IT equipment, e.g. laptops, smartphones, desktop PCs, gaming devices and tablets. This is an EU-funded trial to increase the recovery of Critical Raw Materials from WEEE. The information and evidence gathered through the trials will contribute towards the development of a European-wide infrastructure plan and policy recommendations to support the increased recovery of critical and valuable materials from WEEE.

This Strategic Report was approved by the Board and signed on its behalf by:

Sebastian James
Group Chief Executive
27 June 2017

Humphrey Singer
Group Finance Director
27 June 2017

Board of Directors

Lord Livingston of Parkhead
Chairman D [1] N

Lord Livingston of Parkhead is the Chairman of Dixons Carphone and the Nominations Committee. He joined the Board as Deputy Chairman and Non-Executive Director in 2015. He was previously Minister of State for Trade and Investment from 2013 to 2015 and chief executive officer at BT Group plc from 2008 to 2013. Prior to that he was chief executive officer, BT retail and group chief financial officer of BT. He is a chartered accountant and previously held the position of chief financial officer of Dixons Group plc between 1996 and 2002, having served in a number of roles over more than a decade with the company. He is chairman of Man Group plc, a non-executive director of Belmond Ltd and a trustee of Jewish Care.

Tony DeNunzio CBE
Deputy Chairman and
Senior Independent Director N R

Tony DeNunzio CBE is Deputy Chairman and Senior Independent Director of Dixons Carphone. He is also Chairman of the Remuneration Committee and a member of the Nominations Committee. Tony joined the Board as Senior Independent Director and Non-Executive Director in 2015. He held the position of president and chief executive officer of Asda / Walmart UK from 2002 to 2005, having previously served as chief financial officer of Asda plc. He started his career in the fast-moving consumer goods sector with financial positions in Unilever PLC, L'Oréal and PepsiCo Inc. He was also previously non-executive director of Alliance Boots GmbH, chairman of Maxeda Retail Group BV, and deputy chairman and senior independent director of MFI Furniture Group plc (now Howden Joinery Group Plc). He has also been chairman of the advisory board of Manchester Business School and was awarded a CBE for services to retail in 2005. Tony is non-executive chairman of Pets at Home Group Plc, senior adviser at Kohlberg, Kravis, Roberts & Co L.P., and a non-executive director of PrimaPrix SL.

Sebastian James
Group Chief Executive D

Sebastian James was appointed Group Chief Executive of Dixons Carphone on 6 August 2014 following the merger of Dixons Retail with Carphone Warehouse. He joined Dixons in April 2008 and held various roles, including group operations director, prior to his appointment as group chief executive in February 2012. Before joining Dixons, Sebastian was chief executive officer of Synergy Insurance Services Limited and was strategy director at Mothercare plc. He started his career at The Boston Consulting Group. Sebastian is also a non-executive director of Direct Line Insurance Group plc, and a trustee of the charity Save the Children.

Key
- A Audit Committee
- D Disclosure Committee
- N Nominations Committee
- R Remuneration Committee

Andrew Harrison
Deputy Chief Executive

Andrew Harrison was appointed Deputy Chief Executive of Dixons Carphone on 6 August 2014 following the merger of Dixons Retail with Carphone Warehouse. Before this, Andrew had been with Carphone Warehouse since 1995 and became a plc board member in 2006, a role he held until the formation of the joint venture with Best Buy in 2008. Andrew played key roles in establishing the TalkTalk business and in expanding the Best Buy Mobile operation in the US. Andrew also retained responsibility for both the Carphone Warehouse and Phone House operations and in 2010 he was appointed chief executive officer of the Best Buy Europe joint venture. Following the conclusion of the joint venture in 2013, Andrew became group chief executive of Carphone Warehouse. Andrew is also a non-executive director of Ocado Group plc and a trustee of The Mix.

Humphrey Singer
Group Finance Director D

Humphrey Singer was appointed Group Finance Director of Dixons Carphone on 6 August 2014 following the merger of Dixons Retail with Carphone Warehouse. He was appointed group finance director of Dixons in September 2011, having joined its board in July 2011. Since joining Dixons in 2007, he has held a number of finance roles, namely finance director of Currys, group financial controller, and finance director of the UK & Ireland division. Prior to joining Dixons, he held a number of finance roles at Cadbury Schweppes plc and Coca-Cola Enterprises UK Limited, including finance director at the latter. Humphrey is also a non-executive director of Taylor Wimpey plc.

Katie Bickerstaffe
Chief Executive, UK & Ireland

Katie Bickerstaffe was appointed an Executive Director of Dixons Carphone on 6 August 2014 following the merger of Dixons Retail with Carphone Warehouse. She retained her responsibilities as Chief Executive of UK & Ireland for the Dixons business on merger and from 1 May 2015 assumed responsibility for the whole UK & Ireland division. Katie joined the Dixons board in February 2012 and was the chief executive of UK & Ireland for Dixons. She joined Dixons as director of marketing, people and property in June 2008. Previously, Katie was managing director of Kwik Save Limited and group retail director and group HR director at Somerfield plc. Her earlier career included roles at Dyson Limited, PepsiCo Inc. and Unilever PLC. Katie is also a non-executive director of Scottish and Southern Energy plc.

Andrea Gisle Joosen
Independent Non-Executive Director N R

Andrea Gisle Joosen was appointed as a Non-Executive Director of Dixons Carphone on 6 August 2014 following the merger of Dixons Retail with Carphone Warehouse. Andrea joined Dixons as a non-executive director on 1 March 2013. Her former roles include chairman of Teknikmagasinet AB, non-executive director of Lighthouse Group, chief executive of Boxer TV Access AB in Sweden and managing director (Nordic region) of Panasonic, Chantelle AB and Twentieth Century Fox. Her early career involved several senior marketing roles with Procter & Gamble and Johnson & Johnson. She is currently a non-executive director of ICA Gruppen AB, James Hardie Industries plc, Mr Green & Co AB and BillerudKorsnäs AB.

Tim How
Independent Non-Executive Director R

Tim How was appointed as a Non-Executive Director of Dixons Carphone on 6 August 2014 following the merger of Dixons Retail with Carphone Warehouse. Tim joined Dixons as a non-executive director on 8 September 2009 and became senior independent director on 9 May 2012. Former roles include chairman of Rayner and Keeler Limited and Enotria Wine Group Limited, senior independent director of Henderson Group PLC, and non-executive director of Peabody Capital plc. Tim served as chief executive of Majestic Wine plc, where he led the management buy-out of the business and subsequent Alternative Investment Market ('AIM') flotation. Prior to this, he was managing director of Bejam Group plc. He holds a variety of external board positions, including chairman of Woburn Enterprises Limited, senior independent director of the Norfolk and Norwich University Hospitals NHS Foundation Trust, and chairman of Roys (Wroxham) Limited.

Jock Lennox
Independent Non-Executive Director A

Jock Lennox was appointed as a Non-Executive Director of Dixons Carphone on 6 August 2014 following the merger of Dixons Retail with Carphone Warehouse and is Chairman of the Audit Committee. Jock joined Dixons Retail as a non-executive director on 10 January 2012. He is a chartered accountant and worked for over 30 years (20 years as a partner) for EY (formerly Ernst & Young) in the UK and globally. He retired from EY in 2009 and has subsequently acted as a non-executive director of a number of companies. He was previously a council member of the Institute of Chartered Accountants of Scotland. Jock is the non-executive chairman of EnQuest PLC and Hill & Smith Holdings PLC, and a non-executive director of Barratt Developments PLC.

Fiona McBain
Independent Non-Executive Director A [2]

Fiona McBain joined the Board as a Non-Executive Director on 1 March 2017. Fiona was chief executive officer of Scottish Friendly Group until December 2016, having joined the company in 1998. She was previously engaged in the finance functions at Prudential plc and Scottish Amicable. She qualified as a chartered accountant with Arthur Young (now EY) in London, working across a number of industry sectors in the UK and then in the US. Fiona is a non-executive director of Scottish Mortgage Investment Trust PLC, vice chair of Save the Children, and a trustee of the Humanitarian Leadership Academy.

Baroness Morgan of Huyton
Independent Non-Executive Director A

Baroness Morgan of Huyton is a Non-Executive Director of Dixons Carphone and joined Carphone Warehouse as a non-executive director on 28 January 2010. She was a non-executive director of Old Carphone Warehouse from 2005 to 2010, prior to the demerger with TalkTalk. Prior to this, Baroness Morgan was director of government relations at 10 Downing Street and Minister for Women and Equalities. Her former roles also include board member of the Olympic Delivery Authority and chair of Ofsted. She is currently chairman of Royal Brompton & Harefield NHS Foundation Trust and Ambition School Leadership. Baroness Morgan is a non-executive director of Countryside Properties PLC, an advisor to the board of the children's charity ARK, a board member of the Frontline Organisation, and a trustee of Education Policy Institute.

Gerry Murphy
Independent Non-Executive Director A R [3]

Gerry Murphy is a Non-Executive Director of Dixons Carphone and joined Carphone Warehouse as a non-executive director on 2 April 2014. He is a former Deloitte LLP partner and was leader of its Professional Practices Group with direct industry experience in consumer business, retail and technology, media and telecommunications. He was a member of the Deloitte board and chairman of its audit committee for a number of years and also chairman of the Audit & Assurance Faculty of the Institute of Chartered Accountants in England and Wales. Gerry is a non-executive board member of the Department of Health and a non-executive director of Capital & Counties Properties PLC.

Nigel Paterson
General Counsel and Company Secretary D

Nigel Paterson was appointed General Counsel and Company Secretary in April 2015. He has a strong background in UK and international telecoms and held several senior legal roles at BT Group plc before joining Dixons Carphone. These included general counsel of BT consumer, head of competition & regulatory law, and vice president and chief counsel for UK and major transactions. Prior to BT, Nigel was engaged as legal counsel at ExxonMobil International Limited. He trained and qualified as a solicitor with Linklaters.

1 Lord Livingston was appointed to the Disclosure Committee on 27 June 2017.
2 Fiona McBain will join the Audit Committee on 7 September 2017, subject to her election by shareholders.
3 Gerry Murphy was appointed to the Remuneration Committee on 9 May 2017.

Corporate Governance Report

Chairman's introduction

I am pleased to present my introduction to the Corporate Governance section of the Annual Report and Accounts 2016/17. We continue to devote time and effort to ensuring that our corporate governance practices and procedures remain 'fit for purpose'. I set out below how the Company is committed to good corporate governance practice and effective stewardship as the foundation of long-term shareholder value creation.

Corporate governance

Good corporate governance is at the heart of any well-run business. We review and update our Group policies and procedures regularly to ensure that they comply with best practice. Our Board policies, such as diversity, time commitment, the role descriptions of the Chairman, Group Chief Executive and Senior Independent Director, external appointments and external advice are reviewed and refreshed annually. The Board has reviewed our policies and practices against the 2016 UK Corporate Governance Code (the 'Code'), ensuring continuing alignment with best practice.

Changes to the Board

On 1 March 2017 Fiona McBain joined the Board as a Non-Executive Director. Fiona brings a wealth of experience from her career in financial services and will undoubtedly be an asset to the Board. On 27 April 2017 Graham Stapleton left the Board to become Chief Executive Officer of honeybee, the Group's software division, which will benefit greatly from his entrepreneurial leadership and expertise. On 30 April 2017 Sir Charles Dunstone stepped down as Chairman of the Board. On the same day, I was appointed Chairman of the Board and the Nominations Committee, and Tony DeNunzio CBE became Deputy Chairman and Chairman of the Remuneration Committee, in addition to his role as Senior Independent Director. The Board would like to take this opportunity to thank Charles for his enormous contribution to the Board and the business as a whole since he founded Carphone Warehouse in 1989. Tony DeNunzio, who has already made a valuable contribution to the Board, is sure to provide continued strong leadership for the next stage of the Company's success.

Role and composition of the Board

The members of the Board are as set out on pages 36 and 37 of this Report.

The Nominations Committee reviews each year the composition of the Board, including the independence and commitment to the Company shown by the non-executive directors during the year. That review encompasses all forms of diversity, including gender, professional, international and ethnic diversity. At 29 April 2017, the Board had four female directors, one of whom is based outside the UK and who provides strong support on matters relating to the European business environment.

After this year's review, it was again concluded that the Board possessed the necessary skills and experience to discharge its duties fully and to challenge management effectively.

As part of the annual reviews, the non-executive directors were asked to confirm that they continue to have enough time to dedicate to Company business and all have formally done so. As a unitary Board, the directors acknowledge their joint responsibility for the business's success. We have clearly differentiated the roles between executive management running the business and our non-executives, who provide the appropriate level of scrutiny and oversight. In this way, the directors work together to challenge as well as support each other, with the aim being effective decision-making, leadership and accountability for all aspects of the business.

Induction

The directors have continued to widen their knowledge of the business as a whole through formal presentations, visits to stores and facilities, and informal discussions. Fiona McBain participated in a tailored induction programme upon joining the Board, including meetings with key Company executives.

Board evaluation

The triennial external Board evaluation last year was followed by an internal Board evaluation this year. This evaluation involved an in-depth review of the Board's activities, the directors' interaction and their effectiveness in carrying out their roles. Further information can be found on pages 43 and 60.

Committee structure

The main committees of the Board are the Audit, Disclosure, Nominations and Remuneration committees. Each has a dedicated section in this Report. Beneath Board level there are further management level committees which report back to the Board as necessary.

Conclusion

We possess a strong, balanced and diverse Board supported by sound policies and procedures. This provides us with a good platform to grasp the opportunities that the future will bring. My fellow directors and I look forward to meeting you at this year's Annual General Meeting in September.

Lord Livingston of Parkhead
Chairman
27 June 2017

Corporate Governance statement

The Board confirms that throughout the year ended 29 April 2017 and as at the date of this Annual Report and Accounts, the Company has been fully compliant with The UK Corporate Governance Code (the 'Code').

This Report, together with the Directors' Report and the reports from the Audit, Disclosure, Nominations and Remuneration committees provide details of how the Company has applied the principles and complied with the provisions of the Code during the year. The Code can be obtained from the Financial Reporting Council's website, www.frc.org.uk.

Board responsibilities

The overriding responsibility of the Board is to provide clear, entrepreneurial and responsible leadership to the Group within a framework of efficient and effective controls so as to allow the key issues and risks facing the business to be assessed and managed.

Composition of the Board

At 29 April 2017, the Board comprised 13 members: the Chairman, four executive directors and eight non-executive directors, each of whom is determined by the Board to be independent in character and judgement and who provide effective challenge to the Board and the business. These independent non-executive directors are Tony DeNunzio CBE, Andrea Gisle Joosen, Tim How, Jock Lennox, Lord Livingston of Parkhead, Baroness Morgan of Huyton, Fiona McBain and Gerry Murphy. More than half the directors (excluding the Chairman, who at 29 April 2017 was Sir Charles Dunstone) are considered to be independent in accordance with the Code.

The Board recognises that Baroness Morgan has been a non-executive director of Carphone Warehouse since 2005 and Tim How has been a non-executive director of Dixons Retail since 2009. The Board subjected the independent status of these two directors to further and specific scrutiny. Having witnessed their continuing commitment and independent stance in their dealings with the business and their fellow directors throughout the year, the Board concluded that their lengths of tenure do not affect their independence. Nevertheless, as part of succession planning and the periodic refreshing of the Board, Baroness Morgan and Tim How will both be stepping down at this year's Annual General Meeting ('AGM').

Fiona McBain was appointed as a Non-Executive Director on 1 March 2017. She will stand for election at this year's AGM and, subject to her election by shareholders, will replace Baroness Morgan on the Audit Committee at the conclusion of the AGM.

In accordance with the Code, all directors, with the exception of Baroness Morgan and Tim How, will stand for election or re-election at the Company's AGM. Biographical information is shown on pages 36 and 37.

The division of responsibility between the Chairman and the Group Chief Executive is formally defined, set out in writing and is reviewed by the Board on an annual basis, as it was in May 2017. The Chairman is responsible for the overall operation, leadership and governance of the Board. The Group Chief Executive is responsible for the executive management of the Group's business and for implementing the Group's strategic and commercial objectives.

The role of the Senior Independent Director ('SID'), set out in writing and reviewed annually by the Board, is to support the Chairman, be available to any shareholders who feel they are unable to raise issues with the Chairman directly, and to discuss with the Chairman the results of the latter's performance review.

Corporate Governance Report

Board topics considered throughout the financial year 2016/17

2016

May
- Q4 trading statement
- Budgetary approval
- External Board effectiveness review
- honeybee update
- Banking facilities
- Financial Conduct Authority ('FCA') compliance
- Health and Safety
- Nominations Committee Terms of Reference, Role Descriptions and Board policies approval
- Corporate governance review and update
- Annual review of conflicts
- Delegation of Authority approval

June
- Preliminary announcement and annual report and accounts 2015/16
- Annual general meeting documents
- Final dividend approval
- Sprint joint venture update
- IT infrastructure, including cyber security
- Property rationalisation
- Banking facilities
- Market Abuse Regulation training
- Non-executive director fees
- Modern slavery statement approval
- Environmental matters
- Audit Committee and Disclosure Committee Terms of Reference approval

July
- Investor relations activities
- SSE and TalkTalk contracts
- Sprint joint venture update
- Brexit
- Pension scheme
- Competition law update
- CWS strategy session

September
- Annual general meeting
- Q1 trading statement
- honeybee update
- Banking facilities

November
- Insurance update

December
- Interim announcement approval
- Interim dividend approval
- Post-acquisition review
- Diversity policy and reporting
- Pensions strategy
- Group fraud policy approval
- Remuneration Committee Terms of Reference approval
- UK & Ireland strategy session

2017

January
- Christmas trading update
- Q3 trading statement
- Three-year plan
- Talent review and succession planning update
- Network relationships
- Corporate Social Responsibility ('CSR') update
- Services strategy session

March
- Finance transformation
- Risk management and risk appetite review
- iD Ireland update
- Schedule of Matters Reserved for the Board approval
- Nordics strategy session

Reserved matters

There are documented schedules of matters reserved for the Board and matters delegated to committees of the Board. The formal Schedule of Matters Reserved for the Board was last reviewed in March 2017 and includes:

- approval of published financial statements, dividend policy and other disclosures requiring Board approval;
- declaration of interim and recommendation of final dividends;
- approval of budget and Group strategy and objectives;
- appointment and remuneration of directors, Company Secretary and other senior executives;
- approval of major acquisitions and disposals;
- approval of authority levels for expenditure;
- approval of Group policies;
- approval of treasury / internal control and risk management policies; and
- approval of shareholder communications.

Chairman's responsibilities

- manage the Board;
- represent the interests of the shareholders;
- approve Group strategy, its implementation and the performance and profitability of the Group;
- seek new business development opportunities;
- effectively chair Board, Nominations Committee and shareholder meetings;
- ensure Board effectiveness in his role;
- ensure clear and effective running of the committees;
- promote, with the Company Secretary, the highest standards of corporate governance;
- facilitate effective contributions of the non-executive directors;
- ensure constructive relations between the executive and non-executive directors; and
- oversee the process of induction, development and performance evaluation and succession planning of the Board.

Group Chief Executive's responsibilities

- formulate the Group strategy and direction (with the Chairman) and develop Group objectives;
- deliver Group profitability;
- provide leadership to the Group and senior management and ensure effective performance and succession;
- ensure Group policies and procedures conform to a high standard;
- review the effectiveness of the Group's organisational structure;
- identify acquisition and disposal opportunities and other opportunities outside core activities;
- oversee management succession;
- manage Group risk profile and ensure internal controls and risk mitigation measures are in place;
- represent the Company in the City, with government departments, key stakeholders and any other relevant institutions;
- oversee the establishment of operational and support functions including finance, human resources, risk management and control functions; and
- set standards of performance throughout the Group.

Senior Independent Director's responsibilities

- be available to communicate with shareholders;
- appraise the performance of the Chairman annually with the Board;
- oversee an orderly succession for the position of Chairman;
- support the Chairman in the performance of his duties; and
- work with the Chairman, other directors and shareholders to resolve significant issues and to maintain Board and Company stability in periods of stress.

Board attendance

The Board attended eight scheduled meetings as well as four strategy sessions and three unscheduled meetings during the period under review. The Board has met twice since the year end.

Member	Appointed	Resigned	Attendance
Sir Charles Dunstone		30 Apr 2017	8 of 8
Sebastian James			8 of 8
Katie Bickerstaffe			8 of 8
Tony DeNunzio CBE[1]			7 of 8
Andrea Gisle Joosen			8 of 8
Andrew Harrison			8 of 8
Tim How			8 of 8
Jock Lennox			8 of 8
Lord Livingston of Parkhead[1]			7 of 8
Fiona McBain[2]	1 Mar 2017		1 of 1
Baroness Morgan of Huyton			8 of 8
Gerry Murphy			8 of 8
Humphrey Singer			8 of 8
Graham Stapleton		27 Apr 2017	8 of 8

(1) Lord Livingston and Tony DeNunzio were unable to attend one Board meeting each due to commitments that were planned before they joined the Board and could not be changed.
(2) Fiona McBain attended the only Board meeting following her appointment.

Corporate Governance Report

Committee members

There are four main Board committees: Audit, Disclosure, Nominations and Remuneration. The committees are provided with sufficient resources via the Company Secretary and, where necessary, have direct access to independent professional advisors to undertake their duties.

	Audit (pages 50 to 57)	Disclosure (page 58)	Nominations (pages 59 and 60)	Remuneration (pages 61 to 86)
Sir Charles Dunstone[1]			C	
Lord Livingston of Parkhead[2]		M	M	C
Tony DeNunzio CBE[3]			M	M
Andrea Gisle Joosen			M	M
Tim How				M
Jock Lennox	C			
Fiona McBain[4]				
Baroness Morgan of Huyton	M			
Gerry Murphy[5]	M			
Humphrey Singer		C		
Sebastian James		M		
Nigel Paterson		M		

C – Chairman M – Member

(1) Sir Charles Dunstone resigned from the Board on 30 April 2017.
(2) Lord Livingston of Parkhead became Chairman of the Board on 30 April 2017. He was appointed to the Disclosure Committee on 27 June 2017.
(3) Tony DeNunzio CBE succeeded Lord Livingston of Parkhead as Chairman of the Remuneration Committee on 30 April 2017.
(4) Fiona McBain was appointed to the Board on 1 March 2017.
(5) Gerry Murphy was appointed to the Remuneration Committee on 9 May 2017.

Board governance matters

The Chairman is responsible for ensuring that all directors are properly briefed on issues arising at Board meetings and that they have full and timely access to relevant information. The Company uses an electronic board paper system which enables the safe and secure dissemination of quality information to the Board. All Board and committee papers are sent out on a timely basis with sufficient information for the directors to be able to discharge their duties. The format, content and timely production of Board papers is a continually evolving process to ensure relevance and clarity of communication. Formal minutes of the Board and committee meetings are prepared by the Company Secretary, and / or his nominee, and approved by the Board and committees at their next meeting.

The Chairman meets regularly with all the non-executive directors, usually on an evening prior to a Board meeting when Board dinners are held. This provides the opportunity to discuss, amongst other matters, corporate strategy and business performance.

The Board holds meetings at a variety of the Group's locations to assist all Board members in gaining a deeper understanding of the business. This also provides senior management across the Group with the opportunity to meet the Board. This year, Board meetings were held in Sheffield, UK and Jönköping, Sweden. Visiting our various operational locations also enables the Board to meet other members of the team, and to visit stores throughout the business's portfolio.

New directors appointed to the Board receive a personal induction programme, together with guidance and training appropriate to their level of previous experience. Each director is given the opportunity to meet with senior management and store colleagues and to visit the Group's key sites. This enables familiarisation with the businesses, operations, systems and markets in which the Group operates. New directors are also encouraged to meet with the Group's auditor and advisors.

As a newly appointed Non-Executive Director, Fiona McBain was given an individual induction programme tailored to her specific responsibilities and past experience. These include her role in providing regulatory oversight to the operating board of the FCA-regulated entity and her eventual appointment as a member of the Audit Committee, subject to her election by shareholders at the AGM on 7 September 2017.

In accordance with the Code's requirement for directors to regularly update and refresh their skills and knowledge, training is provided as appropriate to individual directors and to the Board as a whole. The Board receives regular updates on governance, compliance and company knowledge in the form of training sessions from external advisors and in-house briefings from senior management. The Board has set aside time on the current Board agenda as appropriate for these training and briefing sessions to occur.

Succession planning

Last year, succession planning was identified as an area where greater focus was required. This was addressed by the refreshing of the Board and the appointment of a new Board member, Fiona McBain, with financial services experience. Planning continues for the future. In seeking an optimal balance of skills, experience, independence, knowledge and diversity required at Board level, the directors endeavour to satisfy themselves that adequate plans are in place to ensure an orderly succession of appointments to the Board and senior management. The Board reviewed in detail succession and talent management plans for senior management at the January 2017 Board meeting.

Performance evaluation

The Code recommends that the performance of the Board be reviewed externally every three years. The last external evaluation of the Board was carried out in 2015/16. This year, the Company Secretary facilitated an internal evaluation of Board performance and that of the Audit, Nominations and Remuneration committees. It was not considered appropriate to evaluate the Disclosure Committee because it was established in June 2016 and had not held its first meeting at the time the evaluation was carried out.

The review examined the level of skills, knowledge and experience of the Board which involved all directors responding to questionnaires about themselves, the Board, and its committees. A summary of the results, together with anonymised comments, was collated into a comprehensive report. The Company Secretary submitted the draft report to the Chairman and presented it to the Board for consideration at its May 2017 meeting.

The report addressed all matters relating to the performance of the Board which included, but were not limited to, the roles of the executive and non-executive directors, the Board, Board committees, preparation for and performance at meetings, the effectiveness of each director, leadership, culture, strategy and corporate governance. Due to the timing of the change in Chairmanship, the Board focused its time and attention on the role of the future Chairman and the main Board committees, succession planning and strategy planning.

The Board is of the opinion that the Chairman had no other significant commitments during the year that adversely affected his performance in his role, his effectiveness in leading the Board was not impaired and that he cultivated an atmosphere for positive, challenging and constructive debate.

Following the results of the evaluation, the Board confirms that all directors continue to be effective and demonstrate commitment to the role, including having time to attend all necessary meetings and to carry out other appropriate duties.

The conclusion of the evaluation was that there were no major areas for action. Some of the themes identified for further improvement, together with agreed associated actions, are set out in the table below:

Key areas of focus	Actions
1. Board composition, succession planning and talent management	• Continuing to focus on diversity in all its forms, including diversity of thought • Reinforcing the pipeline of future appointments of the Board and senior management
2. Stakeholder management and customer engagement	• Considering how best to utilise current performance indicators to aid and encourage further discussion
3. Format of Board meetings	• Committing more time to strategy discussions • Further increasing the frequency of informal non-executive director discussions
4. Company vision and values	• Scheduling more frequent Board discussions dedicated to this topic
5. Corporate Social Responsibility	• Greater focus on CSR topics in the Board schedule

Capital and constitutional disclosures

Information on the Company's share capital and constitution required to be included in this Corporate Governance statement is contained in the Directors' Report on pages 47 to 49. Such information is incorporated into this Corporate Governance statement by reference and is deemed to be part of it.

Corporate Governance Report

Risk and internal controls

Committed to effective risk management

The Board has overall responsibility for the Group's system of risk management and internal control and for reviewing its effectiveness.

- The Board and its various committees have defined financial authorities and operational responsibilities, which are designed to enable effective decision-making and organisational control.
- The Board has agreed a risk appetite that provides the reference point against which to benchmark risk management reviews and risk mitigation activity within the organisation. The risk appetite defines the boundaries within which risk-based decision-making can occur and outlines the expectations for the operation of the control environment.
- The Board establishes an organisation and management structure which operates across the business to enable the delivery of products and services to our customers and operational control of business activities in accordance with the risk appetite.
- The Board's composition is reviewed periodically and Board effectiveness is assessed annually in line with the Code requirements.

Effective risk management requires collective responsibility and engagement across the entire business. Dixons Carphone's senior management team, operating through the Group Risk & Compliance Committee, are accountable for:

- identifying, mitigating and managing risk in their areas of responsibility; and
- implementing and monitoring controls which are designed to mitigate the risks to which their area of the business is exposed. The controls by their nature are designed to manage rather than eliminate risk and can only provide reasonable but not absolute assurance against material misstatement or loss.

Group Risk Management Structure

Our Three Lines of Defence

The system of risk management and internal control is built around a Three Lines of Defence model:

First Line	Business units and operations that own and manage risk
Second Line	Central functions that oversee or specialise in risk management and compliance
Third Line	Assurance functions that provide independent assurance

First line of defence – Business units and operations

- Undertakes annual objective setting and performance reviews to evaluate the performance of individuals and teams against the objectives and expected standards of conduct.
- A 'How We Do Business' framework that outlines the requirements for each business unit to follow, in order to operate a control environment that satisfies legal, regulatory, Group and customer requirements in line with the corporate cultural values set by the Board.
- A minimum control environment which defines detailed financial, supplier funding, purchasing, payroll, capital expenditure, treasury, B2B, information systems, stock

management, merchandise revenue and service revenue controls to be applied by all business operations.

- Operates Health and Safety standards in line with Group policy and procedures.
- An ongoing programme of control improvement is underway in each business unit to enhance control operation.
- Additional targeted internal control improvement initiatives to enhance risk management over key risks.
- Control processes govern the Company's retail, wholesale, logistics, distribution and service operations. The operation of these processes provides comfort on the standard of our customer and service delivery.
- Each business unit maintains a risk register. Action plans are determined to enhance risk mitigation if required.
- Each business unit has a risk committee which identifies risk in accordance with the Group Risk Management Framework. These committees meet to consider risk and internal control matters for their respective areas of responsibility.
- A system of quarterly business reviews covering financial and operational reporting by each business unit, which involves comparison of actual results with the original budget and the updating of a full year forecast.
- Appropriate training is provided to colleagues as required to cover risk and compliance obligations.

Second line of defence – Central functions

- Undertakes the annual strategic planning and budgeting processes.
- Defines a delegation of authorities that cascades throughout the Group.
- Establishes a Group policy framework which contains the core compliance policies that all employees are required to observe.
- Under the direction of the Group Director of Risk, establishes a risk management policy and framework which outlines the principles and approach to risk management within the business.
- Undertakes a formal risk identification process to evaluate and manage the significant risks faced by the Group in accordance with the requirements of the Code and Financial Reporting Council Guidance on Risk Management and Internal Control. Risk is broadly identified against strategic, operational, technological, financial, people, regulatory and hazard / external categories. Details of the principal risks and examples of mitigating actions can be found on pages 16 to 21 of the Strategic Report.
- Maintains a Group risk register, which identifies the risks faced by each of the businesses, including regulated business, their potential impact and likelihood of occurrence (assessed on a gross and net basis), together with an evaluation of the key controls and management processes established to mitigate these risks.
- The Group Risk & Compliance Committee reports to the Audit Committee and meets quarterly to review the management of risk arising out of the Group's activities and to monitor the status of key risks and actions at Group and business unit level.

Third line of defence – Assurance

- An internal audit function provides the Audit Committee with an independent assessment of the Group's system of internal control, through reviewing how effectively key risks are being managed, and assists management in the effective discharge of its responsibilities by carrying out independent appraisals and making recommendations for improvement.

Sources of assurance external to the three lines of defence

- External audit conducts statutory audits of the Group and many of its subsidiary financial statements.
- Some of the Group's activities are subject to regulatory control by external bodies such as the FCA.
- The operation of a 24/7 whistleblowing hotline to enable reporting of breaches of ethical or policy requirements.

Statement on risk management and internal control

The system of risk management and internal control described in this Report was in place and effective throughout the period under review and up to the date of approval of the Annual Report and Accounts 2016/17.

The effectiveness of these systems is regularly monitored and reviewed by the Audit Committee and the systems refined as necessary to meet changes in the Group's business and associated risks.

The Audit Committee is supported by the internal audit function which provides an independent opinion on the operation of controls through the delivery of its audit programme. The system of risk management and internal control can only provide reasonable and not absolute assurance against material errors, losses, fraud or breaches of laws and regulations.

The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A description of these risks, together with details of how they are managed or mitigated, is set out on pages 16 to 21. The Board also monitored the Company's system of risk management and internal control and has, at least once a year, conducted a review of its effectiveness. The review covered all material controls during the year and up to the date of approval of the Annual Report and Accounts 2016/17 which was approved by the Audit Committee and the Board.

Corporate Governance Report

Risk appetite

Dixons Carphone faces a broad range of risks reflecting the business environment in which it operates and the risks that can arise from the operating model. Successful financial performance for the business is achieved by managing these risks through intelligent decision-making and an effective control environment that details the processes and controls required to mitigate risk.

Dixons Carphone's general risk appetite is a balanced one that allows taking measured risk as it pursues its strategic objectives whilst aiming to manage and minimise risk in its operations. The Company recognises that it is not possible or necessarily desirable to eliminate all of the risks inherent in its activities. Acceptance of some risk is necessary to foster innovation and growth within its business practices.

Internal audit

The Group has an internal audit department which conducts reviews of selected business processes each year. The internal audit programme for 2016/17 consisted of reviews across a range of areas documented and prioritised in the Group's internal audit plan, which was prepared taking into account the principal risks across the Group and approved with input from management and the Audit Committee. The three-year rolling assurance plan is designed each year to test the robustness of mitigating controls and ensure procedures are designed and operating effectively. Part of the approval process of this plan involves the Audit Committee's consideration of alignment of the plan with the principal risks faced by the Group.

The Audit Committee Chairman receives and reviews all reports from the internal audit department detailing its material findings from testing performed and any recommendations for improvement. The Audit Committee receives a summary of these reports at each meeting, with the full reports available to all members on request. The internal audit team tracks and reports on the progress and implementation of action plans agreed with management, and follow-up procedures are performed once these actions and additional controls have been put in place to ensure that the new controls and / or procedures have been implemented effectively.

The Audit Committee considered the effectiveness of the internal audit department through holding discussions with management, considering the quality of reports submitted, the timeliness of the clearance of action points and the perceived impartiality of the audit team itself. The Committee concluded that the internal audit department has in all respects been effective during the period under review.

Authorisation of conflicts of interest

The Company has procedures in place to identify, authorise and manage conflicts of interest, and these procedures have operated effectively. Potential conflicts are approved by the Board, or by two independent directors if authorisation is needed quickly, and then reported to the main Board at its next meeting. A register of directors' conflicts is maintained.

Communication with investors

The Board supports the initiatives set out in the Code and the Stewardship Code and actively encourages engagement with major institutional investors and other stakeholders. It believes that it is important to explain business developments and financial results to the Company's shareholders and to understand shareholder concerns. The principal communication media used to impart information to shareholders are news releases (including results announcements), investor presentations and Company publications.

The Group Chief Executive has principal responsibility for investor relations. He is supported by a dedicated investor relations department that, amongst other matters, organises presentations for analysts and institutional investors. There is a full programme of regular dialogue with major institutional shareholders and potential shareholders as well as sell-side analysts. In all such dialogue, care is taken to ensure that no price-sensitive information is released.

The Chairman ensures that the Board receives updates on investor relations matters at each Board meeting. The Board also receives periodic reports on investors' views of the performance of the Company. The Chairman and non-executive directors are available to meet with major shareholders if such meetings are required, and the Chairman of the Remuneration Committee communicates with major shareholders on matters of remuneration.

The Company is committed to fostering effective communication with all of its members, be they institutional investors, private or employee shareholders. The Company communicates formally to its members when its full year and half year results are published. These results are posted on the investor relations part of the corporate website, as are other external announcements and press releases.

The annual general meeting is an important medium by which the Company communicates with shareholders, at which an account of the progress of the business over the last year, along with a review of current issues facing the business, is given. Shareholders are encouraged to ask questions and the directors, including the Chairmen of the Board committees, are in attendance to answer them. In accordance with the Code, formal notification of the Company's annual general meeting is sent to shareholders at least 20 working days in advance of the meeting.

Further financial and business information is available on the Group's corporate website, www.dixonscarphone.com.

Lord Livingston of Parkhead
Chairman
27 June 2017

Directors' Report

Corporate Governance statement

As required by Rule 7.2.1 of the Financial Conduct Authority ('FCA') Disclosure Guidance and Transparency Rules ('DTR') the Corporate Governance statement is set out on page 39 of this Annual Report and Accounts. All information detailed in the Corporate Governance statement is incorporated by reference into this Directors' Report and is deemed to form part of this Directors' Report.

Disclosure Guidance and Transparency Rules

For the purposes of DTR 4.1.5R(2) and DTR 4.1.8, this Directors' Report and the Strategic Report on pages 2 to 35 comprise the management report.

Employee involvement

The Group places significant emphasis on its employees' involvement at all levels of the organisation. Employees are kept informed of issues affecting the Group through formal and informal meetings and through the Group's internal publications. The management team regularly communicates matters of current interest and concern with employees. Further information on employee engagement is included in the Corporate Responsibility Report on pages 28 to 35. Details of the employees' involvement in the Group's share plans are contained in the Remuneration Report.

Employment of disabled people

The business is committed to providing equal opportunities in recruitment, training and development, and promotion. We encourage applications from individuals with disabilities who can do the job effectively and candidates will be considered for each role they apply for. All efforts are made to retain disabled colleagues in our employment including making any reasonable re-adjustments to their roles. Every endeavour is made to find suitable alternative employment and to re-train any employee who becomes disabled while serving the Group.

Information on greenhouse gas emissions

The information on greenhouse gas emissions that the Company is required to disclose is set out in the Corporate Responsibility Report on page 33. This information is incorporated into this Directors' Report by reference and is deemed to form part of this Report.

Donations

No political donations were made during the period by the Group.

Directors

Fiona McBain was appointed as a director on 1 March 2017. Graham Stapleton resigned as a director to become Chief Executive Officer of honeybee, the Group's software division, on 27 April 2017. On 30 April 2017, Sir Charles Dunstone stepped down as Chairman. On the same date, Lord Livingston of Parkhead was appointed Chairman and Tony DeNunzio CBE was appointed Deputy Chairman and Chairman of the Remuneration Committee, in addition to his role as Senior Independent Director. In accordance with best practice, Sir Charles Dunstone did not participate in the appointment of his successor. Gerry Murphy was appointed to the Remuneration Committee on 9 May 2017. Lord Livingston was appointed to the Disclosure Committee on 27 June 2017. Baroness Morgan and Tim How will step down from the Board at the conclusion of the Annual General Meeting ('AGM') on 7 September 2017.

