Dixons
Carphone

WE HELP EVERYONE ENJOY AMAZING TECHNOLOGY

**ANNUAL REPORT
& ACCOUNTS
2020/21**

DIXONS CARPHONE
WHAT WE DO

A LEADING OMNICHANNEL RETAILER OF TECHNOLOGY PRODUCTS AND SERVICES

Dixons Carphone plc is a leading omnichannel retailer of technology products and services, operating through 829 stores and 16 websites in 7 countries. We Help Everyone Enjoy Amazing Technology, however they choose to shop with us.

www.dixonscarphone.com/investors

For the latest news visit our website.

We are the market leader in the UK and Ireland, throughout the Nordics and in Greece, employing 35,000 capable and committed colleagues across the Group. By offering the best range of products, credit and services through digital-first omnichannel we are building customer relationships that are stickier and more valuable over time. This will benefit our customers, our colleagues, our shareholders and society.

2020/21
HIGHLIGHTS

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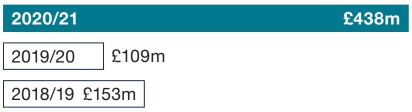
FINANCIAL HIGHLIGHTS

Revenue

£10,344m
+2%

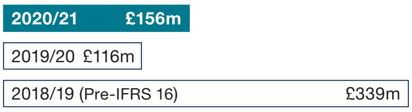
Free Cash flow

£438m
+302%



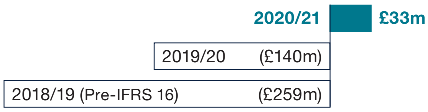
Adjusted profit before tax

£156m
+34%



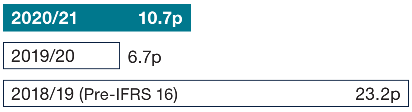
Statutory profit before tax

£33m



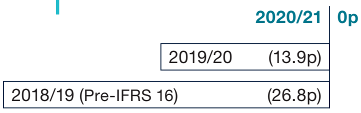
Adjusted EPS

10.7p
+60%



Statutory EPS

0p



See our Key Performance Indicators on pages 54 to 55.

OPERATIONAL HIGHLIGHTS

Kept colleagues safe and provided customers with vital technology during the pandemic

Adapted quickly to overcome challenges of multiple enforced store closures

Strong trading across all markets; share gains in every open channel

Electricals online sales growth +103% to £4.7bn

Further development of colleague tools and training; all invested in our success through share-award schemes

New commitments to reach net zero emissions by 2040 and to help end digital poverty in the UK

QUICK LINKS

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8

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OVERVIEW
OUR VISION

WE HELP EVERYONE ENJOY AMAZING TECHNOLOGY

We help customers choose, afford and enjoy amazing technology however they choose to shop with us.

As a market leading consumer electrical, mobile phone and services retailer, our vision drives everything we do in all countries in which we operate.

Customers find technology incredibly exciting, but also confusing and expensive. Our vision goes beyond ensuring customers can choose, afford and enjoy the right tech.

We put our purpose at the heart of what we do, using our expertise, scale and reach, to bring technology to everyone.

The assets, colleagues, capabilities and scale that we have means that no one is better placed than Dixons Carphone to help customers do all this.

OUR BUSINESS MODEL

CHOOSE

We help customers choose the right technology, across a huge range of products and through stores or online. Our capable and committed colleagues provide expert advice to help customers make the right choice.

AFFORD

Customers find technology exciting but confusing and expensive. We help everyone afford the technology they want. We won't be beaten on price and we can spread the cost of tech through the responsible use of credit.

ENJOY FOR LIFE

We help customers make the most of their amazing tech through our unique services. We get the product working, keep it working, help customers make the most out of it and at the end of the lifecycle, trade in and recycle products.

We are uniquely positioned to help customers throughout their life, and by doing so we will drive relationships that are long-lasting and more valuable to our customers and to us.

Read more about our business model on page **8.**

OUR STRATEGIC PRIORITIES

Technology plays a more important role in our lives today than ever. We provide the vital technology our customers need, to keep them connected with loved ones, their families fed, clean, healthy and entertained, to work from home and home-school their children.

Our strategy sets out to build on our strengths to help everyone enjoy amazing technology.

Executing on these priorities will enable the Group to achieve an EBIT margin of at least 4.0% and to generate free cash flow of more than £1bn over 2019/20 to 2023/24.

OMNICHANNEL

Omnichannel is our way of bringing the strengths of all our channels, stores and online, to all our customers, however they choose to shop.

Read more on page 14.

CREDIT

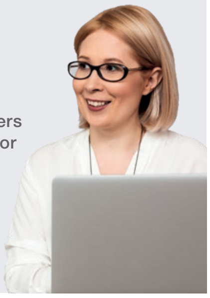
Credit appeals to customers as technology is exciting but expensive, and credit makes it more affordable by allowing them to spread the cost.

Read more on page 20.

SERVICES

We are uniquely positioned to provide services to our customers to help them enjoy technology for life. We can provide this range of services at scale in ways no competitor can match.

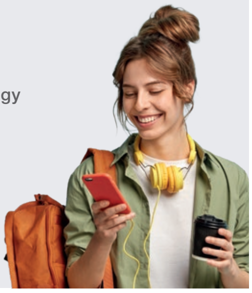
Read more on page 18.



MOBILE

Mobile is essential technology for customers. We are on track to restore mobile to profitability and cash generation.

Read more on page 21.



OUR VALUES

Our values unite us, helping us achieve our strategic objectives.

We put our customers first

We put the customer at the heart of everything we do, we are passionate about technology and proud to sell it to customers to help them throughout their lives.

We win together

We welcome diversity and are always learning, growing, developing, having fun and celebrating our successes together to deliver as part of one business.

We own it

We are aligned to our vision, clear and accountable on our goals and are super helpful. We are all owners and spend every pound as if it is our own.

THE IMPORTANCE OF TECHNOLOGY TO OUR CUSTOMERS

THE AMAZING TECHNOLOGY WE SELL PLAYS A VITAL ROLE IN OUR CUSTOMERS' LIVES

Sales have been strong in all markets as we helped customers choose, afford and enjoy the vital technology we sell to keep them connected with loved ones, their families fed, clean, healthy and entertained, to work from home and home-school their children.


HEALTHY
PRODUCTIVE
CLEAN
ENTERTAINED

OUR BUSINESS AT A GLANCE

DIXONS CARPHONE IS A LEADING OMNICHANNEL RETAILER OF TECHNOLOGY PRODUCTS AND SERVICES, OPERATING THROUGH 829 STORES AND 16 WEBSITES IN 7 COUNTRIES. WE HELP EVERYONE ENJOY AMAZING TECHNOLOGY, HOWEVER THEY CHOOSE TO SHOP WITH US.

We are the market leader in the UK and Ireland, throughout the Nordics and in Greece, employing 35,000 capable and committed colleagues across the Group.

Our full range of services and support makes it easy for our customers to discover, choose, afford and enjoy the right technology for them, throughout their lives. The Group's operations are supported by a sourcing office in Hong Kong, state-of-the-art repair facilities and an extensive distribution network enabling delivery to stores and homes.

Our brands include Currys PCWorld in the UK and Ireland as well as Carphone Warehouse and iD Mobile in the UK, where our services are provided through Team Knowhow; Elkjøp, Elgiganten and Gigantti in the Nordics; and Kotsovolos in Greece.

829
Stores

11.4m sq ft
Selling space

16
Websites

7
Countries

35,000
Colleagues

87
Distribution Facilities

FURTHER INFORMATION

Our strategy

Read more on our strategy in the 'Strategy in Action' section.

Read more on page 14.

UK and Ireland

Our main brands include:

- **Currys PCWorld** – Operates 314 stores across the UK and Ireland
- **Carphone Warehouse** – Operates within our Currys PCWorld stores
- **Team Knowhow** – Our service brand sets up or installs over 2m products each year
- **iD Mobile** is our MVNO offering innovative and flexible propositions.

BRANDS

The next 12 months will see Currys PCWorld, Carphone Warehouse and Team Knowhow become one brand, Currys.

Currys PC World

Carphone Warehouse

Team Knowhow

iD mobile

currys

Stores

314

Logistics facilities and space

27

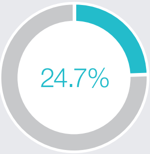
Over 3m sq ft

Colleagues

21,000

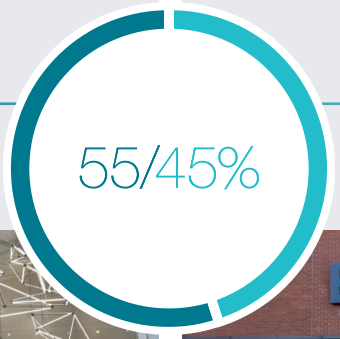
including 13,500 retail colleagues and 5,500 service colleagues

Market share



REVENUE 2020/21

£5,642m



Performance Review on page 56.

International

Our main brands include:

- **Elkjøp** and **Elkjøp Phonehouse** – Norway
- **Elgiganten** and **Elgiganten Phone House** – Sweden and Denmark
- **Gigantti** – Finland
- **Infocare** – Largest consumer electrical repair company in Nordics
- **Kotsovolos** – Greece.

BRANDS

ELKJØP

GIGANTTI

ΚΩΤΣΟΒΟΛΟΣ

ELGIGANTEN

Stores

515

including 190 franchise stores

Logistics facilities and space

60

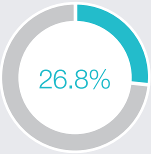
Over 2m sq ft

Colleagues

14,000

including 6,500 retail colleagues

Nordics Market share



£4,702m

Performance Review on page 60.

OUR BUSINESS MODEL

Our business model is to help everyone to choose, afford and enjoy technology however they want to shop.

COMPETITIVE STRENGTHS

MODERN OMNICHANNEL NETWORK

Our network of over 800 stores are primarily well located in retail parks, well invested to provide an excellent customer experience and aligned with our online digital channels to provide a true omnichannel experience.

LARGE AND FLEXIBLE INFRASTRUCTURE

Our extensive infrastructure can be flexed to support sales and provide services in any channel and wherever is most convenient for our customers.

ESTABLISHED AND WELL LOVED BRANDS

Each of our brands has a long history as the customers' preferred brand in all our markets.

Our move to a single brand in the UK&I will make it even easier for customers to see and experience us as number one.

STRONG SUPPLIER RELATIONSHIPS

Our strong relationships with suppliers enable us to provide the best range of relevant products at unbeatable prices.

CAPABLE AND COMMITTED COLLEAGUES

Our colleagues are our greatest advantage in helping customers choose, afford and enjoy the technology that is right for them.

WHAT WE DO

CUSTOMERS

ENJOY FOR LIFE

We help customers make the most of their amazing tech through our unique services. We get product working, keep it working, help customers make the most out of it and at the end of the lifecycle, trade in and recycle products. We are uniquely positioned to help customers throughout their life, and by doing so we drive relationships that are long-lasting and more valuable to our customers and to us.

GET IT WORKING
Installation and set up

KEEP IT WORKING
Protection and repair

MAKE MOST OUT OF IT
Connectivity and subscriptions

END OF LIFE
Trade in and recycle

AFFORD

Customers find technology exciting but confusing and expensive. We help everyone afford the technology they need. We won't be beaten on price and we can spread the cost of tech through the responsible use of credit.

See our risk management
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See our performance review
56

Customers are the heart of everything we do. Constant focus on improving customer experience is key to achieving our objectives and delivering value for all stakeholders.

CHOOSE

We help customers choose the right technology, across a huge range of products and through our stores or online. Our capable and committed colleagues provide expert face-to-face advice to help customers make the right choice.

RIGHT PRODUCTS
Large and relevant range of products including more sustainable products in every market

EXPERT ADVICE
Our 35,000 highly trained, capable and committed colleagues provide expert advice to help customers shop where and when they want

OMNICHANNEL
We help customers choose the right technology, from the best range of products and through stores or online

SHOPLIVE
24/7 live video shopping service

RIGHT PRICE AND PRICE MATCH
"We won't be beaten on price"

CREDIT
Spread the cost of products using credit

See our sustainability approach
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VALUE CREATION FOR STAKEHOLDERS

SATISFYING OUR CUSTOMERS

Customers need the amazing technology we sell to keep connected, healthy, productive and entertained. Helping them choose from the vast range of products and making sure they can get the most out of it is at the heart of what we do.

ENGAGING OUR COLLEAGUES

We can only keep our customers happy if we have happy colleagues. Paying colleagues fairly, building skills for life and making all colleagues shareholders are essential to our long term success.

GENERATING GROWTH FOR OUR SUPPLIERS

Our scale and our stores provide an omnichannel customer experience that our suppliers can find nowhere else, and because of that we have strong relationships with all the major manufacturers.

SUPPORTING OUR ENVIRONMENT AND COMMUNITIES

We care for the world around us. We are proud to be a leading retail repairer and recycler of tech in all our markets. We will reduce our impact on the globe while investing in our communities and cause.

DELIVERING RETURNS FOR OUR SHAREHOLDERS

Our business is cash generative and we ensure sustainability of this cash generation through careful capital deployment.

CHAIR'S STATEMENT

DIXONS CARPHONE EXISTS TO HELP EVERYONE ENJOY AMAZING TECHNOLOGY

When we came into the year with all of our UK stores shut by government mandate, many commentators doubted our business would survive and our share price reflected the huge uncertainty and challenges our business faced.

This meant making some difficult decisions, including placing over 16,500 colleagues on furlough, suspending large parts of our transformation programme and cutting back on all discretionary costs. Our Board and senior management took temporary pay cuts. No bonuses or dividends were paid.

However, the pandemic underscored how vital our products and services are to keeping customers fed, clean, entertained and connected across all the countries we serve. We adapted fast to keep customers and colleagues safe, do the right thing for society, and secure the future of our business. We can now look forward to the start of the 2021/22 financial year from a position of strength and optimism that few thought possible 12 months ago.

> "It is because of the efforts of all of our people that we exit the year in a much better position… with our transformation programme now back up to speed…the business can genuinely look forward with a lot of optimism."
>
> **Lord Livingston of Parkhead**
> **Chair of the Board**

Customers

With stores shut, our UK business moved from being 25% online to 100% online overnight. This allowed us to continue to help our customers with the technology they needed but this jarring change in our operations created some customer service problems that took a period to resolve. We moved our contact centre colleagues to home working, trained 700 colleagues to join our customer services team and invested in the customer experience, including spending £20m in additional resources for contact centres. By the year end, things had got significantly better. Our call centre answer rate improved hugely together with customer service. Our Net Promoter Score has improved back to pre-pandemic levels. There is more to do, but innovations such as zero contact order & collect and ShopLive 24/7 video shopping are loved by our customers and are a great part of our omnichannel future.

We did not see the same degree of store closures outside the UK except in Greece and despite the challenges, we powered ahead in the Nordics. A great innovation, our Customer Club, grew spectacularly and now has over 40% of Nordics households signed up.

Colleagues

The role of our colleagues in this transformation has been and will be critical. We are investing heavily in training and support systems to help them serve our customers even better.

We will invest nearly £25m over two years in skills, wellbeing and reward programmes for UK colleagues. During the year, some 600,000 hours of colleague learning were consumed across the Group in technical skills and customer service.

In October, we will increase by 9% the minimum rate of pay for almost 12,000 hourly paid colleagues in the UK, taking the rate up to that set by the Living Wage Foundation.

Our highly commended share award scheme seeks to make all our colleagues shareholders and allows them to both contribute and share in the success of our company.

Suppliers

We demonstrated our value to our suppliers in this omnichannel world through our scale, stores and colleague expertise. Our strong relationships allow us to provide a wide range at unbeatable prices and exclusive technology products. Outside of the product area, I want to thank some of our banks such as NatWest and BNP Paribas who also demonstrated real partnership throughout the pandemic.

Society

We are grateful for government support received during the pandemic. It was used as intended to preserve jobs and we haven't made any Covid-related redundancies. However, given our strong financial position, we reimbursed all government support for the £73m of furlough paid to UK and Ireland colleagues in the year and also repaid £144m of VAT deferral early, total payment of £217m.

Our purpose, to help everyone enjoy amazing technology, goes beyond ensuring customers can choose, afford and enjoy the right technology.

During the year, we pledged £1m to help close the digital poverty gap and tackled isolation among older people whilst committing to further reducing our environmental impact.

We launched our first 'Go Greener' marketing campaign and have collaborated with The British Retail Consortium on a Climate Action Roadmap to achieve Net Zero by 2040 – a target also set for the Group. We've introduced our first electric vans as we move to electric vehicles by 2030 as part of Climate Group EV100. We have maintained our FTSE4Good status, scored in the top decile of ISS's ESG Environment rating and set out our first disclosures against the Taskforce for Climate-related Financial Disclosures Framework.

Our colleagues have a vital role to play here, and we have introduced two new environmental metrics into our annual bonus scorecard from FY2021/22 to align our ESG goals with our reward framework.

Shareholders

We appreciate the engagement and support of our shareholders. Whilst we've had to make some difficult decisions in securing our future, we close the year with a significantly strengthened balance sheet, new debt facilities and remain on track for our medium-term guidance of more than £1bn of cumulative free cash flow over FY2019/20 to FY2023/24. In addition I am pleased to report the resumption of our dividend of 3.0p per share for the full 2020/21 year.

Board

The Board has been a great source of counsel and experience for both me and the management team. I would like to thank Jonny Mason, our Group Chief Financial Officer, who will be leaving the company this Summer. He leaves a business in a much better position than when he joined. I would also like to welcome Bruce Marsh, who will join in July, to the role.

Looking ahead

As part of our transformation, we announced in May that we would re-brand the various parts of our UK and Ireland business to the much loved 'Currys' by October. We will also change the corporate brand to Currys plc following the AGM in September.

The Board also took the decision to investigate the potential of a partial IPO of our very successful Nordics business. There was a lot of enthusiasm in the Nordic market for an IPO, recognising Elkjop's strong position across the region. However, the Group's strong financial position and the growth potential of the business have led us to decide that full ownership remains the best alternative.

Our management team led by Alex Baldock has done a remarkable job in very difficult circumstances. I am truly grateful for their tenacity, innovation and care for our colleagues. It is because of the efforts of all of our people that we exit 2020/21 in a much better position. We now have a true omnichannel business that is a market leader wherever it operates. With our transformation programme back up to speed and more than £150m cash at the year end, the business can genuinely look forward with a lot of optimism.

Lord Livingston of Parkhead
Chair of the Board
29 June 2021

CHIEF EXECUTIVE'S STATEMENT

STRONG PERFORMANCE IN A CHALLENGING YEAR

The last year has been extraordinary and challenging with unprecedented national lockdowns and enforced store closures in the UK, Ireland, Greece, Denmark and parts of Norway.

Throughout the pandemic our priorities have been to keep our colleagues and customers safe, and to help customers with the vital technology they need to keep them connected with loved ones, their families fed, clean and entertained, to work from home and to home-school their children.

To do this, and restricted by enforced store closures, we transformed our operations and services almost overnight, including operating our UK and Greek businesses as online-only retailers for the first time in their history. We were able to do so because of our hard work pre-pandemic to build a stronger online arm to our business. Our investments in a bigger range, unbeatable prices, better availability, improved delivery options and performance, and a higher capacity technology platform, all paid off. We built on this with innovation during the pandemic, introducing zero-contact one-hour order & collect and ShopLive, our 24/7 live video shopping service.

> "This has been an extraordinary year for our business and society, and our colleagues have stepped up magnificently to the exceptional pressures Covid-19 has presented."

Alex Baldock
Chief Executive

With heightened demand came unprecedented disruption in customer service, especially in customer support. With the enforced closure of our contact centres, we had to develop instant work-from-home solutions, and recruit heavily, including the transfer of over 700 store colleagues who volunteered to help meet demand. Their work has been rewarded by the recovery of customer satisfaction to flat (or better) year-on-year for the full year.

These actions, together with heightened demand for technology, allowed us to generate strong and sustained sales growth in every market. We saw growth in every major product category, but computing was the standout performer as people adjusted to home working, learning and entertainment.

Despite the impact of the pandemic, we're a stronger business than a year ago. We've gained share in all open channels, our online business has more than doubled, we've gained millions of new customers and our Mobile transformation has been highly cash generative. Our sales and profits are up healthily in the year and our balance sheet position has materially improved. From net debt of £(204)m a year ago, we ended the year with £169m of net cash alongside lower pension and lease liabilities and new financing facilities in place to April 2025.

We've also continued to streamline and simplify the business, with difficult but necessary actions taken to exit Carphone Warehouse Ireland and Dixons Travel.

None of this would have been possible without the outstanding commitment and skill of our 35,000 colleagues. They've shown remarkable resilience and resourcefulness in testing circumstances. Capable and committed colleagues are at the heart of our agenda for a reason: happy colleagues make for happy customers, and we continue to invest in the skills, wellbeing, systems, tools and processes to help colleagues do their job well. We're recognising their exceptional work through fair reward: we have committed to increasing minimum hourly wages for almost 12,000 UK colleagues from October (to at least current real living wage levels) and continue to make all colleagues shareholders, having granted share awards to an additional 7,000 colleagues during the year. Our colleagues have recognised all this progress in sharply increased engagement scores.

We've remained mindful of our responsibilities to all stakeholders. We've increased support to our charity partners, including a £1m donation to 'Digital Access For All' to tackle the digital divide. We've paid all our suppliers and landlords, made all pension contributions on time and in full, and reimbursed all government support for the £73m of furlough paid to UK and Ireland colleagues during the year. We're also restarting the payment of dividend to shareholders.

We believe that Covid-19 has structurally increased the size of the technology market. Hybrid working will become normal, and in-home entertainment will stay bigger. More time at home means more usage, and more customers' eyes have been opened to what new technology can do, both of which point to faster replacement. A larger installed base means more upgrades, repairs and recycling and means more opportunity to sell complementary products and services. Technology, in short, is playing a bigger, more important role in many millions of lives, and accounts for an accordingly higher share of wallet. We're not alone in this view: our partners, some of the world's leading technology suppliers, believe, as we do, that technology is now an essential (and sustainably larger) category for consumers.

As the leading omnichannel retailer of technology products and services in all our markets, we are ideally positioned to capitalise on this opportunity, and will make sure we do so by continuing our transformation. The coming year is the final year of accelerated investment. It will see a step change to our consumer websites in the UK and Nordics, with a radically easier and richer online customer experience. We'll continue to scale up ShopLive, and improve our credit offers across the Group. In the UK, we'll be launching an exciting new mobile proposition and we're moving to one brand – Currys. Under this brand we'll continue to make it easier for customers to choose, afford and enjoy amazing technology, however they want to shop.

The combination of a structural market tailwind, our stores returning to full trading and the execution of these transformational programmes mean we also expect future market share gains, providing stronger revenue growth prospects for our business over the medium term.

Alongside this, we expect improvements in our profitability to come through after this year as we eliminate Mobile losses and complete the transition to One Business. We see greater opportunities to create more value in all our markets, including in the Nordics and the Group's capital position has already been significantly strengthened. We've therefore decided to keep our strong Nordics business as a fully owned part of this Group and will not be pursuing a partial IPO.

These results, and the plentiful progress behind them, demonstrate why I'm more confident than ever that we're on the right path to create a world class business for colleagues, customers, shareholders and society. I am privileged and excited to be part of it.

Alex Baldock
Chief Executive
29 June 2021

STRATEGY IN ACTION
OMNICHANNEL

Omnichannel is our way of bringing the strengths of all our channels, stores and online, to all our customers, however they may be shopping.

OMNICHANNEL

Our omnichannel capabilities have been tested as never before. We innovated and improved our offer at unprecedented speed, driving our already large online business to grow significantly faster than the market.

Across the Group, we landed multiple improvements to the website, app and our stores to deliver a better experience for customers. These enabled Electricals online sales to more than double, resulting in additional sales of almost £2.4bn in the year.

We have achieved this through delivering our plan for stronger online growth we first set out in December 2018. Also, we have grown our online range without compromising availability, sharpened our pricing and made it easier to shop.

But it's the combination of our stores and online working together that customers value the most. Customers in stores can access our full range online for delivery to their homes via our Store Mode tablets. This allows every store, whatever its size and stock, to offer our full range to every customer. Meanwhile, customers can order online and collect instore, often within an hour. Customers online can also use our in-store services to get this tech working, keep it working (repair), trade it in, and recycle it.

We now have strong foundations in omnichannel but there is a lot more to go for here. We will continue to build on our progress, as demonstrated by innovations like ShopLive.

This service brings the best of stores (face-to-face advice from trusted experts) to customers online. Customers prefer this to unassisted online sales and we like ShopLive as it is an innovation competitors will struggle to copy at scale.

STORE BENEFITS

- Face-to-face expert advice
- Tech demos
- Full range of services

ONLINE BENEFITS

- 24x7
- Engaging content
- Full range of products
- Convenient
- Next day delivery

OMNICHANNEL: BEST OF BOTH

CUSTOMER IN-STORE

Store colleagues can offer customers our full range, via tablets in store (Store Mode). We are never out of stock.

TRANSACTIONAL IN STORE TABLETS

UK Online in Store Sales

+76%

CUSTOMER ONLINE

Customers can get their tech right now as stores give quick and easy access to products.

LAUNCHED 1HR ORDER & COLLECT, CONTACTLESS PICK UP + VIRTUAL QUEUING

Nordic O&C Sales

+85%

UK O&C Sales

+112%

SHOPLIVE

Access to the same expert advice online as in store, via video chat.

LAUNCHED SHOPLIVE

Colleagues supporting ShopLive customers

>2,800

> “Most customers prefer to shop both online and in-store, this was true even in the midst of a global pandemic.”

Mark Allsop
Chief Operating Officer

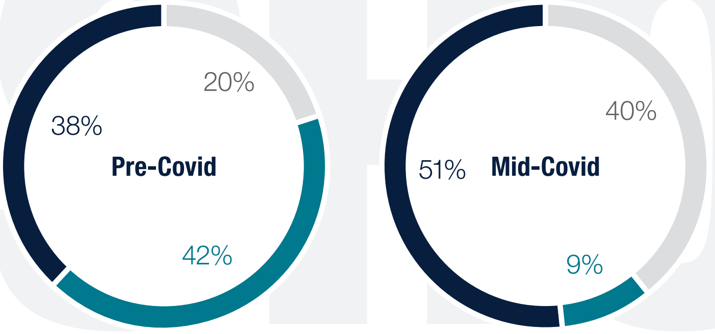
Electricals online sales

£4,704m

+103%

SHOPPING CHANNEL
PREFERRED BY UK CUSTOMERS

■ Both Online and In-store
■ In-store only
□ Online only



Source: Dixons Carphone Consumer Insight Survey. Purchase channel used in L12M. Base: All L12M purchasers April ‘18 to April ‘19 (n=10,376).

Source: Dixons Carphone Consumer Insight Survey. Purchase channel used in L12M. Base: All L12M purchasers Nov ‘19 to Nov ’20 (n=948).

STRATEGY IN ACTION
OMNICHANNEL CONTINUED

By making it easier for customers, we grow the revenue that is generated by customers shopping across more than a single channel.

Progress in 2020/21

- In the year, we provided customers an uninterrupted online service even when shops were closed. This generated online sales of £4.7bn, +103% year on year
- We launched and rolled out ShopLive, our market leading online live shopping service. We have trained over 2,800 colleagues, and carried out over 2.8m calls in the year. See case study on page 17
- Order & collect from store within one hour launched including virtual queuing and contactless collection. In the UK it was 30% of online sales when stores were open (22% in 2019/20). In Nordics it grew to 41% of orders (from 39% in 2019/20)
- In the UK, Order Online In-Store' sales, where our in-store colleagues sell customers products from the online range, grew by +76%, despite sales from this being zero in four months of the year.

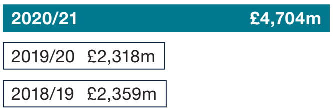
Future priorities

- New omnichannel website for Currys.co.uk that will drive an easier shopping experience for our customers
- Grow ShopLive in all markets
- Rollout our "Next Generation Retail" platform to Nordic customers, creating a more seamless omnichannel experience.

> “The next 12 months will see big improvements in our websites, we are not anywhere close to our potential yet.”
>
> **Andy Gamble**
> **Chief Technology Officer**

Electricals online sales

£4,704m
+103%



Winning online

Much of the growth we have generated is through getting the basics of retail right, we have extended our product ranges, improved our availability, made sure we are on the money on price and improved the customer experience.

RANGE

Larger range across the Group

UK
Total SKUs: 18,000 (+50% YoY)
Small Box Online Orders: +154%

Nordics
More than 100,000 SKUs (including marketplace) and still growing

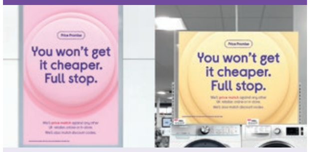
AVAILABILITY

Market leading availability

UK
Number One for availability of stock
1hr order & collect from stores

Nordics
System changes for faster and more flexible deliveries being rolled out

PRICE



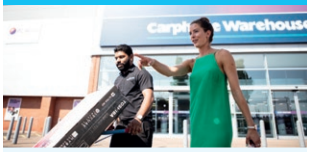
Invested in price

Clear price promise:
You won't get it cheaper

UK
Price 97–102% vs competitors
(vs: 105% in 2018)

Nordics
Price <100%–102% vs competitors

EASY EXPERIENCE



Investing in the customer experience

UK
Delivery Customer Satisfaction:
65, +5pts vs 2019/20

Nordics
Delivery Customer Satisfaction:
86, +2pts vs 2019/20

SHOPLIVE

24/7 live video shopping service

ShopLive puts instore experts in front of online customers in a striking example of how online and stores can be stronger together, for everyone's benefit.

The customer can get expert advice they cannot get from unassisted online competitors without leaving their sofa. The colleague can keep selling, even when the store is quieter, which is good for their earning power and sustains the viability of their store. The colleague can also build skills in a way that would be out of reach if they just served customers walking in off the street. Customers like it too, they are four times as likely to buy something, spend over 50% more, have much higher customer satisfaction scores, and are likelier to repeat purchase than an unassisted online customer. The bigger ShopLive gets, the better it gets. The more customers and colleagues on it, the more often customers are connected with the right expert colleague, the better the service, the higher the extra sales, the less spare capacity among store colleagues, and the more profitable it is.

> "If I visit a store for a technology purchase it is for the staff expertise rather than the feel and experience, so having that need met without needing to travel from my home offers significant benefits"
>
> **Retail Week**

CUSTOMER BENEFITS

Face-to-face advice from expert colleagues online as well as in store.

More expert help: access to national pool of specialists.

Customer rating

4.5/5

COLLEAGUE BENEFITS

National reach for their skills:
- can develop specialism
- higher earning opportunity

Supports store economics:
- increased job security

Trained colleagues

2,800

BUSINESS BENEFITS

Benefit vs online unassisted:
- 4x conversion
- >55% higher ATV

Use of in-store downtime to sell nationally: colleague costs more efficient.

Supports store economics and national network.

Competition cannot match at scale:
- 20,000 expert colleagues; and
- 829 stages (stores); Network benefits

STRATEGY IN ACTION
SERVICES

We are uniquely positioned to provide services to our customers to help them enjoy technology for life. We can provide this range of services at scale in ways no competitor can match.

SERVICES

We aim to grow the number of customers and proportion of sales that use our valued services.

Progress in 2020/21

- We have helped customers make the most of their amazing tech through our unique services
- 29% of UK sales had a Service attached, down over 10% from 2019/20 due to the impact of store closures
- In the UK, our 1,350-person repair team fixed over 1 million products, including nearly 350,000 computing and vision repairs, over 370,000 mobile phones and more than 280,000 white goods repairs, most of these in customers' homes
- Nordics Customer Club continues to grow, and we had 5.4m members at the end of the year. Club contributed 33% of sales, well up on the 23% in 2019/20.

Future priorities

- Increase proportion of orders that are 'right first time' and speed up issue resolution
- Use Customer Club data and insight this gives us to improve personalised communication and strengthen customer relationships
- New omnichannel platform to make it easier to offer, and for customers to buy, services.

UK and Ireland Services

GET IT WORKING	KEEP IT WORKING	MAKE MOST OUT OF IT	END OF LIFE
Installation • 16.6m big-box, two-person deliveries • 6.4m installations in homes, +61% YoY	**Protection** • 8.6m insurance and warranty plans	**Connectivity** • 1.1m ID Mobile customers, +2% year on year • Nationwide switching on broadband	**Re-use** • 50k customers appliances diverted for reuse • >250k used/refurbished products through resale
Set up • 100,000 product set ups	**Repair** • Europe's largest electrical product repair centre • 1m repairs • 270 in-home technicians	**Lifestyle subscriptions** • Apple bundle of Apple Music, Apple Arcade and Apple News + launched in UK	**Recycle** • >1m products collected from customer's homes • Number One retail recycler of tech in the UK • 43% of UK retail electrical recycling

> “I could not recommend Currys PCWorld highly enough after this! A few of my friends are looking for laptops and beyond doubt I’ll be suggesting they purchase their laptops from here.”

Currys customer

Nordics customer club

We are continuing to join up the services we offer with improved data to create customers for life.

Our Nordics Customer Club continues to grow, and we had 5.4m members at the end of the year. These customers have clear benefits such as permanent discount on some products, early access or exclusive deals, extended buy and try periods and access to streaming services besides other partnership benefits.

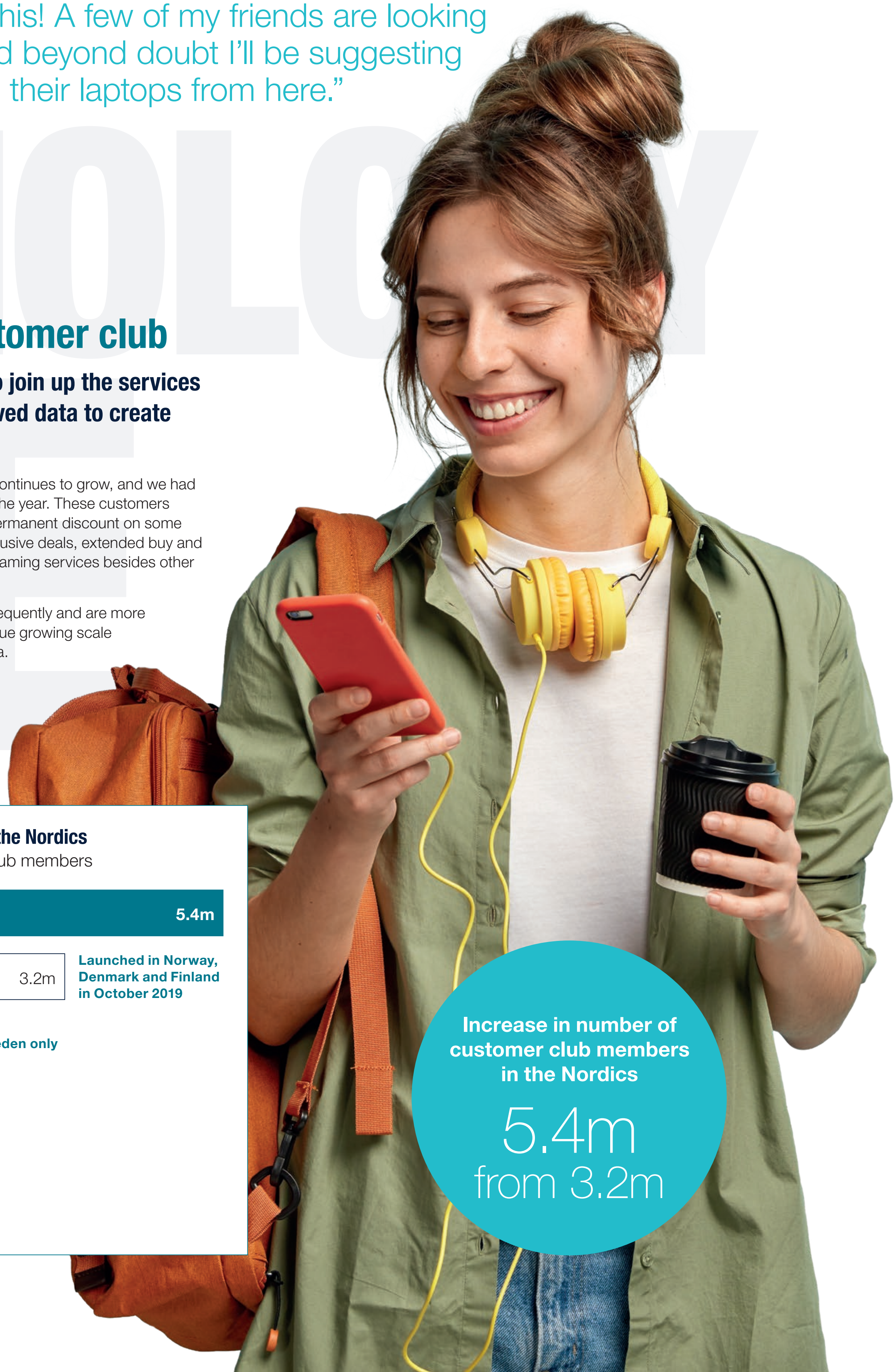
Club customers shop more frequently and are more profitable to us. We will continue growing scale and data in this important area.

Successful rollout in the Nordics
Number of customer club members

2020/21	5.4m	
2019/20	3.2m	**Launched in Norway, Denmark and Finland in October 2019**
2018/19	1.3m	**Sweden only**

>40%

Nordic households are club members



Increase in number of customer club members in the Nordics

5.4m
from 3.2m

STRATEGY IN ACTION
CREDIT

Credit appeals to customers as technology is exciting but expensive, and credit makes it more affordable by allowing them to spread the cost.

Over the last three years the adoption rate of credit in the UK has grown two-fifths to

10.8%

CREDIT

We aim to grow the number of customers and proportion of sales that use our Credit solutions.

Progress in 2020/21

- UK credit adoption almost stable despite store closures for most of the year. UK active credit customers over 1.4m, resulting in +8% growth in Credit sales
- UK online adoption rate 10% and repeat credit sales +28% vs last year
- New partnerships with Ecster (in Sweden and Finland) and Santander (in Norway and Denmark).

Future priorities

- More flexible and tailored credit propositions to be rolled out in UK
- Stimulating repeat spend and utilisation of available balances
- Optimising shopping journey to encourage higher take-up of credit.

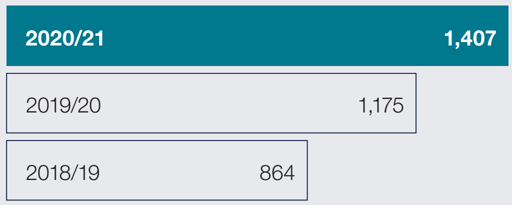
> “Our credit proposition is loved by customers and suppliers. We expect many improvements over the next year.”
>
> **David Buxton**
> **UK Credit Director**

Rise in UK Electricals credit customers

We are going with the flow of how customers want to buy as two thirds of customers already use some form of credit to buy technology in the UK. We are building on strong foundations in a responsible manner.

Credit appeals to to customers as technology is exciting but expensive, and credit makes the amazing technology they want more affordable: demonstrated by a +10ppts higher satisfaction score than for non-credit customers. And credit is good for us. It gives customers a reason to shop with us, then shop more, and adoption of other services by credit customers is almost double that of cash customers. Credit is good for suppliers as well. All this produces stickier, more valuable customer relationships.

