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COMPANY CPW CONSULTANCY LTD
(REG# 7881879)

Annual Report and Accounts

2015/16

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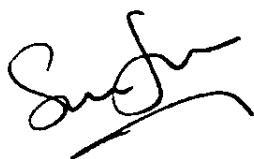
COMPANIES HOUSE

"I am very pleased to be announcing another year of significant earnings growth, with profits before tax up more than 17%. In this momentous year we have largely completed our merger activities, driven customer satisfaction and market share to all-time highs in virtually all of our markets, made our shops more interactive and exciting while becoming ever more competitive with pure-play retailers, launched a new joint venture in the US, launched a new UK mobile network, and embarked on an ambitious property plan in the UK and Ireland. We also had our biggest ever trading day on Black Friday last year.

We are far from done, though. We have very ambitious plans this year which include making every one of the former Dixons stores one of the new 3-in-1 shops, introducing a lively and interactive new e-Commerce platform to Carphone Warehouse, opening Europe's most modern distribution centre in Sweden, introducing same-day delivery, rolling out c 150 new stores in the US with Sprint, delivering our honeyBee platform to major global clients, launching our new home services division with a mandate to become a true emergency service for customers across the UK, and continuing to drive market share, price competitiveness and customer satisfaction everywhere. It is likely to be busy.

I am truly grateful to all of my colleagues – right across the world – for their hard work and dedication. I am also very proud to be able to say that I work alongside such a creative and dedicated group of men and women.

Finally, the nation has spoken and there has been a vote to exit the EU in due course. As you can imagine, we have been giving some thought to this. Our view is that, as the strongest player in our market and despite the volatility that is the inevitable consequence of such change, we expect to find opportunities for additional growth and further consolidate our position as the leader in the UK market."



Sebastian James
Group Chief Executive
28 June 2016

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.

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Highlights of the year

Dixons Carphone plc is Europe's leading specialist electrical and telecommunications retailer and services company, employing over 42,000 people in 11 countries.

- Group like-for-like revenue up 5%
- UK & Ireland like-for-like revenue up 6%
- Nordics like-for-like revenue up 4%
- Group pro forma Headline PBT of £447 million, up over 17%
- Group pro forma Headline EPS of 29.3p
- Free cash flows of £202 million
- Strong balance sheet with year end net debt broadly flat year on year at £267 million
- Final dividend of 6.50p proposed, taking total dividends for the year to 9.75p

Pro forma revenue (£million)

Pro forma Headline EBIT (£million)

Headline basic EPS (pence)

Our European store presence

Store numbers	Own	Franchise	Total
• UK and Ireland	1,271	—	1,271
• Nordics	248	131	379
• Southern Europe	317	276	593
	1,836	407	2,243

Headline and pro forma performance measures are as defined in the Performance review on page 24. Pro forma results are presented as if the CPW Europe Acquisition and the Merger had occurred at the start of the comparative periods.

Business segments

We operate four segments as follows:

	Brands	Websites
UK & Ireland	Currys	currys.co.uk currys.ie
<ul style="list-style-type: none"> Currys and PC World are the largest specialist electrical retailing and services operators in the UK & Ireland 	PC World	pcworld.co.uk pcworld.ie
<ul style="list-style-type: none"> Carphone Warehouse is the largest independent telecommunications retailer in the UK & Ireland 	Carphone Warehouse	carphonewarehouse.com carphonewarehouse.ie
<ul style="list-style-type: none"> Dixons Travel operates in major UK airports and Dublin 	Dixons Travel	dixonstravel.com
<ul style="list-style-type: none"> Knowhow is our market-leading services brand 	Knowhow	knowhow.co.uk
<ul style="list-style-type: none"> Geek Squad is the repairs and support provider for Carphone Warehouse 	Geek Squad	geeksquad.co.uk
<ul style="list-style-type: none"> Simplifydigital is the UK's largest, and fastest growing, multi-channel broadband, phone and TV switching platform 	Simplifydigital	simplifydigital.co.uk
<ul style="list-style-type: none"> PC World Business provides computing products and services to business to business ('B2B') customers 	PC World Business	pcworldbusiness.co.uk
Nordics	Elkjøp	elkjop.no
<ul style="list-style-type: none"> The Elkjøp Group is the leading specialist electrical retailer across the Nordics 	Elgiganten	elgiganten.se elgiganten.dk
<ul style="list-style-type: none"> Elkjøp, Elkjøp Phonehouse and Lefdal stores operate in Norway, Elgiganten and Elgiganten Phone House in Sweden and Denmark and Gigantti in Finland 	Gigantti	gigantti.fi
<ul style="list-style-type: none"> Knowhow has been introduced in the Nordic region 	Lefdal	lefdal.com
<ul style="list-style-type: none"> InfoCare is the largest consumer electrical repair company in the region, operating in Norway, Sweden, Denmark and Finland 	Phone House	phonehouse.se
	InfoCare	infocareworkshop.no
Southern Europe	Kotsovolos	kotsovolos.gr
<ul style="list-style-type: none"> Kotsovolos is Greece's leading specialist electrical retailer 	Phone House	phonehouse.es
<ul style="list-style-type: none"> Phone House is the leading independent telecommunications retailer in Spain 	Geek Squad	geeksquad.es
<ul style="list-style-type: none"> Geek Squad is the repairs and support provider for the Phone House in Spain 		
Connected World Services ('CWS')		connectedworldservices.com
<ul style="list-style-type: none"> 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 three product towers <ul style="list-style-type: none"> Connected Retailing Support and Services honeyBee platform 		

Chairman's Statement

It has been a very good year for Dixons Carphone and I am delighted that we have been able to achieve a strong financial performance at the same time as making excellent operational progress across the Group. The Board is therefore pleased to recommend a final dividend of 6.50p per share to be paid on 23 September 2016.

Over the past year we have largely completed the process of integration and it has been a source of real pleasure for me to see the progress we have made so powerfully validating our reasons for bringing the businesses together. We have increased sales and gained market share in just about every category, business and territory as well as reducing costs as a result of the Merger. I am also particularly proud that our customer satisfaction is at a record high across the board.

Moreover, we have made important strategic decisions since our merger, developing our proposition and discovering new opportunities. Our strategy of creating exciting new 3-in-1 stores with all our brands under one roof is being rolled out at pace across the UK & Ireland and I have been impressed by the positive reaction from both colleagues and customers.

Complementary acquisitions have supported areas where we see a real opportunity to develop the business. Multi-play is a key area of focus and our acquisition of Simplifydigital – the UK's leading broadband, TV and home phone switching business – helps us offer customers a fully-developed multi-play proposition at a time when customers are looking for independent advice across all their technology, connectivity, media content and service needs. Similarly, our acquisition of InfoCare in Norway makes us, at a stroke, the leading repair operation in the Nordics.

Our Connected World Services business looks more and more exciting with a very strong pipeline of global clients who are interested in using the software and intellectual property predominantly built up over 25 years in our mobile business to improve their own. Our Spnnt joint venture has had a very good start and we are now well into the second phase, with three to four new stores opening every week in key US locations.

The telecommunications markets are undergoing a period of immense change and it is exciting to be serving customers in these turbulent times. We have already seen some consolidation in our markets and the press is rife with speculation about the future structure of the UK telco market.

Against this backdrop, and following the result of the referendum on the UK's membership of the EU, I remind the team every day we are successful because we add value both to our customers – by being the one place where people can get choice and impartial advice – and to our network partners, by telling their stories powerfully. While we continue to do these things, I have no doubt that we will continue to win, no matter how our market shifts in the background.

I would like to take this opportunity to express my gratitude to Roger Taylor and John Gildersleeve. Roger and John stepped down from the Board at the end of 2015 having made very significant contributions to the Group over many years and I would like to thank them most sincerely. I am also pleased to welcome two highly experienced and talented new members in Lord Livingston and Tony DeNunzio.

Last, and by no means least, on behalf of the Board and our shareholders, I would like to thank each and every one of my colleagues at Dixons Carphone. It goes without saying that we would not have delivered this extraordinary year without you, and our future is all the brighter for your hard work and dedication.

Sir Charles Dunstone
Chairman
28 June 2016

Group Chief Executive's Statement

As we reach the end of our first full year as a merged company, I am very pleased to be reporting such a strong performance. It has been a very good year for the Group, with many great achievements against a backdrop, not only of industry change, but also the execution of our merger. This year saw us sailing in potentially squally waters but we have, thankfully, successfully navigated them.

Dixons Carphone has had a strong year financially, Group like-for-like revenues were up 5% over the year, with growth in almost every business in the Group leading to a 17% increase in Group Headline pro forma PBT from £381 million to £447 million, towards the higher end of the guidance we gave, resulting in an increase in Headline pro forma basic EPS from 25.5p to 29.3p.

Operationally, we have also made excellent progress, with improvements in customer propositions in all markets as well as a number of systems and infrastructure investments to improve efficiency. Our customers have continued to respond very well to our continued improvements in service, and we end the year with our customer satisfaction and Net Promoter Scores at all-time highs. I am very pleased to see that we have also increased our colleague engagement scores across the Group – not a trivial achievement when so much change is happening across the business.

Our business in the UK & Ireland enjoyed an excellent year, with like-for-like revenues up 6% over the year and Headline pro forma EBIT grew by 20% to £365 million. This sales growth was driven in large part by market share gains in our mobile phone business in the UK coupled with solid growth in electronics. This has been underpinned by solid cost control across the business.

Our integration has now been largely, and successfully, completed with regard to people and physical infrastructure, and we now are a single, fully integrated business with one head office, one repair centre and one warehouse, and an organisational structure that suits the size and scale of the

business across the UK & Ireland. We have plenty of work to do on our systems integration, but we are taking this nice and steady with significant changes to our merchandise planning systems and customer databases planned for this year as part of a programme that we expect to take – all in – four or five years.

We continue to be very focused on price competitiveness and have further improved this so that we are now at parity or better versus our most aggressive pure-play competitors on pretty much all of our products, all of the time. We released a free app 'Compare Prices' that allows customers to check this for themselves, and we encourage our colleagues in store to reassure customers about market prices as part of the sales journey. As a result we believe that we are successfully addressing the phenomenon of 'showrooming' where customers seek our support and advice before buying, more cheaply, elsewhere.

In January, we announced a plan to complete our estate of 3-in-1 stores in the UK – which house a fully-fledged Carphone Warehouse proposition – within all of our CurrysPCWorld stores. We are also taking the opportunity to roll out the best new ideas that we have been developing in our newer stores. Our colleagues really like working in these refurbished stores, and our customers seem to very much enjoy shopping in them. We currently have 233 3-in-1 stores and we are rolling out the remainder at an average rate of three per week so that we can be finished by the time we focus on Christmas. This will mean that customers from Inverness to Penzance will have the same experience of our shops and all of our stores will be up to date, lively and in good condition.

iD mobile operations in the UK & Ireland were launched in May 2015. This was enabled by an innovative IT platform and with a particular focus on personalising plans with flexible tariffs and introducing shared data. iD has been very positively received and I am delighted that active customer numbers have now passed 335,000. iD allows us to find solutions for customers for whom the traditional networks are not quite right and is another invaluable arrow in our quiver when talking to people about their mobile needs.

Multi-play is a real area of focus for us this year and, following a successful trial earlier in the year, we launched our offer to help our customers with all of their connectivity needs, initially focusing on broadband. This offer is enhanced by our acquisition of Simplifydigital, the UK's largest broadband, TV and home phone switching business. We are now really 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, bringing the expertise we have in mobile connectivity to this wider canvas. It is early days, but the response from customers has been very encouraging so far.

Group Chief Executive's Statement

In addition there have been a raft of significant improvements that we have made this year including launching our new e-commerce web platform for Carphone Warehouse, dramatically extending the range of white goods that we can ship next day, and rolling out our 'own the kitchen' small domestic appliance layouts with much more life, colour and interest into the majority of our larger stores and much more. It is heartening to see the power of our UK business being used by an excellent team to generate real differences for our customers, and very heartening to see us all reap the rewards for their clarity of thinking and energy.

We have done a great deal of work on our in-home and consumer services business, Knowhow, and we will launch a pilot of a new, highly digitally enabled and wide ranging proposition in Leeds later this year with a view to having a rebranded, nationwide launch in the New Year. We believe very 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 had a good year with like-for-like revenues up 4% over the year and 9% in the fourth quarter and all-time record profitability in local currency. We have, however, seen a further erosion in the Norwegian Krone versus Sterling and this has meant that our Sterling-reported profits are down somewhat with Headline pro forma EBIT reducing by £7 million to £79 million. Over the last two years the Krone has devalued significantly and, since virtually all of our goods are imported, this has created some commercial challenges. We have used this change to bring our prices in line with our pure-play competitors, something that we have already done in the UK & Ireland and this has, I believe, been a cause of the very strong growth in our sales.

The Nordics have also seen some really encouraging operational developments over the year. We acquired and successfully integrated InfoCare, the largest repair company in the region, which gives us a base upon which to build our services and repair proposition. A major project to extend our automated small box warehouse at Jönköping in Sweden – and create the most modern automated small-box distribution centre in Europe – is also well on track. We have integrated the Phone House business in Sweden, merging head offices and contact centres, closing 26 stores and co-branding all remaining stores. In Norway we have rebranded our Elkjøp Express stores to Elkjøp Phonehouse. In both Sweden and Norway, these co-branded stores are performing well.

Our Southern European business had a good year in the face of significant political and economic turbulence – most notably, of course, in Greece, and I am pleased that the Southern Europe business has reported a 4% rise in like-for-like revenues over the year with Headline pro forma EBIT growing from £15 million to £17 million.

Our Greek business has increased profitability in 2015/16. To have achieved this against this year's backdrop is no mean feat and is, of course, down to the efforts of our colleagues in the region. In Greece, despite the mounting economic crisis, our teams consistently demonstrated innovative thinking, emotional resilience, strong management and an entrepreneurial spirit. This meant that Kotsivolos was able to gain significant market share. I said last year that the situation in Greece may end up proving the aphorism that all crises lead to opportunity and I am delighted that this remarkable team has proved this to be correct so far.

In Spain, we have continued 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 a host of additional services while successfully retaining our market share. Here, again, the market has much change happening with M&A activity and an evolving business model requiring us to be nimble if we are to retain and grow our profitability. The Phone House team have responded magnificently to these challenges in the best traditions of entrepreneurship that is at the heart of the team.

I am also particularly excited to be updating you on some terrific progress from our Connected World Services and Knowhow businesses. While still relatively new areas of the Group and in the investment stage, I see huge potential and a strong pipeline of activity.

The joint venture between our Connected World Services business and Sprint continues to go very well and, following a very successful trial, in January we signed a joint venture ('JV') to open up to 500 stores with Sprint in the US. The Sprint JV has had very encouraging results so far but, as always, there's no room for complacency and we are focused on developing the opportunity further.

We have signed a new and separate software agreement with Sprint and will now be rolling out our market-leading software platform, honeyBee, across their entire estate. We also have a fast-growing pipeline of promising discussions with companies in a number of different segments and territories about how honeyBee can help them.

Our support and services business also had a good year. The integration of our distribution and repair centre to one site in Newark means we are perfectly positioned to take advantage of the opportunities in insurance support and reverse logistics services. Our clients are increasingly asking us for help and support throughout a product's lifecycle, from choosing the right product at the outset through to installation, connection, and repair. Behind our end-to-end service operation we have a comprehensive – and unique – infrastructure, including technical support, delivery, installation, repair and recycling. This was rewarded this year as we retained our contract through the re-bid process to manage RBS's mobile phone

insurance and won a contract to undertake a similar activity for EE making us the second largest provider of mobile phone insurance in the UK. Our infrastructure advantages mean that we are able to win these contracts profitably while still representing very good value to our partners.

We have achieved a great deal this year and are very pleased to be ending the year in such a strong position. That said, as ever, we are focused on delivering even more next year and we know that, in fully mature markets, this means fighting for each and every customer, each and every day.

Finally, the nation has spoken and we are to exit the EU in due course. Our view is that, as the strongest player in our market and despite the volatility that is the inevitable consequence of such change, we may be able to find significant opportunities for additional growth and additional market share. As you can imagine, we have been giving some thought to this possibility and we believe that, by acting decisively and intelligently, we can further consolidate our position as the leader in our market.

My thanks go to everyone in our 42,000-strong team of employees in 11 countries for making the successes of the past year possible through impressive levels of industry and creativity. I am constantly amazed and delighted 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
28 June 2016

Strategy, KPIs and Risks overview

Our markets ¹	Our strategic priorities ²	Achievements in 2015/16 ³
Core retail <ul style="list-style-type: none"> • Mobile phone connectivity • Consumer electronics 	Continue to enhance and drive successful and sustainable retail business models in a multi-channel world	<p>Market share and like-for-like revenue growth in core markets</p> <p>Largely completed the integration of Dixons and Carphone</p> <p>Rolled out 273 SWAS</p> <p>Price competitiveness in the UK and customer satisfaction scores in core markets at record levels</p> <p>Launch of the iD mobile operations and multi-play offering</p> <p>Completion of non-core business disposals</p>
Consumer services – Knowhow	Leverage our scale, our knowhow, and our unique infrastructure to drive growth in new product areas including growth in services	<p>Acquisitions of InfoCare and Simplifydigital, bolstering our Nordic services and amplifying UK multi-play capabilities</p> <p>New leadership structure in place</p> <p>Capital Markets Day held in March 2016</p>
Connected World Services ('CWS')	Develop the Connected World Services model and establish it as a material contributor to earnings	<p>Successful trial of 15 Sprint stores, and launched formal joint venture with Sprint</p> <p>Extension of existing honeyBee agreement with a major US manufacturer</p> <p>New mobile phone insurance agreements with EE and RBS</p>

Plans for 2016/17 ³	Relevant Group KPIs ⁴	Principal risks ⁵
Property optimisation programme	Headline revenue	Dependence on networks and key suppliers
Complete SWAS roll-out	Like-for-like revenue	Consumer environment and sustainable business model
Drive growth in the iD customer base and multi-play	Market position	Greek exit from the Euro
Launch of new Carphone Warehouse store and online formats	Headline EBIT	IT systems and infrastructure
Relentless focus on price and service	Headline profit before tax	Information security
Complete integration programme	Free cash flow	FCA regulation
	Return on capital employed	Colleague retention
		Business continuity plans are not effective
		Health and safety
		Fraud
		Impact of Brexit
Launch of trial in Leeds	Headline revenue	Consumer environment and sustainable business model
Nationwide launch in 2017, following trial	Market position	IT systems and infrastructure
	Return on capital employed	Information security
		Colleague retention
		Business continuity plans are not effective
		Fraud
		Impact of Brexit
Roll-out of joint venture Sprint stores	Headline revenue	Consumer environment and sustainable business model
honeyBee US extension and implementation across Sprint estate	Market position	IT systems and infrastructure
Further sales and support opportunities	Headline EBIT	Information security
	Return on capital employed	FCA regulation
		Colleague retention
		Business continuity plans are not effective

1 Our markets pages 10 to 13

2 Strategy and business model pages 14 to 16

3 Chairman's and Group Chief Executive's Statements on pages 4 to 7

4 Key Performance Indicators on page 19



5 Principal risks to achieving the Group's objectives on pages 20 to 23

Our markets

Our markets

Mobile phone and connectivity and consumer electronics are Dixons Carphone's core retail markets, but increasingly the Group is growing beyond these product markets by 1) industrialising its existing services infrastructure and expanding its offerings to focus on consumer services in the home, and 2) continuing to expand its rapidly growing business-to-business operations via the Connected World Services division

Mobile phone connectivity

Dixons Carphone is the only nationwide independent mobile phone retailer. The Group is uniquely placed to offer impartial advice over the vast array of network, handset and operating platform propositions available in the market.

This market is also served by 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.

In recent years there have been significant changes in the landscape of mobile phone distribution. In the UK we have seen a major market withdrawal with the exit of Phones 4u and the acquisition of the EE network by BT. During this period the Group has managed to gain significant market share particularly in the post-pay segment.

The sophistication of mobile phones continues to grow rapidly, 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.

MNOs continue to see increasing levels of data usage, a trend which will continue as customers migrate to new tariffs that include 4G access as standard. As MNOs continue to roll out their 4G networks, 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.

To benefit from 4G services, customers need 4G-enabled devices and as 4G network coverage improves, there is an incentive for customers to upgrade their contracts, providing a stimulus to the replacement cycle increasing the penetration of 4G devices and tariff uplifts. After several years of downward pressure on ARPU, increased data usage provides an exciting opportunity.

The internet plays an important part of customers' purchasing journey for mobile, with the majority of customers researching online before making a purchase. However, online sales have remained relatively flat in the UK at c. 20% of sales for a number of years. The complexity of the mobile-buying decision means that customers continue to value the advice available within stores. This preference to touch and feel products prior to purchasing has restricted the penetration for mobile online sales. Elsewhere, in markets that are less mature than the UK, the proportion of online sales continues to grow and represents between 4% and 11% of total retail sales.

The mobile market has remained robust during periods of reduced economic activity and whilst mobile phones might be considered discretionary purchases, the reality is that mobile phone contracts are considered an essential element of people's lives.

Consumer electronics

The consumer electronics retail market can be split between specialist electrical retailers, such as Dixons Carphone, and general retailers which sell electronic 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, such as Dixons Carphone, 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 electronics 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.

We are one of the largest specialist electrical retailing and services companies in Europe with leading market shares in the UK, Ireland, the Nordic region and Greece. In each of our markets there are varying numbers of specialist retailers who compete in the assisted market. While we do compete against general retailers, this is usually limited to certain lower price categories as these retailers do not offer the full range of products, assisted sale or the other services we are able to provide.

We have seen some significant shifts in capacity in many of our markets in recent years with some mass merchandisers reducing space for electronic products, some single channel internet operators de-emphasising certain segments, as well as some specialists exiting the market. 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 electrical 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. 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.

Innovation brings new products with improved functionality that drives sales growth. These include 4K Ultra High Definition ('HD') and smart TVs, wearable technology, connected products for the home such as heating and lighting. Content, such as social media, apps, digital media and cloud computing, also help to drive hardware innovation and replacement. Product sales are driven by structural shifts, such as analogue to digital and standard format through to Ultra HD television. In addition, innovation drives new service requirements, including TV installation, data backup, computer set up and instructional *Showhow* teach-ins. In this increasingly 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.

Many electronic products are predominantly discretionary purchases. However, increasing penetration of digital technology in the home drives faster replacement cycles as these products become less discretionary. The economic backdrop also determines whether customers trade up or down. Accordingly, the electronics market tends to grow at a rate that is at or exceeding the economy during years of economic growth. While the opposite can be true during a downturn, this may be influenced by new innovation and an exciting product cycle.

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 underpinned by the replacement cycle. Due to higher costs of repair, it often makes better economic sense for consumers to replace white goods outright rather than to arrange for their repair. 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.

Consumer services – Knowhow

Everyday technology, whether smart TVs, computing, mobile phones or kitchen appliances, is becoming increasingly complicated with connectivity and inter-operability penetrating into more and more areas. Families are dependent on this technology working for an ever-increasing range of applications such as keeping in touch with friends and family, entertainment, work, finances and school homework. Keeping this home technology working and online is increasingly becoming an essential requirement.

Most homes in markets in which we operate have around ten connected devices, and this is expected to grow dramatically over the near term, creating further expected positive 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 of these valuable and growing markets to more closely match our share of product sales. Our aim is for our Knowhow business to be the digital 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 already the UK's leading technology support business with over 11m warranty and insurance policies, 700,000 mobile repairs per year, 4.2m home visits per year, 740,000 computer repairs per year, over 100,000 gas installations per year, more than 600 skilled engineers, and over 1,500 in-store service colleagues.

We have a leading share in the sale of connected technology through our significant multi-channel presence with strong manufacturer and supplier relationships and a 'cross ecosystem' approach in place. We have Europe's largest tech and white goods repair capability at Newark with more technical support agents than any other business providing a nationwide solution. This is a complex business to replicate.

Our markets

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 launch regionally in 2016 prior to a full roll-out in 2017

Our revised service propositions will be accessed and delivered by customers through an increasingly digital interface providing friction-free and highly responsive support and care around the clock which is easily accessed at home or on the move

We will be able to deliver our core operating principles to our customers through an ongoing and valuable dialogue that includes providing independent / expert advice and money-saving guidance through price comparison

This regular, high-quality dialogue will build customer loyalty, and allow us to deliver real value and support to our customers day and night

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

Connected World Services

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 three specific areas – Connected Retailing, Support and Services, and honeyBee software

Current focus involves three specific CWS services

	Proposition	Services offered	Unique differentiators	Existing third party clients
Connected Retailing	<p>Multi-channel retail consultancy and operational support for businesses selling connected product and service propositions, ranging from specific managed services through to full retail partnerships</p> <p>Who is it for? Telco industry specialists – typically carriers and retailers</p>	<ul style="list-style-type: none"> Operational retail leadership Consulting on retail planning and execution Customer journey design and management 	<ul style="list-style-type: none"> Proven track record of transforming retail for Best Buy Mobile and Sprint Significant KPI improvements achieved in sales, profitability and customer satisfaction Expert team with 20+ years of connected retail experience Unique and differentiated sales and operations platform 	<p>Sprint Samsung</p>
Support and Services	<p>Leverages the end-to-end capabilities of Dixons Carphone in the UK & Ireland to provide a full suite of services that enable the sale and support of connected devices</p> <p>Who is it for? UK & Ireland Telco industry specialists – typically carriers, retailers and service providers</p>	<ul style="list-style-type: none"> Connectivity and brokerage Value-added services Device supply Sales operations Forward and reverse logistics Software platforms Customer service 	<ul style="list-style-type: none"> We run the largest mobile phone repair centre in Europe Operate the biggest handset sourcing operation in Europe Proven experts in this complex and regulated industry Significant established client base, with long-term agreements in place 	<p>BT RBS TalkTalk EE</p> <p>Insurance Partner Aviva</p>
honeyBee software	<p>Unique omni-channel, multi-industry software that simplifies the delivery and management of complex digital customer journeys in any industry</p> <p>Who is it for? Any sales business that has a complex customer journey (e.g. Telco, Financial Services, Travel etc)</p>	<ul style="list-style-type: none"> The honeyBee platform consists of three principal modules honeyBee Sell: best in class multi-channel, guided sales software that includes an ultra-efficient media platform and a real-time journey analytics and performance management platform honeyBee Activate: carrier / service provider activations management platform honeyBee Create: simplifies the process of designing and building complex digital customer journeys 	<ul style="list-style-type: none"> 25 years' experience of complex digital journey innovation Unique multi-channel sales and operations platform Unique multi-country carrier activations platform Revolutionary customer journey development tools Partnership with Accenture who bring industry experience, global scale and delivery credibility 	<p>Sprint Partner Accenture</p>

Strategy and business model

Dixons Carphone is Europe's leading specialist consumer electrical and mobile phone and connectivity retailer and services company, employing over 42,000 people in 11 countries. Focused on helping customers navigate the connected world, Dixons Carphone offers a comprehensive range of electronic and mobile products, connectivity and expert after-sales services from the Geek Squad and Knowhow.

Dixons Carphone's primary brands include Carphone Warehouse, Currys and PCWorld in the UK & Ireland, Elkjøp and Elkjøp Phonehouse, Elgiganten and Elgiganten Phone House, Giganiti and Lefdal in the Nordic countries, Kotsovolos in Greece, Dixons Travel in a number of UK & Ireland airports and Phone House in Spain. Our key service brands include Knowhow in the UK, Ireland and the Nordics, and Geek Squad in the UK, Ireland and Spain.

Business-to-business ('B2B') services are provided through Connected World Services ('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.

During the year we have bolstered our Nordic and UK consumer services offerings with the acquisitions of InfoCare and Simplifydigital and we continue to review our business portfolio, focusing on territories in which we are the market leader and growing market share.

This enables us 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 new product areas including growth in services; and**
- 3. Continue to develop the CWS model and establish it as a material contributor to earnings**

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 electronics 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 electronics, 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 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. Focus on complete solutions for customers. The Pin Point tool enables the personalisation of the mobile customer experience. Using tablets in store, we ask customers a few simple questions to help them find the right deal. The tool will identify the preferred network via its coverage checker, handset and operating system, check bundle options including data requirements and ensure this is future-proofed. In consumer electronics, 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.

- 3 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 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.
- 4 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. One of our principal priorities in the coming year for improving cost efficiency is the implementation of our UK & Ireland property plan. The programme will, from 2017/18, result in a c. £20 million per annum reduction in our operating costs as a result of lower leasing costs.

2. Leverage our scale, our knowhow, and our unique infrastructure to drive growth in new product areas including growth in 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 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.

3. Continue to develop the Connected World Services model and establish it as a material contributor to earnings

Connected Retailing

We successfully completed a trial of opening and operating Sprint stores in the US, resulting in the creation of a Connected Retail joint venture and the agreement to roll out 500 stores over the next three years. We have developed a new, more cost-efficient in-store format with an intended roll-out of at least three per week over the next 12 months. In addition, as part of our IP work stream we have taken over the operation of 27 Sprint-owned stores in Miami and Dallas and we are investigating opportunities to create value from OEM partners, online optimisation and store productivity improvements. We have a highly experienced team based in Kansas managing the operation on a day-to-day basis to ensure the full potential of the agreement is reached. We are working to identify our next Connected Retail partner, focusing on high value markets with competitive carrier environments.