The names, biographies and dates of appointment of the current Board of Directors are provided on pages 36 and 37.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association ('Articles'), the UK Corporate Governance Code (the 'Code'), the Companies Act 2006 (the 'Act') and related legislation.

The Articles themselves may be amended by special resolution of the shareholders. The Board has the power to appoint new directors to fill a vacancy as long as the total number of directors shall not exceed the maximum of 15 as set out in the Articles. Any director appointed by the Board will be appointed until the next annual general meeting where they shall stand for election by shareholders.

In line with best practice and the Code, the Company has determined that all directors will retire and offer themselves for election or re-election on an annual basis. The Remuneration Report provides details of applicable service agreements for executive directors and terms of appointment for non-executive directors. All the directors proposed by the Board for either election or re-election are being unanimously recommended for their skills, experience and contribution they can bring to the Board. This recommendation follows an internal performance evaluation of the Board, its committees, and the contribution of individual directors.

During the year, no director had any material interest in any contract of significance to the Group's business. Their interests, including those of any connected persons, in the shares of the Company are outlined in the Remuneration Report.

Subject to the Company's Articles, the Act and any directions given by the Company by special resolution, the business of the Company will be managed by the Board which may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. The matters reserved for the Board are detailed in a specific schedule, which is reviewed annually and details are provided in the Corporate Governance Report.

Directors' Report

Directors' indemnities and insurance

The Company has made qualifying third-party indemnity provisions (as defined in the Act) for the benefit of its directors during the year; these provisions remain in force at the date of this Report.

In accordance with the Articles, and to the extent permitted by law, the Company may indemnify its directors out of its own funds to cover liabilities incurred as a result of their office. The Group holds directors' and officers' liability insurance cover for any claim brought against directors or officers for wrongful acts in connection with their positions. The insurance provided does not extend to claims arising from fraud or dishonesty.

Information required by Listing Rule 9.8.4R

Details of long term incentive schemes as required by Listing Rule 9.4.3R are located in the Directors' Remuneration Report on pages 61 to 86. Details of dividends waived by shareholders are given on page 49 of this Directors' Report. There is no further information required to be disclosed under Listing Rule 9.8.4R.

Directors' responsibilities

The directors' responsibilities for the financial statements contained within this Annual Report and Accounts and the directors' confirmations required under DTR 4.1.12 are set out on page 87.

Capital structure

The Company's only class of share is ordinary shares. Details of the movements in issued share capital during the year are provided in note 22 to the Group financial statements. The voting rights of Dixons Carphone shares are identical, with each share carrying the right to one vote. Dixons Carphone holds no shares in treasury.

Details of employee share schemes are provided in note 5 to the Group financial statements. Following the Merger, the Dixons Carphone plc Employee Benefit Trust ('EBT') was established on 12 August 2016, after which the assets held in the two legacy Employee Share Ownership Trusts ('ESOT's), being the Carphone Warehouse ESOT and the Dixons Retail ESOT, were transferred into the EBT. The ESOTs were terminated on 16 September 2016 and 28 September 2016 respectively. On 29 April 2017 the EBT held 461,367 shares. The EBT did not undertake any market purchases of the Company's shares during the year under review.

Restrictions on transfer of securities of the Company

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Change of control – significant agreements

All of the Company's share incentive scheme rules contain provisions which may cause options and awards granted under these schemes to vest and become exercisable in the event of a change of control.

The Group's main committed borrowing facility has a change of control clause whereby the participating banks can require the Company to repay all outstanding amounts under the facility agreement in the event of a change of control. The Company is not aware of any other significant agreements, such as commercial contracts and property lease arrangements etc, to which it is party, that take effect, alter or terminate upon a change of control in the Company.

Furthermore, the directors are not aware of any agreements between the Company and its directors or employees that provide for compensation for loss of office or employment that occurs in the event of a takeover bid.

Significant shareholdings

At 29 April 2017, pursuant to Chapter 5 of the FCA's DTR, the shareholders with 3% or more in the voting rights of the Company are:

Name	Number of shares	Percentage of share capital
Standard Life	81,597,144	7.08%
BlackRock	62,515,960	5.42%
Lansdowne Partners	57,675,527	5.00%
D P J Ross	55,738,699	4.83%
Legal & General Investment Management	43,359,831	3.76%
Newton Investment Management	41,792,133	3.62%
Capital Group	35,711,000	3.10%

At 27 June 2017, no change in these shareholdings had been notified.

Directors' interests in the Company's shares and the movements thereof are detailed in the Annual Remuneration Report on pages 74 to 86.

Dividend

The Board has proposed a final dividend for the year ended 29 April 2017. Details of this and other dividends paid for the year are as follows:

	Year ended 29 April 2017	Year ended 30 April 2016
Interim dividend	**3.50p**	3.25p
Final dividend	**7.75p**	6.50p
Total dividends	**11.25p**	9.75p

The right to receive any dividend has been waived by the trustees of the Company's EBT over a combined holding of 461,367 shares.

Issue of shares

In accordance with section 551 of the Act, shareholders can authorise the directors to allot shares in the Company up to one third of the issued share capital of the Company. Accordingly, at the annual general meeting in 2016 shareholders approved a resolution to give the directors authority to allot shares up to an aggregate nominal value of £383,820. The directors have no present intention to issue ordinary shares, other than pursuant to obligations under employee share schemes. This resolution remains valid until the conclusion of this year's AGM.

Authority was given by the shareholders at the annual general meeting in 2016 to purchase a maximum of 115,146,133 shares, such authority remaining valid for 15 months or until the conclusion of the Company's AGM in 2017. The authority was not exercised during the period or prior to the date of this Report. The Company will seek the usual renewal of this authority at the forthcoming AGM but has no current intention to make such purchases.

Use of financial instruments

Information about the use of financial instruments is given in note 26 to the Group financial statements.

Post-balance sheet date events

Events after the balance sheet date are disclosed in note 33 to the Group financial statements.

Auditor

Each director at the date of approval of this Annual Report and Accounts confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Act.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming AGM.

Certain information required to be included in this Directors' Report may be found within the Strategic Report.

By Order of the Board

Nigel Pah

Nigel Paterson
Company Secretary
27 June 2017

Audit Committee Report

Chairman's statement

Introduction

I am pleased to present the Report of the Audit Committee for the year ended 29 April 2017. In this covering letter I set out our key areas of activity in delivering on our objective of ensuring that Dixons Carphone's financial reporting and risk management systems of internal control are effective and appropriate.

This year the Committee has continued to oversee the improvement of reporting and controls as well as responding to specific matters that have arisen. The assurance activities encompass, in proportionate measure, non-regulated and regulated operations, the international footprint and the risk profile of the Group. We have also considered the Terms of Reference and workings of the Risk & Compliance Committee.

Key activities

The Committee's work, carried out during the year, included:

- fully considering the requirements of the Code and its application to the Annual Report and Accounts 2016/17;
- considering significant accounting and reporting judgements, including the appropriateness of the Group's going concern position and longer term viability statement, more information on which can be found on pages 26 and 27;
- considering and recommending that the Annual Report and Accounts 2016/17, when taken as a whole, are fair, balanced and understandable;
- reviewing the effectiveness of the risk management system and internal controls, operated by management;
- reviewing all correspondence from and to the Financial Reporting Council ('FRC') following a request for further information on certain aspects of the annual report and accounts for 2014/15. Further information can be found on page 52;
- providing oversight of the businesses regulated by the FCA, including reviewing reports from the FCA Compliance Committee ('FCACC');
- considering internal audit reports;
- receiving presentations and subsequent updates from management on such matters as finance transformation programme, UK & Ireland vendor management, data protection, and IT strategy and governance; and
- monitoring the robustness of the information security environment and its vulnerabilities, and the longer term strategic transformation of the Company's information security capabilities.

Looking ahead

Fiona McBain was appointed as a Non-Executive Director on 1 March 2017. As you will note from her biography on page 37, Fiona brings a wealth of regulated sector experience, as well as significant general management and finance expertise. The Company also announced that Baroness Morgan will be stepping down as a Non-Executive Director at the Company's AGM in September 2017, to be succeeded by Fiona on the Company's Audit Committee. I wanted to take the opportunity to thank Sally for her valuable contributions to the Audit Committee and to welcome Fiona.

As the Group continues to develop the business in line with its strategy and business plans, the Committee continues to adapt its focus in providing support and oversight in key and evolving areas of financial reporting and risk management and has requested management to prepare and present its assessment of the structure, governance and control environment of the Services business.

The work programme will be responsive to the changing risk landscape, the developing business model, the regulatory environment, and the changing shape of the systems (including IT) architecture. The risk assessment has been prepared and updated by the Group's management at all levels. We are mindful of the need to remain vigilant as we know that not all risks can be eliminated, as articulated in the risk appetite statement.

I will be in attendance at the forthcoming AGM and will be available to talk to you then. In the meantime, if you have any questions, please do get in touch.

Jock Lennox
Chairman of the Audit Committee
27 June 2017

Members

In compliance with the Code, the Committee continues to consist exclusively of independent non-executive directors, who, along with their attendance at scheduled meetings, are set out in the table below. Biographical details on each member can be found on pages 36 and 37.

Meetings

The Committee met four scheduled times during the period under review. Since the year end there have been two further meetings. All eligible members attended each of the meetings during which they were a member of the Committee. The Group Chief Executive, Group Finance Director, Group Director of Internal Audit, other senior management and representatives of the Company's external auditor (Deloitte LLP) attended the relevant Committee meetings by invitation.

Current members	Scheduled meetings
Jock Lennox (Chairman)	4 of 4
Baroness Morgan of Huyton	4 of 4
Gerry Murphy	4 of 4

The Board continues to be satisfied that the Chairman of the Committee, a member of the Institute of Chartered Accountants of Scotland, and Gerry Murphy, a member of the Institute of Chartered Accountants in England and Wales, both meet the requirement for recent and relevant financial experience. The Company Secretary, or his nominee, acts as Secretary to the Committee and attends all meetings. The Committee's deliberations are reported by its Chairman at the subsequent Board meeting and the minutes of each meeting are circulated to all members of the Board following approval.

In order to allow discussion of private matters, which the auditor may wish to raise, at each meeting, discussion may be held between the Committee members and the external auditor without the presence of management. If appropriate, a discussion may be held between Committee members, the external auditor and the Group Director of Internal Audit.

In undertaking its duties the Committee has access to the services of the Group Director of Internal Audit, the Group Finance Director, the Company Secretary, and their respective teams, as well as external professional advice as necessary. In addition the Chairman meets separately with the external auditor and the Group Director of Internal Audit outside of formal meetings and without management present.

Baroness Morgan will be stepping down as a Non-Executive Director at the Company's AGM in September 2017. Fiona McBain, the Company's new Non-Executive Director, will be joining the Company's Audit Committee, subject to her election by shareholders at the AGM. Fiona McBain is a member of the Institute of Chartered Accountants in England and Wales.

External advice

The Board makes funds available to the Committee to enable it to take independent legal, accounting or other advice when the Committee believes it necessary to do so.

Responsibilities

The Committee assists the Board in fulfilling its oversight responsibilities by acting independently from the executive directors. There is an annual schedule of items which are allocated to the meetings during the year to ensure the Committee covers fully those items within its Terms of Reference. These items are supplemented throughout the year as key matters arise.

The principal duties of the Audit Committee are:

Accounting and financial reporting matters

- monitoring the integrity of the interim statement and annual report and accounts and any formal announcements relating to the Group's financial performance;
- reviewing significant financial reporting judgements and accounting policies;
- advising the Board on whether, as a whole, the annual report and accounts are fair, balanced and understandable;
- considering the going concern statement;
- considering and reviewing the statement of the Company's viability over a specified period;

Risk management and internal control

- reviewing the Group's financial controls and internal control effectiveness and maturity;
- reviewing the Group's risk management systems and risk appetite;

Internal audit

- monitoring and reviewing the effectiveness of the Company's internal audit function;
- considering whistleblowing arrangements by which employees may raise concerns about possible improprieties in financial reporting or other matters;
- considering the major findings of internal investigations;

External audit

- considering recommendation of the external auditor's appointment to the shareholders in general meeting and approving their remuneration;
- reviewing the results and conclusions of work performed by the external auditor;
- reviewing and monitoring the relationship with the external auditor, including their independence, objectivity, effectiveness and terms of engagement;

General matters

- any specific topics as defined by the Board; and
- referring matters to the Board which, in its opinion, should be addressed at a meeting of the Board.

The Terms of Reference of the Committee were last reviewed and adopted by the Board in May 2017 and are available on the Group's corporate website, www.dixonscarphone.com. The Terms of Reference reflect all the recent legislative and regulatory changes as well as recently published best practice guidance.

Audit Committee Report

Key matters considered during the year

Accounting and financial reporting matters

The Committee is responsible for considering reports from the external auditor and monitoring the integrity of the interim statement and annual report and accounts in conjunction with senior management. During the year ended 29 April 2017, consideration was given to the suitability and application of the Group's accounting policies and practices, including areas where significant levels of judgement have been applied or significant items have been discussed with the external auditor.

Accounting and financial reporting matters	Matters considered and how the Committee discharged its duties
Going concern and viability statements	• The Committee reviewed the processes and assumptions underlying both the going concern and longer term viability statements made on pages 26 and 27 of the Annual Report and Accounts. • In particular the Committee considered: – management's assessment of the Group's future cash forecasts, profit projections, available financing facilities, facility headroom and banking covenants; – the appropriateness of the three-year time period under assessment, noting the alignment of the period with the Company's strategic planning process, as well as the shorter-term nature of the retail market which the Company operates in; and – the robustness and severity of the stress-test scenarios with reference to the Group's risk register, those principal risks and mitigating actions as described on pages 16 to 21 to the Annual Report and Accounts 2016/17, the latest Board-approved budgets, and indicative headroom under the current facilities available – examples of which included the impact of regulatory or information security incidents, and reduced forecast profitability and cash flow as a result of a significant change in consumer behaviour. • The Committee concurred with management's conclusions that the viability statement, including the three-year period of assessment, disclosed on pages 26 and 27 of the Annual Report and Accounts 2016/17 is appropriate. The Board was advised accordingly.
FRC review	• In March 2016 the Group received a letter from the FRC requesting further information following a review by the FRC of the 2014/15 annual report and accounts. The questions raised principally related to certain aspects of accounting and disclosure arising from the Merger of Dixons Retail and Carphone Warehouse in August 2014 and revenue recognition associated with network commission receivable. • The Audit Committee reviewed and approved the Group's responses to the FRC. The Group's correspondence with the FRC closed satisfactorily with agreement on enhanced disclosures but no changes to the reported results or changes in the valuation or timing of revenue recognition. The Group included further information in relation to the Merger, including enhanced pro forma reconciliations and key judgements, in the annual report and accounts 2015/16. • Notes 26h), 1e) and 1t) in this year's Annual Report and Accounts further build on the enhanced disclosure in relation to the judgements, estimates and risks associated with the valuation of network commission receivable provided in the annual report and accounts 2015/16.
Fair, balanced and understandable	• In ensuring that the Group's reporting is fair, balanced and understandable, the Committee reviewed the classification of items between headline and non-headline, including consideration of the £115 million pre-tax non-headline charges disclosed in note 4 in the Group financial statements, including tax impact thereon. The assessment considered whether items fell within the Group's definition of non-headline as well as the consistency of treatment of such items year on year. • In addition the Committee gave due consideration to the integrity and sufficiency of information disclosed in the Annual Report and Accounts 2016/17 along with other relevant matters to ensure that they explained the Group's position, performance, business model and strategy. An assessment of narrative reporting was included to ensure consistency with the financial reporting section, including appropriate disclosure of material one-off items, and appropriate balance and prominence of statutory and non-statutory performance measures. In response to the guidelines on Alternative Performance Measures ('APMs') issued by the European Securities and Markets Authority ('ESMA') the Committee considered the use of such measures and the additional information on those APMs used by the Group provided in the glossary on pages 156 to 158. • The Committee concluded that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and that the measures used and disclosures provided were appropriate to provide users of the Annual Report and Accounts 2016/17 with a meaningful assessment of the performance of the underlying operations of the Group; the Board was advised of the conclusion.

Matters of significance and areas of judgement

The Committee received reports and recommendations from management and the external auditor setting out the significant accounting issues and judgements applicable to the following key areas. These were discussed and challenged, where appropriate, by the Committee. Following debate, the Committee concurred with management's conclusions.

Matters of significance and areas of judgement	Matters considered and how the Committee discharged its duties
Revenue recognition	• Revenue recognition is considered to be a critical accounting policy and the judgements are set out in notes 1e) and 1t) of the Annual Report and Accounts 2016/17. Key components of judgement are largely in relation to the recognition of network commission receivable. • The Committee reviewed management's assessment of these policies with reference to contractual terms, the Group's historical experience of customer behaviour and information received from MNOs. Particular attention was paid to the consistency of application of the underlying assumptions used, significant changes in inputs to the valuation model, historical forecasting accuracy and the sensitivity to the carrying value of ongoing network receivables recognised to changes in key assumptions and the disclosure of the impact of changes in assumptions as presented in note 26h) in the Group financial statements. The carrying value of ongoing network commission receivables at the balance sheet date was £1,014 million (2015/16: £904 million).
Supplier funding	• A number of arrangements exist relating to supplier funding across the Group, including promotional support and volume rebates. The Committee has continued to challenge and debate with management its approach to supplier funding, and its recognition and accounting treatment. In addition the Committee continues to monitor the effectiveness of the controls in place to mitigate the risk of material misstatement of supplier funding recognition; no major issues were noted. Further information in relation to supplier funding can be found in note 1d) in the Group financial statements.
Level at which goodwill is monitored and impairment testing performed	• During the year, management has reassessed the level at which the goodwill previously related to the UK & Ireland operations of Carphone Warehouse and Dixons is monitored, and therefore under IAS 36 'Impairment of Assets' the level at which groups of cash generating units ('CGUs') have been aggregated for goodwill impairment testing. The Committee reviewed a detailed paper prepared by management outlining the rationale for the change in the current year, which included the impact of the continued integration activities within the UK & Ireland following the Merger, roll-out of 'store-within-a-store' operations, the integration of finance and operational management, and the combined reporting of results for management reporting purposes. • The Committee concurred with management that the aggregation of CGUs at the UK & Ireland level is appropriate for goodwill impairment testing purposes. Total goodwill and intangibles allocated to the UK & Ireland group of CGUs amounted to £2,066 million at the balance sheet date (2015/16: £2,065 million).
Taxation	• The Group operates across multiple tax jurisdictions. The complex nature of tax legislation in certain jurisdictions can necessitate the use of judgement. • The Committee reviewed the judgements and assumptions concerning any significant tax exposures, including progress made on matters being discussed with tax authorities and where applicable advice provided by external advisors. The total provisions recognised at the balance sheet date amounted to £66 million (2015/16: £54 million).

Audit Committee Report

Risk management and internal control

The Committee is responsible for reviewing the Group's risk management and internal control systems. Details of the overall risk management and governance policies and procedures are given in the Corporate Governance Report on pages 38 to 46 of this Annual Report and Accounts. The Committee reviewed management's assessment of risk and internal control, results of work performed by the second lines of defence and internal audit, and the results and controls observations arising from the annual audit and interim review procedures performed by the external auditor. The Committee also ensures that all topics are appropriately covered, as defined by its Terms of Reference, with deep-dives of risk topics scheduled throughout the year to ensure good visibility of any potential areas of concern. Specific matters considered by the Committee to discharge its duties are detailed below:

Risk management and internal control	Matters considered and how the Committee discharged its duties
Regulated activities	• The Committee reviewed the nature of financial services regulated activities across the global business operations and the governance and oversight arrangements for the operation of an effective FCA compliance regime in the business. The Committee considered compliance and regulatory reports prepared by the FCA Compliance Committee and monitored key developments and ongoing activities for the compliance team in areas of governance, policy and compliance monitoring. • The Committee was reassured that the compliance programme was being embedded throughout the Group, noted current arrangements at both Group and local levels and concurred with the business plans for further investment in centralised compliance capability.
Information security and IT controls framework	• The Committee regularly reviews the progress of the ongoing information security improvement programme and periodically considers and reviews the IT controls framework and related improvement initiatives progressed by the management team, in order to ensure that appropriate actions were taken. An update of the progress made against this programme has been requested by the Committee in 2017/18.
Data protection	• The Committee reviewed data protection throughout the Group, particularly the implementation of the new EU General Data Protection Regulation ('GDPR'). • The Committee concurred with the business's plans to undertake a comprehensive GDPR Readiness Assessment and has requested management to present their findings and recommendations in the coming year.
Whistleblowing arrangements	• The Committee reviewed twice yearly a summary of all whistleblowing calls received by the Group, both through the independently operated hotline and other channels. • The Committee confirmed that the calls had been appropriately dealt with (both individually and in aggregate) in accordance with the Group's Whistleblowing Policy.
Internal controls	• As per the obligations placed on the Audit Committee under the Code, the Committee formally considered a review of the system of risk management and internal control. The Committee noted developments in the system of risk management and internal control, management plans for 2017/18 and agreed the statements contained in the Annual Report and Accounts 2016/17.

Internal audit

Internal audit represents an independent assurance function within Dixons Carphone, providing services to the Audit Committee and senior management. Its remit is to provide independent and objective advice to facilitate, influence and assist the organisation. It does this by evaluating and improving the effectiveness of risk management, control and governance processes.

Whilst management is responsible for establishing and maintaining an appropriate system of risk identification and internal control, and for the prevention and detection of irregularities and fraud, internal audit supports management in the assessment and mitigation of risks, as well as reporting on the effectiveness of the systems of internal control as operated by management.

Internal audit	Matters considered and how the Committee discharged its duties
Audit reviews of significant risk areas	• During the period the following significant risk areas of the business were included within internal audit reviews: – Health and Safety; – information security and data protection; – IT resilience, integrity and disaster recovery; and – regulatory compliance. • The Committee considered the key trends and major findings of internal audit's work and the adequacy of management's proposed actions in relation to those findings. • The Committee concurred with management's assessment that the actions were both adequate and achievable.
Assurance programme	• As part of the three-year rolling assurance programme, audits were performed over the following financial processes to provide assurance to the Committee that controls were operating within these areas: – the Group's treasury activities, including accounting for foreign exchange; – purchasing and accounts payable controls in both UK & Ireland and the Nordics; – UK & Ireland iD revenue controls; – Nordics capital expenditure controls and processes; and – general business controls in the Carphone Warehouse business, Ireland, the Sprint joint venture and the Rotterdam insurance hub. • The Committee used the audit results to review the effectiveness of the system of internal control operated by management. The Committee concluded that the system of internal controls was appropriately monitored and managed.
Effectiveness of internal audit and adequacy of its resources	• Whilst considering any significant issues arising from the results of the audits shown above, the Committee also formally reviewed the effectiveness of internal audit and the adequacy of its resources. • The Committee concluded that the internal audit function was effectively performing its duties in accordance with its agreed charter.

Audit Committee Report

External audit

The external auditor is appointed by shareholders to provide an opinion on the annual report and accounts and certain disclosures prepared by Group management. Deloitte LLP acted as the external auditor to the Group throughout the year. The Committee is responsible for oversight of the external auditor, including approving the annual audit plan and all associated audit fees. The key matters in relation to external audit that were considered by the Committee were:

External audit	Matters considered and how the Committee discharged its duties
Effectiveness of the external auditor	• The Committee reviewed and agreed the annual audit plan, specifically considering the appropriateness of the key risks identified and proposed audit work, the scope of the audit and materiality levels applied which are detailed in the Independent Auditor's Report on pages 88 to 94. • As part of the reporting of the half year and full year results the Committee reviewed the reports presented by Deloitte in assessing the Group's significant accounting judgements and estimates and considered the audit work undertaken, level of challenge and quality of reporting. • Feedback on the effectiveness of the audit process in addressing areas of key audit risk was obtained from members of the Committee and regular attendees, members of the finance team and senior management within the businesses via a specifically designed questionnaire. The responses were then considered by the Committee in conjunction with the outputs received and responsiveness of the auditor during the audit process. The results showed a favourable view of the audit process and of Deloitte LLP as the external auditor, specifically in relation to the consistent performance noted for quality of audit delivery, integrity and service of the team, the constructive relationship and the effectiveness of the communication. • Following due consideration of the above, the Committee continues to be satisfied with the quality and effectiveness of the audit.
Auditor independence	• The Committee considered the external auditor's assessment of and declaration of independence presented in the annual audit plan and final audit report, and those safeguards in place to make such declarations. • The Committee considered the annual audit fee and fees for non-audit services, with due regard to the balance between audit and non-audit fees and the nature of non-audit fees undertaken in accordance with the policy as set out on the facing page. • The Committee has reviewed the Group policy on the employment of former employees of the external auditor.

Policy on provision of non-audit services provided by the external auditor

Under the Company's policy on auditor independence, auditors may only provide services which include:

a) audit services comprising issuing audit opinions on the Company's consolidated financial statements and on the statutory financial statements of subsidiaries and joint ventures;

b) audit-related services comprising review of the Company's consolidated interim financial statements, and opinions / audit reports on information provided by the Company upon request from a third party such as prospectuses, comfort letters and rent certificates, etc; and

c) services otherwise required of the auditor by local law or regulation.

Any exceptions are subject to pre-approval by the Group Finance Director, and such permission is only granted in exceptional circumstances. Where the non-audit assignment is expected to generate fees of over £100,000, prior approval must be obtained from the Committee.

During the period under review, the non-audit services performed by the external auditor primarily arose from the interim financial review procedures and the requirement in Greek law for the external auditor of the company to provide certain taxation services. The Committee has reviewed the services performed by the external auditor during the year and is satisfied that these services did not prejudice the external auditor's independence and that it was appropriate for them to perform these services.

The level of non-audit fees paid to the external auditor, which was approved by the Committee, is set out in note 3 of the Group's financial statements and amounted to £0.3 million (2015/16: £0.4 million) compared with £1.8 million (2015/16: £1.5 million) of audit fees. The non-audit fees as a percentage of audit fees was 17% (2015/16: 28%), which reflects the restrictive policy governing the use of Deloitte LLP for non-audit services.

Consideration of auditor appointment and independence

The Committee continues to consider the appropriateness of the re-appointment of the external auditor, including rotation of the audit partner. Deloitte LLP has been the Company's external auditor since August 2002, prior to Carphone Warehouse's demerger from TalkTalk. Deloitte LLP was also the external auditor of Dixons Retail. The lead audit partner, John Adam, completed his five-year term last year and was succeeded by Stephen Griggs, in accordance with the Auditing Practices Board Ethical Standards. Stephen Griggs shadowed John Adam and attended the Audit Committee meetings prior to the start of his term to allow for a smooth transition.

The Company's policy is to comply with the Code, which includes a requirement to put the external audit out to tender at least once every ten years. In accordance with the Competition and Markets Authority ('CMA') Statutory Audit Services Order, which is designed to align with provisions of the EU Regulations on external audit tender and rotation, and current guidance, the Company is required to conduct a competitive audit tender by June 2023. This will be the latest period that Deloitte LLP may remain as auditor. The Committee will continue to evaluate annually the performance of the auditor, in particular at each five-year rotation of the lead audit partner, and will recommend a tender for this service if the circumstances so warrant.

In accordance with International Standards on Auditing (UK and Ireland) 260 and Ethical Standard 1 issued by the Accounting Practices Board, and as a matter of best practice, at year end Deloitte LLP formally confirmed to the Board its independence as auditor of the Company.

In determining whether to recommend the auditor for re-appointment this year, the Committee considered the firm's internal control procedures, the most recent audit effectiveness review and the new tenure of the lead audit partner, and thereby affirmed that the audit processes are effective and that the appropriate independence continues to be met. Accordingly, the Company confirms that it complied with the provisions of the CMA Statutory Audit Services Order for the financial year under review and the Committee concluded that it was in the best interests of the Company's shareholders to re-appoint Deloitte LLP as the independent auditor of the Company. The Committee's recommendation, that a resolution to re-appoint Deloitte LLP be proposed at this year's AGM, was accepted and endorsed by the Board.

Jock Lennox
Chairman of the Audit Committee
27 June 2017

Disclosure Committee Report

Chairman's overview

The Disclosure Committee was established in June 2016 to prepare for the introduction of the Market Abuse Regulation ('MAR'). The Committee's responsibilities include identifying inside information, maintaining insider lists, implementing and monitoring procedures and controls, and ensuring that required disclosures meet all legal and regulatory requirements.

The Disclosure Committee comprises the Chairman, the Group Chief Executive, the Group Finance Director and the General Counsel and Company Secretary.

The Company Secretary, or his nominee, acts as Secretary to the Committee. The Committee's deliberations are reported by its Chairman at the following Board meeting and the minutes of each meeting are circulated to all members of the Board following approval.

The Committee carried out a thorough assessment of its *obligations under all relevant laws when it was established.* The Committee will review its performance, constitution, Terms of Reference and responsibilities periodically, and at least once a year. The first review of its Terms of Reference took place in June 2017.

More information about the Disclosure Committee and its position in the Company's governance framework is shown below.

Humphrey Singer
Chairman of the Disclosure Committee
27 June 2017

Meetings

- The Disclosure Committee meets as and when required, and at least annually.
- The Disclosure Committee met once during the period under review.

Committee membership and attendance

The members of the Disclosure Committee are shown in the table below along with their attendance at meetings for the period under review. Biographical details on each member can be found on pages 36 and 37.

Current members	Meetings
Humphrey Singer (Chairman)	1 of 1
Sebastian James	1 of 1
Nigel Paterson	1 of 1

Lord Livingston was appointed to the Committee on 27 June 2017, after the end of the period under review. The Committee receives input as appropriate from other directors, senior management and the IR, PR and Corporate Affairs Director. The Committee may invite them to attend all or part of any meeting, as and when appropriate and necessary.

Responsibilities

The principal duties of the Disclosure Committee are to:

- establish and maintain adequate procedures, policies, systems and controls to enable the Company to fully comply with its legal and regulatory obligations regarding the timely and accurate identification and disclosure of all information;
- implement and monitor compliance with the policies, including arranging training where appropriate;
- identify inside information for the purposes of maintaining insider lists;
- determine whether inside information requires immediate disclosure or can be legitimately delayed, subject to ongoing assessment and recording of the delay;
- monitor communications received from any regulatory body in relation to the conduct of the Group, and review *any proposed responses;*
- consider generally the requirement for announcements, including in relation to the delayed disclosure of inside information, substantive market rumours, and leaks of inside information; and
- review the content of all material regulatory announcements, transactional shareholder circulars, prospectuses, and any other documents issued by the Company, and ensure that these comply with all applicable requirements.

The Committee's Terms of Reference were last reviewed and approved by the Board in June 2017. The Committee's Terms of Reference are available on the Group's corporate website, www.dixonscarphone.com.

Key matters considered

During the year ended 29 April 2017, the Committee met to consider the definition of Persons Discharging Managerial Responsibility ('PDMRs') and designated two additional members of senior management as PDMRs.

Nominations Committee Report

Chairman's overview

The Nominations Committee has an important role in the Dixons Carphone governance structure, evaluating the skills required to lead the business effectively and ensuring the right talent and experience is available. In order to ensure continuity of purpose and effective leadership, it is important to ensure succession planning obligations are met.

The Committee regularly reviews its obligations under governance guidelines; the last review was in May 2017, which included an appraisal of Board experience, composition, diversity, time commitments of each director, director independence and a review of the Committee's *Terms of Reference*.

The Company announced in early February 2017 that Sir Charles Dunstone was stepping down as Chairman, and that I would be appointed as Chairman with effect from 30 April 2017 from my previous role as Deputy Chairman, and Chairman of the Remuneration Committee. Tony DeNunzio CBE became Deputy Chairman, and Chairman of the Remuneration Committee, also with effect from 30 April 2017, in addition to his previous role as Senior Independent Director. We are delighted that Charles will remain connected to the business as a senior advisor. The Company will continue to benefit from his experience and support.

On 1 March 2017 the leadership of the business was also significantly strengthened by the appointment of Fiona McBain as Non-Executive Director. The Company also announced that Tim How and Baroness Morgan will be stepping down as Non-Executive Directors at the Company's AGM in September 2017, when Fiona McBain will be joining the Company's Audit Committee. Graham Stapleton resigned as a director to become Chief Executive Officer of honeybee, the Group's software division, on 27 April 2017. As a result of these changes, the Board is expected to reduce in size from 13 members at the end of the financial year to 10 members following the AGM.

More information about the Nominations Committee and its position in the Company's governance framework is shown on the right.

Lord Livingston of Parkhead
Chairman of the Nominations Committee
27 June 2017

Meetings

- The Nominations Committee meets as and when required and at least twice a year.
- The Committee held one scheduled and one unscheduled meeting during the period under review. A second scheduled meeting was postponed from March 2017 to May 2017, shortly after the financial year end.

Committee membership and attendance

The members of the Nominations Committee are shown in the table below along with their attendance at scheduled meetings for the period under review. Biographical details on each member can be found on pages 36 and 37.

Current members	Scheduled meetings
Lord Livingston of Parkhead (Chairman)	1 of 1
Tony DeNunzio CBE	1 of 1
Andrea Gisle Joosen	1 of 1
Former member	
Sir Charles Dunstone[1]	1 of 1

(1) Sir Charles Dunstone attended the one scheduled meeting held before his resignation as Chairman on 30 April 2017.

The majority of the members are independent non-executive directors as required by Code. Other members of the Board or senior management may be invited to attend meetings at the request of the Chairman.

The Company Secretary, or his nominee, acts as Secretary to the Committee. The Committee's deliberations are reported by its Chairman at the following Board meeting and the minutes of each meeting are circulated to all members of the Board following approval.

Responsibilities

The principal duties of the Nominations Committee are to:

- review the structure, size and composition of the Board, and recommend changes as necessary;
- identify, evaluate and nominate candidates to fill vacancies on the Board;
- review the leadership requirements with a view to ensuring the continued ability of the organisation to compete effectively and be responsible for succession planning;
- carry out a formal selection process of candidates;
- evaluate the skills, knowledge and experience of the Board including reviewing the results of any Board performance evaluation;
- consider other commitments of directors relative to the time required for them to fulfil their duties; and
- make recommendations to the Board regarding the continuation in office of a director upon the expiry of any specified terms of appointment.

Nominations Committee Report

The Committee's Terms of Reference are reviewed annually. The last review was in May 2017 and the Terms of Reference were subsequently approved by the Board. The Committee's Terms of Reference are available on the Group's corporate website, www.dixonscarphone.com.

Key matters considered

In addition to the principal duties noted above, the Committee (excluding any member whose potential appointment was being discussed) also considered the appointments of Lord Livingston, Tony DeNunzio and Fiona McBain, and the resignations of Sir Charles Dunstone, Tim How, Baroness Morgan and Graham Stapleton.

The Committee also considers these matters periodically:

- an evaluation of the size, composition and structure of the Board and its committees;
- the Company's diversity policy;
- time commitments of the directors;
- the external appointments policy;
- the Committee's performance and Terms of Reference; and
- a review of the role descriptions of the Chairman, Senior Independent Director and the Group Chief Executive.

Board evaluation

During 2016/17 the Board evaluation was conducted internally following the 2015/16 review which was undertaken by an independent external company. The internal review included the Board and the Audit, Disclosure, Nominations and Remuneration committees and examined all aspects of the Board's procedures and activities. Further details of the evaluation process can be found on page 43.

Appointments to the Board

The Committee has a formal, rigorous and transparent procedure for the appointment of new directors. Appointments are made to the Board based on objective criteria and with due regard to the benefits of diversity and the leadership needs of the Company. External search consultancies are usually retained when recruiting non-executive directors.

Candidate profiles were developed indicating the skills, knowledge and experience required for each role, taking into account the Board's existing composition and skill sets. The Committee, led by the Chairman, relied on the specific candidate profile developed. The Committee undertook a search process for the most appropriate candidates. Given the specific set of requirements, including FCA and financial services experience, there was only a very select field of candidates. After interviewing Fiona McBain, the Committee considered and recognised that she was the right fit for the specific candidate profile and criteria set. The Committee agreed that there was no further need to undertake additional expense in appointing a global executive search firm to conduct an extended search for the new non-executive appointment. The Committee and the Board were unanimous in their decisions to appoint her.

Succession planning

The business requires a talented Board with appropriate experience and expertise. This year, the Board has relied on previous succession planning with Lord Livingston and Tony DeNunzio stepping up to their new roles and placed further emphasis on succession planning and Board composition with Fiona McBain's appointment in March 2017. The Board considers no additional appointment is necessary at this time but remains mindful of each of the Board members' tenures. Board succession and composition will remain a priority, as the Board is conscious that it must look further and wider for the leaders of the future. In securing the long-term prosperity of the business, the Board must look deeper into the pool of talent that currently exists within the organisation, identifying new talent and casting the net wider, with a longer horizon, for potential directors with the appropriate skill-sets to meet the demands of an ever more complex business environment.

Diversity

The Board recognises the importance of diversity in achieving the right mix of skills, knowledge and experience to help the organisation reach its full potential. The Board acknowledges the November 2016 Hampton-Alexander Review on FTSE Women Leaders ('Review'), which recommends a voluntary target of 33% female directors in FTSE 350 companies by 2020. Currently 33% of the Board, and 25% of the Group senior management team, are female.

Whilst noting the recommendations of the Review, the Board does not establish targets on gender balance or ethnicity as it believes that candidates should be appointed on merit. Our Board supports the benefits of greater diversity, which is not just gender or ethnicity-specific but also encompasses age, background and diversity of thought. The Board is conscious of the need to give weight to these factors in future appointments. More information on employee diversity can be found on page 29.

In performing its annual review the Board also looked at other aspects of diversity relevant to the Group. With a large proportion of the business in the Nordics, we have a Swedish Non-Executive Director on the Board to provide knowledge of these international markets.

Election and re-election

At the forthcoming AGM, all directors, except Tim How and Baroness Morgan, will present themselves for election or re-election. Each of the directors is being unanimously recommended by the other members of the Board due to their experience, knowledge and wider management and industry experience, continued effectiveness and commitment to their role.