Active credit accounts in UK&I Electricals



STRATEGY IN ACTION
MOBILE

Mobile is central to our Vision – it is the most important product to customers. We are responding to our challenges, with a clear plan to restore mobile to profitability and cash generation.

MOBILE

Our aim is to transform UK Mobile into a profitable business while generating cash flow.

Progress in 2020/21

- Legacy contract with EE and O2 expired, significantly reducing the unprofitable volume commitments of the business
- Working capital release from Mobile business accelerated, with segmental free cash flow of £143m despite operating losses and restructuring costs. Year-end network receivable balance now £239m (2019/20: £616m, 2018/19: £797m)
- Standalone stores closed, business transferred online and to 3-in-1 stores
- Signed new terms with Three to extend our iD Mobile MVNO.

Future priorities

- Launch of our new mobile offer in FY 2021/22, this will be much more relevant for the needs of today's mobile customers (see below)
- Streamlining of legacy cost base to eliminate operating losses
- Complete transformation away from loss making legacy post-pay with a net positive cash flow.

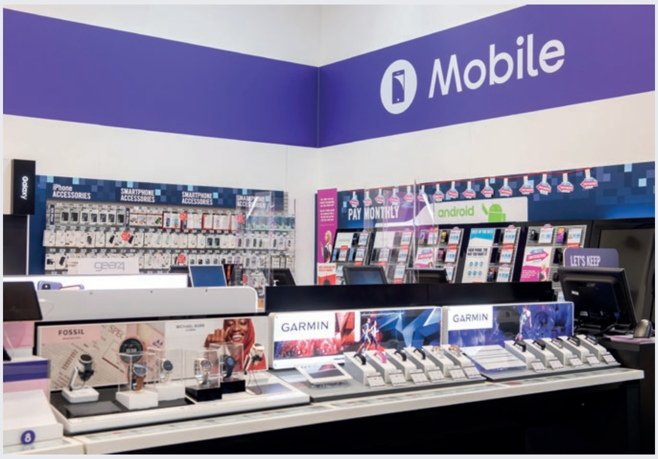
> “We are excited about our new Mobile offer. We can offer something unique that customers will value highly.”
>
> **Ed Connolly**
> **Chief Commercial Officer**

New Mobile offer

Our new Mobile offer will put customers back in control.

This year we will launch our new Mobile offer in the UK. This will better reflect what customers want: flexibility, transparency and value. It will include deals they can't find anywhere else, nationwide face-to-face advice, the best range of handsets from the biggest brands and a wide range of tariffs and networks, underpinned by a market-beating price promise.

It will also be better for us, phones will be sold through the same IT systems as our other products, both reducing costs and allowing more flexible data sharing while the financing of handsets will be done through third-party lenders and not our own balance sheet.



OUR CAPABLE AND COMMITTED COLLEAGUES – THE MAGIC INGREDIENT

Our 'Capable and Committed Colleagues' provide the magic ingredient in helping our customers discover, choose and enjoy amazing technology. Expert face-to-face help is at the heart of why customers shop with us, and that takes skilled and dedicated colleagues. Happy colleagues make for happy customers, who make for happy shareholders.

2020 will forever be defined by the Covid-19 pandemic, with its impact being felt throughout the world. The disruption caused by the pandemic meant that all of our operations in the UK, Ireland, the Nordics and Greece had to adapt quickly. In the UK, for instance, Covid-19 struck at a time when our transformation into a digital first omnichannel business was already underway and we were making great progress. However, as the UK went into its first national lockdown in March, our business was classified by the UK Government as non-essential which meant that most of our stores were only open (if at all) for click-and-collect and delivery. As a result, over 16,500 colleagues were furloughed during the year across the Group.

As we adapted in response to the pandemic, these challenges to our daily operations only served to reinforce our belief that our colleagues are at the heart of our business and our omnichannel future. As a core pillar in our strategy, we believe that now, even more than ever, is the time to invest in our colleagues and our culture. Alongside our commitment to increase the minimum hourly pay rate for our frontline UK colleagues, we are making a series of investments in skills, wellbeing and reward programmes, totalling nearly £25m over two years. Technology is amazing. We know that. It's why we help everyone enjoy it. But the magic that happens is because of every one of our colleagues. When we come together amazing things happen. It's that energy and determination that make our colleagues amazing and help us keep more customers for life.

During this unprecedented period, we continued to live our values and do even more to:

- prioritise the safety and wellbeing of our colleagues
- attract the talent we need
- develop our colleagues and help them build skills for life
- recognise and reward our people
- build a culture of inclusion and diversity
- build a culture of communication and engagement
- enhance our colleague experience by standardising and harmonising our systems, tools and processes.

PRIORITISE THE SAFETY AND WELLBEING OF OUR COLLEAGUES

Safety

There remains no bigger priority than colleague and customer safety. We have spent £14m to implement extensive hygiene and social distancing measures at our facilities and stores to ensure our sites are Covid-secure. We were also one of the first companies in the UK to roll out rapid workforce testing. This has enabled our colleagues to safely continue delivering vital technology to customers.

In the UK and Ireland, we:

- introduced strict 2m social distancing, with one-way systems and floor markings to help this
- set up sanitiser points and increased frequency of cleaning
- ensured the use of face coverings in line with local rules and best practice
- provided Personal Protective Equipment (PPE) where appropriate
- provided training and communication to all colleagues and visitors on our Covid safety measures
- re-organised work spaces to keep colleagues apart and set up measures to reduce crowding in stores and other locations
- provided full pay or enhanced company sick pay to our vulnerable colleagues in customer-facing roles and colleagues who were over 28 weeks' pregnant so they could shield at home
- provided full sick pay and support to our colleagues who tested positive or were displaying symptoms for Covid-19 and needed to quarantine
- deployed enhanced contact tracing and deep cleaning processes in response to any outbreaks
- introduced a more robust home/remote working assessment process
- introduced lateral flow testing in sites and stores in areas experiencing higher levels of high infection rates in the community.

In Greece and the Nordics, we also put the safety and wellbeing of our colleagues as their number one priority and introduced many new measures, which included:

- 4,500 tests conducted in our buildings in Greece to help reduce the risk of contamination
- use of plexi glass and/or tape in the Nordics to create physical barriers around customer-facing tables/desks etc.
- proactive fever detection (either completed manually or through advanced thermographic cameras) applied to all high-risk facilities in Greece
- new shift patterns to reduce the risk of contamination
- new measures to protect colleagues and customers such as strict contactless processes, click and collect, prepaid collection at store etc.

We continue to remain focused on supporting the business through the Covid-19 pandemic, enabling our business to operate safely and in accordance with national restrictions.

Wellbeing

The wellbeing of our colleagues continues to be a core priority. In the UK and Ireland, we:

- launched a new online wellbeing portal called ‘Wellbeing Corner’, which offers support and resources to help with mental, physical, financial and environmental wellbeing. The site has been visited by 16,000 colleagues with 250,000 page views since its launch at the end of November
- invested in training and accreditation for 450 Mental Health First Aiders and trained 315 Mental Health Champions
- provided a six-month subscription for all colleagues to the Calm app, the leading app for sleep, meditation and relaxation support
- provided access for all colleagues to the Aviva Digital GP App, which enables colleagues to select from a choice of NHS registered GPs
- launched the Aviva Wellness App as part of our Wellbeing programme, which allows colleagues to set up personalised action plans to help develop and maintain good health habits.

The Wellbeing of our colleagues in our international businesses was also a critical priority. For example, In Greece, the ‘Stay Together’ initiative was designed to share tips for boosting morale and staying productive while working from home.

In the Nordics, the team developed a playbook for how to work from home and provided colleagues with weekly online mental health training. They also introduced team challenges where teams should walk at least five kilometres together and share pictures.

ATTRACT THE TALENT WE NEED

Attracting talent with the right knowledge, skills and mindset remained a core priority for us during lockdown.

We recruited 4,994 colleagues with 56% of these hires aligned to support our Peak period in Retail.

We have continued to build on the success of our ‘Tech Lovers Unite’ employer brand and leverage our social channels to connect and engage with talent.

We invested heavily in upgrading our recruitment system this year and this saw benefits realised for external applications, hiring managers and internal job seekers too. The investment allowed us to build a new internal careers site – ‘Careers at DC’ – which within a week of launch saw our visitors double and the amount of time spent on the site triple.

CAPABLE AND COMMITTED COLLEAGUES CONTINUED

DEVELOP OUR COLLEAGUES AND HELP THEM BUILD SKILLS FOR LIFE

In 2020, we have fuelled a movement of re-skilling and culture of learning for all colleagues. In the UK and Ireland, we have:

provided nearly	provided nearly	provided over
200,000	280,000	470,000
hours of face-to-face learning	hours of online learning with colleagues consuming 2.47 million online modules	hours of combined learning

UK AND IRELAND

1. Upskilling

2020 saw a major focus on building selling capability using our LIFE (Listen, Inspire & Find, Enjoy) selling conversational framework where our colleagues:

- listen to our customers' needs
- inspire them with amazing technology
- help customers find their personalised solutions
- answer any questions so our customers can go and enjoy their amazing technology.

By April 2021 over 6,000 colleagues will have been trained in our new sales framework. The programme will improve the capability of our colleagues to sell by:

- building knowledge, understanding and application of selling techniques such as benefit-led selling and story telling
- build capability in product bundling and making recommendations, incorporating ways to pay and our services
- build colleague confidence in selling and engaging with customers
- educate colleagues in the best use of supporting tools and technology.

Within Supply Chain and Service Operations, there has been a very significant investment in technical training and upskilling colleagues. 4,830 colleagues benefited from training, which translated into over 41,000 hours.

2. Re-skilling and redeployment

The necessary changes in our business model created opportunities for our colleagues to be redeployed across the business to areas where there was the greatest need. This enabled them to learn new skills and benefit from new experiences. We:

- redeployed 700 colleagues to support Contact Centres
- increased the number of colleagues who trained to be ShopLive enabled from 20 in April 2020 to 2,800 by January 2021.

3. Leadership Development

We have invested in building the capability of existing leaders and harnessed new ways of working which emerged through the crisis to more effectively operate together as 'One Business'. To support them lead during such a time of upheaval, we:

- partnered with leading experts to upskill our leaders virtually on critical issues such as how to 'lead in a time of crisis' and 'communicate when it really mattered'. Equally, at a time when the Black Lives Matter campaign gathered momentum externally, we underlined the importance of leadership in creating an inclusive culture
- used the launch of our new performance management approach to align leadership objectives behind our core strategic priorities.

OUR LEADERSHIP PIPELINE

We have also made significant progress in developing our leadership talent pipeline through:

- a quarterly review of leadership talent in core 'value generating roles'
- regular diversity reviews, bringing our current pipelines into clear focus with plans to promote an increase in diversity across our most senior roles
- a strategic hiring programme designed to inject those leadership capabilities required for our transformation
- investing in emerging talent and building a pipeline for critical roles and managers of the future.

LEADERSHIP DEVELOPMENT IN OUR INTERNATIONAL BUSINESSES

The Nordics

In the Nordics, our commitment to leadership development remains an enduring priority. We continued to run programmes across our Leadership track (see below). As a result:

- 136 colleagues participated in our Emerging Leaders program in Sweden and Denmark
- 47 colleagues finished our Leading Others program in Sweden
- 19 colleagues participated in our Leading Functions pilot which was 100% digital.

In addition, other programmes were run across the Nordics for our leaders to help them lead during the pandemic and respond to issues connected to Covid-19.

Colleagues in the Nordic business followed the pattern we saw in the UK with an increase in online learning consumption. Over 400 training programmes were offered through nearly 100 suppliers and in-house training programs. In total, over 28,000 training hours have been completed from e-learnings alone, and 82% of training was rated four stars or above by colleagues (against a rating scale of one to five stars).

Leadership track

NEW AS A LEADER	EMERGING LEADERS	LEADING OTHERS	LEADING LEADERS	LEADING FUNCTIONS
• Introduction to the leadership mindset in Elkjøp • Ensure understanding of management tools and processes	• Prepare for a leadership role • Build a common leadership understanding and language • Increase personal effectiveness and performance	• Prepare the transition from individual performer to learning a team • Build confidence and provide techniques to improve team effectiveness • Integrate a growth mindset and focus on strength-based leadership	• Select and lead managers for high performance • Integrate cross-functional perspectives in decisions • Handle complexity and changes • Foster a culture of continuous improvement	• Set vision and build towards the future • Balance trade-off between the short and long term • Ability to influence by effective communication and collaboration • Align the organisation for strategy implementation
ALL NEW LEADERS	**SALES LEADERS / SALES STAFF**	**LEADERS WITH PEOPLE RESPONSIBILITIES**	**LEADERS WHO LEAD OTHER LEADERS**	**FUNCTIONAL LEADERS**

Greece

Our colleagues in Greece demonstrated a deep thirst for learning in 2020, consuming over 71,000 hours of learning content in 2020.

A new Learning Experience Platform ('LXP') is due to launch in May 2021. During 2020, we transferred the vast majority of learning material into dynamic online 'microlearn content'. These microlearns will be automatically released to colleagues based on their role and department. Colleagues will be encouraged to take advantage of the numerous resources available to them through this system.

We continue to provide managers and leaders with ongoing development opportunities, some of which are run in collaboration with leading academics and business coaches in Greece.

Our commitment to building a future talent pipeline in Greece remains strong. For example, in 2019–2020, 35 people on average were active on our apprenticeship programme.

RECOGNISING AND REWARDING OUR PEOPLE

In May 2021, we announced that, from 1 October 2021, we plan to pay the Real Living Wage to all hourly paid UK colleagues. This will result in an average increase of 9%.

Pay

Almost 12,000 hourly paid frontline colleagues will benefit from the increase. That's irrespective of age and aligned to the current rates set by the Real Living Wage foundation.

During the pandemic, we introduced a supplementary appreciation bonus of £150 per pay period for colleagues across Supply Chain. This recognised those colleagues who continued to attend their usual place of work, despite facing real challenges which have required significant home and working life adjustments.

Despite it not being a requirement to publish in April this year, we voluntarily published our fourth annual Gender Pay Report on 15 April 2021. Our combined Group data showed that our comparative median hourly Gender Pay Gap continues to track well below the ONS national average (15.5%), and continues to reduce (from 4.6% to 3.4%*). Similarly, year on year the median Gender Bonus Gap decreased from 24.3% to 22.9%. You can read our report here **www.dixonscarphone.com**

Pension

All UK and Ireland colleagues have access to a defined contribution workplace pension, and colleagues and their families also benefit from a 10% discount in our stores on our products and services. In Greece, the Company's pension plan is a private scheme that exceeds state pension scheme requirements. Every employee can participate with voluntary contributions based on salary through payroll.

Share ownership

We believe every colleague should be a shareholder and invested in our success, so after 12 months service, every colleague below senior management level is granted an award of at least £1,000 shares. In February 2019, we launched our award-winning Colleague Shareholder Scheme and we have continued to grant awards to new participants throughout 2020/21, granting awards to a further 7,000 colleagues globally. In 2020/21 we also continued to offer our UK and Ireland colleagues the opportunity to build a personal stake in the business through our Sharesave Scheme.

Flexible Benefits

The flexible benefits programme in the UK includes private medical (grade related) eye care vouchers, dental plans, a cycle to work programme, childcare vouchers and many other benefits. The 'Better Me, Better Team' programme is available for colleagues in Greece. This includes promoting the mental and physical wellness of colleagues through gym discounts, life management workshops and provision of psychological support.

UK colleagues also have access to help via Salary Finance, providing access to affordable loans as well as tools and tips on budgeting. All UK and Ireland colleagues have access to a confidential employee assistance programme.

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* In addition to the official figures calculated using April 2020 pay data, we have also published a set of comparable figures based on March 2020 pay data, which give a more representative view of our organisation. This is because almost 60% of our workforce, predominantly store colleagues in our lower pay quartiles, were placed on furlough and therefore excluded from the April 2020 figures.

BUILD A CULTURE OF INCLUSION AND DIVERSITY

We're for everyone (we help everyone enjoy amazing technology, after all). And if our customers are 'everyone', so must our colleagues be.

For us, inclusion and diversity are strategic imperatives as well as the right thing to do, so we're committed to becoming an even more inclusive company where everyone belongs. We have:

- developed strong relationships with leading partners to help us create a diverse and inclusive culture. Partnerships include Business in the Community, Stonewall, Business Disability Forum, everywoman, and Be Inspired
- created a Leadership Inclusion Forum to shape and champion our inclusion agenda. This forum is chaired by our CEO
- signed the Race at Work Charter, continued to publish our Gender Pay Report, shared stories internally and externally highlighting our commitment to inclusion through our careers/social channels and featuring in articles published by Retail Week and the Retail Gazette
- encouraged and supported the formation of our Pride of DC colleague diversity network – with over 200 colleagues now helping shape a more inclusive workplace for LGBTQ+ colleagues.

We remain committed to creating a culture of inclusion and ensuring our colleagues have a voice. In UK and Ireland, we have 11 colleague forums representing colleagues from across the organisation. In 2019, we created an International Forum covering UK and Ireland, Greece, Hong Kong, Czech Republic and the Nordics.

Workforce gender data

The table below outlines our Group level gender diversity position as at May 2021.

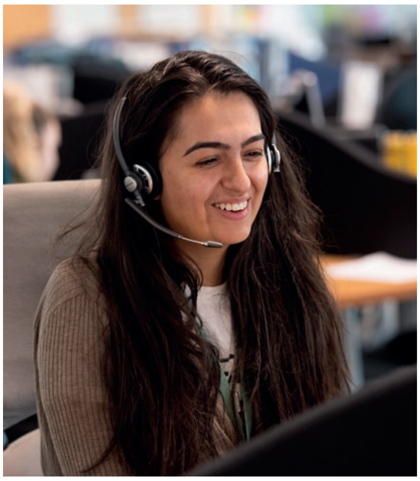
As at May 2021	Total	Female		Male	
PLC Board	8	3	38%	5	62%
Executive Committee	9	2	22%	7	78%
Direct Reports of Executive Committee	61	18	30%	43	70%
All Employees	35,046	10,860	31%	24,186	69%

* Figures include all permanent employees and fixed-term contractors as at 1 May 2021.

BUILD A CULTURE OF COMMUNICATION AND ENGAGEMENT

Our communications and engagement activity has played a vital role in keeping colleagues energised, informed and connected during the pandemic. We have:

- continued to build on strong engagement with our primary communication channels (Workplace and email), encouraging colleague feedback and two-way discussion
- ran live leadership/CEO Q&A and Town Halls which have attracted audiences of 4,000+ colleagues at the height of lockdown
- hosted our first ever fully virtual Peak Event, opening it up to all colleagues, with 6,500+ colleagues engaged, 30,000 views of main plenary content and 165,000 visits to supplier stands. In the Nordics, the team created an internal 'TV show' where the senior leaders shared and discussed the strategic priorities. This replaced 'Campus', an annual leadership event
- transitioned from an annual colleague engagement survey to a more flexible and continuous approach to colleague listening across the Company. Our first bi-annual 'On the Pulse' engagement survey ran in October 2020 with our end of year survey scheduled for May 2021. This new pulse survey came at an important time for our business as we continued to face into the ongoing pandemic, enabling us to take a temperature check on colleague mood and sentiment.



ENHANCE OUR COLLEAGUE EXPERIENCE BY STANDARDISING AND HARMONISING OUR SYSTEMS, TOOLS AND PROCESSES

We have made significant progress in creating a clearer, simpler and faster place to work for our colleagues. Our 'One Business' commitment continued in 2020. We have:

- re-designed the way we organise ourselves internally to become even more customer-centric and work in a way which is clearer, simpler and faster
- completed the successful migration of colleagues to a single Payroll solution
- standardised and harmonised terms and conditions for Retail colleagues
- harnessed technology to increase colleague self-service capabilities and ensure centralised support with extended opening hours across the UK and Ireland
- launched a new platform for delivery of a digital-first colleague experience – People Place – with integrated voice, chat and automated communications channels providing smarter access to relevant information and policies and proactive query handling.

OUR STAKEHOLDERS
STAKEHOLDER MANAGEMENT

This report sets out our approach to stakeholder management – our s172(1) statement – and references where the other non-financial information can be found.

SECTION 172(1) STATEMENT

Section 172(1) of the Companies Act 2006 requires each Director to act in the way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to the:

(a) likely consequences of any decisions in the long term;	**What this means** The Board challenges what impacts any decision will have on the Company's stakeholder groups and ensures that both the immediate implications and possible cumulative outcomes are considered.
(b) interests of the company's employees;	**What this means** Capable and Committed Colleagues, as the interface between the Company and our customers, are critical to the long-term success of the Company and the Board considers the needs of colleagues and how any decision will impact them.
(c) need to foster the company's business relationships with suppliers, customers and others;	**What this means** The Board ensures that any decision is made in the context of the need to be a responsible partner, to collaborate effectively with suppliers and to maintain successful relationships with customers. The Board ensures the Company has strong relationships with external stakeholders including its regulators, its banks and the external Auditor.
(d) impact of the company's operations on the community and environment;	**What this means** The Board considers how any decision will affect stakeholders that are external to the Group together with any environmental implications.
(e) desirability of the company maintaining a reputation for high standards of business conduct; and	**What this means** The Board challenges whether any decision made is the 'right thing to do' to ensure the best possible outcome for all stakeholders.
(f) need to act fairly as between members of the company.	**What this means** The Company's shareholders include institutional investors and retail shareholders. In considering the impact decisions have on shareholders, the Board takes this into account and ensures that all shareholders have equal access to information and engagement opportunities.

This statement explains how the Board has embedded stakeholder considerations across decision-making and, in particular, how directors have had regard to the factors included in section 172(1) in addition to other factors relevant to any decision being made.

Our approach to stakeholder management

There are different processes across the business to ensure stakeholder considerations are embedded into the Group's decision-making. A clear corporate governance structure is in place which, together with the Group's Delegated Authority Policy, ensures that business decisions are made by the appropriate people and in the appropriate forum (in accordance with the terms of reference of that forum). The supporting documentation for each Board and committee meeting includes, for reference, a summary of section 172(1) responsibilities immediately after the meeting agenda. To ensure that the impact on stakeholders is duly considered, Board and committee decision paper templates include mandatory fields for papers' authors to include an impact assessment on each stakeholder group.

The Board acknowledges that decisions made will not necessarily result in a positive outcome for every stakeholder group. By considering the Group's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, the Board does, however, aim to make sure that all decisions are considered and made following reflection across a broader view of stakeholder considerations.

A table has been included in this report to provide examples, for each of the Company's key stakeholder groups, of the matters that the Board considered during the year, including how decisions were reached and provides examples of stakeholder considerations that were central to discussions and outcomes.

NON-FINANCIAL INFORMATION STATEMENT

We aim to comply with the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The requirements of this disclosure are addressed within this section by means of cross reference in order to avoid duplication and to help stakeholders understand our position on key non-financial matters:

Environmental matters (including impact of business on the environment)	Page 40
Colleagues	Pages 22–27
Social matters	Pages 38 and 39
Respect for human rights	Pages 22–27, 36–37
Anti-corruption and anti-bribery matters (including anti-slavery)	Page 36
Description of our business model page	Pages 8 and 9
Details of the principal risks relating to non-financial matters	Pages 46–52

CASE STUDY: COVID-19

The Board and Executive Committee have considered the interests of the Company's stakeholders throughout the Covid-19 pandemic.

Following the store closures in Greece, UK and Ireland, the Board considered the implications for all stakeholders including **shareholders**. One of the three immediate priorities identified was to secure the future of the business. Securing the long-term sustainable future of the business for the benefit of shareholders was the main consideration for a number of important Board decisions. These included the removal of almost all discretionary spend, measures to conserve cash including the decision not to pay a final dividend for 2020/21, putting in place additional bank facilities and the decision to place UK colleagues onto furlough.

The Board concluded that the Group performed an important function in supporting **customers** through the crisis by providing them with vital goods, helping millions of people sustain themselves in lockdown by keeping them connected, healthy and productive. The Board committed to ensure that the online sales channel was kept operational during each period of mandated shop closures, while ensuring compliance with best practice health and safety guidance. Stores were adapted for safe shopping including a front-of-store trading concept and a zero-contact, 'Drive Thru' model. Measures such as an enhanced cleaning regime, rigorous social distancing and safety screens for stores were implemented. The sudden change to the UK business, moving to 100% online and with contact centre colleagues working from home, created customer service problems. The Board challenged the management team on customer service and call centre performance and monitored the issues closely until significant improvements had been made.

The directors attended additional weekly update calls at the height of the pandemic to keep them updated on the Group's response to Covid-19, including, importantly, on the wellbeing of **colleagues**, the steps being taken to protect colleagues and feedback received from colleagues. The Supply Chain team has continued to monitor government guidance during the year to ensure the safe operation of the supply chain. Measures taken included changes to working hours and rotas to reduce the number of colleagues on sites, physical adjustments to sites and work areas to support social distancing, additional cleaning and hygiene measures and the provision of personal protective equipment. Sites were transformed to include floor markings, barriers and one-way systems, hourly tannoy health and safety reminders, maximum occupancy notices, extensive site signage on handwashing and social distancing as well as temperature checks at the start and end of driver shifts. Certain installation services were temporarily discontinued, and colleagues were advised not to carry out any activity unless they were satisfied it was safe to do so.

The Board agreed that it was in the best interests of the long-term sustainable success of the business to put the majority of store colleagues and a number of support team colleagues on the government Coronavirus Job Retention Scheme during the Covid-19 pandemic. However, for those colleagues that received a salary above the government furlough cap, the Company decided to make up the difference to ensure that all colleagues on furlough received 80% of their salary.

The Board considered the interests of the Group's **pensioners** during the year as part of their strategic decision making. The Board paid £47m towards the deficit reduction in 2020/21 as agreed with the Pension Trustees prior to the Covid-19 pandemic.

During March 2020, the Board considered how best the Company could support the wider **community** during the Covid-19 lockdown. In considering whether or not to close stores in all countries, the Board noted the critical role of the business in providing vital goods to the public, and in turn how trading would help millions of people sustain the essential lockdown. In particular, the importance of technology that facilitates connectivity with loved ones, including mobile phones and tablets, essential household items including fridges, cookers and washing machines, and laptops and equipment for working from home and home-schooling. The Board agreed that it was important to help customers as an online-only retailer in those countries where our stores could not remain open, subject always to the requirement to keep colleagues and customers safe. Measures included prioritising helping older and vulnerable customers and requests for tablets, mobile phones, laptops, webcams, headsets and chargers for NHS Trusts and hospitals to help patients to stay in touch with friends and families. In addition, iD Mobile offered all existing customers over 70 years old free and unlimited minutes for the 12-week isolation period advised by the government in the UK. Stores in the Nordics put in place special opening hours for vulnerable and at-risk people.

In the UK, the Company sent hundreds of free laptops, mobile phones, SIM cards and headsets to Age UK's Silver Line helpline teams, to help them maintain their vital support to older people during the Covid-19 lockdown.

During the year the Commercial team collaborated effectively with the Group's **suppliers** in helping our customers and securing the future of the Group. The teams started work to secure a supply of stock during the early stages of the Covid-19 pandemic. Stock of key lines was increased as soon as it became apparent that factories in China and the rest of Asia might close. This ensured that the business was better prepared to meet the sudden increase in customer demand for laptops, refrigeration, gaming and home office. The strong relationships in place with suppliers ensured resilience during the disruption of supply chains caused by the crisis.

OUR STAKEHOLDERS
STAKEHOLDER MANAGEMENT CONTINUED

HOW WE ENGAGE	STAKEHOLDER FOCUS	OUR APPROACH TO ENGAGEMENT AND HOW THE BOARD IS KEPT INFORMED
OUR CUSTOMERS		
• In-store • Online • ShopLive • Customer app • Customer care centres • Email • Post-sales survey • Media including social media	• Product availability • Product range • Product value and affordability • Customer journey experience • Services and Credit • Advice and support • Choice of how to purchase; online or in-store • Seamless delivery experience • Sustainability and ethical sourcing	• The Board receive weekly reporting on customer satisfaction metrics (however customers choose to shop) and root cause analysis is carried out to understand and resolve any concerning trends. A Voice of the Customer Dashboard is in place for UK and Ireland and the Nordics region has a separate 'Happy or Not' satisfaction measure.
OUR COLLEAGUES		
• Internal communications; Executive Committee member updates, Workplace intranet, newsletters, emails, Townhall events, team meetings, individual meetings with line managers • Colleague engagement surveys • Events – annual Peak event, campus event for Nordics region, training at The Academy@Fort Dunlop • Colleague listening forums • Inclusion and Diversity Forum	• Company culture and values • Reward • Benefits • Flexible working • Health and safety • Training and development	• New store-based colleagues joining the business in the United Kingdom attend a training event at The Academy@Fort Dunlop centre before they start work serving customers in stores. All of the directors visited the training centre prior to the Covid-19 pandemic to receive an insight into the three-day training programme. A separate induction programme is in place for corporate colleagues. • A central 'People Place' intranet site is available to colleagues in the United Kingdom and provides access to all HR policies and guidance and allows colleagues to log any issues or questions and a 'wellbeing corner' Intranet site is available to support colleagues.
OUR COMMUNITIES AND ENVIRONMENT		
• Surveys and forums • Website, reports and media, including social media • Engagement meetings and events • Charity and supplier partnerships • Multi-stakeholder collaborations	• We Help Everyone Enjoy Amazing Technology • Being a responsible contributor to society • Being a good employer • Having sustainable business practices, reducing impact to the environment and taking climate action	• An Environment, Social and Governance ('ESG') Committee is in place to oversee all charitable and ESG activities carried out across the Group. Representatives from all countries attend this forum and provide updates. The ESG Committee is attended by a Non-Executive Director of the Board, Andrea Gisle Joosen, is chaired by the General Counsel and Company Secretary and reports into the Executive Committee.
OUR SUPPLIERS AND PARTNERS		
• Formal engagement strategy including regular visits and meetings • Supplier relationship management team • Supplier questionnaires • Due diligence process for new suppliers	• Strong customer demand • Good collaboration • Reliability • Value • Health and safety • Compliance • Effective communications	• The Board receives regular feedback on substantive Supplier matters via the Group Chief Executive. • The Group Chief Executive participates in regular meetings with the Group's largest suppliers and receives regular updates on all suppliers from the Chief Commercial Officer.
OUR SHAREHOLDERS		
• Results announcements and presentations • Annual Report and Accounts • Annual General Meetings • Investor roadshows • Shareholder meetings • Company website • Registrar contact • Consultation with major shareholders on key topics	• Ensuring the long-term sustainable future of the business • Financial and share price performance • Dividend policy • Current trading • Business strategy and vision • Director remuneration • Shareholder communications and engagement • Environment, Social and Governance issues	• The Board receives updates from the Investor Relations team at every Board meeting. These include updates on any material changes to the composition of the shareholder register, a summary of investor interactions that have taken place during the period as well as upcoming interactions and a summary of investor questions received, and topics discussed.

OUR APPROACH TO ENGAGEMENT AND HOW THE BOARD IS KEPT INFORMED CONTINUED

- Verbatim customer feedback is captured from thousands of customers each week to gain insights and help the business better understand customer expectations and concerns. Machine learning and AI solutions are used to quantify the sentiment of the comments. This information is reviewed internally and used to generate improvements to the customer experience. The Board continued to receive a synopsis of the results of this feedback during the year and these insights into the customer experience are considered by directors as part of Board decision-making.
- ShopLive provides customers in Ireland, the UK and the Nordics an in-store experience from their own homes via video link with expert store colleagues. ShopLive enables customers to receive advice on laptops, TVs, washing machines and refrigeration products to ensure that customers, including the most vulnerable, can benefit from store colleagues' expertise remotely. The Board has been receiving regular updates on the demand for ShopLive and on those customer satisfaction scores. The Board has considered the possible medium-term and long-term impacts that Covid-19 might have on customer shopping habits. The Board will keep under review customer demand and feedback on ShopLive as one example of these changes and this will provide important context for strategic discussions.

- A central International Colleague Forum is in place to unify the long-term existing country forums into a single, listening and engagement forum for all colleagues. Tony DeNunzio, the Deputy Chair and Senior Independent Director, attends these forum meetings with the Chief People Officer, Paula Coughlan. Andrea Gisle Joosen, Independent Non-Executive Director, attends the Nordics colleague forum meetings. The Board received an update on Colleague Listening at a Board meeting in March 2021. More details about the forum are available on page 26.
- Regular colleague engagement 'Pulse' surveys have been conducted during the year and the Board receives reports on the results and actions being taken in response.
- The annual Peak event was held virtually during November 2020 to provide colleagues in the United Kingdom with strategic updates from the Executive Committee members and to provide colleagues with information and training.
- Covid-19 has hindered the ability of directors to visit stores and meet colleagues in person. These visits will resume when possible.
- A Colleague Shareholder Award scheme is in place to allow colleagues to share in the success of the business. Further details of this scheme are available in the Remuneration Report on page 100.
- Board and committee paper authors include their contact details on papers submitted to the directors and directors frequently contact them directly when they have queries on papers or are interested to receive more detail.

- Our Sustainable Business team manages the Company's charitable partnerships including UK headline charity partner Age UK.
- The Company was one of three founding partners in the Digital Poverty Alliance and agreed to donate £1 million to Digital Access for All, helping disadvantaged teachers, pupils and parents without access to technology at home.
- The Company has joined the Climate Group's EV100 initiative, a globally recognised movement for corporate action on more sustainable transport options in particular electric vehicles.
- The Board received a comprehensive update on ESG in January 2021 and receives regular updates on sustainability, colleague matters and charitable activities within the CEO report at Board meetings.

- The Commercial team put in place a formal engagement strategy with each large supplier. This strategy is customised in each case but includes regular meetings and calls between the Group Chief Executive Officer and his counterpart at the Supplier company and between the Chief Commercial Officer and his counterpart. This is supported by a team of colleagues engaging at least every four weeks to assess progress against agreed business plans.
- A suite of policies and standards are in place to ensure that suppliers and partners adhere to high ethical standards including prevention of modern slavery and anti-bribery. More information on this is available in the Sustainable Business report on page 36.

- The Investor Relations team manages a programme of meetings with the top 30 shareholders and many of these meetings are also attended by at least one Board Director. For other shareholders, the primary point of contact is the Company's registrar, although any matters can be escalated to either the Investor Relations or Company Secretariat teams as appropriate.
- Due to the health and safety impacts of Covid-19 and government restrictions in place at the time, it was not possible to allow shareholders to attend the Annual General Meeting 2020. Shareholders were invited to submit questions instead and the Chair of the Board responded to all of these in a video released on the external website on the date of the Annual General Meeting.

SUSTAINABLE BUSINESS
OUR APPROACH

Our vision, to help everyone enjoy amazing technology, has a powerful social purpose at its heart. We believe in the power of technology to improve lives, help people stay connected, productive, healthy and entertained. We're here to help everyone enjoy those benefits and with our scale and expertise we are uniquely placed to do so.

We are committed to operating a responsible business by understanding stakeholder expectations and best practice and reflecting this in our business decisions. We report on the sustainability issues most relevant to Dixons Carphone and our value chain. We have developed the framework below to report on key initiatives and our progress against these material issues.

United Nation SDGs

Read more about the 17 UN Sustainable Development Goals ('SDGs') at: **https://sdgs.un.org/goals**

	Material issues	Achievements	Link to related SDG
OUR COLLEAGUES **WE ARE PROUD OF OUR CAPABLE AND COMMITTED COLLEAGUES** Read more on page **33.**	**Capable and committed colleagues** are our greatest advantage. We are increasing our focus on **colleague engagement** to create a **happier, healthier and more productive workforce**, united through our values and culture, and with better access to physical and mental health support.	765 **Total number of trained Mental Health Champions and accredited Mental First Aiders**	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH
OUR CUSTOMERS **WE HELP CUSTOMERS REDUCE THEIR ENVIRONMENTAL IMPACT** Read more on page **34.**	We are a leader in extending the life of technology through repair, recycling and reuse. We offer customers products that help them **save energy, reduce waste and save water**.	104k **tonnes e-waste collected across our Group for reuse or recycling**	8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION
OUR SUPPLIERS **WE ARE COLLABORATING WITH SUPPLIERS AS A FORCE FOR GOOD** Read more on page **36.**	We work together with **manufacturers and suppliers** to offer customers more sustainable products and to ensure our products are **sourced responsibly**.	1.7m **Number of individual pieces of plastic packaging removed**	8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 17 PARTNERSHIPS FOR THE GOALS
OUR COMMUNITIES **WE ARE A COMPANY FOR EVERYONE** Read more on page **38.**	**We bring technology to everyone everyday. We partner with charitable organisations** to bring the benefits of amazing technology to those who might otherwise be excluded.	£1m **pledged to The Learning Foundation to combat digital poverty**	4 QUALITY EDUCATION 10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES 17 PARTNERSHIPS FOR THE GOALS
OUR ENVIRONMENT **WE ARE TAKING ACTION TO REDUCE OUR ENVIRONMENTAL IMPACT** Read more on page **40.**	**We will achieve net zero emissions by 2040. We are reducing our impact on the environment** not only through the energy and resources used by our operations, but also in our wider value chain.	4% **Reduction in Scope 1 and 2 emissions against a 2019/20 baseline**	7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 13 CLIMATE ACTION
OUR SHAREHOLDERS **WE MAKE IT EASY TO UNDERSTAND OUR PROGRESS** Read more on page **44.**	**We set clear targets** and commitments and report on progress and performance during the year. We comply with relevant external frameworks and initiatives, including the recommendations of the Task Force on Climate-related Financial Disclosures.	ENVIRONMENTAL QUALITYSCORE HIGHEST RANKED BY ISS ESG 1 **Our score in ISS ESG Environment in April 2021**	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

WE ARE PROUD OF OUR CAPABLE AND COMMITTED COLLEAGUES

Our colleagues are our greatest advantage and are critical and central to the success of our business strategy and the realisation of our Vision. We prioritise their safety and wellbeing.

Health and Safety (H&S)

We work hard to make our colleagues feel safe.

Since the onset of the Covid-19 pandemic the H&S team have been directly involved in nearly every part of the business, providing cross-functional support to help keep it operating, minimising disruption for the business and creating Covid-19 safe environments for our colleagues and customers.

The commitment to meet our obligations for health, safety and welfare is set out in the company's Health and Safety Policy, which was reviewed last year and approved by our Group Chief Executive.

Our H&S Management System continues to be developed to ensure we manage significant risks to colleagues, contractors, customers and visitors to our locations. Regular internal inspections in our retail stores and audits across our supply chain, contact centre and corporate offices are undertaken to verify compliance with these standards.

H&S objectives have been set for our most senior managers and incorporated into their annual performance targets and have been cascaded down throughout the management structure to ensure broader colleague engagement with our wider H&S agenda.

In the UK and Ireland we continue to focus on colleague training, including:

- H&S Induction – e-learning, which is refreshed on an annual basis.
- Covid-19 Safe Working – a compulsory module for any colleague that cannot work from home and needs to attend one of our sites.
- Display screen equipment ('DSE') training and work-station assessments – colleagues are requested to complete these, whether working from home or in their usual place of work, and appropriate DSE-related equipment is provided to facilitate better work station set up.
- Driving assessments for new employees and agency drivers with regular refreshers, as well as reactive and targeted assessments for anyone involved in a road traffic accident.
- Face-to-face training on topics including first aid, fire marshalling and material handling equipment, as well as refresher training to maintain core competency in these areas.