Support and Services

We are now the second largest third-party provider of mobile phones insurance in the UK, reaching agreement with RBS to provide ongoing mobile device insurance administration and winning new business with EE and TalkTalk. The Dixons Carphone Merger has given us the opportunity to broaden our scope of services still further, enabling us to now provide a unique and differentiated proposition throughout the mobile value chain. With the emergence of connectivity in more industries, the UK market is continuing to grow and increase in complexity. As a result we have identified a strong opportunity pipeline.

honeyBee software

honeyBee, branded Pin Point in Dixons Carphone, has been transformational within our stores, processing over 250m customer journeys and achieving class-leading customer satisfaction scores. Work is now progressing to expand its use into new categories and across all brands. Excellent progress has also been made in securing honeyBee software contracts in the US, with deals signed with Sprint and a leading device manufacturer, in addition to existing agreements in the UK, Canada and Germany. 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 a channel distribution deal with Accenture that utilises their in-market client teams across the world to drive honeyBee sales in all relevant industries.

Strategy and business model

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 improve customer satisfaction metrics and reached record highs.

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

Multi-channel

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 an integral part of the customer shopping 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 they have recently undertaken a new training programme focusing on selling multi-play.

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.

In consumer electronics, 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 Sandström brands. We see particular opportunities in the area of accessories and essentials with, for example, our own range of Sandström 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 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 Knowhow brands, the latter of which 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 125,000 technical support calls each week.

Our Geek Squad and 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 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.

Our resources

- Customers
- People
- Suppliers
- Distribution and logistics
- Store portfolio
- Intellectual property
- Energy
- Cash and capital

Customers

We are driven to provide unparalleled expertise and services to help customers and businesses navigate the new digital era and one of our key values is 'We put the customer first, always'

To deliver on this value and to ensure we continue to respond to customers' needs, we must listen and respond effectively to them. We have comprehensive customer research programmes spanning a variety of tools including exit surveys, mystery shoppers and focus groups as well as effective data gathering through, for example, our 'Happy or Not' tools launched in our Elkjøp business and now introduced to CurrysPCWorld. Within our Carphone Warehouse stores, Net Promoter Scores (NPS) are integral to our internal reward system. We are pleased that customer satisfaction scores across the business are at record levels.

Through this research, managed internally and reviewed daily, weekly and monthly, we have developed a clear and detailed understanding of what we are doing well and more importantly of where we can target further improvements. Customers tell us that they need us to deliver a strong combination of 'Value, Choice and Service' across all our shopping channels and it is increasingly clear from their feedback that they recognise that we are doing this. We will continue to deliver easier, more exciting places to shop for customers whether in store, online or a multi-channel combination of both.

Listening to customers extends to how we approach the sales process in store. Our unique training programmes combined with our customer journeys are designed to ensure customers leave our stores with a complete solution that is right for them. Doing this is a key part of our ongoing strategy and delivery of a sustainable business model, as well as enabling us to differentiate our offer from competitors.

By maintaining our absolute focus on the customer and delivering what they want in a retail environment that is constantly evolving, we will continue to attract new customers and retain existing ones.

People

Dixons Carphone is an organisation spanning Europe, with over 42,000 colleagues in more than 2,200 stores, offices, call centres and distribution centres and one of our key priorities has been to build one culture, one vision and one future.

Our core values support this

- We put the customer first, always
- We stand together as one
- We act bravely, challenge convention and do the right thing
- We know everyone can make a difference
- We believe anything is possible

These values support a 'culture of discovery' and face head-on the changing environment in which we operate. Our values support us in cultivating a high performance environment where each employee performs to the best of their ability, working together to achieve to their fullest potential. Our people are key to our success and it is essential that colleagues are innovative and creative, customer-focused and great at building relationships.

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.

For further details on employee related matters please see our Corporate Responsibility Report on pages 30 to 33.

Suppliers

As market leader with an excellent reputation in the consumer electronics markets 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 superior 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.

We work closely with suppliers of all sizes to help them deliver the right product for customers, through the forecasting and planning stages to ensure we deliver the right levels of stock for customers at the right time. Both the mobile and electrical retail markets are characterised by a number of large global manufacturers, who account for a large proportion of our sales. However, we also source products from a large number of smaller suppliers. We seek to maintain strong relationships with all of these suppliers, not just to source the right product for customers, but also to ensure the Group can purchase the appropriate level of stock on favourable terms. While we utilise the Group's scale and buying power through an international buying team, we also maintain strong relationships at a local level.

Our resources

We continue to refine our own-brand ranges to suit all budgets and tastes. Our most notable successes have been the launch of our own Sandström cables brand alongside our Essentials ranges as key entry level products in our 'good, better, best' line-up. These products are sourced by the Group's teams based in the UK, Nordics and Hong Kong in collaboration with manufacturers in, for example, Asia.

Distribution and logistics

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. During the year we consolidated our distribution and repair centres with the integration of the former mobile phone facility at Wednesbury into our Newark site.

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 (Jonköping, Sweden) and the UK (Newark), we operate two of the largest distribution centres of their kind in Europe. The Jonköping site is also expanding to incorporate an up-to-date automated 'small box' operation. In the UK alone we now make 50,000 deliveries per week, including some 500,000 installations per year.

Store portfolio

We operate a wide variety of stores to suit the local customer demographics. We operate many high street locations, small, very popular outlets in airport locations, and 'megastores' up to 60,000 sq ft, in out-of-town locations.

We constantly review our store portfolio to ensure we have the right store for customers in the most competitive locations. As part of this ongoing review and following the roll-out of Carphone Warehouse SWAS, in the UK & Ireland we are implementing our 3-in-1 stores across the 'big box' property portfolio and when complete we will have over 300 CurrysPCWorld Carphone Warehouse 3-in-1 stores. 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.

Intellectual property

Within our Connected World Services division we have developed our pioneering multi-channel assisted sales tool Pin Point powered by honeyBee. We are also utilising our intellectual property to assist third parties, such as Samsung and now Sprint, in connected retailing.

In the UK & Ireland we operate through Carphone Warehouse, Currys and PC World brands, in the Nordics through our various Elkjøp group brands, in Greece through Kotsovolos, and in Spain through Phone House. These brands are extremely well established and respected in their markets. The Group also has two strong service businesses, Knowhow and Geek Squad, aiming to delight customers from end to end while generating significant new business opportunities.

As well as our retail and service brands outlined above, we also sell a range of own brand products such as Sandström, Goji, Logik, Essentials, Advent and Epoq. Each of these brands have specific target markets defined in conjunction with our customer research findings.

Energy

Saving energy is good for the business, good for customers and of course good for the environment. See our Corporate Responsibility Report on pages 33 to 35 for details of the Group's environmental matters.

Cash and capital

It remains the Group's policy to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. Through careful cash management and with a focus on cost reduction as well as efficient use of capital, management is focused on ensuring we deliver a sustainable business with strong cash generation.

As a Group we need to make the right choices as to how each division utilises or preserves cash, whether it is in determining ranges and stock held in store, growing mobile share with accompanying working capital utilisation or managing returns and related processes.

Key Performance Indicators

Financial and operational

What we measure*	Why we measure	Our performance	
Headline revenue**	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	2015/16 £9,738m	2014/15 £9,750m
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	2015/16 5%	2014/15 6%
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**	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	2015/16 £468m	2014/15 £413m
Headline profit before tax**	Continued growth of Headline profit before tax represents a measure of Group performance to external investors and stakeholders against our strategic priorities	2015/16 £447m	2014/15 £381m
Free cash flow**	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	2015/16 £202m	2014/15 £89m
Return on Capital Employed (ROCE)	ROCE is a key measure of the efficiency of the capital invested by the Group and the long-term value created for our stakeholders	2015/16 21%	2014/15 20%

Shareholder

What we measure	Why we measure	Our performance	
Headline basic earnings per share** (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	2015/16 29 3p	2014/15 25 5p

* Definitions of measurement for Key Performance Indicators are given in the glossary and definitions on pages 154 to 156

** Headline performance measures are as defined in the Performance Review. These have been reported on a pro forma basis as if the Merger had occurred at the start of the comparative period

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 44 to 46. 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.

Specific risks and potential impacts

Principal risk	Specific risks	Potential impacts
1 Dependence on networks and key suppliers	<ul style="list-style-type: none"> The Group is dependent on relationships with key suppliers to source products on which availability may be limited 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 Mergers between the MNOs could lead to a change in their strategies and relationships with the Group 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow Reduced market share
2 Consumer environment and sustainable business model	<ul style="list-style-type: none"> Failure to respond with a business model that enables the business to compete against a broad range of competitors on service, price and / or range in a changing economy Failure to respond effectively to changes in the industry economic and / or competitor landscape Failure to accommodate changes in consumer preferences and behaviours 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow Reduced market share
3 Greek exit from the Euro	<ul style="list-style-type: none"> Possible exit of Greece 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 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow
4 IT systems and infrastructure	<ul style="list-style-type: none"> Failure to invest adequately and appropriately 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 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow Loss of competitive advantage Restricted growth and adaptability Reputational damage
5 Information security	<ul style="list-style-type: none"> Major loss of customer, colleague, or business sensitive data Vulnerability to attack, malware, and associated cyber risks owing to under-investment in people, systems, and safeguarding processes 	<ul style="list-style-type: none"> Reputational damage Financial penalties Reduced revenue and profitability Deteriorating cash flow Loss of competitive advantage

Example mitigating actions and related strategic priorities

Example mitigating actions	Change in risk in 2015/16
<ul style="list-style-type: none"> Multi-year commercial agreements are in place with all the major MNOs, which closely align interests and drive value for both parties 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 2015/16
<ul style="list-style-type: none"> Strategic and business planning takes into account varying economic scenarios with ongoing monitoring by finance and senior executives 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 through Connected World Services Development of consumer services 	This risk is unchanged as the nature and challenges in our business environment are consistent with the prior year
<ul style="list-style-type: none"> A number of exit scenarios have been modelled in order to understand and mitigate the potential impact on the Group's business Review of local funding arrangements including factoring of debtor receivables Reduction in credit risk exposure by tightening control over customer credit arrangements 	The threat of imminent Grexit has been averted. Political instability and economic uncertainty remain in Greece but the situation is perceived to be stabilising and our local business continues to perform well. This risk has decreased in likelihood but will remain on our risk register under a watching brief.
<ul style="list-style-type: none"> Significant investment being made in IT systems and infrastructure across the Group, supported by rigorous testing processes Post-merger 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 	This risk has remained stable over 2015/16
<ul style="list-style-type: none"> Implementation of a UK&I Information Security Improvement Plan Investment in information security safeguards, IT security controls, monitoring, in-house expertise and resources Committee comprising senior management in UK&I, set up with responsibility for oversight, co-ordination and monitoring of information security policy and risk Recruitment of a Chief Information Security Officer Ongoing training and awareness programmes for employees Ongoing programme of penetration testing 	Our overall information security position has been hardened in response to increases in external threats. We continue to undertake significant management effort and investment to reduce this risk exposure.

Principal risks to achieving the Group's objectives

Specific risks and potential impacts

Principal risk	Specific risks	Potential impacts
6 Financial Conduct Authority ('FCA') regulation	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Reputational damage Financial penalties Reduced revenues and profitability Deteriorating cash flow Customer compensation
7 Colleague retention and capability	<ul style="list-style-type: none"> The organisational structure and related accountabilities restrict the ability to run the business effectively and adapt to market change Failure to attract, develop and retain quality and depth of necessary leadership and management talent Maturing of long term incentive schemes may increase risk of higher turnover in senior management population 	<ul style="list-style-type: none"> Reputational damage Reduced revenue and profitability Deteriorating cash flow Loss of competitive advantage
8 Business continuity plans are not effective and major incident response is inadequate	<ul style="list-style-type: none"> A major incident impacts the Group's ability to trade and business continuity plans are not effective resulting in an inadequate incident response 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow Reputational damage Loss of competitive advantage
9 Fraud	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Reduced revenue and profitability Reputational damage
10 Health and safety	<ul style="list-style-type: none"> Failure to effectively protect customers and / or colleagues from injury or loss of life 	<ul style="list-style-type: none"> Employee / customer injury or loss of life Reputational damage Financial penalties
11 Impact of Brexit	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow

Example mitigating actions and related strategic priorities

Example mitigating actions	Change in risk in 2015/16
<ul style="list-style-type: none"> Board oversight and risk management structures actively monitor compliance Senior management perform oversight co-ordination and monitoring of governance, ensuring regulatory compliance and adherence to policy and monitoring of 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 	<p>This risk has increased over 2015/16 due to the expansion of the FCA's regulatory regime into consumer credit and a general increase in regulatory focus across our operations</p>
<ul style="list-style-type: none"> Ongoing review to ensure appropriate and effective roles, responsibilities and accountabilities Defined and standardised performance management frameworks in place, with talent and succession plans maintained and reward aligned to attract and retain the best 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 succession planning, as set out in the Nominations Committee Report on pages 55 to 56 	<p>This risk has remained stable over 2015/16</p>
<ul style="list-style-type: none"> 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 	<p>This risk has remained stable over 2015/16</p>
<ul style="list-style-type: none"> 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 Whistle-blowing arrangements 	<p>This risk has remained stable over 2015/16</p>
<ul style="list-style-type: none"> Single Group health and safety policy Health and safety manager and team located across business units and markets Comprehensive set of policies and standards supporting continued improvement 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 	<p>A comprehensive internal review of health and safety processes after the Merger has resulted in a reassessment of the risk. We continue to develop and implement policies, procedures and practices to mitigate this risk</p>
<ul style="list-style-type: none"> 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 	<p>New risk</p>

Performance review

Highlights 12 months to 30 April 2016*

- Group like-for-like revenue⁽⁴⁾ up 5% (UK & Ireland up 6% and Nordics up 4%)
- Strong profit performance
 - Headline PBT⁽¹⁾ of £447 million (2014/15 £381 million), up over 17%
 - Headline basic EPS⁽¹⁾⁽²⁾ 29 3p (2014/15 25 5p)
 - Total statutory profit of £161 million (2014/15 £97 million) after Non-Headline⁽³⁾ charges of £176 million (2014/15 £188 million) which include a loss from discontinued operations of £18 million (2014/15 £114 million)
- Free cash flows⁽⁹⁾ of £202 million (2014/15 £89 million) and net debt broadly flat year-on-year at £267 million
- Final dividend of 6 50p (2014/15 6 00p) proposed, taking total dividends for the year to 9 75p (2014/15 8 50p), up 15% year-on-year
- Sprnt joint venture in the US expected to contribute \$40 million - \$50 million of annual EBIT to the Group by 2019/20
- honeyBee platform second major client signed

Headline results⁽¹⁾

	Note	Headline revenue ⁽¹⁾				Headline profit / (loss) ⁽¹⁾	
		2015/16 £million	2014/15 £million	Local currency ⁽⁴⁾ % change	Like for-like ⁽⁴⁾ % change	2015/16 £million	2014/15 £million
UK & Ireland	(5)	6,404	6,314	2%	6%	365	305
Nordics	(6)	2,632	2,709	6%	4%	79	86
Southern Europe	(7)	550	606	(5)%	4%	17	15
Connected World Services	(8)	152	121	26%	N/A	7	7
Group		9,738	9,750	3%	5%	468	413
Net finance costs						(21)	(32)
Profit before tax						447	381
Tax						(110)	(88)
Profit after tax						337	293

*Basis of preparation – pro forma information

On 6 August 2014 an all-share Merger of Carphone Warehouse and Dixons Retail took place. The prior period information in the highlights and performance review sections refers, unless otherwise stated, to pro forma Headline⁽¹⁾ information for continuing businesses, reflecting the results of both Carphone Warehouse and Dixons Retail throughout the comparative periods as if the Merger had occurred at the start of the comparative period.

Following the Merger, the Group changed its year end to be the Saturday closest to 30 April. The 2014/15 financial year as disclosed in the 2014/15 annual report and accounts therefore comprised the 13 months to 2 May 2015 for the Carphone Warehouse business. In this Annual Report and Accounts, the pro forma prior period results of the Carphone Warehouse business have been restated to exclude the results of the five weeks' trading to 3 May 2014 to enable a better year-on-year comparison.

A reconciliation from statutory to pro forma financial information is provided on pages 151 to 152.

Notes

- (1) Headline results exclude amortisation of acquisition intangibles, Merger integration and transaction costs, property rationalisation costs, acquisition-related costs and other one-off, non-recurring items, net interest on defined benefit pension schemes and discontinued operations (comprising Virgin Mobile France and Phone House operations in Germany, Netherlands and Portugal). Such excluded items are described as 'Non-Headline'. For further details see notes 4 and 25 to the financial statements.
- (2) Pro forma EPS for the period ended 2 May 2015 has been calculated assuming the number of shares existing at 2 May 2015, adjusted for the number of shares held by the Group ESOTs, were in existence for the entire financial period.
- (3) Change in local currency revenue reflects total revenues on a constant currency and period basis.
- (4) Like-for-like sales are defined in the glossary and definitions on pages 154 to 156.
- (5) UK & Ireland comprises operations in the UK and Ireland and the Dixons Travel business.
- (6) Nordics comprises operations in Norway, Sweden, Finland, Denmark and Iceland.
- (7) Southern Europe comprises operations in Spain and Greece.
- (8) 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.
- (9) 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.

Pro forma Headline results

The performance review below refers, unless otherwise stated, to pro forma Headline information for continuing businesses. The basis for the preparation of this information is described on page 24.

Group

Group Headline revenue was up 3% on a local currency basis but broadly flat in Sterling terms at £9,738 million (2014/15 £9,750 million). Like-for-like revenue growth was 5%, reflecting strong growth in our UK & Ireland, Nordic and Greek businesses. The difference between the total revenue growth on a local currency basis and like-for-like is predominantly due to a reduction in stores in the UK during the year and a decision to reduce low-margin wholesale activity. The Group has continued to grow market share, despite operating in a highly competitive marketplace.

Headline EBIT was up 13% to £468 million (2014/15 £413 million) driven by the strong operating performance in the UK & Ireland and the delivery of synergy benefits related to the Merger. Headline profit before tax was £447 million (2014/15 £381 million) reflecting 17% growth from the improved EBIT and a lower interest charge year-on-year following the redemption of the bonds previously held by Dixons Retail in August 2014.

Integration of the two businesses is now largely complete with a single head office in each of the countries where Carphone and Dixons overlapped, one logistics and repair centre in the UK and 276 Carphone Warehouse SWAS now open.

UK & Ireland

Revenue in the UK & Ireland increased by 1% to £6,404 million (2014/15 £6,314 million). Like-for-like revenue for the year was up 6% reflecting mobile phone market share gains along with good growth in electricals. The difference between the total revenue growth and like-for-like predominantly reflects a reduction in stores. This revenue growth combined with cost and synergy savings has resulted in Headline EBIT increasing 20% to £365 million. The business has continued to gain market share helping to drive sales and EBIT. Our purchase of Simplifydigital – the UK's largest and fastest growing multi-channel switching platform – leaves the business well-positioned to benefit from growth in the multi-play market.

The electricals business has delivered a very solid result with growth in the sale of white goods offsetting weaker demand in computing. Television sales performed well, especially given the World Cup last year.

The mobile business performed extremely well during the year. Post-pay volumes and market share have grown year on year, with the business benefiting from additional SWAS stores, the performance of our iD mobile operations, and market share gains following the closure of Phones 4u in the prior year.

In January 2016 we launched a programme to roll out our 3-in-1 store concept so as to create the store estate of the future. This will involve merging the remaining PC World and Currys stores and inserting a Carphone Warehouse in stores that have not yet got one. This programme will reduce our

store estate by 134 but will significantly improve the store experience for our customers and colleagues, and we expect the impact on sales to be neutral or better. Given that the programme will be implemented during 2016/17, we expect that the benefit to 2016/17 earnings will be modest, but thereafter this activity will contribute approximately £30 million of incremental EBITDA.

At the start of the year the Group launched iD, a new mobile network focused on providing users with increased contract flexibility, greater access to free data roaming and competitively priced 4G tariffs. The performance of iD in the UK has been very positive and the business now has an active customer base of over 335,000 subscribers.

Nordics

The Nordic business has performed well in a challenging economic environment, delivering 6% growth on a local currency basis. However, revenue in Sterling was down 3% to £2,632 million (2014/15 £2,709 million) predominantly due to the devaluation of the Norwegian Krone relative to Sterling.

Like-for-like revenue was up 4% despite the challenging commercial environment and some aggressive competitive pricing. The growth in like-for-like revenue was driven by white goods, mobiles and laptops, offsetting weakness in PCs and tablets. We have continued to focus on ensuring competitive pricing against pure players, albeit with some margin impact.

In local currency, our Nordic business delivered record earnings but, due to the adverse movement in foreign exchange, both from translation of local currency results into Sterling, as well as margin pressure due to increased buying costs, Nordic Headline EBIT was £79 million (2014/15 £86 million).

The Merger has continued to benefit the Nordics with the launch of Elkjøp Phonehouse stores in Norway, and the integration of Phone House Sweden into ElGiganten. The extension of the Jönköping warehouse to create Europe's most advanced small products distribution centre is also progressing well.

In November 2015 InfoCare, a services and repair business, was acquired in order to further the Group's services strategy. This business has now been successfully integrated into the wider Nordics business. The Epoq kitchen business also continues to deliver very encouraging results with strong revenue growth driving market share and appliance sales.

Southern Europe

Southern Europe had strong underlying results with like-for-like revenue up 4%, largely driven by the business in Greece which continues to perform extremely well in the face of a challenging environment. The Greek business benefited from strong growth in white goods and tablets, which more than offset some weakness in TV and laptops following the end of a government laptop promotion in the prior year. Whilst post-pay volumes were down in Spain we continue to pivot the model in line with the market to offer multi-play, sim-only and handset only, whilst successfully retaining our market share.

Performance review

Revenue on a local currency basis was down 5%, though up in Greece despite the Greek business reducing volumes in the low margin wholesale business. The Spanish business continued to shift its store mix to franchise and away from owned stores, with owned stores down 52 to 249 but with an increase in franchise stores from 198 to 249. Southern Europe has reported a year-on-year 9% decline in Headline revenue to £550 million (2014/15 £606 million) reflecting the factors above and a weaker Euro for much of the financial year.

Southern Europe Headline EBIT was £17 million (2014/15 £15 million), up 13%.

Connected World Services

Connected World Services ('CWS') has continued to grow, delivering revenue of £152 million, up from £121 million in the prior year. We are announcing new developments in three of the distinct business areas within CWS – connected retailing, technology platform and support & services.

In connected retailing, following the success of the trial stores we have agreed to roll out up to 500 stores with Sprint in the US, including c 150 in the year ahead. Separately we continue to expand on our consultancy agreement with Sprint and deliver significant benefits to both parties, including operating 27 of Sprint's own stores in Miami and Dallas. The joint venture continues to go from strength to strength and we expect it to contribute \$40 million - \$50 million to the Group's annual EBIT by 2019/20.

Within our technology platform business, we have reached agreement with Sprint to roll out honeyBee across the entire Sprint estate in the US.

In support and services, we aim to be the UK's largest third-party provider of mobile phone insurance. We have agreed a new third-party mobile insurance contract in the UK with EE, we have extended an existing contract with RBS and we have entered into a significant new distribution agreement with TalkTalk to support the sales and distribution of mobile, TV and broadband connectivity.

We remain very excited about CWS's prospects and continue to invest in building the team and infrastructure to support the growth potential of this business. CWS's result for the year of £7 million (2014/15 £7 million) is after a £4 million share of losses from the joint venture arising on the Sprint venture and is a result that we consider satisfactory and in line with expectations.

Net finance costs

Headline net finance costs were £21 million (2014/15 £32 million). The reduction in financing costs was primarily due to the redemption of the bonds previously held by Dixons Retail on 21 August 2014 and the Group's new revolving credit facility incurring a lower rate of interest.

Tax

The Headline effective tax rate for the full year is 25% (2014/15 23%). 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 reduction in the

value of UK-related deferred tax assets due to the forthcoming reductions in the UK statutory tax rates.

Cash and movement on net funds

The prior period information provided below is on a pro forma basis and aggregates the net funds / (debt) and cash flows of the Group and Dixons Retail, as though Dixons Retail had been 100% owned by the Group throughout the prior period, to enable a complete understanding of cash flows.

Free Cash Flow – pro forma basis

	2015/16 £million	2014/15 £million
Headline EBIT	468	413
Depreciation and amortisation	137	137
Working capital	(76)	(159)
Capital expenditure	(221)	(182)
Taxation	(56)	(62)
Interest	(31)	(46)
Other items	24	4
Free cash flow before restructuring items – continuing operations	245	105
Restructuring costs	(43)	(16)
Free Cash Flow	202	89

Free Cash Flow before restructuring was an inflow of £245 million (2014/15 £105 million), an increase of 133%. The Group experienced a working capital outflow of £76 million (2014/15 £159 million), being an improvement on the previous year which included a non-recurring unwind of certain supplier funding arrangements.

Capital expenditure in the period was £221 million (2014/15 £182 million), lower than anticipated, reflecting tight management of capex spend. The year-on-year increase reflected spend on Carphone Warehouse SWAS, investment in IT platforms and continued development in both our retail and Connected World Services businesses. We continue to keep tight management of our capex spend as well as other integration activities.

The reduction in interest reflects the prior year including interest paid on the bonds previously held by Dixons Retail until August 2014 and the Group's new revolving credit facility incurring a lower interest rate.

Restructuring costs in both the current year and prior year relate to Merger integration costs and primarily reflect employee severance and incentive costs, property costs associated with the integration process and professional fees.

Funding – pro forma basis

	2015/16 £million	2014/15 £million
Free Cash Flow – pro forma basis	202	89
Dividends	(106)	(52)
Merger transaction costs	–	(90)
Acquisitions and disposals including discontinued operations	(82)	2
Pension contributions	(35)	(28)
Other items	14	–
Movement in net funds / (debt) – pro forma basis	(7)	(79)
Opening net funds / (debt) – pro forma basis ⁽¹⁾	(260)	(181)
Closing net (debt)	(267)	(260)

(1) Opening net debt in the current period reflects the consolidated net debt of the Group at 2 May 2015 including net funds recognised within assets held for sale of £53 million. Opening net debt in the comparative reflects net debt for Carphone Warehouse at 29 March 2014 and for Dixons Retail at 30 April 2014.

At 30 April 2016 the Group had net debt of £267 million, broadly flat year-on-year to net debt of £260 million in the comparative period. Free cash flow was an inflow of £202 million (2014/15 £89 million) for the reasons described above.

Merger transaction costs in the previous year reflected professional and banking fees, the cash cost of share option exercises as a result of the Merger and the cost of redeeming the bonds previously held by Dixons Retail. Net cash outflows from acquisitions and disposals in the current year were £82 million primarily comprising the final deferred payment for the CPW Europe Acquisition, the acquisitions of Simplifydigital and InfoCare, and discontinued operations.

The increase in pension contributions reflects the agreed contribution profile following the 2013 triennial valuation.

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.

Statutory results

The explanation of the Group's results presented above is on a pro forma Headline basis for the comparative period. Group results as reported in the financial information are prepared on a statutory basis, with the comparative period consolidating the results of Dixons Retail from 6 August 2014. These results are summarised below.

Income statement – continuing operations

	2015/16 £million	2014/15 £million
Revenue	9,738	8,255
EBIT	304	324
Net finance costs	(41)	(37)
Profit before tax	263	287
Tax	(84)	(76)
Profit after tax	179	211
Basic EPS	15.6p	22.0p
Diluted EPS	15.1p	21.2p

Revenue increased 18% to £9,738 million reflecting the inclusion of a full 12 months' earnings from Dixons Retail in the current year (prior period results from 6 August 2014 to 2 May 2015) offset by the additional month trading for the Carphone Warehouse businesses in the prior period.

Profit before tax reduced from £287 million to £263 million in the current period, largely due to non-Headline costs incurred in the current year in relation to the Merger and property rationalisation costs, which are explained later in this report.

Net finance costs have increased due to the inclusion of a full 12 months of Dixons Retail, resulting in higher finance lease and pension-related interest.

The tax charge increased from £76 million to £84 million reflecting certain non-deductible non-Headline items in the current year.

Basic EPS has reduced from 22.0p to 15.6p for the period due to the lower profit after tax and the increase in the number of shares of the Group as part of the Merger.

Non-Headline items

Statutory profit before tax of £263 million (2014/15 £287 million) includes Non-Headline charges of £184 million (2014/15 £89 million). These charges are analysed below and are reported on a statutory basis with the Dixons Retail business only consolidated from completion of the Merger on 6 August 2014.

	2015/16 £million	2014/15 £million
Merger-related costs	(52)	(41)
Amortisation of acquisition intangibles	(40)	(35)
Property rationalisation costs	(70)	–
Acquisition-related costs	(8)	–
Net pension interest	(16)	(13)
	(184)	(89)

Costs incurred in relation to the Merger relate to integration costs primarily being professional fees, employee severance and property costs associated with the integration process (2014/15 £32 million). In addition, during 2014/15 transaction costs of £9 million were incurred, predominantly reflecting banking and professional fees. Merger-related costs also includes the write-off of £4 million deferred facility fees which

Performance review

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 £40 million (2014/15 £35 million) with the current period including a full 12 months of amortisation of intangible assets recognised as a result of the Merger (2014/15 period from 6 August 2014 to 2 May 2015). The prior period charge also includes amortisation for 13 months for those intangibles recognised as a result of the CPW Europe Acquisition whilst the current period reflects a 12 month period.