Remuneration Report

Chairmen's statement

On behalf of the Board, we are pleased to present the 2016/17 Directors' Remuneration Report which sets out our philosophy and policy for directors' remuneration, together with the activities of the Remuneration Committee for this financial year ended 29 April 2017. As this Remuneration Report looks both back at the activities of the Committee for the last financial year and also forward, we have chosen that this statement should be from both Ian, as the Remuneration Committee Chairman for the 2016/17 financial year, and Tony, as the new Committee Chairman.

Policy review

At the annual general meeting in September 2016, shareholders approved both our new Remuneration Policy and our new Long Term Incentive Plan with 98.9% and 99.2% of votes in favour, respectively. We were pleased that shareholders felt positively about the proposals that we put forward and recognise the importance of the consultation process that we went through with shareholders and the valuable feedback they provided on our proposals. First awards were made under the new Long Term Incentive Plan shortly after the annual general meeting in 2016 and we plan to make a further set of awards in June this year, following the announcement of the preliminary results for 2016/17. Full details of the awards made in 2016 and the targets for the 2017 awards, based once again on relative TSR and adjusted EPS, are contained in the Annual Remuneration Report on pages 76 and 81.

The Share Plan

The previous long term plan (the 'Share Plan') was a major element of the previous remuneration policy which sought to incentivise management to deliver superior shareholder returns through the Merger and integration of our two businesses. The performance of the Share Plan is due to be measured in July this year when, subject to the satisfaction of the performance conditions, 60% of the shares will vest, with the remaining 40% vesting 12 months later.

Given the performance of the share price over the last 12 months, particularly the fall which occurred after the Brexit referendum, it has become increasingly likely that either or both awards may not vest. In this event, the loans that were provided by the Group to participants in order to purchase participation shares in a subsidiary company would be repayable. Under the Share Plan rules, repayment of 90% of the loan (plus accrued interest) for the Dixons awards and 80% of the loan (plus accrued interest) for the Carphone awards would be an obligation of the Group (and not the individual participants). The maximum loan amount that the individual participants would have to repay would be the remaining 10% or 20% of the loan (plus accrued interest), the percentage dependant on the terms of the individual's award.

The Committee took detailed advice from both Aon Hewitt and Freshfields Bruckhaus Deringer LLP during the year on the position of the Company in the event that the performance conditions were not met. That advice concluded that the satisfaction by the Group of the loans would trigger a benefit in kind income tax charge and social security contributions for the participants on the portion of the loan met by the Group. The Committee has determined, on the basis of this advice, that as participants were not informed of this possible outcome at the time the loans were taken out, and as they were advised that the maximum they would have to repay would be 10% or 20% of the loan (plus accrued interest), the Company should compensate them for any tax charge and social security contributions. Otherwise participants could claim against the Group for losses arising out of this unforeseen set of circumstances, which according to the legal advice would have a strong likelihood of success.

Directors who participate in the Share Plan would still be required to pay back the remainder of the loans (10% in the case of the Dixons awards and 20% for the Carphone awards).

Information on the vesting of the awards will be provided in next year's Remuneration Report, as the vesting date is after the latest practicable date for this Annual Report and Accounts.

The new Long Term Incentive Plan operates on a basis that is more closely aligned with market practice, by making an annual award of nil-priced options. It was clear from the consultation process last year that shareholders welcomed the introduction of a more typical plan, with performance measures that focus on the long-term growth of the business and on shareholder value creation.

Pay and performance for 2016/17

This has been a challenging year for the business with both economic and political uncertainty. The Committee is very aware that much of the success of the Group is due to the dedication and hard work of all our employees. The Committee is also mindful of the current environment in executive remuneration. Consequently, base pay increases for 2017 for the executive directors will be in line with the wider workforce. In spite of the challenges, the Group has delivered a strong performance and the Committee has approved annual bonus payments of 103.6% of base salary, being 82.9% of maximum opportunity reflecting this. Full details of the performance targets and actual performance are provided in the Annual Remuneration Report on pages 81 to 82. No payments relating to long term incentive plans have been made to Directors since the Merger in 2014.

Other matters

Graham Stapleton's remuneration for 2016/17 is included in this Report as he resigned as a director on 27 April 2017. Graham has taken up the very important role of leading the development of our honeybee business and by enabling him to focus on this responsibility alone, we will allow one of our most entrepreneurial senior leaders to seek to build a valuable business.

We are pleased that Tony has been able to take over from Ian as Chairman of the Remuneration Committee, having served as a member of the Committee since his appointment to the Board in December 2015, as this has ensured a smooth transition. We would like to thank Tim How for his service on the Committee and as a Non-Executive Director. With Tim leaving the Committee, when he steps down from the Board in September, Gerry Murphy has joined the Committee in his place.

As always, we would welcome any feedback or comments on this Report. The Remuneration Committee remains firmly committed to the principle of pay for performance, ensuring that rewards to the senior leadership team are aligned with the experience of long-term shareholders.

Ian Livingston
Chairman of Dixons Carphone plc

Tony DeNunzio
Chairman of the Remuneration Committee

27 June 2017

Remuneration Report – Remuneration Policy

Introduction

The purpose of this Report is to inform shareholders of the Company's directors' remuneration for the year ended 29 April 2017. This Report is divided into two sections:

- the Remuneration Policy; and
- the Annual Remuneration Report.

The current Remuneration Policy was approved by shareholders at the annual general meeting on 8 September 2016 and was effective from that date. The Annual Remuneration Report will be put to an advisory vote at the Annual General Meeting on 7 September 2017.

The role of the Remuneration Committee (the 'Committee') is to determine on behalf of the Board a remuneration policy for executive directors and senior management which promotes the long-term success of the business through the attraction and retention of executives who have the ability, experience and dedication to deliver outstanding returns for our shareholders.

The Committee has adopted the principles of good governance relating to directors' remuneration as enshrined in section D of the Corporate Governance Code (the 'Code') and has complied with those principles in the year under review.

These reports have been prepared by the Committee on behalf of the Board in accordance with the Companies Act 2006, Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the Listing Rules of the Financial Conduct Authority. The Remuneration Policy (which is not subject to audit) details the role of the Committee, the principles of remuneration and other matters. The Annual Remuneration Report (elements of which are audited) details the directors' and former directors' fixed and variable pay, share awards, share options and pension arrangements.

Remuneration Policy – unaudited information

The Remuneration Policy was approved overwhelmingly by shareholders at the annual general meeting on 8 September 2016. In line with the authority given by shareholders, the Policy may remain in force for up to three years.

Remuneration Committee objectives

The Board has delegated to the Committee responsibility for determining policy in relation to the remuneration packages for executive directors and other senior management. This delegation includes their terms and conditions of employment in addition to the operation of the Group's share-based employee incentive schemes. The Terms of Reference of the Committee were last reviewed and adopted by the Board in June 2017 and are available on the Group's corporate website, www.dixonscarphone.com. The Terms of Reference reflect all the recent legislative and regulatory changes as well as recently published best practice guidance.

Remuneration strategy

Put simply, our aim is to generate superior returns for our shareholders and the key to achieving this is our people. Our remuneration strategy is therefore designed to motivate high-performing people to deliver our business strategy.

The objectives of our remuneration strategy are to:

- attract, motivate and retain high quality talent;
- be transparent and align the interests of senior management and executive directors with those of shareholders, by encouraging management to have a significant personal stake in the long-term success of the business;
- weight remuneration to variable pay that incentivises outperformance particularly over the long term whilst discouraging inappropriate risk-taking;
- ensure that superior rewards are only paid for exceptional performance against challenging targets;
- apply policies consistently across the Group to promote alignment and teamwork;
- recognise the importance of delivering across a balanced set of metrics to ensure the right behaviours are adopted and the long-term health of the business is protected; and
- avoid rewarding failure.

In developing its policy the Committee has regard to:

- the performance, roles and responsibilities of each executive director or member of senior management;
- arrangements which apply below senior management levels, including average base salary increases across the workforce;
- information and surveys from internal and independent sources;
- the economic environment and financial performance of the Company; and
- good corporate governance practice.

Guidelines on responsible investment disclosure

In line with the Investment Association Guidelines on responsible investment disclosure, the Committee is satisfied that the incentive structure and targets for executive directors do not raise any environmental, social or governance risks by inadvertently motivating irresponsible or reckless behaviour. The Committee considers that no element of the remuneration package will encourage inappropriate risk-taking by any member of senior management.

Remuneration Policy

Remuneration Policy table

The individual elements of the remuneration packages offered to executive directors are summarised in the following table:

Base salary (fixed pay)	
• Purpose and link to strategy	To aid the recruitment, retention and motivation of high-performing people. To reflect their skills, experience and importance to the business.
• Operation	Normally reviewed annually. The review reflects a range of factors including merit levels, internal relativity, external market data and cost. Our overall policy, having due regard to the factors noted, is normally to target salaries up to the mid-market level. Salaries for new appointments as executive directors will be set in accordance with the Recruitment Policy set out on pages 70 to 71 of this Remuneration Policy. The Committee takes into consideration the impact of base salary increases on the package as a whole, as other elements of pay (such as pension contributions) are generally based on a percentage of salary.
• Maximum opportunity	Ordinarily, increases for executive directors will be in line with increases across the Group. Increases beyond those granted across the Group may be awarded in certain circumstances such as changes in responsibilities, progression in the role and significant increases in the size, complexity or value of the Group. Salary levels for current directors are shown in the Annual Remuneration Report.
• Performance assessment / targets	Salaries are normally reviewed annually by the Committee at the appropriate meeting having due regard to the individual's experience, performance and added value to the business.

Benefits (fixed pay)	
• Purpose and link to strategy	In line with the Company's strategy to keep remuneration weighted to variable pay that incentivises outperformance, a modest range of benefits is provided. Benefits may vary based on the personal choices of the director. Provision of relocation or other related assistance may be provided to support the appointment or relocation of a director.
• Operation	Executive directors are entitled to a combination of benefits which include, but are not limited to: • car allowance; • private medical cover; • long-term incapacity cover; • life assurance; • holiday and sick pay; and • a range of voluntary benefits including the purchase of additional holiday. Executive directors will be eligible for other benefits which are introduced for the wider workforce on broadly similar terms. Any reasonable business-related expenses (including the tax thereon) can be reimbursed if determined to be a taxable benefit. Should an executive director be recruited from or be based in a non-UK location, benefits may be determined by those typically provided in the normal country of residence and / or reflect local market legislation. Relocation or other related assistance could include, but is not limited to, removal and other relocation costs, tax equalisation, tax advice and accommodation costs.
• Maximum opportunity	The cost to the Group of providing such benefits will vary from year to year in accordance with the cost of providing such benefits, which is kept under regular review.
• Performance assessment / targets	Not applicable.

Pension (fixed pay)	
• Purpose and link to strategy	A pension is provided which is consistent with that provided to managers across the Group and in line with our strategy to keep remuneration weighted to variable pay that incentivises outperformance.
• Operation	Defined contribution plans are offered to all employees. A defined benefit pension plan continues in operation for Dixons' longer-serving employees, which is now closed to new participants and future accrual. Executive directors may choose to receive a cash allowance in lieu of pension contributions.
• Maximum opportunity	Normal Company pension contribution of up to 10% of base salary, which can be taken in whole or in part as a cash allowance in lieu of pension. However, a greater contribution of up to 20% may be made where necessary to recruit or retain an executive director.
• Performance assessment / targets	Not applicable.

Annual performance bonus (variable pay)	
• Purpose and link to strategy	Annual performance bonuses are in place to incentivise the delivery of stretching, near-term business targets based on our business strategy. These bonuses provide a strong link between reward and performance and drive the creation of further shareholder value. The principles and approach are consistently applied across the Group ensuring alignment to a common vision and strategy. They are based on a balanced approach ensuring appropriate behaviours are adopted and encouraging a longer-term focus.
• Operation	Bonus payments are determined after the year end and subject to a minimum profit threshold being achieved before payment is due. For threshold level of performance a bonus of up to 25% of base salary is payable. A sliding scale determines payment between the minimum and maximum bonus payable. The annual bonus is typically paid in July / August in cash and is non-pensionable, based on the audited performance over the previous financial year. The annual bonus can instead be settled in shares or a mixture of cash and shares which could be deferred, at the discretion of the Remuneration Committee. Performance is reviewed by the Committee using its judgement where necessary to assess the achievement of targets. The Committee retains the discretion to adjust downwards bonus payments where achievement of targets would result in a payment of a bonus at a level which would not be consistent with the interests of the Company and its shareholders. Recovery and withholding provisions apply for material misstatement, misconduct and reputational damage enabling performance adjustments and / or recovery of sums already paid. These provisions will apply for up to three years after payment.
• Maximum opportunity	Maximum annual bonus potential for all executive directors is 125% of base salary. No bonus is payable if the minimum profit threshold is not achieved.
• Performance assessment / targets	All measures and targets are reviewed and set by the Committee at the beginning of the financial year with a view to supporting the achievement of the Group strategy. The bonus scheme has targets based on a balanced scorecard. The balanced scorecard may include both financial and non-financial measures, such as employee, customer and strategic measures. The weighting of measures will be determined by the Committee each year. Financial measures (such as profit and cash) will represent the majority of the bonus opportunity, with other measures representing the balance.

Remuneration Policy

Long term incentive scheme (variable pay): Long Term Incentive Plan ('LTIP')	
• Purpose and link to strategy	Long term incentive schemes are transparent and demonstrably aligned with the interests of shareholders over the long term. The LTIP is designed to reward and retain executives over the longer term whilst aligning an individual's interests with those of shareholders and in turn delivering significant shareholder value.
• Operation	Discretionary awards of nil-priced options or conditional share awards are granted over Dixons Carphone shares. Awards will be granted annually and will usually vest after three years subject to continued service and the achievement of performance conditions. The level of vesting is dependent on achievement of performance targets, usually over a three-year period. The post-tax number of share awards vesting will be subject to a further two year holding period, during which they cannot be sold, unless in exceptional circumstances and with the Committee's permission. Dividend equivalents may be accrued on the shares earned from any award. Awards will be subject to recovery and withholding provisions for material misstatement, misconduct and reputational damage enabling performance adjustments and / or recovery of sums already paid. These provisions will apply for up to three years after vesting. If employment ceases during the vesting period, awards will ordinarily lapse in full, unless the Committee exercises its discretion. The Committee has the discretion in certain circumstances to grant and / or settle an award in cash. For the executive directors this would only be used in exceptional circumstances. In the event of a change of control, any unvested awards will vest immediately, subject to satisfaction of performance conditions and reduction on a time-apportioned basis.
• Maximum opportunity	Grants under the LTIP are subject to overall dilution limits. The normal maximum grant per participant in any financial year will be a market value of 275% of base salary, with up to 375% in exceptional circumstances, e.g. recruitment. More details on the award levels for executive directors in 2017/18 are set out in the Annual Remuneration Report on page 76.
• Performance assessment / targets	Performance targets are reviewed by the Committee prior to each grant and are set to reflect the key priorities of the business at that time. The Committee determines the metrics from a range of measures, including but not limited to, market-based performance measures such as TSR and internal financial metrics such as EPS. The Committee retains the flexibility to introduce new measures in the future if considered appropriate given the business context, although TSR will not be weighted any less than 40% of the total award. Material changes will be subject to consultation with major shareholders. The actual metrics for awards will be set out in the Annual Remuneration Report.

All employee share plans	
• Purpose and link to strategy	Encourages employees to make a long-term investment in the Company's shares and therefore be aligned to the long-term success of the Company.
• Operation	Executive directors are eligible to participate in any all employee share plans operated by the Company which have been approved by shareholders on the same terms as other eligible employees. Currently share options are granted under the Dixons Carphone HMRC-approved SAYE scheme, subject to three- or five-year vesting periods.
• Maximum opportunity	Participants can save up to £500 per month for either three or five years, and in return receive a share option granted at up to 20% discount to the market price at the time of the invitation. The Committee reserves the right to increase this savings limit for future schemes in accordance with the statutory limits in place from time to time.
• Performance assessment / targets	The SAYE scheme is not subject to any performance conditions.

Share ownership guidelines	
• Purpose and link to strategy	Provides close alignment between the longer-term interests of executive directors and shareholders in terms of the Company's long-term success.
• Operation	The Company requires executive directors to retain a certain percentage of base salary in the Company's shares. Executive directors have a five-year period to reach these limits. The shares which count towards this requirement are beneficially-owned shares (both directly and indirectly).
• Maximum opportunity	Not applicable.
• Performance assessment / targets	The Company requires all executive directors to retain 200% of base salary in the Company's shares.

Details of the directors' shareholdings are shown in the table on page 85.

Non-executive directors and Chairman / Deputy Chairman fees	
• Purpose and link to strategy	To provide a competitive fee for the performance of non-executive director duties, sufficient to attract high calibre individuals to the role.
• Operation	The fees are set to align with the duties undertaken, taking into account market rates, and are normally reviewed on an annual basis. Factors taken into consideration include the expected time commitment and specific experience. Additional fees are payable for acting as the Senior Independent Director or for acting as Chair of any Board committee, and for membership of a Board Committee. Non-executive directors do not participate in the annual performance bonus or the long term incentive plans or pension arrangements. Any reasonable business-related expenses (including the tax thereon) can be reimbursed if determined to be a taxable benefit. For material, unexpected increases in time commitments, the Board may pay extra fees on a pro-rated basis to reflect additional workload.
• Maximum opportunity	Aggregate annual limit of £2,000,000 imposed by the Articles of Association for directors' fees (not including fees in relation to any executive office or Chairman, Deputy Chairman, Senior Independent Director or Committee Chair fees).
• Performance assessment / targets	Not applicable.

Notes:

(1) The Committee intends to honour all commitments previously provided to executive directors and current employees, including the terms and conditions of outstanding long term incentives such as those previously approved by shareholders under the Dixons Carphone Share Plan. Details of these awards for executive directors are set out on pages 82 to 83.

Illustration of Remuneration Policy

The Remuneration Policy scenario chart below illustrates the level and mix of potential total remuneration the current executive directors could receive under the Remuneration Policy at three levels of performance: minimum, target and maximum.

Remuneration Policy scenario chart

Notes:

(1) Fixed pay is based on the basic salary payable as at the start of the current year, taxable benefits and pension contributions.

(2) Annual variable pay represents the annual bonus entitlement. No bonus is assumed at the minimum performance level. Target performance assumes a payment of 75% of salary (i.e. 60% of maximum) and at maximum performance a payment of 125% of base salary.

(3) Long term incentives relate to the Long Term Incentive Plan, in which the executive directors started to participate in 2016. These are illustrative amounts and the actual outcomes may differ depending on share price growth. No awards vest at the minimum performance level. Target performance assumes a vesting of 151% of salary (i.e. 55% of maximum award) and maximum performance vesting of 275% of salary.

Remuneration Policy

Remuneration Committee discretions
The Committee operates the annual bonus plan, long term incentive and all-employee plans in accordance with their respective rules, the Listing Rules and HMRC rules (or overseas equivalent) where relevant. The Committee retains discretion, consistent with market practice, over a number of areas relating to the operation and administration of these plans. These include but are not limited to:

- entitlement to participate in the plan;
- when awards or payments are to be made;
- size of award and / or payment (within the rules of the plans and the approved policy);
- determination of a good leaver for incentive plan purposes and the appropriate treatment based on the rules of each plan;
- discretion as to the measurement of performance conditions and pro-rating in the event of a change of control;
- any adjustment to awards or performance conditions for significant events or exceptional circumstances; and
- the application of recovery and withholding provisions.

Shareholder and employee consultation
The Committee has a policy to consult with its major shareholders when making any significant changes to the Remuneration Policy of the Company. Any feedback received is taken into consideration when determining future policy. For example, consultation took place with major shareholders last year in relation to the Committee's proposed new Long Term Incentive Plan.

The Committee also takes into consideration remuneration guidance issued by large investor bodies, in addition to the principles of good governance relating to directors' remuneration as set out in the Code.

Whilst employees are not formally consulted on executive remuneration, a number of them are shareholders and as such are able to exercise their influence. We also monitor our employee discussion boards and employee forums to ensure employee feedback in general is considered in all our strategy execution. The Company also conducts regular employee surveys throughout the business. The Committee is kept informed of general employment conditions across the Group, including the annual pay review outcomes.

Remuneration policy for the wider workforce
Dixons Carphone employs a large number of people across different countries. Our reward framework is structured around a set of common principles with adjustments made to suit the needs of the different businesses and employee groups. Reward packages differ for a variety of reasons including the impact on the business, local practice, custom and legislation.

In determining salary increases to apply across the wider workforce, the Company takes into consideration Company performance and other market metrics as necessary. When setting the policy for executive directors the Committee takes into consideration salary increases throughout the Company, as a whole.

Discretionary share plans are extended to both senior management and other key members of the workforce, as the Company feels that it is important to incentivise and retain these employees over the longer term in order for the Company to continue to grow.

The Company encourages wide employee share ownership, and as such the Group's UK & Irish employees, who meet the eligibility criteria, are also invited to join the Company's UK & Ireland approved SAYE.

Recruitment or promotion policy
On appointment or promotion, base salary levels will be set taking into account a range of factors including market levels, experience, internal relativities and cost. If an individual is appointed on a base salary below the desired market positioning, the Committee retains the discretion to re-align base salary over one to three years, contingent on individual performance, which may result in a higher rate of annualised increase above ordinary levels. If the Committee intends to rely on this discretion, it will be noted in the first Remuneration Report following an individual's appointment. Other elements of annual remuneration will be in line with the policy set out in the Remuneration Policy table. As such, variable remuneration will be capped as set out in the Policy table.

The following exceptions will apply:

- in the event that an internal appointment is made or an executive director joins as a result of a transfer of an undertaking, merger, reconstruction or similar reorganisation, the Committee retains the discretion to continue with existing remuneration provisions, including pension contributions and the provision of benefits;
- as deemed necessary and appropriate to secure an appointment, the Committee retains the discretion to make additional payments linked to relocation (including any tax thereon);
- for an overseas appointment, the Committee will have discretion to offer cost-effective benefits and pension provisions which reflect local market practice and relevant legislation;
- the Committee may set alternative performance conditions for the remainder of the initial annual bonus performance period, taking into account the circumstances and timing of the appointment; and
- the Committee retains the discretion to provide an immediate interest in Company performance by making a long term incentive award on recruitment (or shortly thereafter if in a prohibited period) in accordance with the Policy Table under its existing long term incentive schemes or such future schemes as may be introduced by the Company with the approval of its shareholders. The Committee will determine the level of the award, the performance conditions and time horizon that would apply to such awards at the time of award, taking into account the strategy and business circumstances of the Company.

Service contracts will be entered into on terms similar to those for the existing executive directors, summarised in the recruitment table below. However, the Committee may authorise the payment of a relocation and / or repatriation allowance, as well as other associated international mobility terms and benefits, such as tax equalisation and tax advice.

In addition to the annual remuneration elements noted above, the Committee may consider buying out, on a like-for-like basis, bonuses and / or incentive awards that an individual forfeits from a previous employer in accepting the appointment. The Committee will have the authority to rely on Listing Rule 9.4.2(2) or exceptional limits of awards of up to 375% of base salary within the Long Term Incentive Plan. If made, the Committee will be informed by the structure, time horizons, value and performance targets associated with any forfeited awards, while retaining the discretion to make any payment or award deemed necessary and appropriate. The Committee may also require the appointee to purchase shares in the Company in accordance with its shareholding policy.

With respect to the appointment of a new Chairman or non-executive director, terms of appointment will be consistent with those currently adopted. Variable pay will not be considered and as such no maximum applies. With respect to non-executive directors, fees will be consistent with the policy at the time of appointment. If necessary, to secure the appointment of a new Chairman not based in the UK, payments relating to relocation and / or housing may be considered.

Elements of remuneration on appointment are set out in the Recruitment table below.

A timely announcement with respect to any director's appointment and remuneration will be made to the regulatory news services and posted on the Company's corporate website.

Recruitment table

Area	Feature	Policy
Service contract and incentive plan provisions	Notice period Entitlements on termination Restrictive covenants Variable elements	• Up to 12 months from either side. • As summarised in the Policy on loss of office. • Provisions for mitigation and payment in lieu of notice. • Gardening leave provisions. • Non-compete, non-solicitation, non-dealing and confidentiality provisions. • The Committee has the discretion to determine whether an individual shall participate in any incentive in the year of appointment. • The Committee shall have the discretion to determine appropriate bonus performance targets if participating in the year of appointment.
Annual remuneration	Salary	• To be determined on appointment, taking into account factors including market levels, experience, internal relativities and cost.
	Salary progression	• If appointed at below market levels, salary may be re-aligned over the subsequent one to three years subject to performance in role. In this situation, the Committee reserves the discretion to make increases above ordinary levels. • This initial market positioning and intention to increase pay above the standard rate of increase in the Policy table (subject to performance) will be disclosed in the first Remuneration Report following appointment.
	Benefits and allowances	• The Committee retains the discretion to provide additional benefits as reasonably required. These may include, but are not restricted to, relocation payments, housing allowances and cost of living allowances (including any tax thereon).

Remuneration Policy

Policy on loss of office
Service contracts contain neither a liquidated damages nor a change of control clause.

The Company shall have a right to make a payment in lieu of notice in respect of basic salary, benefits, including car allowance and pension contributions, only for the director's contractual period of notice or, if termination is part way through the notice period, the amount relating to any unexpired notice to the date of termination. There is an obligation on directors to mitigate any loss which they may suffer if the Company terminates their service contract. The Committee will take such mitigation obligation into account when determining the amount and timing of any compensation payable to any departing director.

A director shall also be entitled to a payment in respect of accrued but untaken holiday and any statutory entitlements on termination. No compensation is paid for dismissal, save for statutory entitlements.

A director shall be entitled to receive a redundancy payment in circumstances where in the judgement of the Committee they satisfy the statutory tests governing redundancy payments. Any redundancy payment shall be calculated by reference to the redundancy payment policy in force for all employees in the relevant country at the time of the redundancy and may include modest outplacement costs.

If a director's employment terminates prior to the relevant annual bonus payment date, ordinarily no bonus is payable for that financial year. The Committee shall retain discretion to make a pro-rated bonus payment in circumstances where it would be appropriate to do so having regard to the contribution of the director during the financial year, the circumstances of the departure and the best interests of the Company.

Any entitlements under long term incentive schemes operated by the Company shall be determined based on the rules of the relevant scheme. The default position under the Dixons Carphone Share Plan is that awards will lapse on the termination of employment unless the Committee exercises the discretion set out in the scheme rules. The Committee retains the discretion to prevent awards from lapsing depending on the circumstances of the departure and the best interests of the Company. The default position of the Long Term Incentive Plan is that awards will lapse on termination of employment, except where certain good leaver circumstances exist (e.g. death, ill-health, injury, disability, redundancy, transfer of an undertaking outside of the Group or retirement or any other circumstances at the Committee's discretion) whereby the awards may vest on cessation, or the normal vesting date, in both cases subject to performance and time pro-rating. Although, the Committee can decide not to pro-rate an award (or pro-rate to a lesser extent) if it regards it as appropriate to do so in the particular circumstances.

The Committee shall be entitled to exercise its judgement with regard to settlement of potential claims, including but not limited to wrongful dismissal, unfair dismissal, breach of contract and discrimination, where it is appropriate to do so in the interests of the Company and its shareholders.

In the event that any payment is made in relation to termination for an executive director, this will be fully disclosed in the following Annual Remuneration Report.

A timely announcement with respect to the termination of any director's appointment will be made to the regulatory news service and posted on the Company's corporate website.

Service agreements
Service agreements for executive directors
Each of the executive directors' service agreements provides for:

- the reimbursement of expenses incurred by the executive director in performance of their duties;
- 25 days' paid holiday each year for Sebastian James, Humphrey Singer and Katie Bickerstaffe (full time equivalent); 27 days for Andrew Harrison;
- sick pay; and
- notice periods whereby Sebastian James, Humphrey Singer and Katie Bickerstaffe each have a notice period of 12 months from the Company and six months from the director. Andrew Harrison has a notice period of 12 months from either party.

In situations where an executive director is dismissed, the Committee reserves the right to make additional exit payments where such payments are made in good faith, such as:

- in discharge of a legal obligation; and
- by way of settlement or compromise of any claim arising in connection with the termination of the director's office and employment.

Letters of appointment
Each of the non-executive directors has a letter of appointment. The Company has no age limit for directors. Non-executive directors derive no other benefit from their office, except that the Committee retains the discretion to continue with existing remuneration provisions, including pension contributions and the provision of benefits, where an executive director becomes a non-executive director. It is Company policy not to grant share options or share awards to non-executive directors. The Chairman, Deputy Chairman and the other non-executive directors have a notice period of three months from either party.

Appointments are reviewed annually by the Nominations Committee and recommendations made to the Board accordingly.

External appointments
The Board supports executive directors taking non-executive directorships as a part of their continuing development, and has agreed that the executive directors may retain their fees from one such appointment. Further details on current external directorships and fees can be found in the Annual Remuneration Report on page 75.

Availability for inspection
The service agreements for the executive directors and the letters of appointments for the non-executive directors are available for inspection during business hours at the Company's registered office and at the venue for the AGM, 15 minutes prior to and during the meeting.

Legacy arrangements
For the avoidance of doubt, in approving the Remuneration Policy, authority is given to the Company to honour any commitments previously entered into with the current or former directors.

Dilution Limits
All the Company's equity-based incentive plans incorporate the current Investment Association Share Capital Management Guidelines ('Guidelines') on headroom which provide that overall dilution under all plans should not exceed 10% over a ten-year period in relation to the Company's issued share capital (or reissue of treasury shares). In addition, the Long Term Incentive Plan operates with a 5% in ten-year dilution limit (excluding historic discretionary awards). The Company regularly monitors the position and prior to making any award the Company ensures that it will remain within these limits. Any awards which will be satisfied by market purchase shares are excluded from such calculations. As at 27 June 2017, the Company's dilution position, which remains within the current Guidelines, was 2.5% for all plans (against a limit of 10%) and 1% for the Long Term Incentive Plan (against a limit of 5%).

Remuneration Report – Annual Remuneration Report

Introduction
This part of the Report has been prepared in accordance with Part 3 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), and contain those elements required by section 9.8.6R and stipulated in 9.8.8 of the Listing Rules. This Annual Remuneration Report will be put to an advisory vote at the Annual General Meeting on 7 September 2017.

The following sections set out how the Remuneration Policy was implemented during 2016/17 and how it will be implemented for the following year.

Service agreements
Service contracts
The following table summarises key terms of the service contracts in place with the executive directors:

	Date of contract
Sebastian James	29 Mar 12
Andrew Harrison	29 Oct 13
Humphrey Singer	2 Sep 11
Katie Bickerstaffe	29 Mar 12

With the exception of Andrew Harrison, all the above executive directors were appointed to the Board on 6 August 2014. Andrew Harrison had previously been a director of Carphone Warehouse Group Plc, the listed entity prior to the creation of Dixons Carphone plc, since 25 March 2010.

Graham Stapleton stepped down from the Board as an executive director with effect from 27 April 2017.

More details are set out in the single figure of directors' remuneration tables on pages 79 to 80.

Letter of appointment
Non-executive directors are normally appointed for three-year terms, subject to annual re-election at the annual general meetings, although appointments may vary depending on length of service and succession planning considerations. Appointments are reviewed annually by the Nominations Committee and recommendations made to the Board accordingly. The contracts in respect of the Chairman's, Deputy Chairman's and non-executive directors' services can be terminated by either party, the Company or the director, giving not less than three months' notice.

The date of the letters of appointment are shown below:

	Letters of appointment
Sir Charles Dunstone	17 Jun 14
Tony DeNunzio	16 Dec 15
Andrea Gisle Joosen	6 Aug 14
Tim How	6 Aug 14
Jock Lennox	6 Aug 14
Lord Livingston of Parkhead	16 Dec 15
Fiona McBain	1 Mar 17
Baroness Morgan of Huyton	6 Aug 14
Gerry Murphy	6 Aug 14

Fiona McBain was appointed to the Board on 1 March 2017. Charles Dunstone stepped down from the Board on 30 April 2017.

More details are set out in the single figure of directors' remuneration tables on pages 79 to 80.

Remuneration Committee membership and attendance

Meetings
- The Remuneration Committee meets as and when required and at least twice a year.
- The Committee attended five scheduled meetings during the period under review.
- The Committee has met twice since the year end.

Members
Committee membership and attendance
The members of the Remuneration Committee are shown in the table below along with their attendance at scheduled meetings for the period under review. Biographical details on each member can be found on pages 36 to 37.

Current members	Scheduled meetings
Tony DeNunzio CBE (Chairman)(1)	4 of 5
Andrea Gisle Joosen	5 of 5
Tim How	5 of 5
Former member	
Lord Livingston of Parkhead(2)	5 of 5

(1) Tony DeNunzio succeeded Ian Livingston as Chairman of the Remuneration Committee on 30 April 2017, having previously served as a member. Tony DeNunzio was unable to attend one meeting due to a commitment that was planned before he joined the Board and could not be changed.

(2) Ian Livingston was a member and Chairman of the Remuneration Committee until 30 April 2017.

Only members of the Remuneration Committee are entitled to attend Committee meetings but the Group Chief Executive and Group Finance Director (or other senior management) may attend meetings by invitation in an advisory capacity only. Meetings are also regularly attended by the Company Secretary (who acts as Remuneration Committee secretary), Deputy Company Secretary, Group Human Resources Director and Group Reward Director.

No director participates in discussions about their own remuneration.

Responsibilities
Responsibility for the establishment of an overall remuneration policy for the Group lies with the Board. The Remuneration Committee has the following principal duties:

- making recommendations to the Board on the Company's framework of executive remuneration;
- determining the fees of the Chairman and Deputy Chairman;

- considering and making recommendations to the Board on the remuneration of the executive directors and senior management relative to performance and market data;
- approving contracts of employment which exceed defined thresholds of total remuneration or have unusual terms or termination periods;
- considering and agreeing changes to the Remuneration Policy or major changes to employee benefit structures; and
- approving and operating employee share-based incentive schemes and associated performance conditions and targets.

Activities during the year
The principal activities of the Committee during 2016/17 included:

- reviewing and approving the Directors' Remuneration Report;
- approving share awards to senior management under the new Long Term Incentive Plan after shareholders had approved the plan at the annual general meeting in 2016;
- approving the Sharesave grant;
- assessing the performance of executive directors against pre-determined targets set for the 2015/16 annual bonus and approving the payments;
- agreeing design of the 2016/17 annual bonus including performance measures and targets;
- reviewing the current Share Plan and agreeing what actions to take in the event that the awards under the Share Plan do not vest in 2017;
- monitoring the developments in the corporate governance environment and investor expectations; and
- noting remuneration practices across the Group.

Advice
The Committee appointed Aon Hewitt in April 2016 as independent advisors, having used Towers Watson prior to this. Aon Hewitt is engaged to provide advice to the Committee and to work with the directors on matters relating to the Group's executive remuneration and its long term incentives. They are members of the Remuneration Consultants Group and operate under its code of conduct in relation to the provision of executive remuneration advice in the UK and have confirmed that they adhered to the Code during 2016/17 for all remuneration services provided to the Group. Aon Hewitt received fees of £92,000 (2015/16: £26,000 to Towers Watson) in relation to the provision of those services. In addition, during the year, the Committee took external legal advice from Aon Hewitt and Freshfields Bruckhaus Deringer LLP with respect to the awards under the Share Plan. Aon Hewitt also provided advice to the Company in respect of remuneration for the honeybee business, but the Committee is satisfied that Aon Hewitt continues to provide independent and objective advice to the Committee.

External directorships
The policy relating to external directorships is outlined in the Remuneration Policy; the following external directorships were undertaken and the fees retained by the executive directors:

- Andrew Harrison has been a non-executive director of Ocado Group plc during 2016/17 and was paid a fee of £50,000 for the year to 29 April 2017.
- Sebastian James has been a non-executive director of Direct Line Insurance Group plc during 2016/17 and was paid a fee of £90,000 for the year to 29 April 2017.
- Katie Bickerstaffe has been a non-executive director of Scottish and Southern Energy plc during 2016/17 and was paid a fee of £79,500 for the year to 29 April 2017.
- Humphrey Singer has been a non-executive director of Taylor Wimpey plc during 2016/17 and was paid a fee of £59,000 for the year to 29 April 2017.

How the Remuneration Policy will be applied in 2017/18
Executive directors

i) Base Salary
The following salaries will apply during the 2017/18 financial year, with effect from 29 April 2017:

	Salary at 29 April 2017 £'000	Increase in salary in 2017/18 £'000	Salary at 1 August 2017 £'000
Current directors			
Sebastian James	**836**	17	853
Andrew Harrison	**561**	11	572
Humphrey Singer	**485**	9	494
Katie Bickerstaffe	**510**	10	520

ii) Pension Contributions
Company pension contributions or allowance in lieu will continue in 2017/18 at their current levels of 10% for Sebastian James, Humphrey Singer and Katie Bickerstaffe and 5% for Andrew Harrison.

iii) Annual performance bonus
The maximum annual bonus for 2017/18 will be 125% of base salary and will operate on a similar basis as in the previous year. The measures have been selected to reflect the Group's key objectives and are aligned to the Group's balanced scorecard, with a minimum profit gate that must be achieved before any bonus is paid out. The proposed target levels for the year have been set to be challenging relative to the business plan. The Committee feels that specific targets relating to the 2017/18 bonus scheme are currently commercially sensitive and as such will not be disclosed. Retrospective disclosure of the targets and performance against them will be provided in next year's Remuneration Report.

Annual Remuneration Report

The performance metrics and their weightings for 2017/18 are shown in the table below:

	Weighting (as a percentage of maximum bonus opportunity)
EBIT	60%
Net debt	10%
ROCE	10%
Customer Net Promoter Score	10%
Employee engagement	10%

Recovery and withholding provisions apply for material misstatement, misconduct and reputational damage enabling performance adjustments and / or recovery of sums already paid. These provisions will apply for up to three years after payment.

iv) LTIP

In line with the new LTIP as approved by shareholders at the annual general meeting on 8 September 2016, the Committee intends to make an award of 275% of base salary to each of the executive directors shortly after the announcement of the results for the 2016/17 financial year. These awards will vest after three years based on continued service and the achievement of the performance measures noted below.

These awards will be subject to a further two-year post vesting holding period, during which the executive director is not permitted to sell any shares vesting, other than those required to settle any tax obligations.