Overall accident numbers have decreased by 31% across all our locations, but Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ('RIDDOR'[1]) accidents have increased (up 7% v 2019/20).

Renewed focus on manual handling accidents is taking place to identify root causes and this presents an opportunity to significantly reduce level of injury and RIDDOR numbers through 2021/22. A state-of-the-art training facility has been built in our new Regional Distribution Centre in Bolton providing opportunities for colleagues to practice handling products in a variety of simulated real-world scenarios including van tail-lifts, stairs, doorways and mock-up kitchens. This academy will provide a blueprint for other locations.

For road safety, our Operations Procedures document has undergone a revamp to reflect changes put in place to improve road safety. Regular briefs and mail drops have continued to remind drivers of the importance of carrying out daily vehicle checks, inspect essential equipment and assess potential risks. Furthermore, despite Covid-19 we have utilised online meetings to aid us in continuing to improve driver behaviour.

FURTHER INFORMATION

Our people are at the centre of who we are because it makes us what we are. Read more about our colleagues including:

- **Safety and wellbeing of our colleagues –** see page **22**
- **Attracting the talent we need –** see page **23**
- **Developing our colleagues and help them build skills for life –** see page **24**
- **Recognising and rewarding our people –** see page **26**
- **Building a culture of inclusion and diversity –** see page **26**
- **Building a culture of communication and engagement –** see page **27**
- **Enhancing colleague experience –** see page **27**

Gender Pay

Read our Gender Pay Report online at **www.dixonscarphone.com**

WE HELP CUSTOMERS REDUCE THEIR ENVIRONMENTAL IMPACT

We recognise the pressing need to improve our use of resources and create circular business models. We are a leader in extending the life of technology through repair, recycling and reuse and we offer customers products that help them save energy, reduce waste and save water.

REUSE AND RECYCLING

£1.7m

saved from our parts harvesting operation in our Customer Repair Centre, reducing the demand for new parts and lead time on repairs

1 million

checks and repairs by our UK Repair Centre, in store or in customer homes, ensuring customers can continue to enjoy their amazing technology

43%

of all e-waste collected by UK retailers in 2020 was collected by us

Our ‘greener’ products

To help customers make more sustainable purchasing decisions and reduce their carbon footprint, we introduced ‘Go Greener’ events in store and online. Held in Autumn and Spring, these events were designed to promote the attributes of the products and services we sell, with a focus on saving energy, reducing waste and saving water, with free recycling when buying products from our ‘Go Greener’ range.

This year has also seen us adjust our selling information in line with the new requirements for Energy Labelling.

Packaging

We offer customers a free packaging recycling service when we deliver and unbox large household appliances, resulting in thousands of tonnes of packaging retrieved.

We are one of the largest recyclers of polystyrene in the UK, recycling 12% of all post-consumer polystyrene recycled in the UK. To help more of our customers recycle EPS (expanded polystyrene), we are launching take-back trials at 14 stores in the UK in 2021. Large appliances, such as TVs, purchased directly from our stores are commonly packed with EPS, due to its outstanding impact protection, low weight and versatility. EPS is 100% recyclable, yet very few councils collect it from households, with most ending up in household waste. If successful, we will roll out the service across all our UK stores enabling EPS to be recycled into items such as insulation panels for home.

Plastics and packaging

Read more about how we are working with our suppliers to reduce plastic and packaging on page 37.

Product recycling

Throughout our channels, we encourage everyone to bring old or unwanted tech into our stores to be recycled or reused – whether they bought it from us or not.

Store colleagues are trained to tell customers about our collection and recycling service. Customers shopping online are prompted with the option of having their old appliance collected for recycling for a small fee.

We collect our customers' unwanted electrical equipment and small electrical appliances for recycling when we deliver their new technology.

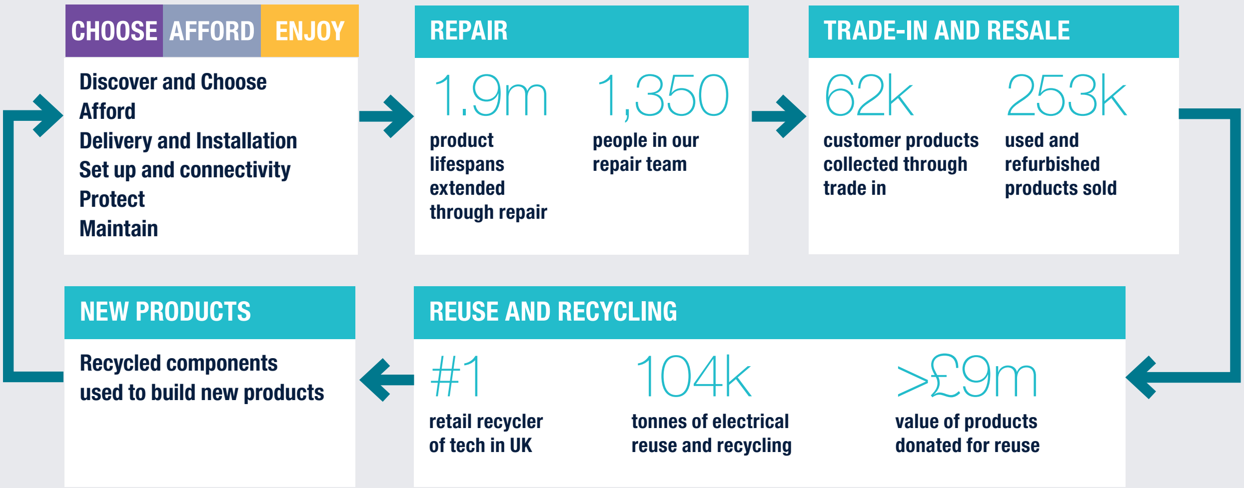
We also provide a free in-store take back for all electronics and were the first UK retailer to offer a free small e-waste collection service as part of an existing home delivery service. We are exploring how to offer recycling from home through our third-party delivery couriers, so customers buying smaller items online also have a convenient way to recycle their old or unwanted tech.

Our award-winning waste management programme for these items continues to evolve, with 104,173 tonnes of e-waste collected across our Group, a slight increase on 2019. In the UK this means we collect over 40% of the waste electricals collected by UK Retail.

Reuse and recycling

Find out more and see our reuse and recycling programme in action on www.currys.co.uk

WE ARE #1 AT SUSTAINABLY EXTENDING THE LIFE OF, AND RECYCLING, PRODUCTS



CHOOSE AFFORD ENJOY

Discover and Choose
Afford
Delivery and Installation
Set up and connectivity
Protect
Maintain

REPAIR

1.9m product lifespans extended through repair

1,350 people in our repair team

TRADE-IN AND RESALE

62k customer products collected through trade in

253k used and refurbished products sold

REUSE AND RECYCLING

#1 retail recycler of tech in UK

104k tonnes of electrical reuse and recycling

>£9m value of products donated for reuse

NEW PRODUCTS

Recycled components used to build new products

Product repair

In the UK our 1,350-person repair team processes and repairs over a million products a year – including over 350,000 computing and vision repairs, over 370,000 mobile phones and more than 280,000 white goods repairs. In the Nordics we repair over 900,000 products each year.

We are the leader in repairs of electronics in Norway, and repairs are an important focus area for us in the future. We have launched spare part solutions in all Nordic countries with several million spare parts available on our online platform. We have also established several in-store repair locations this year, with several functioning as regional workshops. Our technical helpdesk assists our customers with increasing product life and we launched Elcare Extended warranty as a service for all categories on all major product groups in November 2021.

Product reuse

We seek opportunities for the reuse of unwanted tech that is returned to us. For example, items can be used to help train new repair or installation engineers or repaired and refurbished to support local causes and low-income families.

We partner with the Reuse Network who support over 150 charities across the UK. Through them, we helped 4,046 low income households save more than £1m in 2020.

We also work with the UK's largest independent recycler of e-waste and provider of reuse, Environcom, to support major UK charities with approximately £8 million worth of refurbished white goods each year.

Through the 'Second Home' programme in our Kotsovolos stores, over 1,500 refurbished appliances have been distributed to families in need since 2017.

WE ARE COLLABORATING WITH OUR SUPPLIERS AS A FORCE FOR GOOD

Our partnerships with suppliers make a big difference – they know their products best and help us to bring amazing technology to life for our customers in meaningful ways.

Responsible sourcing standards

For customers to enjoy our amazing technology, they need peace of mind that we're sourcing responsibly. With around 10,000 suppliers across the globe, we strive to leverage our size and unique capabilities to do good.

Our Standards for Responsible Sourcing provide clear guidelines on the high standards and common values we expect from our suppliers; setting out minimum requirements across human rights, labour, environment, anti-corruption, integrity, business ethics, data security and social impact, which apply in addition to compliance with all relevant national and international legislation.

An Anti-bribery, Hospitality and Gifts Policy is in place. The procedures in place to oversee the anti-corruption and bribery control environment are reviewed by the Audit Committee on at least an annual basis and most recently in June 2021. The full Policy is reviewed by the Board periodically.

We are members of the Ethical Trading Initiative ('ETI') which helps drive continuous improvement, through the sharing of best practice and collaboration. Our Standards for Responsible Sourcing ask suppliers and their supply chains to work towards full compliance with the ETI Base Code.

Responsible Sourcing

Our Responsible Sourcing Standards are available on www.dixonscarphone.com

Modern slavery

We fully support the government's objectives to eradicate all forms of modern slavery and human trafficking. The fact that modern slavery still exists today is abhorrent and eradication requires collaboration and transparency.

Since the introduction of the UK Modern Slavery Act we have increased our efforts to help eradicate this issue through initiatives that mitigate risk and identify areas in need of more focus. All suppliers receive our Modern Slavery Policy, which sets out the actions to take if a case of modern slavery is discovered or suspected.

We are founder members of the Slave Free Alliance, which is a best practice membership scheme run by the modern slavery charity, Hope for Justice. We are leveraging their experience to review our recruitment practices within our distribution network in the UK and are working in partnership with our waste and recycling partners to risk assess their own suppliers.

Modern Slavery

Our Modern Slavery Statement is available on www.dixonscarphone.com

Assessing and improving ethical performance

A dedicated team help colleagues making purchasing decisions, ensuring our Standards are upheld and considered alongside traditional drivers such as price, product features and stock availability. This process is helping us to grow our product range from ethically and responsibly aware supply chains and safeguard against risk. We also conduct targeted training on the ETI Base Code, and modern slavery.

Auditing and risk assessments are a governing part of our own label and licensed brand supplier selection process and ongoing relationships.

Suppliers must comply with our rigorous terms and operational procedures, implementing and enforcing effective systems and controls to meet our minimum standards in respect of health and safety, wages, working hours, equal opportunities, freedom of association, collective bargaining and disciplinary procedures. Employing forced or child labour is strictly against our terms of operation.

Ethical audits on our own label and licenced brand suppliers are well-established. Our audit criteria are reviewed regularly to remain relevant. In 2020/21 we completed an in-depth review and enhanced the criteria to enable us to monitor and drive improvements in areas such as gender equality in both worker and management populations at manufacturing sites.

If issues are identified from an audit, we work with the supplier on a corrective action plan. If it is not possible for the supplier to improve their performance or we do not see positive results, they will not be approved, or they will be delisted.

Supplier sustainability

All suppliers are encouraged to support our goal in being a sustainable business with many already having made good progress.

Our branded suppliers continue to reduce plastic packaging and innovate. For example, HP are reusing ocean-bound plastic in their products – plastic that has not yet found its way into the ocean, is not likely to be collected and found on the ground within 50 kilometres of a waterway or coastal area.

In 2020/21 we partnered with one of the leading providers of business sustainability ratings, EcoVadis, to enable us to measure supplier performance across a wide range of metrics and identify ways we can champion positive activities, collaborate to improve performance, reduce our Scope 3 emissions and benefit wider society.

Read more about how we are addressing our emissions on pages 40–43 and 45.

Plastics and packaging

Suppliers are key to helping us address areas of public concern, such as unnecessary plastic.

We have clear guidance for suppliers to support the reduction of plastic packaging. We engage with our own label and licensed brand suppliers to identify and implement improvements.

We have 140 products that are packaging free or only essential plastic (where we are yet to find a better solution to prevent transit damage) remains. In 2020/21 we removed 1.7m individual pieces of plastic packaging, that equated to 27 tonnes of plastic, including 16 tonnes in our plastic packaging free ADX gaming range and a further eight tonnes across our headphones and mobile accessories. The packaging now used is fully recyclable at kerbside by our customers.

In the next 12 months we expect to see more products become plastic packaging free and see the amount of plastic used reduced significantly. We are working with suppliers of larger items such as microwaves and refrigeration to create solutions that find a balance between reducing the environmental impact of packaging and ensuring that our customers receive their products free from damage.

We remain committed to making all the plastic packaging we use on our own label products reusable or recyclable by 2023.

Read more about how we are addressing our customers' concerns about packaging on page 34.

Sector collaborations

We collaborate with our suppliers and other external stakeholders as a force for good, to advocate and effect change.

We are members of a number of organisations such as the British Retail Consortium ('BRC'), the Ethical Trading Initiative ('ETI') and the government's All-Party Corporate Responsibility Group.

We support key sector initiatives such as the BRC Taskforce on Climate Action which launched a ground-breaking decarbonisation plan to help guide the Retail industry on the steps necessary to accelerate progress to a Net Zero UK, ten years ahead of the government's 2050 target. We were also the first electrical retailer to sign up to EV100, a global initiative bringing together forward looking companies committed to accelerating the transition to electric vehicles.

Working with suppliers to support communities

Our two-year partnership with Grundig equipped community causes with new kitchen technology. Through this supplier collaboration, we donated a total of 300 cooking, laundry, refrigeration and dishwashing appliances worth £145,000 to 150 food related charities, which were nominated by our store colleagues across the UK.

WE ARE A COMPANY FOR EVERYONE

We bring technology to everyone everday. We partner with charitable organisations to bring the benefits of amazing technology to those who might otherwise be excluded.

PROVIDING DIGITAL ACCESS

1,000

premium refurbished laptops with an estimated value of £280,000 were donated to the charity Mailforce, through a national campaign run by the Daily Mail

1,155

refurbished devices to community causes, including Barnardo's, the Big Issue, local councils and schools across the UK

21,000+

discounted devices sourced by our business to business team for the Good Things Foundation

Digital Access for All

At Dixons Carphone, we want everyone to be able to enjoy equal access to the benefits of technology.

We pride ourselves on the accessibility to technology we provide through competitive pricing, omnichannel and easy shopping, and our affordable and responsible credit offering. But because our social purpose is at the heart of what we do, we also support causes that help everyone, who might otherwise be excluded, benefit from amazing technology too.

It is reported that nearly two million children, young people and their families don't have adequate access to a suitable device and / or connectivity at home. An issue accentuated as Covid-19 saw schools and colleges close.

In February 2021 we announced a £1million donation to The Learning Foundation (registered charity number 1086306) to help progress their 'Digital Access for All' ('DAFA') initiative. To cement our commitment to tackling the digital divide, we became one of three Founding Partners of a new Digital Poverty Alliance alongside DAFA and the Institute of Engineering and Technology ('IET'). Our aim is to tackle digital poverty in UK within the next three to five years, starting with education.

We began our support by equipping 1,000 teachers and teaching assistants in the country's poorest communities with the technology and support they need to deliver high quality home-schooling to their pupils. These teachers are helping us to form a community of ideas and best practice.

Our Kotsovolos business supported Greece's National Digital Support Programme for children and young people by providing free €200 vouchers for the purchase of a tablet, laptop, or desktop for distance learning. This was supported by special offers and a range of suitable devices.

Kotsovolos launched their 'Technology without obstacles' programme to tackle digital exclusion for people with disabilities.

Since 2008 Elkjøp have conducted a survey on digital exclusion in the Nordics to measure people's attitudes, level of knowledge and behaviour towards technology and electronic products in the home.

Tech Trouble

Find out more about Tech Trouble online at **https://elkjop-nordic.webflow.io/tech-trouble-2020#Sprakgapet**

DIGITAL ACCESS
FOR ALL

> With the support of Dixons Carphone and DAFA we'll be able to benefit from the most up to date technology which will put us on an even playing field with more affluent schools, and we'll be able to achieve so much more."
>
> **Jill Sweeney**
> **Head Teacher at Aston Manor Academy, Aston, Birmingham**

‘TECH CONNECTED’ WITH AGE UK

Age UK was chosen by colleagues in March 2020 as our corporate charity partner for a two-year period, with the aim of helping digitally excluded older people benefit from amazing technology and connecting them to those that love and need them.

We are aiming to raise £1,000,000 for Age UK’s Tech Connected programme. The programme aims to help older people to build the skills to use technology to achieve their goals; as well as providing older people with access to devices, and the resources they need to make the most of them.

In November 2020, our support for Age UK during the Covid-19 pandemic was shortlisted in the Responsible Retailer category of the UK Retail Week Awards, which included sending hundreds of laptops, headsets, phones and connectivity to allow Age UK’s partner charity The Silver Line to operate remotely and equip 500 vulnerable, isolated older people with new tablets, connectivity and support.

> The gift of the tablet is making such a difference to my life. It is giving me independence for shopping, dealing with appointments and generally to recover some of my social life lost to Covid-19. My grateful thanks.”
>
> **Anne,** aged 90

> Thanks to Dixons Carphone’s donation of laptops, headsets, phones and connectivity, The Silver Line Helpline could enable over 90 staff to work from home and answer thousands of Helpline calls from isolated and lonely older people when they needed it the most.”
>
> **Laura,** Age UK

To further support our customers most in need, we also provided

174,851

customers aged 70+ with free unlimited minutes through our MVNO, iD Mobile, to help them keep in touch with friends and family.

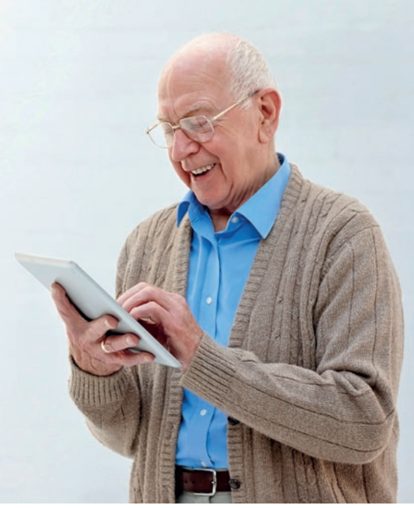
The Elkjøp Foundation

Established in 2017 to fight digital exclusion, the Foundation works to raise awareness, increase knowledge, and enable access to people who are falling behind in the rapid development of technology.

Using technology to connect, play or learn should be easy and fun, but this is not always the case. This is why our Elkjøp Foundation in the Nordics supports organisations and associations with technology and help – as well as financial resources.

In 2020/21, the Foundation donated a total of

£156,492



Age UK Telephone Friendship

Volunteering is an impactful way to strengthen community bonds and develop colleagues' skills. In February 2021, we invested in Age UK's Telephone Friendship service to enable 100 colleagues to support lonely older people through telephone friendships.

‘Pennies’

We have ambitious plans to raise money through customer donations for Age UK. Working in partnership with Pennies, an award winning fintech charity, we successfully rolled out their ‘digital charity box’ in all Currys PCWorld stores in October 2020.

This digital collection service offers customers in store the chance to make a 25p charitable donation when they pay by card or digital wallet.

Despite stores closures, our customers raised

£65,000

for Age UK in 2020/21

WE ARE TAKING ACTION TO REDUCE OUR ENVIRONMENTAL IMPACT

We will achieve net zero emissions by 2040 by reducing our impact on the environment not only through the energy and resources used by our operations, but also in our wider value chain.

Net zero

The climate crisis remains one of the greatest threats to our planet and we have a part in tackling it.

In July 2020, we collaborated with The British Retail Consortium and other major retailers on the development of a Climate Action Roadmap to decarbonise the retail industry and its supply chains. The plan aims to bring the retail industry and its supply chains to Net Zero by 2040, 10 years ahead of the government.

Our own specific roadmap to net zero emissions includes ambitious targets to reduce our environmental impact – and help customers reduce theirs.

Dixons Carphone commits to reduce absolute Scope 1 and Scope 2 GHG emissions by 50% by 2029/30 from a 2019/20 base year. Dixons Carphone also commits to reduce absolute Scope 3 GHG emissions from purchased goods and services and use of sold products by 50% within the same timeframe.

Our Scope 3 emissions account for over 90% of our total emissions. We will achieve reductions in these emissions through a programme of activities involving our suppliers, our manufacturers and through colleague engagement. The most material impacts are within purchased goods and services and the use of sold products.

Dixons Carphone has had its emissions reduction targets approved by the Science Based Targets initiative as consistent with levels required to meet the goals of the Paris Agreement.

Further information

For our energy and carbon data, see pages 42 and 43.

For our TCFD disclosure, see page 45.

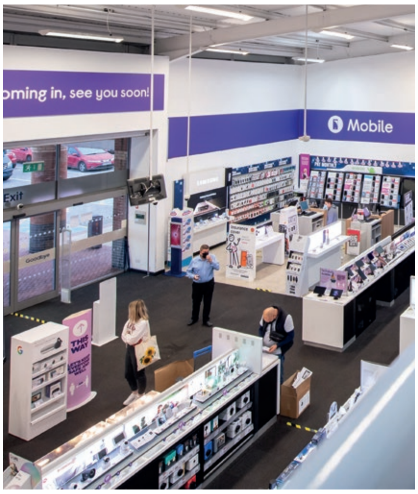
Energy reduction

We maintained our certification of our Energy Management System ('EnMS') in 2020/21 for our UK and ROI portfolio and fleet.

While our UK focus is on reducing diesel consumption we will also set new energy efficiency targets to reduce energy consumption to further support our emissions target. In line with the British Retail Consortium's Climate Action Roadmap, we have set a target to operate 100% LED coverage in all new buildings by 2025.

Energy reduction initiatives:

- In 2020, our new Bristol Distribution Centre benefited from a further investment of £390k to fit LED lighting, which will mean over 30% of our UK retail portfolio will use LED technology as the main source of lighting.
- In October 2020, we opened our new 330,000ft² Bolton ERDC, an EPC rated A building reflecting our commitment to energy efficiency. It achieved a 'Very Good' BREEAM rating, a leading sustainability assessment method for masterplanning projects, infrastructure and buildings.



Renewable energy sources

100% of our properties on the UK Mainland and in the Nordics (where we are responsible for supply contract) are powered by renewable electricity. The renewable energy is certified by Renewable Energy Guarantees of Origin (REGOs) and independently verified.

We have four sites with Solar PV installed, with a capacity of over 2MWp. This includes Newark Distribution Centre Buildings 1 and 2 and three retail sites. These panels contribute to our commitment to the reduction of our location-based CO_2 emissions by directly sourcing electricity from a renewable energy infrastructure.

We continue to investigate practical opportunities with landlords.

Our Environmental Policy

Our policy covers material issues including energy consumption, carbon emissions, supply chain and operational waste and is available on: **www.dixonscarphone.com**

Electric vehicles

In line with our commitment to achieve 100% electric or alternative fuel vehicles by 2030, we are trialling the use of electric vans at four sites, including our Bolton Customer Services Centre and have 31 electric vehicle charging points across five sites.

From March to July 2020, a small trial to fit solar panels on the roof of two 7.5t vehicles was carried out to support vehicle battery power. The trial resulted in savings of 0.46 tonnes of CO_2 and a projected annual cost saving of just under £500. We are now exploring a proposal to fit solar panels onto our new fleet for 2021/22 with the aim of further reducing our fleet CO_2 emissions through the transition away from diesel powered engines.

Member of EV100

Find out more online at:
www.theclimategroup.org/about-ev100

Our waste

We have a target for zero operational waste to landfill in the UK and Ireland by year end 2024/25 and have now met and exceeded our interim target to divert 95% of this waste from landfill by 2022.

Recyclables from our UK and Ireland stores are backhauled to our national recycling facility in Newark. From there, consistent grades of cardboard, plastic and expanded polystyrene are channelled through regional Customer Service Centre ('CSC') depots to our recycling partners, minimising transportation and ensuring the best return for our material. We have met our target to divert 95% of operational waste from landfill by 2022.

In 2020, our UK operation generated 4% less waste year on year. Of the 13,897 tonnes we collected, 99.1% was diverted for recycling, anaerobic digestion or energy recovery. This was up 10.5% on 2019 and driven by a combination of stores being closed and/or reduced services during Covid lockdowns and improved waste data resulting from the consolidation of waste management provider.

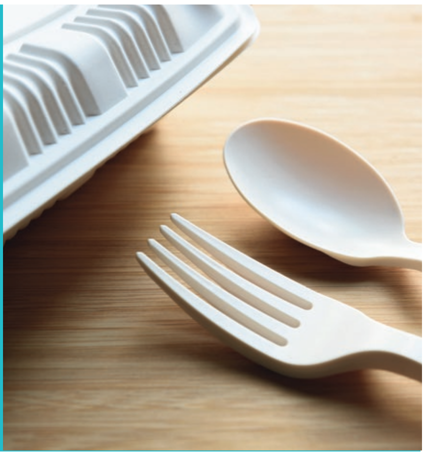
In Ireland, 152 tonnes of waste were generated by our stores and CSC during 2020, of which 29.8% was recycled and 70.2% recovered, with zero waste ending up in landfill.

Further information

Read more about how we are reducing the environmental impact of packaging on pages 34 and 37.

Enabling colleagues to reduce, reuse and recycle

All colleagues are actively encouraged to recycle, and recycling facilities are available at all sites. We are always looking for sustainable solutions for single use plastics, such as bioplastic cutlery and innovations including the replacement of polystyrene clam-shell boxes with biodegradable and compostable bagasse boxes, which is a by-product of sugar making.



SUSTAINABLE BUSINESS
OUR ENVIRONMENT CONTINUED

Energy and Carbon Reporting

Two successive Covid-19 lockdown periods had a significant impact on the operation of our estate. Store closures, changing operational hours, energy efficiency interventions, increased home working and less business-related travel contributed to a reduction in energy consumption. Heating requirements during the year resulted in increased natural gas and heating oil consumption, however our overall emissions reduced.

This section details the energy consumption and greenhouse gas emissions from the activities of Dixons Carphone for the period 1 May 2020 to 30 April 2021, as required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ('the 2013 Regulations') and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ('the SECR Regulations').

An operational control approach has been used to define the Greenhouse Gas (GHG) emissions boundary. This captures emissions associated with the operation of offices, retails, warehouses, and distribution sites, plus transport; company-owned, leased and employee-owned vehicles used for business travel. This includes emissions from the UK and Offshore including the Republic of Ireland, Greece, Sweden, Norway, Finland, Denmark. There are no material omissions from the mandatory Scope 1 and 2 emission reporting requirements.

This information was collected and reported using the methodology in Defra's updated greenhouse gas reporting guidance, Environmental Reporting Guidelines (ref. PB 13944), issued June 2019. Emissions have been calculated using the 2020 conversion factors provided by Department of Business, Energy and Industrial Strategy for emissions in the UK and Association of Issuing Bodies (AIB) for overseas electricity conversion factors.

Assurance was provided by Lucideon which has verified the data for the current reporting year 2020/21 only.

The company-wide kWh energy consumption for the reporting period 1 May 2020 – 30 April 2021, are as follows:

GLOBAL ENERGY CONSUMPTION
DIXONS CARPHONE:

Energy consumption (kWh)	UK and Offshore 2020–21	Global Total 2020–21	Global Change (%)	UK and Offshore 2019–20	Global Total 2019–20
Transport (including Diesel, Petrol, LPG)	**54,936,222**	**61,599,577**	-14%	63,377,377	71,261,546
Natural Gas	**27,318,959**	**28,500,590**	29%	20,301,590	22,142,355
Heating Oil	**98,860**	**331,876**	54%	214,868	214,868
Electricity	**90,122,184**	**192,890,720**	-19%	131,070,522	236,971,131
Total	**172,476,225**	**283,322,763**	-14%	214,964,357	330,589,900
Intensity (MWh / 1,000 ft^2)	**14.58**	**13.65**	-16%	18.02	16.24

The GHG emissions for our business for the reporting period 1 May 2020 – 30 April 2021, are as follows:

EMISSIONS ON LOCATION BASIS(1)
DIXONS CARPHONE:

Category	Tonnes of CO$_2$e emitted 2020–21	Change (%)	Tonnes of CO$_2$e emitted 2019–20
Emissions from combustion of fuel(3) (Scope 1)	**19,638**	-1%	19,868
Emissions from the operation of facilities(6) (Scope 1)	**1,314**	50%	874
Emissions from purchase of electricity(4,5) (Scope 2)	**36,817**	-28%	51,131
Total	**57,769**	-20%	71,873
Intensity ratio: tCO$_2$e / 1,000 ft^2 occupied floor area(2)	**2.78**	-21%	3.53

EMISSIONS ON MARKET BASIS(1)
DIXONS CARPHONE:

Category	Tonnes of CO$_2$e emitted 2020–21	Change (%)	Tonnes of CO$_2$e emitted 2019–20
Emissions from combustion of fuel(3) (Scope 1)	**19,638**	-1%	19,868
Emissions from the operation of facilities(6) (Scope 1)	**1,314**	50%	874
Emissions from purchase of electricity(4,5) (Scope 2)	**14,368**	-11%	16,121
Total:	**35,321**	-4%	36,863
Intensity ratio: tCO$_2$e / 1,000 ft^2 occupied floor area(2)	**1.70**	-6%	1.81

EMISSIONS ON LOCATION BASIS BY REGION:

Category	Tonnes of CO_2e emitted 2020–21	Change (%)	Tonnes of CO_2e emitted 2019–20	Tonnes of CO_2e emitted per 1,000 ft^2 of floor area 2020–21	Tonnes of CO_2e emitted per 1,000 ft^2 of floor area 2019–20
UK and Offshore(7) (Scope 1 & 2)	**39,951**	-23%	51,866	3.38	4.35
Global (excluding UK and Offshore) (Scope 1 & 2)	**17,817**	-11%	20,006	2.11	2.37
Total:	**57,769**	-20%	71,873	2.78	3.53

EMISSIONS ON MARKET BASIS BY REGION:

Category	Tonnes of CO_2e emitted 2020–21	Change (%)	Tonnes of CO_2e emitted 2019–20	Tonnes of CO_2e emitted per 1,000 ft^2 of floor area 2020–21	Tonnes of CO_2e emitted per 1,000 ft^2 of floor area 2019–20
UK and Offshore(7) (Scope 1 & 2)	**20,058**	-8%	21,762	1.70	1.82
Global (excluding UK and Offshore) (Scope 1 & 2)	**15,263**	1%	15,101	1.71	1.79
Total:	**35,321**	-4%	36,863	1.70	1.81

Scope 3 emissions

The following table details Dixons Carphone's Scope 3 emissions. This data has not been externally verified. This data includes indirect GHG emissions across our value chain which account for over 90% of our total emissions. The most material impacts are within purchased goods and services and the use of sold products. We will achieve reductions in these emissions through a programme of activities involving our suppliers, our manufacturers and through colleague engagement.

We have been able to use more primary data to calculate our Scope 3 emissions for 2020/21. Other notable changes include emissions from the use of sold products decreasing due to grid greening and increased home working, store closures and less business-related travel due to Covid-19 resulting in significant reductions in emissions from business travel and employee commuting.

Category	Tonnes of CO_2e emitted 2020–21	% change from baseline	Tonnes of CO_2e emitted 2019–20
Purchased goods and services	**3,250,795**	-24%	4,300,532
Fuel and energy-related emissions not included in Scope 1 or Scope 2	**13,085**	-18%	15,905
Upstream transportation and distribution	**53,653**	-68%	165,115
Waste generated in operations	**2,588**	166%	972
Business travel	**415**	-85%	2,754
Employee commuting	**19,390**	-29%	27,275
Downstream transportation and distribution	**16,904**	-53%	35,906
Use of sold products	**23,061,342**	-32%	34,001,509
End-of-life treatment of sold products	**9,990**	1%	9,843
Total:	**26,428,162**	-31%	38,559,811

(1) A location-based method reflects the average emissions intensity of grids on which energy consumption occurs and a market-based method reflects emissions from electricity that companies have selected.

(2) Overall floor area of the Dixons Carphone Plc is estimated to be 20,758,660ft^2.

(3) 'Emissions from combustion of fuel', includes a proportion of private cars being used for business travel, which would be classified as Scope 3, in keeping with previous years.

(4) The electricity consumption figure includes Scope 2 generation emissions but not Scope 3 transmission and distribution losses.

(5) Electricity and gas usage is based on supplier bills. Manual gap filling was conducted for a small proportion of supplies in the UK and Ireland, using an average of the consumption year to date. This is because this report was due before some electricity and gas bills had been provided by the suppliers. This report also includes electricity consumption through supplies where the landlord procures the energy; this has been estimated either based on the average energy consumption per floor area for site type or using last year's data estimation, all these have been treated as non-green and therefore subject to the residual factor, due to lack of evidence.

(6) Refrigerant data processing methodology and exclusions: Where refrigerant top-ups are reported, we assume this covers leakage across the estate under that contractor's responsibility to repair the leak and top-up the refrigerant, as such no estimation of leakage has been completed for units where no top-ups were carried out.

(7) The 2019/20 data has been recalculated and stated in this report, due to the determination that the main supply contract for the Nordic Region included green energy. The data for electricity for 2019/20 has therefore not been verified.

WE MAKE IT EASY TO UNDERSTAND OUR PROGRESS

Dixons Carphone is committed to operating a responsible and ethical business by understanding stakeholder expectations and best practice and making sure this is reflected in our business decisions.

Our progress

In June 2020, our progress in developing and reporting our performance was recognised with our repeated inclusion in the FTSE4Good UK Index.

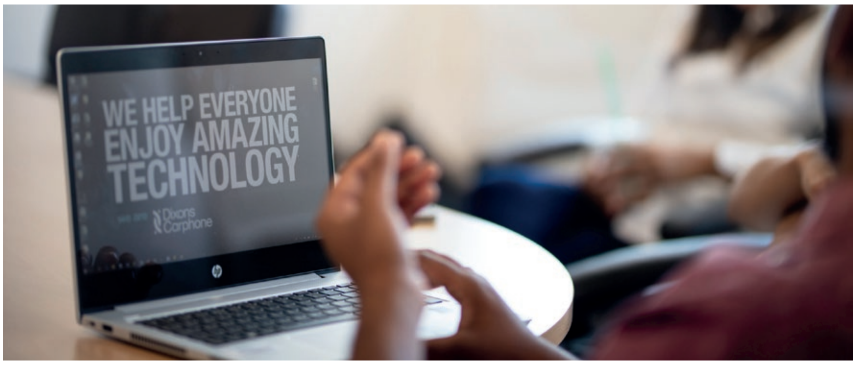
We continue to respond to the Carbon Disclosure Project ('CDP') questionnaire on Climate Change, demonstrating our continued commitment to identifying, assessing and managing climate-related risks and opportunities across the Group. In 2020, we maintained our 'B' score and are using the results of a gap analysis to aid continuous improvement.

We also scored in the top decile, achieving a '1' score, for ISS ESG Environment in April 2021.

ENVIRONMENTAL QUALITYSCORE 1
HIGHEST RANKED BY ISS ESG

CDP
DISCLOSURE INSIGHT ACTION

FTSE4Good



Governance and risk

Our Sustainability and Social Impact strategy is signed off by our Group Chief Executive and approved by the Environmental, Social and Governance ('ESG') Committee.

It is driven and delivered by our colleagues – subject matter experts that are fully integrated across our business. Their work is coordinated by the Director of Group Sustainability and overseen by the ESG Committee which reports into the Executive Committee and comprises representatives from all levels across the business.

The business has a systematic approach to ESG risk management. Our approach has been benchmarked against other leading organisations, which resulted in the development of a more comprehensive ESG risk profile and risk appetite statement.

This year a new principal risk relating to Sustainability was added to the Principal Risk Register (see further details on page 51) which is monitored by the ESG Committee and the Executive Committee, with the aim of better managing the broad spectrum of ESG risks.

As part of our risk assessment approach, we have continued to work with key internal stakeholders to consider the long-term impacts of climate change with the aim of analysing emerging risks and opportunities. The insights gained have been incorporated into our revised ESG Risk Register. This work is informing our business continuity plans and has formed part of our implementation of recommendations by the Task Force on Climate-related Financial Disclosures ('TCFD').

As we progress on our transformation, the ESG related targets on our annual bonus scorecard will be enhanced by two new environment targets from 2021/22, with the aim of growing a customer base that is confident we are on their side – and on the side of society, inspiring more super engaged colleagues, and building a business investors feel good about investing in.

Further information

Read more about our principal risks on page 46.

Read our Tax Strategy online at www.dixonscarphone.com

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

We support the Task Force on Climate-related Financial Disclosures ('TCFD') and its recommendations. We are committed to assessing the impacts of climate risks and opportunities across our operations and supply chains. This is our first year of disclosure against the framework and we plan to further enhance our approach and reporting in advance of legal requirements.

Governance

We have created a clear communication line to the Board; the ESG Committee reports to the Executive Committee then Dixons Carphone Board. Further, the Risk Committee reports up to the Main Operating Subsidiaries and then the Dixons Carphone Board.

The ESG Committee, chaired by General Counsel and Company Secretary Nigel Paterson, reviews climate change related issues in their meetings and submit progress to the Risk Committee, Executive Committee and Board.

We have assigned management level responsibility for different climate-related issues in the business and climate-related risks and opportunities are incorporated into the ESG Risk Register.

Strategy

Our purpose, to help everyone enjoy amazing technology, goes beyond ensuring customers can choose, afford and enjoy the right technology. Addressing our climate risks and opportunities is a part of our Sustainability and Social Impact strategy.

We have responded to the CDP questionnaire on climate change since 2016 and as part of this report identified climate-related risks and opportunities. We have undertaken workshops to identify short, medium and long term physical and transitional climate-related risks which have been reflected in our ESG Risk Register. Our ESG Risk Register is monitored by our ESG Committee.

We continue to invest in measures to mitigate our climate change impact, and as part of this we have set new emissions targets. We recognise the importance of collaborative action; we have committed our support to EV100 and the British Retail Consortium Climate Action Roadmap.

Risk management

Group risk assessment criteria have been determined and the net and gross risk profile. Priority risks have been agreed by the ESG Committee and Board and this year a new principal risk relating to Sustainability was added to the Principal Risk Register.

We have an ESG Risk Register which incorporates short, medium and long term physical and transitional climate-related risks identified this year.

We will continue to monitor changes to risk (increase, decrease or no change), assess climate change as a principal risk within the business and assess risk annually in the Annual Report.

Metrics and Targets

We are committed to delivering net zero emissions by 2040.

Dixons Carphone has had its emissions reduction targets approved by the Science Based Targets initiative ('SBTi') as consistent with levels required to meet the goals of the Paris Agreement.

The targets covering greenhouse gas emissions from Dixons Carphone's operations (Scopes 1 and 2) are consistent with reductions required to keep warming to 1.5°C, the most ambitious goal of the Paris Agreement. Dixons Carphone's target for the emissions from its value chain (Scope 3) meet the SBTi's criteria for ambitious value chain goals, meaning they are in line with current best practice.