As explained on page 25, the Group has initiated a reorganisation of its property portfolio to put it into its long-term state. The costs associated with this programme relate 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 period relate to professional fees incurred in the current year 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 Epop kitchen business in the Nordics following a reassessment of the likely final payment to be made on the back of recent trading performance.

Net pension interest was £16 million reflecting the charge incurred in relation to the Dixons Retail UK pension scheme. The current period charge reflects a full 12 months whilst the prior period charge related to that incurred from the date of Merger to the 2 May 2015 period end.

Discontinued operations

As reported at 2 May 2015, Virgin Mobile France and the Group's retail operations in Germany, the Netherlands and Portugal were treated as discontinued operations following the decision to exit these businesses. The assets and liabilities associated with Germany, the Netherlands and Portugal were recognised as held for sale at 2 May 2015. The sale of operations in Germany was completed on 5 May 2015, the Netherlands on 30 June 2015 and Portugal on 31 August 2015. Virgin Mobile France was sold on 4 December 2014 in the previous financial year.

A loss of £18 million (2014/15 £114 million) has been recognised during the year in relation to the disposal of these operations.

Balance sheet

	2015/16 £million	2014/15 £million
Goodwill	3,054	2,989
Other fixed assets	906	852
Working capital	(361)	(387)
Net debt	(267)	(313)
Tax, pension & other	(472)	(378)
	2,860	2,763

The movement in goodwill is due to the acquisition of Simplifydigital and InfoCare, and the retranslation of currency denominated balances largely in the Nordics. Fixed assets

have increased, with the higher capital expenditure during the year exceeding amortisation and depreciation. Working capital has stayed flat, whilst net debt has decreased with positive cash flows during the year as described below. Other net liabilities (tax, pension & other) have increased following the disposal of assets held for sale (primarily in relation to Phone House Germany).

Cash flow statement

	2015/16 £million	2014/15 £million
EBIT	304	324
Depreciation and amortisation	177	149
Working capital	(14)	(377)
Other operating cash flows	(73)	(53)
Cash flows from operating activities	394	43
Acquisitions	(59)	322
Capital expenditure	(221)	(166)
Other investing cash flows	24	20
Cash flows from investing activities	(256)	176
Dividends paid	(106)	(52)
Other financing cash flows	(11)	(290)
Cash flows from financing activities	(117)	(342)
Cash flows from continuing operations	21	(123)
Cash flows from discontinued operations	32	3
	53	(120)

The statutory EBIT for the Group has reduced for the reasons explained above. Depreciation and amortisation have increased with the prior period only including nine months of Dixons Retail. Working capital has stayed relatively flat year-on-year whilst the outflow in the prior period was due to timing issues associated with the change of year end and the day on which month end fell, as well as a permanent unwind of certain extended supplier payment terms.

Acquisition cash inflows in the comparative period reflects cash acquired through the Dixons Retail Merger whilst cash outflows in the current year comprise the final CPW Europe Acquisition deferred payment and the acquisitions of Simplifydigital and InfoCare. The increase in capital expenditure reflects both a full 12 months of Dixons Retail and an increase in underlying spend.

The reduction in financing outflows is due to the prior period including the pay down of loans and borrowings of Dixons Retail soon after the Merger whilst borrowings have remained relatively flat year-on-year in the current period. Cash inflows from discontinued operations largely relates to consideration on the disposal of Phone House Germany.

Comprehensive income / changes in equity

Total equity of the Group has increased from £2,763 million to £2,860 million primarily reflecting the total statutory profit of £161 million, the gain on retranslation of overseas operations of £66 million and the payment of dividends of £106 million

Other matters

Pensions

The IAS 19 accounting deficit of the defined benefit section of the UK pension scheme of Dixons Retail amounted to £472 million at 30 April 2016 compared to £486 million at 2 May 2015. Contributions during the period under the terms of the deficit reduction plan amounted to £35 million (2014/15 £28 million). The deficit has decreased largely as a result of the contributions made to the scheme during the year.

Dividends

The Board declared an interim dividend of 3.25p per share, up from 2.50p per share last year. The interim dividend was paid on 22 January 2016.

We are proposing a final dividend of 6.50p per share, taking the total dividend for the year to 9.75p per share, a 15% increase on the previous year (2014/15 8.50p). The final dividend is subject to shareholder approval at the Company's forthcoming Annual General Meeting. The ex-dividend date is 25 August 2016, with a record date of 26 August 2016 and an intended final dividend payment date of 23 September 2016.

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 Group financial statements.

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

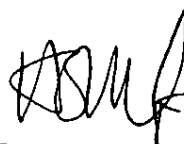
In accordance with provision C.2.2 of the UK Corporate Governance Code 2014, the Directors have assessed the viability of the Group over a period longer than the 12 months covered by the going concern provision noted above.

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.

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 20 to 23 of the Strategic Report.

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 with which those facilities must 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.

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
28 June 2016

Corporate Responsibility

Dixons Carphone is committed to high standards of corporate and social responsibility ('CSR') across the Group. The table below provides an overview of our key corporate and social responsibility principles and their interaction with our business model.

At Dixons Carphone we <ul style="list-style-type: none">• Simplify the mobile, technology and electrical world• Make the potential of connected technology accessible and affordable for everyone• Provide unparalleled expertise and service to help navigate the new digital era				
Business model	Products Work with suppliers to showcase the latest technology, connectivity and products	Multi-channel Provide customers with seamless engagement and support, whether online, in person or a combination of the two	Support Set the benchmark for support, gaining a significant competitive advantage in meeting the needs of our customers	
CSR ambition driven by insights	Understand how technology can be used to tackle social issues, then leverage our skills, experience and position to support communities, connected homes and the families within them, by helping to ensure occupants feel properly equipped, safe and confident to explore the connected world			
CSR model	Innovate Deliver transformative change through innovation	Collaborate Collaborate with stakeholders as partners	Invest Invest in initiatives directly or indirectly which benefit the communities in which we operate	
CSR impacts	People	Connected community	Environment	Supply chain
CSR principles	Create a great place to work, attracting the best talent and ensuring opportunities for employees to grow their careers, adopt healthier lifestyles and engage with good causes	Make a positive impact as a valued member of the community while building brand loyalty and trust	Strive for a sustainable environment, minimise wastage and optimise efficiency	Operate an ethical business, valuing rights and prosperity across our value chain

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

Our approach to corporate responsibility means taking business decisions guided by our values and code of ethics.

People

Our people are our enduring advantage and we invest in ensuring we attract the best talent, that they remain engaged, high-performing and are able to deliver a great customer experience at all times. We remain focused on embedding our combined values through existing ways of working and in 2015/16 we introduced the *You're Electric* recognition scheme across the entire estate, using various channels to recognise great performance and behaviours aligned to our values.

We continue to make good progress integrating our teams and harmonising our tools and processes to create a consistent experience for every colleague while creating exciting opportunities that encourage them to grow their careers with us through different roles, brands and functions.

Engaging our colleagues

We know an engaged workforce delivers a great customer experience, which supports strong financial results. This is why our key aim is to communicate openly and honestly with colleagues to give them a voice while cultivating pride in working for Dixons Carphone. In 2015/16 we launched a combined colleague engagement survey across the Group, administered by an external provider. Colleagues use this balanced scorecard to tell us how they feel about working for Dixons Carphone and their feedback is used to develop targeted initiatives to help us monitor performance, make the right decisions, recognise success and ensure our company remains a great place to work. New communication platforms have been launched in the UK & Ireland to ensure we provide modern tools with an emphasis on collaboration and peer-to-peer communication. Further roll-outs are planned for 2016/17. We will continue to produce *Connected*, a hard copy magazine for our 42,000 employees. This communication consistently receives positive feedback from colleagues and in September 2015 it received an industry award for Best New Publication from the Institute of Internal Communications.

Investing in colleague expertise

To help our people grow their careers at Dixons Carphone and develop the skills needed to perform well in their role and help to grow our business, we provide formal training, on-the-job experience and management coaching. We have a learning strategy to support our business strategy and all new colleagues have a 90-day plan to set them up for success in their role. Colleagues have regular one-to-ones and a formal review twice a year with their manager to discuss their current performance and consider future development and career plans. Across Dixons Carphone over 200,000 learning hours were recorded last year with over 80% of this learning completed digitally. All training is designed to support us in becoming trusted experts for our customers. We also run talent and leadership development programmes to develop high achievers and to improve leadership skills across our management population.

Employee benefits

Our employee benefits packages are regularly 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. We work to achieve high standards in employment practices and have a comprehensive suite of employment policies and procedures, which we regularly review. These policies include guidance on being family-friendly through to colleague dispute management, ethical conduct, diversity and equal opportunities.

Health and wellbeing

Through the promotion of employee wellbeing, we aim to create a truly happier, healthier and more productive workforce, at the same time as reducing time off through sickness and ensuring optimum levels of energy and resilience.

Healthy living is encouraged through a number of initiatives and facilities. On-site gyms are available in many of our main support centres along with restaurants offering a range of foods, which are reviewed regularly to ensure they offer a healthy, balanced menu. Our Employee Assistance Programme, which is available 24/7 to all our employees, offers a range of information about issues such as stress and nutrition. A number of products and services are also available to support employees, such as private medical insurance, dental insurance and a Health Cash Plan. These products are available at special corporate rates to employees and subsidised rates for close family members.

In 2016/17 we are participating in Mercer's Britain's Fittest Workplace survey and will use the resulting data to spot wider health risks to our employees as well as identify actions to reduce absence rates and increase employee engagement.

Average to Awesome

This UK wellbeing initiative focused on transforming 12 employees' overall attitude to health and fitness. With the support of a specialised personal trainer, tailored nutrition plans and the latest fitness technology, we recorded their combined weight loss at 78.3kg over the 12-week period. They were each given a Fitbit Surge to record training performance and overall activity levels and Fitbit Aria scales to monitor weight, body fat and BMI between official weigh-ins. The participants developed a strong bond and have continued positive changes to their lifestyle habits. Many now run regularly as part of their new healthy regime and are taking on new personal challenges and events as a direct result of this initiative. We are repeating this programme in 2016 with a new intake of colleagues.

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.

Disability

We encourage applications from individuals with disabilities who can do the job and candidates will be considered for each role they apply for. Every effort is made to retain disabled colleagues in our employment, including making any reasonable adjustments to their jobs, workplace or environment.

Diversity

We value the benefits a diverse workplace brings, including, but not restricted to, gender diversity and we recognise the importance diversity plays in achieving the right mix of skills, knowledge and experience our organisation needs to reach its potential. Statistics for the UK, Ireland, Nordics, Greece and Spain are as follows:

	All employees		Senior managers		Directors	
	Number	%	Number	%	Number	%
Male	29,175	69	74	74	10	77
Female	12,902	31	26	26	3	23

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 aim to be a responsible member of every community we do business in, whether it's by match-funding employee fundraising, community initiatives or charity partnerships, we will implement new ideas to make a positive impact locally.

Corporate Responsibility

Charity partnership

We set out to further consolidate our Corporate Responsibility programme, as well as our local and in-store charitable activities through the support of a single charity partner

In December 2015, the long-term charity partner of Carphone Warehouse, Get Connected, merged with YouthNet to create the UK's largest support service for young people, The Mix (registered charity number 1048995). Just as Dixons Carphone matches customers with the best 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.

Our continuing support of The Mix played a significant role in their merger, propelling us into a new era of the partnership, helping to drive the charity forward so they can recruit hundreds of new volunteers and provide thousands more hours of support to young people through new channels.

In 2015/16 we gave a total of £447,390 to this free, confidential support service, which offers young people help 24/7, 365 days a year through phone, text, web, social media and counselling. The Mix connects them with experts and peers to talk about everything including homelessness, finding a job, money management, mental wellbeing, relationship issues and drug use.

Royal support

In April 2016 we were delighted to announce Princes William, Harry and The Duchess of Cornwall chose to support our charity partner The Mix as part of their 'Heads Together' campaign, which aims to raise awareness of, and change, the negative perception of mental health conditions in the UK. In 2016/17 we will work with the Royal Foundation to promote this high profile campaign through in-store activities and employee participation in events such as the London Marathon.

As well as providing gifts-in-kind, office and helpline accommodation for The Mix, our support has directly funded investment in a new volunteering programme called Digital Connectors, enabling the charity to recruit and train volunteers remotely, substantially increasing the hours of support they are able to give, opening up employee volunteering opportunities as well as flexible opportunities for young people looking to develop skills. In 2015/16, The Mix trained 99 Digital Connectors volunteers, who have already supported over 3,000 young people across the UK. The Mix will continue to build on this success, expand their volunteer programme and help more young people in need.

Our support has also enabled the development and launch of an online counselling service, which has to date provided over 1,000 hours of counselling to under 25s. Feedback about how the counselling has helped has been overwhelmingly positive.

Dixons Carphone Race to the Stones

Our sponsorship of the UK's biggest ultra-marathon received a European Sponsorship Award for Employee Engagement and won Best Endurance Event at The UK Running Awards. On 11-12 July 2015 over 2,000 public participants ran, trekked or walked 100km along the ancient Ridgeway. Over 230 employees signed up to get fit, raising over £69,000 for Get Connected (now The Mix) and promoting the work of our charity partner. Overall, this event has raised over £500,000 for a variety of good causes. We continue our investment in Race to the Stones in 2016.

Techknowledge for Schools (T4S)

We continued our support for this registered charity, investing a total of £207,000 to help fund the largest independent research programme in the world into the use of one-to-one technology to transform education. In February 2016, the decision was made to close T4S after trustees became confident that major issues around implementing technology into schools had been defined, the real benefits had been identified and valuable insights into successfully deploying technology to transform learning outcomes were gained and made publically available. During the two years the charity was in operation it worked with over 45 UK secondary schools using one-to-one devices, carried out comprehensive in-depth qualitative research and analysis, recorded 440 online interviews with teachers, hosted 40 focus groups with students, parents and teachers, filmed 60 hours of ethnographic observation, and interviewed over 12,000 pupils online and 40 teacher leaders face to face. Our body of research has been made available to relevant stakeholders including the House of Lords Digital Skills Select Committee to support the case for better technology provision for all schools across the country.

Project BluPoint

We are proud to be at the forefront of tech innovation, identifying technology for good and being a catalyst for transformative change. In May 2016 we invested in a project to progress findings from our work with Techknowledge for Schools, which highlighted that schools need reliable, quick and affordable access to trusted educational content. BluPoint is the name given to a solar-powered device which transmits digital content to areas without reliable or affordable connectivity, on any handset using Wi-Fi, FM Radio or Bluetooth. Between July and October 2016, ten employees will visit Durban in South Africa, where we operate a contact centre, to trial and evaluate BluPoint in resource-starved schools thereby empowering local communities with free internet access to educational tools and services. Project BluPoint is being run in collaboration with its inventor, Dr Mike Santer, Technology Adviser to the Bill Gates Foundation, and his team.

The Dixons Carphone Foundation ('Foundation')

This fundraising account was established under the Charities Aid Foundation (registered charity number 268369) for the benefit of the charity or charities selected by Dixons Carphone and approved by the Charities Aid Foundation. This 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 July 2015, senior Dixons Carphone executives took to the tennis courts for a charity tennis tournament at The National Tennis Centre raising £62,781 for the Foundation. The Foundation is also funded through our handset recycling 'zero value' Take Back scheme. In 2015/16 we donated £161,725 through the Charities Aid Foundation to a variety of causes including Techknowledge for Schools and Get Connected.

The DSG international Foundation is a charity in its own right, registered with the Charities Commission. Within 2015/16, £75,000 was transacted through this Foundation as part of our fundraising commitment to Children in Need. For 2016/17 we will continue to operate charitable activities through our fundraising account established under the Charities Aid Foundation.

Other charitable support

We support other charities and local causes by match-funding the amount of money an employee raises for their chosen charity by up to £100 or £300 for a team fundraising for the same event. In addition, many colleagues raised thousands of pounds via a variety of fundraising events such as the London Marathon, football tournaments and fun days. During 2015/16 Dixons Carphone employees also donated £42,542 through Give As You Earn, benefiting a wide range of local and national causes.

Outside the UK, Elkjøp continues to support the Red Cross Water for Life (Vann for Livet) project and donated NOK 287,000 (£23,528) to this charity during 2015/16.

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. We are working towards best practice sustainability with minimal waste and optimal efficiency.

Energy management

In 2015/16 we combined the reporting platforms and energy management processes of the legacy Dixons Retail and Carphone Warehouse businesses. Our energy consumption monitoring platform reports the half-hourly electricity data for all our stores in the UK. This allows us to monitor our sites accurately, minimise wastage and optimise our efficient use of power. Supporting contracts have also merged to ensure our meter operator (MOP/DA/DC) and bureau services are aligned across both the Dixons Retail and Carphone Warehouse estates.

As with previous years, our energy efficiency programme continues to utilise internal funding for energy efficiency projects. We continue to explore new technologies and advanced strategies to assist in our programme of energy reduction and through 2015/16 a further £1.3 million has been invested in new energy efficiency initiatives.

LED lighting has featured heavily in our 2015/16 energy efficiency programme and is delivering excellent results through energy savings and improvements to our shopping environment. 19 stores and offices in two distribution centres were converted to LED lighting during 2015/16 along with our Retail Support Centre in Acton and one of two buildings at our Newark Distribution Centre. LED lighting is the standard technology adopted in all new stores.

Energy efficiency projects have been completed in an additional 12 stores to further optimise our energy usage which include fine adjustments to temperature set-points, tuned heating and lighting strategies, and the installation of lighting controls.

The resulting reduction in our energy consumption from the above initiatives will be approximately 4,300 MWh per annum, reducing our carbon emissions by over 2,200 tonnes of CO₂ in the next year.

In collaboration with our landlords, roof-mounted Solar Photovoltaic (PV) installations have been successfully completed at two large retail locations in Coventry and Southampton and our water leak detection programme continues through consumption analysis to highlight irregularities and ensures optimum efficiency.

Energy efficiency initiative

Dixons Carphone is delighted to have been once again selected to participate in the Department of Energy & Climate Change – EDR (Energy Demand Reduction) pilot scheme, phase 2. Similar to phase 1, this initiative is linked to the large scale roll-out of energy-efficient LED lighting to our second 750,000 sq ft national distribution centre building in Newark and represents our largest investment in a single energy efficiency project to date. Completion is expected by September 2016.

Corporate Responsibility

Carbon management and legislation

During phase 2, year 2 of the Carbon Reduction Commitment ('CRC') energy efficiency scheme, Dixons Carphone's combined reported emissions have reduced over 15% against the 2014/15 CRC year which represents a reduction in excess of 20,000 tonnes of CO₂ emissions

Dixons Carphone merged its reporting against the CRC, energy efficiency scheme for the 2015/16 CRC year under Dixons Carphone plc, registration number CRC6030144. The Dixons Retail plc CRC account, registration number CRC8584817, was selected for and successfully passed a compliance audit during 2015/16 prior to closure of this account.

Carbon Disclosure Project ('CDP')

We plan to submit our response to the CDP Climate Change Information Disclosure questionnaire for 2015/16 by the 30 June 2016 deadline.

EU Directive 2012/27/EU, Article 8 (Energy Efficiency)

This EU Directive was transposed into UK & Irish legislation as the 'Energy Savings Opportunity Scheme' and the 'Energy Audit Scheme' respectively. Dixons Carphone complied with the requirements of this new legislation in advance of the December 2015 deadline.

Mandatory Greenhouse Gas ('GHG') reporting

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, the Nordics and Southern Europe. Operational control has been used to determine organisational boundary. All scope one and two emissions are included except where noted.

Category / source of emissions	2015/16		2014/15	
	Tonnes of CO ₂ e emitted ⁽¹⁾	Increase / (decrease) %	Tonnes of CO ₂ e emitted ⁽¹⁾	Tonnes of CO ₂ e emitted ⁽¹⁾
Emissions from combustion of fuel ⁽²⁾	20,614	4.3%	19,760	21,077
Emissions from operation of any facility ⁽³⁾	2,797	(23.6)%	3,661	3,680
Emissions from purchase of electricity	109,534	(14.2)%	127,607	130,819
	132,945	(12.0)%	151,028	155,576

	2015/16	2014/15	2014/15
	Tonnes of CO ₂ e emitted per 1,000 sq ft of floor area ⁽¹⁾	Tonnes of CO ₂ e emitted per 1,000 sq ft of floor area ⁽¹⁾	Tonnes of CO ₂ e emitted per 1,000 sq ft of floor area ⁽¹⁾
Dixons Retail intensity measure	5.76	5.73	5.73
Carphone Warehouse intensity measure	13.75	17.41	17.70
Dixons Carphone intensity measure	6.36	-	-

- (1a) Exclusions comprise franchises as they do not fall directly under the Group's operational control. Emissions from Carphone Warehouse's divested retail operations in Germany and the Netherlands. The divested operations have been excluded from 2015/16 GHG reporting numbers and a restated number (with the same exclusions) has been provided for 2014/15 for comparison on a like-for-like basis.
- (1b) Tonnes of CO₂e emitted as reported in last year's (2014/15) report, including Germany and the Netherlands.
- (2) Overall floor area of the Dixons Carphone business is estimated to be 20,889,357 sq ft. This is split between the Dixons Retail business which is estimated to be 19,304,134 sq ft (20,659,929 sq ft restated for 2014/15) and the overall floor area of the Carphone Warehouse business is estimated to be 1,585,223 sq ft (2,106,753 sq ft estimated for 2014/15). 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.
- (3) Refrigerant data from the Wednesbury Carphone Warehouse site was not included as the data was not available (although this is estimated to be less than 1% of total emissions for the Group).
- (4) The overall floor area of the Dixons Retail and the Carphone Warehouse businesses as reported in 2014/15 was found to be in error owing to issues in data collection and data reliability. These issues have been addressed and the intensity figures for 2014/15 have been restated using the corrected floor area.

Ethical sourcing

Many of our electrical products are sourced through major international brands, which have their own strong ethical and environmental policies in place. The Group operates its own Ethical Sourcing Policy based on the Social Accountability 8000 and the FTSE4Good criteria and takes into account the recent introduction of the Modern Slavery Act. We work closely with organisations such as the Supplier Ethical Data Exchange ('Sedex') and the British Retail Consortium to ensure our policies and procedures remain relevant.

We have our own social and ethical auditing team and audit suppliers of our own brand products, prior to selection, against strict trading terms and operating procedures. Included within these terms are minimum standards in respect of health and safety, wages, working hours, equal opportunities, freedom of association, collective bargaining and disciplinary procedures. It is also against our terms of operation to employ any forced or child labour. Once the audits are complete, suppliers are rated on a traffic light basis. Green status on an audit indicates that a supplier meets or exceeds all of our standards. Amber status indicates that some of the standards required have not been fully met. Red status means that some significant failures were identified against our Ethical Sourcing Policy standards. Suppliers are approved if they reach either green or amber.

status in our audits. Once suppliers have been approved they remain subject to regular checks and audits and their status may be adjusted accordingly. These supplier audits are carried out with a view to assisting them in improving their working practices and we work with factories where failures have been identified. Wherever we can, we work with the supplier to make improvements, where this is not possible or no improvements are made, they will not be approved as a supplier, or will be delisted as appropriate. During the year under review, 21 suppliers were 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

	Red	Amber	Green	Total audits	Delisted / Not approved
Audit status	26	97	–	123	21

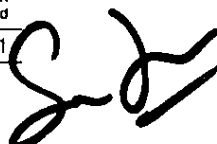
Waste and recycling

We strive to deliver continuous improvements to our recycling and sustainability programme. All recyclate from our stores is now 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. Our volumes increased by 126 tonnes since 2014/15. Working with our recyclers we have been able to deliver to the hierarchy of waste requirements to provide single stream materials for recycling, thus providing high-quality raw materials into manufacturing processes preventing the need for further virgin materials to be purchased.

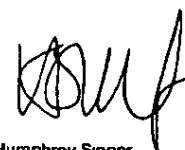
Waste Electrical and Electronic Equipment ('WEEE')

We provide access for charities and re-use companies to our 16 customer service centre depots across the estate where selected white goods units are picked for potential re-use. This year 67,000 units were re-used in the third sector, providing local communities across the UK with affordable products. Alongside the social benefit, this initiative saved around 7,000 tonnes of CO₂. For the 1.1 million units that cannot be re-used, which equates to around 55,000 tonnes, these are recycled and sorted into the various grades of metal / other materials to be manufactured into new products.

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



Sebastian James
Group Chief Executive
28 June 2016



Humphrey Singer
Group Finance Director
28 June 2016

Board of Directors

Sir Charles Dunstone Chairman ^N

Sir Charles Dunstone is the Chairman of Dixons Carphone and the Nominations Committee. He is the founder of Carphone Warehouse and was chairman of Carphone Warehouse from 28 January 2010. He was chief executive officer of Carphone Warehouse from 1989 to 2010 where he led its growth to become one of Europe's largest independent telecommunications retailers. Sir Charles was also appointed chairman of TalkTalk plc in 2010. He was previously non-executive director of Daily Mail and General Trust plc and Independent Media Distribution plc (now Independent Media Distribution Limited). Sir Charles was chairman of The Prince's Trust from 2009 to 2015, having been a member of its Council since 2000. Sir Charles is a partner in Freston Road Investments LLP and also chairman of Royal Museums Greenwich and BAR Racing.

Sebastian James Group Chief Executive

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 trustee of the charities Save the Children and Techknowledge for Schools.

Andrew Hamson Deputy Chief Executive

Andrew Hamson 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 Techknowledge for Schools.

Humphrey Singer Group Finance Director

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.

Kate Bickerstaffe Chief Executive, UK & Ireland

Kate 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. Kate joined the Dixons board on 20 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. In addition to her executive position she is also non-executive director of Scottish and Southern Energy plc. Previously, Kate was managing director of Kwik Save Limited and group retail director and group HR director at Sainsbury's plc. Her earlier career included roles at Dyson Limited, PepsiCo Inc. and Unilever PLC.

Graham Stapleton Chief Executive, Connected World Services

Graham Stapleton was appointed an Executive Director of Dixons Carphone on 6 August 2014 following the merger of Dixons Retail with Carphone Warehouse. Graham is Chief Executive of Connected World Services and manages its relationship with Sprint Corporation. He was previously chief executive officer of UK & Ireland for Carphone Warehouse. He joined Carphone Warehouse in 2005 and has held a variety of board positions in both the UK and Europe. Graham is also a trustee at the children's charity Make-A-Wish. Previously Graham worked for Kingfisher plc and Marks and Spencer plc.

Key

- A Audit Committee
- N Nominations Committee
- R Remuneration Committee

Lord Livingston of Parkhead
 Deputy Chairman N R

Lord Livingston of Parkhead joined the Board as Deputy Chairman and Non-Executive Director on 16 December 2015. He is Chairman of the Remuneration Committee and a member of the Nominations Committee. He previously held the position of chief executive officer at BT Group plc from 2008 to 2013 prior to that he was chief executive officer of 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 between 1996 and 2002, having served in a number of roles over more than a decade with the company. Prior to that he held various roles within 3i Group, Bank of America and Arthur Andersen. From 2013 to 2015, Lord Livingston was Minister of State for Trade and Investment. He was also non-executive director of Hilton Group plc and Freeserve plc. He is currently chairman of Man Group plc, a non-executive director of Celtic plc and Belmond Ltd, and a trustee of Jewish Care.

Tony DeNunzio CBE
 Senior Independent Director N R

Tony DeNunzio CBE joined the Board as a Non-Executive Director on 16 December 2015. Tony is Senior Independent Director and a member of both the Nominations Committee and the Remuneration Committee. 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, non-executive director of PumaPrx SL and senior adviser at Kohlberg, Kravis, Roberts & Co LP.

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. She is currently chairman of Teknikmagasinet AB and a non-executive director of ICA Gruppen AB, James Hardie Industries plc, Mr Green & Co AB and BillerudKorsnas AB. Former roles include 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.

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. He holds a variety of external board positions, including chairman of Woburn Enterprises Limited, senior independent director of Henderson Group plc and the Norfolk and Norwich University Hospitals NHS Foundation Trust, and chairman of Roys (Wroxham) Limited. Former roles include chairman of Rayner and Keeler Limited and Enotria Wine Group Limited, 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.

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 also a council member of the Institute of Chartered Accountants of Scotland. He is currently senior independent director of Oxford Instruments plc and Hill & Smith Holdings PLC, a non-executive director of A&J Mucklow Group plc and EnQuest plc and a trustee of the Tall Ships Youth Trust.

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 Carphone Warehouse from 2005 to 2010 prior to the demerger with TalkTalk. From 2001 to 2005, she was director of government relations at 10 Downing Street. Prior to this, Baroness Morgan was political secretary to the Prime Minister from 1997 to 2001 and was appointed Minister for Women and Equalities in 2001. In 2006, she was appointed as a board member of the Olympic Delivery Authority. She was previously chair of Ofsted and a member of the advisory committee of Virgin Group Holdings Limited. She is currently an advisor to the board of the children's charity ARK and a non-executive director of Countryside Properties PLC.

Gerry Murphy
 Independent Non-Executive Director A

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 was appointed as a non-executive board member of the Department of Health on 1 August 2014 and a non-executive director of Capital & Counties Properties PLC on 1 March 2015.