For 2017/18 these awards will be subject to two equally weighted performance conditions. Half of the awards will be subject to the achievement of a relative TSR performance condition, measured against the companies ranked FTSE 51-150 at the start of the performance period. The remaining half of the awards will be subject to the achievement of adjusted EPS growth targets.

The relative TSR condition will be assessed over a three-year period, with vesting determined as follows:

Rank of Company TSR against Comparator Group TSR	% of TSR element vesting
Below Median	0%
Median	25%
Between Median and Upper-Quartile	Pro rata between 25% and 100% on a straight-line basis
Upper Quartile or above	100%

EPS growth will be assessed over a three-year period with vesting to be determined as follows:

Three-year adjusted EPS growth to the end of the 2019/20 financial year	% of EPS element vesting
Below 7.5%	0%
7.5%	25%
Between 7.5% and 20%	Pro rata between 25% and 100% on a straight-line basis
20% or above	100%

The EPS growth targets take into account a number of inputs including market consensus at the time of the award, the market within which the Company is operating and the higher starting EPS than the previous award. Calculations of the achievement against the targets will be independently performed and approved by the Committee. The Committee will retain discretion to adjust for material events which occur during the performance period and will make full and clear disclosure of any such adjustments in the Directors' Remuneration Report, together with details of the achieved levels of performance, as determined by the above definitions at the end of the performance period.

Awards will be subject to recovery and withholding provisions for material misstatement, misconduct and reputational damage enabling performance adjustments and / or recovery of sums already paid. These provisions will apply for up to three years after vesting.

Non-Executive Directors

Ian Livingston was appointed Chairman of the Board on 30 April 2017 on a fee of £300,000 per annum. This fee is inclusive of his Chairmanship of the Nominations Committee.

Tony DeNunzio was appointed on the same date as Deputy Chairman and Chairman of the Remuneration Committee on a fee of £140,000. He retained, in addition, his responsibility as Senior Independent Director.

Further information regarding non-executive director fees is set out on page 82.

Remuneration details for 2016/17

Performance graph

The graph below shows the Group's performance measured through TSR on a holding of £100 in the Company's shares, compared with the FTSE 350 Index, since 29 March 2010. The FTSE 350 has been used as it is a broad market which includes the Company and a number of its competitors.

Total shareholder return
Source: Datastream (Thomson Reuters)

This graph shows the value, by 29 April 2017, of £100 invested in Dixons Carphone on 29 March 2010, compared with the value of £100 invested in the FTSE 350 Index on the same date.
The other points plotted are the values at intervening financial year ends.
Start date of the graph reflects date of admittance to the London Stock Exchange of Dixons Carphone, previously called Carphone Warehouse Group plc.

Group Chief Executive pay

The following table shows, over the same seven year period as the performance graph, the Group Chief Executive's single total figure of remuneration, the amount of bonus earned as a percentage of the maximum remuneration possible, and the vesting of long term awards as a percentage of the maximum number of shares that could have vested where applicable.

Year		CEO single figure of remuneration(1) £000	Annual bonus payout against maximum %	Long term incentive vesting rates against maximum opportunity %
2016/17	Sebastian James	**1,795**	**83%**	**n/a**
2015/16	Sebastian James	1,616	68%	n/a
	Sebastian James	1,687	100%	n/a
	Andrew Harrison	420	100%	n/a
2014/15	Total	2,107		
	Andrew Harrison	679	54%	n/a
	Roger Taylor	159	n/a	n/a
2013/14	Total	838		
2012/13	Roger Taylor	958	55%	n/a
2011/12	Roger Taylor	474	0%(2)	n/a
2010/11	Roger Taylor	1,193	82%	n/a

(1) Excludes remuneration received from long term incentive schemes established by Old Carphone Warehouse prior to the demerger from TalkTalk because that company is not part of the current Group. Details of remuneration associated with Old Carphone Warehouse incentive schemes were provided in that company's annual report for the year ended 31 March 2012. Future reports will include long term incentives operated by the current Group when they have vested.

(2) Roger Taylor waived a bonus of 25% maximum potential and instead chose for it to be paid directly to charity.

Percentage change in remuneration

The table below provides the percentage change in remuneration for the Group Chief Executive and the percentage change for all UK head office-based employees as this group provides the best like-for-like comparison. The majority of the UK head office-based employees (c. 94%) work for the UK & Ireland business and are bonused against the performance of that business, which for 2016/17 had a lower level of payout compared with those bonused on Group performance. Changes in salary relating to changes in roles and / or responsibilities have been excluded from the increase presented for the wider Group.

	Group Chief Executive	UK head office employees
Salary and fees	2%	2%
Taxable benefits[1]	0%	0%
Annual bonuses[2]	23.62%	(37.20)%

(1) The percentage change in taxable benefits is considered to be 0% since there have been no material changes in Group benefits.
(2) A large proportion of the UK head office-based population work for the UK & Ireland business which had a lower level of bonus payout compared with Group.

Relative importance of spend on pay

The following table sets out both the total cost of remuneration for the Group compared with pro forma Headline EBIT and profits distributed for 2016/17 and the prior year.

	2016/17 £million	2015/16 £million	Change %
Dividends paid[1]	**115**	106	8.49%
Headline EBIT	**517**	478	8.16%
Total staff costs – continuing operations[2]	**1,165**	1,061	9.80%

	Number	Number	Change %
Average employee numbers – continuing operations[2]	**45,461**	45,202	0.57%

(1) Extracted from note 23 to the Group financial statements.
(2) Extracted from note 5 to the Group financial statements.

Audited information

Single figure of directors' remuneration for the year ended 29 April 2017

	Basic salary and fees £'000	Pension contributions[3] £'000	Annual bonus £'000	Taxable benefits[4] £'000	Total emoluments £'000	LTIP payments[6] £'000	2016/17 Total remuneration £'000
Executive							
Current directors							
Sebastian James	832	83	867	13	1,795	–	1,795
Andrew Harrison	558	28	581	13	1,180	–	1,180
Humphrey Singer	482	48	502	13	1,045	–	1,045
Katie Bickerstaffe[2]	498	51	528	11	1,088	–	1,088
Graham Stapleton[1] [5]	467	23	486	76	1,052	–	1,052
	2,837	233	2,964	126	6,160	–	6,160
Non-executive							
Current directors							
Sir Charles Dunstone[1]	280	–	–	–	280	–	280
Tony DeNunzio	90	–	–	–	90	–	90
Andrea Gisle Joosen	70	–	–	–	70	–	70
Tim How	65	–	–	–	65	–	65
Jock Lennox	75	–	–	–	75	–	75
Lord Livingston of Parkhead[7]	140	–	–	–	140	–	140
Baroness Morgan of Huyton	65	–	–	–	65	–	65
Gerry Murphy	65	–	–	–	65	–	65
Fiona McBain[1]	11	–	–	–	11	–	11
	861	–	–	–	861	–	861
	3,698	233	2,964	126	7,021	–	7,021

(1) Remuneration is shown for the period served on the Board. Fiona McBain was appointed to the Board on 1 March 2017 and the fees shown were from appointment to 29 April 2017. Graham Stapleton stepped down from the Board on 27 April 2017. Charles Dunstone stepped down from the Board on 30 April 2017.
(2) Katie Bickerstaffe purchased annual leave under the Group's holiday purchase scheme, reducing her salary by £10,000 in 2016/17.
(3) Pension contributions comprise the Company's contribution or allowance in lieu together with the salary supplement which is based on the difference between basic salary and the scheme earnings cap set by the Company. The contribution amount was 10% of salary for Sebastian James, Humphrey Singer and Katie Bickerstaffe and 5% for Andrew Harrison and Graham Stapleton.
(4) Taxable benefits include private medical insurance and car allowances.
(5) Taxable benefits for Graham Stapleton include expenses of £63,000 paid by the Company in relation to spousal and family travel.
(6) LTIP payments would comprise amounts under the Share Plan; however, the performance period does not end until July 2017. Further information has been set out on pages 82 to 83.
(7) Ian Livingston has a deferred pension in the Dixons Retirement and Employee Security Scheme.
(8) No payments were made to former directors and no payment for loss of office was made during the year.

Annual Remuneration Report

Single figure of directors' remuneration for the year ended 30 April 2016

2015/16	Basic salary and fees £'000	Pension contributions[3] £'000	Annual bonus £'000	Taxable benefits[4] £'000	Total emoluments £'000	LTIP payments[6] £'000	Total remuneration £'000
Executive							
Current directors							
Sebastian James	820	82	701	13	1,616	–	1,616
Andrew Harrison	550	28	470	11	1,059	–	1,059
Humphrey Singer	475	48	406	13	942	–	942
Katie Bickerstaffe[2]	490	50	428	11	979	–	979
Graham Stapleton[5]	460	23	393	892	1,768	–	1,768
	2,795	231	2,398	940	6,364	–	6,364
Non-executive							
Current directors							
Sir Charles Dunstone	280	–	–	–	280	–	280
Tony DeNunzio[1]	34	–	–	–	34	–	34
Andrea Gisle Joosen	70	–	–	–	70	–	70
Tim How	65	–	–	–	65	–	65
Jock Lennox	75	–	–	–	75	–	75
Lord Livingston of Parkhead[1][9]	54	–	–	–	54	–	54
Baroness Morgan of Huyton	65	–	–	–	65	–	65
Gerry Murphy	65	–	–	–	65	–	65
Former directors							
John Gildersleeve[1]	53	–	–	–	53	–	53
Roger Taylor[1][7]	97	–	–	1	98	–	98
	858	–	–	1	859	–	859
	3,653	231	2,398	941	7,223	–	7,223

(1) Remuneration is shown for the period served on the Board. Tony DeNunzio and Ian Livingston were appointed to the Board on 16 December 2015 and the fees shown were from appointment to 30 April 2016. John Gildersleeve and Roger Taylor resigned from the Board on 16 December 2015 and fees are from 3 May 2015 to date of leaving.
(2) Katie Bickerstaffe purchased annual leave under the Group's holiday purchase scheme, reducing her salary by £10,000 in 2015/16.
(3) Pension contributions comprise the Company's contribution or allowance in lieu together with the salary supplement which is based on the difference between basic salary and the scheme earnings cap set by the Company. The contribution amount was 10% of salary for Sebastian James, Humphrey Singer and Katie Bickerstaffe and 5% for Andrew Harrison and Graham Stapleton.
(4) Taxable benefits include private medical insurance and car allowances.
(5) The taxable benefits of Graham Stapleton includes the waiver of a loan, together with accrued interest, of £880,268 relating to a long term incentive scheme of Carphone Warehouse that he took part in prior to him becoming a director of the Company. The scheme vested following the sale of the Best Buy Europe business and awards became exercisable during 2013, but all shares awarded were subject to a sales restriction until 2015. At the time of exercise Graham Stapleton, along with the other participants, was provided with a company loan to be used to settle the outstanding tax liabilities that were created at the point of exercise. During 2015, the sales restrictions elapsed and at that time the Company confirmed the writing off of the outstanding loan. This decision reflected the treatment afforded to other participants of this plan and the past practice used by Carphone Warehouse. This is a legacy, pre-Merger obligation made before Graham Stapleton was appointed to the Board.
(6) LTIP payments would comprise amounts under the Share Plan, however, the performance period ends in July 2017.
(7) Roger Taylor continued to receive private medical insurance benefits until 16 December 2016 when he stepped down from the Board.
(8) No payments were made to former directors and no payment for loss of office was made during the year.
(9) Ian Livingston has a deferred pension in the Dixons Retirement and Employee Security Scheme.

Long term incentive plans (LTIP)

Awards made under the legacy Share Plan will vest in July 2017 (60%) and July 2018 (40%), subject to satisfaction of performance conditions.

Details of the awards made and the loans granted to the directors to enable them to subscribe for shares under the Share Plan are detailed later in this Report. The Chairmen's Statement at the start of the Report explains the steps that will be taken in the event that either or both the awards do not vest.

LTIP Awards made during 2016/17

Nil cost option awards were made to executive directors in September 2016 following approval of the new LTIP by shareholders at the annual general meeting. Half of each award is subject to the achievement of a relative TSR performance condition, measured against the companies ranked FTSE 51-150 at the start of the performance period. The remaining half of each award will be subject to the achievement of adjusted EPS growth targets.

The vesting level of the relative TSR condition will be determined as follows:

Rank of Company TSR against Comparator Group TSR	% of TSR element vesting
Below Median	0%
Median	25%
Between Median and Upper Quartile	Pro rata between 25% and 100% on a straight-line basis
Upper Quartile or above	100%

The vesting level of the EPS condition will be determined as follows:

Three-year adjusted EPS growth to the end of the 2018/19 financial year	% of EPS element vesting
Below 10%	0%
10%	25%
Between 10% and 30%	Pro rata between 25% and 100% on a straight-line basis
30% or above	100%

The table below sets out the LTIP awards made to the executive directors on 9 September 2016:

	Nil Cost Options awarded	Share Price at date of award £	Face Value £(1)	End of Performance Period	Vesting Date
Sebastian James	591,284	3.89	2,300,094	30 Apr 2019	9 Sep 2019
Andrew Harrison	396,592	3.89	1,542,743	30 Apr 2019	9 Sep 2019
Humphrey Singer	342,512	3.89	1,332,372	30 Apr 2019	9 Sep 2019
Katie Bickerstaffe	360,538	3.89	1,402,493	30 Apr 2019	9 Sep 2019
Graham Stapleton(2)	331,696	3.89	1,290,297	30 Apr 2019	9 Sep 2019

(1) The face value is calculated based on the number of options awarded multiplied by the share price at the date of award.
(2) Graham Stapleton stepped down from the Board on 27 April 2017.

Annual bonus for 2016/17

The maximum bonus opportunity for all executive directors is 125% of base salary based on performance in the 12-month period to the end of the financial year.

The Committee determined at the beginning of the year that the disclosure of performance targets were commercially sensitive and therefore these were not disclosed in last year's directors' remuneration report. This was because targets were set within the context of a longer term business plan and this disclosure could give information to competitors to the detriment of business performance. The Committee has, however, disclosed in the table overleaf the targets on a retrospective basis and the actual performance against these.

Annual Remuneration Report

The maximum annual bonus of 125% of base salary is payable at the maximum level of performance, 25% of base salary on achievement of threshold performance and 75% of base salary on achievement of target performance.

Measure	As a percentage of maximum bonus opportunity	Threshold	Target	Maximum	Actual	Payout
Headline EBIT	60%	£481.5 million	£506.5 million	£531.5 million	£517 million	46%
Average net (debt) / funds – variance vs budget	10%	£(50) million	Budget	£50 million	£53 million	10%
Return on Capital Employed	10%	21.1%	21.6%	22.1%	21.7%	7%
Customer Net Promoter Score	10%	Improvement over prior year			Better	10%
Employee engagement score	10%	Improvement over prior year			Better	10%

Overall bonus payments reflect strong business performance paying out at 82.9% of maximum opportunity and will be paid in cash. The Committee is comfortable that the result is an appropriate reflection of overall performance during the year under review. The bonus amounts to be paid to the executive directors in respect of 2016/17 are set out in the single figure of directors' remuneration table on page 79.

Non-executive directors' and Chairman's fees

The fees for the independent non-executive directors, including the Deputy Chairman, are determined by the Board (excluding non-executive directors) after considering external market research and are reviewed on an annual basis. Factors taken into consideration include the required time commitment, specific experience and / or qualifications. A base fee is payable and additional fees are paid for chairing and membership of committees. The Chairman is not involved in the setting of his own salary which is dealt with by the Remuneration Committee annually. Non-executive directors receive no variable pay and receive no additional benefits, except in situations where an executive director becomes a non-executive director and benefit and pension arrangements continue.

The Chairman, and Deputy Chairman and Senior Independent Director receive all-inclusive fees reflecting their duties. Other independent non-executive directors received a basic fee of £60,000 (2015/16: £60,000) and additional fees as set out in the table below for chairing or membership of committees. Fees will remain unchanged for 2017/18, other than the increase in fee for the Chairman as detailed earlier in this Report.

	2016/17 £'000	2015/16 £'000
Chairman(1)(2)	**280**	280
Deputy Chairman(3)(4)	**140**	140
Senior Independent Director(5)	**90**	90
Chair of Audit Committee	**15**	15
Member of Audit Committee	**5**	5
Member of Nominations Committee	**5**	5
Member of Remuneration Committee	**5**	5

(1) The Chairman's fee includes Chairmanship of the Nominations Committee.
(2) Ian Livingston was appointed Chairman of the Board on 30 April 2017 on a fee of £300,000, inclusive of his Chairmanship of the Nominations Committee.
(3) The Deputy Chairman's fee includes Chairmanship of the Remuneration Committee and membership of the Nominations Committee.
(4) On 30 April 2017, Tony DeNunzio was appointed as Deputy Chairman and Chairman of the Remuneration Committee in addition to his Senior Independent Director's role. He was paid an inclusive fee of £140,000 for all roles.
(5) The Senior Independent Director's fee includes membership of the Nominations and Remuneration committees.

Directors' interests in the Share Plan

The executive directors participate in the Dixons Carphone (formerly Carphone Warehouse Group plc) Share Plan approved by Carphone Warehouse shareholders. Participants acquired at market value participation shares in a subsidiary company that holds the Company's interests in the Group's main operating businesses. The Group granted loans to participants at a commercial rate of interest to acquire the shares. Loans are ordinarily repayable in full if performance conditions are met.

The performance of the plan will be measured at the end of the performance period in July 2017 and subject to satisfaction of the performance conditions, 60% of the shares vest, with 40% deferred for a further year. If the awards vest, the value of the shares held by participants will be based on the incremental value (if any) of Dixons Carphone in excess of the opening valuation together with the minimum return on invested capital. These shares would then be purchased by the Company for cash and / or the Company's ordinary shares.

The total pool for distribution to participants is subject to a cap of 4% of the total issued share capital of the Company on the measurement date. Under the Share Plan there are now two pools, one for the original grant in December 2013 and one for the second grant in October 2014, each being subject to a cap of 2% of the total issued share capital of the Company.

The Share Plan is designed to share 10% of the incremental value created in Dixons Carphone in excess of an opening valuation (assessed over an appropriate period) and beyond an annual rate of return of 7% on invested capital. The plan is also underpinned by a minimum annual compound TSR growth of 5% and outperformance of the median TSR of the constituents of the FTSE 250 Index.

The table below shows the allocation to the executive directors of participation shares in the subsidiary, Dixons Carphone Holdings Limited (previously known as New CPW Limited), in relation to the Share Plan, together with details of the loans issued to enable the directors to subscribe for the participation shares.

	A ordinary shares in subsidiary allocated as at 30 April 2016[1] Number	B ordinary shares in subsidiary allocated as at 30 April 2016[2] Number	A ordinary shares in subsidiary allocated as at 29 April 2017[1] Number	B ordinary shares in subsidiary allocated as at 29 April 2017[2] Number	Allocation of A pool as at 30 April 2016[1] %	Allocation of B pool as at 30 April 2016[2] %	Allocation of A pool as at 29 April 2017[1] %	Allocation of B pool as at 29 April 2017[2] %	Loan outstanding as at 30 April 2016 £'000	Loan outstanding as at 29 April 2017[3] £'000
Current directors										
Sebastian James	–	1,100	–	**1,100**	–	11%	–	11%	**2,306**	**2,030**
Andrew Harrison	700	200	**700**	**200**	7%	2%	7%	2%	**834**	**796**
Humphrey Singer	–	700	–	**700**	–	7%	–	7%	**1,467**	**1,292**
Katie Bickerstaffe	–	700	–	**700**	–	7%	–	7%	**1,467**	**1,292**
Graham Stapleton[4]	600	100	**600**	**100**	6%	1%	6%	1%	**565**	**551**

(1) Allocation relates to the pre-Merger pool in respect of A ordinary shares. Face value is not included as due to the structure of the Share Plan it is not considered a representative figure.
(2) Allocation relates to the post-Merger pool in respect of B ordinary shares. Face value is not included as due to the structure of the Share Plan it is not considered a representative figure.
(3) The amount of the loan is restated from figures in the 2015/16 remuneration report following the finalisation of the value of the B ordinary shares.
(4) Graham Stapleton stepped down from the Board on 27 April 2017.

Directors' interests in LTIP

	Date of grant	At 30 April 2016	Awarded in the year	Lapsed or forfeited in the year	Exercised in the year	At 29 April 2017	Date from which first exercisable	Expiry of the exercise period	Exercise Price (p)
Sebastian James									
2016 LTIP	9 Sep 2016	–	**591,284**	–	–	**591,284**	9 Sep 2019	9 Sep 2026	–
Andrew Harrison									
2016 LTIP	9 Sep 2016	–	**396,592**	–	–	**396,592**	9 Sep 2019	9 Sep 2026	–
Humphrey Singer									
2016 LTIP	9 Sep 2016	–	**342,512**	–	–	**342,512**	9 Sep 2019	9 Sep 2026	–
Katie Bickerstaffe									
2016 LTIP	9 Sep 2016	–	**360,538**	–	–	**360,538**	9 Sep 2019	9 Sep 2026	–
Graham Stapleton[1]									
2016 LTIP	9 Sep 2016	–	**331,696**	–	–	**331,696**	9 Sep 2019	9 Sep 2026	–

(1) Graham Stapleton stepped down from the Board on 27 April 2017.

Annual Remuneration Report

Directors' interests in Sharesave

As part of the Merger, participants of the Dixons Retail Sharesave Plan were offered the opportunity to roll over their Sharesave awards into options over Dixons Carphone. Those awards rolled over by the directors, in addition to other options owned by the directors over the Company, are shown in the table below. These pre-Merger awards have now all vested.

	Date of grant	Exercise price (p)	At 30 April 2016	Awarded in the year[4]	Lapsed or cancelled in the year[3]	Exercised[2] in the year	At 29 April 2017	Date from which first exercisable	Expiry of the exercise period
Sebastian James									
Sharesave	23 Jul 2013[1]	209.35	601	–	–	**(601)**	–	1 Oct 2016	31 Mar 2017
	26 Feb 2015	344.00	4,866	–	**(4,866)**	–	–	1 Apr 2018	30 Sep 2018
	22 Feb 2017	252.00	–	**7,142**	–	–	**7,142**	1 Apr 2020	30 Sep 2021
			5,467	**7,142**	**(4,866)**	**(601)**	**7,142**		
Andrew Harrison									
Sharesave	10 Jan 2014	224.00	4,017	–	–	–	**4,017**	1 Mar 2017	31 Aug 2017
			4,017	–	–	–	**4,017**		
Humphrey Singer									
Sharesave									
	23 Jul 2013[1]	209.35	601	–	–	**(601)**	–	1 Oct 2016	31 Mar 2017
	26 Feb 2015	344.00	4,500	–	**(4,500)**	–	–	1 Apr 2018	30 Sep 2018
	25 Feb 2016	377.00	334	–	**(334)**	–	–	1 Apr 2019	30 Sep 2019
	22 Feb 2017	252.00	–	**7,142**	–	–	**7,142**	1 Apr 2020	30 Sep 2021
			5,435	**7,142**	**(4,834)**	**(601)**	**7,142**		
Katie Bickerstaffe									
Sharesave									
	23 Jul 2013[1]	209.35	601	–	–	**(601)**	–	1 Oct 2016	31 Mar 2017
	26 Feb 2015	344.00	4,500	–	–	–	**4,500**	1 Apr 2018	30 Sep 2018
	25 Feb 2016	377.00	334	–	–	–	**334**	1 Apr 2019	30 Sep 2019
	22 Feb 2017	252.00	–	**500**	–	–	**500**	1 Apr 2020	30 Sep 2021
			5,435	**500**	–	**(601)**	**5,334**		

(1) Share options that were granted under the Dixons Retail Sharesave Plan and rolled over into options over Dixons Carphone shares. The exercise price shown is the roll over price over Dixons Carphone shares.

(2) The options exercised by Katie Bickerstaffe and Humphrey Singer on 3 October 2016 had a market price of £3.71 on the date of exercise and £3.41 for the options exercised by Sebastian James on 7 October 2016. The gain made on the date of exercise by Katie Bickerstaffe and Humphrey Singer was £971, and £792 by Sebastian James.

(3) Sebastian James and Humphrey Singer cancelled prior year Sharesave contracts in order to participate in the 2017 award.

(4) The face value of awards granted on 22 February 2017 for the executive directors was £22,497 for Sebastian James and Humphrey Singer, and £1,575 for Katie Bickerstaffe. The exercise price was set at a 20% discount to the mid-market closing share price at 24 January 2017 of £3.15.

Directors' shareholding

Details of directors' interests in shares of the Company are shown in the following table:

	29 April 2017	30 April 2016[1]	Total beneficial interests under share ownership guidelines 29 April 2017	Total beneficial share interests as a % of salary[6] 29 April 2017
Executive directors				
Current directors				
Sebastian James[2]	**606,835**	908,234	**606,835**	**231%**
Andrew Harrison	**5,000,000**	5,000,000	**5,000,000**	**2,843%**
Humphrey Singer[2]	**419,748**	619,147	**419,748**	**276%**
Katie Bickerstaffe[2]	**359,568**	408,967	**359,568**	**225%**
Graham Stapleton[2][7]	**307,534**	490,034	**307,534**	**209%**
Non-executive directors				
Current directors				
Sir Charles Dunstone[8]	**134,758,481**	134,758,481	–	–
Tony DeNunzio	**50,000**	50,000	–	–
Andrea Gisle Joosen[3]	**9,076**	6,076	–	–
Tim How	**12,400**	12,400	–	–
Jock Lennox	**11,625**	11,625	–	–
Lord Livingston of Parkhead[4]	**31,889**	–	–	–
Baroness Morgan of Huyton[5]	**8,183**	991	–	–
Gerry Murphy	**20,000**	20,000	–	–
Fiona McBain	–	–	–	–

(1) Date of appointment, if later.
(2) On 2 February 2017, Sebastian James sold 302,000 shares, Humphrey Singer sold 200,000 shares, Katie Bickerstaffe sold 50,000 shares and Graham Stapleton sold 182,500 shares, at a price of £3.15 per share.
(3) On 5 July 2016, Andrea Gisle Joosen purchased 3,000 shares. The share price on 5 July 2016 was £2.99.
(4) On 1 July 2016 and 6 February 2017, Ian Livingston purchased 15,236 and 16,653 shares respectively. The share price on 1 July 2016 was £3.26 and £2.98 on 6 February 2017.
(5) On 14 July 2016, 12 October 2016 and 13 February 2017, Baroness Morgan purchased 7,000, 119 and 73 shares respectively. The share price on 14 July 2016 was £3.30. On 12 October 2016 the share price was £3.41 and £3.11 on 13 February 2017.
(6) The percentage is based on base salary as at 29 April 2017 and an average share price over the month to 29 April 2017 of £3.19.
(7) Graham Stapleton stepped down from the Board on 27 April 2017.
(8) Charles Dunstone stepped down from the Board on 30 April 2017.

There were no changes in the directors' restricted or unrestricted share interests between 29 April 2017 and the date of this Report.

Annual Remuneration Report

Statement of voting at shareholder meetings (not audited)
The Company is committed to ongoing shareholder dialogue in respect of directors' remuneration, and takes an active interest in voting outcomes. In particular we consulted in 2016 with our shareholders on the new Remuneration Policy being put to the vote at the annual general meeting in September 2016. Where there are substantial votes against resolutions, explanatory reasons will be sought, and any actions in response will be communicated to shareholders.

The following tables set out the voting results in relation to the resolutions put to the 2016 annual general meeting:

Resolution	Votes for	%	Votes against	%	Withheld
Approval of Remuneration Policy	880,154,462	98.86	10,177,401	1.14	1,579,648
Approval of annual remuneration report	835,264,767	94.28	50,721,166	5.72	5,925,578
Approval of the Long Term Incentive Plan 2016	878,422,918	99.20	7,119,656	0.80	6,368,187

Compliance
As required by the Regulations, a resolution to approve this Remuneration Report will be proposed at the Annual General Meeting on 7 September 2017.

Tony DeNunzio
Chairman of the Remuneration Committee
27 June 2017

Corporate Governance

Statement of Directors' responsibilities

The directors are responsible for preparing 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. Under that law the directors are required to prepare the consolidated financial statements in accordance with IFRS as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period.

In preparing the Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the consolidated financial statements, IAS 1 'Presentation of Financial Statements' requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and the Company's performance, business model and strategy.

By Order of the Board

Sebastian James
Group Chief Executive
27 June 2017

Humphrey Singer
Group Finance Director
27 June 2017

Independent Auditor's report

Opinion on the financial statements of Dixons Carphone plc

In our opinion,

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 29 April 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise:

- the Consolidated income statement;
- the Consolidated statement of comprehensive income,
- the Consolidated balance sheet,
- the Consolidated statement of changes in equity,
- the Consolidated cash flow statement,
- the Company balance sheet, the Company statement of changes in equity; and
- the related notes 1 to 33 and C1 to C10.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Summary of our audit approach

Key risks	The key risks that we identified in the current year were: • impairment of goodwill and other intangible assets; • revenue recognition – UK network commissions; • UK supplier funding; • inventory provisioning; and • tax provisioning. Last year our report included an additional risk in relation to property rationalisation provisioning. This related to a non-recurring charge in the prior year, and, as there has been no equivalent restructuring charge in the current year, is no longer significant to our audit approach. We have included an additional risk this year in relation to tax provisioning given the increase in quantum of the provision for uncertain tax positions in the year.
Materiality	The materiality that we used in the current year was £21.5 million which was determined on the basis of 5% of adjusted headline profit before tax, consistent with the previous year.
Scoping	Our full scope audit procedures provided coverage at the Group's key locations, being the retail operations in the UK and Nordics, representing 90% of the Group's revenue and 85% of profit before tax.
Significant change in our audit approach	There have been no significant changes in our audit approach in the current year other than the removal of property rationalisation provisioning risk and addition of tax provisioning risk as mentioned in the key risks section above.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1a) to the Group financial statements, in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, the Group has also applied IFRSs as issued by the International Accounting Standards Board ('IASB').

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Going Concern

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1a) to the financial statements and the directors' statement on the longer-term viability of the Group contained within the strategic report.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 45 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 16-21 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 1a) to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation on pages 26-27 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of the risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Last year our report included an additional risk in relation to property rationalisation provisioning which was announced and commenced in that year and is no longer significant to our audit approach in the current year. We have included an additional risk this year in relation to tax provisioning given the increase in quantum of the provision for uncertain tax positions in the year. The other risks set out below are consistent with those identified in the previous year.

Risk	How the scope of our audit responded to the risk	Key observations
Impairment of goodwill and other acquisition intangibles The Group has significant acquisition related intangible assets, including goodwill, (£3,433 million at 29 April 2017 comprising £3,111 million of goodwill and £322 million of acquisition intangibles) primarily related to the CPW Europe and Dixons Retail plc acquisitions in previous years. The Group's assessment of impairment of acquisition related intangible assets is a judgemental process which requires estimates concerning the future cash flows and associated discount rates and growth rates based on management's projections of future business performance and prospects. The key judgements and estimates involved are described in more detail in the Audit Committee report and in notes 1k), 1l) and 9 to the Group financial statements.	We evaluated the design and implementation of controls around the preparation of the impairment models prepared by management. We also assessed the identification of group's of cash generating units at which the level of goodwill is monitored. We assessed the assumptions used by management in the impairment models for goodwill and acquisition related intangible assets, including specifically the cash flow projections, discount rates (utilising the assistance of our valuation specialists), and long term growth rates used against historical performance, our understanding of the future prospects of the business and comparison against market rates at the year end. We also considered the appropriateness of the sensitivities applied by management. We audited the mechanics of the impairment models prepared by management.	We concur with the treatment adopted in relation to the impairment of goodwill and other acquisition intangibles and are satisfied that the assumptions in the impairment model are within an acceptable range. We are satisfied with the sensitivities applied by management and concur that headroom remains following the application of these sensitivities.
Revenue recognition – UK network commissions The monetary value of commission receivable on sales (£1,014 million at 29 April 2017), being commission for which there is a contractual entitlement based on mobile phone connections already made, and for which there are no ongoing performance obligations, is dependent on consumer behaviour beyond the point of sale. Management is therefore required to exercise judgement in respect of the level of consumer default within the contract period, consumer renewals, expected levels of consumer spend and consumer behaviour beyond the initial contract period and recognise network commissions when they are considered to be reliably measurable. The key judgements and estimates involved are described in more detail in the Audit Committee report and in notes 1e), 1t) and 26h) to the Group financial statements.	We evaluated the design and implementation of both the relevant manual and automated controls over the revenue recognition process in respect of commission receivable, utilising IT specialists to assist with testing of automated controls. In addition we tested whether these controls were operating effectively throughout the period. We tested the valuation of revenue recognised through review of the contractual arrangements, substantive testing of management assumptions including tenure, line rental, and churn to data received from networks and testing of cash receipts. We reviewed management's assessment of the accuracy of historical estimates against subsequent cash received to consider the appropriateness of the historical data as a measure of expected future behaviours. We also assessed any changes in estimate in comparison to the prior year and reviewed year on year movement in key assumptions.	We concur with the treatment adopted in relation to revenue recognition of UK network commissions and the assumptions applied by management are considered to be appropriate. In particular we are satisfied, based on management's assessment and our testing, that historical data reflects the directors' best estimate of expected future trends and, as a result, we consider that the revenue recognised meets the IAS 18 Revenue requirement of being reliably measurable. We also agree that the disclosures relating to network commissions, including disclosure of the change in estimate made during the year of £21 million, provide an appropriate understanding of the estimates taken by management.

Risk	How the scope of our audit responded to the risk	Key observations
UK supplier funding The Group holds a number of significant funding arrangements with suppliers, primarily relating to the UK retail operations. Agreements in relation to supplier funding are based predominantly on volume related targets, for both purchases and sales, and are most commonly agreed as a fixed percentage of target purchases up front. These targets are generally a mix of quarterly and annual targets. The timing of recognition of this income is sometimes judgemental, in particular where the target period for measuring target achievements spans the year end and it is necessary to ensure there is sufficient evidence justifying recognition. The key judgements and estimates involved are described in more detail in the Audit Committee report.	We updated our understanding of the Group's key supplier funding arrangements. As part of this, we met with the key individuals responsible for the supplier funding accounting process, we evaluated the design and implementation of the key controls in operation, principally focused on those that determine the appropriate timing of recognition for supplier funding balances, and, for certain key controls, tested the operating effectiveness of these throughout the year. In addition, we performed an analytical assessment of movements in supplier funding throughout the current year to historical trends. To ensure there is sufficient evidence to support the recognition of supplier funding, our sample procedures have comprised a mixture of obtaining confirmations directly from suppliers and recalculating amounts with reference to signed supplier contracts. We also considered the adequacy of the supplier funding related disclosure within the Group's financial statements.	We concur with the treatment adopted and amounts recognised in relation to UK supplier funding. We consider that the disclosure provided with respect to supplier funding provides an appropriate understanding of the types of income received and the impact on the Group's balance sheet as at 29 April 2017.
Inventory provisioning Inventory is a significant balance for the Group (£1,101 million at 29 April 2017) and there are a number of judgemental areas around valuation based on estimates including obsolescence and shrinkage provisioning. This risk has a significant effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team in the consumer electronics side of the business only, given the nature and relative significance of the inventory balances within each part of the Group. Further information in relation to this area is discussed in note 1p) to the Group financial statements.	We evaluated the design and implementation, and performed testing of the operating effectiveness, of controls around the inventory business cycle and attended a sample of inventory counts at 35 stores and the distribution centres across the UK and Nordics consumer electricals businesses, including visiting the Group's main distribution centre in Newark on 5 separate occasions, which enables us to assess management's processes for monitoring inventory. We verified a sample of inventory to assess whether it is valued at the lower of cost and net realisable value. We reviewed, recalculated and assessed the inventory provisioning for reasonableness, including challenging the appropriateness of provisioning with reference to inventory ageing, both historical and post year end performance and a review of the provision as a percentage of gross stock year-on-year. We also considered the impact of range changes and other specific known areas of overstock on the required provision calculation.	We concur with the treatment adopted in relation to inventory provisioning, and believe that management's inventory provision methodology includes a reasonable consideration of the ageing of inventory and the recoverable amount of the inventory value.

Independent Auditor's report

Risk	How the scope of our audit responded to the risk	Key observations
Tax provisioning The Group operates in a number of different tax jurisdictions. The nature of the Group's operations and related transactions can give rise to uncertain tax treatments, including with respect to transfer pricing, thereby requiring the use of estimates and assumptions which may be subsequently challenged by the relevant tax authorities. The Group has recognised provisions in relation to uncertain tax positions of £66 million at 29 April 2017. Further information in this area is discussed in the Audit Committee report and in note 1t) to the financial statements.	We used our internal tax specialists to evaluate and test management's assumptions in respect of tax related provisions, including assessment against local tax legislation and review of supporting documentation. In assessing the provisions we have considered the tax environment in which the Group operates, the outcome of past settlements and the status of matters being discussed with tax authorities. Our tax specialists reviewed correspondence with tax authorities as well as reviewing the opinions or other support received from external advisors which management has utilised in calculating the provisions.	We concur with the treatment adopted and amounts recognised in relation to taxation provisioning, and believe that management's provisioning methodology includes a reasonable consideration of all uncertain positions.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£21.5 million (2015/16: £17.5 million)
Basis for determining materiality	We have determined materiality on the basis of 5% of adjusted headline profit before tax. In using adjusted headline profit before tax we have followed the Group's definition of headline results in note 1a) and adjusted this to add back the amortisation of acquisition intangibles and pension finance costs due to their recurring nature. We have calculated materiality on a consistent basis with the previous year and the increase in materiality in the current year is due to the increase in the Group's headline profit before tax.
Rationale for the benchmark applied	We have assessed the use of a headline measure to be appropriate as this continues to be a key driver of business value, is a critical component of the financial statements, and the main measure which management uses to monitor the performance of the business and communicate this to shareholders.
Significant change in our audit approach	There have been no significant changes in our audit approach in the current year other than the removal of property rationalisation provisioning risk as mentioned in the key risks section above.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.0 million (2015/16: £0.6 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work of the retail operations in the UK and the Nordics, which is consistent with the previous year. Each of these components requires a local statutory audit.

These locations represent the principal business units and account for approximately 90% of the Group's revenue from continuing operations (2015/16: 94%) and 87% of the Group's headline profit before tax (2015/16: 84%). Each location was selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at these locations was executed at levels of materiality applicable to each individual entity which were lower than group materiality and ranged from £11.8 million to £12.9 million (2015/16: £3 million to £10 million).