We report on intensity metrics, MWh/1000sqft for energy and MPG for fleet vehicles and have set a target for zero waste to landfill for commercial waste in UK and Ireland.

Looking ahead

We plan to undertake climate scenario analysis modelling for the priority risks in low and high carbon scenarios and assess business resilience under different scenarios. We will also quantify exposure to each risk event and incorporate this into our business strategy.

We will engage and drive action through our supply chain as well as review our net zero emissions roadmap, including the sequestration of CO_2.

WE'VE HAD OUR
SCIENCE-BASED TARGET APPROVED

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 has developed and continues to evolve robust risk management processes, and risk management is integrated into business decision-making. The Group's approach to risk management is set out in the Corporate Governance Report on pages 73 to 86. The risks are linked to the strategic priorities on pages 14 to 21.

Our approach to horizon scanning and emerging risks

A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

In order to promote sustainable success, the business continues to analyse the risks likely to emerge in the short, medium and longer term that may impact the delivery of our Strategy. To provide a view over the medium to longer term, a horizon scanning approach is required. This looks at future complexity, challenges assumptions and review options for future business planning.

Our approach to undertaking horizon scanning is based on conducting both reviews of thought leadership and also through obtaining the views of key business stakeholders. The horizon scanning exercise is updated semi-annually to ensure that the horizon is consistently scanned for developments and changes that may impact the business. The Group Risk and Compliance Committee is asked to review and discuss the horizon risks and to form a view as to whether any of these should be considered in the Principal Risk process or additional actions should be factored into strategic planning for the business.

During 2020/21 two new risks were added to the Principal Risk Register – Sustainability and People – reflecting the key importance of the effective management of these risks to the delivery of the Group's strategy.

SUSTAINABILITY

Achieving our ambitions across the Sustainability agenda will require the business to address many challenges, amongst these is tackling climate change.

To achieve real change businesses must address not only direct emissions within their operations but also work in collaboration with all stakeholders within their value chains.

For Dixons Carphone, over 90% of our indirect emissions come from the purchase of goods and services and use of sold products. To support our commitment of Net Zero by 2040, we have become the first UK company to adopt the new Carbon Action Module from EcoVadis, one of the leading providers of business sustainability ratings.

This will increase transparency across our supply chain and enable us to better measure aspects of our Scope 3 emissions, a necessary step in our Net Zero journey. It will provide us the means to drive climate action at scale by collecting and analysing suppliers' critical emissions data. We will use the data to work with suppliers to benchmark, measure and, where needed, develop plans to reduce carbon emissions.

PEOPLE

Delivering Capable and Committed collagues requires the business to invest in our people and HR processes.

Our people risk covers three core areas; Leadership capability (including succession planning for business-critical roles); Workforce planning (including capacity, engagement and productivity and culture and values); and, compliance with legal and regulatory requirements.

We actively manage and mitigate these risks. We have a comprehensive programme designed to build leadership capability and annual Board and quarterly ExCo talent reviews providing oversight of succession planning.

We have placed a greater focus on wellbeing to support our colleagues and live our values, we continue to deliver on our D&I strategy and act on insights gained through colleague listening and 'On the Pulse' surveys.

Oversight is provided by the Remuneration Committee on all director and ExCo compensation in alignment with our Corporate Governance Code. An annual process is in place to meet the FCA 'Fit and Proper' requirements.

PRINCIPAL RISKS AND UNCERTAINTIES

RISKS AND POTENTIAL IMPACTS

The Group continues to develop its risk management processes, fully integrating risk management into business decision-making. The risk management process mirrors the operating model with each business unit responsible for the ongoing identification, assessment and management of their existing and emerging risks. The output of these assessments is ultimately aggregated to compile an overall Group-level view of risk.

The Group's approach to risk management is set out in more detail in the Corporate Governance Report on pages 73 to 86. The risks are linked to the strategy on pages 14 to 21. The principal risks and uncertainties, together with their potential impacts and changes in net risk since the last report, are set out in the tables below along with an illustration of what is being done to mitigate them.

STRATEGIC RISKS

COVID-19

Risk owner: Group Chief Executive

Risk level

Low Medium **High**

Risk movement
Decreased

Link to strategy

🛒 💷 💬 📱

Considered in the Viability statement
✓

What is the risk?

Failure to adapt the operations of the Group to ensure the safety of colleagues and customers and in compliance with government guidelines.

What is the impact?

- Reduced revenue and profitability
- Deteriorating cash flow
- Colleague / customer illness or loss of life

How we manage it

- A range of initiatives grouped under three 'Big Priorities' – To Protect Colleagues, Help Customers and Secure Our Future
- For a more detailed review on the response to Covid-19, refer to pages 22, 23 and 29

Changes since last report

This risk has decreased due to the group successfully adapting to operating in the Covid environment and wider measures to control the pandemic.

DEPENDENCE ON KEY SUPPLIERS

Risk owner: Chief Commercial Officer

Risk level

Low **Medium** High

Risk movement
Stable

Link to strategy

🛒 💷 💬 📱

Considered in the Viability statement
✗

What is the risk?

The Group is dependent on relationships with key suppliers to source products on which availability may be limited.

What is the impact?

- Investments by suppliers scaled down
- Pricing and stock availability terms could worsen, leading to deceasing sales / reduced margin
- Reduced revenue and profitability
- Deteriorating cash flow
- Reduced market share

How we manage it

- Ensuring alignment of key suppliers to the Group's strategy
- Continuing to leverage the scale of operations to strengthen relationships with key suppliers and maintain a good supply of scarce products
- Working with suppliers to ensure availability of products through Covid-19 crisis in order to help our customers
- Broadening the range of suppliers to support extended range offerings
- Ethical supply chain due diligence over our supplier base
- Control structures to ensure appropriate Supplier Relationship Management for GFR, GNFR and OEM

Changes since last report

This risk has remained stable over 2020/21.

Link to strategy: 🛒 **Omnichannel** 💷 **Credit** 💬 **Services** 📱 **Mobile**

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

BUSINESS TRANSFORMATION

Risk owner: Chief Operating Officer

Risk level

Low **Medium** High

Risk movement
Decreased

Link to strategy

🛒 💻 💬 📱

Considered in the Viability statement
✗

What is the risk?

Failure to respond with a business model that enables the business to compete against a broad range of competitors on service, price and / or product range.

Failure to optimise Digital opportunities.

Failure to respond to changes in consumer preferences and behaviours.

What is the impact?

- Reduced revenue and profitability
- Deteriorating cash flow
- Reduced market share

How we manage it

- Continued strengthening of digital expertise as part of omnichannel capability
- Transformation Management Office established and delivering key strategic objectives
- Future Mobile Strategy
- Development of customer credit propositions
- Development of omnichannel capabilities
- Enhancement of data analytics capabilities

Changes since last report

Significant progress has been made in the delivery of the Transformation Programme and consequently the overall risk is decreasing as projects are being completed.

REGULATORY RISKS

NON-COMPLIANCE WITH FINANCIAL CONDUCT AUTHORITY ('FCA') AND OTHER FINANCIAL SERVICES REGULATION

Risk owner: Chief Commercial Officer

Risk level

Low Medium **High**

Risk movement
Stable

Link to strategy

💻 💬

Considered in the Viability statement
✓

What is the risk?

Failure to manage the business of the Group in compliance with FCA regulation and other financial services 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.

What is the impact?

- Enforcement action by the regulator
- Loss of authorisation and inability to trade regulated products
- Reputational damage
- Financial penalties
- Reduced revenues and profitability
- Deteriorating cash flow
- Customer compensation

How we manage it

- Board oversight and risk management structures monitor compliance and ensure that the Company's culture puts good customer outcomes first
- Senior Manager and Certification Regime and if required CBI / other regulators certification implemented
- Regulatory Compliance Committee, Product Governance and other internal governance structures
- Control structures to ensure appropriate compliance
- Compliance monitoring and internal audit review of the operation and effectiveness of compliance standards and controls
- Recruitment, remuneration and training competency programmes
- Conduct risk and control framework, including defined minimum control standards

Changes since last report

This risk has remained stable over 2020/21.

DATA PROTECTION

Risk owner: Chief Operating Officer

Risk level

Low	Medium	High
		■

Risk movement
Increased

Link to strategy

🛒 💷 💬 📱

Considered in the Viability statement
✓

What is the risk?

Major loss of customer, colleague or business sensitive data.

Adequacy of internal systems, policy, procedures and processes to comply with the requirements of EU General Data Protection Regulation ('GDPR').

What is the impact?

- Reputational damage
- Financial penalties
- Reduced revenue and profitability
- Deteriorating cash flow
- Loss of competitive advantage
- Customer compensation

How we manage it

- The operation of a Data Management Function to ensure compliance with GDPR compliant operational processes and controls
- The operation of a Data Protection Office to ensure appropriate governance and oversight on the Group's data protection activities
- Control activities operate over management of customer and employee data in accordance with the Group's data protection policy and processes
- Investment in information security safeguards and IT security controls and monitoring

Changes since last report

The risk temporarily increased due to home working but with the introduction of mitigating controls has reduced to the level prior to the Covid-19 outbreak.

TECHNOLOGY RISKS

IT SYSTEMS AND INFRASTRUCTURE

Risk owner: Chief Operating Officer

Risk level

Low	Medium	High
	■	

Risk movement
Stable

Link to strategy

🛒

Considered in the Viability statement
✗

What is the risk?

A key system becomes unavailable for a period of time.

What is the impact?

- Reduced revenue and profitability
- Deteriorating cash flow
- Loss of competitive advantage
- Restricted growth and adaptability
- Reputational damage

How we manage it

- Ongoing IT transformation to align IT infrastructure to Future DC strategy
- PEAK planning and preparation to ensure system stability and availability over high-demand periods
- 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
- Strengthening of Technology leadership team

Changes since last report

Whilst the reliance on IT systems and infrastructure increased during the period where the UK and Ireland business traded on-line only, the control environment remained stable over the period.

Link to strategy: 🛒 **Omnichannel** 💷 **Credit** 💬 **Services** 📱 **Mobile**

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

OPERATIONAL RISKS

INFORMATION SECURITY

Risk owner: Chief Operating Officer

Risk level

Low Medium **High**

Risk movement

Increased

Link to strategy

Considered in the Viability statement

✓

What is the risk?

Vulnerability to attack, malware, and associated cyber risks.

What is the impact?

- Reputational damage
- Financial penalties
- Reduced revenue and profitability
- Deteriorating cash flow
- Customer compensation
- Loss of competitive advantage

How we manage it

- Investment in information security safeguards, IT security controls, monitoring, in-house expertise and resources as part of a managed information security improvement plan
- Information security policy and standards defined and communicated
- Information Security and Data Protection Committee comprising senior management, set up with responsibility for oversight, co-ordination and monitoring of information security policy and risk
- Infosec training and awareness programmes for employees
- Audit programme over key suppliers' information security standards
- Introduction of enhanced security tooling and operations
- Ongoing programme of penetration testing

Changes since last report

The move to home working during Covid-19 presented additional challenges but these were successfully addressed with the introduction of mitigating controls. The risk now remains at the same level as prior to the Covid-19 outbreak.

HEALTH AND SAFETY

Risk owner: Chief Supply Chain Officer

Risk level

Low Medium **High**

Risk movement

Stable

Link to strategy

Considered in the Viability statement

✓

What is the risk?

Failure to effectively protect customers and / or colleagues and / or contractors from injury or loss of life.

What is the impact?

- Employee / customer illness, injury or loss of life
- Reputational damage
- Financial penalties
- Legal action

How we manage it

- Implementation of Covid-19 controls to protect colleague in the workplace and customers in the retail estate, including continuous monitoring of changing government regulation in all jurisdictions
- Group Health and Safety strategy
- Comprehensive Health and Safety policies and standards supporting continued improvement
- Health and Safety management / Governance Committee
- Operational Health and Safety teams located across business units
- Risk assessment programme covering retail, support centres, distribution and home services
- Incident reporting tool and process
- 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

Changes since last report

This risk has remained unchanged over 2020/21.

BUSINESS CONTINUITY

Risk owner: Chief Operating Officer

Risk level

Low **Medium** High

Risk movement

Stable

Link to strategy

🛒 💬

Considered in the Viability statement

✗

What is the risk?

A major incident impacts the Group's ability to trade and business continuity plans are not effective, resulting in an inadequate incident response.

What is the impact?

- Reduced revenue and profitability
- Deteriorating cash flow
- Reputational damage
- Loss of competitive advantage

How we manage it

- Business continuity and crisis management plans in place and tested for key business locations
- Enablement of home working for office-based and contact centre colleagues
- 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

Changes since last report

This risk has remained unchanged over 2020/21.

PRODUCT SAFETY

Risk owner: Chief Supply Chain Officer

Risk level

Low **Medium** High

Risk movement

Stable

Link to strategy

🛒 📱

Considered in the Viability statement

✗

What is the risk?

Unsuitable procedures and due diligence regarding product safety, particularly in relation to OEM sourced product, may result in poor quality or unsafe products provided to customers which pose risk to customer health and safety.

What is the impact?

- Financial penalties
- Reduced cash flow
- Reputational damage

How we manage it

- Factory Audits conducted over OEM suppliers
- Technical Evaluation of OEM products prior to production
- Product inspection of OEM products prior to shipment
- Monitoring of reported incidents
- Safety Governance reviews conducted by internal by Technical and Business Standards teams
- Establish protocols and procedures to manage product recalls

Changes since last report

This risk has remained unchanged over 2020/21.

SUSTAINABILITY

Risk owner: Strategy and Corporate Affairs Director

Risk level

Low Medium **High**

Risk movement

New

Link to strategy

🛒 £ 💬 📱

Considered in the Viability statement

✗

What is the risk?

Our commitment to sustainability and being a good corporate citizen is either not delivered or not adequately communicated to or recognised by customers and investors.

What is the impact?

- Reduced cash flow as customers shop elsewhere
- Reputational damage
- Loss of competitive advantage

How we manage it

- Roadmap to Net Zero
- Commitment to EV100
- Oversight from ESG Committee
- ESG strategy which is regularly revised
- Maintenance of a brand tracker
- Commitment to TCFD ahead of mandatory compliance

Changes since last report

Given the number of initiatives, regulatory requirements and expectations of stakeholders this has been added as a new principal risk for 2020/21.

Link to strategy: 🛒 **Omnichannel** £ **Credit** 💬 **Services** 📱 **Mobile**

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

FINANCIAL RISKS

TAX LIABILITIES

Risk owner: Chief Financial Officer

Risk level

Low **Medium** High

Risk movement
Stable

Link to strategy

🛒 £ 💬 📱

Considered in the Viability statement
✓

What is the risk?

Crystallisation of potential tax exposures resulting from legacy corporate transactions, employee and sales taxes arising from periodic tax audits and investigations across the various jurisdictions in which the Group operates.

What is the impact?

- Financial penalties
- Reduced cash flow
- Reputational damage

How we manage it

- Board and internal committee oversight that actively monitors tax strategy implementation
- Appropriate engagement of third-party specialists to provide independent advice where deemed appropriate

Changes since last report

The Group remains committed to achieving a resolution with HMRC in relation to open tax enquiries. The risk remains unchanged over 2020/21.

PEOPLE RISKS

PEOPLE

Risk owner: Chief People Officer

Risk level

Low **Medium** High

Risk movement
New

Link to strategy

🛒 £ 💬 📱

Considered in the Viability statement
✗

What is the risk?

Not having the right workforce capacity, capability, and colleague commitment necessary to deliver on our strategy.

What is the impact?

- Reduced revenue and profitability
- Failure to achieve strategic objectives without strong leadership and capable and committed colleagues

How we manage it

- Strengthening leadership capability and succession
- Increasing colleague capability and engagement to deliver against customer promise
- Advancing the People Operations Fix the Fundamentals Transformation
- Approach for remuneration and incentives that supports a high-performance culture, reinforces the right behaviours aligned to our values and supports selling responsibility to customers

Changes since last report

The challenge to satisfy new working practices and need to develop new skills to achieve our strategy means this has been added as new principal risk for 2020/21.

GOING CONCERN AND VIABILITY STATEMENT

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements. The viability statement takes account of the company's current position and principal risks, stating whether there is a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over a longer term than the going concern period.

Going concern

A review of the Group's business activities, together with the factors likely to affect its future development, performance, and position, are set out within this Strategic Report, including the risk management section. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are shown in the balance sheet, cash flow statement and accompanying notes to the Annual Report and Accounts. The directors have outlined the assessment approach for going concern in the accounting policy disclosure in note 1 of the consolidated financial statements. Following that review the directors have concluded that the going concern basis remains appropriate.

Viability statement

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

The directors, in making the assessment that three years was appropriate, considered the current financial and operational positions of the Group, the potential impact of the risks and uncertainties as outlined on pages 46 to 52 of the Strategic Report and the uncertainty regarding the duration, extent and ultimate impact of the Covid-19 pandemic plus the further mitigating actions available to the Board. The Board concluded that a period of three years was appropriate for this assessment as this period is covered by the Group's strategic planning process, which is updated annually, and reflects the period of the five year strategic plan where there is greater certainty of cash flows associated with the Group's major revenue streams.

The strategic plan considers the forecast revenue, EBITDA, working capital, cash flows and funding requirements on a business by business basis, which are assessed in aggregate with reference to the available borrowing facilities to the Group over the assessment period including seasonal cash flow and borrowing requirements on a monthly basis and the financial covenants to which those facilities need to comply. The model assessed by the directors has been derived from the Board-approved annual Group budget for 2021/22, and Board-approved strategic plan for the remaining two year period. These forecasts have 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, including specific consideration of a range of impacts that could arise from the continued Covid-19 pandemic. These scenarios included more prolonged store closures, transition from sales in stores to online, supply chain impact, and potential recession in the markets we operate. As part of this analysis, mitigating actions within the Group's control have also been considered. These forecast cash flows indicate that there remains sufficient headroom in the viability period for the Group to operate within the committed facilities and to comply with all relevant banking covenants.

As well as focusing on the potentially prolonged impact of Covid-19, these scenarios also included other principal risks such as regulation or information security incidents and reduced forecast profitability and cash flow as a result in a significant change in consumer behaviour. The model assumes no further funding facilities are required over and above those currently committed to the Group as disclosed in note 19 to the Annual Report and Accounts.

Based on the results of this analysis, the directors have an expectation that the Group 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.

FURTHER INFORMATION

Going Concern

For further information on Going Concern, see note 1 to the financial statements.

Read more on page 148.

KEY PERFORMANCE INDICATORS

FINANCIAL

The Group's Key Performance Indicators and Alternative Performance Measures are used for performance analysis. KPIs are for the period until 1 May 2021 are based on 52 weeks of trade (2019/20: 53 weeks). Definitions of measurement are given in the glossary and definitions on pages 216 to 231. The Group's KPIs are set out below:

Electrical LFL Revenue growth(1)

14%

2020/21	**14%**
2019/20	2%
2018/19	3%

Rationale

Like-for-like (LFL) revenue growth is the revenue growth of the business, adjusted for new and closed stores and other changes in business. Like-for-like revenue growth enables the performance of the Group to be measured on a consistent year-on-year basis.

Performance in 2020/21

This year's high growth was due to a strong performance across all markets. Online sales were particularly strong, growing +103%.

Revenue

£10,344m

2020/21	**£10,344m**
2019/20	£10,170m
2018/19	£10,433m

Rationale

The ability to grow revenue is an important measure of a brand's appeal to customers and its competitive position.

Performance in 2020/21

The +1% growth was driven by strong like-for-like revenue growth in Electricals, offset by store closures, the sharp decline in Mobile revenue and one less week of trading in the year.

Free cash flow(1),(2)

£438m

2020/21	**£438m**
2019/20	£109m
2018/19	£153m

Rationale

Free cash flow is defined as cash generated from operations less restructuring costs, finance expense, tax paid and capital expenditure. It excludes pension contributions and dividends. The management of cash optimises resources available for the Group to invest in its future growth and to generate shareholder value.

Performance in 2020/21

The significant free cash flow was driven by good profitability coupled with a large working capital inflow due to the unwind of the mobile network receivable.

Adjusted Profit Before Tax(1)

£156m

2020/21	**£156m**
2019/20	£116m
2018/19 (Pre-IFRS 16)	£339m

Statutory Profit / Loss Before Tax

£33m

2020/21	**£33m**
2019/20	(£140m)
2018/19 (Pre-IFRS 16)	(£259m)

Rationale

Continued growth of profit before tax represents a measure of Group performance to external investors and stakeholders against our strategic priorities.

Performance in 2020/21

On an adjusted and statutory basis, profit before tax was up during the year due to improved profitability in all Electricals segments.

Adjusted Earnings Per Share(1)

10.7p

2020/21	**10.7p**
2019/20	6.7p
2018/19 (Pre-IFRS 16)	23.2p

Statutory Earnings / Loss Per Share

0p

2020/21	**0p**
2019/20	(13.9p)
2018/19 Pre-IFRS 16)	(26.8p)

Rationale

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.

Performance in 2020/21

Increased Profit Before Tax combined with stable tax rate and share counts drove the improved EPS performance in the year.

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(1) Alternative Performance Measure.

(2) The Directors consider free cash flow to be a useful measure as, unlike statutory equivalents, it is a good indicator of cash generated from continuing operations which is available to fund future growth or be distributed to shareholders.

Link to strategy: Omnichannel Credit Services Mobile

NON-FINANCIAL

UK&I Electricals market share

24.7%

2020/21	**24.7%**
2019/20	26.5%
2018/19	25.8%
2017/18	25.2%
2016/17	25.1%

Nordics market share

26.8%

2020/21	**26.8%**
2019/20	26.0%
2018/19	25.5%
2017/18	25.0%
2016/17	24.2%

Rationale

Market share is the clearest indicator that the proposition we are delivering to customers is more appealing than the competition. Market share is defined as the Group's product sales relative to total consumer sales of technology products in each market.

Performance in 2020/21

The Group has been pleased with market share performance across the year. In the Nordics we gained 0.8% of market share in a buoyant market. Enforced store closures in UK and Ireland meant that our sales underperformed market but we have seen large online market share gains and overall share gains when stores have been open.

Net Promoter Score (“NPS”)

+65

2020/21	**+65**
2019/20	+68
2018/19	+64

Rationale

Net Promoter Score – a rating used by the Group to measure customers’ likelihood to recommend its operations. This is our best lead indicator of future spend across the Group.

Performance in 2020/21

NPS was flat in the UK but did improve slightly in the Nordics*.

Colleague Engagement

+68

2020/21	**+68**
2019/20	+62
2018/19	+64

Rationale

Our colleagues are the Group’s most important asset and our “Pulse” survey enables our colleagues to provide honest and open feedback on what it is like to work at Dixons Carphone.

Performance in 2020/21

Investment in training, wellbeing and reward drove significant improvements in colleague engagement.

Approval of Strategic Report

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

Alex Baldock
Group Chief Executive
29 June 2021

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* The Group Customer NPS results for 2019/20 and 2020/21 are not directly comparable because there was a change in both the UK&I channel and brand mix between the two years.

The UK&I brand mix between Curry’s PC World and Carphone was updated from 70%/30% (2019/20) to 90%/10% (2020/21) due to the closure of the Carphone standalone stores.

Also, due to closure of stores during the pandemic the channel mix shifted between instore to online and so the channel mix was changed from 70% instore and 30% online.

PERFORMANCE REVIEW
2020/21

Group sales were +2% higher than last year, as +12% growth in our Electricals business was offset by the anticipated decline in Mobile sales. Adjusted EBIT grew +22% as UK & Ireland Electricals and Nordics grew profits, offset by a small decline in Greece and large operating losses in UK & Ireland Mobile.

Segmental free cash flow more than tripled to £497m, because of large working capital inflow in UK & Ireland Mobile more than offsetting the operating losses and restructuring costs. Total free cash flow was £438m which after pension and other payments generated cash flow of £373m, improving the year end position to net cash of £169m.

Income statement	**2020/21 £m**	**2019/20 £m**	**Reported % change**	**Currency neutral % change**
Revenue	**10,344**	10,170	2%	1%
Adjusted EBITDA	**598**	556	8%	7%
Adjusted EBITDA margin	**5.8%**	5.4%	40 bps	40 bps
Depreciation on right-of-use assets	**(200)**	(217)		
Depreciation on other assets	**(79)**	(81)		
Amortisation	**(57)**	(44)		
Adjusted EBIT	**262**	214	22%	22%
Adjusted EBIT margin	**2.5%**	2.1%	40 bps	
Interest on right-of-use assets	**(77)**	(80)		
Finance income	**6**	10		
Adjusted finance costs	**(35)**	(28)		
Adjusted PBT	**156**	116	34%	34%
Adjusted PBT margin	**1.5%**	1.1%	40 bps	40 bps
Adjusted tax	**(33)**	(38)		
Adjusted Profit after tax	**123**	78		
Adjusted EPS	**10.7p**	6.7p		
Statutory reconciliation				
Adjusting items to EBITDA	**(89)**	(217)		
Statutory EBITDA	**509**	339		
Adjusting items to depreciation and amortisation	**(26)**	(25)		
Statutory EBIT	**147**	(28)	625%	603%
EBIT Margin	**1.4%**	(0.3)%	170 bps	170 bps
Adjusting items to finance costs	**(8)**	(14)		
Statutory PBT	**33**	(140)		
Adjusting items to tax	**–**	17		
Discontinued operations	**12**	(2)		
Profit / (loss) after tax	**12**	(163)		
EPS – total	**1.0p**	(14.1)p		

Cash flow	2020/21 £m	2019/20 £m	Reported % change	Currency neutral % change
Adjusted EBITDAR	**611**	596	3%	5%
Adjusted EBITDAR margin	**5.9%**	5.8%	10 bps	30 bps
Cash payments of leasing costs, debt and interest(1)	**(288)**	(324)		
Other non-cash items in EBIT	**15**	27		
Operating cash flow(1)	**338**	299	13%	18%
Operating cash flow margin	**3.3%**	2.9%	40 bps	
Capital expenditure	**(122)**	(191)	36%	
Adjusting items to cash flow(1)	**(173)**	(94)	(84)%	
Free cash flow before working capital	**43**	14		
Working capital	**454**	141		
Segmental free cash flow	**497**	155	221%	232%
Cash tax paid	**(35)**	(20)		
Cash interest paid	**(24)**	(26)		
Free cash flow	**438**	109	302%	324%
Dividend	**–**	(78)		
Purchase of own shares	**(13)**	(12)		
Pension	**(47)**	(46)		
Other	**(5)**	5		
Movement in net cash / (debt)	**373**	(22)		
Net cash / (debt)	**169**	(204)		

(1) Cash payments of leasing costs, debt and interest have been revised to exclude non-trading stores, which is now included within adjusting items to cash flow. As such, results for the year ended 2 May 2020 have been restated. The non-trading stores relate to the remaining closed stores under the Currys PCWorld 3-in-1 and Carphone Warehouse programme announced in 2015/16 and closed standalone UK Carphone Warehouse stores as announced on 17th March 2020.

Online Share of Business	2020/21	2019/20	YoY (%pts)
UK & Ireland Electricals	**69%**	35%	+34%
International	**28%**	18%	+10%
– Nordics	**29%**	19%	+10%
– Greece	**21%**	8%	+13%
Electricals	**49%**	27%	+22%

PERFORMANCE REVIEW
2020/21 CONTINUED

UK AND IRELAND ELECTRICALS

Income statement	**2020/21 £m**	**2019/20 £m**	**Reported % change**	**Currency neutral % change**
Revenue	**4,921**	4,538	8%	8%
Adjusted EBITDA	**393**	344	14%	14%
Adjusted EBITDA margin	**8.0%**	7.6%	40 bps	
Depreciation on right-of-use assets	**(104)**	(111)		
Depreciation on other assets	**(42)**	(44)		
Amortisation	**(38)**	(25)		
Adjusted EBIT	**209**	164	27%	27%
Adjusted EBIT margin	**4.2%**	3.6%	60 bps	
Adjusting items to EBIT	**(131)**	(45)		
Statutory EBIT	**78**	119	(34)%	(34)%
Statutory EBIT margin	**1.6%**	2.6%	(100) bps	
Cash flow				
Adjusted EBITDAR	**401**	368	9%	
Adjusted EBITDAR margin	**8.1%**	8.1%	–bps	
Cash payments of leasing costs, debt and interest(1)	**(155)**	(170)		
Other non-cash items in EBIT	**–**	12		
Operating cash flow(1)	**246**	210	17%	22%
Operating cash flow margin	**5.0%**	4.6%	40 bps	
Capital expenditure	**(59)**	(106)	44%	
Adjusting items to cash flow(1)	**(63)**	(46)	(37)%	
Free cash flow before working capital	**124**	58		
Working capital	**3**	34		
Segmental free cash flow	**127**	92	38%	36%

(1) Cash payments of leasing costs, debt and interest have been revised to exclude non-trading stores, which is now included within adjusting items to cash flow. As such, results for the year ended 2 May 2020 have been restated. The non-trading stores relate to the remaining closed stores under the Currys PCWorld 3-in-1 and Carphone Warehouse programme announced in 2015/16.

Sales increased +8%, as strong like-for-like growth was offset by the impact of store closures and the impact of an additional week of trading in the prior year. Like-for-like growth of +14% was driven by strong online sales growth which more than compensated for sales lost through temporary enforced store closures and the almost complete loss of sales in Dixons Travel, which impacted like-for-like growth by 3ppts. In the year, we closed eleven Currys PCWorld stores, including seven High Street stores. We also took the difficult but necessary decision to close our 35 Dixons Travel stores.

During the year, online sales grew +114% and comprised 69% of segmental sales, +34ppts higher than last year.

Across the year, all major categories grew with computing sales the standout performer, growing +28% with especially high growth in Apple products, laptops and gaming. Consumer electricals sales were strong as sales of large TVs and smart tech offset declines in Imaging and Audio products, despite very strong growth in headphones. Major domestic appliance sales were adversely impacted by the closure of stores but trends since reopening have been encouraging in this category.

The market grew +21% during the year as the store channel declined (48)% and the online market almost doubled. We lost (1.7)% of share due to the temporary enforced store closures, when not all competitor stores were required to close. Our online market share grew +6.0ppts.

Gross margin declined (230)bps (1H: (350)bps, 2H: (140)bps), predominantly driven by the shift of sales to our lower gross margin online business and the loss of higher gross margin Dixons Travel sales. This decline improved in the second half of the year due to the easier base of comparison against the Covid disruption at the end of last year and aided by order & collect being available. The operating expense to sales ratio improved by +300bps, with around +130bps of improvement coming from the UK & Ireland business rates tax reliefs which lowered operating costs by £62m (2019/20: £4m). The Group fully reimbursed all government support for furlough money received for the year, so it had no impact on operating costs (2019/20: £17m). In 2021/22 changes in the IT systems being procured will increase operating costs by c.£15m.

Adjusted EBIT increased +27% to £209m, from £164m in 2019/20.

In the period, adjusting items to EBIT totalled £(131)m. Impairment losses of £(100)m were recognised due to the closure of Dixons Travel, store impairments and write-off of IT assets. This primarily related to software development costs, given a change in strategic direction towards a best-in-class cloud-based solution which will aim to achieve operational efficiencies and improve the customer journey. Strategic change costs of £(21)m were due to restructuring of business. Amortisation of acquisition intangibles totalled £(14)m. Alongside previously provided amounts these had a cash impact of £(63)m in the period. Statutory EBIT for the year decreased by £41m to £78m.

	2020/21		2019/20	
	P&L	Cash	P&L	Cash
Acquisition / disposal related items	(14)	–	(14)	–
Strategic change programmes	(21)	(51)	(13)	(41)
Data incident costs	–	(1)	–	(5)
Impairment losses and onerous contracts	(100)	(16)	(18)	–
Regulatory	(1)	–	–	–
Other	5	5	–	–
Total	(131)	(63)	(45)	(46)

The operating cash flow increased by +17% to £246m, mostly driven by the better profit outturn. Capital expenditure was £59m, with significant areas of expenditure including supply chain investments in our new distribution centres and IT investments. Expenditure was down from last year due to the suspension of projects during the first UK lockdown. Adjusting items are described above while working capital inflow was small at £3m. In combination, this resulted in segmental free cash flow of £127m, £35m better than last year.

PERFORMANCE REVIEW 2020/21 CONTINUED

NORDICS

Income statement	2020/21 £m	2019/20 £m	Reported % change	Currency neutral % change
Revenue	**4,186**	3,573	17%	15%
Adjusted EBITDA	**267**	240	11%	11%
Adjusted EBITDA margin	**6.4%**	6.7%	(30) bps	
Depreciation on right-of-use assets	**(77)**	(74)		
Depreciation on other assets	**(27)**	(25)		
Amortisation	**(12)**	(15)		
Adjusted EBIT	**151**	126	20%	20%
Adjusted EBIT margin	**3.6%**	3.5%	10 bps	
Adjusting items to EBIT	**(12)**	(11)		
Statutory EBIT	**139**	115	21%	23%
Statutory EBIT margin	**3.3%**	3.2%	10 bps	
Cash flow				
Adjusted EBITDAR	**271**	248	9%	
Adjusted EBITDAR margin	**6.5%**	6.9%	(40) bps	
Cash payments of leasing costs, debt and interest	**(100)**	(91)		
Other non-cash items in EBIT	**5**	5		
Operating cash flow	**176**	162	9%	7%
Operating cash flow margin	**4.2%**	4.5%	(30) bps	
Capital expenditure	**(52)**	(63)	17%	
Adjusting items to cash flow	**–**	–	–	
Free cash flow before working capital	**124**	99		
Working capital	**64**	117		
Segmental free cash flow	**188**	216	(13)%	(11)%

Revenue grew by +15% on a currency neutral basis, and +17% on a 52-week basis, with double digit growth in all markets. This was driven by like-for-like growth of +16% and included online growth of +74% as online sales grew to 29% of total sales, +10ppts higher than last year. Our store sales were broadly flat in the second half of the year as robust trading in open stores offset closures in Denmark and Norway. This resulted in overall market share increasing +0.8ppts to 26.8%, with share gains in every market except Denmark where sales were impacted by temporary store closures. The fastest growing market was Sweden where there has been no discernible impact on trading from the entry of Amazon. During the year, we opened a net total of six stores, five in Norway and one in Sweden.

Sales of laptops, smart TVs and gaming equipment saw significant increases as people spent more time working, and more leisure time, at home. Coffee machines saw very strong growth as people made coffee at home, fitness wearables had good growth due to public gym closures and people working out on their own, while domestic appliances including vacuum cleaners were strong as customers kept homes clean.

Gross margin declined (130)bps (1H: (70)bps, 2H (180)bps), predominantly driven by the shift of sales towards the lower gross margin online channel. The operating expense to sales ratio improved by +130bps, due to operating leverage.

As a result, adjusted EBIT increased £25m to £151m, from £126m in 2019/20.

In the period, adjusting items to EBIT totalled £(12)m, this was entirely due to the amortisation of acquisition intangibles and had no cash impact. The statutory EBIT increased £24m to £139m.

The operating cash flow increased by 9% to £176m, driven by the better profit outturn. Capital expenditure was £52m, with significant areas of expenditure including our Next Generation Retail platform and store refits. The total spend was down on last year as some spend was held back at the start of the Covid-19 crisis. Working capital inflow of £64m was driven by timing of year end payments that will largely reverse in 2021/22.

PERFORMANCE REVIEW 2020/21 CONTINUED

GREECE

Income statement	2020/21 £m	2019/20 £m	Reported % change	Currency neutral % change
Revenue	**516**	470	10%	8%
Adjusted EBITDA	**40**	40	–%	(3)%
Adjusted EBITDA margin	**7.8%**	8.5%	(70) bps	
Depreciation on right-of-use assets	**(13)**	(13)		
Depreciation on other assets	**(6)**	(5)		
Amortisation	**(2)**	(1)		
Adjusted EBIT	**19**	21	(10)%	(14)%
Adjusted EBIT margin	**3.7%**	4.5%	(80) bps	
Adjusting items to EBIT	**–**	(1)		
Statutory EBIT	**19**	20	(5)%	(10)%
Statutory EBIT margin	**3.7%**	4.3%	(60) bps	
Cash flow				
Adjusted EBITDAR	**42**	42	–	
Adjusted EBITDAR margin	**8.1%**	8.9%	(80) bps	
Cash payments of leasing costs, debt and interest	**(20)**	(15)		
Other non-cash items in EBIT	**2**	1		
Operating cash flow	**24**	28	(14)%	(11)%
Operating cash flow margin	**4.7%**	6.0%	(130) bps	
Capital expenditure	**(10)**	(15)	33%	
Adjusting items to cash flow	**–**	–	–%	
Free cash flow before working capital	**14**	13		
Working capital	**25**	(57)		
Segmental free cash flow	**39**	(44)	189%	184%

Revenue increased +8% on a currency neutral basis, with like-for-like sales growth of +11%. Online sales grew +186% and contributed 21% of sales, from 8% in 2019/20. Stores were closed from 8 November until 11 January and again from 29 January until 5 April, and as a result, store sales declined slightly during the year.

Sales were strong in all categories, except air conditioning which saw slower sales due to the mild weather. Sales in computing and telecom were particularly strong with the government's digital care initiative, where low income students have been granted a €200 coupon, boosting sales towards the end of the year.

Gross margin was down (390)bps over prior year (1H: (280)bps, 2H: (460)bps) as a result of lower achieved product margin due to channel and category mix, lower protection service and credit income and additional costs of fulfilling online sales as well as collection costs for consumer credit. Operating costs decreased due to enforcement by government on landlords of a 40% rental reduction for May, June, November and December and a further 100% reduction for January until April.

As a result, adjusted EBIT decreased (10)% to £19m, from £21m in 2019/20. There were no adjusting items to EBIT in the current year, resulting in statutory EBIT of £19m.

The operating cash flow was £24m, down from £28m in the prior year. Capital expenditure was £10m, with significant areas of expenditure including digital transformation and property. Working capital inflow of £25m was driven by strong trading at the end of the period.

In the year ahead we will enter Cyprus, an area with a population of 1.1m. Two new stores will open in Nicosia and Limassol in June, to complement our online shop and call centre.

UK & IRELAND MOBILE

Income statement	2020/21 £m	2019/20 £m	Reported % change	Currency neutral % change
Adjusted revenue	707	1,636	(57)%	(57)%
Statutory revenue	721	1,589	(55)%	(55)%
Adjusted EBITDA	(102)	(68)	(50)%	(50)%
Adjusted EBITDA margin	(14.4)%	(4.2)%	(1,020) bps	
Depreciation on right-of-use assets	(6)	(19)		
Depreciation on other assets	(4)	(7)		
Amortisation	(5)	(3)		
Adjusted EBIT	(117)	(97)	(21)%	(23)%
Adjusted EBIT margin	(16.5)%	(5.9)%	(1,060) bps	
Adjusting items to EBIT	28	(185)		
Statutory EBIT	(89)	(282)	68%	68%
Statutory EBIT margin	(12.3)%	(17.7)%	540 bps	
Cash flow				
Adjusted EBITDAR	(103)	(62)	(66)%	
Adjusted EBITDAR margin	(14.6)%	(3.8)%	(1080) bps	
Cash payments of leasing costs, debt and interest(1)	(13)	(48)		
Other non-cash items in EBIT	8	9		
Operating cash flow(1)	(108)	(101)	(7)%	(2)%
Operating cash flow margin	(15.3)%	(6.2)%	(910) bps	
Capital expenditure	(1)	(7)	86%	
Adjusting items to cash flow(1)	(110)	(48)	(129)%	
Free cash flow before working capital	(219)	(156)		
Network debtor	391	133		
Other working capital	(29)	(86)		
Segmental free cash flow	143	(109)	231%	234%

(1) Cash payments of leasing costs, debt and interest have been revised to exclude non-trading stores, which is now included within adjusting items to cash flow. As such, results for the year ended 2 May 2020 have been restated. The non-trading stores relate to the Carphone Warehouse programme announced in 2015/16 and closed standalone UK Carphone Warehouse stores as announced on 17th March 2020.