Corporate Governance Report

Chairman's introduction

I have great pleasure in presenting my introduction to the Corporate Governance section of the Annual Report and Accounts 2015/16. We are now well into the amalgamation of our businesses and are fully aware of our responsibility in ensuring our corporate governance practices and procedures are 'fit for purpose' under the new structure. I set out below how the Company has embraced good corporate governance practice and how we will use this to form a stable foundation for the building of shareholder value.

Corporate governance

Good corporate governance is at the heart of any well-run business. We have reviewed and updated our Group policies and procedures to 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 and adopted our practices against the 2014 UK Corporate Governance Code (the 'Code'), bringing the business's policies and practices into alignment.

Changes to the Board

On 16 December 2015 Lord Livingston of Parkhead joined the Board as Deputy Chairman and Tony DeNunzio CBE as Senior Independent Director. Roger Taylor and John Gildersleeve stepped down at the same time, and the Board would like to take this opportunity to thank them warmly for their advice and service to the Board and the business as a whole. Lord Livingston and Tony DeNunzio possess considerable experience gained throughout their business careers and will undoubtedly make valuable contributions.

Role and composition of the Board

The members of the Board are as set out on pages 36 to 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 also includes gender, professional and international diversity. The Board has three female directors, one of whom is not based in 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. Lord Livingston and Tony DeNunzio participated in tailored induction programmes upon joining the Board, including meetings with key company executives.

Board evaluation

In 2016 the triennial external Board evaluation was carried out on behalf of the Company by NJMD Corporate Services Limited, an independent consultancy, which has no connection to Dixons Carphone. The 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 56.

Committee structure

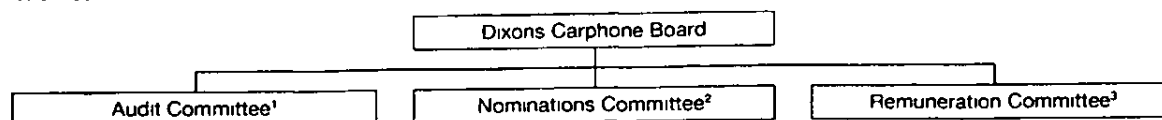
The main committees of the Board are the Audit, Nominations and Remuneration committees. Each has a dedicated section in this Report. Beneath Board level there are further management level committees which report back to the Board as necessary.

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.

Sir Charles Dunstone
Chairman
28 June 2016

The Board and Committees Structure



1 Audit Committee pages 50 to 54



2 Nominations Committee pages 55 to 56

3 Remuneration Committee pages 57 to 81

Corporate Governance statement

The Board confirms that throughout the year ended 30 April 2016 and as at the date of this Annual Report and Accounts, the Company has, except to the extent stated below, been in compliance with the Code

The Company did not have a Senior Independent Director ('SID') after the resignation of John Allan on 17 February 2015. The Board undertook a thorough selection and search process for the most appropriate candidate and the Company was fully compliant following Tony DeNunzio's appointment as the SID from 16 December 2015.

This Report, together with the Directors' Report and the reports from the Audit, Nominations and Remuneration committees together 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

As at 30 April 2016 and as at the date of approval of this Annual Report and Accounts, the Board comprises 13 members: the Chairman, five executive directors and seven 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 directors are Tony DeNunzio, Andrea Gisle Joosen, Tim How, Jock Lennox, Lord Livingston of Parkhead, Baroness Morgan of Huyton and Gerry Murphy. More than half the directors, excluding the Chairman, are therefore considered to be independent in accordance with the Code.

The Board recognises that since 2005 Baroness Morgan has been a non-executive director of Carphone Warehouse. Accordingly her independent status was subjected to further and specific scrutiny. The Board does not believe her length of tenure affects her independence, having evidenced her commitment and independent stance throughout her dealings with the business and her fellow directors.

At last year's annual general meeting Gerry Murphy was re-elected as director with less than 90% of the votes cast, due, principally, to a perceived lack of independence. The Board, whilst taking into account shareholders' concerns, considers that no 'material business relationship' existed between Gerry Murphy and the Company from the date of his ceasing to be an audit partner to Carphone Warehouse in 2011 and accordingly, the Board continues to consider him to be independent.

In accordance with the Code, each director will stand for election or re-election at the Company's Annual General Meeting. Biographical information is shown on pages 36 to 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 March 2016. 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 SID is to support the Chairman and be available to any shareholders who feel they are unable to raise issues with the Chairman directly. With the addition of Tony DeNunzio as SID, the Board has a strong complement of independent non-executive directors available for shareholders to contact with any questions they may have. Under the clearly-defined role of the SID, set out in writing and reviewed annually by the Board, the SID also discusses, with the Chairman, the results of the latter's performance review.

Corporate Governance Report

Board topics considered throughout the financial year 2015/16

2015

May

- Three-year plan
- Budgetary approval
- Property rationalisation
- Banking facilities
- Appointment of Company Secretary
- Internal Board effectiveness review
- Corporate governance update

June

- Q4 trading statement
- Risk management review
- Sprint partnership
- Competition law update
- Nordic strategy session

July

- Final dividend approval
- Preliminary announcement and Annual Report and Accounts approval
- Group strategic initiatives
- Banking facilities
- Group policies approval
- Corporate governance update

September

- Annual General Meeting
- Q1 trading statement
- Data Protection and Information Security policies review
- Anti-bribery, Gifts and Hospitality, and Health and Safety policies approval
- Financial Conduct Authority ('FCA') regulatory updates
- Brokers' update

October

- Banking and treasury matters
- Board Schedule 2016
- UK & Ireland strategy session

December

- Interim dividend approval
- Interim announcement approval
- Appointments of Deputy Chairman and Senior Independent Director and resignations of Non-Executive Directors
- Audit and Nominations committees terms of reference
- Cyber security and IT roadmap
- FCA regulatory updates
- Treasury transactions

2016

January

- Christmas trading update
- Three-year plan
- Investor relations activities
- Talent review and succession planning update
- FCA regulatory updates

March

- Shareholder communications
- Risk management and risk appetite review
- Insurance review
- Financial Crime Policy approval
- Schedule of Matters reserved for the Board
- Remuneration Committee Terms of Reference
- Treasury transactions

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 2016 and includes

- approval of published financial statements and dividend policy,
- 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 ('SID') 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 two strategy sessions and two unscheduled meetings during the period under review. The Board has met once since the year end.

Member	Appointed	Resigned	Attendance
Sir Charles Dunstone			8 of 8
Sebastian James			8 of 8
Katie Bickerstaffe			8 of 8
Tony DeNunzio CBE ⁽¹⁾	16 Dec 2015		2 of 2
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⁾	16 Dec 2015		2 of 2
Baroness Morgan of Huyton			8 of 8
Gerry Murphy			8 of 8
Humphrey Singer			8 of 8
Graham Stapleton ⁽²⁾			7 of 8

Former Directors

John Gildersleeve ⁽³⁾	16 Dec 2015	6 of 6
Roger Taylor ⁽³⁾	16 Dec 2015	6 of 6

(1) Tony DeNunzio and Lord Livingston attended both Board meetings following their appointments

(2) Graham Stapleton was unable to attend one meeting due to prior business commitments in the US

(3) John Gildersleeve and Roger Taylor attended all Board meetings prior to their resignations

Corporate Governance Report

Committee members

There are three main Board committees: Audit, 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 54)	Nominations (pages 55 to 56)	Remuneration (pages 57 to 61)
Sir Charles Dunstone		C	
Lord Livingston of Parkhead ⁽¹⁾		M	C
Tony DeNunzio CBE		M	M
Andrea Gisle Joosen		M	M
Tim How			M
Jock Lennox	C		
Baroness Morgan of Huyton	M		
Gerry Murphy	M		
Former Directors			
John Gildersleeve ⁽²⁾		M	C
Roger Taylor			M

C – Chairman M – Member

- (1) Lord Livingston was appointed Chairman of the Remuneration Committee upon his appointment to the Board on 16 December 2015
 (2) John Gildersleeve was Chairman of the Remuneration Committee until his resignation on 16 December 2015

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 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 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, including overseas, 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 Newark in Nottinghamshire as well as in Norway and Greece. 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 sites both in the UK and overseas. 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 newly appointed Non-Executive Directors, both Lord Livingston and Tony DeNunzio were given individual induction programmes tailored to their specific roles, as Deputy Chairman and Senior Independent Director respectively, and also as members of the Nominations and Remuneration committees.

The Board receives updates on corporate governance best practice as appropriate throughout the year.

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 appointment of two new members, and planning continues for the future. In seeking an optimal balance of skills, experience, independence and knowledge 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 plans for senior management at the meeting in January 2016.

Performance evaluation

The Code recommends that the performance of the Board be reviewed externally every three years. Last year the Company Secretary facilitated an internal evaluation of Board performance and that of the Audit, Nominations and Remuneration committees. NJMD Corporate Services Limited ('NJMD') was engaged to carry out the external review exercise which commenced in October 2015. NJMD has no other connection with the Company.

The review examined the level of skills, knowledge and experience of the Board which involved all directors responding to self-evaluation questionnaires. NJMD prepared a discussion guide which formed the basis for open, confidential and unattributable conversations with each of the directors. The results of both the self-evaluation questionnaires and discussions were collated into a comprehensive report. NJMD submitted the draft report to the Chairman and the Company Secretary which was then presented to the Board for consideration at its May 2016 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, the Chairman, preparation for and performance at meetings, the effectiveness of each director, leadership, culture and corporate governance.

Tony DeNunzio led the Non-Executive Directors, in the absence of the Chairman, in their annual appraisal of the Chairman's performance. He then discussed the results of that review with the Chairman. The Board is again 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 a commitment to the role, including having time to attend all necessary meetings and to carry out other appropriate duties.

The conclusion of the report was that no major areas for action were identified. The main points were, that whilst there was

- evidence of a high degree of director satisfaction with the effectiveness of the Board and with the Chairman, and
- a suitable mix of skills, including FTSE 100 directoral experience, along with financial, retail, operational management and marketing skills,

the Board could modify some of its practices to increase their effectiveness.

Recommendations included actively refreshing the Board's governance, compliance and company knowledge through more frequent 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. It was further recommended that the Board more regularly reviews the longer-term optimal balance of the Board, including placing even more emphasis on diversity, especially regarding age and ethnicity.

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 page 48. 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 internal control and for reviewing its effectiveness

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

System of risk management and internal control

The system is built on the pillars of effective governance, risk management, internal control and assurance. These are more fully described below

Governance

- 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
- An organisation and management structure 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
- Annual strategic planning and budgeting processes
- Defined delegation of authorities that cascades throughout the Group
- A Group policy framework contains the core compliance policies which all employees are required to observe
- Compliance policy owners are responsible for managing and improving standards in their respective areas of accountability across all our operations
- 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
- Annual objective setting and performance reviews

Risk management

- A risk management policy and framework outlines the principles and approach to risk management within the business
- The Group Director of Risk facilitates and manages the risk management policy and framework throughout the Group
- A formal risk identification process takes place 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 20 to 23 of the Strategic Report
- 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. Each of the Group's business units also maintains a risk register. Action plans are determined to enhance risk mitigation if required
- 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
- Each of the Group's business units 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

Internal control

- 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
- Each business unit operates a control environment to satisfy legal, regulatory, Group and customer requirements
- Processes exist that govern the way in which we operate our retail, wholesale, logistics, distribution and service operations. The operation of these processes provides assurance on the standard of our customer and service delivery

Assurance

- Annual minimum control questionnaires, which require attestation that controls are being operated, are completed by all Dixons Carphone operations
- An ongoing programme of control improvement is underway in each business unit to enhance control operation as the unit evolves
- 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
- Certain aspects of the Group's activities are also 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
- External audit conducts statutory audits across our operations

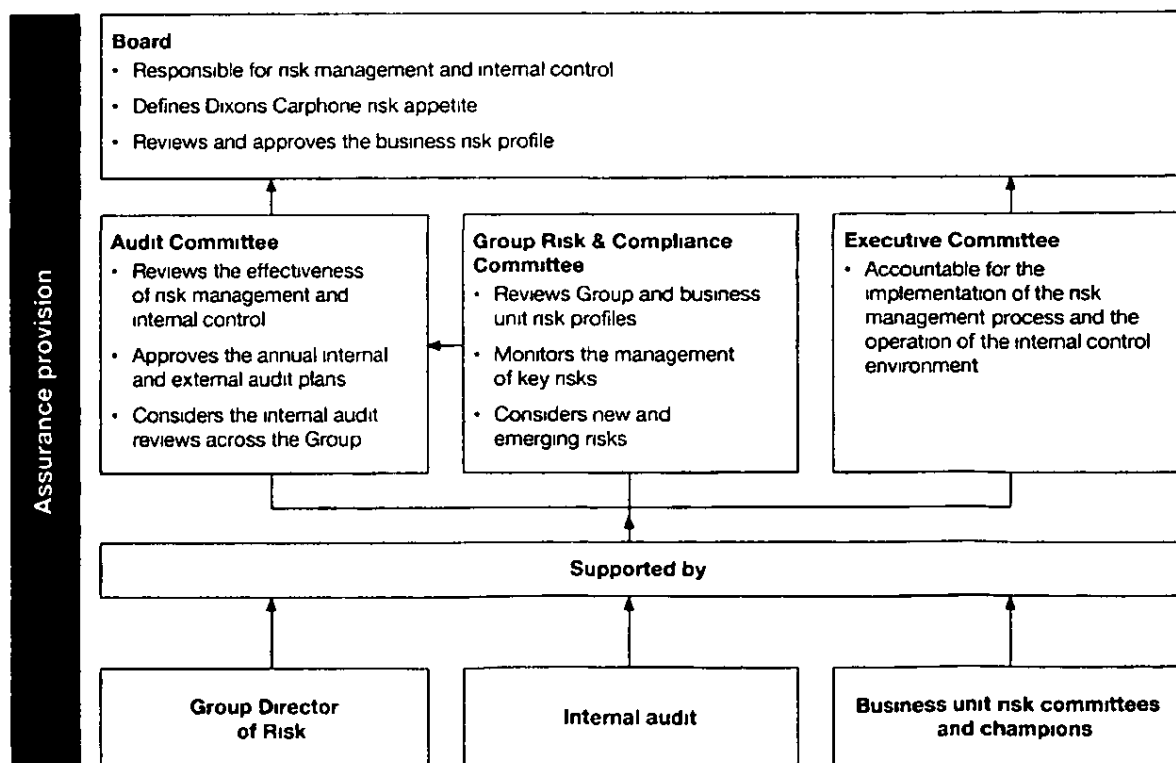
Statement on risk management and internal control

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 2015/16

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 20 to 23. 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 their effectiveness. The review covered all material controls during the year and up to the date of the approval of the Annual Report and Accounts 2015/16 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 arising from the Dixons Carphone business environment and operating model can be significant. 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. Dixons Carphone recognises that it is not possible or necessarily desirable to eliminate all of the risks inherent in its activities. Acceptance of some risk is often 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 2015/16 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 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 track and report 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 March 2016, a capital markets day was held and attended by analysts and institutional investors that focused on future plans for our consumer services offerings to be trialled in summer 2016. 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 and has conducted various remuneration consultations. More information on the remuneration consultations can be found in the Remuneration Report on pages 57 to 81.

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

Sir Charles Dunstone
Chairman
28 June 2016

Directors' Report

Corporate Governance statement

As required by Rule 7.2.1 of the UK Listing Authority's Disclosure and Transparency Rules ('DTR's') 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 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 30 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 adjustments to their roles. Every endeavour is made to find suitable alternative employment and to retrain 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 34. 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

Lord Livingston of Parkhead and Tony DeNunzio CBE were appointed directors on 16 December 2015. On the same date, John Gildersleeve and Roger Taylor both resigned as directors.

The names, biographies and dates of appointment of the current Board of directors are provided on pages 36 to 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 at the 2016 Annual General Meeting. 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 independent performance evaluation of the Board as a whole 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 57 to 81. 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 82.

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. On 30 April 2016 the Carphone Warehouse Employee Share Ownership Trust ('ESOT') held 625,623 shares (2015: 791,100 shares) and the Dixons Retail plc ESOT held 123,451 shares (2015: 151,829 shares). The Carphone Warehouse ESOT did not make any market purchases of the Company's shares, and the Dixons Retail plc ESOT made market purchases of 1,914,308 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 30 April 2016, pursuant to Chapter 5 of the Disclosure and Transparency Rules of the Financial Conduct Authority, the shareholders with 3% or more in the voting rights of the Company are

Name	Number of shares	Percentage of share capital
Standard Life	67,016,585	5.82%
BlackRock	64,226,251	5.58%
Lansdowne Partners	57,675,527	5.01%
D P J Ross	55,738,699	4.84%
AXA Group	42,555,710	3.70%
Capital Group	41,116,000	3.57%
Legal & General Investment Management	37,370,496	3.25%

At 28 June 2016, 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 69 to 81.

Dividend

The Board has proposed a final dividend for the year ended 30 April 2016. Details of this and other dividends paid for the year are as follows

	Year ended 30 April 2016	Year ended 2 May 2015
Interim dividend	3 25p	2 50p
Final dividend	6 50p	6 00p
Total dividends	9 75p	8 50p

The right to receive any dividend has been waived by the trustees of the Company's ESOTs over a combined holding of 749,074 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 2015 annual general meeting 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 Annual General Meeting.

Authority was given by the shareholders at the 2015 annual general meeting to purchase a maximum of 38,382,000 shares, such authority remaining valid for 15 months or until the conclusion of the Company's Annual General Meeting in 2016. 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 Annual General Meeting 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.

Auditor

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

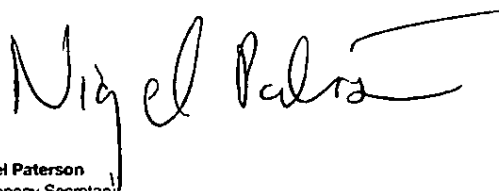
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that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

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

By Order of the Board



Nigel Paterson
Company Secretary
28 June 2016

Audit Committee Report

Chairman's statement

Introduction

I am pleased to present the report of the Audit Committee for the year ended 30 April 2016. 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.

Building on the activity and reporting of the Merger in 2014/15, this year the Committee has focused on overseeing the bedding-down of reporting in the complex regulatory and governance environment in which the Group operates. This has entailed ensuring that 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 Group Risk & Compliance Committee.

New reporting requirements

The Committee considered the Group's response to and conformance with the new requirements of the 2014 UK Corporate Governance Code (the 'Code') and the Financial Reporting Council ('FRC') Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. In particular this includes adopting the longer-term viability statement for the first time. Management recommended a three-year viability period to align with the Group's strategic planning and forecasting process together with sensitivities and assumptions based around the principal risks and related mitigating actions. The Committee concluded that the approach was appropriate and recommended adoption of the viability statement by the Board.

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 2015/16, including complying with new provisions relating to the robust assessment of risks and the viability statement,
- considering significant accounting and reporting judgements, including the appropriateness of the Group's going concern position,
- considering and recommending that the Annual Report and Accounts 2015/16, when taken as a whole, are fair, balanced and understandable,
- reviewing the effectiveness of the risk management system and internal controls, operated by management,

- considering and approving the viability statement, more information on which can be found on page 29, and the assessment and challenging of the analysis performed by management to reach the conditions underpinning it,
- receiving presentations and subsequent updates from management on such matters as succession planning and talent management, businesses regulated by the Financial Conduct Authority ('FCA') and IT strategy, and
- considering the robustness of the online services information security environment, which was the subject of a cyber-attack in August 2015 and the appropriateness of the immediate actions taken to secure the impacted systems and additional security measures put in place to help prevent further attacks.

Looking ahead

As the Group continues to develop new business areas in line with its strategy and business plans, we expect the Committee to remain busy.

The work programme will be responsive to the changing risk profile, the developing business model, the regulatory environment, and the changing shape of the systems (including IT) architecture. The risk assessment has been diligently prepared 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 in the challenging environment in which we operate.

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

Jack Lennox
Chairman of the Audit Committee
28 June 2016

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 to 37.

Meetings

The Committee met four scheduled times during the period under review. Since the year end there has 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, meets the requirement for recent and relevant financial experience. The Company Secretary acts as Secretary to the Committee and attends all meetings. The Committee's deliberations are reported by its Chairman to the following 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 with the external auditor outside of formal meetings and without management present.

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 shared out amongst 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 Committee has the following principal duties:

- monitoring the integrity of the interim statement and annual report and accounts and any formal announcements relating to the Group's financial performance,
- considering recommendation of the external auditor's appointment to the shareholders in general meeting and approve their remuneration,
- reviewing the results and conclusions of work performed by the external auditor;
- reviewing significant financial reporting judgements,
- reviewing the Group's financial controls and internal control and risk management systems,
- monitoring and reviewing the effectiveness of the Company's internal audit function,
- reviewing and monitoring the relationship with the external auditor, including their independence, objectivity, effectiveness and terms of engagement,
- considering whistleblowing arrangements by which employees may raise concerns about possible improprieties in matters of financial reporting or other matters,
- considering the major findings of internal investigations,
- 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,
- 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 June 2016 and are available on the Group's corporate website, www.dixonscarphone.com.

Key matters considered during the year

Accounting and financial reporting matters

The Committee is responsible for monitoring the integrity of the Interim Statement and Annual Report and Accounts in conjunction with both senior management and the external auditor. During the year ended 30 April 2016, consideration was given to the following matters:

- the suitability and application of the Group's accounting policies and practices,
- areas where significant levels of judgement have been applied or significant items have been discussed with the external auditor,
- updated accounting and corporate governance regulations,

Audit Committee Report

- Group risk register management and risk appetite,
- internal control effectiveness and control maturity,
- the viability statement and its alignment with the business strategy and long-term plan,
- financial integration and succession planning,
- FCA and regulatory compliance,
- data protection and information security, and

- whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide sufficient information necessary for shareholders and other users of the accounts to assess the Group's position and performance, business model and strategy

To assist with discharging these responsibilities, the Committee considers documents prepared by management and internal audit and reports received from the external auditor on the outcomes of their annual audit and interim review procedures

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	How the issue was addressed by the Committee
Revenue recognition	<p>Revenue recognition is considered to be a critical accounting policy and the judgements are set out in note 1s) of the Annual Report and Accounts 2015/16. Key components of judgement are largely in relation to the recognition of network commission receivable.</p> <p>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 and the sensitivity to the carrying value of ongoing network receivables recognised to changes in key assumptions as presented in note 26 in the Group financial statements. The carrying value of ongoing network commission receivables at the balance sheet date was £904 million.</p>
Provisions	<p>The Committee has considered the underlying judgements and estimates taken by management in the recognition and valuation of property rationalisation provisions as disclosed in note 20 in the Group financial statements.</p> <p>In addition the Committee has continued to review the judgements taken in relation to discontinued operations of the Group, being the Phone House operations in Germany, France, the Netherlands and Portugal. The Committee assessed the likelihood of remaining risks materialising and considered the appropriateness of associated provisions.</p>
Supplier funding	<p>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 1s) in the Group financial statements.</p>
Inventory provisioning	<p>Inventory is a significant balance for the Group as set out in note 1s) in the Group financial statements and contains managerial judgement for such items as obsolescence and shrinkage. As part of the general Committee procedures managerial judgement was assessed and no major issues noted.</p>
Impairment testing of goodwill and intangible assets	<p>The Group has significant goodwill of £3,054 million and acquisition intangibles of £348 million, following the Merger and the CPW Europe Acquisition. The Committee considered the judgements made and the methodology used in assessing the supportability of the year end balances and assessment for any potential impairment. A sensitivity analysis was then reviewed regarding the impact of a reasonably possible change in the key assumptions. These assumptions are set out in note 9 in the Group financial statements.</p>
Taxation	<p>The Group operates across multiple tax jurisdictions. The complex nature of tax legislation in certain jurisdictions can necessitate the use of judgement. In addition, management also uses assumptions and judgements to assess the likelihood of utilisation of available tax losses.</p> <p>The Committee reviewed the judgements and assumptions concerning any significant provisions, 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 £54 million.</p>

Matters of significance and areas of judgement	How the issue was addressed by the Committee
Fair, balanced and understandable	<p>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 £184 million pre-tax Non-Headline charges disclosed in note 4 in the Group financial statements. This 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.</p> <p>In addition the Committee gave due consideration to the integrity and sufficiency of information disclosed in the Annual Report and Accounts 2015/16 along with other relevant matters to ensure that it explains the Group's position, performance, business model and strategy. This included an assessment of narrative reporting to ensure consistency with the financial reporting section and appropriate balance and prominence of statutory and non-statutory performance measures. The Committee concurred that the measures used and disclosures provided were appropriate to provide users of the Annual Report and Accounts 2015/16 with a meaningful assessment of the performance of the underlying operations of the Group and the Board was advised of this conclusion.</p>
Going concern	<p>The Committee was presented by management with an assessment of the Group's future cash forecasts and profit projections, available facilities, facility headroom, banking covenants and the results of a sensitivity analysis. The Committee discussed the assessment with management and was satisfied that the going concern basis of preparation continues to be appropriate for the Group and advised the Board accordingly. The going concern statement is set out on page 29.</p>
Viability statement	<p>In addition to those factors assessed by the Committee in consideration of the going concern assessment discussed above, the Committee also noted the new requirement to produce a viability statement in this year's Annual Report and Accounts. Management presented a report that considered the appropriateness of the three-year time period under assessment noting the consistency between this period and the period of focus of the annual strategic planning process. The report included stress testing of the strategic three-year plan with reference to those principal risks and mitigating actions as described on pages 20 to 23 to the Annual Report and Accounts 2015/16. The Committee concurred with management's conclusions that the viability statement disclosed on page 29 of the Annual Report and Accounts 2015/16 is appropriate. The Board was advised accordingly.</p>

Risk management and internal control

The Committee is responsible for reviewing the Group's internal control and risk management systems. In order to discharge its responsibilities in this area the Committee reviewed the following key items:

- the assessment of the Group's response to information security and data protection risks,
- the Group's responsibilities relating to those aspects of the Group that are regulated,
- the Group-developed financial and IT controls framework and its subsequent assessment by internal audit,
- common control themes identified throughout the business, and where themes were identified, ensuring subsequent action has been taken to minimise the risk,
- the annual Audit Committee agenda, and
- the new governance and risk management framework, including a definition of risk appetite by risk category and principal risk, put in place throughout the Group.

Internal audit

During the period the following significant risk areas of the business were included within internal audit reviews:

- information security and data protection,
- regulatory compliance,
- IT resilience, integrity and disaster recovery,
- business continuity management, and
- relationships with networks.

In addition, 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:

- network revenue and commissions,
- supplier funding,
- treasury, and
- capital expenditure.

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.

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:

- The annual audit plan including the appropriateness of the key risks identified and materiality levels applied.
- The annual audit fee and fees for non-audit services which are set out in note 3 to the Annual Report and Accounts 2015/16, with due regard to the balance between audit and

Audit Committee Report

non-audit fees and the policy for approval of non-audit fees paid to the Group's auditor

- The effectiveness of the external auditor. 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 positive view of the audit process and of Deloitte LLP as the external auditor, specifically in relation to the high quality and integrity of the team, the constructive relationship and the effectiveness of the communication. Following due consideration the Committee continues to be satisfied with the quality and effectiveness of the audit.
- Significant issues and areas of judgement arising from reports from the external auditor. These areas were set out in the reports from the external auditor and discussed with the Committee. The Committee concluded that the judgements taken and assumptions made by management were all fair and reasonable.

Provision of non-audit services provided by the external auditor

The Committee's adoption of a revised policy on auditor independence last year had further restricted non-audit services, and limited services provided by the external auditor to audit and certain specific audit-related services (primarily those related to the role of reporting accountant and audit reports on financial information provided by the Group). All non-audit fee proposals are subject to pre-approval and must be submitted to the Group Financial Controller. Where assignments are 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 finalisation of tax services relating to discontinued operations, interim financial review procedures and the requirement in Greek law for the external auditor of the company to provide non-audit 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 £0.4 million compared with £1.5 million of audit fees. The non-audit fees as a percentage of audit fees was 28%. This is considerably lower than in 2014/15 as a result of one-off, Merger-related fees last year and the new, more restricted 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, has now completed his five-year term and must be succeeded by a different partner, in accordance with best practice and the Auditing Practices Board Ethical Standards. We would like to take this opportunity to thank John for his valuable input and guidance and welcome Stephen Grggs as his successor.

The Company's policy is to comply with the UK Corporate Governance Code, introduced by the FRC, 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, the tenure of the lead audit partner and the rigorous assessment of the replacement 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 reappoint 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 Annual General Meeting, was accepted and endorsed by the Board.

Jock Lennox
Chairman of the Audit Committee
28 June 2016

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 March 2016, which included an appraisal of Board experience and composition, diversity, time commitments of each director, director independence and a review of the Committee's Terms of Reference.

On 16 December 2015 the leadership of the business was significantly strengthened by the appointment of Lord Livingston of Parkhead as Deputy Chairman and Tony DeNunzio CBE as Senior Independent Director. Lord Livingston and Tony DeNunzio are both members of the Nominations and Remuneration committees. Lord Livingston also assumed the position of Chairman of the Remuneration Committee, on the same date John Gildersleeve and Roger Taylor resigned as directors of the Company.

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

Sir Charles Dunstone
Chairman of the Nominations Committee
28 June 2016

Meetings

- The Nominations Committee meets as and when required and at least twice a year.
- The Nominations Committee met three times during the period under review.