At the Dixons Carphone plc parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team is closely involved in the audit of the UK components, being the largest part of the Group, throughout the year including attendance at key audit planning and closing meetings. In addition, the Group audit team continued to follow a programme of planned visits to overseas components that has been designed so that a senior member of the group audit team visits the most significant locations where the Group audit scope was focused at least once each year. For the year ended 29 April 2017, senior members of the Group audit team, including the senior statutory auditor, visited Norway, where the Nordics head office is located and a sub consolidation is performed, on two occasions.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records
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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report arising from these matters.

Corporate Governance Statement
Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from our review.

Our duty to read other information in the Annual Report
Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

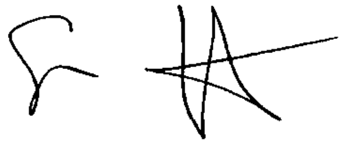
We confirm that we have not identified any such inconsistencies or misleading information.

Independent Auditor's report

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, 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). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

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 Group's and the parent 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.



Stephen Griggs (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditors
London, United Kingdom
27 June 2017

Consolidated income statement

	Note	Year ended 29 April 2017 Headline* £million	Non-headline* £million	Total £million	Year ended 30 April 2016 Headline (restated)* £million	Non-headline (restated)* £million	Total £million
Continuing operations							
Revenue	2	**10,580**	**5**	**10,585**	9,736	2	9,738
Profit / (loss) from operations before share of results of joint ventures	2	**517**	**(82)**	**435**	478	(170)	308
Share of results of joint ventures	12	**–**	**(17)**	**(17)**	–	(4)	(4)
Profit / (loss) before interest and tax	2,3	**517**	**(99)**	**418**	478	(174)	304
Finance income		**17**	**–**	**17**	17	–	17
Finance costs		**(33)**	**(16)**	**(49)**	(38)	(20)	(58)
Net finance costs	6	**(16)**	**(16)**	**(32)**	(21)	(20)	(41)
Profit / (loss) before tax		**501**	**(115)**	**386**	457	(194)	263
Income tax (expense) / credit	7	**(112)**	**17**	**(95)**	(110)	26	(84)
Profit / (loss) after tax – continuing operations		**389**	**(98)**	**291**	347	(168)	179
Profit / (loss) after tax – discontinued operations	25	**–**	**4**	**4**	–	(18)	(18)
Profit / (loss) after tax for the period		**389**	**(94)**	**295**	347	(186)	161
Earnings per share (pence)	8						
Basic – continuing operations		**33.8p**		**25.3p**	30.2p		15.6p
Diluted – continuing operations		**33.7p**		**25.2p**	29.2p		15.1p
Basic – total				**25.6p**			14.0p
Diluted – total				**25.5p**			13.6p

* Headline results exclude amortisation of acquisition intangibles, Merger integration and transformation costs, property rationalisation costs, acquisition related costs, net interest on defined benefit pension schemes, businesses to be exited and discontinued operations. Such excluded items are described as 'non-headline'. The headline and non-headline results have been restated for the year ended 30 April 2016 to reflect the current year classification of the iD mobile operations in the Republic of Ireland and the Sprint JV operations as businesses to be exited as discussed in note 4 and note 32.

Financial statements

Consolidated statement of comprehensive income

	Notes	Year ended 29 April 2017 £million	Year ended 30 April 2016 £million
Profit after tax for the period		**295**	161
Items that may be reclassified to the income statement in subsequent years:			
Cash flow hedges			
Fair value movements recognised in other comprehensive income	26	**20**	(23)
Reclassified and reported in income statement		**(18)**	(35)
Amount recognised in inventories		**22**	46
Available-for-sale financial assets			
Gains arising during the period	12	**19**	–
Exchange gain arising on translation of foreign operations		**76**	66
Other foreign exchange differences		**–**	2
Tax on items that may be subsequently reclassified to profit or loss		**(3)**	–
		116	56
Items that will not be reclassified to the income statement in subsequent years:			
Actuarial (losses) on defined benefit pension schemes – UK	21	**(144)**	(5)
– Overseas	21	**–**	2
Tax on actuarial gains / (losses) on defined benefit pension schemes	7	**21**	(9)
		(123)	(12)
Other comprehensive (expense) / income for the period (taken to equity)		**(7)**	44
Total comprehensive income for the period		**288**	205

Consolidated balance sheet

	Note	29 April 2017 £million	30 April 2016 £million
Non-current assets			
Goodwill	9	**3,111**	3,054
Intangible assets	10	**553**	540
Property, plant & equipment	11	**420**	366
Investments	12	**19**	–
Interests in joint ventures and associates	12	**18**	5
Trade and other receivables	14	**531**	408
Deferred tax assets	7	**253**	234
		4,905	4,607
Current assets			
Inventory	13	**1,101**	958
Trade and other receivables	14	**1,136**	1,113
Derivative assets	26	**17**	18
Cash and cash equivalents	15	**209**	233
		2,463	2,322
Total assets		**7,368**	6,929
Current liabilities			
Trade and other payables	16	**(2,502)**	(2,268)
Derivative liabilities	26	**(13)**	(42)
Deferred and contingent consideration	17	**(8)**	(12)
Income tax payable		**(94)**	(89)
Loans and other borrowings	18	**(10)**	–
Finance lease obligations	19	**(3)**	(2)
Provisions	20	**(84)**	(78)
		(2,714)	(2,491)
Non-current liabilities			
Trade and other payables	16	**(368)**	(423)
Deferred and contingent consideration	17	**(14)**	(21)
Loans and other borrowings	18	**(381)**	(409)
Finance lease obligations	19	**(86)**	(89)
Retirement benefit obligations	21	**(591)**	(474)
Deferred tax liabilities	7	**(138)**	(115)
Provisions	20	**(21)**	(47)
		(1,599)	(1,578)
Total liabilities		**(4,313)**	(4,069)
Net assets		**3,055**	2,860
Capital and reserves	22		
Share capital		**1**	1
Share premium reserve		**2,260**	2,256
Accumulated profits		**1,513**	1,398
Translation reserve		**31**	(45)
Demerger reserve		**(750)**	(750)
Equity attributable to equity holders of the parent company		**3,055**	2,860

The financial statements were approved by the directors on 27 June 2017 and signed on their behalf by:

Sebastian James,
Group Chief Executive

Humphrey Singer,
Group Finance Director

Consolidated statement of changes in equity

	Note	Share capital £million	Share premium reserve £million	Accumulated profits £million	Translation reserve £million	Demerger reserve £million	Total equity £million
At 2 May 2015		1	2,256	1,369	(113)	(750)	2,763
Profit for the period		–	–	161	–	–	161
Other comprehensive income and expense recognised directly in equity		–	–	(24)	68	–	44
Total comprehensive income and expense for the period		–	–	137	68	–	205
Net purchase of own shares		–	–	(5)	–	–	(5)
Equity dividends	23	–	–	(106)	–	–	(106)
Net movement in relation to share schemes		–	–	10	–	–	10
Tax on items recognised directly in reserves		–	–	(7)	–	–	(7)
At 30 April 2016		1	2,256	1,398	(45)	(750)	2,860
Profit for the period		–	–	295	–	–	295
Other comprehensive income and expense recognised directly in equity		–	–	(83)	76	–	(7)
Total comprehensive income and expense for the period		–	–	212	76	–	288
Ordinary shares issued		–	4	–	–	–	4
Equity dividends	23	–	–	(115)	–	–	(115)
Net movement in relation to share schemes		–	–	17	–	–	17
Tax on items recognised directly in reserves		–	–	1	–	–	1
At 29 April 2017		**1**	**2,260**	**1,513**	**31**	**(750)**	**3,055**

Consolidated cash flow statement

	Note	Year ended 29 April 2017 £million	Year ended 30 April 2016 £million
Operating activities			
Cash generated from operations	27	**479**	487
Special contributions to defined benefit pension scheme		**(43)**	(35)
Income tax paid		**(72)**	(56)
Net cash flows from operating activities		**364**	396
Investing activities			
Interest received		**2**	–
Net cash outflow arising from acquisitions		**(17)**	(50)
Proceeds from disposal of property, plant & equipment		**9**	24
Proceeds on sale of business		**22**	30
Dividends received from available-for-sale investments		**8**	–
Acquisition of property, plant & equipment and other intangibles		**(242)**	(221)
Investment in joint ventures		**(29)**	(9)
Net cash flows from investing activities		**(247)**	(226)
Financing activities			
Interest paid		**(17)**	(20)
Repayment of obligations under finance leases		**(8)**	(6)
Net purchase of own shares		**–**	(5)
Issue of ordinary shares		**4**	–
Equity dividends paid		**(115)**	(106)
(Decrease) / increase in borrowings		**(18)**	25
Facility arrangement fees paid		**(2)**	(5)
Net cash flows from financing activities		**(156)**	(117)
(Decrease) / increase in cash and cash equivalents		**(39)**	53
Cash and cash equivalents at beginning of the period		**233**	163
Currency translation differences		**15**	17
Cash and cash equivalents at end of the period	27	**209**	233

Notes to the Group financial statements

1 Accounting policies

a) Basis of preparation

The consolidated financial statements have been prepared on a going concern basis in accordance with IFRS as adopted by the EU, IFRS issued by the International Accounting Standards Board, those parts of the Companies Act 2006 applicable to those companies reporting under IFRS and Article 4 of the IAS Regulation.

The financial statements have been presented in UK Sterling, the functional currency of the Company, and on the historical cost basis except for the revaluation of certain financial instruments, as explained below. All amounts have been rounded to the nearest £1 million, unless otherwise stated. The principal accounting policies adopted are set out below.

The Group's income statement and segmental analysis identify separately headline performance and non-headline items. Headline performance measures reflect adjustments to total performance measures. The directors consider 'headline' performance measures to be an informative additional measure of the ongoing trading performance of the Group and believe that these measures provide additional useful information for shareholders on the Group's performance and are consistent with how business performance is measured internally.

Headline results are stated before the results of discontinued operations or exited / to be exited businesses, amortisation of acquisition intangibles, acquisition related costs, any exceptional items considered so one-off and material that they distort underlying performance (such as reorganisation costs, impairment charges, property rationalisation costs and other non-recurring charges), income from previously disposed operations and net pension interest costs. Businesses exited or to be exited are those which the Group has exited or committed to or commenced to exit through disposal or closure but do not meet the definition of discontinued operations as stipulated by IFRS and are material to the results and operations of the Group.

Non-headline items in the current and prior periods comprise businesses to be exited, amortisation of acquisition intangibles, Merger integration and transformation costs, property rationalisation costs, acquisition related costs, net interest on defined benefit pension schemes, share plan tax claims and discontinued operations. A reconciliation of headline profit and losses to total profits and losses is shown in note 2. Items excluded from headline results can evolve from one financial year to the next depending on the nature of exceptional items or one-off type activities described above. Headline performance measures and non-headline performance measures may not be directly comparable with other similarly titled measures or 'adjusted' revenue or profit measures used by other companies.

The accounting policy for the use of these measures is outlined in the 'Alternative Performance Measures' section of the Glossary.

Going concern

The Group's funding arrangements and processes for managing its exposure to liquidity risk are set out in notes 18 and 26.

In their consideration of going concern, the directors have reviewed the Group's future cash forecasts and profit projections, which are based on market data and past experience. The directors are of the opinion that the Group's forecasts and projections, which take into account reasonably possible changes in trading performance, show that the Group is able to operate within its current facilities and comply with its banking covenants for the foreseeable future. In arriving at their conclusion that the Group has adequate financial resources, the directors were mindful of the level of borrowings and facilities as set out in note 18 to the Group financial statements and that the Group has a robust policy towards liquidity and cash flow management.

Accordingly the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future and consequently the directors continue to apply the going concern basis in the preparation of the financial statements.

The principal accounting policies are set out below.

b) Accounting convention and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power over the investee; is exposed, or has rights, to variable return from its involvement with the investee; and has the ability to use its power to affect its returns.

The results of subsidiaries and joint ventures acquired or sold during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate, which is the date from which the power to control passes. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intercompany transactions and balances are eliminated on consolidation.

c) Foreign currency translation and transactions

Material transactions in foreign currencies are hedged using forward purchases or sales of the relevant currencies and are recognised in the financial statements at the exchange rates thus obtained. Unhedged transactions are recorded at the exchange rate on the date of the transaction. Material monetary assets and liabilities denominated in foreign currencies are hedged, mainly using forward foreign exchange contracts to create matching liabilities and assets, and are retranslated at each balance sheet date. Hedge accounting as defined by IAS 39 'Financial Instruments: Recognition and Measurement' has been applied by marking to market the relevant financial instruments at the balance sheet date and recognising the gain or loss in reserves in respect of cash flow hedges, and through profit or loss in respect of fair value hedges.

The results of overseas operations are translated each month at the monthly rate, and their balance sheets are translated at the rates prevailing at the balance sheet date. Goodwill and acquisition intangible assets are held in the currency of the operation to which they relate. Exchange differences arising on the translation of net assets, goodwill and results of overseas operations are recognised in the translation reserve. All other exchange differences are included in profit or loss in the year in which they arise except where the Group designates financial instruments held for the purpose of hedging the foreign currency exposures that result from material transactions undertaken in foreign currencies as cash flow hedges, hedge accounting as defined by IAS 39 'Financial Instruments: Recognition and Measurement' is applied. The effective portion of changes in the fair value of financial instruments that are designated as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in profit or loss. Amounts previously recognised in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

Where a foreign operation is disposed of, the gain or loss on disposal recognised in profit or loss is determined after taking into account the cumulative currency translation differences that are attributable to the operation. The principal exchange rates against UK Sterling used in these financial statements are as follows:

	Average		Closing	
	2017	2016	2017	2016
Euro	**1.18**	1.36	**1.18**	1.28
Norwegian Krone	**10.86**	12.51	**11.11**	11.77
Swedish Krona	**11.32**	12.65	**11.47**	11.74
US Dollar	**1.29**	1.49	**1.29**	1.46

d) Revenue and supplier income

Revenue

Revenue comprises sales of goods and services excluding sales taxes. The following accounting policies are applied to the principal revenue generating activities in which the Group is engaged:

- network commission revenue is recognised with reference to the stage of completion of the service under the individual contract with the MNO, as outlined in section (e);
- revenue from the sale of goods is recognised at the point of sale or, where later, upon delivery to the customer and is stated net of returns;
- revenue earned from the sale of customer support agreements is recognised over the term of the contracts when the Group obtains the right to consideration as a result of performance of its contractual obligations. Revenue in any one year is recognised by reference to the stage of completion of the contractual terms at the balance sheet date. The stage of completion is estimated with reference to the proportion of the expected costs of fulfilling the Group's total obligations under the agreements, determined by reference to extensive historical claims data. Reliance on historical data assumes that current and future experience will follow past trends. The directors make an annual assessment of this data to ensure this continues to reflect the best estimate of expected future trends;
- revenue arising on services (including delivery and installation, product repairs and product support), is recognised when the relevant services are provided;
- insurance revenue relates to the sale of third-party insurance products. Sales commission received from third parties is recognised when the insurance policies to which it relates are sold, to the extent that it can be reliably measured and there are no ongoing service obligations. Revenue from the provision of insurance administration services is recognised over the life of the relevant policies. Changes in contractual terms for the sale of third party insurance contracts resulted in additional revenue recognised of £22 million in the current year (2015/16: £nil);
- for MVNO operations where the Group is the principal, revenue is recognised in the period in which the telecommunication service, such as airtime or data, is provided;
- revenue from the sale of prepaid credits is deferred until the customer uses the airtime or the credit expires; and
- revenue generated from the provision of fixed and mobile network services is recognised as it is earned over the lives of the relevant customers.

Income received from suppliers such as volume rebates
The Group has provided enhanced disclosure on supplier funding following guidance issued by the Financial Reporting Council in December 2015. This disclosure is aimed at assisting the users of the financial statements in understanding the judgements and estimates made in the recognition of supplier funding in the Group's financial statements.

The Group's agreements with suppliers contain a price for units purchased as well as other rebates and discounts which are summarised below:

Volume Rebates: This income is linked to purchases made from suppliers and is recognised as a reduction to cost of goods sold as inventory is sold. Unearned rebates that relate to inventory not sold are recognised within the value of inventory at the period end. Where an agreement spans period ends, judgement is required regarding amounts to be recognised. Forecasts are used as well as historical data in the estimation of the level of income recognised. Amounts are only recognised where the Group has a clear entitlement to the receipt of the rebate and a reliable estimate can be made.

Discounts: This income is received from suppliers on a price per unit basis. The level of estimation is minimal as amounts are recognised as a reduction to cost of goods sold based on the agreement terms and only once the item is sold.

Marketing income: This income is received in relation to marketing activities that are performed on behalf of suppliers. Judgement is required to ensure that income is only recognised when all performance obligations within the contract have been fulfilled and the income is expected to be collected.

Supplier funding amounts that have been recognised and not invoiced are shown within accrued income on the balance sheet.

e) Network commissions

The Group operates under contracts with a number of Mobile Network Operators ('MNOs'). Over the life of these contracts the service provided by the Group to each MNO is the procurement of connections to the MNOs' networks. The individual consumer enters into a contract with the MNO for the MNO to supply the ongoing airtime over that contract period.

The Group earns a commission for the service provided to each MNO ('network commission'). Revenue is recognised with reference to the stage of completion of the service under the individual contract with each MNO. A key judgement associated with this recognition is the unit of account used in recognition. The Group has determined that the number and value of consumers provided to each MNO in any given month (a 'cohort') represents the best output measure of stage of completion of each contract. As invoices to MNOs are raised on a monthly basis, the monthly billing cycle has been deemed to be the appropriate unit of account for the purposes of applying IAS 39 to the financial assets arising from the provision of services.

The level of network commission earned is based on a share of the monthly payments made by the consumer to the MNO. The total consideration receivable is determined by both fixed (monthly line rental) and variable elements and is therefore subject to significant judgement and is dependent on consumer behaviour after the point of recognition. See note 26 for further information around this judgement.

The method of measuring the fair value of the revenue and associated receivables in the month of connection is to estimate all future cash flows that will be received from the network and discount these based on their timing of receipt.

The determined commission is recognised in full in the month of connection of the consumer to the MNO as this is the point at which we have completed the service obligation relating to the consumer connection.

Commission revenue is only recognised to the extent it can be reliably measured for each cohort of consumers. Estimates are based on extensive historical evidence obtained from the networks. Reliance on historical data assumes that current and future experience will follow past trends. Management make a quarterly, and the directors a twice-yearly assessment of this data to ensure this continues to reflect the best estimate of expected future trends.

The associated receivables are subsequently measured at amortised cost with remeasurements due to changes in consumer behaviour recognised in the income statement. Assumptions are therefore required, particularly in relation to levels of consumer default within the contract period, expected levels of consumer spend, and consumer behaviour beyond the initial contract period. Further details of estimates used to initially value revenue recognised and subsequently value commission receivable at the balance sheet date, effects on the current year income statement of changes in estimates and sensitivity analysis of the carrying value can be found in note 26.

In addition to remeasurement due to changes in consumer behaviour, changes to revenue may also be made, where for example, more recent information becomes available enabling the recognition of previously unrecognised commission. Any such changes are recognised in the income statement. See note 26 for further detail of these changes recognised in the current period.

In addition to the above, the Group may also receive marketing support and volume incentives from the MNO, which are recognised when the income becomes highly probable.

f) Discontinued operations and assets and liabilities held for sale

A discontinued operation is a component of the Group which represents a significant separate line of business, either through its activity or geographical area of operation, which has been sold, is held for sale or has been closed.

Where the sale of a component of the Group is considered highly probable at the balance sheet date and the business is available for immediate sale in its present condition, it is classified as held for sale. Such classification assumes the expectation that the sale will complete within one year from the date of classification. Assets and liabilities held for sale are measured at the lower of carrying amount and fair value less costs to sell. Once classified as held for sale, intangible assets and property, plant & equipment are no longer amortised or depreciated.

g) Share-based payments

Equity settled share-based payments are measured at fair value at the date of grant, and expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest.

Where share-based payments are subject only to service conditions or internal performance criteria (such as EPS targets), fair value is measured using either a Binomial model or a Black Scholes model. Where share-based payments have external performance criteria (such as TSR targets) a Monte Carlo model is used to measure fair value.

For all schemes, the number of options expected to vest is recalculated at each balance sheet date, based on expectations of leavers prior to vesting. For schemes with internal performance criteria, the number of options expected to vest is also adjusted based on expectations of performance against target. No adjustment is made for expected performance against external performance criteria. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in reserves.

h) Retirement benefit obligations

Company contributions to defined contribution pension schemes and contributions made to state pension schemes for certain overseas employees are charged to the income statement on an accruals basis when employees have rendered service entitling them to the contributions.

For defined benefit pension schemes, the difference between the market value of the assets and the present value of the accrued pension liabilities is shown as an asset or liability in the consolidated balance sheet. The calculation of the present value is determined using the projected unit credit method.

Actuarial gains and losses arising from changes in actuarial assumptions together with experience adjustments and actual return on assets are recognised in the consolidated statement of comprehensive income and expense as they arise. Such amounts are not reclassified to the income statement in subsequent years.

Defined benefit costs recognised in the income statement comprise mainly net interest expense or income with such interest being recognised within finance costs. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset taking into account any changes in the net defined benefit obligation during the year as a result of contribution or benefit payments.

i) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The determination of the classification of property leases is made by reference to the land and buildings elements separately. All leases not classified as finance leases are classified as operating leases.

The Group as a lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as a lessee

Finance leases

Assets held under finance leases are capitalised at their fair value on acquisition or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease and depreciated over their estimated useful lives or the lease term if shorter. The corresponding obligation to the lessor is included in the balance sheet as a liability. Lease payments are apportioned between finance charges and reduction of the lease obligation. Finance charges are charged to the income statement over the term of the lease in proportion to the capital element outstanding.

Operating leases

Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Benefits received and receivable as an incentive to enter into operating leases are amortised through the income statement over the period of the lease.

j) Taxation

Current tax
Current tax, is provided at amounts expected to be paid or recovered using the prevailing tax rates and laws that have been enacted or substantially enacted by the balance sheet date and adjusted for any tax payable in respect of previous years.

Deferred tax
Deferred tax liabilities are recognised for all temporary differences between the carrying amount of an asset or liability in the balance sheet and the tax base value and represent tax payable in future periods. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. No provision is made for tax which would have been payable on the distribution of retained profits of overseas subsidiaries or associated undertakings where it has been determined that these profits will not be distributed in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Current and deferred tax is recognised in the income statement except where it relates to an item recognised directly in other comprehensive income or reserves, in which case it is recognised directly in other comprehensive income or reserves as appropriate.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted, or substantially enacted by the balance sheet date.

Deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and when the Group intends to settle its current tax assets and liabilities on a net basis. Deferred tax balances are not discounted.

k) Goodwill

On acquisition of a subsidiary or associate, the fair value of the consideration is allocated between the identifiable net tangible and intangible assets and liabilities on a fair value basis, with any excess consideration representing goodwill. At the acquisition date, goodwill is allocated to each group of Cash Generating Units ('CGUs') expected to benefit from

Notes to the Group financial statements

the combination and held in the currency of the operations to which the goodwill relates.

Goodwill is not amortised, but is reviewed annually for impairment, or more frequently where there is an indication that goodwill may be impaired. Impairment is assessed by measuring the future cash flows of the group of CGUs to which the goodwill relates, at the level at which this is monitored by management. Where the future discounted cash flows are less than the carrying value of goodwill, an impairment charge is recognised in the income statement.

On disposal of subsidiary undertakings and businesses, the relevant goodwill is included in the calculation of the profit or loss on disposal.

l) Intangible assets

Acquisition intangibles
Acquisition intangibles comprise brand names and customer relationships purchased as part of acquisitions of businesses and are capitalised and amortised over their useful economic lives on a straight-line basis. These intangible assets are stated at cost less accumulated amortisation and, where appropriate, provision for impairment in value or estimated loss on disposal.

Amortisation is provided to write off the cost of assets on a straight-line basis on the following bases:

Brands	7% – 20% per annum
Customer relationships	13% – 50% per annum

This amortisation is recognised in non-headline administrative expenses.

Software and licences
Software and licences include costs incurred to acquire the assets as well as internal infrastructure and design costs incurred in the development of software in order to bring the assets into use.

Internally generated software is recognised as an intangible asset only if it can be separately identified, it is probable that the asset will generate future economic benefits which exceed one year, and the development cost can be measured reliably. Where these conditions are not met, development expenditure is recognised as an expense in the year in which it is incurred. Costs associated with developing or maintaining computer software are recognised as an expense as incurred unless they increase the future economic benefits of the asset, in which case they are capitalised.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Software is stated at cost less accumulated amortisation and, where appropriate, provision for impairment in value or estimated loss on disposal. Amortisation is provided to write off the cost of assets on a straight-line basis between three and eight years, and is recorded in administrative expenses.

m) Property, plant & equipment

Property, plant & equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

With the exception of land, depreciation is provided to write off the cost of the assets over their expected useful lives from the date the asset was brought into use or capable of being used on a straight-line basis.

Rates applied to different classes of property, plant & equipment are as follows:

Land and buildings	1⅔% – 4% per annum
Fixtures, fittings and equipment	10% – 33⅓% per annum

Assets capitalised as finance leases are depreciated over the term of the lease.

Property, plant & equipment are assessed on an ongoing basis to determine whether circumstances exist that could lead to the conclusion that the net book value is not supportable. Where assets are to be taken out of use, an impairment charge is levied. Where the property, plant & equipment form part of a separate CGU, such as a store or group of stores, and business indicators exist which could lead to the conclusions that the net book value is not supportable, the recoverable amount of the CGU is determined by calculating its value in use. The value in use is calculated by applying discounted cash flow modelling to management's projection of future profitability and any impairment is determined by comparing the net book value with the value in use.

n) Financial assets and investments

Financial assets are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the investment. The Group's financial assets comprise cash and cash equivalents, receivables which involve a contractual right to receive cash from external parties, and investments classified as available-for-sale. Financial assets comprise all items shown in notes 14 and 15 with the exception of prepayments. Under the classifications stipulated by IAS 39, cash and cash equivalents and derivative financial instruments, which are further described in notes 1r) and 26, are classified as 'loans and receivables' and 'held for trading unless designated in a hedge relationship', respectively. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the Group has substantially transferred the risks and rewards of ownership.

Trade and other receivables
Trade and other receivables (excluding derivative financial assets) are classified as 'loans and receivables'. Trade and other receivables are initially recognised at fair value and subsequently held at amortised cost, less provision or impairment. If there is objective evidence that the Group will not be able to collect the full amount of the receivable, impairment is recognised through the income statement. Significant financial difficulties of the debtor, probability that a debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are

considered indicators that the trade receivable is impaired. The impairment is calculated as the difference between the carrying value of the receivable and the present value of the related estimated future cash flows, discounted at the original interest rate.

Available-for-sale investments
The Group has investments in unlisted shares that are not traded in an active market but are classified as available-for-sale financial assets and stated at fair value (because the directors consider that their fair value can be reliably measured). Fair value is determined in the manner described in note 12. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the accumulated profits reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the accumulated profits reserve is reclassified to the income statement. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

o) Interests in joint ventures

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. These consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures using the equity method less any impairment losses. When the Group's interest in a joint venture has been reduced to nil because the Group's share of losses exceeds its interest in the joint venture, the Group only provides for additional losses to the extent that it has incurred legal or constructive obligations to fund such losses, or where the Group has made payments on behalf of the joint venture. Any associated goodwill is included within the carrying value of the investment and is assessed for impairment as part of that investment.

p) Inventories

Inventories are stated at the lower of cost and net realisable value, and on a weighted average cost basis. Cost comprises direct purchase cost and those overheads that have been incurred in bringing the inventories to their present location and condition less any attributable discounts and bonuses received from suppliers in respect of that inventory. Net realisable value is based on estimated selling price, less further costs expected to be incurred to disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, bank overdrafts and short term highly liquid deposits which are subject to an insignificant risk of changes in value. Bank overdrafts, which form part of cash and cash equivalents for the purpose of the cash flow statement, are shown under current liabilities.

r) Borrowings and other financial liabilities

The Group'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 notes 16 to 19 with the exception of deferred income. Financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities (or a part of a financial liability) are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Borrowings
Borrowings in the Group's balance sheet represent committed and uncommitted bank loans. Borrowings are initially recorded at fair value less attributable transaction costs. Transaction fees such as bank fees and legal costs associated with the securing of financing are capitalised and amortised through the income statement over the term of the relevant facility. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Under the classifications stipulated by IAS 39, borrowings, finance lease obligations and trade and other payables (excluding derivative financial liabilities) are classified as 'financial liabilities measured at amortised cost'. Derivative financial instruments, which are described further in note 26, are classified as 'held for trading unless designated in a hedge relationship'.

Trade and other payables
Trade and other payables (excluding derivative financial liabilities) are initially recorded at fair value and subsequently measured at amortised cost. Derivative financial instruments are initially recorded at fair value and then subsequently remeasured to fair value at each balance sheet date and are held within assets or liabilities as appropriate. Gains and losses arising from revaluation at the balance sheet date are recognised in the income statement unless the derivatives are designated as hedges and such hedges are proved to be effective.

Where the Group has right of offset in relation to trade and other receivables and payables under IAS 39, these are presented on a net basis. See note 26 for a description of the financial assets and liabilities presented on a net basis.

Derivative financial instruments and hedging activity
The Group uses derivatives to manage its exposures to fluctuating interest and foreign exchange rates. These instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. The treatment of the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. Derivatives that qualify for hedge accounting are treated as a hedge of a highly probable forecast transaction (cash flow hedge) in the case of foreign exchange hedging and a hedge of the exposure arising from changes in the cash flows of a financial liability due

to interest rate risk on a floating rate debt instrument in the case of interest rate hedging.

At inception the relationship between the hedging instrument and the hedged item is documented, as is an assessment of the effectiveness of the derivative instrument used in the hedging transaction in offsetting changes in the cash flow of the hedged item. This effectiveness assessment is repeated on an ongoing basis during the life of the hedging instrument to ensure that the instrument remains an effective hedge of the transaction.

1. Derivatives classified as cash flow hedges: the effective portion of changes in the fair value is recognised in other comprehensive income. Any gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts recognised in other comprehensive income are recycled to the income statement in the period when the hedged item will affect profit or loss. If the hedging instrument expires or is sold, or no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income, and is recognised when the forecast transaction is ultimately recognised in the income statement. If the forecast transaction is no longer expected to occur, the cumulative gain or loss in other comprehensive income is immediately transferred to the income statement.
2. Derivatives that do not qualify for hedge accounting: these are classified at fair value through profit or loss. All changes in fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

s) Provisions

Provisions are recognised when a legal or constructive obligation exists as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted where the time value of money is considered to be material.

All provisions are assessed by reference to the best available information at the balance sheet date.

t) Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements and estimates used in the preparation of the financial statements are continually reviewed and revised as necessary.

Whilst every effort is made to ensure that such judgements and estimates are reasonable, by their nature they are uncertain, and as such changes may have a material impact.

Key sources of estimation uncertainty

Revenue recognition – network commissions
For certain transactions with MNOs, commission receivable on mobile phone connections depends on consumer behaviour after the point of sale. Further details of the judgement involved can be found at note 1 (e), and further details of estimates used to value commission receivable, carrying amounts at the balance sheet date, effects on the current year income statement of changes in estimates and sensitivity analysis of the carrying value can be found in note 26.

Revenue recognition – customer support agreements
As set out in note 1(d), revenue relating to customer support agreements is recognised by reference to the stage of completion of the contractual terms at the balance sheet date. The stage of completion is estimated with reference to the proportion of the expected costs of fulfilling the Group's total obligations under the agreements, determined by reference to extensive historical claims data. The estimation techniques used for revenue and profit recognition in relation to the agreements require forecasts to be made of the outcome of the agreements and the timing of costs, based on historical cost profiles for each type of agreement. During the year, changes in estimates relating to contracts entered in previous periods totalled £21 million (2015/16: £3 million).

Defined benefit pension schemes
The surplus or deficit in the UK defined benefit pension scheme that is recognised through the consolidated statement of comprehensive income and expense is subject to a number of assumptions and uncertainties. The calculated liabilities of the scheme are based on assumptions regarding salary increases, inflation rates, discount rates and member longevity. Such assumptions are based on actuarial advice and are benchmarked against similar pension schemes. Refer to note 21 for further information.

Taxation
Tax laws that apply to the Group's businesses may be amended by the relevant authorities, for example as a result of changes in fiscal circumstances or priorities. Such potential amendments and their application to the Group are monitored regularly and the requirement for recognition of any liabilities assessed where necessary. The Group is subject to income taxes in a number of different jurisdictions and judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. In such circumstances, the Group recognises liabilities for anticipated taxes due based on best information available and where the anticipated liability is probable and estimable. Where the final outcome of such matters differs from the amounts initially recorded, any differences will impact the income tax and deferred tax provisions in the year to which such determination is made. The Group has recognised provisions in relation to uncertain tax positions of £66 million at 29 April 2017 (2016: £54 million). Due to the nature of the provisions recorded, the timing of the settlement of these amounts remains uncertain.

Provisions
The Group's provisions are based on the best information available to management at the balance sheet date. Judgement is required to assess the likelihood of success of any claim made against the Group and if any liability will arise. The most significant provision currently is in relation to the store reorganisation programme described in note 4. The costs and timing of cash flows are dependent on exiting

the property lease contracts or subletting the property. Significant assumptions are used in estimating the ultimate cost to the Group including the nature, timing and cost of exiting a lease and the level of sublease income. The future costs assumed are inevitably only estimates, which may differ from those ultimately incurred. Refer to note 20 for further information.

u) Recent accounting developments

There were no new IFRSs or IFRIC interpretations that had to be implemented during the year that significantly affect these financial statements.

The following new standards, which are applicable to the Group, have been published but are not yet effective and, in some cases, have not yet been adopted by the EU:

- IFRS 9 'Financial Instruments'. This standard is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets. IFRS 9 is applicable for periods beginning on or after 1 January 2018, and therefore will be applied by the Group in the 2018/19 financial year. Based on our preliminary assessment, we do not currently anticipate a material impact from the new standard other than in providing additional disclosures in the Annual Report.
- IFRS 15 'Revenue from Contracts with Customers' provides guidance on the recognition, timing and measurement of revenue. IFRS 15 is applicable for periods beginning on or after 1 January 2018, and therefore will be applied by the Group in the 2018/19 financial year. We have performed a high-level assessment on the impact of the standard. We will initiate a detailed project during 2017/18 in order to confirm any potential impact on reported revenue. There are no changes to cash flows or commercial impact from the change in standard.
- IFRS 16 'Leases' is applicable for periods beginning on or after 1 January 2019, and will therefore be applied by the Group in the 2019/20 financial year. IFRS 16 will require the Group to recognise a lease liability and a right-of-use asset for most of those leases previously treated as operating leases. This will have a material effect on both non-current and current liabilities, fixed assets and the measurement and disclosure of expense associated with the leases which under the new standard will be treated as depreciation and financing expense which were previously recognised as operating expenses over the term of the lease. There is no cash impact of adoption of this standard, however the presentation of the cash flow statement will change. A project is underway across the Group to assess the overall impact of the standard, including considering the systems and processes required for implementation and the options around transition. We expect to report on the impact in the 2017/18 annual report.

It is not practicable to provide a reasonable estimate of the effect of the adoption of the above standards until a detailed review has been completed.

Certain other new accounting standards, amendments to existing accounting standards and interpretations which are in issue but not yet effective, either do not apply to the Group or are not expected to have any material impact on the Group's net results or net assets.

2 Segmental analysis

The Group's operating segments reflect the segments routinely reviewed by the Board and which are used to manage performance and allocate resources. This information is predominantly based on geographical areas which are either managed separately or have similar trading characteristics such that they can be aggregated together into one segment.

The Group's reportable segments have been identified as follows:

- UK & Ireland comprises operations in the UK and Ireland.
- Nordics operates in Norway, Sweden, Finland, Denmark and Iceland.
- Southern Europe comprises operations in Spain and Greece.
- Connected World Services is the Group's B2B operation which leverages the specialist skills, operating processes and technology of the Group to provide managed services to third parties looking to develop their own connected world solutions.

UK & Ireland, Nordics and Southern Europe are involved in the sale of consumer electronics and mobile technology products and services, primarily through stores or online channels.

Transactions between segments are on an arm's length basis.

Notes to the Group financial statements

2 Segmental analysis continued

(a) Segmental results

	UK & Ireland £million	Nordics £million	Southern Europe £million	Connected World Services £million	Eliminations £million	Total £million
	Year ended 29 April 2017					
Headline external revenue	6,550	3,156	661	213	—	10,580
Inter-segmental revenue	81	—	—	—	(81)	—
Total headline revenue	6,631	3,156	661	213	(81)	10,580
Headline EBIT before share of results of joint ventures	385	89	22	21	—	517
Share of headline results of joint ventures	—	—	—	—	—	—
Headline EBIT	385	89	22	21	—	517

Reconciliation of headline profit to total profit before tax

	Headline profit / (loss) £million	Businesses to be exited £million	Amortisation of acquisition intangibles £million	Merger integration and transformation costs £million	Pension scheme interest £million	Unieuro income £million	Share plan taxable benefit compensation £million	Total profit / (loss) £million
	Year ended 29 April 2017							
UK & Ireland	385	(11)	(20)	(28)	—	—	(10)	316
Nordics	89	—	(12)	(3)	—	—	(1)	73
Southern Europe	22	—	(1)	—	—	5	—	26
Connected World Services	21	—	(1)	—	—	—	—	20
EBIT before share of results of joint ventures	517	(11)	(34)	(31)	—	5	(11)	435
Share of results of joint ventures	—	(17)	—	—	—	—	—	(17)
EBIT	517	(28)	(34)	(31)	—	5	(11)	418
Finance income	17	—	—	—	—	—	—	17
Finance costs	(33)	—	—	—	(16)	—	—	(49)
Profit / (loss) before tax	501	(28)	(34)	(31)	(16)	5	(11)	386

	UK & Ireland £million	Nordics £million	Southern Europe £million	Connected World Services £million	Eliminations £million	Total £million
	Year ended 30 April 2016 (restated)					
Headline external revenue (restated)*	6,402	2,632	550	152	—	9,736
Inter-segmental revenue	60	—	—	—	(60)	—
Total headline revenue (restated)*	6,462	2,632	550	152	(60)	9,736
Headline EBIT before share of results of joint ventures (restated)*	371	79	17	11	—	478
Share of headline results of joint ventures (restated)*	—	—	—	—	—	—
Headline EBIT (restated)*	371	79	17	11	—	478

* Headline results have been restated to exclude the results of the iD mobile operations in the Republic of Ireland and the Sprint JV operations, which have been classified as businesses to be exited in the current year and comparative have been restated accordingly as discussed in note 4 and note 32.