Adjusted revenue decreased by (57)%, reflecting our decision in March 2020 to close the small standalone Carphone Warehouse stores in the UK and the negative impact from the enforced closures of our larger stores in the UK due to Covid-19. In April we made the decision to close our 68 Carphone Warehouse stores in the Republic of Ireland. The statutory revenue decrease was (55)% as there was a £14m positive impact on revenue and EBIT from mobile network debtor revaluations, against a £(47)m negative revaluation in the prior year.

During the year we ended our unprofitable legacy agreements with O2 and EE, which included receiving £189m of outstanding receivable from EE. We also renewed the contract with Three on our iD Mobile MVNO which will mean the revenue is largely accounted for as cash is received. This will impact sales and profit by c.£15m in 2021/22 but will not change the cash flow. After the year end, we agreed an exclusive multiyear partnership with Vodafone based on a new commercial framework focused on driving great service, innovation, and loyalty.

PERFORMANCE REVIEW 2020/21 CONTINUED

UK & IRELAND MOBILE CONTINUED

The decline in adjusted EBIT to a £(117)m loss reflects the lost gross profit from lower sales, with sales transfer to Currys PCWorld stores inhibited by unexpected closures, which was not fully offset by cost savings in the year.

Adjusting items were £28m positive as mobile network debtor revaluations, settlements and release of previous provisions more than offset impairments, which were mainly related to closure of Carphone Warehouse Ireland. This resulted in statutory EBIT loss of £(89)m, a significant improvement on the £(282)m loss recorded last year.

Together with previously provided items the adjusting items to cash flow were £(110)m in the period.

	2020/21		2019/20	
	P&L	**Cash**	**P&L**	**Cash**
Mobile network debtor revaluations	**14**	**–**	(47)	–
Acquisition / disposal related items	**–**	**(2)**	(1)	–
Strategic change programmes	**(20)**	**(102)**	(107)	(36)
Regulatory	**8**	**(4)**	(30)	(12)
Other	**26**	**(2)**	–	–
	28	**(110)**	(185)	(48)

The operating cash flow decreased to £(108)m from £(101)m. Capital expenditure was almost nil. The network debtor reduced by £(377)m, with the acceleration in part due to early repayment by EE. The difference to cash flow of £(14)m is due to the revaluation in the period. The year-end position was £239m, down from £1,057m three years ago. Other working capital outflow was £(29)m driven by net unwinding of stock and creditors.

As previously announced, the transition away from the loss-making traditional post-pay business will be delivered cash positive overall, with the operating losses and restructuring costs more than funded by the unwind of the working capital position over time.

As described above, the UK & Ireland Mobile segment will be reported as part of a single UK & Ireland segment from 2021/22 onwards.

Finance Costs

Interest on lease liabilities was £(77)m, a slight decrease on prior year due to lower capitalised leases, the cash impact of this interest is included within segmental free cash flow.

The net adjusted finance income and finance costs were higher than last year, as the improved debt position was offset by the amortisation of new facility arrangement fees and the write off of arrangement and extension fees on legacy facilities that were replaced during refinancing. The net cash impact of these costs was £(24)m, from £(26)m in the prior year. The finance costs on the defined benefit pension scheme was an adjusting item and declined in line with the assumptions used in the valuation of the pension obligations.

	2020/21	2019/20
Interest on lease liabilities	(77)	(80)
Finance income	6	10
Finance costs	(35)	(28)
Adjusted net finance costs	(106)	(98)
Finance costs on defined benefit pension schemes	(8)	(14)
Net finance costs	(114)	(112)

Tax

The full year adjusted effective tax rate at 21% was lower than the prior year rate of 33% due to provision releases relating to uncertain tax positions for prior periods. The cash tax in the year was £(35)m.

Cash flow

	2020/21	2019/20	Reported % change	Currency neutral % change
Operating cash flow	338	299	13%	18%
Capital expenditure	(122)	(191)	36%	
Adjusting items to cash flow	(173)	(94)	(84)%	
Free cash flow before working capital	43	14		
Working capital and network commissions	454	141		
Segmental free cash flow	497	155	221%	232%
Cash tax paid	(35)	(20)		
Cash interest paid	(24)	(26)		
Free cash flow	438	109	302%	324%
Dividend	–	(78)		
Net purchase of own shares	(13)	(12)		
Pension	(47)	(46)		
Other	(5)	5		
Movement in net debt	373	(22)		
Opening net cash / (debt)	(204)	(182)		
Closing net cash / (debt)	169	(204)		

Segmental free cash flow was an inflow of £497m (2019/20: £155m) and interest and tax totalled £(59)m as described above, resulting in free cash flow of £438m (2019/20: £109m).

The Board decided not to pay a dividend during the year and no cash was returned to shareholders in the period. The employee benefit trust acquired £13m of shares to satisfy share awards to colleagues.

Pension contributions of £47m were in-line with the prior year. Annual contribution will rise to £78m from 2021/22, as agreed with the fund Trustees.

The closing net cash position was £169m, compared to a net debt position of £(204)m at 2 May 2020. This included £35m of restricted cash (2 May 2020: £32m). The average net cash for the year was £280m, compared to an average net debt position of £(355)m in 2019/20.

This year, the Group has redefined net debt to comprise cash and cash equivalents and short-term deposits, less borrowings but excluding leases previously designated as financing under IAS 17. Including these in net cash / (debt) would have reduced the balance by £75m to £94m (2 May 2020: £(284)m debt).

PERFORMANCE REVIEW
2020/21 CONTINUED

Balance sheet

	1 May 2021 £m	2 May 2020 £m
Goodwill	**2,851**	2,803
Other fixed assets	**1,661**	1,823
Network commission receivables and contract assets	**239**	616
Working capital	**(684)**	(645)
Net cash / (debt)	**169**	(204)
Lease liabilities	**(1,322)**	(1,439)
Pension	**(482)**	(550)
Deferred tax	**100**	97
Provisions	**(85)**	(150)
Other	**(66)**	(71)
	2,381	2,280

Goodwill increased in the period due to currency revaluation of Nordics goodwill.

Other fixed assets decreased by £(162)m as additions of £247m were more than offset by amortisation and depreciation charge of £(362)m and impairment of £(75)m related to right-of-use and UK store assets, the closure of Carphone Warehouse Ireland and Dixons Travel and the write-off of some intangible assets.

Network commission receivables and contract assets decreased by £(377)m as the scale of our mobile business reduced and the amount of new revenue capitalised was lower than the payments received. This decrease was accelerated by EE paying all its outstanding network receivable during the year.

At year-end, total working capital was £(684)m. Group inventory was £1,178m, higher than prior year due to unusually strong sell-through of stock in the UK & Ireland and Nordics in the prior year due to Covid-19. Over the year stock turn increased to 6.8 (2019/20: 6.1) due to strong trading and the growing portion of sales fulfilled by our less stock intensive online business. Trade receivables decreased by £(6)m to £294m (2019/20: £300m). Trade payables increased by £171m to £(1,420)m (2019/20 £(1,249)m) due to timing of payments around year end in the Nordics and one-off early supplier payments in 2019/20 in the UK & Ireland due to Covid-19. At the year end, and since July 2020, the supplier financing facility utilisation was £nil (2 May 2020: £51m).

Other receivables decreased by £(17)m compared to 2 May 2020 due to prepayment and accrued income decline with reduced Mobile operation. Other payables were broadly stable on prior year.

	1 May 2021 £m	2 May 2020 £m
Inventory	**1,178**	970
Trade receivables	**294**	300
Trade payables	**(1,420)**	(1,249)
Trade working capital	**52**	21
Other receivables	**192**	209
Other payables	**(910)**	(899)
Derivatives	**(18)**	24
Working capital	**(684)**	(645)

Lease liabilities reduced mainly because of the closure of our Carphone Warehouse standalone UK stores in March 2020, as these non-trading leases continue to come to an end throughout the period. In addition to this, there has been a small decrease in the average lease length outstanding across our store portfolio.

The IAS 19 accounting deficit of the defined benefit section of the UK pension scheme amounted to £482m at 1 May 2021 (2 May 2020: £550m). Contributions during the period under the terms of the deficit reduction plan amounted to £47m (2019/20: £46m). Pension contributions are tax deductible and there is a £59m deferred tax asset associated with the pension liabilities (2 May 2020: £53m).

The deficit decreased largely as a result of increases in the discount rate applied to future liabilities in line with long term bond yield returns, together with increased values of underlying assets. This was partially offset by increases in inflation rate assumptions reflecting changes in long term RPI expectations.

Deferred tax was broadly flat year-on-year.

Provisions primarily relate to reorganisation and property provisions. In the period, the balance reduced by £(65)m primarily as a result of utilisation of provisions, mainly related to Mobile restructuring, offset by increases in provisions due to the announced closure of the Carphone Warehouse Ireland and Dixons Travel businesses.

Comprehensive income / changes in equity

Total equity for the Group increased from £2,280m to £2,381m in the period, driven by the statutory profit of £12m, gain on re-translation of overseas operations of £46m, actuarial gain (net of taxation) on the defined benefit pension deficit for the UK pension scheme of £43m and gains on investment revaluation of £8m offset by the hedging losses of £(16)m and other movements of £8m.

Impact of IFRS 16

Accounts are presented using IFRS 16 accounting. To aid understanding and comparability with previous periods, here we present the impact of IFRS 16 accounting.

	2020/21			2019/20		
	Reported	**IFRS 16**	**Excluding IFRS 16**	**Reported**	**IFRS 16**	**Excluding IFRS 16**
Adjusted EBIT						
UK & Ireland Electricals	**209**	**(31)**	**178**	164	(2)	162
International	**170**	**(15)**	**155**	147	(11)	136
– Nordics	**151**	**(11)**	**140**	126	(10)	116
– Greece	**19**	**(4)**	**15**	21	(1)	20
Electricals	**379**	**(46)**	**333**	311	(13)	298
Adjusted EBIT margin	**3.9%**		**3.5%**	3.6%		2.9%
UK & Ireland Mobile	**(117)**	**(3)**	**(120)**	(97)	(7)	(104)
Adjusted EBIT	**262**	**(49)**	**213**	214	(20)	194
Adjusted EBIT margin	**2.5%**		**2.1%**	2.1%		1.9%
Finance costs	**(106)**	**71**	**(35)**	(98)	70	(28)
Adjusted PBT	**156**	**22**	**178**	116	50	166
Adjusted PBT margin	**1.5%**		**1.7%**	1.1%		1.6%

BOARD OF DIRECTORS

	 Ⓒ	 ● Ⓒ	 ●	 Ⓒ
	Lord Livingston of Parkhead **Chair of the Board** **Appointed:** December 2015.	**Tony DeNunzio CBE** **Deputy Chair and Senior Independent Director** **Appointed:** December 2015.	**Alex Baldock** **Group Chief Executive** **Appointed:** April 2018.	**Jonny Mason** **Group Chief Financial Officer** **Appointed:** August 2018. Jonny will step down from the Board in July 2021.
CURRENT EXTERNAL ROLES	Member of the House of Lords, Non-Executive Director at S&P Global Inc, a strategic advisory Board member of Livingbridge and member of the Advisory Board of the 10,000 Black Interns Foundation.	Chairman of the British Retail Consortium, chairman of Hermes UK, Senior Adviser at Kohlberg, Kravis, Roberts & Co L.P and a Non-Executive Director of PrimaPrix SL.	None.	None.
SKILLS AND EXPERIENCE	**Skills:** Ian is a chartered accountant with over 20 years of major plc board level experience. He is an experienced Chairman, CEO and Non-Executive Director of public listed companies. Ian has a strong track record of successfully growing complex businesses and overseeing transformation programmes. He is a diligent, conscientious Chair and is valued for both his extensive knowledge and experience and his effective leadership of the Board. **Experience:** Ian was Chairman of Man Group plc from 2016 to 2019, Minister of State for Trade and Investment from 2013 to 2015 and Chief Executive Officer at BT Group plc from 2008 to 2013. Prior to that he was Chief Executive Officer, BT Retail and Group Chief Financial Officer of BT. He was Group Finance Director of Dixons Group plc between 1996 and 2002, having served in a number of roles over more than a decade with the Group.	**Skills:** Tony has extensive experience in the European retail and consumer goods sectors in finance, CEO and Chairman roles. **Experience:** Tony was Non-Executive Chairman of Pets at Home Group Plc from 2014 to May 2020 and 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.	**Skills:** Alex has an outstanding track record in leading large, complex consumer-facing businesses. He led Shop Direct through one of UK Retail's fastest, most far-reaching and most successful digital transformations, delivering five consecutive years of record financial performance, with strongly rising sales and an almost tenfold increase in profits. Before that, he led the successful transformation of Lombard. Alex is particularly valued for his strategic clarity, relentless execution and his ability to inspire individuals around him. **Experience:** Alex was Group Chief Executive of Shop Direct from 2012 to 2018. Prior to that, Alex was Managing Director of Lombard (a division of Royal Bank of Scotland), and was Commercial Director and Corporate Director at Barclays Bank. His earlier career included consultancy roles with Bain & Company and Kalchas.	**Skills:** Jonny has an extensive track record as chief financial officer in diverse businesses and his business experience in Scandinavia is particularly valued by the Board. He has significant experience in overseeing strategic programmes. **Experience:** Jonny was Chief Financial Officer of Halfords plc from 2015 and was interim Chief Executive Officer between September 2017 and January 2018. Prior to that, Jonny was Chief Financial Officer of Scandi Standard AB, Chief Financial Officer at Odeon and UCI Cinemas and Finance Director of Sainsbury's Supermarkets. His early career included finance roles with Shell and Hanson plc.
BOARD MEETING ATTENDANCE **8 Scheduled** **4 Ad hoc**	12/12	12/12	12/12	11/12 Jonny was excused from one meeting due to conflict of interest.

BOARD COMPOSITION

BOARD DIVERSITY BY GENDER

Female	3	37.5%
Male	5	62.5%

BALANCE OF THE BOARD

Executive	2	25%
Non-Executive	6	75%

NON-EXECUTIVE DIRECTORS TENURE

0–3 years	1	17%
3–6 years	3	50%
Over 6 years	2	33%

Committee Membership ● Audit Committee ● Disclosure Committee ● Nominations Committee ● Remuneration Committee Ⓒ Committee Chair

● ●

Andrea Gisle Joosen

Independent Non-Executive Director

Appointed: August 2014 (Dixons Retail Group Limited March 2013).

Non-Executive Director of ICA Gruppen AB, James Hardie Industries plc and BillerudKorsnäs AB.

Skills: Andrea has extensive international business experience in a variety of sectors including marketing, brand management, business development and consumer electronics.

Experience: Andrea was chair of Teknikmagasinet AB, Non-Executive Director of Lighthouse Group, Chief Executive of Boxer TV Access AB in Sweden and managing Director (Nordic region) of Panasonic, Chantelle AB and Twentieth Century Fox. Her early career involved several senior marketing roles with Procter & Gamble and Johnson & Johnson.

12/12

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Eileen Burbidge MBE

Independent Non-Executive Director

Appointed: January 2019.

HM Treasury Special Envoy for Fintech, Tech Ambassador for the Mayor of London's office, co-founder of Passion Capital in 2011, and a Director of several Passion Capital portfolio companies including Monzo Bank Limited.

Skills: Eileen has a strong technology background and is a leader in the development of the UK's increasingly renowned Fintech industry. Eileen brings a constructive, challenging, and balanced perspective to the Board including a focus on technology innovation, value creation and an informed perspective on the digital consumer.

Experience: Eileen has a university degree in computer science and since a career start in telecoms at Verizon Wireless, she has held various roles at Apple, Sun Microsystems, Openwave, PalmSource, Skype and Yahoo!. Eileen was previously a member of the Prime Minister's Business Advisory Group and chair of Tech Nation, a UK Government-supported technology industry group.

12/12

Ⓒ

Fiona McBain

Independent Non-Executive Director

Appointed: March 2017.

Chair of Scottish Mortgage Investment Trust PLC, Non-Executive Director of Direct Line Insurance Group plc and Monzo Bank Limited.

Skills: Fiona is a chartered accountant and has over 30 years' experience in retail financial services, both in the industry and as an auditor. She has an outstanding record of business leadership and is an experienced CEO and Chair.

Experience: Fiona was Vice-Chair of Save the Children from 2012 to 2019 and Trustee Director of the Humanitarian Leadership Academy from 2015 to 2019. Fiona was Chief Executive Officer of Scottish Friendly Group until December 2016, having joined the company in 1998. She has worked in the finance functions at Prudential plc and Scottish Amicable and earlier in her career, across a number of industry sectors in the UK and then in the US with Arthur Young (now EY).

11/12
Fiona was absent from one meeting due to illness.

● ●

Gerry Murphy

Independent Non-Executive Director

Appointed: April 2014.

Non-Executive board member of the Department of Health and Social Care.

Skills: Gerry has extensive audit and finance experience in consumer business, retail, technology, media and communications sectors.

Experience: Gerry was a Non-Executive Director of Capital & Counties Properties PLC from 2015 to 2018 and the Senior Independent Director from 2018 to 2020. Gerry 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.

12/12

●

Nigel Paterson

General Counsel and Company Secretary

Appointed: April 2015.

None.

Skills: Nigel is a solicitor and has extensive legal and governance experience and a strong background in UK and international telecommunications.

Experience: Nigel held several senior legal roles at BT Group plc including general counsel of BT consumer, head of competition and regulatory law, and vice president and chief counsel for UK and major transactions. Prior to BT, Nigel was engaged as legal counsel at ExxonMobil International Limited. He trained and qualified as a solicitor with Linklaters.

12/12

BOARD SKILLS AND EXPERIENCE
NUMBER OF BOARD MEMBERS

Strategy (development and implementation)	8	Risk management	4	Consumer Financial Services	3
General retailing experience	6	Regulatory	3	Online retailing experience	3
Accounting, finance and audit	5	Marketing / advertising	3	Human Resources Management	3
Corporate transactions	5	Governance	3		
International	5	IT and technology	3		

DIRECTORS' REPORT

The Directors' Report required by the Companies Act 2006 (the 'Act'), the corporate governance statement as required by DTR 7.2 and the management report required by DTR 4.1 comprises the Strategic Report on pages 1 to 67, the Corporate Governance Report on pages 73 to 86, together with this Directors' Report on pages 70 to 72. All information is incorporated by reference into this Directors' Report.

Directors

The names, biographies, committee memberships and dates of appointment of each member of the Board are provided on pages 68 and 69. Jonny Mason will step down from the Board on 9 July 2021 and Bruce Marsh will be appointed as an Executive Director and the Group Chief Financial Officer from 12 July 2021.

The Board is permitted by its Articles of Association ('Articles'), to appoint new directors to fill a vacancy as long as the total number of directors does not exceed the maximum limit of 15. The Articles may be amended by special resolution of the shareholders and require that any director appointed by the Board stand for election at the following annual general meeting. In accordance with the UK Corporate Governance Code (the 'Code'), all directors submit themselves for election or re-election on an annual basis.

The Remuneration Report provides details of applicable service agreements for Executive Directors and terms of appointment for Non-Executive Directors. All the directors proposed by the Board for re-election are being unanimously recommended for their skills, experience and the contribution they bring to Board deliberations.

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

The Board exercise all the powers of the Company subject to the Articles, the Act and shareholder resolutions. A formal schedule of matters reserved for the Board is in place and is available on the Company's website at www.dixonscarphone.com.

Directors' responsibilities

The Directors' responsibilities for the financial statements contained within this ARA and the directors' confirmations as required under DTR 4.1.12 are set out on page 130.

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 Directors' 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 alleged wrongful acts in connection with their positions, to the point where any culpability for wrongdoing is established. 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 100 to 129. There is no further information required to be disclosed under Listing Rule 9.8.4R.

Dividend

The Board did not pay an interim dividend during the year but has proposed a full year dividend for the year ended 1 May 2021. Details of dividends paid during the year are included in the below table.

	Year ended 1 May 2021	**Year ended 2 May 2020**
Interim dividend	**Nil**	2.25p
Final dividend	**Nil**	Nil
Full year dividend	**3.00p**	Nil
Total dividends	**3.00p**	2.25p

As at 29 June 2021 the Company's Employee Benefit Trust ('EBT') held 26,028,451 shares. The right to receive the final dividend for 2020/21 will be waived by the trustees of the EBT in respect of the balance of shares held as at the dividend record date in September 2021.

Colleague involvement

The Group has a robust communications programme in place to provide colleagues with information on matters of concern to them. This includes regular publications on the Group's intranet, email updates from the Group Chief Executive and regular meetings with line managers. The Executive Committee team regularly communicates matters of current interest and concern to colleagues. There are colleague forums in place in UK and Ireland and an International Forum has been established representing all countries in the Group as the centre of a colleague listening framework to ensure that colleague feedback is received effectively and consistently across all the countries that the Group operates in. This forum supports various initiatives and more details are available on page 26. Details of the colleagues' involvement in the Group's share plans are disclosed in the Remuneration Report on pages 100 to 129.

Employment of disabled people

The business is committed to providing equal opportunities in recruitment, training, development and promotion. We encourage applications from individuals with disabilities who can do the job effectively and candidates will be considered for each role. All efforts are made to retain disabled colleagues in our employment including making any reasonable re-adjustments to their roles. Every endeavour is made to find suitable alternative employment and to re-train and support the career development of 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 Sustainable Business Report on pages 42. This information is incorporated into this Directors' Report by reference and is deemed to form part of this Directors' Report.

Political donations

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

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 23 to the Group financial statements. The voting rights of the Company's shares are identical, with each share carrying the right to one vote. The Company holds no shares in Treasury.

Details of employee share schemes are provided in note 4 to the Group financial statements. As at 1 May 2021, the Dixons Carphone plc EBT held 20.5 million shares. The EBT acquired 11.6 million shares by market purchase during the financial year.

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. There are a number of significant agreements which would allow the counterparties to terminate or alter those arrangements in the event of a change of control of the Company.

These arrangements are commercially confidential, and their disclosure could be seriously prejudicial to 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 in the event of a takeover bid.

Significant shareholdings

As at 1 May 2021, the Company had been notified of the following voting interests in the ordinary share capital of the Company in accordance with Chapter 5 of the FCA's DTR. Percentages are shown as notified, calculated with reference to the Company's disclosed share capital as at the date of the notification.

Name	Number of shares	Percentage of share capital
RWC Asset Management LLP	62,906,333	5.41%
Wishbone Management LLP	41,500,000	5.25%
Tameside MBC re Greater Manchester Pension Fund	58,722,740	5.03%
Lansdowne Partners	57,675,527	5.01%
Ruffer	62,845,115	5.00%
Majedie Asset Management	59,063,441	4.99%
D P J Ross	55,738,699	4.80%
Cobas Asset Management	47,366,831	4.06%
Sir Charles Dunstone CVO	14,440,134	1.24%

Following the year end, Madjedie Asset Management disclosed to the Company a holding of 60,112,120 shares representing 5.15% of the Company's issued share capital.

On 29 June 2021, being the last practicable date prior to the publication of this Annual Report and Accounts, no further changes to the shareholdings reported above had been notified to the Company in accordance with DTR 5.

Directors' interests in the Company's shares and the movements thereof are detailed in the Remuneration Report on pages 100 to 129.

Issue of shares

In accordance with section 551 of the Act, the Articles and within the limits prescribed by The Investment Association, 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 AGM in 2020 shareholders approved a resolution to give the directors authority to allot shares up to an aggregate nominal value of £388,819. The directors have no present intention to issue ordinary shares, other than pursuant to obligations under employee share schemes. This resolution remains valid until 2 November 2021 or, if earlier, until the conclusion of the Company's AGM in 2021. The Company will seek the usual renewal of this authority at the 2021 AGM.

DIRECTORS' REPORT CONTINUED

Purchase of own shares

Authority was given by the shareholders at the AGM in 2020 to purchase a maximum of 116,645,844 shares, such authority remaining valid until 2 November 2021 or, if earlier, until the conclusion of the Company's AGM in 2021. 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 2021 AGM.

Use of financial instruments

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

Post-balance sheet date events

Events after the balance sheet date are disclosed in note 34 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 they ought to have taken as a Director in order to make themself 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.

During the year, the Audit Committee managed the tender process to appoint a new external Auditor for the 2022/23 financial year. KPMG LLP will be appointed subject to shareholder approval at the AGM 2022. Following the recommendation of the Audit Committee that Deloitte LLP remain effective, the Board is proposing that Deloitte be reappointed at the AGM in 2021.

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

By Order of the Board

Nigel Paterson

Nigel Paterson
Company Secretary
29 June 2021

CORPORATE GOVERNANCE REPORT

Compliance with the UK Corporate Governance Code 2018

The Board confirms that throughout the year ended 1 May 2021 and as at the date of this report, the Company applied the principles of, and was fully compliant with the provisions of the Code.

A copy of the Code is available from the website of the Financial Reporting Council www.frc.org.uk.

Further information on how the Company has implemented each of the Code provisions matters can be found as follows:

Board leadership and company purpose	Page 73
Division of responsibilities	Page 77
Composition, succession and evaluation	Page 79
Audit, risk and internal control	Page 82
Remuneration	Page 86

Chair of the Board statement

I am pleased to present the Corporate Governance report for the year to 1 May 2021. The Board is responsible for the overall leadership of the Group to ensure the long-term, sustainable success of the business. This year, that has included the Board providing oversight of the Company's response to the Covid-19 crisis and the difficult decisions that the management team has faced in progressing the long-term strategic transformation plans for the business in the face of the disruption caused by Covid-19.

This Corporate Governance report describes the governance framework that we have in place to ensure that the Board is operating effectively and supporting and challenging management to maintain high standards of corporate governance across the Group. I believe that robust corporate governance is the foundation to ensuring the long-term sustainable success of a business and helps us deliver the right outcomes for our shareholders, our customers, our colleagues, our suppliers and our communities.

The Board is fully compliant with all provisions of the Code. This year we have structured this report by the Code provisions to help show how we have applied these in each case.

BOARD LEADERSHIP AND COMPANY PURPOSE

Role of the Board

The Board is responsible for overall leadership and promoting the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. The Board sets the Company strategy and oversees its implementation within a framework of efficient and effective controls that allow the key issues and risks facing the business to be assessed and managed. The Board considers the impact on, and the responsibility it has to, all the Company's stakeholders as part of decision-making. The Board delegates clearly defined responsibilities to its committees and the terms of reference for these committees are available on the Company's website at www.dixonscarphone.com/investors.

The Company's vision, purpose, values and strategy are described in more detail in the Strategic Report on pages 1 to 67. The Board oversees the delivery of the strategy within the context of the values and culture.

Culture

The directors are focused on monitoring culture in the business and receive regular updates on the results of colleague 'Pulse surveys'. All non-executive directors have access to the Company's intranet and corporate email addresses and receive all communications sent to colleagues. In addition, the non-executive directors frequently have direct contact with Executive Committee members and their direct reports. Non-executive directors are invited to Company events such as the annual Peak event and visit key sites and stores. Unfortunately, these visits have not been able to take place during this financial year due to Covid-19. There is representation from the non-executives on each of the two colleague listening forums and the Inclusion and Diversity Forum which further facilitates the Board monitoring of corporate culture.

Corporate Governance Framework

The Dixons Carphone plc Board is supported by four committees:

- **Audit Committee** – oversees the financial reporting, internal controls and the relationship with the external auditor;
- **Disclosure Committee** – oversees the procedures and controls for the identification and disclosure of price sensitive information;
- **Nominations Committee** – oversees the composition of the Board and its committees and that a diverse pipeline is in place for succession planning; and
- **Remuneration Committee** – oversees the remuneration of the Executive Directors and senior management and the structure of remuneration for the workforce.

These committees are each comprised of directors of the Dixons Carphone plc Board, with the exception of the General Counsel and Company Secretary who is a member of the Disclosure Committee.

CORPORATE GOVERNANCE REPORT CONTINUED

The day to day management of the business is delegated to the Group Chief Executive who is responsible for leading the implementation of the strategy that has been approved by the Board. The Group Chief Executive is supported by an Executive Committee which consists of nine senior leaders in the business and also by a wider Group Leadership Team of approximately 80 colleagues who support the Executive Committee in driving the management agenda. The Group Risk and Compliance Committee comprises the members of the Executive Committee and oversees the management of principal and emerging risks, (see page 82 for further information), Audit, Risk and internal Controls. The Environmental, Social and Governance (ESG) Committee reports into the Executive Committee. The ESG Committee drives the sustainability, wellbeing and ethical impact initiatives in the Group including consideration of the impacts of climate change.

Dixons Carphone plc is the ultimate beneficial owner of the main operating subsidiaries in the Group. In UK and Ireland, the Regulatory Compliance Committee overseas the management of risks in relation to regulated products and the Product Governance Committee oversees the development of, and any subsequent material changes to, such products. Similar governance frameworks for regulated products are replicated in the International businesses.

Board reserved matters

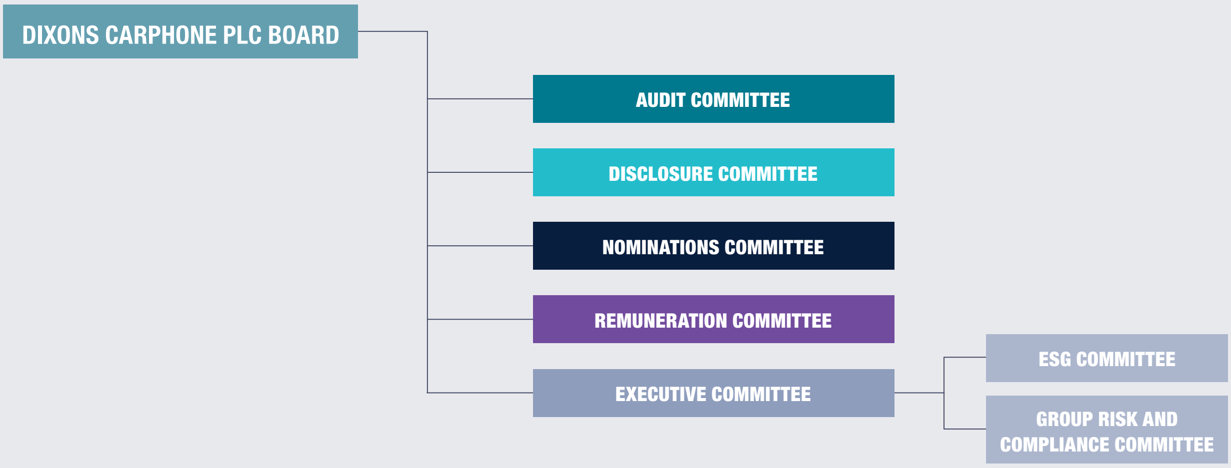
The formal schedule of matters reserved for the decision of the Board is considered by the directors on an annual basis. This was last considered in January 2021 and the directors agreed that the balance of matters reserved and matters delegated remain appropriate. The matters reserved for Board decision are available on the Company's website www.dixonscarphone.com and these include:

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

Key areas of focus for the Board during the year

- Strategy
- The Group's response to Covid-19: keeping customers and colleagues safe, helping customers and protecting the future of the business
- Succession and leadership
- Financial and operational performance
- Colleagues, values and culture
- Business updates.

THE CORPORATE GOVERNANCE FRAMEWORK



BOARD ACTIVITIES DURING 2020/21

STRATEGY	• Three-Year Plan • Project approval requests and progress updates • UK&I Commercial Trading deep dive • Updates on the management of the impacts of Brexit	• Customer Contact and Support Strategy update • Reviewed the strategic plans for Credit, Future Mobile Offer and Services • Considered partial listing of the Nordic business • Approved new banking facility arrangements • Oversight of Group performance against strategy and delivery of transformation projects
COVID-19	• Lockdown scenarios – financial updates • Business response to Covid-19 updates	• Re-consideration of strategic projects following Covid-19
FINANCIAL AND OPERATIONAL PERFORMANCE	• The Company's preliminary and interim results, trading statements and the Annual Report • Going Concern and Viability Statements • Fair, balanced and understandable assessment • Appointment of new external Auditor for 2022/23	• Dividend, treasury and tax strategies • Budget 2020/21 • Capex items • Share purchase and cash sweeping proposals
COMMITTEE UPDATES	• Detailed summaries from each Committee Chair – Audit, Disclosure, Nomination and Remuneration – following the relevant Committee meetings	
OTHER STAKEHOLDER ENGAGEMENT		
CUSTOMERS	• Customer experience updates and insights	• Customer feedback and metrics
SHAREHOLDERS	• Annual General Meeting documents	• Investor Relations updates
COLLEAGUES	• Annual health and safety review • Colleague Shareholder Scheme award • Modern slavery update and statement • 2019–21 people plan and priorities • Company values and culture update	• Talent, succession planning and leadership • Inclusion and diversity update • Colleague engagement and colleague listening survey insights • People operations proposal • Gender pay gap reporting
GOVERNANCE AND RISK	• Risk framework and internal control review • Principal risks and uncertainties review • Risk horizon scanning • Regulatory Compliance updates • ESG updates • Litigation and disputes updates	• Conflicts of Interest and new appointments • Group Delegation of Authority Policy review • Committee Terms of Reference review • Role descriptions of the Chair of the Board, the Group Chief Executive and the Senior Independent Director review • Board effectiveness process

CORPORATE GOVERNANCE REPORT CONTINUED

Communication with investors

The Board supports the initiatives set out in the Code and the UK Stewardship Code and encourages regular engagement with both existing and potential institutional shareholders and other stakeholders. The Board 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 methods used to impart information to shareholders are news releases (including results announcements), investor presentations and Company publications. The Board receives a report from the Investor Relations team at every scheduled meeting and this includes a summary of investor interactions during the period and a synopsis of questions and feedback from shareholders.

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

The Chair of the Board and non-executive directors are available to meet with major shareholders as required, and the Chair of the Remuneration Committee communicates with major shareholders on remuneration matters.

The Company is committed to fostering effective communication with all 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 corporate website, as are other external announcements and press releases.

The AGM provides an opportunity for the Company to engage with shareholders and for the Board to provide an account of the progress made by the business during the year, along with a synopsis of current issues facing the business. Unfortunately, it was not possible to allow shareholders to attend the meeting held in September 2020 due to Covid-19.

Our stakeholders

The directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172(1) of the Act. The Board considers the impact on, and the responsibility it has to, all the Company's stakeholders as part of decision-making. By considering the Company's strategic priorities and having processes in place for decision-making, they do, however, aim to make sure that their decisions are consistent. The Group communicates with external stakeholders, including industry bodies and regulators on the management of risks and issues. Further information on our engagement with stakeholders is available on pages 28 to 31.

Workforce

The Board remains committed to ensuring that it gives due regard to the interests of all of its stakeholders, including colleagues. In its discussions, the Board has sought to understand and consider the views of our colleagues. Further details are available in the Capable and Committee Colleagues section on pages 22 to 27. Further information on workforce policies and practices and how the Company invests in and rewards colleagues is also available in the Capable and Committed Colleagues section.

Authorisation of conflicts of interest

Each director has a duty under the Act to avoid a situation where they have or may have a conflict of interest. They are also required to disclose to the Board any interest in a transaction or arrangement that is under consideration by the Company. The General Counsel and Company Secretary supports the directors in identifying potential conflicts of interest and reporting them to the Board. The Board is permitted by the Company's articles of association to authorise conflicts when appropriate. Potential conflicts are approved by the Board, or by two independent directors if authorisation is needed quickly, and then reported to the Board at its next meeting. A register of directors' conflicts is maintained. Directors are asked to confirm periodically that the information on the register is correct. The Board is satisfied that the Company's procedures to identify, authorise and manage conflicts of interest have operated effectively during the year.

FURTHER INFORMATION

Stakeholder engagement

Information on how our culture is embedded in the way we engage with stakeholders including our colleagues.

Read more on page 28.

DIVISION OF RESPONSIBILITIES

Board Structure

The Board is comprised of two executive directors, five independent non-executive directors and the Chair of the Board to limit the ability for any individual or small group to dominate Board decision making. There is a clear division of responsibilities between the executive leadership of the business and the leadership of the Board.

Director responsibilities

In accordance with the Code, there is a clear division of responsibility between the Chair of the Board and the Group Chief Executive. Role descriptions are in place for the Chair of the Board, Group Chief Executive and Senior Independent Director and the Nominations Committee reviews and considers these on an annual basis and recommends any changes to the Board. The role descriptions were last approved by the Board in January 2021 and are available on the Company's website www.dixonscarphone.com. The main responsibilities of the different components of the Board are set out below.

Chair of the Board's responsibilities

- overall Board effectiveness and leadership;
- Board culture, including the encouragement of openness and debate and constructive relations between the executive and non-executive directors;
- the appropriate balance of skills, experience and knowledge on the Board;
- oversight of the induction, development, performance evaluation, and succession planning of the Board;
- promotion of diversity and equality of opportunity across the Group;
- representation of all stakeholders' interests; and
- promotion (with the support of the Company Secretary) of the highest standards of corporate governance.

Group Chief Executive's responsibilities

- formulation and proposal of the Group strategy and delivery of the strategy approved by the Board;
- delivery of Group financial performance;
- leadership of the Group and senior management including effective performance and succession planning;
- representation of the Company to key stakeholders;
- communication of Company culture and ensuring operational practices drive appropriate behaviours;
- communication to the Board of views of the workforce;
- promotion of diversity and equality of opportunity across the Group;
- identification of business development opportunities;
- management of Group Risk profile and ensuring internal controls and risk mitigation measures are in place;
- ensuring compliant management of the Group's business; and
- oversight of the operational and support functions.

Senior Independent Director's responsibilities

- available to communicate with shareholders;
- annual appraisal of the performance of the Chair of the Board;
- oversight of an orderly succession for the position of Chair of the Board;
- support the Chair of the Board in the performance of their duties; and
- work with the Chair of the Board, other directors and shareholders to resolve significant issues and to maintain Board and Company stability in periods of stress.

Independent Non-Executive Director's responsibilities

- provision of an independent perspective;
- ensuring constructive challenge of management;
- considering the effectiveness of the implementation of the strategy within the risk appetite; and
- contribution of diversity of experience and backgrounds to Board deliberations.

General Counsel and Company Secretary's responsibilities

- trusted advisor to the Board on corporate governance matters;
- support for the Chair of the Board and non-executive directors;
- ensuring that the Board and committees have the appropriate type and quality of information they need to make sound business decisions; and
- ensuring that the corporate governance framework and practices remain fit for purpose.