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 to 37.

Current members	Scheduled Meetings
Sir Charles Dunstone (Chairman)	3 of 3
Lord Livingston of Parkhead ⁽¹⁾	1 of 1
Tony DeNunzio CBE ⁽¹⁾	1 of 1
Andrea Gisle Joosen ⁽²⁾	2 of 3
Former member	
John Gildersleeve ⁽³⁾	2 of 2

- (1) Lord Livingston and Tony DeNunzio attended the one meeting held following their appointment on 16 December 2015.
- (2) Andrea Gisle Joosen did not attend one meeting due to a scheduling conflict.
- (3) John Gildersleeve attended both meetings prior to his resignation on 16 December 2015.

The majority of the members are independent NEDs as required by the UK Corporate Governance Code (the 'Code'). Other members of the Board or senior management may be invited to attend meetings at the request of the Chairman.

The Company Secretary 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,

Nominations Committee Report

- 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

The Committee's Terms of Reference are reviewed annually. The last review was in March 2016 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 also considered the appointments of Lord Livingston and Tony DeNunzio, and the resignations of John Gildersleeve and Roger Taylor

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 2015/16 the triennial Board evaluation was undertaken by an independent company, NJMD Corporate Services Limited. The review included the Board and the Audit, 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 retained when recruiting non-executive directors.

An independent global search firm, JCA Associates, was appointed. 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, undertook a thorough search and selection process for the most appropriate candidates. A wide range of high calibre candidates was considered for the roles of Deputy Chairman and Senior Independent Director. The Committee and Board confirmed both Lord Livingston's and Tony DeNunzio's independence upon appointment and were unanimous in their decisions to appoint them.

Succession planning

The business requires a talented Board with appropriate experience and expertise. This year, the Board has placed further emphasis on succession planning with two new appointments in December 2015. The Board considers no additional appointment is necessary at this time but is mindful of Baroness Morgan's tenure. 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 October 2015 Women on Boards Davies Review ('Review') which recommends a voluntary target of 33% to be achieved by 2020. Currently 23% of the Board, and 17% of the Group Executive team, are female.

Whilst noting the recommendations of the Review, the Board does not establish targets on gender balance as it believes that candidates should be appointed on merit. Our Board supports the benefits of greater diversity, which is not just gender-specific but also encompasses age, ethnicity, 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 31.

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.

Re-election

All directors will present themselves for election or re-election at the forthcoming Annual General Meeting. 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

Chairman's statement

On behalf of the Board, I am pleased to present the 2015/16 Directors' Remuneration Report which sets out our philosophy and proposed future policy for directors' remuneration, together with the activities of the Committee for this financial year ended 30 April 2016

Policy review

The integration has gone well and the strong performance of this year validates the bringing together of the two businesses. Our focus now on developing our Connected World Services and Knowhow businesses, complementing our core retail and services offering, brings with it exciting opportunities, supporting long-term earnings growth. Against this background, over the last few months, the Committee has been reviewing the Group's approach to executive remuneration and following consultation with our major shareholders is proposing a new long term incentive plan and will be seeking approval for this new plan from shareholders at the AGM in September this year.

The current long term plan (the 'Share Plan') has been a key element of the policy to date seeking to incentivise management to deliver superior shareholder returns through the Merger and integration of our two businesses. The performance of the Share Plan will be measured in July 2017 when, subject to performance, 60% of the shares will vest, with the remaining 40% vesting 12 months later.

The Committee had previously indicated that it would not seek to either make new awards under the Share Plan, or introduce a new plan, until awards under the current plan had fully vested in 2018. However, on taking over the role as Chairman of the Committee we reviewed issues around the recruitment and development of management in our business and came to the clear view that having no long term scheme in place that would follow on from the existing scheme would be detrimental to the business and our shareholders. We also felt that the Company had now reached the stage that it was appropriate to move to a more standard annualised award of performance shares. These will be based on EPS growth and relative TSR and is a material change in the way the Committee is seeking to operate directors' (and other senior executives') remuneration in the Company.

We have consulted with our major shareholders and reflected their feedback into the design of the proposed Remuneration Policy. The details of the new long term incentive plan are in the Policy section of this Report, but in summary are:

- an annual award of performance shares, with a normal maximum grant of 275% of base salary, with the ability to make awards of up to 375% of base salary in exceptional circumstances, e.g. recruitment,
- three-year vesting period, with a subsequent two-year holding period of any net of tax vested shares for executive directors,
- for 2016/17, performance measured equally against relative TSR, using the FTSE 51-150 peer group and adjusted EPS over the three year period, and
- robust withholding and recovery provisions, as with the Share Plan.

Proposed award levels for executive directors are set out on page 71 and will, subject to shareholder approval, be granted shortly after the AGM in September 2016.

The Committee recognises that proposing a common salary multiple for the long term incentive plan award to all executive directors is relatively unusual but this is reflective of the close

working relationship and contributions of the executive director team, which have been key to the success of the Group.

Whilst relative TSR and adjusted EPS have been chosen as the performance measures for the awards to be made in 2016/17, the Committee will retain the discretion to introduce a third measure in future years if appropriate, to enhance focus on a particular aspect of business performance. In the event that the Committee decided to do this, major shareholders would be consulted and also the TSR component would not be weighted less than 40%, to ensure ongoing focus on shareholder value creation.

We have also been very mindful of the current environment in executive remuneration, base pay increases for 2016 being in line with those for the wider workforce and no other changes are proposed to the Remuneration Policy other than:

- the removal of the ability to pay a retention bonus to executive directors under the loss of office provisions, and
- capping of any long term incentive plan award on recruitment to 375% of base salary, in line with exceptional awards under the new long term plan.

In conclusion, the Committee believes that the introduction of the new long term incentive plan and its design are right for the Group as it moves into a post-Merger operating environment. It is aligned to our overall aim to have a remuneration policy 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 is also very aware that much of the Group's success is down to the dedication and hard work of all our employees and we are delighted with the ongoing success of the Dixons Carphone Sharesave plan, in which we now have 25% of our UK & Ireland workforce participating.

The proposed new Remuneration Policy as set out in this Annual Report and Accounts will be put to shareholders for a binding vote at the AGM on 8 September 2016, where shareholders will be asked to approve the policy for a period of three years.

Pay and performance for 2015/16

As set out in the Strategic Report this has been a year of strong financial and operational performance. Headline pro forma EBIT increased by 13%, average net debt was ahead of target and there were improvements in ROCE, customer net promoter and employee engagement scores. This must be considered a very strong performance in a difficult and competitive market. The Committee approved annual bonus payments of 68.4% of base salary (73.7% of maximum opportunity) for the executive directors, which reflected the strong performance, but also the stretching nature of the targets set by the Committee.

Full details of the performance targets and actual performance assessed are provided in the Annual Remuneration Report on page 76.



Ian Livingston
Chairman of the Remuneration Committee
28 June 2016

Remuneration Report – Remuneration Policy

Introduction

The purpose of this Report is to inform shareholders of the Company's directors' remuneration for the period ended 30 April 2016 and the Remuneration Policy for subsequent years. 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 10 September 2015. Following several proposed changes to the Policy, a new authority will be sought from shareholders in a binding vote at the Annual General Meeting on 8 September 2016 and the new Policy will be effective from that date. The Annual Remuneration Report will also be put to an advisory vote at the Annual General Meeting.

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

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 Committee has clearly defined Terms of Reference which are available on the Company's corporate website.

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 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 65 to 66 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: <ul style="list-style-type: none"> • 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 holidays. 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

Remuneration Policy

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

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 plc 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

Subject to approval at the forthcoming AGM, 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 proposed award levels for executive directors in 2016 are set out in the Annual Remuneration Report on page 71
- **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 the 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 proposed metrics for awards will be set out in the Annual Remuneration Report

Remuneration Policy

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 80

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 | <p>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</p> <p>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</p> <p>Non-executive directors do not participate in the annual performance bonus or the long term incentive plans or pension arrangements</p> <p>Any reasonable business-related expenses (including the tax thereon) can be reimbursed if determined to be a taxable benefit</p> <p>For material, unexpected increases in time commitments, the Board may pay extra fees on a pro-rated basis to reflect additional workload</p> |
| • 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 following material changes have been made to the Remuneration Policy in order to align the pay of executive directors following a review of long term incentives
- no further awards to be made under the Share Plan described in more detail on page 78
 - introduce a new Long Term Incentive Plan with maximum award levels of 275% of salary in normal circumstances and 375% in exceptional circumstances, an additional two-year holding period and the inclusion of dividend equivalents on vested long term incentive awards,
 - removal of the ability to pay a retention bonus to executive directors under the loss of office provisions and
 - capping of any long term incentive plan award on recruitment to 375% of base salary, in line with exceptional awards under the new Long Term Incentive Plan
- (2) 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 or Share Option Plan. Details of these awards for executive directors are set out on page 78
- (3) Market-priced options will not be granted to executive directors

Remuneration Policy

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 maximum performance a payment of 125% of base salary
- (3) Long term incentives relate to the Long Term Incentive Plan, in which it is proposed the executive directors participate. 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 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, in contemplation of a new long term incentive policy a consultation took place with major shareholders to explain the Committee's proposed approach. Following constructive feedback, the Committee determined to put a cap on the level of award under the Company's Long Term Incentive Plan in exceptional circumstances, such as recruitment.

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.

Remuneration Policy

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	• Up to 12 months from either side
	Entitlements on termination	• As summarised in the Policy on loss of office • Provisions for mitigation and payment in lieu of notice
	Restrictive covenants	• Gardening leave provisions • Non-compete, non-solicitation, non-dealing and confidentiality provisions
	Variable elements	• 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)

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 and Graham Stapleton,
 - 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 and Graham Stapleton six 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.

Remuneration Policy

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 70.

Availability for inspection

The service agreements for the executive directors and letters of appointment for the non-executive directors are available for inspection at the registered office of the Company, and at the offices of the Company's solicitors, Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HT, during usual business hours on weekdays (excluding public holidays in England and Wales) until the date of the AGM. They will also be available for inspection at the AGM from 10.45am on the day of the meeting until the conclusion of 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, if approved by shareholders, the Long Term Incentive Plan will operate 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 30 April 2016, the Company's headroom position, which remains within the current Guidelines, was 4.9%.

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 Company's 2016 AGM.

The following sections set out how the Remuneration Policy was implemented during 2015/16 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
Graham Stapleton	5 Oct 11

With the exception of Andrew Harrison, all the above executive directors were appointed to the Board on 6 August 2014. More details are set out in the single figure of directors' remuneration tables on pages 74 to 75.

Letter of appointment

Non-executive directors are normally appointed for three year terms, 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 date of the letters of appointment and expiry of current terms are shown below.

	Letters of appointment	Expiry of current term
Sir Charles Dunstone	17 Jun 14	16 Jun 17
Tony DeNunzio	16 Dec 15	16 Dec 18
Andrea Gisle Joosen	17 Jun 14	16 Jun 17
Tim How	17 Jun 14	16 Jun 17
Jock Lennox	17 Jun 14	16 Jun 17
Lord Livingston of Parkhead	16 Dec 15	16 Dec 18
Baroness Morgan of Huyton	17 Jun 14	16 Jun 17
Gerry Murphy	17 Jun 14	16 Jun 17

Tony DeNunzio and Lord Livingston were appointed to the Board on 16 December 2015 and on the same date both John Gildersleeve and Roger Taylor stepped down from the Board. More details are set out in the single figure of directors' remuneration tables on pages 74 to 75.

Remuneration Committee membership and attendance

Members

Membership of the Committee comprises four non-executive directors, their names and attendance record are set out in the table below and their biographies and qualifications are set out on pages 36 to 37. The Committee's Terms of Reference are available on the Company's corporate website.

Meetings

The Remuneration Committee met four scheduled times during the period under review with one further unscheduled meeting. Since the year end there have been a further two meetings.

	Scheduled meetings
<i>Members during the year</i>	
Lord Livingston of Parkhead (Chairman) ⁽¹⁾	1 of 1
Tony DeNunzio ⁽¹⁾	1 of 1
Andrea Gisle Joosen	5 of 5
Tim How	5 of 5
<i>Former members</i>	
John Gildersleeve ⁽²⁾	4 of 4
Roger Taylor ⁽²⁾	4 of 4

(1) Appointed to the Committee 16 December 2015

(2) Resigned 16 December 2015

Only members of the 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 and in an advisory capacity only. Meetings are also regularly attended by the Company Secretary (who acts as 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,

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- 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 2015/16 included

- reviewed and approved the Directors' Remuneration Report,
- approved share awards to senior management appointments under the long term incentive plans,
- approved the Sharesave grant,
- assessed the performance of executive directors against pre-determined targets set for the 2014/15 annual bonus and approved the payments,
- agreed design of 2015/16 annual bonus including performance measures and targets,
- reviewed the current Share Plan and considered a new plan design for 2016/17,
- monitored the developments in the corporate governance environment and investor expectations, including post AGM investor feedback, and
- noted remuneration practices across the Group

Advice

The Committee appointed Aon Hewitt in April 2016 as independent advisors, having used Towers Watson prior to this in 2015/16. Aon Hewitt (and previously Towers Watson) 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. Aon Hewitt and Towers Watson 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. Aon Hewitt and Towers Watson have confirmed that they adhered to the Code during the relevant periods of 2015/16 for all remuneration services provided to the Group. Towers Watson received fees of £26,000 (2014/15: £82,000) in relation to the provision of those services. Towers Watson also provided actuarial services on behalf of the defined benefit pension scheme, however, the Committee has satisfied itself that Towers Watson's advice was objective and independent. The Committee may also take external legal advice, where required, to assist it in carrying out its duties.

External directorships

The policy relating to external directorships is outlined in the Remuneration Policy for 2015/16, the following external directorships were undertaken and the fees retained by the executive directors

- Andrew Hamson was appointed a non-executive director of Ocado Group plc on 1 March 2016 and was paid a fee of £8,000 from appointment to 30 April 2016
- Sebastian James has been a non-executive director of Direct Line Insurance Group plc during 2015/16 and was paid a fee of £85,000 for the period to 30 April 2016
- Katie Bickerstaffe has been a non-executive director of Scottish and Southern Energy plc during 2015/16 and was paid a fee of £70,000 for the period to 30 April 2016
- Humphrey Singer was appointed a non-executive director of Taylor Wimpey plc from 9 December 2015 and was paid a fee of £22,000 from appointment to 30 April 2016

How the Remuneration Policy will be applied in 2016/17

Executive directors

i) Base Salary

Executive directors' salaries were last reviewed at the time of Merger. The following increases will be applied during the 2016/17 financial year

	Salary at 30 April 2016 £'000	Increase in Salary in 2016/17 £'000	Salary at 1 August 2016 £'000
Current directors			
Sebastian James	820	16	836
Andrew Harrison	550	11	561
Humphrey Singer	475	10	485
Katie Bickerstaffe	500	10	510
Graham Stapleton	460	9	469

ii) Pension Contributions

Company pension contributions or allowance in lieu will continue in 2016/17 at their current levels of 10% for Sebastian James, Humphrey Singer and Katie Bickerstaffe and 5% for Andrew Hamson and Graham Stapleton

iii) Annual performance bonus

The maximum annual bonus for 2016/17 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 our key objectives and are aligned to our Group 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 2016/17 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.

The performance metrics and their weightings for 2016/17 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

Subject to shareholder approval at the AGM on 8 September 2016, the Committee intends to make an award of 275% of salary to each of the executive directors in 2016/17, which 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.

When setting the proposed award levels, the Committee took account of a number of reference points, including the potential total remuneration against a number of scenarios of performance. The Committee believes that the greater weighting of variable pay towards long term incentives is better aligned with the interests of shareholders and focuses on sustainable long-term performance. The common level of long term incentive plan award to all executive directors is reflective of the collegiate approach of the executive director team, which was established through the Merger and has been a key part of the success of the Group.

For 2016/17 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. Due to current uncertainties in the market, the Committee is deliberating further over the appropriate EPS targets for the awards to be made in September 2016, subject to shareholders approving the new LTIP. The EPS targets will be published on the Company's website in sufficient time before the AGM for shareholders to review them ahead of voting on the new LTIP.

When setting the EPS growth target range the Committee will take into consideration a number of reference points including the internal business plan, external market consensus, the strong growth in 2015/16, a broad view of the macroeconomic environment and, to a lesser extent, growth targets in other similarly sized retailers. The Committee will set a range of targets straddling consensus, with consensus at or slightly below the middle of the range. The target range proposed will provide the correct balance between incentivisation and further performance motivation, without creating any undue risk.

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.

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Remuneration details for 2015/16

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

Start date of the graph reflects date of admittance to the London Stock Exchange of Dixons Carphone plc, previously called Carphone Warehouse plc

Group Chief Executive pay

The following table shows, over the same six 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 %
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. 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	(32)%	(26)%

(1) The percentage change in taxable benefits is considered to be 0% since there have been no material changes in Group benefits.

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 2015/16 and the prior year.

	2015/16 £million	2014/15 £million	Change %
Dividends paid ⁽¹⁾	106	52	104%
Headline EBIT	468	413	13%
Total staff costs – continuing operations ⁽²⁾	1,061	900	18%

	Number	Number	Change %
Average employee numbers – continuing operations ^{(2) (3)}	41,847	32,834	27%

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

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

(3) The average number of employees for 2014/15 is made up of legacy Carphone Warehouse employees for the full 13 month period and legacy Dixons Retail employees for the period post Merger.

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Audited information

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

	2015/16						
	Basic salary and fees £'000	Pension contributions ⁽²⁾ £'000	Annual bonus £'000	Taxable benefits ⁽⁴⁾ and emoluments £'000	Total £'000	LTIP payments ⁽⁶⁾ remuneration £'000	Total £'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 ⁽³⁾	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⁾	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 Lord 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 2015 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) Lord Livingston has a deferred pension in the Dixons Retirement and Employee Security Scheme.

Single figure of directors' remuneration for the period ended 2 May 2015

	2014/15						
	Basic salary and fees £ 000	Pension contributions ^a £ 000	Annual bonus ^a £ 000	Taxable benefits ^a £ 000	Total emoluments £ 000	LTIP payments ^a £ 000	Total remuneration £ 000
Executive							
Current directors							
Sebastian James ⁽¹⁾	590	59	1,025	13	1,687	—	1,687
Andrew Harrison	570	28	745	14	1,357	—	1,357
Humphrey Singer ⁽¹⁾	342	34	594	13	983	—	983
Katie Bickerstaffe ⁽¹⁾	360	36	625	12	1,033	—	1,033
Graham Stapleton ⁽¹⁾	343	17	623	10	993	—	993
Former directors							
Nigel Langstaff ⁽¹⁾	117 ⁽⁶⁾	6	—	4	127	—	127
	2,322	180	3,612	66	6,180	—	6,180
Non-executive							
Current directors							
Sir Charles Dunstone	290	—	—	—	290	—	290
Roger Taylor	179	—	—	1 ⁽⁷⁾	180	—	180
Andrea Gisle Joosen ⁽¹⁾	50	—	—	—	50	—	50
John Gildersleeve	87	—	—	—	87	—	87
Tim How ⁽¹⁾	47	—	—	—	47	—	47
Baroness Morgan of Huyton	70	—	—	—	70	—	70
Jock Lennox ⁽¹⁾	54	—	—	—	54	—	54
Gerry Murphy	67	—	—	—	67	—	67
Former directors							
John Allan ⁽¹⁾	75	—	—	—	75	—	75
John Allwood ⁽¹⁾	28	—	—	—	28	—	28
	947	—	—	1	948	—	948
	3,269	180	3,612	67	7,128	—	7,128

- (1) Remuneration is shown for the period served on the Board. The following directors were appointed on 6 August 2014: Sebastian James, Humphrey Singer, Katie Bickerstaffe, Graham Stapleton, Andrea Gisle Joosen, Tim How and Jock Lennox. Remuneration / fees for these directors is shown from appointment to 2 May 2015. John Allan was appointed to the Board on 6 August 2014 and resigned on 17 February 2015 and the fees shown are for this period. Nigel Langstaff and John Allwood resigned from the Board on 6 August 2014 and remuneration / fees are from 1 April 2014 to date of leaving.
- (2) 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. This additional amount was 10% for Sebastian James, Humphrey Singer and Katie Bickerstaffe and 5% for Andrew Harrison, Nigel Langstaff and Graham Stapleton.
- (3) Annual bonus for Graham Stapleton and base salary and annual bonus for Andrew Harrison represents the amount earned over 13 months following the alignment of the financial year end. Annual bonuses for Sebastian James, Humphrey Singer and Katie Bickerstaffe represent the amount earned over the 12 months to 2 May 2015 which includes the period prior to the Merger. All bonuses are calculated based on the directors' annual salary as at 2 May 2015.
- (4) Taxable benefits include private medical insurance, car allowance and Sharesave gains of £4,000 for Sebastian James, Humphrey Singer and Katie Bickerstaffe in respect of options granted on 26 February 2015 as set out in the table on page 79.
- (5) LTIP payments would comprise amounts under the Share Plan, however, the performance period ends in July 2017.
- (6) In addition to the above remuneration and subsequent to resigning from the Board on 6 August 2014, Nigel Langstaff received a redundancy payment of £247,000 upon leaving the business in December 2014. Nigel also received £350,000 as a payment in lieu of notice in respect of basic salary, £19,700 in respect of benefits (including car allowance, permanent health insurance and life cover) and £17,500 in respect of pension contributions. There was no payment for accrued holiday untaken. These amounts were in line with contractual entitlements and the Group's redundancy payments policy and no discretion was applied in their determination. The Committee determined to apply discretion to pay a bonus of £437,500 in respect of the period of service in the 2014/15 financial year and in respect of ongoing support up to the announcement of the preliminary results for 2014/15.
- (7) Roger Taylor continued to receive private medical insurance benefits.

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Long term incentive plans (LTIP)

The Share Plan awards made during 2014/15 vest in July 2017 (60%) and July 2018 (40%)

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

No LTIPs have vested during the year for the directors whilst serving on the Board

Annual bonus for 2015/16

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. 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 below the targets on a retrospective basis and the actual performance against these

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
Pro forma Headline EBIT	60%	£450 million	£475 million	£500 million	£468 million	29%
Pro forma average net (debt) / funds – variance vs budget	10%	£(50) million	Budget	£50 million	£54 million	10%
Return on Capital Employed	10%	20.1%	20.6%	21.1%	21.0%	9%
Customer net promoter score	10%	Worse	Target	Better	Better	10%
Employee engagement score	10%	Worse	Target	Better	Better	10%

It should be noted that customer net promoter and employee engagement score targets were set in the context of a high base point. The improvement in actual performance was therefore considered an excellent result. The actual scores for these measures are still considered to be commercially sensitive and therefore cannot be disclosed in full.

Overall bonus payments will be at target levels and will be paid in cash at 68.4% of base salary. 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 2015/16 are set out in the single figure of directors' remuneration table on page 74.

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, 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 (2014/15 £60,000) and additional fees as set out in the table below for chairing or membership of committees. Fees will remain unchanged for 2016/17.

	2015/16 £'000	2014/15 £'000
Chairman ⁽¹⁾	280	280
Deputy Chairman ⁽²⁾	140	140 ⁽³⁾
Senior Independent Director ⁽⁴⁾	90	N/A ⁽⁵⁾
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) The Deputy Chairman's fee includes Chairmanship of the Remuneration Committee and membership of the Nominations Committee.

(3) Fees for previous Deputy Chairman.

(4) The Senior Independent Director's fee includes membership of the Nominations and Remuneration committees.

(5) The Senior Independent Director during 2014/15 was also Deputy Chairman, and received no additional fee for this.

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Directors' interests in the Share Plan

The executive directors previously participated 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 ordinarily be measured at the end of the performance period (in or around July 2017 for the current participants), 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 plc 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.

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 FTSE 250.

The table below shows the allocation to the executive directors of participation shares in the subsidiary, 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 2 May 2015 ⁽¹⁾ Number	B Ordinary shares in subsidiary allocated as at 2 May 2015 ⁽²⁾ Number	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	Allocation of A pool as at 2 May 2015 ⁽¹⁾ %	Allocation of B pool as at 2 May 2015 ⁽²⁾ %	Allocation of A pool as at 30 April 2016 ⁽¹⁾ %	Allocation of B pool as at 30 April 2016 ⁽²⁾ %	Loan outstanding as at 2 May 2015 £ 000	Loan outstanding as at 30 April 2016 £ 000
Current directors										
Sebastian James	—	1,100	—	1,100	—	11%	—	11%	2,239	2,306
Andrew Harrison	700	200	700	200	7%	2%	7%	2%	810	834
Humphrey Singer	—	700	—	700	—	7%	—	7%	1,425	1,467
Katie Bickerstaffe	—	700	—	700	—	7%	—	7%	1,425	1,467
Graham Stapleton	600	100	600	100	6%	1%	6%	1%	549	565

(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.

Directors' share options

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 plc. 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.

	Date of grant	Exercise price (p)	At 3 May 2015	Awarded in the period ⁽¹⁾	Lapsed or forfeited in the period	Exercised ⁽²⁾ in period	At 30 April 2016	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
			5,467	—	—	—	5,467		
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 2012 ⁽¹⁾	91.48	1,377	—	—	(1,377)	—	1 Oct 2015	31 Mar 2016
	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
			6,478	334	—	(1,377)	5,435		
Katie Bickerstaffe									
Sharesave	23 Jul 2012 ⁽¹⁾	91.48	1,377	—	—	(1,377)	—	1 Oct 2015	31 Mar 2016
	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
			6,478	334	—	(1,377)	5,435		

- (1) Share options that were granted under the Dixons Retail Sharesave Plan and rolled over into options over Dixons Carphone plc shares. The exercise price shown is the roll over price over Dixons Carphone plc shares.
- (2) The options exercised by Katie Bickerstaffe and Humphrey Singer on 1 October 2015 had a market price of £4.25 on the date of exercise.
- (3) The face value of awards granted on 25 February 2016 for the executive directors was £1,460 for Humphrey Singer and Katie Bickerstaffe. The exercise price was set at a 20% discount to the mid-market closing share price at 27 January 2016 of £4.71.

Annual Remuneration Report

Directors' shareholding

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

	Beneficially owned		Restricted interests in share plans			Total beneficial interests under share ownership guidelines 30 April 2016	Total beneficial share interests as a % of salary ⁴ 30 April 2016	Exercised during 2015/16
	30 April 2016 ¹	2 May 2015 ¹	Share Plan ² as at 30 April 2016	Share Plan ² as at 30 April 2016	Sharesave as at 30 April 2016			
Executive directors								
Current directors								
Sebastian James	908,234	908,234	—	1,100	5,467	908,234	467%	—
Andrew Harrison	5,000,000	5,000,000	700	200	4,017	5,000,000	3,835%	—
Humphrey Singer	619,147	617,770	—	700	5,435	619,147	550%	1,377
Katie Bickerstaffe ⁽⁵⁾	408,967	657,590	—	700	5,435	408,967	345%	1,377
Graham Stapleton ⁽⁶⁾	490,034	880,034	600	100	—	490,034	449%	—
Non-executive directors								
Current directors								
Sir Charles Dunstone	134,758,481	134,758,481	—	—	—	—	—	—
Tony DeNunzio	50,000	—	—	—	—	—	—	—
Andrea Gisle Joosen	6,076	6,076	—	—	—	—	—	—
Tim How	12,400	12,400	—	—	—	—	—	—
Jock Lennox	11,625	11,625	—	—	—	—	—	—
Lord Livingston of Parkhead	—	—	—	—	—	—	—	—
Baroness Morgan of Huyton	991	991	—	—	—	—	—	—
Gerry Murphy	20,000	20,000	—	—	—	—	—	—
Former directors								
John Gildersteeve	122,568	122,568	—	—	—	N/A	N/A	—
Roger Taylor	9,808,554	9,808,554	—	—	—	N/A	N/A	—

(1) Date of appointment, if later

(2) The shares listed here are in A ordinary shares of New CPW Limited as part of the shares purchased in relation to the Share Plan. These have been subscribed for by the Directors. A ordinary shares have a different opening valuation to B ordinary shares as described in note (3), reflecting the value of the Company at appropriate times prior to the grants

(3) The shares listed here are in B ordinary shares of New CPW Limited as part of the shares purchased in relation to the Share Plan. These have been subscribed for by the Directors. B ordinary shares have a different opening valuation to A ordinary shares, as described in note (2), reflecting the value of the Company at appropriate times prior to the grants

(4) The percentage excludes the Share Plan participation shares and Sharesave options and is based on basic salary as at 30 April 2016 and an average share price over the month to 30 April 2016 of £4.218

(5) On 18 August 2015, Katie Bickerstaffe sold 105,796 shares at £4.419. On 21 August 2015, she sold 109,034 shares at £4.338 and on 24 August 2015, she sold a further 35,170 shares at £4.084

(6) On 18 August 2015, Graham Stapleton sold 165,060 shares at £4.419, on 21 August 2015, he sold 170,110 shares at £4.338 and on 24 August 2015, he sold a further 54,830 shares at £4.084

(7) Date of resignation, if earlier

There were no changes in the directors' restricted or unrestricted share interests between 30 April 2016 and the date of this 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 and in particular we have consulted with our shareholders on the Remuneration Policy being put to the vote at the AGM. 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 2015 annual general meeting

Resolution	Votes for	%	Votes against	%	Withheld
Approval of Remuneration Policy	771,709,963	94.09	48,431,387	5.91	88,989,962
Approval of Annual Remuneration Report	621,991,756	72.95	230,588,119	27.05	56,551,437

As the annual remuneration report received significant shareholder votes against it at the annual general meeting in 2015 (see table above for voting outcomes at the previous annual general meeting), during the recent consultation process, the Company encouraged feedback from its key shareholders to understand the reasons behind the dissent. We are aware of shareholders' concerns regarding the transparency and communication of the Company's Remuneration Report and have focused on providing clearer reporting on past remuneration.