2 Segmental analysis continued

(a) Segmental results continued

Reconciliation of headline profit to total profit before tax

	Year ended 30 April 2016 (restated)							
	Headline profit / (loss) (restated)* £million	Businesses to be exited* £million	Amortisation of acquisition intangibles £million	Dixons Retail Merger £million	Property rationalisation costs £million	Acquisition related £million	Pension scheme interest £million	Total profit / (loss) £million
UK & Ireland	371	(6)	(24)	(37)	(70)	(1)	–	233
Nordics	79	–	(13)	(5)	–	(5)	–	56
Southern Europe	17	–	(2)	–	–	–	–	15
Connected World Services	11	–	(1)	(6)	–	–	–	4
EBIT before share of results of joint ventures	478	(6)	(40)	(48)	(70)	(6)	–	308
Share of results of joint ventures	–	(4)	–	–	–	–	–	(4)
EBIT	478	(10)	(40)	(48)	(70)	(6)	–	304
Finance income	17	–	–	–	–	–	–	17
Finance costs	(38)	–	–	(4)	–	–	(16)	(58)
Profit / (loss) before tax	457	(10)	(40)	(52)	(70)	(6)	(16)	263

* Headline results have been restated to exclude the results of the iD mobile operations in the Republic of Ireland and the Sprint JV operations, which have been classified as businesses to be exited in the current year and comparative have been restated accordingly as discussed in note 4 and note 32.

b) Geographical information

Revenues are allocated to countries according to the entity's country of domicile. Revenue by destination is not materially different to that shown by domicile.

c) Other information

	Non-current assets*		Capital expenditure		Depreciation / Amortisation	
	Year ended 29 April 2017 £million	Year ended 30 April 2016 (restated)* £million	**Year ended 29 April 2017 £million**	Year ended 30 April 2016 £million	**Year ended 29 April 2017 £million**	Year ended 30 April 2016 £million
UK & Ireland	**2,746**	2,687	**175**	152	**132**	129
Nordics	**1,268**	1,203	**40**	57	**43**	40
Southern Europe	**63**	53	**11**	5	**7**	6
Connected World Services	**7**	17	**16**	7	**4**	2
	4,084	3,960	**242**	221	**186**	177

* Non-current assets above exclude financial assets, deferred tax assets and assets related to discontinued operations. Figures for 2015/16 have been restated to exclude financial assets.

Financial statements

3 Revenue and profit / (loss) before interest, taxation and share of results of joint ventures

	Year ended 29 April 2017			Year ended 30 April 2016 (restated)		
	Headline £million	Non-headline £million	Total £million	Headline (restated)* £million	Non-headline (restated)* £million	Total £million
Revenue	**10,580**	**5**	**10,585**	9,736	2	9,738
Cost of sales	**(8,241)**	**(7)**	**(8,248)**	(7,548)	(5)	(7,553)
Gross profit	**2,339**	**(2)**	**2,337**	2,188	(3)	2,185
Operating expenses	**(1,822)**	**(80)**	**(1,902)**	(1,710)	(167)	(1,877)
Profit / (loss) before interest, taxation and share of results of joint ventures	**517**	**(82)**	**435**	478	(170)	308

Revenue can be further analysed as follows:

	Year ended 29 April 2017			Year ended 30 April 2016 (restated)		
	Headline £million	Non-headline £million	Total £million	Headline (restated) £million	Non-headline (restated)* £million	Total £million
Sale of goods	**7,749**	**–**	**7,749**	7,018	–	7,018
Revenue from services	**2,831**	**5**	**2,836**	2,718	2	2,720
	10,580	**5**	**10,585**	9,736	2	9,738

* *Headline results and revenue have been restated as outlined in note 32.*

Revenue from services predominantly comprises those relating to commissions from MNOs, insurance, customer support agreements, delivery and installation, product repairs and product support.

Profit / (loss) before interest and taxation for continuing operations is stated after charging / (crediting) the following:

	Year ended 29 April 2017 £million	Year ended 30 April 2016 £million
Depreciation of property, plant & equipment	**95**	98
Amortisation of acquisition intangibles	**34**	40
Amortisation of other intangibles	**57**	39
Impairment of trade receivables	**8**	11
Impairment of inventory	**51**	55
Loss on disposal of property, plant & equipment	**3**	1
Cost of inventory recognised as an expense	**7,837**	7,343
Rentals paid under operating leases:		
Non-contingent rent	**326**	340
Contingent rent	**24**	17
Rentals received under operating leases – subleases	**(3)**	(6)
Investment property rental income	**(1)**	(1)
Net foreign exchange (gains) / losses	**(2)**	2
Share-based payments expense	**17**	10
Other employee costs (see note 5)	**1,148**	1,051

3 Revenue and profit / (loss) before interest, taxation and share of results of joint ventures continued

Auditor's remuneration comprises the following:

	Year ended 29 April 2017 £million	Year ended 30 April 2016 £million
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.1**	0.1
Fees payable to the Company's auditor and its associates for their audit of the Company's subsidiaries	**1.7**	1.4
Total audit fees	**1.8**	1.5
Tax compliance services	**0.1**	0.2
Other assurance services	**0.2**	0.2
	2.1	1.9

In addition to the above fees, £nil (2015/16: £0.1m) of non-audit fees were paid to the auditor in respect of tax compliance and tax advisory services provided to discontinued operations.

4 Non-headline items

	Note	Year ended 29 April 2017 £million	Year ended 30 April 2016 (restated)* £million
Included in revenue			
Businesses to be exited	(i)	**5**	2
		5	2
Included in profit / (loss) before interest and tax:			
Businesses to be exited	(i)	**(28)**	(10)
Amortisation of acquisition intangibles	(ii)	**(34)**	(40)
Exceptional items – Merger and transformation related costs	(iii)	**(31)**	(48)
– Property rationalisation costs	(iv)	**–**	(70)
– Acquisition related	(v)	**–**	(6)
Share plan taxable benefit compensation	(vii)	**(11)**	–
Unieuro income	(viii)	**5**	–
		(99)	(174)
Included in net finance costs:			
Net non-cash finance costs on defined benefit pension schemes	(vi)	**(16)**	(16)
Exceptional items – Merger and transformation related costs	(iii)	**–**	(4)
		(16)	(20)
Total impact on profit / (loss) before tax		**(115)**	(194)
Tax on non-headline items		**17**	26
Total impact on profit / (loss) after tax – continuing operations		**(98)**	(168)
Discontinued operations	25	**4**	(18)
Total impact on profit / (loss) after tax		**(94)**	(186)

* Comparative non-headline results for the year ended 30 April 2016 have been restated as set out in note 32.

4 Non-headline items continued

(i) Businesses to be exited:

Comprises the trading result of businesses to be exited where they do not meet the criteria under IFRS 5 for separate disclosure as discontinued operations. In the current period, this comprises of the iD mobile operations in the Republic of Ireland and the results of the Sprint joint venture. For iD mobile Ireland, a decision was reached to exit the business, most likely through a sale to a third party. The results of the Ireland MVNO have therefore been reclassified as non-headline items in the current year in the income statement and related disclosures. The iD mobile operations in the Republic of Ireland contributed £5 million in revenue and a loss of £10 million in EBIT in 2016/17 (2015/16: revenue of £2 million and a loss of £6 million) which has been classified as non-headline. Restated amounts are set out in note 32.

In June 2017 the Group announced the sale of the 50% interest in the Sprint joint venture. The share of loss recognised in the year of £17 million, together with central costs directly related to the operation of £1 million, have therefore been classified as a business to be exited. The share of loss for 2015/16 of £4 million has been restated accordingly as set out in note 32.

(ii) Amortisation of acquisition intangibles:

A charge of £34 million arose during the year in relation to acquisition intangibles arising on the CPW Europe Acquisition, the Dixons Retail Merger and the Simplifydigital acquisition (2015/16: £40 million).

(iii) Exceptional items – Merger and transformation related costs:

	Year ended 29 April 2017 £million	Year ended 30 April 2016 £million
Merger integration costs	**(18)**	(48)
Transformation related costs	**(13)**	–
Revolving Credit Facility fee write off	**–**	(4)
	(31)	(52)

The Merger has given rise to the following costs which have been treated as exceptional items:

- Merger integration costs relate to the reorganisation of the Group following the Merger and primarily comprise professional fees, employee severance and incentive costs associated with the integration process.
- During the current period, functional transformation projects have commenced across the finance, procurement and human resources functions to rationalise shared service centre activities and harmonise policies and procedures across key support functions of the business. The costs primarily relate to consultancy fees.
- In the year ended 30 April 2016, the Revolving Credit Facility fee write off recognised in finance costs relates to the deferred facility fees written off. The fees incurred were a result of the Merger and the financing required to facilitate the Merger at short notice. No related amounts were recognised in the current year.

(iv) Property rationalisation costs:

Following the Merger it was announced that the Group would launch a major roll-out of its fully refurbished 3-in-1 store concept in the UK & Ireland. This involves merging the remaining PC World and Currys stores and inserting a Carphone Warehouse, reducing the overall store portfolio by 134. The costs associated with this initiative, being early lease termination premiums, onerous lease provisions, dilapidations and fixed asset impairments, have been treated as exceptional items. On a net basis, there have been no additional costs incurred in the year ended 29 April 2017 relating to the property rationalisation, and existing provisions have been utilised.

(v) Acquisition related:

Acquisition related comprises costs incurred in the year ended 30 April 2016 relating to an increase in the contingent consideration payable on a business acquired by Dixons in the Nordics in 2011/12 (£5 million), and costs incurred in the acquisition of Simplifydigital and InfoCare (£1 million).

4 Non-headline items continued

(vi) Net non-cash financing costs on defined benefit pension schemes:

Under IAS 19 'Employee Benefits', the net interest charge on defined benefit pension schemes is calculated by applying the corporate bond yield rates applicable on the last day of the previous financial year to the net defined benefit obligation. Corporate bond yield rates vary over time which in turn creates volatility in the income statement and balance sheet and results in a non-cash remeasurement cost which can be volatile due to corporate bond yield rates prevailing on a particular day and is also unrepresentative of the actual investment gains or losses made or the liabilities paid and payable. Consistent with a number of other companies, the accounting effects of these non-cash revaluations of net defined benefit pension liabilities have been excluded from headline earnings.

(vii) Share plan taxable benefit compensation:

As discussed in the Remuneration Committee Chairmen's statement on page 61, in the event of non-vesting, compensation will be paid to participants of the Share Plan for any taxable benefit arising on the waiver of any portion of loans granted under the scheme. Based on the current share performance it is considered probable that this liability will crystallise, and therefore provision of £11 million has been made during 2016/17.

(viii) Unieuro income:

In November 2013, the Group disposed of its Unieuro operations, and retained an investment of 14.96% in Italian Electronics Holdings s.r.l (IEH), a holding company which in turn owned 100% of the Unieuro operations. The investment was initially recognised at £nil based on the fair value of the retained interest. In March 2017, Unieuro undertook an IPO for 31.8% of its shareholdings, which reduced the Group's investment to 10.2% of the Unieuro operations. As a result of the IPO, the Group received a dividend from the intermediate holding company of £5 million, which is treated as non-headline as relates to a disposal of a portion of our investment. A repayment was also received of £5 million for a loan previously impaired following the disposal, which has been treated as a discontinued operation income in line with the treatment of the original disposal, as disclosed in note 25.

5 Employee costs and share-based payments

a) Employee costs

The aggregate remuneration recognised in the income statement for continuing operations is as follows:

	Year ended 29 April 2017 £million	Year ended 30 April 2016 £million
Salaries and performance bonuses	**1,006**	921
Social security costs	**118**	107
Other pension costs	**24**	23
	1,148	1,051
Share-based payments	**17**	10
	1,165	1,061

Aggregate remuneration for discontinued operations are salaries and performance bonuses of £nil (2015/16: £6 million) and social security costs of £nil (2015/16: £1 million).

The average number of employees for continuing operations is:

	Year ended 29 April 2017 Number	Year ended 30 April 2016 (restated) Number
UK & Ireland	**30,917**	31,003
Nordics	**10,309**	10,283
Southern Europe	**3,918**	3,764
Connected World Services	**317**	152
	45,461	45,202

The average number of employees for discontinued operations is nil (2015/16: 341).

5 Employee costs and share-based payments continued

a) Employee costs continued

Compensation earned by key management, comprising the Board of Directors and senior executives, is as follows:

	Year ended 29 April 2017 £million	Year ended 30 April 2016 £million
Short-term employee benefits	**11**	12
Share-based payments	**3**	2
	14	14

During the 13 months ended 2 May 2015 and year ended 29 March 2014 loans were advanced to members of key management in relation to the Share Plan. At 29 April 2017, loans to key management in relation to these schemes totalled £9 million (2016: £10 million). Interest is charged on loans at market rates and interest of £0.2 million has been recognised during the period (2015/16: £0.3 million).

Further information about individual directors' remuneration, share interests, share options, pensions and other entitlements, which form part of these financial statements, is provided in the Remuneration Report.

b) Share-based payments

i) Share Plan

During the year ended 29 March 2014, the Group introduced the Share Plan which allows participants to share 10% of the incremental value created in the Group in excess of an opening value (assessed on the value of CPW over a three-month period prior to approval of the plan by shareholders in June 2013 and, for new entrants during the 13 months ended 2 May 2015, assessed on the aggregated value of CPW and Dixons Retail over a one-month period prior to the announcement of preliminary merger discussions in February 2015) and beyond an annual rate of return of 7% on invested capital. The plan is underpinned by a minimum annual compound TSR growth of 5% and outperformance of the median TSR of the FTSE 250.

Participants acquired, at market value, participation shares in a subsidiary company that holds the Group's interests in CPW Europe and, since the Merger, Dixons Retail. The Group granted loans to participants at a commercial rate of interest to acquire the shares. Loans are ordinarily repayable in full if performance conditions are met.

The performance of the scheme will ordinarily be measured after the publication of the preliminary announcement for the year ended 29 April 2017, when 60% of the shares vest, with 40% deferred for a further year. When the awards vest, the value of the shares held by participants will be based on the incremental value (if any) of Dixons Carphone in excess of the opening valuation together with the minimum return on invested capital. These shares will then be purchased by the Company for cash and / or the Company's ordinary shares.

A 'bad leaver' will be required to transfer the participation shares to such party as the Company designates for an amount equal to the total amount outstanding under the loan. If the market value of the shares is less than the amount of the outstanding loan (and any accrued interest) then the participant may be required to repay up to 20% of the shortfall out of their own resources.

A participant shall be a 'good leaver' at the sole discretion of the Remuneration Committee and may be permitted to retain an award notwithstanding the termination of their employment.

The mechanics of the scheme may be varied by the Remuneration Committee if necessary to ensure that participants are neither advantaged nor disadvantaged by a variation of the share capital of the Company, bona fide merger, reconstruction or similar reorganisation.

Based on the current share price performance it is considered probable that part of the Share Plan will not vest, and in the event of non-vesting the Company has agreed to compensate participants for any taxable benefit arising on the waiver of any portion of loans granted under the scheme. This is discussed further in note 4.

ii) Share option schemes

During the year ended 29 March 2014, the Group introduced a share option scheme which allows nil-priced options to be offered to senior employees.

Options were first granted under the scheme in January 2014. The options are subject to continuing employment and are subject to performance conditions. For options granted during 2015/16 and earlier periods, performance conditions are based on a combination of absolute TSR performance and relative TSR performance against the FTSE 250 or FTSE 350. For options granted during the year ended 29 April 2017, performance conditions are based on a combination of EPS growth and relative TSR performance against the constituents of the FTSE 51-150 at 1 May 2016.

5 Employee costs and share-based payments continued

b) Share-based payments continued

ii) Share option schemes continued

The following table summarises the number and weighted average exercise price of share options for these schemes:

	Year ended 29 April 2017		Year ended 30 April 2016	
	Number million	WAEP £	Number million	WAEP £
Outstanding at the beginning of the period	**14**	**–**	17	–
Granted during the period	**12**	**–**	1	–
Forfeited during the period	**(1)**	**–**	(4)	–
Outstanding at the end of the period	**25**	**–**	14	–
Exercisable at the end of the period	**–**	**–**	–	–

	Year ended 29 April 2017	Year ended 30 April 2016
Weighted average remaining contractual life of awards outstanding	**8.3 yrs**	8.3 yrs
Exercise price for options outstanding	**£nil**	£nil

iii) SAYE scheme

The Group has SAYE schemes which allow participants to save up to £500 per month for either three or five years. At the end of the savings period, participants can purchase shares in the Company based on a discounted share price determined at the commencement of the scheme. Participants in the Dixons Retail plc SAYE scheme had the opportunity to roll over their awards into options over shares in the merged entity, Dixons Carphone, on completion of the Merger. Employees who chose to roll over received 0.155 options in Dixons Carphone in exchange for each Dixons option held. The savings period and exercise date of these options remain unchanged.

The following table summarises the number and WAEP of share options for these schemes:

	Year ended 29 April 2017		Year ended 30 April 2016	
	Number million	WAEP £	Number million	WAEP £
Outstanding at the beginning of the period	**13**	**3.22**	13	2.71
Granted during the period	**9**	**2.52**	4	3.77
Exercised during the period	**(2)**	**2.21**	(2)	1.03
Forfeited during period	**(5)**	**3.46**	(2)	3.13
Outstanding at the end of the period	**15**	**2.85**	13	3.22
Exercisable at the end of the period	**1**	**2.29**	–	–

	Year ended 29 April 2017	Year ended 30 April 2016
Weighted average market price of options exercised in the period	**£3.42**	£4.38
Weighted average remaining contractual life of awards outstanding	**2.9 yrs**	2.6 yrs
Range of exercise prices for options outstanding	**£2.24 - £3.77**	£2.09 – £3.77

5 Employee costs and share-based payments continued

b) Share-based payments continued

iv) Fair value model
The fair value of options was estimated at the date of grant using a Monte Carlo model. The model combines the market price of a share at the date of grant with the probability of meeting performance criteria, based on the historical performance of Carphone Warehouse and, for options issued subsequent to the Merger on 6 August 2014, the historical performance of Dixons.

The weighted average fair value of options granted during the period was £1.40 (2015/16: £0.74). The following table lists the inputs to the model:

	Year ended 29 April 2017	Year ended 30 April 2016
Exercise price	**£nil – £2.52**	£nil – £3.77
Dividend yield	**2.6% – 3.0%**	2.3%
Historical and expected volatility	**30%**	27% – 28%
Expected option life	**4 – 10 yrs**	4 – 10 yrs
Weighted average share price	**£3.26**	£4.35

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, including consideration of the historical volatility of Carphone Warehouse and Dixons prior to the Merger.

v) Charge to the income statement and entries in reserves
During the year ended 29 April 2017, the Group recognised a non-cash accounting charge to profit and loss of £17 million (2015/16: £10 million) in respect of equity settled share-based payments, with a corresponding credit through reserves.

c) Employee Benefit Trust ('EBT')

	29 April 2017			30 April 2016		
	Market value £million	Nominal value £million	Number million	Market value £million	Nominal value £million	Number million
Investment in own shares	**2**	**–**	**0.5**	3	–	0.7
Maximum number of shares held during the period	**3**	**–**	**0.7**	10	–	2.2

Following the Merger, the Dixons Carphone plc EBT was established on 12 August 2016, after which the assets held in the two legacy Employee Share Ownerships Trusts ('ESOTs'), being the Carphone Warehouse ESOT and the Dixons Retail ESOT, were transferred into the EBT. The ESOTs were terminated on 16 September 2016 and 28 September 2016 respectively.

The number of shares held by the EBT, which are shown in the table above, remain held for potential awards under outstanding plans. The costs of funding and administering the EBT are charged to the income statement in the year to which they relate. Shareholders' funds are reduced by the net book value of shares held in the EBT.

The EBT did not undertake any market purchases of the Company's shares during the year ended 29 April 2017 (2015/16: 1.9 million shares were purchased by the ESOTs for net cash consideration (after the receipt of the exercise price from employees) of £5 million).

The EBT has waived rights to receive dividends and the shares have not been allocated to specific schemes.

6 Net finance costs

	Year ended 29 April 2017 £million	Year ended 30 April 2016 £million
Unwind of discounts on trade receivables	**15**	17
Interest receivable	**2**	–
Finance income	**17**	17
Interest on bank overdrafts, loans and borrowings	**(12)**	(16)
Finance lease interest payable	**(6)**	(6)
Net interest on defined benefit pension obligations[i]	**(16)**	(16)
Unwind of discounts on liabilities	**(8)**	(10)
Amortisation of facility fees	**(1)**	(2)
Revolving credit facility fee write off[i]	**–**	(4)
Other interest expense	**(6)**	(4)
Finance costs	**(49)**	(58)
Total net finance costs	**(32)**	(41)
Headline total net finance costs	**(16)**	(21)

(i) Headline finance costs exclude net interest on defined benefit pension obligations and the write off of revolving credit facility fees (see note 4).

Notes to the Group financial statements

7 Tax

a) Tax expense

The corporation tax charge comprises:

		Year ended 29 April 2017 £million	Year ended 30 April 2016 £million
Current tax			
UK corporation tax at 19.92%(i) (2015/16 20%)	– Headline	**85**	71
	– Non-headline	**(9)**	(15)
Overseas tax	– Headline	**21**	23
	– Non-headline	**–**	(2)
		97	77
Adjustments made in respect of prior years:			
UK corporation tax	– Headline	**(20)**	(1)
	– Non-headline	**(1)**	(6)
Overseas tax	– Headline	**4**	(5)
		(17)	(12)
Total current tax		**80**	65
Deferred tax			
UK tax	– Headline	**13**	19
	– Non-headline	**(3)**	–
Overseas tax	– Headline	**3**	2
	– Non-headline	**(4)**	(3)
		9	18
Adjustments in respect of prior years:			
UK corporation tax	– Headline	**5**	2
	– Non-headline	**–**	–
Overseas tax	– Headline	**1**	(1)
		6	1
Total deferred tax		**15**	19
Total tax charge		**95**	84
Headline tax charge		**112**	110

(i) The UK corporation tax rate for the 12 months ended 29 April 2017 was 20% for the 11 months to 31 March 2017 and 19% thereafter (year ended 30 April 2016 was 20%).

Tax related to discontinued operations is included in the figures set out in note 25.

7 **Tax** continued

b) Reconciliation of standard to actual (effective) tax rate

The principal differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to profit / (loss) before taxation are as follows:

	Year ended 29 April 2017			Year ended 30 April 2016 (restated)		
	Headline £million	Non-headline £million	Statutory £million	Headline £million	Non-headline £million	Statutory £million
Profit / (loss) before taxation	**501**	**(115)**	**386**	457	(194)	263
Tax at UK statutory rate of 19.92% (2015/16: 20%)	**100**	**(23)**	**77**	91	(38)	53
Differences in effective overseas tax rates	**2**	**1**	**3**	5	–	5
Adjustments in respect of prior years	**5**	**(1)**	**4**	(5)	(6)	(11)
Items attracting no tax relief or liability	**5**	**5**	**10**	13	17	30
Movement in unprovided deferred tax	**–**	**1**	**1**	2	1	3
Effect of change in statutory tax rate	**–**	**–**	**–**	3	–	3
Other differences	**–**	**–**	**–**	1	–	1
Total tax charge / (credit)	**112**	**(17)**	**95**	110	(26)	84

The effective tax rate on headline earnings of 22% (2015/16: 24%) has decreased due to a reduction in items attracting no tax relief or liability and a reduction in tax paid at higher overseas tax rates, largely as a result of statutory rate changes in the Nordics.

Adjustments in respect of prior years include a one-off tax credit following successful resolution of a prior year tax issue and movements in uncertain tax positions. Items attracting no tax relief or liability relate primarily to capital expenditure on which no deduction is available in respect of capital allowances.

A further reduction in the UK corporation tax rate to 17% from 1 April 2020 has been substantively enacted by the balance sheet date and has been used in the recognition of deferred tax balances.

c) Deferred tax

	Accelerated capital allowances £million	Retirement benefit obligations £million	Losses carried forward £million	Other temporary differences £million	Total £million
At 3 May 2015	(17)	98	4	77	162
Charged directly to income statement	(7)	–	(1)	(11)	(19)
Charged to equity	–	(13)	–	(11)	(24)
Reclassification	–	(1)	–	1	–
At 30 April 2016	(24)	84	3	56	119
Charged directly to income statement	**(11)**	**–**	**–**	**(4)**	**(15)**
Credited / (charged) to equity	**–**	**15**	**–**	**(4)**	**11**
Reclassification	**1**	**–**	**–**	**(1)**	**–**
At 29 April 2017	**(34)**	**99**	**3**	**47**	**115**

Deferred tax comprises the following balances:

	29 April 2017 £million	30 April 2016 £million
Deferred tax assets	**253**	234
Deferred tax liabilities	**(138)**	(115)
	115	119

Notes to the Group financial statements

7 Tax continued

Analysis of deferred tax relating to items (charged) / credited to equity in the period

	Year ended 29 April 2017 £million	Year ended 30 April 2016 £million
Defined benefit pension schemes	**15**	(13)
Share-based payments	**(1)**	(7)
Other temporary differences	**(3)**	(4)
	11	(24)

The Group has total unrecognised deferred tax assets relating to tax losses of £1,404 million (2015/16: £1,414 million). No deferred tax asset has been recognised in respect of the losses due to the lack of certainty regarding the availability of future taxable profits. The unrecognised tax losses may be carried forward indefinitely.

There were no temporary differences associated with undistributable earnings of subsidiaries or joint ventures for which deferred tax liabilities had not been recognised at the end of either year.

8 Earnings per share

	Year ended 29 April 2017 £million	Year ended 30 April 2016 (restated) £million
Headline earnings		
Continuing operations	**389**	347
Total earnings / (loss)		
Continuing operations	**291**	179
Discontinued operations	**4**	(18)
Total	**295**	161
	Million	Million
Weighted average number of shares		
Average shares in issue	**1,152**	1,151
Less average holding by Group EBT	**(1)**	(1)
For basic earnings per share	**1,151**	1,150
Dilutive effect of share options and other incentive schemes	**4**	38
For diluted earnings per share	**1,155**	1,188
	Pence	Pence
Basic earnings per share		
Total (continuing and discontinued operations)	**25.6**	14.0
Adjustment in respect of discontinued operations	**(0.3)**	1.6
Continuing operations	**25.3**	15.6
Adjustments for non-headline – continuing operations (net of taxation)	**8.5**	14.6
Headline basic earnings per share	**33.8**	30.2
Diluted earnings per share		
Total (continuing and discontinued operations)	**25.5**	13.6
Adjustment in respect of discontinued operations	**(0.3)**	1.5
Continuing operations	**25.2**	15.1
Adjustments for non-headline – continuing operations (net of taxation)	**8.5**	14.1
Headline diluted earnings per share	**33.7**	29.2

Basic and diluted earnings per share are based on the profit for the period attributable to equity shareholders. Headline earnings per share is presented in order to show the underlying performance of the Group. Adjustments used to determine headline earnings are described further in note 4.

9 Goodwill

	29 April 2017 £million	30 April 2016 £million
At beginning of period	**3,054**	2,989
Additions (note 24)	**4**	26
Foreign exchange	**53**	39
At end of period	**3,111**	3,054
Cost	**3,111**	3,054
Accumulated impairment	**–**	–
	3,111	3,054

a) Carrying value of goodwill

The components of goodwill comprise the following businesses:

	29 April 2017 £million	30 April 2016 £million
UK & Ireland	**2,066**	2,065
Nordics	**1,014**	959
Spain	**31**	30
	3,111	3,054

b) Goodwill impairment testing

As required by IAS 36, goodwill is subject to annual impairment reviews. These reviews are carried out using the following criteria:

- business acquisitions generate an attributed amount of goodwill;
- the manner in which these businesses are run and managed is used to determine the CGU grouping as defined in IAS 36 'Impairment of Assets';
- the recoverable amount of each CGU group is determined based on calculating its value in use ('VIU');
- the VIU is calculated by applying discounted cash flow modelling to management's own projections covering a five-year period;
- cash flows beyond the five-year period are extrapolated using a long-term growth rate equivalent to long-term forecasts of Gross Domestic Product ('GDP') growth rates for the relevant market; and
- the VIU is then compared to the carrying amount in order to determine whether impairment has occurred.

During the year, management has reassessed the level at which the goodwill previously related to the UK & Ireland operations of Carphone Warehouse and Dixons is monitored by management, and therefore the level at which this is monitored for goodwill impairment purposes under IAS 36 'Impairment of Assets'. Due to the continued integration activities following the Merger, including the introduction of 'store-within-a-store' operations, the integration of finance and operational management, and the combined reporting of results for management reporting purposes, management has determined that the level at which goodwill for the UK & Ireland business is monitored is at an overall UK & Ireland level, compared to the previous level used of UK – Carphone, Ireland – Carphone, UK&I Dixons and Simplifydigital. For this reason, the goodwill has been combined for the purposes of impairment reviews.

The key assumptions used in calculating value in use are:

- management's projections;
- the growth rate beyond five years; and
- the pre-tax discount rate.

9 Goodwill continued

b) Goodwill impairment testing continued

The long term projections, which have been approved by management, have been prepared using the latest approved budget for 2017/18 together with the three-year strategic plans as a base extrapolated to five years. These projections have regard to the relative performance of competitors and knowledge of the current market together with management's views on the future achievable growth in market share and impact of the committed initiatives. The cash flows which derive from these five-year projections include ongoing capital expenditure required to develop and upgrade the store network in order to maintain and operate the businesses and to compete in their markets. In forming the five-year projections, management draws on past experience as a measure to forecast future performance.

Key assumptions used in determining the five-year projections comprise the growth in sales and costs over this period. The compound annual growth rate in sales and costs can rise as well as fall year-on-year depending not only on the year five targets, but also on the current financial year base. These targets, when combined, accordingly drive the resulting profit margins and the profit in year five of the projections which is in turn used to calculate the terminal value in the VIU calculation. Historical amounts for the businesses under impairment review as well as from other parts of the Group are used to generate the values attributed to these assumptions.

The value attributed to these assumptions for the most significant components of goodwill are as follows:

	29 April 2017				30 April 2016			
	Compound annual growth in sales	Compound annual growth in costs	Growth rate beyond five years	Pre-tax discount rate	Compound annual growth in sales	Compound annual growth in costs	Growth rate beyond five years	Pre-tax discount rate
UK & Ireland *	**2.7%**	**2.6%**	**2.0%**	**8.2%**	2.5%	2.4%	2.1%	8.8%
Nordics	**2.6%**	**2.6%**	**1.8%**	**8.4%**	4.4%	4.3%	2.0%	8.1%

* *comparative values have been disclosed on an overall UK & Ireland level following the change discussed above. In the prior year, on a separated basis, the compound annual growth rates in sales used for UK – Carphone and UK & Ireland – Dixons were 2.8% and 2.3% and compound annual growth rates in costs were 2.6% and 2.1% respectively. Growth rates and pre-tax discount rates in the comparative period are unchanged.*

Growth rates used were determined based on third-party long-term growth rate forecasts and are based on the GDP growth rate for the territories in which the businesses operate. The pre-tax discount rates applied to the forecast cash flows reflect current market assessments of the time value of money and the risks specific to the CGUs.

c) Goodwill impairment sensitivity analysis

A sensitivity analysis has been performed on each of the base case assumptions used for assessing the goodwill with other variables held constant. Consideration of sensitivities to key assumptions can evolve from one financial year to the next. The directors have concluded that there are no reasonably possible changes in key assumptions which would cause the carrying amount of goodwill to exceed its value in use.

10 Intangible assets

	Acquisition intangibles				
	Brands £million	Customer relationships £million	Sub-total £million	Software and licences £million	Total £million
Balance at 1 May 2016	**317**	**31**	**348**	**192**	**540**
Additions	–	–	–	**97**	**97**
Amortisation	**(26)**	**(8)**	**(34)**	**(57)**	**(91)**
Impairment	–	–	–	**(3)**	**(3)**
Foreign exchange	**8**	–	**8**	**2**	**10**
Balance at 29 April 2017	**299**	**23**	**322**	**231**	**553**
Cost	**372**	**73**	**445**	**376**	**821**
Accumulated amortisation and impairment losses	**(73)**	**(50)**	**(123)**	**(145)**	**(268)**
Balance at 29 April 2017	**299**	**23**	**322**	**231**	**553**

	Acquisition intangibles				
	Brands £million	Customer relationships £million	Sub-total £million	Software and licences £million	Total £million
Balance at 3 May 2015	336	26	362	163	525
Acquired on acquisition of subsidiary	–	20	20	3	23
Additions	–	–	–	63	63
Amortisation	(26)	(14)	(40)	(39)	(79)
Foreign exchange	7	(1)	6	2	8
Balance at 30 April 2016	317	31	348	192	540
Cost	364	73	437	277	714
Accumulated amortisation and impairment losses	(47)	(42)	(89)	(85)	(174)
Balance at 30 April 2016	317	31	348	192	540

Software and licences include assets with a cost of £24 million (2016: £15 million) on which amortisation has not been charged as the assets have not yet been brought into use.

Individually material intangible assets

Customer relationships and brands include intangible assets which are considered individually material to the financial statements. The primary intangible assets, their net book values and remaining amortisation periods are as follows:

	Net book value £million	Remaining amortisation period Years
CurrysPCWorld	**140**	13
Elgiganten	**64**	13
Elkjøp	**48**	13
Gigantti	**31**	13
Simplifydigital	**16**	4

Notes to the Group financial statements

11 Property, plant & equipment

	Land and buildings £million	Fixtures, fittings and other equipment £million	Total £million
Balance at 1 May 2016	**100**	**266**	**366**
Additions	**4**	**147**	**151**
Depreciation	**(8)**	**(87)**	**(95)**
Disposals	**(4)**	**(3)**	**(7)**
Foreign exchange	**–**	**5**	**5**
Balance as at 29 April 2017	**92**	**328**	**420**
Cost	**118**	**606**	**724**
Accumulated depreciation	**(26)**	**(278)**	**(304)**
Balance as at 29 April 2017	**92**	**328**	**420**
Included in net book value as at 29 April 2017			
Land not depreciated	**8**	**–**	**8**
Assets in the course of construction	**–**	**52**	**52**
Assets held under finance leases	**51**	**–**	**51**

	Land and buildings £million	Fixtures, fittings and other equipment £million	Total £million
Balance at 3 May 2015	93	234	327
Acquisition of subsidiary	–	1	1
Additions	33	124	157
Depreciation	(6)	(92)	(98)
Disposals	(20)	(3)	(23)
Impairment	–	(4)	(4)
Foreign exchange	–	6	6
Balance as at 30 April 2016	100	266	366
Cost	117	451	568
Accumulated depreciation	(17)	(185)	(202)
Balance as at 30 April 2016	100	266	366
Included in net book value as at 30 April 2016			
Land not depreciated	8	–	8
Assets in the course of construction	–	40	40
Assets held under finance leases	57	–	57

Freehold land and buildings include the Group's investment property, which is recorded at cost. The fair value of investment property was determined by an external, independent property valuation expert as £13 million (2016: £14 million). The valuation expert has appropriate recognised professional qualifications as well as recent experience in the location and category of the properties being valued. The valuation of properties was performed by reference to appropriate yield rates and market evidence of recent transactions. Future minimum lease income in respect of the Group's investment properties is set out in note 30.

12 Interests in joint ventures and investments

Interests in joint ventures

The principal interests in joint ventures are as follows:

Name	Country of incorporation or registration	Nature of business	29 April 2017 Interest	30 April 2016 Interest
Sprint Connect LLC	United States of America	Distribution	**50.0%**	50.0%

The Group's interests in joint ventures are analysed as follows:

	29 April 2017 £million	30 April 2016 £million
Opening balance	**5**	–
Additions	**29**	9
Share of results	**(17)**	(4)
Foreign exchange gain	**1**	–
Closing balance	**18**	5

The share of results recognised all relate to businesses to be exited, as described below. There were no items of other comprehensive income in the period and therefore the share of results represents the Group's share of total comprehensive income.

In June 2017, the Group announced that the interest held in the Sprint joint venture would be sold, as set out in note 33. In light of this decision, the trading result in the current and prior financial years has been restated as businesses to be exited, as disclosed in notes 4 and 32.

The remaining joint venture investments (£1 million) relate to investments held by our Nordics operations through the wholesaler network, which are not considered significant.

Investments

	29 April 2017 £million	30 April 2016 £million
Investments classified as available-for-sale	**19**	–

In November 2013, the Group disposed of it's Unieuro operations, and retained an investment of 14.96% in Italian Electronics Holdings s.r.l (IEH), a holding company which in turn owned 100% of the Unieuro operations. The investment was initially recognised at £nil based on the fair value of the retained interest. In March 2017, Unieuro undertook an IPO for 31.8% of its shareholdings, which reduced the Group's investment to 10.2% of the Unieuro operations. Given the successful IPO, a readily-determinable fair value is available based on the market price of the listed shares, and the investment has therefore been valued at £19 million. The movement in investment value has been taken to other comprehensive income as classified as an 'available-for-sale' investment. The fair valuation techniques used are outlined in note 26.

13 Inventory

	29 April 2017 £million	30 April 2016 £million
Finished goods and goods for resale	**1,101**	958

Notes to the Group financial statements

14 Trade and other receivables

	29 April 2017 £million	30 April 2016 £million
Trade receivables	**1,436**	1,304
Less provision for bad and doubtful debts	**(18)**	(20)
	1,418	1,284
Prepayments	**103**	100
Other receivables	**118**	115
Accrued income	**28**	22
	1,667	1,521
Non-current	**531**	408
Current	**1,136**	1,113
	1,667	1,521

The majority of trade and other receivables are non-interest bearing. Non-current receivables mainly comprise commission receivable on sales, as described in note 26. Where the effect is material, trade and other receivables are discounted using discount rates which reflect the relevant costs of financing. The carrying amount of trade and other receivables approximates fair value.