CORPORATE GOVERNANCE REPORT CONTINUED

Time commitment and attendance

The Nominations Committee has considered the commitment shown by the non-executive directors to the Company and is satisfied that all directors devote appropriate time to their roles. There were a number of ad hoc Board meetings and additional informal update calls during 2020/21. These were convened due to the challenging external circumstances created by the Covid-19 pandemic. All directors made themselves available to attend all these unscheduled calls and update calls including those that had to be arranged at short notice. The Nominations Committee considers the external appointments of each of the directors on at least an annual basis. It was concluded again for 2020/21 that none of the directors had external commitments that would hinder their ability to devote sufficient time to discharging their Board role. Details of the directors' attendance at the Board meetings that took place during the year can be found on pages 68 and 69.

Board meetings and information

The Chair of the Board 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. A comprehensive rolling agenda is in place for the Board and each committee to ensure that all regular updates and approvals can be considered in sufficient detail whilst leaving appropriate space on meeting agendas for the consideration of current issues. The Company uses an electronic board paper system which enables the safe and secure dissemination of quality information to the Board. Templates and guidance are provided to ensure that directors are provided with the information they need to be able to discharge their duties. Formal minutes of the Board and committee meetings are prepared by the General Counsel and Company Secretary, or their nominee, and are approved by the Board or committee at the next meeting.

The Chair of the Board maintains regular communications with the non-executive directors in between meetings. Time is provided before and after every Board meeting for the non-executive directors to meet without the executives present. Prior to the Covid-19 pandemic, Board dinners were held periodically on an evening prior to a Board meeting to provide the opportunity to discuss corporate strategy, business performance and other matters in an informal setting.

Board meetings are usually held at the Company's head office and have been held by videoconference since the Covid-19 pandemic. The Board usually holds meetings at other Group locations from time to time. This enables directors to visit stores and operational centres throughout the Group and gain a deeper understanding of the business.

COMPOSITION, SUCCESSION AND EVALUATION

Board composition and independence

At year end, the Board comprised eight members: the Chair of the Board, two executive directors and five 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. The Nominations Committee considers the criteria set out in the Code when considering independence, as well as contributions made during Board deliberations. These independent non-executive directors are Tony DeNunzio, Eileen Burbidge, Andrea Gisle Joosen, Fiona McBain and Gerry Murphy. More than half of the Board (excluding the Chair of the Board, Lord Livingston of Parkhead) is considered to be independent in accordance with the Code. Every year the Board, supported by the Nominations Committee, considers the collective skills, experience and the composition of the Board and assesses whether or not the Board membership enables the effective delivery of the Company's strategy.

There have not been any changes to the composition of the Board during 2020/21 although Jonny Mason, Group Chief Financial Officer will step down from the Board on 9 July 2021 and will be replaced by Bruce Marsh. The Board, with the support of the Nominations Committee, considered the composition of the Board and its committees during the year. The Chair of the Board keeps Board composition under regular review and addressed this specifically with each director as part of the one to one meetings held during the Board effectiveness review process. Overall, the Board is satisfied that the current composition is appropriate given the needs of the business.

In accordance with the Code, all directors other than Jonny Mason will stand for re-election at the Company's Annual General Meeting ('AGM'). Biographical information, committee membership and the Board meeting attendance of each of the directors submitting themselves for re-election is shown on pages 68 and 69.

Board Succession and changes to the Board

The current average director tenure is four years, eight months. Two directors have been on the Board since the formation of the Company in 2014 and both the Group Chief Executive and the current Group Chief Financial Officer joined the Board in 2018. However, the Board, with the support of the Nominations Committee, continues to view the need for robust succession plans as a priority. During 2020/21 the Nominations Committee considered the skills and expertise of the Board and concluded that the existing composition is appropriate to meet the current leadership needs of the business. However, the Nominations Committee agreed that the appointment of an additional one or two non-executive directors would be prudent in order to manage succession planning for key Board roles. The Chair of the Board discussed the future Board succession planning needs and the role descriptions for these additional roles during individual meetings with each director held during April and May 2021.

In respect of senior management succession planning, the Executive Committee completed a detailed talent review of GLT members during the year and the Board received a report on the process and outcomes during March 2021.

Annual Board Evaluation

2019/20 process outcomes

The 2019/20 Board performance evaluation was conducted by way of the circulation of questionnaires and individual interviews between the Chair of the Board and each director. The outcomes of this process are summarised below.

The directors provided positive feedback on the:

- increased time allocated for Board meetings;
- use of the Reading Room area of the Board papers portal for detailed information and appendices;
- use of Board dinners to provide updates on colleague, culture and succession planning items;
- weekly update Board videoconferences held during 2020 to help the Board oversee the Company's response to Covid-19; and
- majority of Board meeting time being allocated to key business and strategic topics.

The process identified some opportunities to enhance Board effectiveness:

- scheduling additional videoconference update calls where there are significant gaps in between Board meetings;
- routine updates to be taken as read and not presented unless there are material updates that need to be brought to the attention of the Board and discussed; and
- increasing the amount of Board agenda time allocated to colleague and environment, social and governance topics.

Each of these follow up actions has been successfully implemented.

CORPORATE GOVERNANCE REPORT CONTINUED

2020/21 process

An internal Board evaluation process was undertaken in 2020/21 by way of questionnaires and individual interviews with the Chair of the Board.

The process addressed all matters relating to the performance of the Board and included the roles of the executive and non-executive directors, the Board, committees, the effectiveness of each director and the Chair of the Board, leadership, culture, strategy and corporate governance. A report summarising the findings of the review was tabled at the Board meeting on 27 April 2021. Overall, the directors provided positive feedback in particular:

- that the Board members work together effectively and constructively to promote the long-term sustainable success of the Company;
- that the executive team have shown excellent leadership during the Covid-19 pandemic;
- that the new colleague listening forums have been effective;
- that there is a consistent focus on strategic issues at every Board meeting;
- that Board agendas have improved during the year to enable increased quality of discussions on key topics;
- that there is significant Board discussion and challenge on the impact that decisions made will have on the Company's stakeholders; and
- that the talent review updates the Board received during the year had provided a good view of the talent pipeline and a framework for executive team succession planning.

The process identified some further actions to help enhance effectiveness:

- the Board to receive additional training on topics relevant to the Group for example, trends in technology evolution and the impact of climate change goals on the business and its products and services;
- the Board to seek opportunities to enhance diversity – there is a good diversity of skills, experience and gender on the Board but social and ethnic diversity should be enhanced;
- one or two additional non-executive directors should be recruited to support succession planning for key Board roles;
- the Board to receive more frequent updates on the results of colleague surveys and feedback;
- the quality of Board papers had improved during the year but there was an opportunity to further improve consistency; and
- the Board to consider the appropriate balance of meetings that should be held in person or by videoconference once it was safe to resume travel and business meetings in person.

An externally facilitated Board effectiveness review will be completed for 2021/22.

Chair of the Board performance

The Senior Independent Director collated feedback from the Board on the performance of the Chair of the Board and carried out his annual performance review. The directors provided positive feedback on the Chair of the Board's leadership during the year. The Board is of the opinion that the Chair of the Board had no other commitments during the year that adversely affected his performance, that his effectiveness in leading the Board was not impaired and that he cultivated an atmosphere that enabled challenging and constructive debate.

Individual Director performance

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

Board diversity

The Board composition review takes account of all forms of diversity, including gender, social and ethnic backgrounds, cognitive and personal strengths.

At year end, the Board had three female directors (37.5% of the Board), one of whom is based outside the UK, one director that meets the ethnic minority criteria as set out in the Parker review and the majority of the directors have substantial international business experience. 22.2% of the Executive Committee members are female.

The review this year again concluded that the Board possessed the necessary personal attributes, skills and experience to discharge its duties fully and to challenge management effectively.

The Company is committed to developing a diverse workforce and equal opportunities for all. The Board recognises that enhancing diversity in all its forms is a critical part of having an effective and engaged workforce which in turn supports the long-term sustainable success of the business. Whilst the Board is strongly supportive of enhancing all forms of diversity across the Board and workforce as a matter of priority, the Board does not currently set specific targets on gender balance or ethnicity. The Committee and the Board continue to be very mindful of the benefits of greater diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths, in all appointments.

In accordance with DTR 7.2.8A, the Committee confirms that the Board has adopted the Group Diversity Policy and this is applicable to all colleague, senior management and Board roles. This policy was last reviewed in November 2020.

Board induction and training

New directors appointed to the Board receive a personal induction programme, together with guidance and training appropriate to their level of previous experience. Each director is given the opportunity to meet with senior management and store colleagues and to visit the Group's key sites. This enables familiarisation with the businesses, operations, systems and markets in which the Group operates. New directors also meet with the Group's auditor and advisors. An example of a typical induction programme is included in the table below. The Chair of the Board will meet with a new director on appointment to agree any appropriate changes to be made before the start of the induction. Directors are provided with a comprehensive induction pack on appointment and in addition, group information and policies are maintained within the electronic board paper portal to ensure directors have access to current resources. There were no new appointments to the Board during the 2020/21 financial year although Bruce March will join as Group Chief Financial Officer during July 2021 and receive an induction during 2021.

The directors are invited to nominate topics that they would like to receive training on and briefings are arranged from time to time on governance, compliance and company knowledge as requested. During the year, the directors received a briefing from Deloitte on best practice for the non-financial disclosures in annual reports. Directors arrange individual meetings with Executive Committee members as required when they require additional information or context on a topic.

Standard induction programme briefings and information

Induction plans are customised for each incoming director depending on their individual requirements but will usually cover the following key areas, meetings and locations:

BUSINESS AND STRATEGY	• business model and strategy • markets and competitive landscape • overview of each business area • market opportunities
FINANCE AND AUDIT	• finance, treasury and tax overviews • current financial position and future projections • budget • accounting issues • audit report and findings • risk and internal controls
INVESTOR RELATIONS	• shareholder base and communications • analyst coverage and perspectives • communication policies
GOVERNANCE	• overview of committees • UK Corporate Governance Code and best practice guidance • UK listed company requirements including Market Abuse Regime • Companies Act and Directors' duties • Company articles and the role of the Board
PEOPLE TO MEET	• Directors • committee chairs • General Counsel and Company Secretary • members of the Executive Committee • senior management, including the Group Director of Internal Audit • members of the external audit team • store and distribution centre colleagues
SITES TO VISIT	• different format stores that are convenient for new director to visit; • the Newark distribution centre; and • the store colleague training centre The Academy@FortDunlop.

AUDIT, RISK AND INTERNAL CONTROL

The Audit Committee report is available on pages 87 to 95 and this covers all the reporting included in this section of the Code.

Risk management and internal control

The Board has overall responsibility for Group's system of risk management and internal control and for reviewing its effectiveness. The Board is supported by the Audit Committee, the Group Risk and Compliance Committee, the Regulatory Compliance Committee, business unit risk committees and the Risk team in delivering on this responsibility.

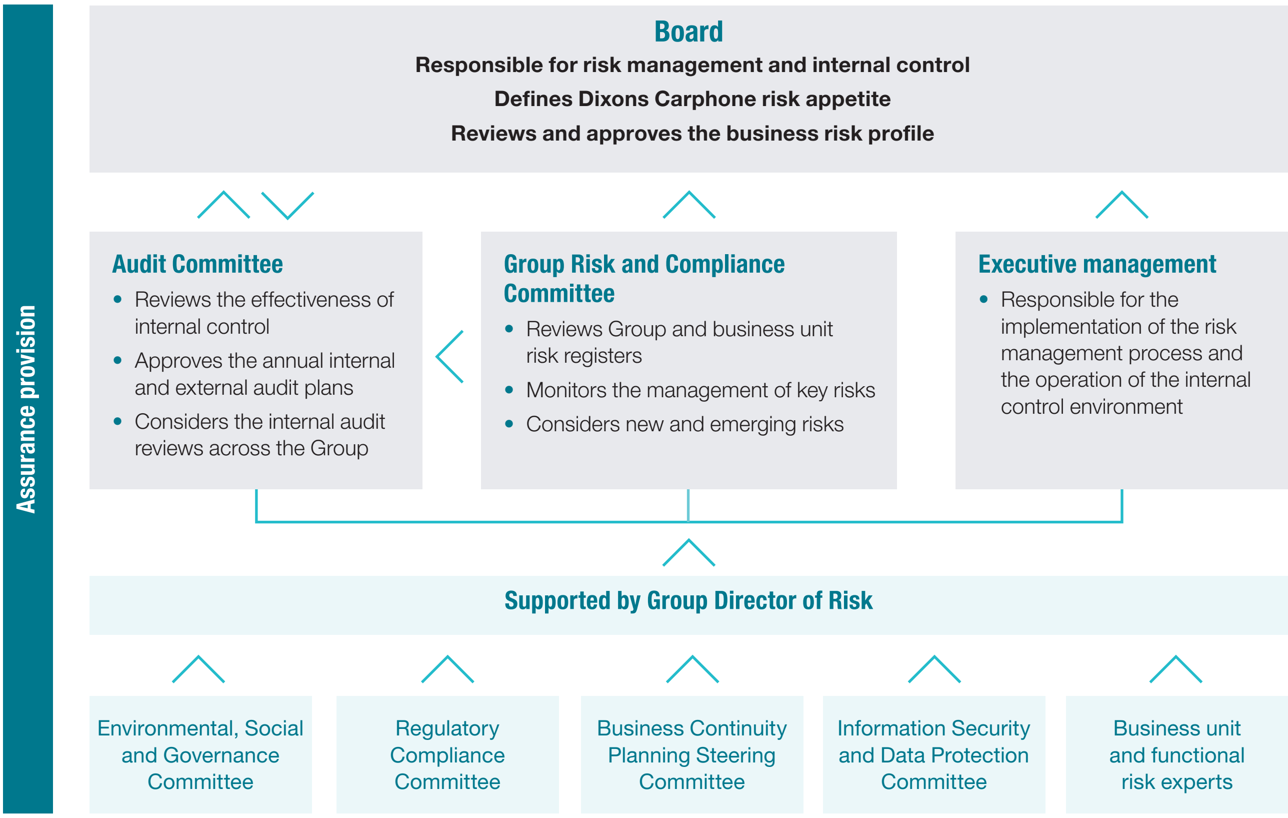
The Group operates a process of continuous identification and review of business risks. This includes the monitoring of principal risks, undertaking horizon scanning to identify emerging risks, evaluating how risks may affect the achievement of business objectives and, by taking into account risk appetite, reviewing management's treatment of the risks.

The main business units, locations and functions are responsible for preparing and maintaining risk registers and operating risk management processes for their areas of responsibility. Risk registers and the risk processes are undertaken in accordance with a consistent Group Risk Management methodology, toolkit and process.

The Group Risk and Compliance Committee meets at least four times annually. The work of the Group Risk and Compliance Committee includes: assessing and challenging the consolidated risk profile, agreeing and monitoring the Group's principal risks; determining the prioritisation of mitigating actions; reviewing the Company's horizon-scanning processes and its emerging risks; providing reports and recommendations to the Audit Committee and Board including to assist with the setting of risk appetite with regard to the principal risks.

Our approach to risk management continues to evolve as part of our organisational focus on transformation and how we continue in optimal decision making in an increasingly fast-moving environment. The Group Risk team has continued to facilitate the evaluation of the principal risks facing the Group.

GROUP RISK MANAGEMENT STRUCTURE



Board

Responsible for risk management and internal control

Defines Dixons Carphone risk appetite

Reviews and approves the business risk profile

Audit Committee
- Reviews the effectiveness of internal control
- Approves the annual internal and external audit plans
- Considers the internal audit reviews across the Group

Group Risk and Compliance Committee
- Reviews Group and business unit risk registers
- Monitors the management of key risks
- Considers new and emerging risks

Executive management
- Responsible for the implementation of the risk management process and the operation of the internal control environment

Supported by Group Director of Risk

Environmental, Social and Governance Committee

Regulatory Compliance Committee

Business Continuity Planning Steering Committee

Information Security and Data Protection Committee

Business unit and functional risk experts

In addition to the Group's principal risks, the business faces emerging threats which have been identified through horizon scanning that may potentially impact the business in the longer-term. The Group Risk and Compliance Committee evaluates the appropriateness of management planning to address such emerging risks. In some areas, there may be insufficient information to understand the scale, impact or velocity of these risks. Emerging risks continue to be monitored as part of the ongoing risk management process in order to ensure that action is taken at the right time.

The Directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Group, 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 46 to 52.

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 also monitors the Company's system of risk management and internal control and conducts a review of its effectiveness at least once a year. This year's review covered all material controls during the year and up to the date of approval of the ARA 2020/21, which were approved by the Audit Committee and the Board.

The diagram opposite shows the governance structure in place over the Group's risk management activities, as at 29 June 2021.

Risk appetite

Dixons Carphone faces a broad range of risks reflecting the business environment in which it operates. 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.

The Company's risk appetite is set by the Board and governs the amount of acceptable risk within which we operate. Our Group risk appetite is further disaggregated by principal risk and takes into consideration the acceptable level of risk across strategic, operational, financial and regulatory risks faced by the business. Reference to our appetite in business decisions provides guidance for objective, risk-aware decision-making. A three-point scale is used to assess the risk appetite for each of our principal risks. If excessive levels of risk are being taken, a series of actions are identified to bring the risk back within an acceptable level.

Dixons Carphone's general risk appetite is a balanced one that allows taking measured risk as the Company 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 inherent in operations and necessary to foster innovation and growth within its business practices.

Committed to effective risk management

The Board has overall responsibility for the system of internal control and for reviewing its effectiveness. It relies on the Audit and Risk Committees to assist in this process. In addition, members of the Executive Committee, operating through the Risk Committee, are accountable for identifying, mitigating and managing risks in their area of responsibility. Management is also responsible for implementing controls that are designed to ensure regulatory compliance, financial and operational control and to confirm that these operate effectively to protect the business from loss.

The move to home working for Corporate and Contact Centre colleagues as a result of Covid-19 restrictions required a number of changes to financial, operational, people and technology processes. Whilst the business needed to adapt its control environment, the operation of effective control during this period was not diminished.

The Board has conducted a review over the effectiveness of the process for identifying, evaluating and managing the significant risks faced by the Group and the operation of related controls. The Audit Committee further reviewed aspects of the internal control environment as outlined in the Audit Committee Report on page 92. The Board has considered the controls findings raised in the independent auditor's report on pages 131 to 142. No other significant failings or weaknesses were identified during the period ending 31 April 2021. Where areas have been identified that require improvement, plans are in place to ensure that necessary actions are taken and that progress is monitored. A report of the Principal Risks together with the Viability Statement can be found on pages 47 to 53.

Controls, by their very nature, are designed to manage rather than eliminate risk and can only provide reasonable assurance against material misstatement or loss.

CORPORATE GOVERNANCE REPORT CONTINUED

OUR SYSTEM OF INTERNAL CONTROL

Our system of internal control is built on the pillars of Governance, the Tone from the Top, risk management, control activities and assurance. These are more fully described below:

GOVERNANCE	• The Board has defined a risk appetite which sets the boundaries within which risk-based decision-making can occur and outlines the expectations for the operation of the control environment. • A Delegation of Authorities operates across the Group. • Business planning, annual budgeting process and the setting of personal business objectives are aligned to ensure focus on delivery of activities to support the delivery of strategic objectives. • Policies and procedures are in place outlining the requirements for the control in finance, operational, technology, regulatory and people areas. These include detailed standards for the operation of Infosec, PCI and Data compliance. • Central functions: Finance, HR, Legal Governance and Risk, Health and Safety, Technical Standards, Technology (which includes Infosec and Data Management) have responsibility to manage and improve standards of control in their respective areas of responsibility.
THE TONE FROM THE TOP	• The Tone from the Top communicates a clear commitment to do the right thing for customers, colleagues and shareholders. Colleague behaviours are outlined in the Code of Business Conduct. • The organisation demonstrates its commitment to ethical values through its range of ESG initiatives and programmes. • The business is committed to maintaining an ethical supply chain and undertakes activities to ensure that our suppliers satisfy our Responsible Sourcing policy. • All senior managers are required to complete an annual Ethical Conduct declaration. • The operation of a 24/7 whistleblowing hotline to enable the reporting of breaches of ethical or policy requirements.
CONTROL ACTIVITIES	• All major capital and change programmes are evaluated by an Investco process. This includes consideration of the risk involved to achievement of successful delivery and the achievement of projected benefits. • A Transformation Management Office operates to oversee delivery of our major Perform and Transform change initiatives. • Control activities operate to manage risk associated with our Technology and Information Security. These continue to evolve in line with the deployment of new systems and to meet the challenges posed by external threats. • A Minimum Controls Framework is in place defining the key financial controls that are expected to operate across the businesses core processes and activities. • A Conduct Risk and Control Framework identifies control objectives for activities that underpin the delivery of Good Customer Outcomes in our Financial Services regulated activities. • Training and development is provided to colleagues to cover their responsibilities for risk management, compliance, and their operational obligations. • Our performance management process holds colleagues accountable for their responsibilities. • Fraud and loss prevention processes operate across our omnichannel and Supply Chain activities. • Continuous improvement takes place throughout the organisation to improve the operation of processes and controls. This informed by actions identified through Internal Audit and Compliance Monitoring reviews as well as customer feedback, the results of Quality Assurance and through the Complaints Management process.

RISK MANAGEMENT	• A risk identification process operates in accordance with the Group Risk Management methodology. This ensure that risk management takes place consistently across the Group to identify and evaluate the significant risks faced by the Group. • The Group risk register covers the principal risks faced by the business, their potential impact and likelihood of occurrence and the key controls or actions established to mitigate these risks. • The risk management framework operates across the business with key business units undertaking risk assessment and risk management activities. • The Group Risk team undertakes horizon scanning reviews to identify emerging risks and opportunities that may impact the business. • The Group Risk and Compliance Committee meets at least four times a year to review the management of risk arising out of the Group's activities and to monitor the status or risk and actions at the Group and business unit level. • The Board carries out an assessment of the principal risks, emerging risks together with matters that would threaten the business model, future performance, solvency and liquidity.
ASSURANCE	• The Audit Committee approves the annual internal audit programme, which ensures that the significant areas of risk identified through the Group's risk management processes are monitored and reviewed. The progress of the plan and the results of the audits are reviewed throughout the year. • A Compliance Monitoring function reviews operation of financial Services regulated activities. • Annual evaluations are undertaken by business management against the Minimum Control framework in order to ensure that the control environment operates as intended. Any deficiencies identified are subject to remedial action. • A broad range of assurance activities are undertaken across the business by functional management to review the management of key risks. • The Group communicates with external stakeholders, including industry bodies and regulators on the management of risks and issues.

CORPORATE GOVERNANCE REPORT CONTINUED

Internal audit

The Group has an internal audit department which conducts audits of selected business processes and functions. The Group's internal audit plan sets out the internal audit programme for the year and is usually agreed at the April Audit Committee meeting for the year ahead. The internal audit plans are prepared taking into account the principal risks across the Group with input from management and the Audit Committee. The internal audit plan is designed each year to test the robustness of financial and operational controls and to determine whether operating procedures are designed and operating effectively. The Audit Committee considers the alignment of the internal audit plan with the principal risks faced by the Group as part of its approval process. The Audit Committee approved the 2021/22 internal audit plan in April 2021, having considered the impacts of Covid-19 and the revised audit priorities.

The Audit Committee Chair 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 each audit report with a summary at each meeting. The internal audit team tracks and reports on the progress against the audit plan and the implementation of action plans agreed with management. Once closed, the action plans agreed with management can be reviewed to determine whether any new controls and procedures have been implemented effectively.

The Audit Committee considered the effectiveness of the internal audit department by considering; scope, resources and access to information as laid out in the internal audit charter; the reporting line of internal audit; the annual internal audit work plan; and the results of the work of internal audit. The Audit Committee concluded that the internal audit function operated effectively during the year.

REMUNERATION

The Remuneration Committee report is available on pages 100 to 129 and covers all the reporting in this section of the Code.

Capital and constitutional disclosures

Information on the Company's share capital and constitution required to be included in this Corporate Governance statement is contained in the Directors' Report on pages 70 to 72. Such information is incorporated into this Corporate Governance statement by reference and is deemed to be part of it.

The AGM provides an opportunity for the Company to engage with shareholders and for the Board to provide an account of the progress made by the business during the year, along with a synopsis of current issues facing the business.

For the 2021 AGM, we encourage all shareholders to submit their questions and votes in advance of the meeting due to Covid-19. Shareholders can submit any questions to the Board via the General Counsel and Company Secretary at cosec@dixonscarphone.com. We look forward to receiving your feedback and questions.

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

Lord Livingston of Parkhead
Chair of the Board
29 June 2021

AUDIT
COMMITTEE REPORT

> "Completing the tender process for the external Auditor has been a significant project for the Committee this year."

Gerry Murphy
Acting Chair of the Audit Committee

COMMITTEE MEMBERS

	Meeting Attendance
Fiona McBain (Chair)	6/7[1]
Eileen Burbidge	7/7
Gerry Murphy	7/7[2]

NUMBER OF MEETINGS

7

AUDIT COMMITTEE TOPICS COVERAGE 2020/21

Bribery and corruption: 1
Data protection: 3
Compliance: 5
Information and cyber security: 3
Internal controls: 2
IT General Controls: 2
Risk Review: 2
Whistleblowing: 5

2020/21 HIGHLIGHTS

- Completed tender process for external Auditor
- Consideration of accounting and management judgements
- Business deep dives including IT General controls, information security, supply chain, payroll and fraud and loss prevention
- Ongoing considerations of the continuing challenge and implications of the Covid-19 pandemic

FURTHER INFORMATION

www.dixonscarphone.com

Committee Terms of Reference last approved: 21 January 2021 and available on www.dixonscarphone.com

The biographical details for each Committee member are available on pages 68 and 69.

Chair's statement

I am pleased to present the Audit Committee (the 'Committee') Report for the year ended 1 May 2021. This report describes how the Committee has carried out its duties to provide independent scrutiny of the Group's financial reporting, risk management and internal control systems during the year, in order to determine whether these remain effective and appropriate.

Unfortunately Fiona McBain was taken ill during March 2021 and has taken a temporary leave of absence from duties. We wish her all the best for her recovery and look forward to welcoming her back later in 2021. Fiona was present for all meetings other than one during the financial year and I have agreed to chair the Committee meetings until her return.

In addition to the scheduled Committee meetings, the Committee Chair met regularly with the Group Chief Financial Officer, the Chief Information Security Officer, the Group Director of Internal Audit and the external Auditor in the absence of management to discuss their reports as well as any relevant issues. The other Committee members also frequently contact members of management directly when they have questions on Committee papers received. The Committee Chair regularly meets with members of the Deloitte LLP audit team as part of the ongoing review of their effectiveness. I have met with Deloitte LLP's Head of Audit Quality and Risk, UK to discuss Deloitte's approach to audit quality and assurance in connection with the audit of the Group.

A significant area of focus for the Committee during the year was the management of the tender to appoint a new external Auditor for the financial year ending in April 2023. A thorough process was completed by the Committee with the support of several members of the management team. A description of this process and the outcomes is included later in the report.

The Committee also considered the continuing implications of the Covid-19 outbreak during 2020/21, taking account of external guidance as appropriate as the situation has evolved. Detailed impact assessments were conducted on the control environment and on the 'three lines of defence' – business operations, risk and compliance and internal audit.

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(1) Fiona McBain was absent from one Committee meeting during the year due to illness.

(2) Gerry Murphy was appointed as Acting Chair during the year in Fiona McBain's absence.

AUDIT COMMITTEE REPORT CONTINUED

During the year, the Committee considered the accounting implications of the new Future Mobile Offer in the UK. Information security, IT infrastructure, data management and regulatory compliance continue to be important areas of Committee focus in addition to accounting matters and other duties. The Committee continues to have oversight across the international footprint of the Group.

There have not been any significant changes to the responsibilities and role of the Committee during this financial year. The Committee continues to monitor with interest the external market reforms designed to enhance the quality of audits and anticipates that there will be an evolution of the duties of audit committees. The Committee updated its Terms of Reference during the year to reflect the wider external reporting requirements including those relating to Environment, Social and Governance issues.

The Committee considered the requirements arising from the Companies (Miscellaneous Reporting) Regulations 2018 and the 2018 UK Corporate Governance Code as part of the process to review the non-financial information included in this Annual Report, including in particular the section 172(1) statement on pages 28 to 31.

Meetings and membership

The Committee met seven times during the period under review. There were six scheduled meetings. One additional Committee meeting was arranged with management during the year to enable an additional detailed discussion on the accounting judgements for the Annual Report. Since the year end, there has been two further Committee meetings. The Chair of the Board, Group Chief Executive, Group Chief Financial Officer, Group Financial Controller, Group Director of Internal Audit, General Counsel and Company Secretary and representatives from Deloitte LLP have a standing invite from the Committee Chair to join all Committee meetings. Other members of senior management attend Committee meetings by invitation, when appropriate, including members of the senior leadership team with responsibility for Information Security and Data Management and the Director of Group Risk and Insurance.

There have not been any changes to the membership of the Committee during the financial year. In compliance with the Code, the Committee continues to consist exclusively of independent non-executive directors. The Board continues to be satisfied that the Chair of the Committee, a member of the Institute of Chartered Accountants in England and Wales, and Gerry Murphy, also a member of the Institute of Chartered Accountants in England and Wales, meet the requirement for recent and relevant financial experience. The Committee, as a whole, has competence relevant to the sector in which the Company operates. The Company Secretary, or his nominee, acts as Secretary to the Committee and attends all meetings. The Committee's deliberations are reported by its Chair at the subsequent Board meeting and the minutes of each meeting are circulated to all members of the Board following approval.

The Committee members meet without management present before and after each Committee meeting. The Group Director of Internal Audit and representatives of Deloitte LLP are invited to these private discussions periodically to allow discussion of matters which the external Auditor or Group Director of Internal Audit may wish to raise in the absence of management.

In undertaking its duties, the Committee has access to the services of the Group Director of Internal Audit, the Group Chief Financial Officer, the Company Secretary and their respective teams, as well as external professional advice as necessary. 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.

Looking ahead

Some aspects of the business transformation of the Group were delayed by the impacts of the Covid-19 pandemic. The Covid-19 pandemic has also had extensive impact on the Group's operations with store closures and resulted in fundamental changes to current, and most likely future, customer behaviours and the risks to which companies are exposed. The Committee will continue to keep those considerations and risks that fall within the Committee's remit under review. The Committee will continue to support the business transformation work by reviewing and challenging the governance, risk and control environments relating to these key strategic plans. The Committee will continue to receive presentations from management on the challenges faced by the business and the operation of internal controls. The Committee will also continue to monitor the operation of the 'three lines of defence', as well as the evolving enterprise risk landscape and regulatory environment.

Responsibilities

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

Key matters considered

The principal activities of the Committee during 2020/21 included:

- completing a tender process for the appointment of a new external Auditor for the 2022/23 financial year;
- considering significant accounting and reporting judgements, the appropriateness of taxation disclosures and the appropriateness of the Group's going concern position and longer-term viability statement;
- considering and recommending that the Annual Report and Accounts ('ARA') 2020/21, when taken as a whole, are fair, balanced and understandable;
- reviewing the interim results in December 2020;
- considering the presentation, fairness, and balance of the Group's alternative performance measures ('APMs');

- reviewing all correspondence from and to the Financial Reporting Council ('FRC') following a request for further information on certain aspects of the ARA 2018/19. Further information can be found later in the report on page 90;
- considering the findings for the FRC's Audit Quality Review team's review of the external audit for 2019/20:
- considering the accounting implications of the closure of Dixons Travel and the Carphone Warehouse Ireland stores and the Future Mobile Offer;
- considering the implications of the Covid-19 outbreak relevant to the remit of the Committee;
- reviewing the Group Risk Register and considering the effectiveness of the risk management system and internal controls, operated by management;
- considering updates on IT General Controls, Information Security, IT infrastructure and Data Management;
- providing oversight of the businesses regulated by the Financial Conduct Authority (‘FCA’) and receiving reports from the Head of Compliance;
- approving the internal audit annual plan, considering internal audit reports and management actions, and monitoring the effectiveness of internal audit in line with the approved internal audit charter;
- considering the external audit plan, audit reports and updates from Deloitte LLP;
- considering the effectiveness of the external Auditor and the reappointment of the external Auditor; and
- receiving presentations and challenging management on matters such as system access controls, data management, payment processes, supplier funding, regulatory compliance-related customer claims, minimum control standards assessments, whistleblowing, procedures in place to prevent bribery and corruption, stock loss and fraud theft, Supply Chain and Repairs and colleague payroll.

Accounting and financial reporting matters

The Committee is responsible for considering reports from the external Auditor on its work and findings and monitoring the integrity of the interim statement and annual report and accounts in conjunction with senior management. During the year ended 1 May 2021, consideration was given to the suitability and application of the Group’s accounting policies and practices, including areas where significant levels of judgement have been applied or significant items have been discussed with the external Auditor.

PRINCIPAL DUTIES OF THE COMMITTEE

Accounting and financial reporting matters

- monitoring the integrity of the interim statement and annual report and accounts, and any formal announcements relating to the Group’s financial performance;
- reviewing significant financial reporting judgements and accounting policies;
- advising the Board on whether, as a whole, the annual report and accounts are fair, balanced and understandable;
- considering the going concern statement;
- considering and reviewing the statement of the Group’s viability over a specified period;
- having regard to the applicable legal, regulatory and best practice requirements and standards for reporting including the UK Corporate Governance Code, the UK Financial Reporting Council, the FCAs Disclosure and Transparency Rules and Listing Rules and the recommendations of the Taskforce on Climate-related Financial Disclosure;

Risk management and internal control

- reviewing the Group’s financial controls and internal control effectiveness and maturity;
- reviewing the Group’s risk management systems and risk appetite;
- considering whistleblowing arrangements by which colleagues may raise concerns about possible improprieties in financial reporting or other matters;

Internal audit

- approving the appointment of the Group Director of Internal Audit;
- monitoring and reviewing the effectiveness of the Group’s internal audit function;
- approving the internal audit plan;
- considering the reports of work performed by internal audit and reviewing the actions taken by management to implement the recommendations of internal audit;
- considering the major findings of internal investigations;

External audit

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

General matters

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

AUDIT COMMITTEE REPORT CONTINUED

ACCOUNTING AND FINANCIAL REPORTING MATTERS	MATTERS CONSIDERED AND HOW THE COMMITTEE DISCHARGED ITS DUTIES
Going concern and viability statements	The Committee reviewed the processes and assumptions underlying both the going concern and longer-term viability statements made on page 53 of the ARA 2020/21. In particular, the Committee considered: • the impact in respect of the Covid-19 pandemic situation; • management's assessment of the Group's prospects including its current position, assessment of principal business risks and its current business model, future cash forecasts, historical cash flow forecasting accuracy, profit projections, available financing facilities, facility headroom and banking covenants; • the appropriateness of the three-year time period under assessment, noting the period is covered by the Group's detailed strategic plan, as well as the shorter-term nature of the retail market in which the Group operates; and • the robustness and severity of the stress-test scenarios with reference to the Group's risk register, those principal risks and mitigating actions as described on pages 46 to 52 of the ARA 2020/21, the latest Board-approved budgets, strategic plans, and indicative headroom under the current facilities available – examples of which included the impact of regulatory, taxation or information security incidents, and reduced forecast profitability and cash flow as a result of a significant change in mobile phone consumer behaviour. The Committee concurred with management's conclusions that the viability statement, including the three-year period of assessment, disclosed on page 53 of the ARA 2020/21 is appropriate. The Board was advised accordingly.
Fair, balanced and understandable	In ensuring that the Group's reporting is fair, balanced and understandable, the Committee reviewed the classification of items between adjusting and non-adjusting items including consideration of the £123 million pre-tax adjusting items disclosed in note A5 in the glossary and definitions section of the ARA 2020/21, and the tax impact thereon. The assessment considered whether items fell within the Group's definition of adjusting items as well as the consistency of treatment of such items year on year. The Committee gave due consideration to the integrity and sufficiency of information disclosed in the ARA 2020/21 to ensure that they explain the Group's position, performance, business model and strategy. An assessment of narrative reporting was included to ensure consistency with the financial reporting section, including appropriate disclosure of material adjusting items, and appropriate balance and prominence of statutory and non-statutory performance measures. In response to the guidelines on Alternative Performance Measures ('APMs') issued by the European Securities and Markets Authority ('ESMA'), the Committee considered the use of such measures and the additional information on those APMs used by the Group is provided in the glossary on pages 216 to 231. The Committee concluded that the ARA 2020/21, taken as a whole, are fair, balanced and understandable, and that the measures used and disclosures made are appropriate to provide users of the ARA 2020/21 with a meaningful assessment of the performance of the underlying operations of the Group; the Board was advised of the conclusion.
Financial Reporting Council ('FRC')	In March 2020 the Group received a letter from the FRC requesting further information following a review by the FRC of the annual report and accounts 2018/19. The questions raised principally related to revenue recognition associated with network commissions, alternative performance measures, tax provisioning, impairment, and liquidity risk disclosures. The Audit Committee reviewed and approved the Group's responses to the FRC. Within the current financial year, the Group's correspondence with the FRC closed satisfactorily with agreement on enhanced disclosures. The Group initially included the enhanced disclosures within the annual report and accounts 2019/20 whilst the constructive correspondence was in the final stages. The enhanced disclosure predominantly related to revenue recognition associated with network commissions and is included within note 15 in this year's Annual Report and Accounts. The Committee also considered the findings of the FRC's Audit Quality Review team's review of the 2019/20 audit.
Closure of Carphone Warehouse Ireland and Dixons Travel	During the year, the Company announced the closure of its Carphone Warehouse stores in Ireland and its Dixons Travel stores. The Committee carefully considered the impact of this announcement on the financial statements 2020/21. In particular, the Committee considered the impact of the store closures on the impairment of assets including the IFRS 16 right-of-use lease assets, the restructuring provisions recognised, and the assessment of the existence of any onerous contracts as a result of the decision. The Committee also considered the treatment of store closure related costs as adjusting items when considering if the ARA as a whole are fair, balanced, and understandable. Following detailed review, the Committee agreed with management's conclusions that the judgements and estimates and accounting treatment applied are appropriate.