Compliance

As required by the Regulations, a resolution to approve this Remuneration Report will be proposed at the AGM to be held on 8 September 2016.

Ian Livingston
Chairman of the Remuneration Committee
28 June 2016

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
28 June 2016

Humphrey Singer
Group Finance Director
28 June 2016

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 30 April 2016 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 31 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'.

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 have nothing 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 20 to 23 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 12 months from the date of approval of the financial statements,
- the directors' explanation on page 29 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 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 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.

Independent Auditor's report

Our assessment of risks and 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. The key risks we identified are:

- Impairment of goodwill and other intangible assets
- Revenue recognition – UK network commissions
- UK supplier funding
- Inventory provisioning (Dixons)
- Property rationalisation provisioning

Risk	How the scope of our audit responded to the risk
Impairment of goodwill and other intangible assets <p>The Group has significant acquisition related intangible assets, including goodwill, (£3,402 million at 30 April 2016 including £3,054 million of goodwill and £348 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 notes 1j), 1k) and 1s) to the Group financial statements.</p>	<p>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 and the prevailing Group cost of capital at the year end. We have audited the mechanics of the impairment models prepared by management.</p>
Revenue recognition – UK network commissions <p>The monetary value of commission receivable on sales, 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 customer behaviour beyond the point of sale. Management is therefore required to exercise judgement in respect of the level of customer default within the contract period, expected levels of customer spend and customer behaviour beyond the initial contract period. The key judgements and estimates involved are described in more detail in notes 1d), 1s) and 26h) to the Group financial statements.</p>	<p>We evaluated the design and implementation of both the relevant manual and automated controls over the revenue recognition process in respect of commissions receivable, utilising IT specialists to assist with testing of automated controls. In addition we tested that these controls were operating effectively throughout the period.</p> <p>We have tested the valuation of revenue recognised through review of the Group's contractual arrangements, substantive testing of management assumptions including tenure, line rental, and churn to data received from networks and testing of cash receipts.</p> <p>We have also assessed any changes in estimate in comparison to the prior year and reviewed year on year movement in key assumptions.</p>
UK supplier funding <p>The Group holds a number of significant funding arrangements with suppliers. 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 targets 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 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 note 1s) to the Group financial statements.</p>	<p>We updated our understanding of the key supplier funding arrangements across the Group. As part of this, we met with the key commercial and finance process owners, we tested the design and implementation of the Group's key controls in operation, principally focused on those that determine the appropriate timing of recognition for supplier funding balances, and we performed an analytical assessment of movements in supplier funding throughout the current year to historical trends.</p> <p>To ensure there is sufficient evidence to support the recognition of supplier funding, we substantively tested and recalculated a sample of amounts with reference to signed supplier contracts. We also obtained confirmations following circularisation of a sample of suppliers.</p>

Risk	How the scope of our audit responded to the risk
<p>Inventory provisioning (Dixons)</p> <p>Inventory is a significant balance for the Group (£958 million at 30 April 2016) and there are a number of judgemental areas 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 legacy Dixons 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 notes 1o) and 1s) to the Group financial statements.</p>	<p>We have performed testing of the operating effectiveness of controls around the inventory business cycle and attended a sample of inventory counts at 34 stores and the distribution centres across the Dixons UK and Nordics businesses, including visiting the Group's main distribution centre in Newark on four separate occasions, which enables us to assess management's processes for monitoring inventory. We performed audit tests to assess whether inventory 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 have also considered the impact of range changes and other specific known areas of overstock on the required provision calculation.</p>
<p>Property rationalisation provisioning</p> <p>The Group has recorded a charge of £70 million in relation to restructuring of the property portfolio in the UK business. The magnitude of the associated restructuring provision involves the use of estimates and judgement, particularly with regard to property exit and onerous lease costs. Further information is included in notes 1r), 1s) and 4iii) to the Group financial statements.</p>	<p>We have obtained an understanding of the process undertaken by management to quantify the expected costs arising from the rationalisation of the property portfolio and have evaluated the design and implementation of the associated controls. We have assessed the appropriateness of the provisions to ensure they meet the relevant criteria for recognition in accordance with the accounting standard. We have reviewed a sample of contractual lease agreements and assessed management's judgements in relation to sublet income, rent free periods and dilapidations against past evidence available for similar properties. We have substantively tested a sample of the costs incurred during the period to supporting documentation.</p>

Last year our report included three other risks which are not included in our report this year: acquisition accounting (there have been no significant acquisitions during the year following the acquisition of Dixons Retail plc last year), assets held for sale, discontinued operations and disposal accounting (as the accounting for the disposals was largely completed last year), and taxation (there have been no significant changes noted in the current year and it is no longer an area which has a significant effect on our audit strategy and the efforts of the engagement team). In the current period, we have included an additional risk in relation to property rationalisation provisioning, reflecting the announcement of the restructuring of the property portfolio made by the Group during the year.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 52 to 53.

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.

We determined materiality for the group to be £17.5 million (2014/15: £14.0 million), which is below 5% (2014/15: 5%) of adjusted Headline profit before tax, and below 1% (2014/15: 1%) of equity. In using adjusted Headline profit before tax, we have followed the Group's definition of Headline results in note 1a) and adjusted this to include the impact of the amortisation of acquisition intangibles and pension finance costs due to their recurring nature. This is the same basis on which we calculated materiality in the prior year and the increase in materiality in the current year is due to the increase in the Group's Headline profit before tax. 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.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £600,000 (2014/15: £500,000), 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.

Independent Auditor's report

An overview of the scope of our audit

We have reassessed our Group audit scope following the completion of the disposal of certain European operations during the year and accordingly have not performed a full scope audit in Spain or an audit of specified account balances in Greece, both of which we did in the prior year, although these components are both still subject to local statutory audits and are subject to analytical procedures as part of work performed at the parent entity level

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. Each of these components requires a local statutory audit.

These locations represent the principal business units and account for approximately 94% of the Group's revenue from continuing operations (2014/15: 93%) and 84% of the Group's Headline profit before tax. 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 £3 million to £10 million (2014/15: £3 million to £8 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 30 April 2016, senior members of the Group audit team visited Norway, where the Nordics head office is located, 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, and
- 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.

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 and Accounts

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report and Accounts 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 statements.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). 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.



John Adam (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
28 June 2016

Consolidated income statement

	Note	Year ended 30 April 2016			13 months ended 2 May 2015		
		Headline* £million	Non Headline £million	Total £million	Headline £million	Non Headline £million	Total £million
Continuing operations							
Revenue	2	9,738	—	9,738	8,255	—	8,255
Profit / (loss) from operations before share of results of joint ventures	2	472	(164)	308	400	(76)	324
Share of results of joint ventures	12	(4)	—	(4)	—	—	—
Profit / (loss) before interest and tax	2 3	468	(164)	304	400	(76)	324
Finance income		17	—	17	15	—	15
Finance costs		(38)	(20)	(58)	(39)	(13)	(52)
Net finance costs	6	(21)	(20)	(41)	(24)	(13)	(37)
Profit / (loss) before tax		447	(184)	263	376	(89)	287
Income tax (expense) / credit	7	(110)	26	(84)	(91)	15	(76)
Profit / (loss) after tax – continuing operations		337	(158)	179	285	(74)	211
Loss after tax – discontinued operations	25	—	(18)	(18)	—	(114)	(114)
Profit / (loss) after tax for the period		337	(176)	161	285	(188)	97
Earnings per share (pence)	8						
Basic – continuing operations		29 3p		15 6p	29 7p		22 0p
Diluted – continuing operations		28 4p		15 1p	28 7p		21 2p
Basic – total				14 0p			10 1p
Diluted – total				13 6p			9 8p

* Headline results exclude amortisation of acquisition intangibles, Merger integration and transaction costs, property rationalisation costs, acquisition related costs, net interest on defined benefit pension schemes and discontinued operations (comprising Virgin Mobile France and Phone House operations in Germany, the Netherlands and Portugal). Such excluded items are described as 'Non-Headline'. For further details see notes 4 and 25 to the financial statements.

Consolidated statement of comprehensive income

	Year ended 30 April 2016 £million	13 months ended 2 May 2015 £million
Profit after tax for the period	161	97
<i>Items that may be reclassified to the income statement in subsequent years</i>		
Cash flow hedges		
Fair value remeasurement losses	(12)	(14)
Gains transferred to carrying amount of inventories	—	4
Exchange differences arising on translation of foreign operations	66	(107)
Other foreign exchange differences	2	3
	56	(114)
<i>Items that will not be reclassified to the income statement in subsequent years</i>		
Actuarial (losses) / gains on defined benefit pension schemes – UK	(5)	(72)
– Overseas	2	(1)
Taxation on defined benefit pension schemes	(9)	15
Foreign exchange movements	—	(1)
	(12)	(59)
Other comprehensive income / (expense) for the period (taken to equity)	44	(173)
Total comprehensive income / (expense) for the period	205	(76)

Consolidated balance sheet

	Note	30 April 2016 £million	2 May 2015 £million
Non-current assets			
Goodwill	9	3,054	2,989
Intangible assets	10	540	525
Property, plant & equipment	11	366	327
Interests in joint ventures	12	5	—
Trade and other receivables	14	408	318
Deferred tax assets	7	234	263
		4,607	4,422
Current assets			
Inventory	13	958	920
Trade and other receivables	14	1,131	907
Cash and cash equivalents	15	233	163
		2,322	1,990
Assets held for sale	25	—	137
Total assets		6,929	6,549
Current liabilities			
Trade and other payables	16	(2,310)	(1,961)
Deferred and contingent consideration	17	(12)	(25)
Income tax payable		(89)	(89)
Loans and other borrowings	18	—	(55)
Finance lease obligations	19	(2)	(2)
Provisions	20	(78)	(54)
		(2,491)	(2,186)
Liabilities associated with assets held for sale	25	—	(68)
		(2,491)	(2,254)
Non-current liabilities			
Trade and other payables	16	(423)	(496)
Deferred and contingent consideration	17	(21)	(6)
Loans and other borrowings	18	(409)	(330)
Finance lease obligations	19	(89)	(89)
Retirement benefit obligations	21	(474)	(489)
Deferred tax liabilities	7	(115)	(101)
Provisions	20	(47)	(21)
		(1,578)	(1,532)
Total liabilities		(4,069)	(3,786)
Net assets		2,860	2,763
Capital and reserves			
Share capital	22	1	1
Share premium reserve		2,256	2,256
Accumulated profits		1,398	1,369
Translation reserve		(45)	(113)
Demerger reserve		(750)	(750)
Equity attributable to equity holders of the parent company		2,860	2,763

The financial statements were approved by the directors on 28 June 2016 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 29 March 2014		1	283	1,355	(9)	(750)	880
Profit for the period		—	—	97	—	—	97
Other comprehensive income and expense recognised directly in equity		—	—	(69)	(104)	—	(173)
Total comprehensive income and expense for the period		—	—	28	(104)	—	(76)
Ordinary shares issued		—	1,973	—	—	—	1,973
Equity dividends	23	—	—	(52)	—	—	(52)
Net movement in relation to share schemes		—	—	21	—	—	21
Tax on items recognised directly in reserves		—	—	17	—	—	17
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)	—	—	(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

Financial statements

Consolidated cash flow statement

	Note	Year ended 30 April 2016 £million	13 months ended 2 May 2015 £million
Operating activities – continuing operations			
Cash generated from operations	27	485	110
Special contributions to defined benefit pension scheme		(35)	(28)
Income tax paid		(56)	(39)
Net cash flows from operating activities		394	43
Investing activities – continuing operations			
Interest received		–	1
Cash acquired on the Merger		–	347
Net cash outflow arising from acquisition of subsidiaries		(50)	(25)
Proceeds from disposal of property, plant & equipment		24	11
Proceeds on sale of business and short term investments		–	8
Acquisition of property, plant & equipment and other intangibles		(221)	(166)
Investment in joint ventures		(9)	–
Net cash flows from investing activities		(256)	176
Financing activities – continuing operations			
Interest paid		(20)	(30)
Repayment of obligations under finance leases		(6)	(7)
Net purchase of own shares		(5)	–
Equity dividends paid		(106)	(52)
Increase / (decrease) in borrowings		25	(211)
Bond redemption premium		–	(38)
Facility arrangement fees paid		(5)	(4)
Net cash flows from financing activities		(117)	(342)
Increase / (decrease) in cash and cash equivalents			
Continuing operations		21	(123)
Discontinued operations	25	32	3
		53	(120)
Cash and cash equivalents at beginning of the period		163	283
Currency translation differences		17	–
Cash and cash equivalents at end of the period	27	233	163

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.

On 6 August 2014, the Group completed the merger of Dixons and Carphone (the 'Merger'), which was implemented by way of a scheme of arrangement of Dixons.

Historically, the Group prepared its financial statements to the Saturday closest to its accounting reference date of 31 March. Following the Merger, the Group changed its accounting reference date to 30 April which was the accounting reference date of Dixons, but continues to draw up accounts to the nearest Saturday. Accordingly the comparative financial period is for the 13 months ended 2 May 2015.

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 a more accurate reflection 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) 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 period comprise amortisation of acquisition intangibles, Merger integration and transaction costs, property rationalisation costs, acquisition related costs, net interest on defined benefit pension schemes and discontinued operations (comprising Virgin Mobile France and Phone House operations in Germany, the Netherlands and Portugal). 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.

Gains on disposal of non-core businesses in Southern Europe in the prior period have been included in Headline results net of restructuring costs. The net impact of these activities totalled £5 million.

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.

Notes to the Group financial statements

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 at the average foreign exchange rates for the year, 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	
	2016	2015	2016	2015
Euro	1.36	1.28	1.28	1.35
Norwegian Krone	12.51	10.86	11.77	11.51
Swedish Krona	12.65	11.85	11.74	12.72

d) 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:

- 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 consider that the quantity and quality of data available provides an appropriate proxy for current trends,
- revenue arising on services (including delivery and installation, product repairs and product support), is recognised when the relevant services are provided,
- commission receivable on sales, being commission which is contractually committed, and for which there are no ongoing performance obligations, is recognised when the sales to which the commission relates are made, net of any provision for promotional offers and network operator performance penalties. Commission includes a share of consumer airtime spend, to the extent that it can be reliably measured and there are no ongoing service obligations. Where the time value of money has a material impact, an appropriate discount is applied such that revenue is recognised at an amount equal to the present value of the future consideration to be received,
- other ongoing revenue is recognised as it is earned over the lives of the relevant customers,
- volume bonuses receivable from network operators are recognised when the conditions on which they are earned have been met,
- 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,

- 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

e) 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 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.

f) 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.

Charges also arise on loans that are provided to employees to fund the purchase of shares as part of long term incentive plans. To the extent to which the loans are not, in certain circumstances, repayable, the cost of the relevant part of such loans is expensed over the course of the relevant incentive plans.

g) 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.

h) 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.

Notes to the Group financial statements

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

i) 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 reserves, in which case it is recognised directly in reserves

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

j) 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 Cash Generating Unit (CGU) expected to benefit from 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 CGUs to which the goodwill relates. 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

k) 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% to 20% per annum
Customer relationships	13% to 50% per annum

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

l) 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

Rates applied to different classes of property, plant & equipment are as follows

Land and buildings	1½% – 4% per annum
Fixtures, fittings and equipment	10 – 33¼% 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.

m) Financial assets and investments

The Group's financial assets comprise cash and cash equivalents, and those receivables which involve a contractual right to receive cash from external parties. 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 1p) and 26, are classified as 'loans and receivables' and 'held for trading unless designated in a hedge relationship', respectively. Trade and other receivables (excluding derivative financial assets) are classified as 'loans and receivables'.

n) 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.

o) Inventories

Inventories are stated at the lower of cost and net realisable value. 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.

p) 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.

q) 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 and other non-financial creditors.

Borrowings

Borrowings in the Group's balance sheet represent committed and uncommitted bank loans. Borrowings are initially recorded at the consideration received less directly 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.

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 recorded at 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.

Notes to the Group financial statements

r) 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.

s) 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. The principal items subject to such judgements and estimates are as follows:

Revenue recognition

For certain transactions with MNOs, commission receivable on mobile phone sales depends on customer behaviour after the point of sale. The method of measuring the fair value of the revenue and associated receivables at the date of sale is to estimate all future cash flows that will be received from the network and then discount these based on their timing of receipt. The associated receivables are subsequently measured at amortised cost with remeasurements due to changes in customer behaviour recognised in the income statement. Assumptions are therefore required, particularly in relation to levels of customer default within the contract period, expected levels of customer spend, and customer behaviour beyond the initial contract period. 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.

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 2014. 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.

Inventory valuation

Inventories are valued at the lower of cost and net realisable value. Cost comprises direct purchase cost and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated and directly attributable costs of completion and costs to be incurred in marketing, selling and distribution. Net realisable value includes, where necessary, provisions for slow moving and damaged inventory. The provision represents the difference between the cost of stock and its estimated net realisable value, based on ageing and other factors. Calculation of these provisions requires judgements to be made which include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

Recoverable amount of non-current assets

All non-current assets, including goodwill and other intangible assets, are reviewed for potential impairment using estimates of the future economic benefits attributable to them. Any estimates of future economic benefits made in relation to non-current assets may differ from the benefits that ultimately arise and materially affect the recoverable value of the asset. The methodology and key assumptions used in assessing the carrying value of goodwill is set out in note 9 and in respect of intangible assets and property, plant & equipment in note 1(k) and 1(l).

Trade and other receivables

Provisions for irrecoverable receivables are based on extensive historical evidence and the best available information in relation to specific issues, but are unavoidably dependent on future events.

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. Where the potential liabilities are not considered probable, the amount at risk is disclosed unless an adverse outcome is considered remote. The Group has recognised provisions in relation to uncertain tax positions of £54 million at 30 April 2016 (2015: £41 million).

Deferred tax is recognised on taxable losses based on the expected ability to utilise such losses. This ability takes account of the business plans for the relevant companies, potential uncertainties around the longer term aspects of these business plans, any expiry of taxable benefits and potential future volatility in the local tax regimes.

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.

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.

Acquisition accounting

Accounting for the Merger involved the use of assumptions in relation to the future cash flows associated with acquisition intangibles, and the use of valuation techniques in order to arrive at the fair value of the other non-current assets and liabilities acquired. The assumptions applied were based on the best information available to management and valuation techniques were supported by third party valuation experts. Nevertheless, the actual performance of these assets and liabilities may differ from the valuations derived through this exercise. Judgement was required in identifying the acquirer in accordance with the criteria detailed in IFRS 3 'Business Combinations'. The factors considered when identifying the acquirer included: i) the entity which issued equity to effect the transaction and the terms on which equity interests were exchanged; ii) the relative voting rights of the entities; iii) the composition of the board and senior management post transaction; iv) the existence of any significant minority interests; and v) the relative size of the entities. On the basis of this analysis we concluded that Carphone Warehouse Group plc was the acquirer.

Notes to the Group financial statements

t) 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 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 and affects the accounting for financial assets – IFRS 9 is applicable for periods beginning on or after 1 January 2018
- 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
- IFRS 16 'Leases' establishes principles for the recognition, measurement, presentation and disclosure of leases – IFRS 16 is applicable for periods beginning on or after 1 January 2019

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 complete, however, 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 affect 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

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

As explained in note 25, Virgin Mobile France, the Phone House operations in Germany, the Netherlands and Portugal have been treated as discontinued operations and are therefore excluded from this segmental analysis

The Group's reportable segments have been identified as follows

- UK & Ireland comprises operations in the UK and Ireland as well as operations in airports 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

2 Segmental analysis continued
(a) Segmental results

	Year ended 30 April 2016					
	UK & Ireland £million	Nordics £million	Southern Europe £million	Connected World Services £million	Eliminations £million	Total £million
Headline external revenue	6,404	2,632	550	152	—	9,738
Inter-segmental revenue	60	—	—	—	(60)	—
Total Headline revenue	6,464	2,632	550	152	(60)	9,738
Headline EBIT before share of results of joint ventures	365	79	17	11	—	472
Share of Headline results of joint ventures	—	—	—	(4)	—	(4)
Headline EBIT	365	79	17	7	—	468

Reconciliation of Headline profit to total profit before tax

	Year ended 30 April 2016						
	Headline profit / (loss) £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	365	(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	472	(40)	(48)	(70)	(6)	—	308
Share of results of joint ventures	(4)	—	—	—	—	—	(4)
EBIT	468	(40)	(48)	(70)	(6)	—	304
Finance income	17	—	—	—	—	—	17
Finance costs	(38)	—	(4)	—	—	(16)	(58)
Profit / (loss) before tax	447	(40)	(52)	(70)	(6)	(16)	263

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Notes to the Group financial statements

2 Segmental analysis continued

(a) Segmental results continued

	13 months ended 2 May 2015					
	UK & Ireland £million	Nordics £million	Southern Europe £million	Connected World Services £million	Eliminations £million	Total £million
Headline external revenue	5,506	2,055	564	130	—	8,255
Inter-segmental revenue	64	—	—	—	(64)	—
Total Headline revenue	5,570	2,055	564	130	(64)	8,255
Headline EBIT before share of results of joint ventures	313	60	20	7	—	400
Share of Headline results of joint ventures	—	—	—	—	—	—
Headline EBIT	313	60	20	7	—	400

Reconciliation of Headline profit to total profit before tax

	13 months ended 2 May 2015				
	Headline profit / (loss) £million	Amortisation of acquisition intangibles £million	Dixons Retail Merger £million	Pension scheme interest £million	Total profit / (loss) £million
UK & Ireland	313	(22)	(13)	—	278
Nordics	60	(10)	(4)	—	46
Southern Europe	20	(2)	—	—	18
Connected World Services	7	(1)	—	—	6
Unallocated	—	—	(24)	—	(24)
EBIT before share of results of joint ventures	400	(35)	(41)	—	324
Share of results of joint ventures	—	—	—	—	—
EBIT	400	(35)	(41)	—	324
Finance income	15	—	—	—	15
Finance costs	(39)	—	—	(13)	(52)
Profit / (loss) before tax	376	(35)	(41)	(13)	287

Unallocated Merger related costs comprise those that are not directly attributable to a specific segment

2 Segmental analysis continued

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 30 April 2016 £million	13 months ended 2 May 2015 £million	Year ended 30 April 2016 £million	13 months ended 2 May 2015 £million	Year ended 30 April 2016 £million	13 months ended 2 May 2015 £million
UK & Ireland	3,086	2,916	152	127	129	106
Nordics	1,203	1,152	57	30	40	32
Southern Europe	62	86	5	4	6	9
Connected World Services	17	5	7	5	2	2
	4,368	4,159	221	166	177	149

*Non-current assets above exclude deferred tax assets and assets related to discontinued operations

3 Revenue and profit / (loss) before interest, taxation and share of results of joint ventures

	Year ended 30 April 2016			13 months 2 May 2015		
	Headline £million	Non- Headline £million	Total £million	Headline £million	Non- Headline £million	Total £million
Revenue	9,738	—	9,738	8,255	—	8,255
Cost of sales	(7,553)	—	(7,553)	(6,118)	—	(6,118)
Gross profit	2,185	—	2,185	2,137	—	2,137
Operating expenses	(1,713)	(164)	(1,877)	(1,737)	(76)	(1,813)
Profit / (loss) before interest, taxation and share of results of joint ventures	472	(164)	308	400	(76)	324

Revenue can be further analysed as follows

	Year ended 30 April 2016			13 months ended 2 May 2015		
	Headline £million	Non- Headline £million	Total £million	Headline £million	Non- Headline £million	Total £million
Sale of goods	7,018	—	7,018	5,641	—	5,641
Revenue from services	2,720	—	2,720	2,614	—	2,614
	9,738	—	9,738	8,255	—	8,255

Revenue from services predominantly comprises those relating to commissions from MNOs, insurance, customer support agreements, delivery and installation, product repairs and product support

Notes to the Group financial statements

3 Revenue and profit / (loss) before interest, taxation and share of results of joint ventures continued

Profit / (loss) before interest and taxation for continuing operations is stated after charging / (crediting) the following

	Year ended 30 April 2016 £million	13 months ended 2 May 2015 £million
Depreciation of property, plant & equipment	98	83
Amortisation of acquisition intangibles	40	35
Amortisation of other intangibles	39	31
Impairment of trade receivables	11	8
Impairment of inventory	55	68
Loss on disposal of property, plant & equipment	1	5
Cost of inventory recognised as an expense	7,343	6,069
Rentals paid under operating leases		
Non-contingent rent	340	304
Contingent rent	17	22
Rentals received under operating leases – subleases	(6)	(5)
Investment property rental income	(1)	(1)
Net foreign exchange losses	2	1
Share-based payments expense	10	10
Other employee costs (see note 5)	1,051	890

Auditor's remuneration comprises the following

	Year ended 30 April 2016 £million	13 months ended 2 May 2015 £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	1.4	1.9
Total audit fees	1.5	2.0
Tax advisory services	—	0.2
Tax compliance services	0.2	0.2
Other assurance services	0.2	1.3
Other services	—	0.2
	1.9	3.9

In addition to the above fees, £0.1m (2014/15 £0.1m) of non-audit fees were paid to the auditor in respect of tax compliance and tax advisory services to discontinued operations. Other assurance services in the prior period related primarily to the Merger in respect of which the external auditor acted as reporting accountant.

4 Non-Headline items

	Note	Year ended 30 April 2016 £million	13 months ended 2 May 2015 £million
Included in profit / (loss) before interest and tax			
Amortisation of acquisition intangibles	(i)	(40)	(35)
Exceptional items – Dixons Retail Merger	(ii)	(48)	(41)
– Property rationalisation costs	(iii)	(70)	–
– Acquisition related	(iv)	(6)	–
		(164)	(76)
Included in net finance costs			
Net non-cash finance costs on defined benefit pension schemes	(v)	(16)	(13)
Exceptional items – Dixons Retail Merger	(ii)	(4)	–
Total impact on profit / (loss) before tax		(184)	(89)
Tax on Non-Headline items		26	15
Total impact on profit / (loss) after tax		(158)	(74)

Non-Headline items also include discontinued operations, which comprise the results of Virgin Mobile France and the Phone House operations in Germany, the Netherlands, and Portugal. The post-tax results of these businesses have been reported separately and are further described in note 25.

(i) Amortisation of acquisition intangibles

A charge of £40 million arose during the year in relation to acquisition intangibles arising on the CPW Europe Acquisition and the Dixons Retail Merger (2014/15: £35 million).

Notes to the Group financial statements

4 Non-Headline items continued

(ii) Exceptional items – Dixons Retail Merger

	Year ended 30 April 2016 £million	13 months ended 2 May 2015 £million
Merger transaction costs	—	(9)
Merger integration costs	(48)	(32)
Revolving Credit Facility fee write off	(4)	—
	(52)	(41)

The Dixons Retail Merger is described further in notes 1 and 24. The Merger has given rise to the following costs which have been treated as exceptional items:

- Merger transaction costs comprise banking and professional fees in relation to the transaction
- Merger integration costs relate to the reorganisation of the Group following the Merger and comprise the rationalisation of certain operational and support functions. These costs mainly comprise professional fees, employee severance and property costs associated with the integration process
- Revolving Credit Facility fee write off relates to the deferred facility fees written off following the recent refinancing. The fees incurred were a result of the Merger and the financing required to facilitate the Merger at short notice

(iii) 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. In addition a further 50 stores have been exited in the year in the normal course of business and their exit costs have not been included in the above item.

(iv) Acquisition related

Acquisition related comprises an increase in the deferred consideration payable on a business acquired by Dixons in the Nordics in 2011/12 following better than expected actual and forecast trading (£5 million), and current year costs incurred in the acquisition of Simplifydigital and Infocare (£1 million) (note 24).

(v) 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.

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 30 April 2016 £million	13 months ended 2 May 2015 £million
Salaries and performance bonuses	921	781
Social security costs	107	89
Other pension costs	23	20
	1,051	890
Share-based payments	10	10
	1,061	900

Aggregate remuneration for discontinued operations are salaries and performance bonuses of £6 million (2014/15 £46 million), social security costs of £1 million (2014/15 £8 million) and other pension costs of £nil (2014/15 £1 million)

The average number of employees for continuing operations is

	Year ended 30 April 2016 Number	13 months ended 2 May 2015 Number
UK & Ireland	27,608	23,582
Nordics	10,283	6,492
Southern Europe	3,764	2,675
Connected World Services	192	85
	41,847	32,834

The average number of employees for discontinued operations is 341 (2014/15 2,127)

Compensation earned by key management, comprising the Board of directors and senior executives, is as follows

	Year ended 30 April 2016 £million	13 months ended 2 May 2015 £million
Short-term employee benefits	12	15
Termination benefits	—	1
Share-based payments	2	1
	14	17

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 Carphone Warehouse Share Plan. At 30 April 2016, loans to key management in relation to these schemes totalled £10 million (2015 £16 million). Interest is charged on loans at market rates and interest of £0.3 million has been recognised during the period (2014/15 £0.4 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.