	29 April 2017			30 April 2016		
	Gross trade receivables £million	Provision £million	Net trade receivables £million	Gross trade receivables £million	Provision £million	Net trade receivables £million
Ageing of gross trade receivables and provisions:						
Not yet due	**1,284**	**(5)**	**1,279**	1,186	(7)	1,179
Past due:						
Under two months	**108**	**–**	**108**	57	(1)	56
Two to four months	**22**	**–**	**22**	14	(1)	13
Over four months	**22**	**(13)**	**9**	47	(11)	36
	152	**(13)**	**139**	118	(13)	105
	1,436	**(18)**	**1,418**	1,304	(20)	1,284

Movements in the provision for impairment of trade receivables is as follows:

	29 April 2017 £million	30 April 2016 £million
Opening balance	**(20)**	(20)
Charged to the income statement	**(8)**	(11)
Receivables written off as irrecoverable	**10**	11
Closing balance	**(18)**	(20)

The Group's trade receivables included the following amounts which were past due, but for which the Group has made no provision based on historical rates of recoverability.

	29 April 2017 £million	30 April 2016 £million
Under two months	**108**	56
Two to four months	**22**	13
Over four months	**9**	36
	139	105

15 Cash and cash equivalents

	29 April 2017 £million	30 April 2016 £million
Cash at bank and on deposit	**209**	233

Cash at bank and on deposit includes short-term bank deposits which are available on demand. Within cash and cash equivalents, £62 million (2016: £67 million) is restricted and predominantly comprises funds held under trust to fund potential customer support agreement liabilities as well as by the Group's insurance businesses to cover regulatory reserve requirements. These funds are not available to offset the Group's borrowings.

16 Trade and other payables

	29 April 2017		30 April 2016	
	Current £million	Non-current £million	Current £million	Non-current £million
Trade payables	**1,689**	**–**	1,373	–
Other taxes and social security	**245**	**–**	271	–
Other creditors	**41**	**178**	108	206
Accruals	**368**	**49**	360	60
Deferred income	**159**	**141**	156	157
	2,502	**368**	2,268	423

Non-current other creditors relate principally to property leases that are deemed to be over-rented which arose from acquisitions. These liabilities are unwound over the period of the relevant lease, of up to 21 years. The carrying amount of trade and other payables approximates their fair value.

17 Deferred and contingent consideration

	29 April 2017		30 April 2016	
	Current £million	Non-current £million	Current £million	Non-current £million
Deferred and contingent consideration	**8**	**14**	12	21

	29 April 2017 £million	30 April 2016 £million
Opening balance	**33**	31
Recognised on acquisition of subsidiary (note 24)	–	23
Settlements	**(11)**	(26)
Change in valuation (note 4)	**–**	5
Closing balance	**22**	33

Earn-out consideration of up to £22 million is payable in cash (2015/16: £23 million) and is contingent on the performance of Simplifydigital and the Epoq kitchen business against earnings growth targets over a period of up to four years. The fair value of contingent consideration arrangements has been estimated by applying the income approach. A reduction in growth assumptions used in the fair value methodology would result in a reduction in the amount of contingent consideration payable.

Notes to the Group financial statements

18 Loans and other borrowings

	29 April 2017 £million	30 April 2016 £million
Current liabilities		
Bank overdrafts	**10**	–
	10	–
Non-current liabilities		
Loans and other borrowings	**381**	409
	391	409

Committed facilities
On 8 October 2015 the Group signed a new multi-currency revolving credit facility for £800 million, which matures in October 2020 and replaced the multi-currency term and revolving credit facility which was previously in place. On 7 October 2016 this facility was extended to mature in October 2021.

On 7 October 2016 a further £250 million multi-currency revolving credit facility was signed which matures in 2020. In addition, on 28 October 2016 an additional €50 million term loan facility was also signed, which also matures in 2020.

The rate of interest payable on facilities is a margin of 1.10% per annum over the applicable reference rate.

The rate of interest payable on the term loan is a margin of 1.50% per annum over the applicable reference rate.

Bank overdraft and other uncommitted facilities
The Group has overdraft and uncommitted money market facilities totalling approximately £136 million (2016: £128 million).

19 Finance lease obligations

	29 April 2017		30 April 2016	
	Minimum lease payments £million	Present value of minimum lease payments £million	Minimum lease payments £million	Present value of minimum lease payments £million
Amounts due:				
Within one year	**9**	**8**	9	8
In more than one year and not more than five years	**37**	**29**	35	29
In more than five years	**103**	**52**	111	54
	149	**89**	155	91
Less future finance charges	**(60)**	–	(64)	–
Present value of lease obligations	**89**	**89**	91	91
Less amounts due within one year	**(3)**	**(3)**	(2)	(2)
Amounts due after more than one year	**86**	**86**	89	89

The majority of finance leases relate to properties in the UK where obligations are denominated in Sterling and remaining lease terms vary between 9 and 20 years. The effective borrowing rate on individual leases ranged between 5.51% and 9.29% (2016: 5.51% and 8.67%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligations approximates their carrying amount.

20 Provisions

	29 April 2017					30 April 2016				
	Reorg-anisation £million	Sales £million	Property £million	Other £million	Total £million	Reorg-anisation £million	Sales £million	Property £million	Other £million	Total £million
At beginning of period	12	8	90	15	125	23	6	25	21	75
Additions	16	30	29	11	86	15	42	71	4	132
Released in the period	–	–	(24)	(1)	(25)	–	–	–	(1)	(1)
Utilised in the period	(16)	(29)	(34)	(4)	(83)	(26)	(40)	(6)	(9)	(81)
Foreign exchange	–	1	1	–	2	–	–	–	–	–
At end of period	12	10	62	21	105	12	8	90	15	125
Analysed as:										
Current	12	8	43	21	84	12	7	44	15	78
Non-current	–	2	19	–	21	–	1	46	–	47
	12	10	62	21	105	12	8	90	15	125

Reorganisation provisions relate principally to Merger related costs and redundancy costs and other onerous contracts arising as a result of reorganisation, and are only recognised where plans are demonstrably committed and where appropriate communication to those affected has been undertaken at the balance sheet date.

Sales provisions relate to 'cash-back' and similar promotions, product warranties, product returns, and network operator performance penalties. The anticipated costs of these items are assessed by reference to historical trends and any other information that is considered to be relevant.

Property provisions relate mainly to costs associated with operating lease early exist premiums, onerous leases and provisions for dilapidations. Additions during the year ended 30 April 2016 related principally to property rationalisation costs as described in note 4.

Other provisions relate to warranties provided in relation to business disposals and provisions in respect of the expected costs of insurance claims, contingent liabilities recognised through business combinations, and other onerous contracts.

Non-current provisions are expected to be utilised over a period up to ten years.

21 Retirement and other post-employment benefit obligations

	29 April 2017 £million	30 April 2016 £million
Retirement benefit obligations – UK	589	472
– Nordics	2	2
	591	474

The Group operates a defined benefit and a number of defined contribution schemes. The principal scheme which operates in the UK includes a funded defined benefit section whose assets are held in a separate trustee administered fund. The scheme is valued by a qualified actuary at least every three years and contributions are assessed in accordance with the actuary's advice. Since 1 September 2002, the defined benefit section of the scheme has been closed to new entrants and on 30 April 2010 was closed to future accrual with automatic entry into the defined contribution section being offered to those active members of the defined benefit section at that time. Membership of the defined contribution section is offered to eligible employees.

In the Nordics division, the Group operates small funded secured defined benefit pension schemes, which are also closed to new entrants, with assets held by a life insurance company as well as an unsecured pension arrangement. In addition, contributions are made to state pension schemes with defined benefit characteristics.

Notes to the Group financial statements

21 Retirement and other post-employment benefit obligations continued

The defined benefit pension schemes expose the Group to actuarial risks such as longer than expected longevity of members, lower than expected return on investments and higher than expected inflation, which may increase the liabilities or reduce the value of assets of the plans.

a) Defined contribution pension schemes

The pension charge in respect of defined contribution schemes was £24 million (2015/16: £23 million).

b) UK defined benefit pension scheme – actuarial valuation and assumptions

A full actuarial valuation of the scheme was carried out as at 31 March 2016 and showed a shortfall of assets compared with liabilities of £560 million. A 'recovery plan' based on this valuation was agreed with the Trustees such that contributions in respect of the scheme will increase to £46 million per year starting from the 2017/18 financial year. As a result of the valuation, during the current year the Group agreed to pay an amount of £7 million in addition to the previously agreed contribution of £36 million, which leads to total contributions paid in 2016/17 of £43 million. The next triennial valuation will be as at 31 March 2019.

The principal actuarial assumptions as at 31 March 2016 were:

		Rate per annum
Discount rate for accrued benefits†	– Growth portfolio	4.6%
	– Matching portfolio	2.2%
Rate of increase to pensions		0% – 3.6%
Inflation		3.0%

† The discount rate is based on a linear de-risking methodology which assumes the Scheme's investment strategy switches investments from growth assets (such as equities) to matching assets (such as bonds) and multi-asset credit over a period of 10 years from 2026 to 2036 so that in 20 years' time the asset portfolio is projected to be 90% invested in matching assets and multi-asset credit.

At 31 March 2016, the market value of the scheme's investments was £930 million and, based on the above assumptions, the value of the assets was sufficient to cover 62% of the benefits accrued to members with the liabilities amounting to £1,490 million.

c) UK Defined benefit pension scheme – IAS 19

The following summarises the components of net defined benefit expense recognised in the consolidated income statement, the funded status and amounts recognised in the consolidated balance sheet and other amounts recognised in the statement of comprehensive income. The methods set out in IAS 19 are different from those used by the scheme actuaries in determining funding arrangements.

(i) Principal assumptions adopted

The assumptions used in calculating the expenses and obligations are set by the directors after consultation with the independent actuaries.

	29 April 2017	30 April 2016
Rates per annum		
Discount rate	**2.6%**	3.5%
Rate of increase in pensions in payment / deferred pensions (pre / post April 2006 accrual)	**3.2% / 2.2%**	2.9% / 2.1%
Inflation	**3.3%**	2.95%

The Group uses demographic assumptions underlying the last formal actuarial valuation of the scheme as at 31 March 2016. In particular, post retirement mortality has been assumed to follow the standard mortality tables 'S2' All Pensioners tables published by the CMI, based on the experience of Self-Administered Pension Schemes (SAPS) with multipliers of 100% for males and 105% for females. In addition, an allowance has been made for future improvements in longevity from 2003 by using the new CMI 2015 Core projections with a long term rate of improvement of 1.5% per annum for men and 1.25% per annum for women. Applying such tables results in an average expected longevity of between 87.5 years and 89.7 years for men and between 88.9 years and 90.8 years for women for those reaching 65 over the next 20 years.

21 Retirement and other post-employment benefit obligations continued

c) UK Defined benefit pension scheme – IAS 19 continued

(ii) Amounts recognised in consolidated income statement

	Year ended 29 April 2017 £million	Year ended 30 April 2016 £million
Net interest expense on defined benefit obligation	**16**	16

(iii) Amounts recognised in the consolidated statement of comprehensive income:

	Year ended 29 April 2017 £million	Year ended 30 April 2016 £million
Remeasurement of defined benefit obligation – actuarial gains / (losses) arising from:		
Changes in financial assumptions	**(374)**	25
Experience adjustments	**58**	27
Change in demographic assumptions	**(2)**	–
Remeasurement of scheme assets:		
Actual return on plan assets (excluding amounts included in net interest expense)	**174**	(57)
Cumulative actuarial loss	**(144)**	(5)

(iv) Amounts recognised in the consolidated balance sheet

	29 April 2017 £million	30 April 2016 £million
Present value of defined benefit obligations	**(1,714)**	(1,395)
Fair value of plan assets	**1,125**	923
Net obligation	**(589)**	(472)

Changes in the present value of the defined benefit obligation:

	29 April 2017 £million	30 April 2016 £million
Opening obligation	**1,395**	1,431
Interest cost	**48**	49
Remeasurements in other comprehensive income – actuarial losses / (gains) arising from changes in:		
Financial assumptions	**374**	(25)
Experience adjustments	**(58)**	(27)
Demographic assumptions	**2**	–
Benefits paid	**(47)**	(33)
Closing obligation	**1,714**	1,395

The weighted average maturity profile of the defined benefit obligation at the end of the year is 21 years.

Changes in the fair value of the scheme assets:

	29 April 2017 £million	30 April 2016 £million
Opening fair value	**923**	945
Interest income	**32**	33
Employer special contributions	**43**	35
Remeasurements in other comprehensive income:		
Actual return on plan assets (excluding interest income)	**174**	(57)
Benefits paid	**(47)**	(33)
Closing fair value	**1,125**	923

21 *Retirement and other post-employment benefit obligations* *continued*

Analysis of scheme assets:

		29 April 2017 £million	30 April 2016 £million
Overseas and global equities	– Listed	**320**	277
Diversified growth	– Listed	**115**	170
	– Unlisted	**—**	11
Multi-asset credit funds	– Listed	**45**	28
	– Unlisted	**43**	24
Emerging market multi asset funds	– Listed	**—**	45
	– Unlisted	**—**	3
Private equity	– Unlisted	**30**	37
Private credit	– Listed	**70**	—
	– Unlisted	**21**	—
Property	– Unlisted	**14**	13
Index-linked gilts	– Listed	**—**	102
Corporate bonds	– Listed	**90**	80
Liability driven investments ('LDIs')	– Listed	**310**	112
Cash and cash instruments	– Unlisted	**66**	20
Other	– Unlisted	**1**	1
		1,125	923

The investment strategy of the scheme is determined by the independent Trustees through advice provided by an independent investment consultant. The scheme invests in a diverse range of asset classes as set out above with matching assets primarily comprising holdings in inflation linked gilts, corporate bonds and liability driven investments.

Actual return on the scheme assets was a gain of £174 million (2015/16: loss of £57 million).

(v) Sensitivities

The value of the UK defined benefit pension scheme assets are sensitive to market conditions, particularly equity values which comprise approximately 49% of the scheme's assets. Changes in assumptions used for determining retirement benefit costs and liabilities may have a material impact on the 2016/17 income statement and the balance sheet. The main assumptions are the discount rate, the rate of inflation and the assumed mortality rate. The following table provides an estimate of the potential impacts of each of these variables if applied to the current year consolidated income statement and balance sheet.

	Net finance costs		Net deficit	
	Year ended 29 April 2017 £million	Year ended 30 April 2016 £million	29 April 2017 £million	30 April 2016 £million
Positive / (negative) effect				
Discount rate: 0.25% increase	**2**	2	**92**	75
Inflation rate: 0.25% increase†	**(2)**	(2)	**(74)**	(52)
Mortality rate: 1 year increase	**(1)**	(2)	**(69)**	(41)

† The increase in scheme benefits provided to members on retirement is subject to an inflation cap.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

d) Other post-employment benefits – IAS 19

The Group offers other post-employment benefits to employees in overseas territories, in particular in Greece. These benefits are unfunded. At 29 April 2017 the net obligation in relation to these benefits was £3 million (2016: £3 million).

22 Share capital, retained earnings and reserves

a) Share capital

	29 April 2017 million	30 April 2016 million	29 April 2017 £million	30 April 2016 £million
Authorised, allotted, called-up and fully paid ordinary shares of 0.1p each	**1,153**	1,151	**1**	1

	29 April 2017 million	30 April 2016 million	29 April 2017 £million	30 April 2016 £million
Ordinary shares of 0.1p each in issue at the beginning of the period	**1,151**	1,151	**1**	1
Issued during the period	**2**	–	**–**	–
Ordinary shares of 0.1p each in issue at the end of the period	**1,153**	1,151	**1**	1

During the year ended 29 April 2017, 1,725,661 (2015/16: nil) ordinary shares with nominal value of 0.1p each were issued for consideration of £4 million (2015/16: £nil) to satisfy exercises of share options awarded under the Group's SAYE schemes.

b) Retained earnings and reserves

Movement in retained earnings and reserves during the reported periods are presented in the consolidated statement of changes in equity.

Retained earnings at 29 April 2017 includes £4 million of gains (2016: £18 million of losses) associated with derivatives which were designated and effective as cash flow hedges and interest rate hedges. Own shares held by the Group's EBT are recognised in retained earnings – refer to note 5 for further information. The demerger reserve arose as part of the demerger of the Group from TalkTalk in 2010.

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23 Equity dividends

	29 April 2017 £million	30 April 2016 £million
Amounts recognised as distributions to equity shareholders in the period – on ordinary shares of 0.1p each		
Final dividend for the 13 months ended 2 May 2015 of 6.00p per ordinary share	**–**	69
Interim dividend for the year ended 30 April 2016 of 3.25p per ordinary share	**–**	37
Final dividend for the year ended 30 April 2016 of 6.50p per ordinary share	**75**	–
Interim dividend for the year ended 29 April 2017 of 3.50p per ordinary share	**40**	–
	115	106

The following distribution is proposed but had not been effected at 29 April 2017 and is subject to shareholders' approval at the forthcoming Annual General Meeting:

	£million
Final dividend for the year ended 29 April 2017 of 7.75p per ordinary share	**89**

24 Acquisitions

In August 2016 the Group acquired the trade and assets of ten FONA stores in Denmark for £6 million. Goodwill of £4 million was recognised from this transaction.

On 31 March 2016 the Group acquired 100% of the issued share capital of Simplify Digital Limited. The provisional fair value of identifiable assets and liabilities of Simplify Digital Limited were reported in the annual report and accounts for the year ended 30 April 2016. During the current period, no material adjustments were identified.

25 Discontinued operations and assets held for sale

a) Profit / (loss) after tax – discontinued operations

The net profit of £4 million recognised in the current year primarily relates to the income recognised relating to the Unieuro investment. In April 2017 the Group received £5 million as repayment of a loan to the disposed operation from the disposal in 2013, which was fully impaired as part of the loss on disposal. In the current year, as repayment of the principle has been made, this income has been classified as a discontinued operation as the original impairment of the loan was recognised in the original loss on disposal.

There were no other significant movements in results relating to other discontinued operations in the year ended 29 April 2017.

The net loss on disposal recognised in the prior year of £18 million primarily relates to working capital adjustments agreed with acquirers, adjustments to net assets disposed, the recycling of foreign currency translation reserves of discontinued operations and other costs associated with the exits.

b) Cash flows from discontinued operations

The net cash flows incurred by the discontinued operation during the year are as follows. These cash flows are included within the Consolidated cash flow statement:

	Year ended 29 April 2017 £million	Year ended 30 April 2016 £million
Operating activities	**(1)**	2
Investing activities	**22**	30
	21	32

26 Financial risk management and derivative financial instruments

Financial instruments that are measured at fair value in the financial statements require disclosure of fair value measurements by level based on the following fair value measurement hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group has assessed network commission receivables to meet the definition of loans and receivables as defined in IAS 39 and are therefore accounted for at amortised cost. The measurement of certain network commission receivables is a key source of estimation uncertainty, an explanation of the valuation method and an analysis of the sensitivity of the carrying value of receivables to the assumptions and estimates of this method has been provided below in note 26(h). The carrying value of such ongoing network commission receivables (net of commission received at the point of connection) is £1,014 million (2016: £904 million). If network commission receivables were alternatively classified at fair value through profit and loss these receivables would be categorised as level 3 in the fair value hierarchy as the valuation requires the use of significant unobservable inputs. Under this alternative measurement basis their fair value is approximately equal to their current carrying value.

An explanation of the valuation methodologies and the inputs to the models are provided below for network commission.

Available-for-sale financial assets, in relation to listed investments held, are categorised as level 1 in the fair value hierarchy and are valued based on quoted bid prices in an active market.

Contingent consideration is categorised as level 3 in the fair value hierarchy as the valuation requires the use of significant unobservable inputs. An explanation of the valuation methodologies and the inputs to the valuation model is provided in note 17.

The significant inputs required to fair value the Group's remaining financial instruments that are measured at fair value on the balance sheet, being derivative financial assets and liabilities, are observable and are classified as level 2 in the fair value hierarchy. There have also been no transfers of assets or liabilities between levels of the fair value hierarchy.

Fair values have been arrived at by discounting future cash flows (where the impact of discounting is material), assuming no early redemption, or by revaluing forward currency contracts and interest rate swaps to period end market rates as appropriate to the instrument.

The directors consider that the book value of financial assets and liabilities recorded at amortised cost and their fair value are not materially different.

26 Financial risk management and derivative financial instruments continued

The book value and fair value of the Group's financial assets, liabilities and derivative financial instruments are as follows:

	29 April 2017 £million	30 April 2016 £million
Investments [1]	**19**	—
Cash and cash equivalents [2]	**209**	233
Trade and other receivables excluding derivative financial assets [2]	**1,564**	1,421
Net derivative financial assets [3]	**4**	—
Net derivative financial liabilities [3]	**—**	(24)
Trade and other payables [4]	**(2,570)**	(2,378)
Finance leases [4]	**(89)**	(91)
Deferred and contingent consideration [3]	**(22)**	(33)
Loans and other borrowings [4]	**(391)**	(409)

(1) Held as an available-for-sale asset
(2) Classified as loans and receivables and held at amortised cost
(3) Held at fair value through profit and loss
(4) Held at amortised cost

Offsetting financial assets and financial liabilities

The Group has forward foreign exchange contracts and cash that are subject to enforceable master netting arrangements.

(i) Financial assets

29 April 2017	Gross amounts of recognised financial assets £million	Gross amounts of recognised financial liabilities set off in the balance sheet £million	Net amounts of financial assets presented in the balance sheet £million	Financial instruments not set off in the balance sheet £million	Net amount £million
Forward foreign exchange contracts	**17**	**—**	**17**	**(11)**	**6**
Cash and cash equivalents	**2,120**	**(1,911)**	**209**	**—**	**209**
	2,137	**(1,911)**	**226**	**(11)**	**215**

30 April 2016	Gross amounts of recognised financial assets £million	Gross amounts of recognised financial liabilities set off in the balance sheet £million	Net amounts of financial assets presented in the balance sheet £million	Financial instruments not set off in the balance sheet £million	Net amount £million
Forward foreign exchange contracts	18	—	18	(17)	1
Cash and cash equivalents	1,878	(1,645)	233	—	233
	1,896	(1,645)	251	(17)	234

(ii) Financial liabilities

29 April 2017	Gross amounts of recognised financial liabilities £million	Gross amounts of recognised financial assets set off in the balance sheet £million	Net amounts of financial liabilities presented in the balance sheet £million	Financial instruments not set off in the balance sheet £million	Net amount £million
Forward foreign exchange contracts	**(13)**	**—**	**(13)**	**11**	**(2)**
Cash and cash equivalents	**(1,921)**	**1,911**	**(10)**	**—**	**(10)**
	(1,934)	**1,911**	**(23)**	**11**	**(12)**

30 April 2016	Gross amounts of recognised financial liabilities £million	Gross amounts of recognised financial assets set off in the balance sheet £million	Net amounts of financial liabilities presented in the balance sheet £million	Financial instruments not set off in the balance sheet £million	Net amount £million
Forward foreign exchange contracts	(42)	—	(42)	17	(25)
Cash and cash equivalents	(1,645)	1,645	—	—	—
	(1,687)	1,645	(42)	17	(25)

26 Financial risk management and derivative financial instruments continued

a) Financial risk management policies

The Group's activities expose it to certain financial risks including market risk (such as foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's treasury function, which operates under treasury policies approved by the Board, uses certain financial instruments to mitigate potentially adverse effects on the Group's financial performance from these risks. These financial instruments consist of bank loans and deposits, spot and forward foreign exchange contracts, foreign exchange swaps and interest rate swaps.

Throughout the period under review, in accordance with Group policy, no speculative use of derivatives, foreign exchange or other instruments was permitted. No contracts with embedded derivatives have been identified and, accordingly, no such derivatives have been accounted for separately.

b) Foreign exchange risk

The Group undertakes certain transactions that are denominated in foreign currencies and as a consequence has exposure to exchange rate fluctuations. These exposures primarily arise from inventory purchases, with most of the Group's exposure being to Euro, Norwegian Krone and US Dollar fluctuations. The Group uses spot and forward currency contracts to mitigate these exposures, with such contracts designed to cover exposures ranging from one month to one year.

The translation risk on converting overseas currency profits or losses is not hedged and such profits or losses are converted into Sterling at average exchange rates throughout the year. The Group's principal translation currency exposures are the Euro and Norwegian Krone.

At 29 April 2017, the total notional principal amount of outstanding currency contracts was £1,358 million (2016: £2,856 million) and had a fair value of £4 million asset (2015/16: £23 million liability). Monetary assets and liabilities and foreign exchange contracts are sensitive to movements in foreign exchange rates. This sensitivity can be analysed in comparison to year end rates (assuming all other variables remain constant) as follows:

	Year ended 29 April 2017		Year ended 30 April 2016	
	Effect on headline profit before tax £million	**Effect on total equity £million**	Effect on headline profit before tax £million	Effect on total equity £million
10% movement in the US dollar exchange rate	**–**	**5**	–	5
10% movement in the Euro exchange rate	**–**	**56**	–	58
10% movement in the Swedish Krona exchange rate	**–**	**24**	–	2
10% movement in the Danish Krone exchange rate	**–**	**13**	–	2
10% movement in the Norwegian Krone exchange rate	**–**	**17**	–	6
10% movement in the Chinese Yuan Offshore exchange rate	**–**	**6**	–	–

c) Interest rate risk

The Group's interest rate risk arises primarily on cash, cash equivalents and loans and other borrowings, all of which are at floating rates of interest and which therefore expose the Group to cash flow interest rate risk. These floating rates are linked to LIBOR and other interest rate bases as appropriate to the instrument and currency. Future cash flows arising from these financial instruments depend on interest rates and periods agreed at the time of rollover. Group policy permits the use of long term interest rate derivatives in managing the risks associated with movements in interest rates.

The effect on the income statement and equity of 1% movements in the interest rate for the currencies in which most Group cash, cash equivalents, loans and other borrowings are denominated and on which the valuation of most derivative financial instruments is based is as follows, assuming that the year end positions prevail throughout the year:

	Year ended 29 April 2017		Year ended 30 April 2016	
	Effect on headline profit before tax increase / (decrease) £million	**Effect on total equity increase / (decrease) £million**	Effect on headline profit before tax increase / (decrease) £million	Effect on total equity increase / (decrease) £million
1% increase in the Sterling interest rate	**1**	**1**	–	1

26 Financial risk management and derivative financial instruments continued

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages its exposure to liquidity risk by reviewing regularly the long term and short term cash flow projections for the business against the resources available to it.

In order to ensure that sufficient funds are available for ongoing and future developments, the Group has committed bank facilities, excluding overdrafts repayable on demand, totalling £1,050 million (2016: £800 million). Further details of committed borrowing facilities are shown in note 18.

The table below analyses the Group's financial liabilities and derivative assets and liabilities into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted cash flows, including both principal and interest flows, assuming that interest rates remain constant and that borrowings are paid in full in the year of maturity.

	Within one year £million	In more than one year but not more than five years £million	In more than five years £million	Total £million
29 April 2017				
Finance leases	**(9)**	**(37)**	**(103)**	**(149)**
Derivative financial instruments – payable:				
Forward foreign exchange contracts	**(1,358)**	**–**	**–**	**(1,358)**
Interest rate swaps	**(1)**	**(1)**	**–**	**(2)**
Derivative financial instruments – receivable:				
Forward foreign exchange contracts	**1,362**	**–**	**–**	**1,362**
Loans and other borrowings	**(17)**	**(408)**	**–**	**(425)**
Deferred consideration	**(8)**	**(14)**	**–**	**(22)**
Trade and other payables	**(2,343)**	**(227)**	**–**	**(2,570)**

	Within one year £million	In more than one year but not more than five years £million	In more than five years £million	Total £million
30 April 2016				
Finance leases	(9)	(35)	(111)	(155)
Derivative financial instruments – payable:				
Forward foreign exchange contracts	(2,856)	–	–	(2,856)
Interest rate swaps	(1)	(1)	–	(2)
Derivative financial instruments – receivable:				
Forward foreign exchange contracts	2,832	–	–	2,832
Loans and other borrowings	(7)	(441)	–	(448)
Deferred consideration	(12)	(19)	(2)	(33)
Trade and other payables	(2,112)	(266)	–	(2,378)

e) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations, and arises principally from the Group's receivables from consumers. The Group's exposure to credit risk is regularly monitored and the Group's policy is updated as appropriate.

The majority of the Group's trade receivables are balances due from MNOs, which are generally major multi-national enterprises with whom the Group has well-established relationships and are consequently not considered to add significantly to the Group's credit risk exposure. In addition credit risk is also inherently associated with the MNO end consumers. Details of the sensitivity analysis of a change in credit risk associated with the MNO consumer is detailed below (consumer default rates). Exposure to credit risk associated with the MNO consumer is managed through extensive consumer credit checking process prior to connection with the network. The large volume of MNO consumers reduces the Group's exposure to concentration of credit risk.

26 Financial risk management and derivative financial instruments continued

The Group's trade receivables also include balances due from equipment manufacturers, dealers and Connected World Services consumers, business to business consumers and consumer credit receivables. Where it is considered appropriate, the Group obtains credit insurance on accounts receivable. Provision is made for any receivables that are considered to be irrecoverable. Details of trade receivables which are past due but not impaired are provided in note 14.

The credit risks on cash and cash equivalents and derivative financial instruments are closely monitored and credit ratings are used in determining maximum counterparty credit risk.

The Group's funding is reliant on its £1,050 million bank facilities, which are provided by nine banks; these institutions are considered to be adequately capitalised to continue to meet their obligations under the facility.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

f) Capital risk

The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns, whilst maximising the return to shareholders through a suitable mix of debt and equity. The capital structure of the Group consists of cash and cash equivalents, loans and other borrowings and equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated profits. Except in relation to minimum capital requirements in its insurance business, the Group is not subject to any externally imposed capital requirements. The Group monitors its capital structure on an ongoing basis, including assessing the risks associated with each class of capital.

g) Derivatives

Derivative financial instruments comprise forward foreign exchange contracts, foreign exchange swaps and interest rate swaps. The Group has designated financial instruments under IAS 39 as follows:

Cash flow hedges
At 29 April 2017 the Group had forward and swap foreign exchange contracts in place with a notional value of £1,190 million (2016: £1,909 million) and a fair value of £6 million asset (2015/16: £17 million liability) that were designated and effective as cash flow hedges. These contracts are expected to cover exposures ranging from one month to one year. The fair value of derivative foreign exchange contracts and foreign exchange swaps not designated as cash flow hedges was £2 million liability (2015/16: £6 million liability).

Interest rate swaps
The Group held interest rate swaps with a notional value of £60 million (2016: £255 million) and a fair value of £nil million (2015/16: £1 million liability) whereby the Group receives a floating rate of interest based on LIBOR and pays a fixed interest rate. These contracts mature between June 2017 and December 2020.

h) Network commission receivables consumer behaviour risk

Under certain arrangements with MNOs, the commission receivable for the monthly consumer connections to the MNOs depends on consumer behaviour after the point of connection. A discounted cash flow methodology is used to measure the fair value of the revenue and associated receivables in the month of connection, by estimating all future cash flows that will be received from the MNO and discounting these based on their timing of receipt. Subsequently network commission receivables are measured at the present value of the estimated future cash flows discounted using the effective interest rate determined in the month of connection.

The key inputs to the model are:

- revenue share percentage – the percentage of the consumer's spend (to the MNO) to which the Group is entitled;
- minimum contract period – the length of contract entered into by the consumer;
- out-of-bundle spend – additional spend by the consumer measured as a % of total spend;
- consumer default rate – rate at which consumers disconnect from the MNO;
- spend beyond the initial contract period – period of time the consumer remains connected to the MNO after the initial contract term; and
- upgrade propensity – the % of consumers initially connected by the Group estimated to be subsequently upgraded by an MNO.

26 Financial risk management and derivative financial instruments continued

The last four inputs are estimated based on extensive historical evidence obtained from the networks, and adjustment is made for the risk of potential changes in consumer behaviour. Reliance on historical data assumes that current and future experience will follow past trends, there is therefore a risk that changes in consumer behaviour reduce or increase the total cash flows ultimately realised over the forecast period. Management make a quarterly, and the directors a twice-yearly assessment of this data to ensure this continues to reflect the best estimate of expected future trends.

The tables below provide the sensitivity of the carrying value of the network commission receivables to a reasonably possible change in input to the discounted cash flow model. The gross value of the network commission receivable subject to the below sensitivities is £1,581 million (2015/16: £1,391 million):

29 April 2017

Unobservable inputs	Relationship of unobservable inputs to remeasurement of carrying value	Sensitivity[1] Favourable £million	Sensitivity[1] Unfavourable £million	Range[2]
Out-of-bundle spend	The higher the spend, the higher the carrying value	**57**	**(57)**	**7.0% - 22.0%**
Consumer default rate	The higher the default rate, the lower the carrying value	**29**	**(29)**	**1.5% - 15.9% - New subscribers 0.6% - 4.6% - Upgrades**
Spend after the initial contract term	The higher the spend, the higher the carrying value	**25**	**(25)**	**1.5 months - 7.7 months**
Upgrade propensity	The higher the propensity, the higher the carrying value	**35**	**(35)**	**10.0% - 36.4%**

30 April 2016

Unobservable inputs	Relationship of unobservable inputs to remeasurement of carrying value	Sensitivity[1] Favourable £million	Sensitivity[1] Unfavourable £million	Range[2]
Out-of-bundle spend	The higher the spend, the higher the carrying value	47	(47)	7.5% - 25.9%
Consumer default rate	The higher the default rate, the lower the carrying value	13	(13)	4.9% - 18.2% - New subscribers 1.2% - 4.2% - Upgrades
Spend after the initial contract term	The higher the spend, the higher the carrying value	30	(30)	1.0 months – 5.5 months
Upgrade propensity	The higher the propensity, the higher the carrying value	10	(10)	16.9% - 24.9%

(1) The sensitivity represents the favourable and unfavourable effect on the income statement of remeasuring the carrying value for a reasonably possible change in the value of the input used. Whilst the nature of inputs is consistent across all MNOs the value applied differs on a MNO by MNO basis. The sensitivity analysis performed has applied a reasonably possible change on an input by input and MNO by MNO basis. The amounts shown above are the cumulative sensitivities for each input across all MNOs.
(2) The reasonably possible range disclosed represent the high and low range of each unobservable input, across all MNOs, over the previous three years. The sensitivities, which fall within this range, have been applied to the unobservable inputs on a MNO by MNO basis on the relevant element of the gross receivable.
(3) The value of commission receivable used for consumer default rate represents the total of in-contract commissions for the relevant MNOs, as the percentage default rate applied is over this total balance.

Changes in range of assumptions
Ranges of assumptions used in the sensitivity analysis above evolve year on year to reflect the latest data provided by the MNOs and actual variances experienced by management. In the current year the range of sensitivities in relation to consumer default rates for new subscribers changed reflecting the increasing average consumer quality connected to the MNOs. Upgrade propensity ranges have widened reflecting an increase to the sensitivity applied to the actual inputs to the model (+/- 5%; 2015/16: +/- 2%), and changes in network upgrade behaviour in the year.

We consider that there are significant interdependencies between movements in the various inputs, in particular experience shows an inverse relationship between upgrade propensity and spend after the initial contract term (a decrease in the period of spend after the initial terms leads to an increase in upgrade propensity), and therefore these sensitivities should not be considered in aggregate. The significant unobservable inputs in determining the amortised cost carrying values used in the table above are the same significant unobservable inputs that would be required if the network commission receivable was measured at fair value on the balance sheet. In addition, the fair value would be impacted by changes in interest rates and counterparty credit risk.

Notes to the Group financial statements

26 Financial risk management and derivative financial instruments continued

Changes in relation to network commission receivable, for consumer connections recognised in previous years, due to changes in assumptions or recognition of previously unrecognised elements of commission resulted in an increase in revenue of £21 million in the current year (2015/16: £32 million). In the current year, this principally relates to changes to upgrade propensity and spend after the initial contract term assumptions offset by changes in anticipated out-of-bundle spend assumptions. In 2015/16, this principally related to settlement of receipts due from MNOs for consumers connected in previous periods and spend after the initial contract term assumptions offset by changes in anticipated out-of-bundle spend assumptions. If these amounts relating to consumer connections originating in previous years were not recognised in the current year, certain amounts would have been expected to be recognised in future periods, which would increase future revenues by £26 million (2015/16: £13 million increase), and decrease current year revenue by £11 million (2015/16: £7 million decrease).

Payment terms with the MNOs are based on a mix of cash received upon connection and future payments as the MNO receives monthly instalments from end consumers over the life of the consumer contract. The gross commission receivable in any month is settled for certain MNOs net of 1/24th of the amount received on connection. Initial commission received not yet subject to net settlement is subject to clawback should the consumer default on its contract with the MNO. The total gross network commission receivable at 29 April 2017 is £1,581 million (30 April 2016: £1,391 million) which is offset by commission received of £567 million (30 April 2016: £487 million), resulting in a net network commission receivable of £1,014 million (30 April 2016: £904 million).

Cash flows in association with the network receivable are received over a period of 1–5 years. The expected timing of net cash flow settlement of commission is as follows:

	29 April 2017 £million	30 April 2016 £million
Net network commission receivable in less than 1 year	**526**	621
Net network commission receivable in more than 1 year	**488**	283
Net network commission receivable presented in the balance sheet	**1,014**	904

27 Notes to the cash flow statement

a) Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 29 April 2017 £million	Year ended 30 April 2016 £million
Profit before interest and tax – continuing operations	**418**	304
Profit before interest and tax – discontinued operations	**—**	(4)
Depreciation and amortisation	**186**	177
Investment income	**(8)**	—
Share-based payment charge	**17**	10
Share of results of joint ventures	**17**	4
Impairments and other non-cash items	**3**	4
Operating cash flows before movements in working capital	**633**	495
Movements in working capital:		
Increase in inventory	**(112)**	(16)
Increase in receivables	**(130)**	(245)
Increase in payables	**110**	170
(Decrease) / increase in provisions	**(22)**	83
	(154)	(8)
Cash generated from operations	**479**	487

In the current year, the presentation of the above reconciliation and statement of cash flows include both continuing and discontinued operations. Comparative amounts have been presented accordingly.