MATTERS OF SIGNIFICANCE AND AREAS OF JUDGEMENT	MATTERS CONSIDERED AND HOW THE COMMITTEE DISCHARGED ITS DUTIES
Matters of significance and areas of judgement	The Committee received reports and recommendations from management and the external Auditor setting out the significant accounting issues and judgements applicable to the following key areas. These were discussed and challenged, where appropriate, by the Committee. Following debate, the Committee concurred with management's conclusions.
Revenue recognition	The Group discloses revenue recognition in relation to network commissions as a 'key source of estimation uncertainty' as set out in note 1t to the Group financial statements. The Committee reviewed management's assessment of these policies with reference to contractual terms, the Group's historical experience of customer behaviour, reliability of information received from MNOs, legislative changes, future expectation of consumer behaviour and changes in the trends within the mobile industry. Particular attention was paid to the consistency of application of the underlying assumptions used, significant changes in inputs to the valuation model, historical forecasting accuracy, and the network commission contract assets and receivables disclosures included in note 15 to the Group financial statements. The carrying value of ongoing network commission contract assets and receivables at the balance sheet date was £239 million (2019/20: £616 million).
Supplier funding	A number of arrangements exist relating to supplier funding across the Group, including promotional support and volume rebates. The Committee has continued to challenge and debate with management its approach to its recognition and accounting treatment of supplier funding. 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. Further information in relation to supplier funding can be found in note 1d to the Group financial statements.
Impairment testing of goodwill, intangible assets and store-based assets	The Group has significant goodwill, intangible assets and store-based assets which are reviewed for impairment annually, or where there is an indicator of impairment. The Committee reviewed appropriateness and accuracy of cash flow forecasts, discount rates and long-term growth rates used in the impairment review performed at both the interim and year end dates. Specific attention was paid to cash flow forecasts in light of the Covid-19 pandemic, and the level of sensitivities applied by management in determining reasonably possible changes to cash flows. As part of the review of the store-based asset impairment assessment, whereby a material impairment was recognised within the period, particular attention was given to the key assumptions of how customers will behave in the future, in terms of shopping in store and/or online and the implications on the impairment modelling. As a result of a strategic change, a multiyear ERP solution that was recorded within capitalised development costs is being replaced with a new set of cloud hosted solutions to support the Group's omnichannel strategy. Consequently, a significant impairment charge and onerous contract costs were recognised as adjusting items. The Committee reviewed the strategic decision made and the appropriateness of the impairment and onerous contract accounting treatment and disclosure. Further information can be found in note 9 to the Group financial statements.
Taxation	The Group operates across multiple tax jurisdictions. The complex nature of tax legislation in certain jurisdictions can necessitate the use of judgement. The Committee reviewed the judgements and assumptions concerning any significant tax exposures, including progress made on matters being discussed with tax authorities and, where applicable, advice provided by external advisors. The total provisions recognised at the balance sheet date amounted to £65m (2019/20: £83m). The Committee also reviewed the appropriateness of the disclosures made around tax provisions, and the disclosure of related contingent liabilities.

Review by the FRC's Audit Quality Review team (the 'Review team')

The FRC's Audit Quality Review (AQR) team monitors the quality of audit work of certain UK audit firms through annual inspections of a sample of audits and related procedures at individual audit firms. During the year, the FRC's Audit Quality Review Team (AQRT) reviewed Deloitte's audit of the Group's financial statements for the year ended 2 May 2020 as part of its annual inspection of audit firms. The Audit Committee received and reviewed the final report from the AQRT which indicated that there were no significant areas of concern.

AUDIT COMMITTEE REPORT CONTINUED

Risk management and internal control

The Audit Committee is responsible for reviewing the Group's risk management and internal control systems. Details of the overall risk management and governance policies and procedures are given in the Corporate Governance Report on pages 73 to 86 of this ARA 2020/21. The Committee reviewed management's assessment of risk and internal control, results of work performed by the second lines of defence and internal audit, and the results and controls observations arising from the interim review procedures and the annual audit performed by the external Auditor. The Committee also ensured that all Risk topics were covered, as defined by its Terms of Reference, with detailed reviews of risk topics scheduled throughout the year monitoring potential areas of concern.

Specific matters considered by the Committee to discharge its duties are detailed below:

RISK MANAGEMENT AND INTERNAL CONTROL	MATTERS CONSIDERED AND HOW THE COMMITTEE DISCHARGED ITS DUTIES
Bribery and corruption	• The Committee reviewed the arrangements put in place to satisfy requirements to comply with regulation for anti-bribery and corruption.
Data protection	• The Committee reviewed data protection compliance throughout the Group, particularly in relation to the embedding of policies, procedures and processes implemented to comply with the requirements of EU General Data Protection Regulation ('GDPR').
Compliance	• The Committee reviewed the nature of financial services regulated activities across the Group's business operations and the governance and oversight arrangements for the operation of an effective FCA compliance regime in the business. The Committee considered compliance and regulatory reports prepared by the Regulatory Compliance Committee ('RCC') and monitored key developments and ongoing activities for the compliance team in areas of governance, policy and compliance monitoring.
Information security and IT controls framework	• The Committee regularly reviews the progress of the ongoing security improvement programme and periodically considers and reviews the IT general controls ('ITGC') framework and related improvement initiatives progressed by the management team, in order to monitor that appropriate actions are taken. • The Company is currently undergoing a large transformation programme across many areas of the business including its IT infrastructure. All transformation programmes are managed in line with the Group risk management methodology to manage the risk appropriately in order to provide reasonable reassurance against material losses. This control framework is intended to manage rather than eliminate the risk of failure and oversight of the security programme is provided by the Audit Committee that, along with the Board, receives regular updates on the progress and maturity of our control environment. • During the year, the Committee received a report highlighting a material weakness resulting from a number of deficiencies in controls for Access Management and other areas such as segregation of duties due to the limited progress made against the improvement plan agreed with the Board. This was due to the unforeseen and critical IT demand and impact from the Covid-19 pandemic response which directly affected operational resource. The Committee has actively ensured that the improvement plan was appropriate and this has resulted in a revised programme of remediation to re-establish and enhance controls in this area. Reporting of progress against these plans will continue at Executive and Audit Committee level.
Internal controls	• As per the obligations placed on the Committee under the Code, the Committee formally considered a review of the system of risk management and internal control. The Committee noted developments in the system of risk management and internal control, management plans for 2020/21 and agreed the statements contained in the ARA 2020/21. The Committee continues to review the results of Internal Audit reviews and Minimum Controls Standards assessments.
Whistleblowing	• The Committee reviews a summary at every meeting of all whistleblowing calls received by the Group, both through the independently operated hotline and other channels. The Committee confirmed that the calls had been appropriately dealt with (both individually and in aggregate) in accordance with the Group's whistleblowing policy.

Internal audit

Internal audit is an independent, objective assurance function that impartially appraises the Group's control activities. Internal audit works with management to help improve the overall control environment and assist Group management, the Audit Committee and the Board in discharging their respective duties relating to maintaining an adequate and effective system of internal control and risk management, and safeguarding the assets, activities and interests of the Group.

INTERNAL AUDIT	MATTERS CONSIDERED AND HOW THE COMMITTEE DISCHARGED ITS DUTIES
Audit reviews of significant risk areas	• The Committee considered the alignment of the annual internal audit plan with the key risks of the business. • During the period, internal audits included coverage of the following significant risk areas of the business: – information security and data protection; – business transformation; – IT resilience, integrity and disaster recovery; – relationships with major suppliers; – health and safety; – business continuity; – product safety; and – financial services regulatory compliance. • The Committee considered the key trends and material findings arising from internal audit's work and the adequacy of the agreed management actions in relation to those findings.
Assurance programme	• The Committee approved the annual internal audit plan and received an update relating to the execution of the annual plan at each Committee meeting. • The Committee also considered how the internal audit plan was realigned in light of the Covid-19 pandemic. • As part of the rolling assurance programme, audits were performed over the following processes to provide assurance to the Committee that controls were operating within these areas: – general business controls relating to UK and Ireland operations including the Senior Managers Certification regime readiness, HR transformation programme, Identity and Access management, major change programmes, customer experience and complaints reporting, Hong Kong sourcing, supplier funding and financial regulation adherence; – Nordics programme assurance, franchisee management, data protection, stock, returns and goods not for resale processes and controls; – Greek health and safety and franchisee management; and – risk management effectiveness. • The Committee considered the actions taken by management in relation to the audit findings. • The Committee considered the results from these audits during its assessment of the effectiveness of the system of internal control operated by management. The Committee concluded that the system of internal control was appropriately monitored and managed.
Effectiveness of internal audit and adequacy of its resources	• The Committee approved the internal audit charter, concluding the role and mandate were appropriate to the current needs of the organisation. • The Committee monitored the work of internal audit and formally reviewed the effectiveness of internal audit and the adequacy of its resources, considering: – scope, resources and access to information as laid out in the internal audit charter; – the reporting line of internal audit; – the annual internal audit work plan; and – the results of the work of internal audit. • The Committee concluded that the internal audit department had in all respects been effective during the period under review and performed its duties in accordance with its agreed charter.

AUDIT COMMITTEE REPORT CONTINUED

External audit

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

EXTERNAL AUDIT	MATTERS CONSIDERED AND HOW THE COMMITTEE DISCHARGED ITS DUTIES
Effectiveness of the external Auditor	• The Committee reviewed and agreed the annual audit plan, specifically considering the appropriateness of the key risks identified and proposed audit work, the scope of the audit and materiality levels applied which are detailed in the Independent Auditor's report on pages 131 to 142. • As part of the reporting of the half year and full year results, the Committee reviewed the reports presented by Deloitte LLP in assessing the Group's significant accounting judgements and estimates, and considered the audit work undertaken, level of challenge and quality of reporting. • Following the 2019/20 year end, feedback on the effectiveness of the audit process in addressing areas of key audit risk was obtained from members of the Committee and regular attendees, members of the finance team and senior management within the businesses via a specifically designed questionnaire. The responses were then considered by the Committee in conjunction with the outputs received and responsiveness of the Auditor during the audit process. The results showed a favourable view of the audit process and of Deloitte LLP as the external Auditor, specifically in relation to the consistent performance noted for quality of audit delivery, level of challenge, integrity and service of the team, the constructive relationship and the effectiveness of the communication. • Following due consideration of the above, the Committee continues to be satisfied with the quality and effectiveness of the external audit.
Auditor independence	• The Committee considered the external Auditor's assessment of and declaration of independence presented in the annual audit plan and final audit report, and the safeguards in place to make such declarations. • The Committee considered the annual audit fee and fees for non-audit services, with due regard to the balance between audit and non-audit fees and the nature of non-audit fees undertaken in accordance with the policy as set out below. • The Committee reviewed and approved the Group policy on the employment of former employees of the external Auditor in March 2021.

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

Under the Group's policy on Auditor independence, the Auditor may only provide services which include:

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

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

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

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

During the period under review, the non-audit services performed by the external Auditor primarily arose from the interim financial review procedures and the requirement in Greek law for the external Auditor of the Company to provide tax compliance 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 to the Group financial statements and amounted to £0.5m (2019/20: £0.5m) compared with £1.6m (2019/20: £1.5m) of audit fees. The non-audit fees as a percentage of audit fees were 31.3% (2019/20: 33.3%), which reflects the restrictive policy governing the use of Deloitte LLP for non-audit services.

2020/21 external Auditor tender process

Deloitte LLP has been the Company's external Auditor since the Company was formed on 7 August 2014 by the merger of Carphone Warehouse and Dixons Retail. Deloitte LLP was the external Auditor of both Carphone Warehouse and Dixons Retail prior to 2014.

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 last period that Deloitte LLP can remain as Auditor is the 2022/23 financial year.

In accordance with the Auditing Practices Board Ethical Standards, there is a five-year rotation of the lead audit partner. Stephen Griggs, the current lead audit partner, was appointed for the 2016/17 audit and is therefore required to rotate following completion of the 2020/21 audit. David Griffin, currently Key Audit Partner for UK and Group, will move into the role of lead audit partner for the 2021/22 financial year.

During the year, the Committee led a comprehensive tender process to select a new external Auditor for the 2022/23 financial year. Five firms were approached, including two 'middle tier' firms. A formal RFP document was then issued to three firms and two firms participated in the full process. The Committee agreed a clear set of evaluation criteria and critical success factors having considered the suggested criteria in the FRC guidance. The two firms submitted two lead partner CVs for consideration and comprehensive tender documents. Both firms attended meetings with a number of colleagues from senior management teams and presented to a selection panel comprised of the Audit Committee members and colleagues from the Finance and Procurement teams. Each firm provided four referees for the proposed Lead Audit Partners.

Both firms submitted high quality proposals and the scores against the evaluation criteria were very close. The Board considered the report of the Audit Committee on the process and concurred with the choice of the preferred audit firm. KPMG LLP will be appointed as the Auditor of the Company for the financial year 2022/23 subject to shareholder approval to be sought at the Company's AGM expected to be held in September 2022.

Where necessary, any non-audit services provided by KPMG to the Company ceased by 1 May 2021 in order to meet specified 'cooling-in' requirements in the year before appointment.

Consideration of external Auditor appointment and independence

The Committee considers the appropriateness of the reappointment of the external Auditor each year, including the rotation of the audit partner.

In accordance with FRC's 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 reappointment this year, the Committee considered the Audit firm's internal control procedures, the most recent audit effectiveness review and the tenure of the current 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 reappoint Deloitte LLP be proposed at this year's AGM, was accepted and endorsed by the Board.

Gerry Murphy
Acting Chair of the Audit Committee
29 June 2021

DISCLOSURE COMMITTEE REPORT

COMMITTEE MEMBERS

COMMITTEE MEMBERS	Meeting Attendance
Jonny Mason (Chair)	**7/7**
Alex Baldock	**7/7**
Nigel Paterson	**7/7**

Alternate members:

Ian Livingston, Chair of the Board and Tony DeNunzio, Senior Independent Director

NUMBER OF MEETINGS

7

2020/21 HIGHLIGHTS

- Preliminary results for the financial year ended 2 May 2020
- Interim results for the half year ended 31 October 2020
- Trading updates
- Assessment of whether trading performance required the release of a trading update

Chair's statement

I am pleased to present the Disclosure Committee (the 'Committee') Report for the year ended 1 May 2021. The principal role of the Committee is to ensure that adequate procedures, systems and controls are maintained to enable the Company to fully meet its legal and regulatory obligations regarding the timely and accurate identification and disclosure of all price sensitive information.

The Committee is comprised of the Group Chief Financial Officer (Committee Chair), the Group Chief Executive and the General Counsel and Company Secretary. The Chair of the Board and the Senior Independent Director receive notices and papers for all meetings and are able to act as 'alternates' to the Committee members in the event that the quorum of three cannot be met. This has not been necessary during the year and all Committee members have been able to attend all meetings. The Company Secretary, or their nominee, acts as Secretary to the Committee. The Committee's deliberations are reported by its Chair at the next Board meeting and the minutes of each meeting are circulated to all members of the Board.

The Committee was considered as part of the internal board and committee effectiveness review that was carried out this year and this review concluded that the Committee discharges its duties effectively.

Meetings

There were seven Committee meetings during 2020/21. Since the financial year end, there has been one further meeting. Committee meetings are scheduled in advance of preliminary and interim results announcements and in advance of trading updates. Meetings are convened as requested by any Committee member at other times as required. The Committee receives input as appropriate from the other directors, the Company's brokers and senior management. The Committee invites the Group Strategy and Corporate Affairs Director to attend all meetings and he attended all meetings held during 2020/21.

Responsibilities

The principal duties of the Disclosure Committee are to:

- establish and maintain adequate procedures, policies, systems and controls to enable the Company to fully comply with its legal and regulatory obligations regarding the timely and accurate identification and disclosure of all price sensitive information;
- determine whether information is inside information and if it requires immediate disclosure;
- keep under review the adequacy of the Disclosure and Communications Policies, implement and monitor compliance;
- monitor communications received from any regulatory body in relation to the conduct of the Group, and review any proposed responses;
- consider generally the requirement for announcements, including in relation to the delayed disclosure of inside information, substantive market rumours, and leaks of inside information;
- consider and give final approval for trading statements and / or results to be released in order to meet legal and regulatory requirements; and
- review the content of all material regulatory announcements, transactional shareholder circulars, prospectuses, and any other documents issued by the Company, and ensure that these comply with all applicable requirements.

Key matters considered

During the year ended 1 May 2021, the Committee met to consider the following key matters:

- the preliminary results for the financial year ended 2 May 2020;
- the trading update for the 17 weeks ended 29 August 2020;
- the interim results for the 26 weeks ended 31 October 2020;
- the Peak trading update for the 10 weeks ended 9 January 2021;
- the pre-year end update released on 28 April 2021; and
- whether current performance constituted inside information and required the issue of updated financial guidance.

Jonny Mason
Chair of the Disclosure Committee
29 June 2021

NOMINATIONS COMMITTEE REPORT

COMMITTEE MEMBERS

	Meeting Attendance
Ian Livingston (Chair)	3/3
Tony De Nunzio	3/3
Andrea Gisle Joosen	3/3

NUMBER OF MEETINGS

3

2020/21 HIGHLIGHTS

- Received an update on talent development in the Leadership team
- Considered Board succession planning
- Appointed a new Group Chief Financial Officer

Chair's statement

I am pleased to present the Nominations Committee (the 'Committee') Report for the year ended 1 May 2021. The Committee has continued to oversee the structure, size and composition of the Board during the year, having regard to its collective skills, knowledge, experience and diversity in all its forms. This report sets out the key responsibilities of the Nominations Committee and describes how it has discharged its duties.

The Committee received an update on the external governance and best practice standards that relate to its remit in November 2020. The Committee concluded that the Board's size and composition remained appropriate to meet the current leadership needs of the business and operational needs of the Company. In reaching this conclusion, the Committee considered the time commitments of each director, director independence, director tenure, the diversity of the Board, the collective skills and experience of the Board, directors' external appointments and potential conflicts of interests.

The Board currently meets the voluntary diversity targets in both the Hampton Alexander review and Parker review although it will seek opportunities further to increase diversity in its membership. The Committee welcomed the establishment of an Inclusion and Diversity forum set up during the year to focus on increasing the diversity of the workforce.

Although succession planning and the oversight of the development of a diverse pipeline for succession fall within the remit of the Committee, these discussions have also taken place at Board meetings during 2020/21 in addition to Committee meetings. The Board received a comprehensive update on talent and succession planning for key roles during March 2021. Enhancing diversity and overseeing the succession planning process for key roles remains a priority for the whole Board. As delivering the colleague agenda is a critical component of the successful business transformation of the Group, this work has been led by the Committee but has warranted further input from all directors.

Meetings and membership

The Committee meets as and when required and at least twice a year. The Committee held three scheduled meetings during the financial year in addition to the 'virtual' Board dinner in March 2021. The majority of the members of the Committee are independent non-executive directors as required by the Code. Other members of the Board or senior management can attend meetings at the invitation of the Committee Chair. The Company Secretary, or their nominee, acts as Secretary to the Committee. The Committee's deliberations are reported by its Chair at the next Board meeting and the minutes of each meeting are circulated to all members of the Board.

Responsibilities

The principal duties of the Nominations Committee are to:

- review the structure, size and composition of the Board, and recommend changes to the Board as necessary;
- give full consideration to orderly succession planning for both the Board and senior management positions and oversee the development of a diverse pipeline for succession;
- identify and nominate candidates to fill vacancies on the Board when they arise;
- carry out a formal, rigorous and transparent selection process of candidates, giving due regard to promoting the benefits of diversity on the Board and senior management team, including gender, social and ethnic backgrounds, and cognitive and personal strengths; and
- review all the recommendations from the annual board effectiveness process that relate to Board composition, diversity or how effectively board members work together.

FURTHER INFORMATION

www.dixonscarphone.com

Committee Terms of Reference last approved: 21 January 2021 and available on www.dixonscarphone.com.

The biographical details for each Committee member are available on pages 68 and 69.

NOMINATIONS COMMITTEE REPORT CONTINUED

Key matters considered

The principal activities of the Committee during 2020/21 included the:

- consideration and recommendation to the Board of the approval of the appointment of a new Group Chief Financial Officer;
- evaluation of the size, composition and structure of the Board and its committees;
- consideration of the independence and time commitments of the directors;
- evaluation of director effectiveness during the year and approval that each director be recommended for re-election at the 2021 AGM other than Jonny Mason who will step down from the Board in July 2021;
- approval of the Company's diversity policy taking account of the recommendations of the Hampton-Alexander Review, Parker Review, and McGregor-Smith Review;
- approval of the director external appointments policy;
- approval of Committee's Terms of Reference;
- approval of the role descriptions of the Chair of the Board, Senior Independent Director and the Group Chief Executive; and
- consideration of external corporate governance developments relating to the remit of the Committee.

Board evaluation

Following an externally facilitated Board effectiveness review in 2018/19, an internal evaluation of the Board was carried out by way of questionnaires and individual interviews with the Chair of the Board for 2020/21. The evaluation process concluded that overall the Committee was operating effectively. Further details on the outcomes of the Board effectiveness review are available on page 79.

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 used when recruiting directors.

The Committee uses a skills matrix tool when assessing the skills and capabilities required in a new director, taking into account the existing experience and expertise on the Board. The Committee develops candidate profiles describing the skills, knowledge and experience required for each new role.

During the year, the Committee proposed that Bruce Marsh be appointed as Group Chief Financial Officer to fill this vacancy following Jonny Mason's decision to move on to new external opportunities.

The Committee members were involved in the search and recruitment process for this role and recommended the approval of Bruce Marsh to the Board for reasons including his strong track record in delivering complex business transformations and leading high-quality finance teams together with his extensive retail experience, including in the finance team of Dixons Retail.

Succession planning

The Group requires a talented Board with appropriate experience, expertise and diversity. The Committee considered the size of the Board during the year. While the Committee was satisfied that the current Board size of eight directors was appropriate and effective, the Committee agreed that it would be prudent to appoint a further one or two additional non-executive directors during 2021/22 to manage the succession planning needs of key Board roles. Two non-executive directors will reach a nine-year tenure in August 2023 and the Chair of the Board and Senior Independent Director both reach a nine-year tenure in December 2024. The Committee have therefore prepared a role profile that takes into account the skills and capabilities of the current Board. The Chair of the Board discussed the draft role profile with each Board director individually during the meetings held for the Board effectiveness review process to discuss the Board succession planning needs and ensure that every Board member was able to contribute. The Committee will lead the recruitment search during the next year and propose any suitable candidates to the Board for approval.

During the year, the Executive Committee carried out a detailed talent review across every area of the business. Succession plans are in place for every member of the Executive Committee. The full Board including the Committee members received an update from the People team on Talent and Succession planning during the 'virtual' Board dinner in March 2021. The Chair of the Board who is also the Committee Chair receives regular updates during the year directly from the People team on key appointments and initiatives. The Committee, together with the Board, is focused on ensuring that credible succession plans are maintained and that there is a talent pipeline for future business leaders.

Diversity

The Company is committed to developing a diverse workforce and equal opportunities for all. The Board recognises that enhancing diversity in all its forms is a critical part of having an effective and engaged workforce which in turn supports the long-term sustainable success of the business.

The Board meets the voluntary targets recommended by the Hampton-Alexander Review and the Parker Review. At the end of the financial year 37.5% of the Board, and 22% of the Executive Committee, are female. One member of the Board meets the criteria as set out in the Parker Review. Whilst the Board is strongly supportive of enhancing all forms of diversity across the Board and wider workforce as a matter of priority, the Board does not currently set specific targets on gender balance or ethnicity. The Committee and the Board continue to be very mindful of the benefits of greater diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths, in all appointments. The Board will actively seek to enhance diversity on the Board during 2021/22 by taking steps to increase the number of diverse candidates to be included in any appointment process. An Inclusion and Diversity Forum was established during 2020/21 to seek to enhance diversity across the workforce.

In accordance with DTR 7.2.8A, the Committee confirms that a Diversity Policy is in place and was last reviewed and approved by the Committee in November 2020. The Board no longer has a separate policy that only applies to the Board but has approved the adoption of the Group policy to include all Board and senior management appointments. The policy does not include any quotas and emphasises the need for appointments to be made on the basis of merit.

In performing its annual review, the Board also looked at other aspects of diversity relevant to the Group. With a significant proportion of the business in the Nordics, we have a Swedish non-executive director on the Board to enhance the Board's knowledge of these international markets. This non-executive director also attends the International colleague forum to support colleague listening and engagement. In addition, the current Group Chief Financial Officer also has wide-ranging financial experience, both in the UK and the Nordics.

Election and re-election

At the forthcoming AGM, all directors as listed on pages 68 and 69 will present themselves for re-election other than Jonny Mason who will step down from the Board in July 2021. Bruce Marsh will join the Board as Group Chief Financial Officer during July 2021 and will present himself for election at the AGM in September 2021. Biographical details for Bruce Marsh have been included in the Company's Notice of AGM. Each of the directors is being unanimously recommended by the other members of the Board due to their experience, knowledge, wider management and industry experience, continued effectiveness and commitment to their role. More information on the individual contributions of each director is available within their biographies on pages 68 and 69.

Lord Livingston of Parkhead
Chair of the Board
29 June 2021

REMUNERATION REPORT

> “In determining the Executive Directors’ remuneration outcomes for the year, the Committee had a clear focus on ensuring alignment of pay with performance but was equally attentive to the need to take into consideration the experience of all our key stakeholders throughout this extraordinary year.”

Tony DeNunzio CBE
Chair of the Remuneration Committee

Introduction

On behalf of the Board, I am pleased to present the 2020/21 Directors’ Remuneration Report and the report of the Remuneration Committee (the ‘Committee’) for the financial year ending 1 May 2021. This report includes a ‘Remuneration at a glance’ section on page 103 and a copy of the Remuneration Policy on pages 104 to 112. The Report will be subject to an advisory shareholder vote at the 2021 AGM.

2020/21 was an extraordinary year. As required by the government, the Company closed all stores across the UK, Ireland and Greece for several substantial periods during the financial year. However, our online operations in these countries were able to continue, and online trading went from strength to strength, recovering a significant part of the lost store sales. In addition, most, but not all, of our stores in the Nordics have been able to continue to trade throughout the year.

In determining the Executive Directors’ remuneration outcomes, the Committee had a clear focus on ensuring alignment of pay with performance but was equally attentive to the need to take into consideration the experience of all our key stakeholders throughout this extraordinary year.

We have outlined below the key drivers of our remuneration decisions in the context of a very challenging year.

Remuneration in context

Corporate performance

The executive team successfully navigated the uncertainties of the pandemic. Despite the significant and ongoing uncertainties, the team remained focused on its core purpose of helping everyone enjoy amazing technology. The Company prioritised colleague safety, customer care and financial stability. However, at the same time significant progress was made in the most important strategic programmes whilst delivering robust financial results. This overall outcome was substantially better than could have been expected at the beginning of the year and substantially better than in 2019/20 as evidenced below.

Strategic priorities

Key strategic achievements include:

- Electricals online sales growth +103% to £4.7bn; UK&I Electricals online sales grew +114% to £3.4bn
- Gained market share in every channel that was open
- Mobile transformation has been highly cash generative in the year
- Significant acceleration in omnichannel transformation: ShopLive, our 24/7 live video shopping service launched in the year generating over £100m sales in the UK; order & collect is a growing proportion of sales
- Balance sheet position materially improved though strong performance on sales, growth in profits and cash flow year on year.

Financial performance

Our key financial highlights include:

- Strong trading in all markets: Electricals LFL +14%, despite UK, Ireland and Greece stores being shut for substantial periods
- Group adjusted profit before tax* £156m (2019/20: £116m). Adjusted Group EBIT grew +22% to £262m
- Total free cash flow was £438m* compared to £109m in the prior year. This improved the year end net cash position to £169m against net debt of (£204m) at the end of 2019/20.

* All profit and cash flow numbers are reported after reimbursement of government support for the £73m of furlough paid to UK&I colleagues during the year.

Stakeholder experience

Our colleagues

As a result of the pandemic, over 16,500 colleagues were placed on furlough during 2020/21 and we suspended some of our transformation activities, to focus on keeping our colleagues safe, whilst managing costs and resources. We have spent £14m to implement extensive hygiene and social distancing measures at our facilities and stores to ensure our sites are Covid-secure. We were also one of the first companies in the UK to roll out rapid workforce testing. This has enabled our colleagues to safely continue delivering vital technology to customers. In the UK and Ireland, we provided full pay or enhanced company sick pay to our vulnerable colleagues in customer-facing roles and to colleagues who were over 28 weeks’ pregnant so they could shield at home. We also provided full sick pay and support to our colleagues who tested positive or were displaying symptoms for Covid-19 and needed to quarantine.

We are continuing to recognise the vital work all our frontline colleagues are doing, and in May we announced that we plan to pay all hourly paid UK colleagues the Real Living Wage from 1 October 2021. This will result in an average increase of 9% for almost 12,000 hourly paid colleagues in the UK. We are also pleased to confirm that in contrast to last year, there will be annual performance bonus payouts to all eligible colleagues across the Group. We introduced a new recognition bonus for our Supply Chain colleagues and continued with our colleague share awards to ensure all colleagues are shareholders and invested in our future success. We now have over 31,000 colleagues across our international markets who are members of our Colleague Shareholder Award scheme.

Alongside our commitment to increase the minimum hourly pay rate for our frontline UK colleagues, we are making a series of investments in skills, wellbeing and reward programmes, totalling nearly £25m over two years. We invested in colleague wellbeing, providing training and accreditation for 450 Mental Health First Aiders and training for a further 315 colleagues to become Mental Health Champions. The necessary changes in our business model created opportunities for our colleagues to be redeployed across the business to areas where there was the greatest need. This enabled them to learn new skills and benefit from new experiences. We redeployed 700 colleagues to support contact centres and increased the number of colleagues trained to be ShopLive enabled from 20 in April 2020 to 2,800 by January 2021. We also provided almost 600,000 hours of learning during the year and upskilled over 6,000 front line colleagues in our new selling framework LIFE.

The above investments have contributed to a double digit increase in the UK&I engagement scores, and an industry leading overall engagement score for the Group.

Our customers

Despite our UK stores being shut, we continued to help our customers with the technology they needed by moving from being a business with 25% online penetration to 100% overnight. This significant change in operation did lead to some customer challenges, which were identified and resolved over time. We invested in training and resourcing, which meant by year end service levels were significantly better. There is more to do, but innovations such as zero contact order & collect and ShopLive have been welcomed by our customers and are a significant part of our omnichannel future.

Government support

We are grateful for government support received during the pandemic. This was used to successfully preserve jobs during lock down and we did not make any Covid-related redundancies in the year. Given our strong financial position at year end, we reimbursed all of the £73m received in furlough support in the year in respect of our UK&I colleagues and made the early payment of £144m of VAT deferred by the UK Government.

Our shareholders

Our share price has recovered since the depth of the crisis and we believe we remain on track for a much more valuable business for shareholders in the longer term, albeit some elements of the transformation have been delayed 6 to 12 months by the crisis. We've closed the year with a significantly strengthened balance sheet, new debt facilities and remain on track for our medium-term guidance of more than £1bn of cumulative free cash flow over 2019/20 to 2023/24. As we look forward with optimism the Board has decided to restart a full dividend of 3.0p for the full year 2020/21.

Our communities

Our purpose, to help everyone enjoy amazing technology, goes beyond ensuring customers can choose, afford and enjoy the right technology. During the year, we pledged £1m to help close the digital poverty gap and tackled isolation among older people whilst committing to further reducing our environmental impact.

We launched our first 'Go Greener' marketing campaign and have collaborated with The British Retail Consortium on a Climate Action Roadmap to achieve Net Zero by 2040 – a target also set for the Group. We've introduced our first electric vans as we move to electric vehicles by 2030 as part of Climate Group EV100. We have maintained our FTSE4Good status, scored in the top decile of ISS's ESG Environment rating and set out our first disclosures against the Taskforce for Climate-related Financial Disclosures Framework.

Our colleagues have a vital role to play here, and we have introduced two new environmental metrics into our annual bonus scorecard from 2021/22 to align our ESG goals with our reward framework.

2020/21 remuneration

Base salary

Due to the impact of Covid-19, all members of the Board agreed to a temporary 20% reduction in base pay and fees during the period April to June 2020.

Annual performance bonus

Annual performance bonus in respect of 2020/21 was based on achievement of stretching targets against four metrics of EBIT (50%), average net debt (20%), net promoter score (15%) and employee engagement (15%). Bonus arrangements also included a potential clawback facility in relation to 'Treating Customers Fairly'.

The formulaic outcome given the above performance was 88% of maximum for the Executive Directors. Full details on the targets set and performance against them can be found on page 117. The Committee considered whether or not to adjust the formulaic outcome and decided it was satisfied that the outcome is both fair and appropriate given the financial performance delivered in a difficult year and the wider stakeholder experience outlined above. The Committee were also mindful that no 2019/20 bonuses were paid to the Executive Directors, despite the fact that bonus targets were on track prior to the negative impact of the first lockdown in March 2020. Therefore, for the avoidance of doubt no Committee discretion was exercised in respect of the formulaic outcome for 2020/21.

One third of bonus payments to Executive Directors will be deferred into shares for a period of two years.

REMUNERATION REPORT CONTINUED

LTIP

The 2018 LTIP award was subject to relative TSR (50%) and cumulative free cash flow (50%) targets measured over three years. Based on the achieved level of performance, the threshold required for vesting for the TSR element was not met but the free cash flow achieved a vesting percentage of 100%. The cumulative cash flow achieved was £698m against a target of £574m. Overall LTIP vesting was therefore 50%.

Again, the Committee considered whether or not to make an adjustment to the formulaic outcome. In the course of its deliberations the Committee noted that the positive impact of government Covid support was more than counterbalanced by the negative impact of Covid store closures. Overall therefore, it decided that it was satisfied that the outcome is both fair and appropriate given the cash flow performance delivered and the wider stakeholder experience outlined above.

Vested shares will be subject to a further two-year holding period.

Full details on the targets set and performance against them can be found on pages 119 and 120.

2021/22 remuneration

Base salary

The Committee reviewed Alex Baldock's salary as at 1 May 2021 and, in the light of his leadership through the pandemic and the two years since he last received an uplift, applied an increase of 1.5% to £880,000, effective 1 August 2021. This level of increase is below the level of increase applied to the wider workforce. The average increase for the UK&I Corporate Head Office population is circa 2%, effective 1 August 2021 and 2.7% for the Nordics, effective 1 April 2021. The move to Real Living wage payments in October 2021 will give an average increase of 9% for our hourly paid UK colleagues.

Pension

Bruce Marsh will receive a 3% pension allowance on joining the Company, in line with the wider workforce. Alex will continue to receive a 10% pension allowance for 2021/22, however the Committee confirms that this allowance will be aligned with the majority of the wider workforce by the end of 2022.

Annual performance bonus – metrics, weightings and reasons for change against the prior financial year

As in previous years, the annual performance bonus will be subject to the achievement of stretching adjusted EBIT, average net debt, customer net promoter score and employee engagement targets, and a potential clawback facility in relation to 'Treating Customers Fairly'.

In addition to these measures, the Committee has decided to introduce an additional environmental focus, based on recycling by increasing e-waste Take Back and reducing our Scope 1 and 2 Carbon Emissions. These measures are reflected and deeply embedded in our strategy, are the right thing to do – and meet the growing expectation from our colleagues, customers and shareholders to focus on the climate agenda. ESG measures (including customer net promoter score and employee engagement) will now represent 40% of the annual bonus weighting.

LTIP

As in prior years, 2021/22 LTIP 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 a bespoke comparator group comprised of 21 European Special Lines Retailers. The remaining half of the awards will be subject to the achievement of a cumulative free cash flow target. This year, we plan to set the targets and make the awards after we have announced our annual results, to ensure that we have targets in place that are both stretching for participants and also fully reflective of how shareholders and the market view the long-term performance of the business. We will fully disclose the award details and targets at the time of the grant announcement and also include them in next year's Remuneration Report.

Executive director changes

As announced in January, Bruce Marsh will be appointed as Group Chief Financial Officer with effect from 12 July 2021. Bruce's remuneration arrangements will be in line with our shareholder-approved Remuneration Policy. Further detail (including the award to be made in compensation for incentives forfeited at his previous employer) are set out on page 128.

Jonny Mason, current Group Chief Financial Officer, will remain in his existing role to ensure a seamless and orderly transition during July. His termination arrangements are in line with the shareholder-approved Remuneration Policy. His contractual notice period is 12 months from the date of notice (20 January 2021). After termination, payment in lieu of notice will be paid in instalments until the end of his notice period or if earlier, the date on which alternative employment is secured or alternative engagements with the same or higher salary / fee is received. Jonny will receive payment of the 2020/21 bonus, with two thirds in cash and one third deferred into shares for two years. The Committee has determined that Jonny will receive good leaver status in respect of his outstanding Buy-out, LTIP and Deferred Share Bonus Plan awards taking account of his significant contribution to the strong profit and cash flow performance in the year and ongoing efforts supporting a successful transition to the new CFO. The Buy-out and LTIP awards will be pro-rated for his period of employment and the LTIPs will retain their performance conditions. For the avoidance of doubt Jonny will not be eligible for a 2021/22 bonus or LTIP grant.

I hope you find that this report clearly explains the remuneration approach we have taken and how we will implement the Policy in 2021/22. We have sought to ensure that a balanced approach has been taken for all stakeholders based on their experiences during the year. As always, we would welcome any feedback or comments on this Report. We look forward to your continued engagement and thank you for the feedback provided to date.

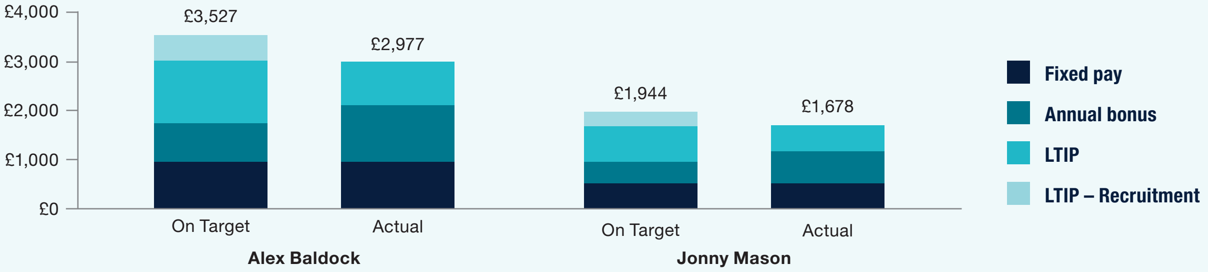
Tony DeNunzio CBE
Chair of the Remuneration Committee
29 June 2021

REMUNERATION AT A GLANCE

		2020/21	2021/22 proposed
BASE SALARY		• CEO (Alex Baldock) – £867,000 • CFO (Jonny Mason) – £479,400 Note: Due to the Covid-19 impact, the Executive Directors agreed to a 20% reduction from the above salaries with effect from 5 April 2020 to 28 June 2020	• CEO (Alex Baldock) – £880,000 • CFO (Bruce Marsh) – £415,000
ANNUAL PERFORMANCE BONUS	**Maximum opportunity**	• 150% of base salary • One third deferred into shares for a period of two years	• 150% of base salary • One third deferred into shares for a period of two years
	Performance metrics (weighting)	• EBIT (50%) • Average net debt (20%) • ESG (30%) – Net Promoter Score (15%) – Employee engagement (15%) • EBIT underpin and "Treating Customers Fairly" clawback	• EBIT (45%) • Average net debt (15%) • ESG (40%) – Net Promoter Score (15%) – Employee engagement (15%) – Environmental (10%) – E-waste Take Back volumes (5%); and – Progress to Net Zero (5%) • EBIT underpin and "Treating Customers Fairly" clawback
LTIP	**Maximum opportunity**	• 200% of base salary Note: Scaled back by 20% from 250% maximum, in recognition of share price movements and shareholder experience	• 250% of base salary
	Performance metrics (weighting)	• TSR relative to a bespoke group of UK and European retailers (50%) • Cumulative free cash flow (50%)	• TSR relative to a bespoke group of UK and European retailers (50%) • Cumulative free cash flow (50%)
SHARE OWNERSHIP GUIDELINES		• 200% of salary to be achieved within five years of appointment • For new appointments, shares to the value of 200% of salary must be retained for the first year post-cessation and 100% for the second year	• 200% of salary to be achieved within five years of appointment • For new appointments (Bruce Marsh), shares to the value of 200% of salary must be retained for the first year post-cessation and 100% for the second year

TOTAL REMUNERATION EARNED IN THE YEAR

The chart below reflects the on-target and actual remuneration outcomes for 2020/21, and includes the performance related 2018 LTIP awards made on recruitment.