Notes to the Group financial statements

5 Employee costs and share-based payments continued

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 2014) 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 on or around June 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 plan 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.

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 who are not participants in the Share Plan.

Options were first granted under the scheme in January 2014. The options are subject to continuing employment and are subject to performance conditions based on a combination of absolute TSR performance and relative TSR performance against the FTSE 250 or FTSE 350.

Following the Merger with Dixons Retail plc on 6 August 2014, the Company assumed the obligation to satisfy outstanding Dixons share options awarded under the Dixons Retail Employee Share Option Scheme and Executive Share Option Plan, with employees eligible to acquire 0.155 Dixons Carphone shares for each Dixons option held. All outstanding Dixons awards had vested before the Merger, and were exercisable within six months post-Merger.

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 30 April 2016		13 months ended 2 May 2015	
	Number million	WAEP £	Number million	WAEP £
Outstanding at the beginning of the period	17	—	9	—
Dixons options assumed on Merger	—	—	1	—
Granted during the period	1	—	11	—
Lapsed during the period	(4)	—	(3)	—
Exercised during the period	—	—	(1)	—
Outstanding at the end of the period	14	—	17	—
Exercisable at the end of the period	—	—	—	—

	Year ended 30 April 2016	13 months ended 2 May 2015
Weighted average market price of options exercised in the period	—	£4.18
Weighted average remaining contractual life of awards outstanding	8.3 yrs	9.1 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. If employees chose not to roll over their options, they could exercise the value saved within six months of the Merger in return for 0.155 Dixons Carphone shares for each Dixons option held.

The following table summarises the number and WAEP of share options for these schemes

	Year ended 30 April 2016		13 months ended 2 May 2015	
	Number million	WAEP £	Number million	WAEP £
Outstanding at the beginning of the period	13	2.71	3	2.24
Dixons options assumed on Merger	—	—	6	1.20
Granted during the period	4	3.77	7	3.44
Exercised during the period	(2)	1.03	(2)	2.24
Lapsed during period	(2)	3.13	(1)	1.76
Outstanding at the end of the period	13	3.22	13	2.71
Exercisable at the end of the period	—	—	—	—

	Year ended 30 April 2016	13 months ended 2 May 2015
Weighted average market price of options exercised in the period	£4.38	£3.82
Weighted average remaining contractual life of awards outstanding	2.6 yrs	2.8 yrs
Range of exercise prices for options outstanding	£2.09 – £3.77	£0.92 – £3.44

Notes to the Group financial statements

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 £0.74 (2014/15: £1.34). The following table lists the inputs to the model.

	Year ended 30 April 2016	13 months ended 2 May 2015
Exercise price	£nil – £3.77	£nil – £3.44
Dividend yield	2.3% – 27%	2.2% – 31%
Historical and expected volatility	28% – 4	35% – 4
Expected option life	10 yrs	10 yrs
Weighted average share price	£4.35	£4.14

v) Charge to the income statement and entries in reserves

During the year ended 30 April 2016, the Group recognised a non-cash accounting charge to profit and loss of £10 million (13 months ended 2 May 2015: £10 million) in respect of equity settled share-based payments, with a corresponding credit through reserves.

c) Employee Share Ownership Trust (ESOT)

	30 April 2016			2 May 2015		
	Market value £million	Nominal value £million	Number million	Market value £million	Nominal value £million	Number million
Investment in own shares	3	—	0.7	4	—	0.9
Maximum number of shares held during the period	10	—	2.2	18	—	5.2

The Group has two ESOTs for the purposes of satisfying potential awards to employees under the Group's share plans. The number of shares held by the trusts, which are shown in the table above, remain held for potential awards under outstanding plans. The costs of funding and administering the ESOTs 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 ESOTs.

During the year, 1.9 million shares were purchased by the Dixons Retail plc ESOT for net cash consideration (after the receipt of the exercise price from employees) of £5 million.

The ESOTs have waived their rights to receive dividends and the shares have not been allocated to specific schemes.

6 Net finance costs

	Year ended 30 April 2016 £million	13 months ended 2 May 2015 £million
Unwind of discounts on trade receivables	17	15
Finance income	17	15
Interest on bank overdrafts and loans	(16)	(17)
Finance lease interest payable	(6)	(4)
Net interest on defined benefit pension obligations ⁽ⁱ⁾	(16)	(13)
Unwind of discounts on liabilities	(10)	(11)
Amortisation of facility fees	(2)	(3)
Revolving credit facility fee write off ⁽ⁱ⁾	(4)	—
Other interest expense	(4)	(4)
Finance costs	(58)	(52)
Total net finance costs	(41)	(37)
Headline total net finance costs	(21)	(24)

(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 30 April 2016 £million	13 months ended 2 May 2015 £million
Current tax			
UK corporation tax at 20% (2014/15 20.92% ⁽ⁱ⁾)	– Headline	71	61
	– Non-Headline	• (15)	(12)
Overseas tax	– Headline	23	25
	– Non-Headline	• (2)	(3)
		77	71
Adjustments made in respect of prior years			
UK Corporation tax	– Headline	(1)	6
	– Non-Headline	• (6)	–
Overseas tax	– Headline	(5)	(2)
		(12)	4
Total current tax		65	75
Deferred tax			
UK tax	– Headline	19	10
	– Non-Headline	• –	2
Overseas tax	– Headline	2	(2)
	– Non-Headline	• (3)	(3)
		18	7
Adjustments in respect of prior years			
UK Corporation tax	– Headline	2	(8)
	– Non-Headline	• –	1
Overseas tax	– Headline	(1)	1
		1	(6)
Total deferred tax		19	1
Total tax charge		84	76
Headline tax charge⁽ⁱⁱ⁾		110	91

(i) The UK corporation tax rate for the 12 months ended 30 April 2016 was 20% (13 months ended 2 May 2015 was 21% for the 12 months to 31 March 2015 and 20% thereafter)

(ii) The Headline tax charge excludes those items marked •

Tax related to discontinued operations is included in the figures set out in note 25

7 Tax continued

b) Reconciliation of notional 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 30 April 2016			13 months ended 2 May 2015		
	Headline £million	Non- Headline £million	Statutory £million	Headline £million	Non- Headline £million	Statutory £million
Profit / (loss) before taxation	447	(184)	263	376	(89)	287
Tax at UK statutory rate of 20% (2014/15 21%)	89	(37)	52	79	(19)	60
Differences in effective overseas tax rates	5	—	5	7	(1)	6
Adjustments in respect of prior years	(5)	(6)	(11)	(2)	—	(2)
Items attracting no tax relief or liability	15	16	31	11	5	16
Movement in unprovided deferred tax	2	1	3	(5)	—	(5)
Effect of change in statutory tax rate	3	—	3	—	—	—
Other differences	1	—	1	1	—	1
Total tax charge / (credit)	110	(26)	84	91	(15)	76

The effective tax rate on Headline earnings of 25% (2014/15 24%) has increased compared to the prior year due to the change in statutory tax rate and certain non-deductible items mainly in the UK

Although a further reduction in the UK corporation tax rate to 17% from 1 April 2020 has been announced by the UK Government, this has not been substantively enacted by the balance sheet date and so has not been used in the recognition of deferred tax balances

Items attracting no tax relief or liability relate primarily to non-deductible lease exit costs and capital expenditure upon which no tax deductions are available in respect of capital allowances (2014/15 related primarily to non-deductible lease exit costs)

c) Deferred tax

	Accelerated capital allowances £million	Retirement benefit obligations £million	Losses carried forward £million	Other temporary differences £million	Total £million
At 29 March 2014	21	—	3	12	36
Dixons Retail Merger	(41)	83	—	58	100
Credited / (charged) directly to income statement	3	—	1	(5)	(1)
Credited to equity	—	15	—	12	27
At 2 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

Deferred tax comprises the following balances

	30 April 2016 £million	2 May 2015 £million
Deferred tax assets	234	263
Deferred tax liabilities	(115)	(101)
	119	162

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 30 April 2016 £million	13 months 2 May 2015 £million
Defined benefit pension schemes	(13)	15
Share-based payments	(7)	12
Other temporary differences	(4)	—
	(24)	27

The Group has total unrecognised deferred tax assets relating to tax losses of £1,414 million (2014/15 £1,444 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 for which deferred tax liabilities had not been recognised at the end of either year.

8 Earnings per share

	Year ended 30 April 2016 £million	13 months ended 2 May 2015 £million
Headline earnings		
Continuing operations	337	285
Total earnings / (loss)		
Continuing operations	179	211
Discontinued operations	(18)	(114)
Total	161	97
	Million	Million
Weighted average number of shares		
Average shares in issue	1,151	964
Less average holding by Group ESOT	(1)	(3)
For basic earnings per share	1,150	961
Dilutive effect of share options and other incentive schemes	38	32
For diluted earnings per share	1,188	993
	Pence	Pence
Basic earnings per share		
Total (continuing and discontinued operations)	14 0	10 1
Adjustment in respect of discontinued operations	1 6	11 9
Continuing operations	15 6	22 0
Adjustments for Non-Headline – continuing operations (net of taxation)	13 7	7 7
Headline basic earnings per share	29 3	29 7
Diluted earnings per share		
Total (continuing and discontinued operations)	13 6	9 8
Adjustment in respect of discontinued operations	1 5	11 4
Continuing operations	15 1	21 2
Adjustments for Non-Headline – continuing operations (net of taxation)	13 3	7 5
Headline diluted earnings per share	28 4	28 7

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.

Notes to the Group financial statements

9 Goodwill

	30 April 2016 £million	2 May 2015 £million
At beginning of period	2,989	481
Additions (note 24)	26	—
Dixons Retail Merger	—	2,629
Impairment	—	(35)
Foreign exchange	39	(86)
At end of period	3,054	2,989
Cost	3,054	2,989
Accumulated impairment	—	—
	3,054	2,989

a) Carrying value of goodwill

The components of goodwill comprise the following businesses

	30 April 2016 £million	2 May 2015 £million
UK & Ireland – Dixons	1,634	1,633
UK – Carphone Warehouse	405	405
Ireland – Carphone Warehouse	7	7
Nordics	959	916
Spain	30	28
Simplifydigital	19	—
	3,054	2,989

9 Goodwill continued

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.

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.

The long term projections, which have been approved by management, have been prepared using three-year strategic plans as a base extrapolated to five years and which 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:

	30 April 2016				2 May 2015			
	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 – Carphone Warehouse	2.8%	2.6%	2.1%	8.8%	3.2%	2.5%	2.9%	9.5%
UK & Ireland – Dixons	2.3%	2.1%	2.1%	8.8%	2.3%	2.0%	2.9%	9.5%
Nordics	4.4%	4.3%	2.0%	8.1%	4.9%	4.8%	2.2%	8.5%

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.

Notes to the Group financial statements

10 Intangible assets

	Acquisition intangibles			Software and licences £million	Total £million
	Brands £million	Customer relationships £million	Sub-total £million		
Balance at 3 May 2015	336	26	362	163	525
Acquired on acquisition of subsidiary (note 24)	—	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

	Acquisition intangibles			Software and licences £million	Total £million
	Brands £million	Customer relationships £million	Sub total £million		
Balance at 30 March 2014	8	42	50	86	136
Dixons Retail Merger	365	8	373	30	403
Additions	—	2	2	86	88
Amortisation	(21)	(17)	(38)	(32)	(70)
Impairment	(1)	(6)	(7)	(3)	(10)
Disposal of business	—	(1)	(1)	—	(1)
Reclassification to held for sale	—	—	—	(2)	(2)
Foreign exchange	(15)	(2)	(17)	(2)	(19)
Balance at 2 May 2015	336	26	362	163	525
 Cost	 357	 54	 411	 209	 620
Accumulated amortisation and impairment losses	(21)	(28)	(49)	(46)	(95)
Balance at 2 May 2015	336	26	362	163	525

Software and licences include assets with a cost of £17 million (2015: £35 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	151	14
Elgiganten	66	14
Elkjøp	49	14
Gigantti	31	14
Simplifydigital	20	5

11 Property, plant & equipment

	Land and buildings £million	Fixtures, fittings and other equipment £million	Total £million
Balance at 3 May 2015	93	234	327
Acquisition of subsidiary (note 24)	—	1	1
Additions	33	124	157
Depreciation	(6)	(92)	(98)
Disposals	(20)	(3)	(23)
Impairment (note 4)	—	(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
	Land and buildings £million	Fixtures fittings and other equipment £million	Total £million
Balance at 30 March 2014	40	50	90
Dixons Retail Merger	70	196	266
Additions	4	81	85
Depreciation	(8)	(75)	(83)
Disposals	(9)	(5)	(14)
Transferred to assets held for sale	(2)	(2)	(4)
Impairment	(1)	(2)	(3)
Foreign exchange	(1)	(9)	(10)
Balance as at 2 May 2015	93	234	327
Cost	104	319	423
Accumulated depreciation	(11)	(85)	(96)
Balance as at 2 May 2015	93	234	327
Included in net book value as at 2 May 2015			
Land not depreciated	8	—	8
Assets in the course of construction	—	16	16
Assets held under finance leases	65	2	67

Freehold land and buildings include the Group's investment property. The fair value of investment property was determined by an external, independent property valuation expert as £14 million (2015: £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.

Notes to the Group financial statements

12 Interests in joint ventures

The principal interests in joint ventures are as follows

Name	Country of incorporation or registration	Nature of business	30 April 2016 Interest	2 May 2015 Interest
Sprint Connect LLC	United States of America	Distribution	50.0%	n/a

The Group's interests in joint ventures are analysed as follows

	30 April 2016 £million	2 May 2015 £million
Opening balance	—	—
Additions	9	—
Share of results	(4)	—
Closing balance	5	—

The share of results recognised all relate to continuing operations. 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. The Group has entered into a joint venture with Sprint Corporation to manage Sprint branded stores in the US. The Group has committed to investing up to \$32 million to fund the roll-out and operation of up to 500 stores.

13 Inventory

	30 April 2016 £million	2 May 2015 £million
Finished goods and goods for resale	958	920

14 Trade and other receivables

	30 April 2016 £million	2 May 2015 £million
Trade receivables	1,304	1,010
Less provision for bad and doubtful debts	(20)	(20)
	1,284	990
Prepayments	100	124
Other receivables	115	74
Accrued income	22	22
Derivative financial assets	18	15
	1,539	1,225
Non-current	408	318
Current	1,131	907
	1,539	1,225

The majority of trade and other receivables are non-interest bearing. Non-current receivables mainly comprise commission receivable on sales. 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.

14 Trade and other receivables continued

	30 April 2016			2 May 2015		
	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	1,186	(7)	1,179	848	(6)	842
Past due:						
Under two months	57	(1)	56	52	(5)	47
Two to four months	14	(1)	13	17	—	17
Over four months	47	(11)	36	93	(9)	84
	118	(13)	105	162	(14)	148
	1,304	(20)	1,284	1,010	(20)	990

Movements in the provision for impairment of trade receivables is as follows

	30 April 2016 £million	2 May 2015 £million
Opening balance	(20)	(20)
Dixons Retail Merger	—	(19)
Charged to the income statement	(11)	(8)
Receivables written off as irrecoverable	11	16
Disposals	—	2
Transferred to assets held for sale	—	8
Foreign exchange	—	1
Closing balance	(20)	(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

	30 April 2016 £million	2 May 2015 £million
Under two months	56	47
Two to four months	13	17
Over four months	36	84
	105	148

15 Cash and cash equivalents

	30 April 2016 £million	2 May 2015 £million
Cash at bank and on deposit	233	163

Cash at bank and on deposit includes short term bank deposits which are available on demand. Within cash and cash equivalents, £67 million (2015: £92 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.

Notes to the Group financial statements

16 Trade and other payables

	30 April 2016		2 May 2015	
	Current £million	Non- current £million	Current £million	Non- current £million
Trade payables	1,373	—	1,097	—
Other taxes and social security	271	—	205	—
Derivative financial instruments	42	—	26	—
Other creditors	108	206	103	277
Accruals	360	60	384	72
Deferred income	156	157	146	147
	2,310	423	1,961	496

Non-current other creditors relate principally to property leases that are deemed to be over-rented. 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

	30 April 2016		2 May 2015	
	Current £million	Non- current £million	Current £million	Non- current £million
Deferred consideration	12	21	25	6

	30 April 2016 £million	2 May 2015 £million
Opening balance	31	50
Dixons Retail Merger	—	6
Recognised on acquisition of subsidiary (note 24)	23	—
Settlements	(26)	(25)
Change in valuation (note 4)	5	—
Closing balance	33	31

Earn-out consideration of up to £23 million is payable in cash and is contingent on the performance of Simplifydigital and the Epoq kitchen business against earnings growth targets over a period of up to five 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.

18 Loans and other borrowings

	30 April 2016 £million	2 May 2015 £million
Current liabilities		
Bank overdrafts	—	55
	—	55
Non-current liabilities		
Loans and other borrowings	409	330
	409	330

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. The rate of interest payable on borrowings is a margin of 1.35% per annum over the applicable reference rate.

The facilities require guarantees to be provided by certain Group entities under the facilities.

Bank overdraft and other uncommitted facilities

The Group has overdraft and uncommitted money market facilities totalling approximately £128 million (2015: £157 million).

19 Finance lease obligations

	30 April 2016		2 May 2015	
	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	8	8
In more than one year and not more than five years	35	29	33	26
In more than five years	111	54	114	57
	155	91	155	91
Less future finance charges	(64)	—	(64)	—
Present value of lease obligations	91	91	91	91
Less amounts due within one year	(2)	(2)	(2)	(2)
Amounts due after more than one year	89	89	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 8.67% (2015: 5.51% and 8.15%). 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.

Notes to the Group financial statements

20 Provisions

	30 April 2016					2 May 2015				
	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	23	6	25	21	75	22	10	—	18	50
Dixons Retail Merger	—	—	—	—	—	31	—	27	—	58
Additions	15	42	71	4	132	39	2	1	6	48
Released in the period	—	—	—	(1)	(1)	(4)	—	—	—	(4)
Utilised in the period	(26)	(40)	(6)	(9)	(81)	(63)	(5)	(3)	(1)	(72)
Reclassification to held for sale	—	—	—	—	—	(1)	—	—	(1)	(2)
Disposal of business	—	—	—	—	—	—	—	—	(1)	(1)
Foreign exchange	—	—	—	—	—	(1)	(1)	—	—	(2)
At end of period	12	8	90	15	125	23	6	25	21	75
Analysed as										
Current	12	7	44	15	78	20	6	7	21	54
Non-current	—	1	46	—	47	3	—	18	—	21
	12	8	90	15	125	23	6	25	21	75

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 exit premiums, onerous leases and provisions for dilapidations. Additions during the year ended 30 April 2016 relate 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

	30 April 2016 £million	2 May 2015 £million
Retirement benefit obligations – UK	472	486
– Nordics	2	3
	474	489

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.

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 £23 million (2014/15: £20 million).

b) UK Defined benefit pension scheme – actuarial valuation and assumptions

A full actuarial valuation of the scheme was last carried out as at 31 March 2013 and showed a shortfall of assets compared with liabilities of £373 million. A 'recovery plan' based on this valuation was agreed with the Trustee post the Dixons Retail Merger such that contributions in respect of the scheme year end of 31 March of £35 million were made in 2015/16, rising to £36 million for 2016/17. Contributions rise to £47 million by 2024/25. The next triennial valuation has commenced and will be as at 31 March 2016.

The principal actuarial assumptions as at 31 March 2013 were:

	Rate per annum
Discount rate for accrued benefits†	
– Growth portfolio	5.9%
– Matching portfolio	3.8%
Rate of increase to pensions	0% – 3.8%
Inflation	3.4%

† 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) over a period of 30 years from 2013 to 2043 so that in 30 years' time the asset portfolio is projected to be 80% invested in matching assets.

At 31 March 2013, the market value of the scheme's investments was £812 million and, based on the above assumptions, the value of the assets was sufficient to cover 69% of the benefits accrued to members with the liabilities amounting to £1,185 million.

Notes to the Group financial statements

21 Retirement and other post-employment benefit obligations continued

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 methodologies 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.

	30 April 2016 £million	2 May 2015 £million
Rates per annum		
Discount rate	3.5%	3.5%
Rate of increase in pensions in payment / deferred pensions (pre / post April 2006 accrual)	2.9% / 2.1%	2.9% / 1.9%
Inflation	2.95%	3.1%

The Group uses demographic assumptions underlying the last formal actuarial valuation of the scheme as at 31 March 2013. In particular, post retirement mortality has been assumed to follow the standard mortality tables 'S1' All Pensioners tables published by the CMI, based on the experience of Self-Administered Pension Schemes (SAPS) with multipliers of 105% for males and 110% for females. In addition, an allowance has been made for future improvements in longevity from 2003 by using the new CMI 2013 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 87.2 years and 88.9 years for men and between 88.9 years and 90.3 years for women for those reaching 65 over the next 15 years.

(ii) Amounts recognised in consolidated income statement

	Year ended 30 April 2016 £million	13 months ended 2 May 2015 £million
Net interest expense on defined benefit obligation	16	13

(iii) Amounts recognised in the consolidated statement of comprehensive income

	Year ended 30 April 2016 £million	13 months ended 2 May 2015 £million
Remeasurement of defined benefit obligation – actuarial gains / (losses) arising from		
Changes in financial assumptions	25	(168)
Experience adjustments	27	19
Change in demographic assumptions	—	(9)
Remeasurement of scheme assets		
Actual return on plan assets (excluding amounts included in net interest expense)	(57)	86
Cumulative actuarial loss	(5)	(72)

21 Retirement and other post-employment benefit obligations continued

(iv) Amounts recognised in the consolidated balance sheet

	30 April 2016 £million	2 May 2015 £million
Present value of defined benefit obligations	(1,395)	(1,431)
Fair value of plan assets	923	945
Net obligation	(472)	(486)

Changes in the present value of the defined benefit obligation

	30 April 2016 £million	2 May 2015 £million
Opening obligation at 3 May 2015	1,431	—
Dixons Retail Merger	—	1,259
Interest cost	49	38
Remeasurements in other comprehensive income – actuarial losses / (gains) arising from changes in		
Financial assumptions	(25)	168
Experience	(27)	(19)
Demographic assumptions	—	9
Benefits paid	(33)	(24)
Closing obligation	1,395	1,431

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

	30 April 2016 £million	2 May 2015 £million
Opening fair value at 3 May 2015	945	—
Dixons Retail Merger	—	830
Interest income	33	25
Employer special contributions	35	28
Remeasurements in other comprehensive income		
Actual return on plan assets (excluding interest income)	(57)	86
Benefits paid	(33)	(24)
Closing fair value	923	945

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Notes to the Group financial statements

21 Retirement and other post-employment benefit obligations continued

Analysis of scheme assets

		30 April 2016 £million	2 May 2015 £million
Overseas and global equities	- Listed	277	286
Diversified growth	- Listed	170	182
	- Unlisted	11	10
Multi-asset credit funds	- Listed	28	29
	- Unlisted	24	23
Emerging market multi asset funds	- Listed	45	49
	- Unlisted	3	3
Private equity	- Unlisted	37	47
Property	- Unlisted	13	15
Index-linked gilts	- Listed	102	101
Corporate bonds	- Listed	80	79
Liability driven investments (LDI)	- Listed	112	69
Cash and cash instruments	- Unlisted	20	51
Other	- Unlisted	1	1
		923	945

The investment strategy of the scheme is determined by the independent Trustee 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 and corporate bonds.

Actual return on the scheme assets was a loss of £24 million (2014/15 gain of £111 million)

(v) Sensitivities

The value of the UK defined benefit pension scheme assets are sensitive to market conditions, particularly equity values which comprise approximately 64% of the scheme's assets. Changes in assumptions used for determining retirement benefit costs and liabilities may have a material impact on the 2015/16 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 30 April 2016 £million	13 months 2 May 2015 £million	30 April 2016 £million	2 May 2015 £million
Positive / (negative) effect				
Discount rate 0.25% increase	2	2	75	73
Inflation rate 0.25% increase†	(2)	(2)	(52)	(57)
Mortality rate 1 year increase	(2)	(2)	(41)	(42)

† 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 30 April 2016 the net obligation in relation to these benefits was £3 million (2015: £3 million).

22 Share capital, retained earnings and reserves

a) Share capital

	30 April 2016 million	2 May 2015 million	30 April 2016 £million	2 May 2015 £million
Authorised, allotted, called-up and fully paid ordinary shares of 0.1p each	1,151	1,151	1	1
Ordinary shares of 0.1p each in issue at the beginning of the period	1,151	576	1	1
Issued as consideration to Dixons shareholders (i)	—	575	—	—
Ordinary shares of 0.1p each in issue at the end of the period	1,151	1,151	1	1

(i) As part of the Dixons Retail Merger, 574.7 million shares with a mid-market price of £3.432 were issued as part of the all-share merger with Dixons as described in note 24.

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 30 April 2016 includes £18 million (2015: £6 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 ESOTs 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.

23 Equity dividends

	30 April 2016 £million	2 May 2015 £million
Amounts recognised as distributions to equity shareholders in the period – on ordinary shares of 0.1p each		
Final dividend for the year ended 29 March 2014 of 4.00p per ordinary share	—	23
Interim dividend for the 13 months ended 2 May 2015 of 2.50p per ordinary share	—	29
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	—
	106	52

The following distribution is proposed but had not been effected at 30 April 2016 and is subject to shareholders' approval at the forthcoming Annual General Meeting.

	£million
Final dividend for the year ended 30 April 2016 of 6.50p per ordinary share	75

Notes to the Group financial statements

24 Acquisitions and Merger

2015/16 Acquisition of Infocare Workshop and Simplify Digital Limited

On 30 November 2015 the Group acquired 100% of the issued share capital of Infocare Workshop. Infocare Workshop is a service and repair company in the Nordics region and was acquired to strengthen the Group's strategy of owning the complete end-to-end customer service journey in that region.

On 31 March 2016 the Group acquired 100% of the issued share capital of Simplify Digital Limited. Simplify Digital Limited is the UK's largest and fastest growing multi-channel switching platform, offering consumers an Ofcom accredited price comparison and switching service for broadband, digital TV and fixed line telephone contracts. The company was acquired to further the Group's position as the best place for customers to receive independent advice across all their technology, connectivity, media content and service needs.

a) Fair value of assets and liabilities

The combined fair values of identifiable assets and liabilities of Infocare Workshop and Simplify Digital Limited as at the acquisition date were as follows:

	Note	£million
Assets		
Intangible assets		23
Property, plant & equipment		1
Trade and other receivables	(i)	10
Cash and cash equivalents		11
Total assets		45
Liabilities		
Trade and other payables		(13)
Total liabilities		(13)
Total fair value of identifiable net assets acquired		32
Provisional goodwill	(i) (ii)	26
Total consideration	(iv)	58

- (i) The fair value of trade and other receivables represents trade receivables, accrued income and prepayments whose gross contractual value and fair value are deemed to be £10 million.
- (ii) The finalisation of the fair value of the acquired assets and liabilities of Simplify Digital Limited will be completed within 12 months of the acquisition and therefore remains provisional until 31 March 2017 owing to the proximity of acquisition to the balance sheet date. It is therefore possible that adjustments to goodwill could arise up until 31 March 2017.
- (iii) The goodwill arising on the acquisitions is not deductible for income tax purposes and consists largely of the synergies and economies of scale expected from combining the operations.
- (iv) Total consideration includes the fair value of contingent consideration arrangements of £13 million which is payable subject to the achievement of certain earnings growth targets. The total maximum payable under these arrangements is £13 million. The fair value of contingent consideration arrangements has been estimated by applying the income approach (note 16). Total consideration also includes deferred consideration of £10 million payable within one year.

24 Acquisitions and Merger continued

b) Other information

Acquisition related costs (included within non-headline expenses) amount to £1 million (note 4). The contribution to revenue and operating profit of acquisitions completed in the year was not material.

2014/15 All-share merger of Dixons and Carphone

On 6 August 2014, the Group completed an all-share merger of Dixons and Carphone after which the shareholders of Dixons and Carphone each held 50% of Dixons Carphone on a fully diluted basis taking into account existing share options and award schemes for both companies.

Under the terms of the Merger, Dixons shareholders received 0.155 of a new Dixons Carphone Share in exchange for each Dixons share. In accordance with the criteria in IFRS 3 'Business Combinations' it has been determined that Carphone acquired Dixons.

The provisional fair values of identifiable assets and liabilities of Dixons as at the acquisition date were reported in the annual report for the period ended 2 May 2015. In finalising the fair value of identifiable assets and liabilities, no changes have been made to the provisional fair values.

25 Discontinued operations and assets held for sale

As reported at 2 May 2015, Virgin Mobile France and the Group's retail operations in Germany, the Netherlands and Portugal were treated as discontinued operations following the decision to exit these businesses. The assets and liabilities associated with Germany, the Netherlands and Portugal were recognised as held for sale at 2 May 2015. The sale of operations in Germany was completed on 5 May 2015, the Netherlands on 30 June 2015 and Portugal on 31 August 2015, whilst Virgin Mobile France was sold on 4 December 2014.

a) Loss after tax – discontinued operations

The results of discontinued operations are comprised as follows:

	Year ended 30 April 2016			
	Phone House Germany £million	Phone House Netherlands £million	Phone House Portugal £million	Total £million
Revenue	—	19	13	32
Expenses	—	(20)	(16)	(36)
Loss before tax	—	(1)	(3)	(4)
Income tax	—	—	—	—
	—	(1)	(3)	(4)
(Loss) / profit on disposal	(10)	(6)	2	(14)
	(10)	(7)	(1)	(18)

The net loss on disposal recognised in the current year 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.