27 Notes to the cash flow statement continued

b) Analysis of net debt

	1 May 2016 £million	Cash flow £million	Other non-cash movements £million	Currency translation £million	29 April 2017 £million
Cash and cash equivalents	233	**(39)**	**–**	**15**	**209**
	233	**(39)**	**–**	**15**	**209**
Borrowings due within one year	–	**(10)**	**–**	**–**	**(10)**
Borrowings due after more than one year	(409)	**28**	**–**	**–**	**(381)**
Obligations under finance leases	(91)	**8**	**(6)**	**–**	**(89)**
	(500)	**26**	**(6)**	**–**	**(480)**
Net (debt) / funds	(267)	**(13)**	**(6)**	**15**	**(271)**

	3 May 2015 £million	Cash flow £million	Other non-cash movements £million	Currency translation £million	30 April 2016 £million
Cash and cash equivalents	163	53	–	17	233
Borrowings due within one year	(55)	55	–	–	–
Borrowings due after more than one year	(330)	(80)	–	1	(409)
Obligations under finance leases	(91)	6	(6)	–	(91)
	(476)	(19)	(6)	1	(500)
Net funds / (debt)	(313)	34	(6)	18	(267)

c) Reconciliation of cash inflow from operations to free cash flow

	Year ended 29 April 2017 £million	Year ended 30 April 2016 £million
Cash inflow from operations	**479**	487
Operating cash flows from discontinued operations[1]	**1**	(2)
Taxation	**(72)**	(56)
Interest, facility arrangement fees, dividends from investments and repayment of finance leases	**(15)**	(31)
Capital expenditure	**(242)**	(221)
Proceeds from disposal of fixed assets	**9**	24
Other movements	**–**	1
Free cash flow	**160**	202

(1) Operating cash flows from discontinued operations are removed in the above reconciliation as free cash flow is presented on a continuing basis.

28 Related party transactions

Transactions between the Group's subsidiary undertakings, which are related parties, have been eliminated on consolidation and accordingly are not disclosed. See note 5 (a) for details of related party transactions with key management personnel.

The Group had the following transactions and balances with its associates and joint venture:

	29 April 2017 £million	30 April 2016 £million
Revenue from sale of goods and services	**11**	24
Amounts owed to the Group	**6**	2

All transactions entered into with related parties were completed on an arm's length basis.

Notes to the Group financial statements

29 Capital commitments

	29 April 2017 £million	30 April 2016 £million
Intangible assets	**18**	18
Property, plant & equipment	**23**	21
Contracted for but not provided for in the accounts	**41**	39

30 Operating lease arrangements

a) The Group as a lessee

Total undiscounted future committed payments due for continuing operations are as follows:

	29 April 2017		30 April 2016	
	Land and buildings £million	Other assets £million	Land and buildings £million	Other assets £million
Total undiscounted future committed payments due:				
Within one year	**343**	**14**	350	7
Between two and five years	**1,032**	**24**	1,126	10
After five years	**644**	**–**	785	–
	2,019	**38**	2,261	17

Operating lease commitments represent rentals payable for retail, distribution and office properties, as well as vehicles, equipment and office equipment. Contingent rentals are payable on certain retail store leases based on store revenues and figures shown include only the minimum rental component.

The above figures include committed payments under onerous lease contracts for which provisions or accruals exist on the balance sheet, including those for businesses exited.

The future minimum sub-lease payments expected to be received under non-cancellable sub-leases is £17 million (2016: £21 million).

b) The Group as a lessor

The Group has investment properties which are let to third parties on long term leases for which the minimum future income is as follows:

	29 April 2017 £million	30 April 2016 £million
Total undiscounted future minimum lease income receivable:		
Within one year	**1**	1
Between two to five years	**5**	5
After five years	**4**	5
	10	11

31 Contingent liabilities

In recent years the Group has entered into agreements to dispose of certain operations. As part of these disposal agreements, the Group has provided the acquirer with general and tax related warranties. At the date of signing these financial statements, some of these warranties remain open and it is possible that claims could arise under these warranties.

The Group is subject to periodic tax audits and investigations by various tax authorities covering corporate, employee and sales taxes across various jurisdictions in which the Group operates. Applicable tax laws and regulations are subject to differing interpretations and the resolution of a final tax position, through negotiation or litigation, can take several years to complete. Where it is considered that future tax liabilities are more likely than not to arise, an appropriate provision is recorded in the financial statements.

Due to the nature of these contingent liabilities, it is not practicable to estimate their timing or possible financial impact.

32 Restatement of comparative information

During the year, the iD mobile operations in the Republic of Ireland and the Sprint Joint Venture in the United States have been classified as 'businesses to be exited' as set out in note 4, and therefore classified in non-headline results. In accordance with the accounting policy as described in note 1, comparative information for the financial year ended 30 April 2016 has been restated accordingly. The impact of the restatement has been set out below:

Consolidated income statement

The results of both operations have been reclassified from headline to non-headline results. There has been no impact on the total reported performance measures. The impact of the restatement has been set out below:

	Headline results				Non-headline results				Total
	2015/16 as previously reported £million	iD mobile Ireland £million	Sprint joint venture £million	2015/16 restated £million	2015/16 as previously reported £million	iD mobile Ireland £million	Sprint joint venture £million	2015/16 restated £million	2015/16 as previously reported and restated £million
Continuing operations									
Revenue	9,738	*(2)*	–	**9,736**	–	*2*	–	2	9,738
Cost of sales *	(7,553)	*5*	–	**(7,548)**	–	*(5)*	–	(5)	(7,553)
Gross profit *	2,185	*3*	–	**2,188**	–	*(3)*	–	(3)	2,185
Operating expenses *	(1,713)	*3*	–	**(1,710)**	(164)	*(3)*	–	(167)	(1,877)
Profit / (loss) from operations before share of results of joint ventures	472	*6*	–	**478**	(164)	*(6)*	–	(170)	308
Share of results of joint ventures	(4)	–	*4*	–	–	–	*(4)*	(4)	(4)
Profit / (loss) before interest and tax	468	*6*	*4*	**478**	(164)	*(6)*	*(4)*	(174)	304
Net finance costs	(21)	–	–	**(21)**	(20)	–	–	(20)	(41)
Profit / (loss) before tax	447	*6*	*4*	**457**	(184)	*(6)*	*(4)*	(194)	263
Income tax (expense) / credit	(110)	–	–	**(110)**	26	–	–	26	(84)
Profit / (loss) after tax – continuing operations	337	*6*	*4*	**347**	(158)	*(6)*	*(4)*	(168)	179
Loss after tax – discontinued operations	–	–	–	–	(18)	–	–	(18)	(18)
Profit / (loss) after tax for the period	337	*6*	*4*	**347**	(176)	*(6)*	*(4)*	(186)	161
Earnings per share (pence)									
Basic – continuing operations	29.3p	*0.5p*	*0.4p*	**30.2p**					15.6p
Diluted – continuing operations	28.4p	*0.5p*	*0.3p*	**29.2p**					15.1p
Basic – total									14.0p
Diluted – total									13.6p

* - Cost of sales, gross profit and operating expenses measures are disclosed in note 3.

Segmental information

The comparative segmental information provided in note 3 has been adjusted to reflect the above reclassifications. The iD mobile operations were previously included in the UK & Ireland operating segment and have decreased the headline external revenue of the UK & Ireland operating segment for 2015/16 by £2 million, from £6,404 million to £6,402 million. The headline EBIT of the UK & Ireland segment for 2015/16 has increased by £6 million from £365 million to £371 million. The Sprint joint venture operations were previously included in the Connected World Services operating segment, and the restatement has increased the headline EBIT of the Connected World Services operating segment by £4 million, from £7 million to £11 million.

Notes to the Group financial statements

32 Restatement of comparative information continued

The sales from the iD Mobile operations in Republic of Ireland relate to sales of services, therefore the headline revenue from services disclosed in note 3 has decreased from £2,720 million to £2,718 million in 2015/16.

Other disclosures
In accordance with the policy as set out in note 1, there have been no restatements made to the consolidated balance sheet, consolidated statement of other comprehensive income, consolidated statement of changes in equity or consolidated cash flow statement, as these statements do not separately distinguish headline and non-headline measures.

33 Events after the balance sheet date

In June 2017, in light of the changing US mobile market landscape and Sprint's review of its own distribution strategy, the companies reached mutual agreement that Sprint will acquire the 50% remaining share of the joint venture currently held by the Group. In addition, ongoing agreements relating to consultancy and intellectual property will be settled. The total value of consideration received by the Group on 9 June 2017 was $30 million. The results of the joint venture have been presented as a 'business to be exited' as outlined in note 4, and comparatives have been restated as outlined in note 32.

Company balance sheet

	Notes	29 April 2017 £million	30 April 2016 £million
Fixed assets			
Investments in subsidiaries	C4	**2,678**	2,678
Current assets			
Cash and cash equivalents		**223**	32
Debtors: due within one year	C5	**2,194**	1,884
Derivative assets		**30**	57
		2,447	1,973
Creditors: amounts falling due within one year	C6	**(1,750)**	(1,141)
Derivative liabilities		**(32)**	(57)
Net current assets		**665**	775
Total assets less current liabilities		**3,343**	3,453
Provisions	C7	**(12)**	(1)
Loans payable	C8	**(381)**	(409)
Net assets		**2,950**	3,043
Capital and reserves			
Called-up share capital	C9	**1**	1
Share premium reserve	C9	**2,260**	2,256
Profit and loss account		**689**	786
		2,950	3,043

The Company's profit for the year was £18 million (2015/16: £75 million).

The financial statements of the Company (registered number 07105905) were approved by the Board on 27 June 2017 and signed on its behalf by:

Sebastian James,
Group Chief Executive

Humphrey Singer,
Group Finance Director

Company statement of changes in equity

	Called-up share capital £million	Share premium reserve £million	Profit and loss account £million	Total equity £million
At 2 May 2015	1	2,256	818	3,075
Profit for the year	–	–	75	75
Other comprehensive income and expense recognised directly in equity	–	–	(1)	(1)
Total comprehensive income and expense for the year	–	–	74	74
Equity dividends	–	–	(106)	(106)
At 30 April 2016	1	2,256	786	3,043
Profit for the year	–	–	18	18
Total comprehensive income and expense for the year	**–**	**–**	**18**	**18**
Issue of own shares	**–**	**4**	**–**	**4**
Equity dividends	**–**	**–**	**(115)**	**(115)**
At 29 April 2017	**1**	**2,260**	**689**	**2,950**

Financial statements

Notes to the Company financial statements

C1 Accounting policies

Basis of preparation

The Company is incorporated in the United Kingdom. The financial statements have been prepared on a going concern basis (see note 1 to the Group financial statements).

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council, incorporating the Amendments to FRS 101 issued by the Financial Reporting Council in July 2015 and has applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2016.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis except for the re-measurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in note 1 to the Group financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

C2 Profit and loss account

In accordance with the exemption permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented separately. The profit recognised for the year ended 29 April 2017 was £18 million (2015/16: £75 million). Information regarding the audit fees for the Group is provided in note 3 to the Group financial statements.

C3 Equity dividends

Details of amounts recognised as distributions to shareholders in the period and those proposed are detailed in note 23 of the Group financial statements.

C4 Fixed asset investments

	29 April 2017 £million	30 April 2016 £million
Opening balance	**2,678**	2,678
Closing balance	**2,678**	2,678
Cost	**2,776**	2,776
Accumulated impairments	**(98)**	(98)
Net carrying amount	**2,678**	2,678

Fixed asset investments comprise investments in subsidiary undertakings and other minority investments. Details of the Company's investments in subsidiary undertakings are provided in note C10.

C5 Debtors: amounts falling due within one year

	29 April 2017 £million	30 April 2016 £million
Amounts owed by Group undertakings	**2,183**	1,869
Deferred tax asset	**1**	2
Prepayments	**7**	5
Other debtors	**3**	8
	2,194	1,884

Amounts owed by Group undertakings are repayable within 12 months of the balance sheet date.

Financial statements

Notes to the Company financial statements

C6 Creditors: Amounts falling due within one year

	29 April 2017 £million	30 April 2016 £million
Amounts owed to Group undertakings	**1,676**	1,045
Other creditors	**1**	1
Overdrafts	**72**	84
Corporation tax	**—**	5
Accruals and deferred income	**1**	6
	1,750	1,141

C7 Provisions

	29 April 2017 £million	30 April 2016 £million
Opening balance	**1**	2
Additions	**11**	—
Utilised	**—**	(1)
Closing balance	**12**	1

The provisions recorded in the current year primarily relate to the share plan taxable benefit compensation as discussed in note 4 to the Group financial statements.

C8 Loans payable

Details of loans payable are provided in note 18 to the Group financial statements.

C9 Called-up share capital and share premium

Details of movements in called up share-capital and share premium are disclosed in note 22 to the Group financial statements.

C10 Subsidiary undertakings

a) Principal subsidiaries as at 29 April 2017

The Company has investments in the following principal subsidiary undertakings. All holdings are in equity share capital and give the Group an effective holding of 100% on consolidation.

Name	Registered office address	Country of incorporation or registration	Share class(es) held	% held	Business activity
Carphone Warehouse Europe Limited	1 Portal Way, London, W3 6RS	United Kingdom	A & B Ordinary	100	Holding company
Dixons Retail Group Limited[1]	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary Deferred	100 100*	Holding company
Dixons South East Europe A.E.V.E.	14th km Athens - Lamia, National Road & 2 Spilias Street, 14452 Metamorfosi Attiki, Athens	Greece	Ordinary	100	Retail
DSG International Holdings Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100	Holding company
DSG Retail Ireland Limited	40 Upper Mount Street, Dublin 2, D02 PR89	Ireland	Ordinary	100	Retail
DSG Retail Limited	1 Portal Way, London, W3 6RS	United Kingdom	Irredeemable Cumulative Preference and Ordinary	100	Retail
Elgiganten Aktiebolag	Box 1264, 164, 29 Kista, Stockholm	Sweden	Ordinary	100	Retail
ElGiganten A/S	Arne Jacobsens Allé 16, 2.sal København S, 2300 Copenhagen	Denmark	Ordinary	100	Retail
Elkjøp Nordic AS	Solheimsveien, 6-8, 1473, Lørenskog	Norway	Ordinary	100	Retail
Elkjøp Norge AS	Solheimsveien, 6-8, 1473, Lørenskog	Norway	Ordinary	100	Retail
Gigantti Oy	Sahkotie 3, 01510, Vantaa	Finland	Ordinary	100	Retail
Honeybee Digital Solutions Limited[2]	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100	IT
Dixons Carphone Holdings Limited[3]	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary Deferred A Ordinary B Ordinary	100* 100* 37.1** 3.5**	Holding company
New Technology Insurance	3rd Floor, Fleming Court, Fleming's Place, Dublin 4, D04 N4X9	Ireland	Ordinary	100	Insurance
The Carphone Warehouse Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100	Retail
The Carphone Warehouse Limited	40 Upper Mount Street, Dublin 2, D02 PR89	Ireland	Ordinary	100	Retail
The Phone House Spain S.L.U.	Via de Las Dos Castillas, No. 33 Complejo Atica-Edificio I, Pozuelo de Alarcón, Madrid 28224	Spain	A & B Shares	100	Retail

* Interest held directly by Dixons Carphone plc.
** This is the only interest of Dixons Carphone plc, directly or indirectly, in this class of shares.

1 Dixons Retail Group Limited was a public limited company called Dixons Retail plc until 8 June 2016.
2 Honeybee Digital Solutions Limited was called ISE-Net Solutions Limited until 14 March 2017.
3 Dixons Carphone Holdings Limited was called New CPW Limited until 9 November 2016.

Notes to the Company financial statements

C10 Subsidiary undertakings continued

b) Other subsidiary undertakings

The following are the other subsidiary undertakings of the Group, all of which are wholly owned unless otherwise indicated. *All these companies are either holding companies or provide general support to the principal subsidiaries listed on the previous page.*

Name	Registered office address	Country of incorporation or registration	Share class(es) held	% held
Carphone Warehouse Ireland Mobile Limited	40 Upper Mount Street, Dublin 2, D02 PR89	Ireland	Ordinary	100
Charterhouse Management Limited	6th Floor, Victory House, Prospect Hill, Douglas, IM1 1EQ	Isle of Man	Ordinary	100
Codic GmbH (in liquidation)	Eschenheimer Anlage 1, 60316, Frankfurt	Germany	Ordinary	100
Connected World Services Distributions Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
Connected World Services Europe S.L.	Vía de Las Dos Castillas, No. 33 Complejo Atica-Edificio I, Pozuelo de Alarcón, Madrid 28224	Spain	Ordinary	100
Connected World Services LLC	2711 Centerville Road, Suite 400 Wilmington DE 19808	United States	Ordinary	100
Connected World Services Netherlands BV	Watermanweg 96, 3067 GG, Rotterdam	Netherlands	Ordinary	100
Connected World Services SAS	26 rue de Cambacérès, 75008 Paris	France	Ordinary	100
CPW Acton Five Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
CPW Acton One Limited	6th Floor, Victory House, Prospect Hill, Douglas, IM1 1EQ	Isle of Man	Ordinary	100*
CPW Brands 2 Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100*
CPW Consultancy Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100*
CPW CP Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
CPW Distribution Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
CPW GC Holdings BV	Postbus 2645, 3800 GD, Amersfoort	Netherlands	Ordinary	100*
CPW Irlam Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100*
CPW Tulketh Mill Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100*
Currys Group Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
CWIAB Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DISL 2 Limited	6th Floor, Victory House, Prospect Hill, Douglas, IM1 1EQ	Isle of Man	Ordinary	100
DISL Limited	6th Floor, Victory House, Prospect Hill, Douglas, IM1 1EQ	Isle of Man	A, B, C & D Preference and Ordinary B	100
Dixons Carphone CoE s.r.o.[4]	Trnita, 491/5, 602 00 Brno	Czech Republic	Business Shares	100
Dixons Group Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100

* Interest held directly by Dixons Carphone plc.

4 Dixons Carphone CoE s.r.o. was called Dixons Retail SSC s.r.o. until 19 July 2016.

C10 Subsidiary undertakings continued

b) Other subsidiary undertakings

Name	Registered office address	Country of incorporation or registration	Share class(es) held	% held
Dixons Sourcing Limited	31/F, AXA Tower Landmark East, 100 How Ming Street, Kwun Tong Kowloon	Hong Kong	Ordinary	100
Dixons Stores Group Retail Norway AS	Solheimsveien, 6-8, 1473, Lørenskog	Norway	Ordinary	100
Dixons Travel srl (in liquidation)	Foro Buonaparte 70, 20121, Milan	Italy	Ordinary	100
DSG Boxmoor Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG Card Handling Services Limited	1 Portal Way, London, W3 6RS	United Kingdom	Cumulative C & D Preference and Ordinary	100
DSG Corporate Services Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG European Investments Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG Hong Kong Sourcing Limited	31/F, AXA Tower Landmark East, 100 How Ming Street, Kwun Tong Kowloon	Hong Kong	Ordinary	100
DSG International Belgium BVBA (in liquidation)	Havenlaan 86C, Bus 204, B-1000 Brussels	Belgium	Ordinary	100
DSG International Retail Properties Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG International Treasury Management Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG Ireland Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG KHI Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG Overseas Investments Limited	1 Portal Way, London, W3 6RS	United Kingdom	Preference, B Preference and Ordinary	100
DSG Retail Ireland Pension Trust Limited	40 Upper Mount Street, Dublin 2, D02 PR89	Ireland	Ordinary	100
El-Giganten Logistik AB	Mobelvagen 51, 556 52 Jönköping	Sweden	Ordinary	100
Elkjøp Kleiverenga AS	Solheimsveien, 6-8, 1473, Lørenskog	Norway	Ordinary	100
Epoq Holding AB	Esbogatan 12, 164 74 Kista	Sweden	Ordinary	100
Epoq Logistic DC k.s.	Evropská 868, 664 42 Modřice	Czech Republic	Ordinary	100
ID Mobile Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
InfoCare CS AB	Arabygatan 9, 35246 Växjö, Kronobergs län	Sweden	Ordinary	100
InfoCare Workshop AS	Industrivegen, 53, 2212, Kongsvinger	Norway	Ordinary	100
InfoCare Workshop Holding AS	Industrivegen, 65, 2212, Kongsvinger	Norway	Ordinary	100
InfoCare Workshop Oy	Silvastintie 1, 01510, Vantaa	Finland	Ordinary	100

Notes to the Company financial statements

C10 Subsidiary undertakings continued

b) Other subsidiary undertakings

Name	Registered office address	Country of incorporation or registration	Share class(es) held	% held
Kereru Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
Lefdal Elektromarked AS	Solheimsveien, 6-8, 1471, Lørenskog	Norway	Ordinary	100
Leverstock Investments Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
Mastercare Service and Distribution Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
Mohua Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
MTIS Limited	3rd Floor, Fleming Court, Fleming's Place, Dublin 4, D04 N4X9	Ireland	Ordinary	100
NSS Financials A/S	Hørkær 12 A, 2730 Herlev	Denmark	Ordinary	100
OSAA – Sociedade Gestora De Participações Sociais, Lda	R. Latino Coelho nº13, 1050-132 Lisbon	Portugal	Ordinary	100
Osfone Comercio de Aparelhos de Telecomunicações, Lda	R. Latino Coelho nº13, 1050-132 Lisbon	Portugal	Ordinary	100
Osfone Negócios – Comercio de Aparelhos de Telecomunicações, Lda	R. Latino Coelho nº13, 1050-132 Lisbon	Portugal	Ordinary	100
PC City (France) SNC	52 rue de la Victoire 75009 Paris	France	Partnership	100
PC City Norge AS	Solheimsveien, 6-8, 1471, Lørenskog	Norway	Ordinary	100
Pelham Limited	6th Floor, Victory House, Prospect Hill, Douglas, IM1 1EQ	Isle of Man	Ordinary	100
Petrus Insurance Company Limited	2 Irish Town	Gibraltar	Ordinary	100
Simplify Digital Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
Simplify Digital Systems Limited	1 Portal Way, London, W3 6RS	United Kingdom	A Ordinary	100
Smarthouse Spain, S.A.[5]	Vía de las Dos Castillas, No. 33 Complejo Atica-Edificio I, Pozuelo de Alarcón, Madrid 28224	Spain	Ordinary	100
TalkM Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
The Carphone Warehouse (Digital) Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100*
The Carphone Warehouse Resources Limited	6th Floor, Victory House, Prospect Hill, Douglas, IM1 1EQ	Isle of Man	Ordinary	100*
The Carphone Warehouse UK Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
The Phone House Holdings (UK) Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100

* Interest held directly by Dixons Carphone plc.

5 Smarthouse Spain, S.A. was called PC City Spain S.A. until 14 July 2016.

c) Other significant shareholdings

The following are the other significant shareholdings of the Company, all of which are held indirectly.

Name	Registered office address	Country of incorporation or registration	% held	Business activity
Elkjøp Fjordane AS	Fugleskjærgata 10, 6900 Florø, 1401 Flora	Norway	30	Retail
F Group A/S (in liquidation)	Lyskaer 1, 2730 Herlev	Denmark	40	Retail
Sprint Connect LLC	2711 Centerville Road, Suite 400 Wilmington DE 19808	United States	50	Retail

C10 Subsidiary undertakings continued

d) Subsidiary undertakings exempt from audit

The following subsidiaries, all of which are incorporated in England and Wales and are all included in section b), are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of that Act:

Name	Company registration number
CPW Acton Five Limited	05738735
CPW Brands 2 Limited	07135355
CPW Consultancy Limited	07881879
CPW CP Limited	06585457
CPW Irlam Limited	05825842
CPW Tulketh Mill Limited	06585719
CWIAB Limited	02441554
DSG Boxmoor Limited	05430014
DSG Card Handling Services Limited	04185110
DSG European Investments Limited	03891149
DSG International Holdings Limited	03887870
DSG International Retail Properties Limited	00476440
DSG International Treasury Management Limited	02792167
DSG Ireland Limited	00240621
DSG KHI Limited	09012752
DSG Overseas Investments Limited	02734677
The Carphone Warehouse (Digital) Limited	03966947
The Carphone Warehouse UK Limited	03827277
The Phone House Holdings (UK) Limited	03663563

Five year record (unaudited)

Income statement – Headline and Pro forma

	2016/17 £million	2015/16[3] £million	2014/15 £million	2013/14 £million	2012/13 £million
Headline[1]					
Revenue	**10,580**	9,736	8,255	1,943	11
Profit after tax – wholly owned operations	**389**	347	285	100	4
Share of results of joint ventures and associates (after tax)	**–**	–	–	3	48
Net profit after tax	**389**	347	285	103	52
Earnings per share					
- Basic	**33.8p**	30.2p	29.7p	18.6p	10.9p
- Diluted	**33.7p**	29.2p	28.7p	18.3p	10.8p
Pro forma headline results[2]					
Revenue	**10,580**	9,736	9,750	9,752	9,517
EBIT	**517**	478	413	359	310
Interest	**(16)**	(21)	(32)	(43)	(33)
Profit before taxation	**501**	457	381	316	277

(1) Headline results – continuing operations reflect the statutory results of the Group excluding items classified as non-headline.
(2) Pro forma results are presented as though the Dixons Retail Merger and the CPW Europe Acquisition had occurred at the beginning of the five-year period. This financial information has been prepared by aggregating the five year records presented by Carphone Warehouse in its 2013/14 annual report and accounts on page 97 and by Dixons Retail in its 2013/14 annual report and accounts on page 127, and adjusting for discontinued operations.
(3) Headline results for 2015/16 have been restated to reflect the current year classification of the iD mobile operations in the Republic of Ireland and the Sprint joint venture as businesses to be exited in the comparative period, and therefore classified as non-headline. For further details see note 4 to the financial statements. Results for 2014/15 and earlier periods have not been restated as the impact would not be material.

Shareholder and corporate information

Dixons Carphone plc is listed on the main market of the London Stock Exchange (stock symbol: DC) and is a constituent of the FTSE 250.

Registrars

Equiniti
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BN99 6DA
United Kingdom

0371 384 2089 (UK only)
+44 (0)121 415 7047 (from outside the UK)

Lines are open 8.30am to 5.30pm Monday to Friday (UK time), excluding public holidays in England and Wales.

You can manage your shareholdings via an electronic communications service called Shareview at www.shareview.co.uk. To register, you will need your shareholder reference number, which can be found on your share certificate, dividend tax voucher or proxy card. Registration and use of the service is free.

Financial calendar

Ex-dividend date (final dividend 2016/17)	24 Aug 2017
Record date (final dividend 2016/17)	25 Aug 2017
Annual General Meeting	07 Sep 2017
Intended dividend payment date (final dividend 2016/17)	22 Sep 2017

American Depositary Receipts ('ADRs')

Dixons Carphone plc has established a sponsored Level 1 ADR program and has appointed Deutsche Bank Trust Company Americas ('Deutsche Bank') as the depositary bank. The ADRs trade on the US over-the-counter ('OTC') market under the symbol DXCPY (they are not listed on a US stock exchange). Each ADR represents two ordinary shares in Dixons Carphone plc.

Contact details for ADR investors and brokers

Deutsche Bank ADR broker services desks
New York: +1 212 250 9100
London: +44 (0)207 547 6500 (from outside the UK)

Contact details for registered ADR holders

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American Stock Transfer & Trust Company
Operations Center
6201 15th Avenue
Brooklyn, NY 11219
United States

Email: DB@amstock.com
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Registered office / Head office

1 Portal Way
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Company registration number

07105905

Company Secretary

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Glossary and definitions

Alternative performance measures ('APMs')

In the reporting of financial information, the Group uses certain measures that are not required under IFRS. We consider that these additional measures (commonly referred to as 'alternative performance measures') provide additional information on the performance of the business and trends to shareholders. These measures are consistent with those used internally, and are considered critical to understanding the financial performance and financial health of the Group. APMs are also used to enhance the comparability of information between reporting periods, by adjusting for non-recurring or items considered to be distortive on trading performance which may affect IFRS measures, to aid the user in understanding the Group's performance. These alternative performance measures may not be directly comparable with other similarly titled measures or 'adjusted' revenue or profit measures used by other companies, and are not intended to be a substitute for, or superior to, IFRS measures.

Headline and non-headline measures
The Group's income statement and segmental analysis identify separately headline performance and non-headline items. Headline performance measures reflect adjustments to total performance measures. The directors consider 'headline' performance measures to be an informative additional measure of the ongoing trading performance of the Group. Headline results are stated before non-headline items.

Non-headline items consist of the results of discontinued operations or exited / to be exited businesses, amortisation of acquisition intangibles, acquisition-related costs, any exceptional items considered sufficiently material that they distort underlying performance (such as re-organisation costs, impairment charges, property rationalisation costs and other non-recurring charges), income from previously disposed operations and net pension interest costs.

Items excluded from headline results can evolve from one financial year to the next depending on the nature of exceptional items or one-off type activities. Where appropriate, for example where a business is classified as exited / to be exited, comparative information is restated accordingly.

Local currency
Some comparative performance measures are translated at constant exchange rates, called 'local currency' measures. This restates the prior period results at a common exchange rate to the current year in order to provide appropriate year-on-year movement measures without the impact of foreign exchange movements.

In response to the Guidelines on Alternative Performance Measures issues by the European Securities and Markets Authority ('ESMA'), we have provided additional information on the APMs used by the Group below.

Alternative performance measure	Closest equivalent GAAP measure	Reconciliation to IFRS measure	Definition and purpose
Revenue measures			
Headline / non-headline Revenue	Revenue	See note 2 and 4, and note 32 for details of restated amounts for 2015/16.	Headline revenues represent the ongoing revenues of the Group, and are adjusted to remove non-headline revenue items. In the current and restated comparative periods, this relates to the iD mobile operations in Republic of Ireland, which is classified as a 'business to be exited' and therefore presented in non-headline results.
Like-for-like (LFL) % change	No direct equivalent	Not applicable	Like-for-like revenue is calculated based on headline store and internet revenue using constant exchange rates. New stores are included where they have been open for a full financial year both at the beginning and end of the financial period. Revenue from franchise stores are excluded and closed stores are excluded for any period of closure during either period. Customer support agreement, insurance and wholesale revenues along with revenue from Connected World Services and other non-retail businesses are excluded from like-for-like calculations. We consider that LFL revenue represents a useful measure of the trading performance of our underlying and ongoing store and online portfolio.

Alternative performance measure	Closest equivalent GAAP measure	Reconciliation to IFRS measure	Definition and purpose
Local currency % change	Revenue compared to prior period consolidated at a constant exchange rate.	Not applicable	Reflects total revenues on a constant currency and period basis. Provides a measure of performance excluding the impact of foreign exchange rate movements.
Profit measures			
Headline / non-headline profit / (loss) before tax, EBIT and profit / (loss) after tax	Profit / (loss) before interest and tax, profit / (loss) after interest and tax.	See note 2 and 4, and note 32 for details of restated amounts for 2015/16.	As discussed above, the Group uses headline profit measures in order to provide a useful measure of the ongoing performance of the Group. These are adjusted from total measures to remove 'non-headline' items, the nature of which are disclosed above.
EBIT	Profit / (loss) before interest and tax	No reconciling items	Earnings before interest and tax (EBIT) is directly comparable to profit / (loss) before tax. The terminology used is consistent with that used historically and in external communications.
Other earnings measures			
Headline / non-headline net finance costs	Net finance costs	See note 4	Headline net finance costs are adjusted from total finance costs to remove non-headline finance cost items. Non-headline finance costs includes the finance charge of businesses to be exited, net pension interest costs, finance income from previously disposed operations not classified as discontinued, and other exceptional items considered so one-off and material that they distort underlying finance costs of the Group. Under IAS 19 'Employee Benefits', the net interest charge on defined benefit pension schemes is calculated based on corporate bond yield rates at a specific date, which, as can vary over time, creates volatility in the income statement and is unrepresentative of the actual investment gains or losses made on the liabilities. Therefore this item has been removed from our headline earnings measure in order to remove this non-cash volatility.
Headline / non-headline income tax expense / (credit)	Income tax expense / (credit)	See note 4	Headline income tax expense / (credit) represents the income tax on headline earnings. Non-headline income tax expense / (credit) represents the tax on items classified as 'non-headline', either in the current year, or the current year effect of prior year tax adjustments on items previously classified as non-headline. We consider the headline income tax measures represent a useful measure of the ongoing tax charge / credit of the Group.
Headline / Total effective tax rate	No direct equivalent		The effective tax rate measures provide a useful indication of the tax rate of the Group. Headline effective tax is the rate of tax recognised on headline earnings, and total effective tax is the rate of tax recognised on total earnings.
Earnings per share measures			
Headline basic EPS – continuing operations, headline diluted EPS – continuing operations, headline basic EPS – total, headline diluted EPS - total	Statutory EPS figures	See note 8	EPS measures are presented to reflect the impact of non-headline items in order to show a headline EPS figure, which reflects the headline earnings per share of the Group. We consider the headline EPS provides a useful measure of the ongoing earnings of the underlying Group.

Glossary and definitions

Alternative performance measure	Closest equivalent GAAP measure	Reconciliation to IFRS measure	Definition and purpose
Cash flow measures			
Free cash flow	Cash generated from operations	See note 27	Free cash flow comprises cash generated from / (utilised by) continuing operations before special pension contributions, less net finance expense, less income tax paid and net capital expenditure. The directors consider that 'free cash flow' provides additional useful information to shareholders in respect of cash generation and is consistent with how business performance is measured internally.
Net debt	Cash and cash equivalents less loans and other borrowings and finance lease obligations.	See note 27	Comprises cash and cash equivalents and short term deposits, less borrowings and finance lease creditors. We consider that this provides a useful measure of the indebtedness of the Group.
Other measures			
Return on Capital Employed (ROCE)	No direct equivalent	Not applicable	Calculated on a pre-tax and lease adjusted basis. The return is based on headline EBIT, adjusted to add back the interest component associated with capitalising operating lease costs. Capital employed is based on net assets including capitalised leases, but excluding goodwill, cash, tax and the defined benefit pension obligations. The calculation is performed on a moving annual total in order to best match the return on assets in a year with the assets in use during the year to generate the return. We consider this a useful measure to understand how the Group has used the capital employed during the period.

Pro forma results

In previous periods (up to the annual report and accounts 2015/16), the Group presented 'pro forma' comparative financial information in order to reflect results of both Carphone Warehouse and Dixons Retail throughout the comparative periods as if the Merger on 6 August 2014 had occurred at the start of the 2013/14 financial year. In the current year, pro forma information is not presented as does not affect the comparative periods for the current year, other than in the five year summary. For information on the pro forma financial information and reconciliations please refer to the annual report and accounts 2015/16.

Other definitions

The following definitions apply throughout this Annual Report and Accounts unless the context otherwise requires:

Acquisition intangibles	Acquired intangible assets such as customer bases, brands and other intangible assets acquired through a business combination capitalised separately from goodwill. Where businesses have grown organically rather than through acquisition, there is no amortisation of acquired intangibles and therefore the non-cash amortisation charge is removed from our headline earnings measures in order to increase comparability between segments.
ADRs	American Depositary Receipts
ARPU	Average monthly revenue per user
B2B	Business to business
Best Buy	Best Buy Co., Inc. (incorporated in the United States) and its subsidiaries and interests in joint ventures and associates
Best Buy Europe	Best Buy Europe Distributions Limited and its subsidiaries and interests in joint ventures and associates (incorporated in England & Wales)
Board	The Board of Directors of the Company
Businesses to be exited	Businesses exited or to be exited are those which the Group has exited or committed to or commenced to exit through disposal or closure but do not meet the definition of discontinued operations as stipulated by IFRS and are material to the results or operations of the Group. Comparative results in the statement of comprehensive income and the notes are restated accordingly for the impact of businesses exited or to be exited.
Carphone, Carphone Warehouse or Carphone Group	The Company or Group prior to the Merger on 6 August 2014
CGU	Cash Generating Unit
Company or the Company	Dixons Carphone plc (incorporated in England and Wales under the Act, with registered number 07105905), whose registered office is at 1 Portal Way, London W3 6RS
CPW	The continuing business of the Carphone Group
CPW Europe	Best Buy Europe's core continuing operations
CPW Europe Acquisition	The Company's acquisition of Best Buy's interest in CPW Europe, which completed on 26 June 2013
CWS	The Connected World Services division of the Company
Dixons or Dixons Retail	Dixons Retail plc and its subsidiary companies
Dixons Carphone or Group	The Company, its subsidiaries, interests in joint ventures and other investments
Dixons Retail Merger or Merger	The all-share merger of Dixons Retail plc and Carphone Warehouse Group plc which occurred on 6 August 2014
EBT	Employee benefit trust
ESOT	Employee share ownership trust
HMRC	Her Majesty's Revenue and Customs
honeybee	honeybee is our proprietary IT software, developed in-house initially to serve our mobile phone consumers. It is a unique omni-channel, multi-industry software that simplifies the delivery and management of complex digital customer journeys.
IFRS	International Financial Reporting Standards as adopted by the European Union

Glossary and definitions

Market position	Ranking against competitors in the electrical and mobile retail market, measured by market share. Market share is measured for each of the Group's markets by comparing data for revenue or volume of units sold relative to similar metrics for competitors in the same market
MNO	Mobile network operator
MVNO	Mobile virtual network operator
New CPW	Dixons Carphone Holdings Limited, previously called New CPW Limited (incorporated in England and Wales)
NPS	Net Promoter Score, a rating used by the Group to measure customers' likelihood to recommend its operations
Old Carphone Warehouse	TalkTalk Telecom Holdings Limited (previously called The Carphone Warehouse Group PLC) (incorporated in England and Wales)
RCF	Revolving credit facility
Sharesave or SAYE	Save as you earn share scheme
SIMO	Sales of SIM-only contracts, without attached handset
Sprint JV	The 50% investment held by the Group in Sprint Connect LLC, a distribution joint venture held with Sprint LLC in the USA.
SWAS	Stores-within-a-store
TalkTalk or TalkTalk Group	TalkTalk Telecom Group PLC and its subsidiaries and other investments
TSR	Total shareholder return
UK GAAP	United Kingdom Accounting Standards and applicable law
Virgin Mobile France	Omer Telecom Limited (incorporated in England and Wales) and its subsidiaries, operating an MVNO in France as a joint venture between the Company, Bluebottle UK Limited and Financom S.A.S.
WAEP	Weighted average exercise price

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