Notes to the Group financial statements

25 Discontinued operations and assets held for sale continued

	13 months ended 2 May 2015				
	Virgin Mobile France £million	Phone House Germany £million	Phone House Netherlands £million	Phone House Portugal £million	Total £million
Revenue	—	323	159	47	529
Expenses	—	(364)	(239)	(55)	(658)
Loss before tax	—	(41)	(80)	(8)	(129)
Income tax	—	—	—	—	—
	—	(41)	(80)	(8)	(129)
Profit on disposal	87	—	—	—	87
Impairment losses recognised on classification as held for sale	—	(16)	(43)	(13)	(72)
	87	(57)	(123)	(21)	(114)

b) Assets held for sale

The Group's assets held for sale and associated liabilities are analysed as follows

	30 April 2016 £million	2 May 2015 £million
Inventory	—	16
Receivables	—	66
Cash and cash equivalents	—	55
Assets held for sale	—	137
Liabilities associated with assets held for sale – current liabilities	—	(68)
Net assets held for sale	—	69

c) Cash flows from discontinued operations

	Year ended 30 April 2016 £million	13 months ended 2 May 2015 £million
Operating activities	2	(78)
Investing activities	30	81
	32	3

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)

Network commission receivables are classified as loans and receivables as defined in IAS 39 and are therefore accounted for at amortised cost. As the measurement of certain network commission receivables is a key source of estimation uncertainty, an explanation of the valuation methodology and an analysis of the sensitivity of the carrying value of receivables to the methods, assumptions and estimates of this methodology has been provided below in note 26(h). The carrying value of such ongoing network commission receivables is £904 million (2015: £629 million) which is approximately equal to their fair value. If measured at fair value these receivables would be 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 models are provided below for network commission

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 other financial instruments that are measured at fair value on the balance sheet, primarily comprising currency contracts and interest rate swaps, 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 approximately equal.

The book value and fair value of the Group's financial assets, liabilities and derivative financial instruments are as follows

	30 April 2016 £million	2 May 2015 £million
Cash and cash equivalents	233	163
Trade and other receivables excluding derivative financial assets	1,421	1,086
Net derivative financial liabilities	(24)	(11)
Trade and other payables	(2,378)	(1,933)
Finance leases	(91)	(91)
Deferred and contingent consideration	(33)	(31)
Loans and other borrowings	(409)	(385)

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.

Notes to the Group financial statements

26 Financial risk management and derivative financial instruments continued

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 30 April 2016, the total notional principal amount of outstanding currency contracts was £2,856 million (2015: £1,540 million) and had a fair value of £23 million (2014/15: £11 million). 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 30 April 2016		13 months ended 2 May 2015	
	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	—	58	—	57
10% movement in the Swedish Krona exchange rate	—	2	—	4
10% movement in the Danish Krone exchange rate	—	2	—	3
10% movement in the Norwegian Krone exchange rate	—	6	—	3

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 30 April 2016		13 months ended 2 May 2015	
	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	—	4

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 £800 million (2015: £875 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
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)

	Within one year £million	In more than one year but not more than five years £million	In more than five years £million	Total £million
2 May 2015				
Finance leases	(8)	(33)	(114)	(155)
Derivative financial instruments – payable				
Forward foreign exchange contracts	(1,540)	—	—	(1,540)
Interest rate swaps	(2)	(2)	—	(4)
Derivative financial instruments – receivable				
Forward foreign exchange contracts	1,530	—	—	1,530
Loans and other borrowings	(64)	(337)	—	(401)
Deferred consideration	(25)	(6)	—	(31)
Trade and other payables	(1,584)	(349)	—	(1,933)

Financial statements

Notes to the Group financial statements

26 Financial risk management and derivative financial instruments continued

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.

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 £800 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 30 April 2016 the Group had forward and swap foreign exchange contracts in place with a notional value of £1,909 million (2015: £1,487 million) and a fair value of £17 million (2014/15: £6 million) 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 £6 million (2014/15: £nil).

Interest rate swaps

The Group held interest rate swaps with a notional value of £255 million (2015: £280 million) and a fair value of £1 million (2014/15: £nil) whereby the Group receives a floating rate of interest based on LIBOR and pays a fixed interest rate. This contract matures in April 2017.

26 Financial risk management and derivative financial instruments continued

h) Network commission receivables consumer behaviour risk

Under certain arrangements with MNOs, the commission revenue on mobile phone sales depends on consumer behaviour after the point of sale. A discounted cash flow methodology is used to measure the fair value of the revenue and associated receivables at the point of sale, 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 at the effective interest rate determined at the date of sale.

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 percentage 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 percentage of consumers initially connected by the Group estimated to be subsequently upgraded by an MNO.

The last four inputs are based on extensive historical evidence obtained from the networks, and provision 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 the total cash flows ultimately realised over the forecast period, however, the directors consider that the quantity and quality of data available provides an appropriate proxy for current trends.

The table below provides the sensitivity of the carrying value of the network commission receivables to a reasonably possible change in input to the discounted cash flow model.

Unobservable inputs	Relationship of unobservable inputs to remeasurement of carrying value	Sensitivity ⁽¹⁾		Range ⁽²⁾
		Favourable £million	Unfavourable £million	
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)	1.2% – 18.2%
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.

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.

In addition to those sensitivities disclosed above, changes to revenue may be made, where for example, more recent information is available, and any such changes are required to be recognised in the income statement. Changes in relation to network commission receivable for sales originating in previous years totalled £26 million (2014/15: £33 million).

Notes to the Group financial statements

27 Notes to the cash flow statement

a) Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 30 April 2016 £million	13 months ended 2 May 2015 £million
Profit before interest and tax – continuing operations	304	324
Depreciation and amortisation	177	149
Share-based payment charge	10	10
Share of results of joint ventures	4	–
Impairments and other non-cash items	4	4
Operating cash flows before movements in working capital	499	487
<i>Movements in working capital</i>		
(Increase) / decrease in inventory	(18)	6
(Increase) in receivables	(247)	(89)
Increase / (decrease) in payables	168	(289)
Increase / (decrease) in provisions	83	(5)
	(14)	(377)
Cash generated from operations – continuing operations	485	110

b) Analysis of net debt

	2 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
	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 (debt) / funds	(313)	34	(6)	18	(267)

	29 March 2014 £million	Cash flow £million	Acquisitions £million	Other non-cash movements £million	Currency translation £million	2 May 2015 £million
Cash and cash equivalents	283	(120)	–	–	–	163
Borrowings due within one year	–	(55)	–	–	–	(55)
Borrowings due after more than one year	(290)	249	(289)	–	–	(330)
Obligations under finance leases	(1)	7	(93)	(4)	–	(91)
	(291)	201	(382)	(4)	–	(476)
Net funds / (debt)	(8)	81	(382)	(4)	–	(313)

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 5a for details of related party transactions with key management personnel.

The Group had the following transactions and balances with its associates:

	30 April 2016 £million	2 May 2015 £million
Revenue for services provided	24	8
Amounts owed to the Group	2	—

All transactions entered into with related parties were completed on an arm's length basis.

29 Capital commitments

	30 April 2016 £million	2 May 2015 £million
Contracted for but not provided for in the accounts	39	55

30 Operating lease arrangements

a) The Group as a lessee

Total undiscounted future committed payments due for continuing operations are as follows:

	30 April 2016 £million		2 May 2015 £million	
	Land and buildings	Other assets	Land and buildings	Other assets
Total undiscounted future committed payments due				
Within one year	350	7	361	7
Between two and five years	1,126	10	1,227	14
After five years	785	—	1,001	1
	2,261	17	2,589	22

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 £21 million (2015: £42 million).

Notes to the Group financial statements

30 Operating lease arrangements continued

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

	30 April 2016 £million	2 May 2015 £million
Total undiscounted future minimum lease income receivable		
Within one year	1	1
Between two to five years	5	5
After five years	5	6
	11	12

31 Contingent liabilities

	30 April 2016 £million	2 May 2015 £million
	—	3

In addition to the figures shown in the table above, contingent liabilities also exist in respect of lease covenants relating to premises assigned to third parties

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

Company balance sheet

	Notes	30 April 2016 £million	2 May 2015 £million
Fixed assets			
Investments in subsidiaries	C4	2,678	2,678
Current assets			
Cash and cash equivalents		32	666
Debtors due within one year	C5	1,941	223
		1,973	889
Creditors amounts falling due within one year	C6	(1,198)	(160)
Net current assets		775	729
Total assets less current liabilities		3,453	3,407
Provisions	C7	(1)	(2)
Loans payable	C8	(409)	(330)
Net assets		3,043	3,075
Capital and reserves			
Share capital	C9	1	1
Share premium reserve	C9	2,256	2,256
Profit and loss account		786	818
		3,043	3,075

The financial statements of the Company (registered number 07105905) were approved by the Board on 28 June 2016 and signed on its behalf by

Sebastian James,
Group Chief Executive

Humphrey Singer,
Group Finance Director

Financial statements

Company statement of changes in equity

	Share capital £million	Share premium reserve £million	Profit and loss account £million	Total equity £million
At 29 March 2014	1	283	795	1,079
Net profit for the period	—	—	64	64
Other comprehensive income and expense recognised directly in equity	—	—	(3)	(3)
Total comprehensive income and expense for the period	—	—	61	61
Issue of shares	—	1,973	—	1,973
Equity dividends	—	—	(52)	(52)
Net movement in relation to share schemes	—	—	14	14
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

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, in the period ended 30 April 2016 the Company has decided to adopt FRS 101 and has undergone transition from reporting under applicable United Kingdom accounting standards to FRS 101 as 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 other than those relating to legal changes and has not 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.

This transition is not considered to have had a material effect on the financial statements.

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.

Prior to the Dixons Retail Merger, the Company prepared its financial statements to the Saturday closest to its accounting reference date of 31 March. Following the Merger, which is described further in note 24 to the Group financial statements, the Company changed its accounting reference date to 30 April which was the accounting reference date of Dixons Retail plc, but continues to draw up accounts to the nearest Saturday and accordingly the comparative financial period is for the 13 months ended 2 May 2015.

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 30 April 2016 was £75 million (2014/15 £64 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.

Notes to the Company financial statements

C4 Fixed asset investments

	30 April 2016 £million	2 May 2015 £million
Opening balance	2,678	753
Additions	—	3,965
Disposals	—	(2,040)
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.

2014/15

On 6 August 2014, the Group completed an all-share merger of Dixons and Carphone after which the shareholders of Dixons and Carphone each held 50% of Dixons Carphone on a fully diluted basis taking into account existing share options and award schemes for both companies.

Under the terms of the Merger, Dixons shareholders received 0.155 of a new Dixons Carphone Share in exchange for each Dixons share. In accordance with the criteria in IFRS 3 'Business Combinations' it has been determined that Carphone acquired Dixons and accounts for the majority of the additions listed. Immediately following the Merger, the shareholding in Dixons was transferred to the Company's immediate subsidiary, New CPW Limited, and this transaction accounts for the majority of the disposals.

C5 Debtors: amounts falling due within one year

	30 April 2016 £million	2 May 2015 £million
Amounts owed by Group undertakings	1,908	194
Derivative assets	18	17
Deferred tax asset	2	3
Prepayments	5	5
Other debtors	8	4
	1,941	223

Amounts owed by Group undertakings are repayable within 12 months of the balance sheet date.

C6 Creditors Amounts falling due within one year

	30 April 2016 £million	2 May 2015 £million
Amounts owed to Group undertakings	1,061	119
Other creditors	1	5
Derivative liabilities	41	26
Overdrafts	84	—
Corporation tax	5	—
Accruals and deferred income	6	10
	1,198	160

C7 Provisions

	30 April 2016 £million	2 May 2015 £million
Opening balance	2	2
Utilised	(1)	—
Closing balance	1	2

C8 Loans payable

Details of loans payable are provided in note 18 to the Group financial statements

C9 Share capital and share premium

Details of movements in share capital and share premium are disclosed in note 22 to the Group financial statements

Notes to the Company financial statements

C10 Subsidiary undertakings

a) Principal subsidiaries as at 30 April 2016

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	Country of incorporation or registration	Share Class(es) Held	% Held	Business Activity
Carphone Warehouse Europe Limited	England & Wales	A & B Ordinary	100	Holding Company
Dixons Retail plc ¹	England & Wales	Ordinary and Deferred	100	Holding Company
Dixons South East Europe A E V E	Greece	Ordinary	100	Retail
DSG International Holdings Limited	England & Wales	Ordinary	100	Holding Company
DSG Retail Ireland Limited	Ireland	Ordinary	100	Retail
DSG Retail Limited	England & Wales	Irredeemable Cumulative Preference Shares and Ordinary Shares	100	Retail
Elgiganten Aktiebolag	Sweden	Ordinary	100	Retail
ElGiganten A/S	Denmark	Ordinary	100	Retail
Elkjøp Nordic AS	Norway	Ordinary	100	Retail
GEAB The Phone House Aktiebolag	Sweden	Ordinary	100	Distribution
Gigantti Oy	Finland	Ordinary	100	Retail
ISE-NET Solutions Limited	England & Wales	Ordinary	100	IT
New CPW Limited	England & Wales	Ordinary	100 ²	Holding company
		Deferred	100 ²	
		A Ordinary	37.1 ³	
		B Ordinary	3.5 ³	
New Technology Insurance	Ireland	Ordinary	100	Insurance
The Carphone Warehouse Limited	England & Wales	Ordinary	100	Distribution
The Carphone Warehouse Limited	Ireland	Ordinary	100	Distribution
The Phone House Spain S L U	Spain	A & B Shares	100	Distribution

1 Dixons Retail plc became a private limited company called Dixons Retail Group Limited after year end

2 Interest held directly by Dixons Carphone plc

3 This is the only interest of Dixons Carphone plc, directly or indirectly, in this class of shares

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	Country of incorporation or registration	Share Class(es) Held	% Held
Adiumentum Oy	Finland	Ordinary	100
Carphone Warehouse Ireland Mobile Limited	Ireland	Ordinary	100
Charterhouse Management Limited	Isle of Man	Ordinary	100
Codic GmbH (in liquidation)	Germany	Ordinary	100
Connected World Services Distributions Limited	England & Wales	Ordinary	100
Connected World Services Europe S L	Spain	Ordinary	100
Connected World Services LLC	USA	Ordinary	100
Connected World Services Netherlands BV	Netherlands	Ordinary	100
Connected World Services SAS	France	Ordinary	100
CPW Acton Five Limited	England & Wales	Ordinary	100
CPW Acton One Limited	Isle of Man	Ordinary	100 ²
CPW Brands 2 Limited	England & Wales	Ordinary	100 ²
CPW Consultancy Limited	England & Wales	Ordinary	100 ²
CPW CP Limited	England & Wales	Ordinary	100
CPW Distribution Limited	England & Wales	Ordinary	100
CPW GC Holdings BV	Netherlands	Ordinary	100 ²
CPW Irlam Limited	England & Wales	Ordinary	100 ²
CPW Tulketh Mill Limited	England & Wales	Ordinary	100 ²
Currys Group Limited	England & Wales	Ordinary	100
CWIAB Limited	England & Wales	Ordinary	100
DISL 2 Limited	Isle of Man	Ordinary	100
DISL Limited	Isle of Man	A, B, C & D Preference and Ordinary B	100
DISL UK Limited	England & Wales	Ordinary	100
Dixons Group Limited	England & Wales	Ordinary	100
Dixons Retail SSC s r o	Czech Republic	Business Shares	100
Dixons Sourcing Limited	Hong Kong	Ordinary	100
Dixons Stores Group Retail Norway AS	Norway	Ordinary	100
Dixons Travel srl	Italy	Ordinary	100
DSG Boxmoor Limited	England & Wales	Ordinary	100
DSG Card Handling Services Limited	England & Wales	Cumulative C & D Preference and Ordinary	100
DSG Corporate Services Limited	England & Wales	Ordinary	100
DSG European Investments Limited	England & Wales	Ordinary	100
DSG Fleet Management Limited	England & Wales	Ordinary	100
DSG Hong Kong Sourcing Limited	Hong Kong	Ordinary	100
DSG International Belgium BVBA	Belgium	Ordinary	100
DSG International Retail Properties Limited	England & Wales	Ordinary	100
DSG International Treasury Management Limited	England & Wales	Ordinary	100
DSG Ireland Limited	England & Wales	Ordinary	100

Financial statements

Notes to the Company financial statements

C10 Subsidiary undertakings continued

b) Other subsidiary undertakings

Name	Country of incorporation or registration	Share Class(es) Held	% Held
DSG KHI Limited	England & Wales	Ordinary	100
DSG Overseas Investments Limited	England & Wales	Preference, B Preference and Ordinary	100
DSG Retail Ireland Pension Trust Limited	Ireland	Ordinary	100
EI-Giganten Logistik AB	Sweden	Ordinary	100
Elkj�p K�lverenga AS	Norway	Ordinary	100
Elkj�p Norge AS	Norway	Ordinary	100
Epoq Holding AB	Sweden	Ordinary	100
Epoq Logistic DC k s	Czech Republic	Ordinary	100
ID Mobile Limited	England & Wales	Ordinary	100
InfoCare CS AB	Sweden	Ordinary	100
InfoCare Workshop AS	Norway	Ordinary	100
InfoCare Workshop Holding AS	Norway	Ordinary	100
InfoCare Workshop Oy	Finland	Ordinary	100
Kereru Limited	England & Wales	Ordinary	100
Lefdal Elektromarked AS	Norway	Ordinary	100
Leverstock Investments Limited	England & Wales	Ordinary	100
Markan talo Oy	Finland	Ordinary	100
Mastercare Service and Distribution Limited	England & Wales	Ordinary	100
Mohua Limited	England & Wales	Ordinary	100
MSG The Phone House AB	Sweden	Ordinary	100
MTIS Limited	Ireland	Ordinary	100
NSS Financials A/S	Denmark	Ordinary	100
OSAA – Sociedade Gestora De Participa��es Sociais, Lda	Portugal	Ordinary	100
Osfone Comercio de Aparelhos de Telecomunica��es, Lda	Portugal	Ordinary	100
Osfone Neg�cios – Comercio de Aparelhos de Telecomunica��es, Lda	Portugal	Ordinary	100
PC City (France) SNC	France	Partnership	100
PC City Norge AS	Norway	Ordinary	100
PC City Spain SA	Spain	Ordinary	100
Pelham Limited	Isle of Man	Ordinary	100
Petrus Insurance Company Limited	Gibraltar	Ordinary	100
Phone House International AB	Sweden	Ordinary	100
Simplify Digital Limited	England & Wales	Ordinary	100
Simplify Digital Systems Limited	England & Wales	A Ordinary	100
TalkM Limited	England & Wales	Ordinary	100
The Carphone Warehouse (Digital) Limited	England & Wales	Ordinary	100 ²
The Carphone Warehouse Resources Limited	Isle of Man	Ordinary	100 ²
The Carphone Warehouse UK Limited	England & Wales	Ordinary	100
The Phone House Holdings (UK) Limited	England & Wales	Ordinary	100

1 Dixons Retail plc became a private limited company called Dixons Retail Group Limited after year end

2 Interest held directly by Dixons Carphone plc

3 This is the only interest of Dixons Carphone plc directly or indirectly, in this class of shares

C10 Subsidiary undertakings continued**c) Subsidiary undertakings exempt from audit**

The following subsidiaries, all of which are incorporated in England & Wales and are all included in section b) on pages 147 to 148, 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 International Retail Properties Limited	00476440
DSG Ireland Limited	00240621
The Carphone Warehouse (Digital) Limited	03966947
The Carphone Warehouse UK Limited	03827277
The Phone House Holdings (UK) Limited	03663563

Five year record (unaudited)

Headline results – continuing operations⁽¹⁾

	2015/16 £million	2014/15 £million	2013/14 £million	2012/13 £million	2011/12 £million
Statutory					
Revenue	9,738	8,255	1,943	11	6
Profit after tax – wholly owned operations	341	285	100	4	3
Share of results of joint ventures and associates (after tax)	(4)	—	3	48	46
Net profit after tax	337	285	103	52	49
Earnings per share					
– Basic	29 3p	29 7p	18 6p	10 9p	10 7p
– Diluted	28 4p	28 7p	18 3p	10 8p	10 2p

Pro forma Headline results⁽²⁾

Revenue	9,738	9,750	9,752	9,517	8,820
EBIT	468	413	359	310	277
Interest	(21)	(32)	(43)	(33)	(39)
Profit before taxation	447	381	316	277	238

- (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

Pro forma information (unaudited)

Basis of preparation

The basis of preparation of Headline pro forma information is described in the Performance Review on page 24. Following the Merger, the Group changed its year end to be the Saturday closest to 30 April. The 2014/15 financial year as disclosed in the 2014/15 annual report and accounts therefore comprised the 13 months to 2 May 2015 for the Carphone Warehouse business. So as to enable a better year-on-year comparison, the pro forma prior period results of the Carphone Warehouse business have been restated to exclude the results of the additional five weeks trading.

2014/15 Pro forma income statement reconciliation

	Statutory basis – Total ⁽¹⁾ £million	Non headline items ⁽²⁾ £million	Dixons Retail Merger ⁽³⁾ £million	Pro forma – Headline ⁽⁴⁾ £million	Carphone Warehouse April 2014 ⁽⁵⁾ £million	Restated Pro forma basis – Headline ⁽⁶⁾ £million
UK and Ireland	5,506	—	945	6,451	(137)	6,314
Nordics	2,055	—	663	2,718	(9)	2,709
Southern Europe	564	—	73	637	(31)	606
Connected World Services	130	—	—	130	(9)	121
Revenue	8,255	—	1,681	9,936	(186)	9,750
UK and Ireland	278	35	(7)	306	(1)	305
Nordics	46	14	26	86	—	86
Southern Europe	18	2	(6)	14	1	15
Connected World Services	6	1	1	8	(1)	7
Unallocated	(24)	24	—	—	—	—
EBIT	324	76	14	414	(1)	413
Interest	(37)	13	(9)	(33)	1	(32)
Profit before tax	287	89	5	381	—	381
Tax	(76)	(15)	3	(88)	—	(88)
Profit after tax	211	74	8	293	—	293
Discontinued operations	(114)	114	—	—	—	—
Profit after tax	97	188	8	293	—	293
Basic earnings per share (pence) ⁽⁷⁾	10.1	19.6	(4.2)	25.5	—	25.5

(1) Total statutory results as reported on pages 88 and 102 in the Group's 2015/16 financial statements

(2) Non-Headline items as described in notes 4 and 25 to the Group's financial statements are excluded from pro forma Headline results

(3) Consolidated results of Dixons Retail plc for the period prior to 6 August 2014 have been extracted without material adjustment from the consolidation schedules which support the Group's 2014/15 financial statements and are included in pro forma Headline results

(4) Pro forma Headline income statement as reported on page 24 in the 2014/15 annual report and accounts

(5) Results for the 5 weeks to 3 May 2014 for the Carphone Warehouse business have been extracted without material adjustment from the consolidation schedules which support the Group's 2014/15 financial statements and are excluded from the restated pro forma Headline results

(6) Pro forma Headline income statement as reported on page 24

(7) Pro forma earnings per share has been calculated assuming the number of shares on issue at 2 May 2015, adjusted for the number of shares held by the Group's ESOTs, apply from the start of the current and comparative periods. The effect of this adjustment to average number of shares has been included as part of the 'Dixons Retail Merger' adjustments

Investor information

Pro forma information (unaudited)

2014/15 Pro forma cash flow statement reconciliation

	Statutory basis ⁽¹⁾ £million	Net funds (debt) basis ⁽²⁾ £million	Non headline items ⁽³⁾ £million	Dixons Retail Merger ⁽⁴⁾ £million	Pro Forma basis ⁽⁵⁾ £million	Carphone Warehouse April 2014 ⁽⁶⁾ £million	Restated Pro Forma basis ⁽⁷⁾ £million
EBIT	324	—	76	14	414	(1)	413
Depreciation and amortisation	149	—	(35)	27	141	(4)	137
Working capital	(377)	—	(16)	27	(366)	207	(159)
Capital expenditure	(166)	—	—	(20)	(186)	4	(182)
Taxation	(39)	—	—	(26)	(65)	3	(62)
Interest	(36)	—	—	(11)	(47)	1	(46)
Other items – Free cash flows	25	—	—	(12)	13	(9)	4
Free cash flow before restructuring items – continuing operations	(120)	—	25	(1)	(96)	201	105
Restructuring costs	—	—	(16)	—	(16)	—	(16)
Free Cash Flow	(120)	—	9	(1)	(112)	201	89
Dividends	(52)	—	—	—	(52)	—	(52)
Merger transaction costs	(42)	—	(9)	(39)	(90)	—	(90)
Acquisitions, disposals, discontinued operations	333	—	—	(374)	(41)	43	2
Pension contributions	(28)	—	—	—	(28)	—	(28)
(Decrease) / increase in borrowings	(211)	211	—	—	—	—	—
Other items	—	—	—	—	—	—	—
Movement in net funds / (debt)	(120)	211	—	(414)	(323)	244	(79)
Opening net funds	283	(291)	—	71	63	(244)	(181)
Closing net (debt) / funds	163	(80)	—	(343)	(260)	—	(260)

- (1) Total statutory cash flows as reported on pages 92 and 138 using the presentation provided in the performance review on pages 26 to 27
Cash flows from the statutory cash flow statement have been aggregated as described below
 - Interest comprises interest received, interest paid and repayment of obligations under finance leases
 - Other items – Free cash flows comprise share based payment charge non-cash movements on joint ventures, impairment and other non-cash items and proceeds from disposal of property, plant & equipment
 - Acquisitions, disposals, discontinued operations comprise net cash outflow arising from CPW Europe Acquisition, cash acquired on the Merger, proceeds on sale of business and short term investments and discontinued operations
 - Merger transaction costs comprise bond redemption premium and facility arrangement fees paid
 - Opening, closing and movement in net funds (debt) relate to the opening, closing and movement in cash and cash equivalents
- (2) Adjustment to present the cash flows on the basis of net funds (debt) rather than cash and cash equivalents consistent with the performance review on page 25 of the 2014/15 annual report and accounts
- (3) Non-Headline cash flows as described in notes 4 and 24 to the Group's 2014/15 financial statements are excluded from pro forma free cash flows
- (4) Consolidated cash flows of Dixons Retail plc for the period prior to 6 August 2014 have been extracted without material adjustment from the consolidation schedules which support the Group's 2014/15 financial statements and are included in pro forma cash flows
- (5) Pro forma cash flow statement as reported on page 25 of the 2014/15 annual report and accounts
- (6) Cash flows for the five weeks to 3 May 2014 for the Carphone Warehouse business have been extracted without material adjustment from the consolidation schedules which support the Group's 2014/15 financial statements and are excluded from the restated pro forma cash flows
- (7) Pro forma cash flow statement as reported in the Performance Review on pages 26 to 27

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 100

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You can manage your shareholdings via an electronic communications service called Shareview, 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 2015/16)	25 Aug 2016
Record date (final dividend 2015/16)	26 Aug 2016
Annual General Meeting	8 Sep 2016
Intended dividend payment date (final dividend 2015/16)	23 Sep 2016

American Depositary Receipts ('ADR's)

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.

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Glossary and 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
ARPU	Average 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
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 & 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 plc which occurred on 6 August 2014
Earnings	Profit or loss after taxation, unless the context otherwise requires
EBIT	Earnings before interest and taxation
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EPS	Earnings per share (basic unless otherwise indicated)
ESOT	Employee share ownership trust
Free Cash Flow	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

Headline results	Results before Non-Headline results. The phrases 'Headline earnings', 'Headline EBIT', 'Headline EBITDA' and 'Headline EPS' should be interpreted in the same way
HMRC	Her Majesty's Revenue and Customs
IFRS	International Financial Reporting Standards as adopted by the European Union
Like-for-like revenue	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. Revenue from Carphone Warehouse SWAS are included in like-for-like. Like-for-like revenue reflects the 12 months to 30 April 2016 compared to the 12 months to 2 May 2015
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	New CPW Limited (incorporated in England & Wales)
Non-Headline results	Non-Headline results comprise the results of discontinued operations or exited / to be exited businesses, amortisation of acquisition intangibles, any exceptional items considered so one-off and material that they distort underlying performance (such as reorganisation costs, impairment charges and other non-recurring charges) 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
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 (formerly 'The Carphone Warehouse Group PLC') (incorporated in England & Wales)
PAT	Profit after taxation
PBT	Profit before taxation
Pro forma	Results incorporating Dixons Retail plc as if it had been owned by the Group for the entire previous reporting period. In addition the 2014/15 pro forma results of the Carphone Warehouse business have been restated to exclude the results of the additional five weeks trading to ensure an equal length period for comparative purposes

Glossary and definitions

ROCE	Return on capital employed. 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.
RCF	Revolving credit facility
Sharesave or SAYE	Save as you earn share scheme
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 & Wales) and its subsidiaries, operating an MVNO in France as a joint venture between the Company, Bluebottle UK Limited and Finacom S.A.S.
WAEP	Weighted average exercise price

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