REMUNERATION REPORT CONTINUED

INTRODUCTION

The purpose of this Report is to inform shareholders of the Company's Directors' remuneration for the year ended 1 May 2021 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 5 September 2019 and is effective from that date. The Annual Remuneration Report will be put to an advisory vote at the Annual General Meeting.

The next Directors' Remuneration Policy will be put to shareholders at the AGM, expected to be held during September 2022.

The role of 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 5 of the Code and has paid close regard to the principles of clarity, transparency, risk management, proportionality and alignment to culture and strategy. The Committee 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

The policy set out here is the version approved by shareholders other than minor updates to certain sections such as the Remuneration Committee objectives, illustration of remuneration policy, shareholder and employee consultation and dilution limits.

The actual version which was approved by shareholders can be found in the annual report and accounts 2018/19.

In August 2019, notwithstanding the Policy flexibility to pay up to 10% of base salary as a pension contribution (or cash allowance in lieu of a pension), the Committee announced that the pension contributions for any new Executive Directors would be aligned to pension contributions of the wider workforce.

Remuneration strategy

Put simply, our aim is to generate superior returns for our shareholders and the key to achieving this is our colleagues. Our remuneration strategy is therefore designed to motivate high-performing colleagues 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 so that it 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;
- the remuneration arrangements and policy 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 colleagues. 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 at market level taking into consideration FTSE51-150 and retailers of a similar size. Salaries for new appointments as Executive Directors will be set in accordance with the Recruitment Policy set out on pages 110 and 111. The Committee takes into consideration the impact of base salary increases on the package as a whole, as other elements of pay (such as pension contributions) are generally based on a percentage of salary.
Maximum opportunity	Ordinarily, increases for Executive Directors will be in line with increases across the Group. Increases beyond those granted across the Group may be awarded in certain circumstances, such as changes in responsibilities, progression in the role and significant increases in the size, complexity or value of the Group. Salary levels for current Directors are shown in the Annual Remuneration Report.
Performance assessment / targets	Salaries are normally reviewed annually by the Committee at the appropriate meeting having due regard to the individual's experience, performance and added value to the business.

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

REMUNERATION REPORT CONTINUED

PENSION (FIXED PAY)	
Purpose and link to strategy	A pension is provided which is consistent with that provided to other Corporate employees in the UK 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	Current Executive Directors will receive 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. Any Executive Director appointed after 5 September 2019 will receive a pension contribution in line with the level paid to the majority of the UK workforce across the Group, up to 10% of base salary, which can be taken in whole or in part as a cash allowance in lieu of pension.
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 20% of the maximum potential award is payable. A sliding scale determines payment between the minimum and maximum bonus payable. The annual bonus is typically determined in June based on the audited performance over the previous financial year. One third of any bonus earned will be deferred into shares for a period of two years, with the remaining two-thirds paid in cash. Any bonus earned is non-pensionable. Where any bonus is deferred dividends (or equivalents) may accrue. 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, calculation error, reputational damage and corporate failure, 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 150% 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 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. No more than 25% of the maximum will be payable for threshold level of performance. 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, calculation error, reputational damage and corporate failure, enabling performance adjustments and / or recovery of sums already paid. These provisions will apply for up to three years after vesting. If employment ceases during the vesting period, awards will ordinarily lapse in full, unless the Committee exercises its discretion. The Committee has the discretion in certain circumstances to grant and / or settle an award in cash. For the Executive Directors this would only be used in exceptional circumstances. In the event of a change of control, any unvested awards will vest immediately, subject to satisfaction of performance conditions and reduction on a time-apportioned basis.
Maximum opportunity	Grants under the LTIP are subject to overall dilution limits. The normal maximum grant per participant in any financial year will be a market value of 250% of base salary, with up to 375% in exceptional circumstances, e.g. recruitment. More details on the proposed award levels for Executive Directors in 2021/22 are set out in the Annual Remuneration Report on page 128 and full details will be disclosed at grant.
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 financial metrics such as free cash flow. The Committee retains the flexibility to introduce new measures in the future if considered appropriate given the business context, although TSR and free cash flow will each not be weighted any less than 30% of the total award. Material changes will be subject to consultation with major shareholders. The actual metrics applying for each award will be set out in the Annual Remuneration Report and any changes in the metrics will be explained.

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 the Group all-employee share schemes, but not the Colleague Shareholder Scheme, on the same terms as other eligible employees.
Maximum opportunity	The same limits apply to Executive Directors as to all other participants in the schemes and are in line with the appropriate regulations. The Committee reserves the right to increase the savings limits for future schemes in accordance with the statutory limits in place from time to time.
Performance assessment / targets	None of the schemes are subject to any performance conditions.

REMUNERATION REPORT CONTINUED

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, with a five-year period in which to reach these limits. Executive Directors are also required to retain a proportion of these shares post the cessation of employment. 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 during employment. Any Executive Director appointed after 5 September 2019 will also be required to retain shares equivalent to 200% of their base salary on leaving for a period of 12 months and then 100% of their base salary for a further period of 12 months.
Details of the Directors' shareholdings are shown in the table on page 126	

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

(1) The Committee intends to honour all commitments previously provided to Executive Directors and current employees.

Selection of Performance Metrics

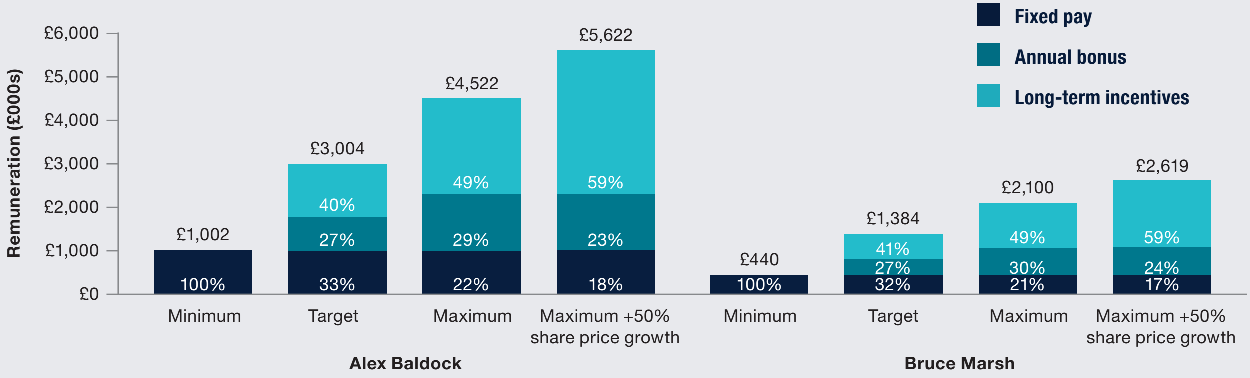
The policy provides flexibility for the Committee to determine the measures to be used in the Annual Performance Bonus and the LTIP. The measures used currently, and their purposes are set out below.

Measure	Where used	Purpose
EBIT	Annual Performance Bonus	Key measure of annual financial delivery
Average net debt	Annual Performance Bonus	Focus on the business's cash position
Net promoter score	Annual Performance Bonus	Captures the overall perception of our business in the eyes of our customers
Employee engagement	Annual Performance Bonus	Reflects how well we engage our colleagues – a factor which we know to be a key driver of retention and performance
Cumulative free cash flow	LTIP	A principal measure of the financial health of the business including the management of working capital, captured over a multiyear period
Relative TSR	LTIP	Seeks to measure the growth in shareholders' investment in Dixons Carphone (share price movements plus dividends paid) relative to other similar companies

Illustration of Remuneration Policy

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

Remuneration Policy scenario chart



(1) Fixed pay is based on the base salary payable at 1 August 2021, taxable benefits and pension contributions.

(2) Annual variable pay represents the annual performance bonus entitlement. No bonus is assumed at the minimum performance level. Target performance assumes a payment of 90% of salary (i.e. 60% of maximum) and at maximum performance a payment of 150% of base salary.

(3) Long-term incentives relate to the LTIP. No awards vest at the minimum performance level. Target performance assumes a vesting of 137.5% of salary (i.e. 55% of maximum award) and maximum performance vesting of 250% of salary.

(4) The chart above does not take into account the impact of share price appreciation, other than the fourth bar, which assumes a growth in the share price of 50% over the vesting period for LTIP awards.

Remuneration Committee discretions

The Committee operates the annual performance bonus plan, LTIP 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.

REMUNERATION REPORT CONTINUED

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. The Committee also takes into consideration remuneration guidance issued by leading 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. In addition, the International Colleague forum is in place to unify the country forums into a single listening and engagement forum for colleagues. Tony DeNunzio, the Deputy Chair and Senior Independent Director attends the UK forum meetings with the Chief People Officer and Andrea Gisle Joosen, Independent Non-Executive Director, attends the Nordics colleague forum meetings. Attendance at these forums provides a welcomed opportunity to directly engage with the wider workforce and to bring colleagues' views to both the Committee and Board discussions. In 2020/21, the forums were instrumental in supporting a number of critical business initiatives, such as the implementation of a single payroll across the UK&I business, and consultation on changes to key pay policies, as well as influencing the agenda on issues that matter most to our colleagues, such as wellbeing. In addition, we 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 colleagues 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.

The Company actively encourages wide employee share ownership. The Colleague Shareholder Scheme provides the opportunity for all colleagues, subject to eligibility criteria, to become shareholders in the Company and the Company has put in place the structure and plan rules for a SIP, for introduction at a future date. In addition, the Group's UK & Irish employees, who meet the eligibility criteria, are already invited to join the Company's UK and Ireland approved SAYE.

Discretionary share plans are also 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.

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 the 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 and the provision of benefits. This discretion will not be used in respect of pension contributions in excess of the Committee's commitment to ensure that any newly appointed Executive Director will receive a pension contribution in line with the level paid to the majority of the UK workforce across the Group;
- 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, at the time of award, the level of the award, the performance conditions and time horizon that would apply to such awards, taking into account the strategy and business circumstances of the Company.

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

In addition to the annual remuneration elements noted above, the Committee may consider buying out, on a like-for-like basis, bonuses and / or incentive awards that an individual forfeits from a previous employer in accepting the appointment. The Committee will have the authority to rely on Listing Rule 9.4.2(2) or exceptional limits of awards of up to 375% of base salary within the LTIP. 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 Chair of the Board 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 Chair of the Board 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 FOR EXECUTIVE DIRECTORS

Area	Feature	Policy
Service contract and incentive plan provisions	• Notice period • Entitlements on termination • Restrictive covenants • Variable elements	• Up to 12 months from either side. • As summarised in the Policy on loss of office. • Provisions for mitigation and payment in lieu of notice. • Gardening leave provisions. • Non-compete, non-solicitation, non-dealing and confidentiality provisions. • The Committee has the discretion to determine whether an individual shall participate in any incentive in the year of appointment. • The Committee shall have the discretion to determine appropriate bonus performance targets if participating in the year of appointment.
Annual remuneration	Base 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 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 base 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.

REMUNERATION REPORT CONTINUED

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 performance 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 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 Alex Baldock and Jonny Mason;
- sick pay; and
- notice periods whereby Alex Baldock has a notice period of 12 months from either party and Jonny Mason has a notice period of 12 months from the Company and six months from him.

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

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

Letters of appointment

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

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

External appointments

The Board supports Executive Directors should they chose to take non-executive directorships as a part of their continuing development and agrees that the Executive Directors may retain their fees from one such appointment. Currently neither of the Executive Directors hold any non-executive directorships.

Dilution Limits

All the Company's equity-based incentive plans incorporate the current Investment Association Share Capital Management Guidelines ('Guidelines') on headroom which provide that overall dilution under all plans should not exceed 10% over a ten-year period in relation to the Company's issued share capital (or reissue of treasury shares). In addition, the LTIP operates with a 5% in ten-year dilution limit (excluding historic discretionary awards). The Company regularly monitors the position and prior to making any award the Company ensures that it will remain within these limits. Any awards which will be satisfied by market purchase shares are excluded from such calculations. As at 29 June 2021, the Company's dilution position, which remains within the current Guidelines, was 4.7% for all plans (against a limit of 10%) and 2.7% for the LTIP (against a limit of 5%).

REMUNERATION COMMITTEE REPORT

2020/21 HIGHLIGHTS

- Approving a new Group reward framework and pay review process for the wider UK&I workforce
- Approving challenging targets for the 2020/21 annual performance bonus and long-term incentives in light of the impacts of Covid-19 and a particularly challenging and uncertain environment
- Approving the inclusion of an environmental measure in the 2021/22 annual performance bonus design
- Agreeing the leaving terms for Jonny Mason and the joining terms for Bruce Marsh
- Completed a tender process and appointed new executive remuneration advisers

FURTHER INFORMATION

www.dixonscarphone.com

Committee Terms of Reference last approved: 21 January 2021.

The biographical details for each Committee member are available on pages 68 and 69.

COMMITTEE MEMBERS	Meeting Attendance
Tony DeNunzio (Chair)	8/8
Andrea Gisle Joosen	8/8
Gerry Murphy	8/8
	(five scheduled and three ad hoc)

NUMBER OF MEETINGS

8

Remuneration Committee purpose

The Board has delegated to the Committee responsibility for determining policy in relation to the remuneration packages for Executive Directors, the Chair of the Board and other senior management that promote the long-term sustainable 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. 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 also makes recommendations and monitors the level and the overall reasonableness of the structure of remuneration for the general workforce. The Committee approves the service agreements of each Executive Director, including termination arrangements and considers the achievement of the performance conditions under annual and long-term incentive arrangements.

Meetings

Only members of the Remuneration Committee are entitled to attend Committee meetings. The Chair of the Board, Group Chief Executive, Group Chief Financial Officer, General Counsel and Company Secretary, Chief People Officer, Group Reward Director, Head of Executive Reward and Share Plans and other members of senior management, and representatives from the Company's remuneration advisor (Willis Towers Watson) attended the relevant Committee meetings by invitation.

No directors participate in discussions about their own remuneration.

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

The Committee meets as and when required and at least twice a year. The biographical details for each Committee member are available on pages 68 and 69.

The Committee has the following principal duties:

- making recommendations to the Board on the Company's framework of executive remuneration;
- determining the fees of the Chair of the Board and Deputy Chair;
- considering and making recommendations to the Board on the remuneration of the Executive Directors and senior management relative to performance and market data;
- approving contracts of employment which exceed defined thresholds of total remuneration or have unusual terms or termination periods;
- considering and agreeing changes to the Remuneration Policy or major changes to employee benefit structures;
- reviewing the reward and benefits structures across the group for all levels of colleagues; and
- approving and operating employee share-based incentive schemes and associated performance conditions and targets.

REMUNERATION COMMITTEE REPORT CONTINUED

Activities during the year

The principal activities of the Committee during 2020/21 included:

- reviewing and approving the Directors' Remuneration Report;
- assessing the performance of Executive Directors against pre-determined targets set for the 2019/20 annual performance bonus;
- agreeing the design of the 2020/21 annual performance bonus including performance measures and targets;
- agreeing the design of the 2020/21 share awards including the performance measures and reviewing the TSR peer group;
- reviewing the 2021/22 annual performance bonus design, including the approval of the inclusion of an environmental measure;
- agreeing new CFO and departing CFO remuneration arrangements;
- agreeing Executive Director pension alignment;
- approving share awards to senior management and SAYE and Colleague Shareholder for the wider workforce; under the 2016 Long Term Incentive Plan;
- assessing the performance of the CEO's joining LTIP and approving the vesting of his Buy-out Award;
- undertaking a tender process and appointing Willis Towers Watson as executive remuneration advisers to the Committee;
- approving a new framework for workforce reward and a new pay review process;
- monitoring the developments in the corporate governance environment and investor expectations; and
- monitoring and ensuring alignment of remuneration practices across the Group.

REMUNERATION DETAILS FOR 2020/21

The following sections set out how the Remuneration Policy was implemented during 2020/21 and how it will be implemented for the following year.

Single figure of Directors' remuneration for the year ended 1 May 2021 (audited information)

	Base salary and fees(1) £'000	Pension contributions(3) £'000	Taxable benefits(4) £'000	Total fixed remuneration £'000	Annual perfor-mance bonus £'000	Deferred Share Award £'000	LTIP payments(5) £'000	Total variable remuneration £'000	Total remuneration £'000
Executive									
Alex Baldock(2)	843	85	34	962	763	381	871	2,015	2,977
Jonny Mason(2)	466	47	13	526	422	211	519	1,152	1,678
	1,309	**132**	**47**	**1,488**	**1,185**	**592**	**1,390**	**3,167**	**4,655**
Non-Executive									
Eileen Burbidge(2)	63	–	–	63	–	–	–	–	63
Tony DeNunzio(2)	136	–	–	136	–	–	–	–	136
Andrea Gisle Joosen	68	–	–	68	–	–	–	–	68
Lord Livingston of Parkhead(2)(6)	292	–	–	292	–	–	–	–	292
Fiona McBain(2)	73	–	–	73	–	–	–	–	73
Gerry Murphy(2)	68	–	–	68	–	–	–	–	68
	700	**0**	**0**	**700**	0	0	0	0	700
	2,009	**132**	**47**	**2,188**	**1,185**	**592**	**1,390**	**3,167**	**5,355**

(1) Due to the impact of Covid-19, all members of the Board agreed to a temporary 20% reduction in base pay and fees from 5 April 2020 to 28 June 2020. Base pay amounts waived by Alex Baldock and Jonny Mason for the period from 3 May 2020 to 28 June 2020 were £26,654 and £14,738, respectively.

(2) On 6 August 2020, in order to align all payroll dates across the UK&I business, all colleagues who were paid on a monthly payroll moved onto a four weekly payroll cycle. On this basis, those Executive Directors and Non-Executive Directors previously on a monthly pay frequency also changed their pay frequency.

(3) Pension contributions comprise the Company's contribution or allowance in lieu. The contribution amount was 10% of salary for Alex Baldock and Jonny Mason.

(4) Taxable benefits for Executive Directors include private medical insurance and car allowance or driver benefit amounts. £30,798 for Alex Baldock relates to the grossed-up element payable to cover the tax liability for his car and driver, arising from business activities considered taxable by HMRC. In addition, for Alex Baldock the benefits also includes the gain resulting from the 2020 Sharesave grant, in which he participates on the same basis as all eligible employees.

(5) Share plans vesting represent the value of LTIP awards where the performance period ends on 1 May 2021 and are based on a share price of £1.3065, being the three-month average to 1 May 2021 and an estimate of the accrued dividend equivalent up to 1 May 2021 using the same share price. Jonny Mason's award has been prorated for service to his termination date. The proportion of the value of the LTIP that is attributable to share price depreciation (the depreciation being the difference between the face value at the date of award and the vested value of the award) is 33%.

(6) Ian Livingston has a deferred pension in the Dixons Retirement and Employee Security Scheme.

ANNUAL REMUNERATION REPORT 2020/21 CONTINUED

Single figure of Directors' remuneration for the year ended 2 May 2020 (audited information)

	Basic salary and fees[1] £'000	Pension contributions[2] £'000	Taxable benefits[3] £'000	Total fixed remuneration £'000	Annual bonus £'000	LTIP payments £'000	Total variable remuneration £'000	Total remuneration £'000
Executive								
Alex Baldock	850	85	103	1,038	0	0	0	1,038
Jonny Mason	470	47	13	530	0	0	0	530
	1,320	**132**	**116**	**1,568**	**0**	**0**	**0**	**1,568**
Non-Executive								
Eileen Burbidge	64	0	1	65	0	0	0	65
Tony DeNunzio	138	0	2	140	0	0	0	140
Andrea Gisle Joosen	70	0	5	75	0	0	0	75
Lord Livingston of Parkhead[4]	296	0	1	297	0	0	0	297
Fiona McBain	74	0	6	80	0	0	0	80
Gerry Murphy	69	0	0	69	0	0	0	69
	711	**0**	**15**	**726**	**0**	**0**	**0**	**726**
	2,031	**132**	**131**	**2,294**	**0**	**0**	**0**	**2,294**

(1) Due to the impact of Covid-19, all members of the Board agreed to a temporary 20% reduction in base pay and fees from 5 April 2020 to 28 June 2020. Base pay amounts waived by Alex Baldock and Jonny Mason for the period from 5 April 2020 to 2 May 2020, were £12,480 and £6,900, respectively. Andrea Gisle Joosen is paid on a lunar payroll cycle and therefore the impact of the 20% reduction on basic fees paid in the financial year is slightly different than for other Non-Executives, who are on a monthly payroll cycle. The reduction was applied from 5 April 2020 for all.

(2) Pension contributions comprise the Company's contribution or allowance in lieu. The contribution amount was 10% of salary for Alex Baldock and Jonny Mason.

(3) Taxable benefits for Executive Directors include private medical insurance and car allowance or driver benefit amounts. £101,863 for Alex Baldock relates to the grossed-up element payable to cover the tax liability for his car and driver, arising from business activities considered taxable by HMRC. For non-Executive Directors they include routine travel expenses relating to travel, accommodation and subsistence costs incurred in connection with attendance at Board meetings and other Board business during the year, which are considered taxable by HMRC.

(4) Ian Livingston has a deferred pension in the Dixons Retirement and Employee Security Scheme.

Annual performance bonus for 2020/21 (audited information)

The maximum bonus opportunity for Executive Directors was 150% of base salary based on performance in the 12-month period to the end of the financial year. The base salary used for the annual bonus calculation was the full annual base salary before the 20% voluntary reduction in pay. This is consistent with the approach taken for the wider workforce colleagues in a similar position. The maximum is payable at the maximum level of performance, 20% of the maximum opportunity is payable on achievement of threshold performance (30% of base salary) and 60% on achievement of target performance (90% of base salary). No bonus is payable if the minimum EBIT threshold is not achieved.

The Committee determined at the beginning of the year that the disclosure of performance targets was commercially sensitive and therefore these were not disclosed in last year's Directors' Remuneration Report. This was because targets were set within the context of a longer-term business plan and this disclosure could give information to competitors to the detriment of business performance. The Committee has, however, disclosed in the table below the targets on a retrospective basis and the actual performance against these. Although EBIT targets were calibrated somewhat lower than those for 2019/20, the Committee were comfortable that the 2020/21 targets when set represented an appropriately stretching level of performance in the context of the plan approved by the Board, market consensus and expectations, particularly taking into account the anticipated impact of Covid-enforced store closures. The Committee has a robust process for considering and calibrating performance targets, taking into account internal and external expectations, which ensures that they represent a significant stretch which corresponds to the creation of value for shareholders.

Actual 2020/21 performance against the targets was substantially better than could have been expected at the beginning of the year and substantially better than in 2019/20 as evidenced below:

Measure	As a percentage of maximum bonus opportunity	Threshold	Target	Maximum	Actual	Potential Bonus % Achieved
Adjusted EBIT(1)	50%	£139m	£159m	£199m	£213m (vs £194.4m 2019//20)	50%
Average net (debt)(2)	20%	(£353m)	(£303m)	(£253m)	£207m (vs (£418m) 2019/20)	20%
Customer Net Promoter Score(3)	15%	65	66	67	65 (vs 67.9 2019/20)	3%
Employee engagement score	15%	64.5	66.2	67.8	67.8 (vs 62 2019/20)	15%
Total						**88%**
Total Awarded						**88%**

(1) EBIT target and ranges were set at the beginning of the financial year using figures excluding IFRS 16. The actual outcome is therefore shown on this basis also (in comparison to elsewhere in the Annual Report and Accounts which disclose Adjusted EBIT after it has been restated for the impact of IFRS 16).

(2) Average net debt has improved significantly compared to the bonus target set at the start of the year. The business forecasted a financial downturn as a result of Covid-19 however performance has been much stronger. The bonus outcome would have been the same when excluding any impact of government support. Average net debt targets and outcome includes IAS 17 Finance leases.

(3) The Group Customer NPS results for 2019/20 and 2020/21 are not directly comparable because there was a change in both the UK&I channel and brand mix between the two years.

- The UK&I brand mix between Curry's PC World and Carphone was updated from 70%/30% (2019/20) to 90%/10% (2020/21) due to the closure of the Carphone standalone stores.
- Also, due to closure of stores during the pandemic the channel mix shifted between instore to online and so the channel mix was changed from 70% instore and 30% online (2019/20) to 45% instore and 55% online (2020/21).

The Committee is comfortable that the 2020/21 targets were no less stretching than those set for 2019/20, but a direct comparison between the two sets of results cannot be made.

The Treating Customers Fairly (TCF) withholding condition applies to all Executive Directors. This states that the company must perform at a rate of 90% or better on the “Must Do” assessment regarding regulated products. If this isn’t met then 10% of the bonus must be withheld. The TCF outcome for 2020/21 was 93.75%, and therefore, the 10% withholding has not been applied.

The Committee considered whether or not to adjust the formulaic outcome of 88% of maximum and decided it was satisfied that the outcome is both fair and appropriate given the strong financial performance delivered in a difficult year and the wider stakeholder experience outlined in the Remuneration in context section on pages 100 and 101. The Committee were also mindful that no 2019/20 bonuses were paid to the Executive Directors, even though bonus targets were on track prior to the negative impact of the first lockdown in March 2020. Therefore, for the avoidance of doubt no Committee discretion was exercised in respect of the formulaic outcome outlined above.

LTIP and other share awards (audited information)

LTIP Awards made during 2020/21

Nil cost option awards of 200% of base salary were made to Executive Directors on 19 August 2020.

As described in the 2020 Directors’ Remuneration Report, the Committee determined it appropriate to scale back the number of shares awarded to the Executive Directors from the maximum award level of 250% of salary. This decision was taken in response to shareholders’ feedback on this matter in the prior year and the previous fall in the share price; however the Committee also took into account the strong recovery in the share price since the 2019 award and prior to the onset of the pandemic. Based on this evidence, the Committee determined that Executive Directors’ awards should be scaled back by 20% (i.e. to 200% of salary).

ANNUAL REMUNERATION REPORT 2020/21 CONTINUED

The Committee also chose to delay the setting of the targets for the awards and therefore the grant date of the awards to August 2020 in order to allow time for a clearer picture to emerge on the effect of the first lockdown and to gauge the market expectation of the long-term performance of the business. In order to ensure that this delay did not result in an undue benefit or penalty to participants, the Committee set the number of shares to be awarded under the LTIP using the share price on 10 July 2020 (87.05p). It re-confirmed this decision on the day prior to grant (being 18 August 2020) when targets were set, noting that the share price had not moved significantly in the meantime, closing on that date at 87p.

The performance period for the awards is the three financial years up to the end of the 2022/23 financial year and they have two equally weighted performance conditions. Half of the awards will be subject to the achievement of a relative TSR performance condition, measured against a bespoke comparator group comprised of 21 European Special Lines Retailers and other comparable companies at the start of the performance period. The list of companies included in the group is provided below.

The relative TSR condition will be assessed over the three-year performance 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%

Comparator Group: AO World, Ceconomy AG, Dufry AG, Dunelm Group, Fenix Outdoor International AG, Fielmann AG, FNAC Darty SA, Frasers plc, Grandvision N.V., JD Sports Fashion, Kingfisher, Maisons Du Monde S.A., Marks & Spencer Group., Mobilezone Holding AG, Pets At Home Group, SMCP S.A.S., Superdry, Valora Holding AG, WH Smith, XXL ASA, Zur Rose Group AG.

The free cash flow performance condition is measured cumulatively over the three-year performance period. The percentage of the award vesting will be as follows:

Cumulative free cash flow up to the end of the 2022/23 financial year	% of the free cash flow element vesting
Below £312m	0%
£312m	10%
Between £312m and £368m	Pro rata between 10% and 25% on a straight-line basis
£368m	25%
Between £368m and £423m	Pro rata between 25% and 100%
Above £423m	100%

The free cash flow targets were set taking into account a number of inputs including market consensus at the time of the award and the external environment within which the Company is operating, including the anticipated impact of Covid-enforced store closures. Although free cash flow targets were calibrated somewhat lower than those for the award in the previous year, the Committee were comfortable that they represented appropriately stretching levels of performance given the anticipated impact of Covid at the time the awards were made. As always, the Committee will consider the level of performance achieved at the end of the performance period and would be prepared to exercise discretion if the formulaic outcome was not appropriate or aligned with the shareholder experience.

Calculations of the achievement against the targets will be independently performed and approved by the Committee. Free cash flow is defined in the glossary on page 218; however the Committee retains discretion to adjust for exceptional items which impact cash flow 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, calculation error, reputational damage and corporate failure, enabling performance adjustments and / or recovery of sums already paid. These provisions will apply for up to three years after vesting.

The awards are subject to a 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.

The table below sets out the LTIP awards made to the Executive Directors in 2020/21:

	Nil cost options awarded	Share price at date of award £	Face value(1) £	End of performance period	Vesting date	Minimum value at threshold vesting(2) £
Alex Baldock – 200% of salary(3)	1,991,959	0.875	1,742,964	1 May 2023	19 August 2023	305,019
Jonny Mason – 200% of salary(4)	1,101,436	0.875	963,757	1 May 2023	19 August 2023	168,658

(1) The face value is calculated based on the number of options awarded multiplied by the share price at the date of award on 19 August 2020, being 87.5p.

(2) The minimum value at threshold vesting is calculated on 50% of the award operating with a threshold vesting of 25% of maximum, and 50% with a threshold vesting of 10% of maximum. Value calculated using the share price at the grant date of the award (87.5p).

(3) Nil cost option awards were made to Alex Baldock on 19 August 2020. The Committee set the number of shares to be awarded using the share price on 10 July 2020 (87.05p).

(4) Nil cost option awards were made to Jonny Mason on 19 August 2020. The Committee set the number of shares to be awarded using the share price on 10 July 2020 (87.05p).

Vesting of awards made under 2016 LTIP (audited information)

Nil cost option awards equivalent to 275% of base salary were made to Alex Baldock on 22 June 2018 and Jonny Mason on 13 August 2018. The performance period for the awards was the three financial years up to the end of the 2020/21 financial year and there were two equally weighted performance conditions. Half of the awards were subject to the achievement of a relative TSR performance condition, measured against the companies ranked FTSE 51-150 from the start of the performance period. The remaining half of the awards was subject to the achievement of a cumulative free cash flow target.

The performance period for these awards ended on 1 May 2021.

The performance measures for the award and the outcomes are shown below.

TSR Target

Level of Performance	Below Threshold	Threshold	Maximum	Achieved
TSR Performance over performance period	Below Median	Median	Upper Quartile	Below Median
Vesting Level	0%	25%	100%	0%

Cumulative free cash flow

Level of Performance	Below Threshold	Threshold	Target	Maximum	Achieved
Cumulative free cash flow over the performance period	Below £517m	£517m	£574m	£689m	£698m
Vesting %	0%	10%	25%	100%	100%

Based on the achieved level of performance, the threshold required for vesting for the TSR element was not met but the free cash flow achieved a vesting percentage of 100%. Overall vesting was therefore 50%. The Committee reviewed whether any discretion should be applied to the vesting outcomes and determined that it was satisfied that the outcome is both fair and appropriate given the overall performance and the wider stakeholder experience outlined in the Remuneration in context section on pages 100 and 101. On this basis the Committee determined that the awards should be paid in accordance with the vesting outcome.

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All the awards are subject to a 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.

	Nil Cost Options awarded	Overall vesting %	Overall vesting awards	Vesting Date
Alex Baldock	1,197,182	50%	598,591	19 July 2021
Jonny Mason(1)	734,583	50%	356,243	13 August 2021

(1) Jonny Mason's award has been prorated for service to his termination date.

In addition, awards of 100% of base salary were made to Alex Baldock and Jonny Mason on 3 April 2018 and 13 August 2018 respectively, relating to their recruitment. These awards were subject only to the achievement of the relative TSR performance condition, measured against the companies ranked FTSE 51-150 over the applicable performance period. The performance period for Alex's award was for the three-year period to 3 April 2021, and for the three financial years ending on 1 May 2021 for Jonny's award.

Based on the achieved level of performance, the threshold required for vesting for both awards has not been met. The Committee decided whether any discretion should be applied to the vesting outcomes and determined that the awards lapse on reaching their vesting date.

TSR Target

Level of Performance	Below Threshold	Threshold	Maximum	Achieved
TSR Performance over performance period	Below Median	Median	Upper Quartile	Below Median
Vesting Level	0%	25%	100%	0%

Vesting of Buy-out award granted in accordance with the Listing Rule 9.4.2(2) of the Listing Rules (audited information)

On 3 April 2018, the Company granted Alex Baldock a buy-out award to facilitate his recruitment and compensate for awards lost from his previous employer. The award was granted under a one-off award agreement in accordance with Listing Rule 9.4.2(2) of the Listing Rules.

The award comprised of a nil cost option over 989,078 shares in the Company and vested three years from the grant date (the "vesting date"), subject to continued service and that neither party has served notice to terminate employment prior to such time. On this basis the Committee determined that the award vested on the 6 April 2021. Following vesting the award then ordinarily becomes exercisable in three tranches as set out below:

As from an exercise period commencing	No. of related vested shares exercisable
6 April 2021	329,692 (Tranche 1)
3 April 2022	329,693 (Tranche 2)
3 April 2023	329,693 (Tranche 3)

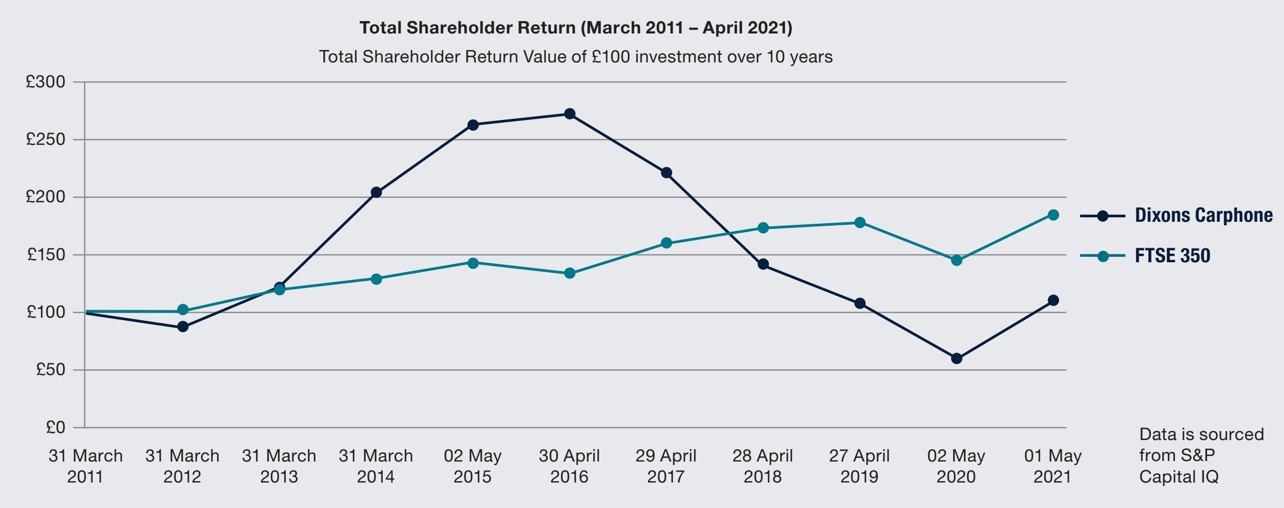
Alex exercised Tranche 1 of the award on 7 April 2021. An additional 37,596 shares were added to the tranche on exercise as accrued dividend equivalents, calculated by reference to the value of dividends that would have been payable between the grant of the award and the start of the exercise period.

Alex exercised a total of 367,288 options, made up of 329,692 options and 37,596 accrued dividend equivalents, and sold 173,233 shares to cover the tax liability arising on the transaction. The remaining 194,055 shares were retained.

Full details relating to the award were disclosed in the 2017/18 Remuneration Report.

Performance graph

The graph below shows the value, by 1 May 2021, of £100 invested in Dixons Carphone on 31 March 2011, compared with the value of £100 invested in the FTSE 350 Index on the same date. The other points plotted are the values at intervening financial year ends.



Total Shareholder Return (March 2011 – April 2021)

Total Shareholder Return Value of £100 investment over 10 years

Data is sourced from S&P Capital IQ

The FTSE 350 has been used as it is a broad market which includes the Company and a number of its competitors.

Group Chief Executive pay

The following table shows, over the same ten-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 %
2020/21	Alex Baldock(2)	2,977	88%	50%
2019/20	Alex Baldock(2)	1,038	0	n/a
2018/19	Alex Baldock	1,619	58%(3)	n/a
2017/18	Alex Baldock	1,946(4)	0%	n/a
2017/18	Sebastian James	2,716(5)	0%	n/a
2016/17	Sebastian James	1,795	83%	n/a
2015/16	Sebastian James	1,616	68%	n/a
2014/15	Sebastian James	1,687	100%	n/a
2014/15	Andrew Harrison	420	100%	n/a
2013/14	Andrew Harrison	679	54%	n/a
2013/14	Roger Taylor	159	n/a	n/a
2012/13	Roger Taylor	958	55%	n/a
2011/12	Roger Taylor	474	0%(6)	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) As a result of Covid-19, Alex Baldock voluntarily agreed to a temporary 20% base pay reductions with effect from 5 April 2020 to 28 June 2020.

(3) Alex Baldock voluntarily deferred 100% of his annual performance bonus into a share award, vesting two-years from grant.

(4) The single figure has been restated to include the value of the Buy-out award, of 989,078 nil cost options, which was granted on 3 April 2018. The face value of the award at the date of grant was £1,871,336, using the share price on the date of grant of £1.8920. As there were no performance conditions attached to this award other than continued employment the value of the award at grant should have been included in the 2017/18 CEO single figure. Full details of the award were detailed in the 2017/18 Remuneration Report.

(5) The single figure includes the taxable benefit relating to the waiving of the loan from the Dixons Share Plan award.

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

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Annual percentage change in remuneration

The table below provides the percentage change in the annual remuneration of Directors and the average UK colleague from 2020/21 onwards.

As the parent company only employs a small number of the workforce, the average UK colleague was deemed to be the most appropriate comparator group, as the UK has the largest employee base and the Committee considers remuneration levels in the UK when setting salaries and fees for the Executive and Non-Executive Directors and the Group Chief Executive is based in the UK.

	Salary and fees(1)	Taxable benefits(4)	Annual bonuses(5)
Executive Directors			
Group Chief Executive – Alex Baldock	-0.84%	-67%	100%
Group Chief Financial Officer – Jonny Mason	-0.84%	-0.86%	100%
Non-Executive Directors			
Eileen Burbidge	-1.31%	-100%	N/A
Tony DeNunzio	-1.31%	-100%	N/A
Andrea Gisle Joosen(2)	-3.18%	-100%	N/A
Lord Livingston of Parkhead	-1.31%	-100%	N/A
Fiona McBain	-1.31%	-100%	N/A
Gerry Murphy	-1.31%	0%	N/A
Employees	-6.5%(3)	0%	N/A(6)

(1) No pay increases were applied for 2020/21 for the Group Chief Executive, Group Chief Financial Officer and Non-Executive Directors, however they voluntarily agreed to a temporary 20% base pay reductions with effect from 5 April 2020 to 28 June 2020.

(2) Andrea Gisle Joosen is paid on a four weekly payroll cycle and therefore the impact of the 20% reduction on basic fees paid was different than for the other Non-Executives, who were paid on a monthly payroll cycle up to 10 July 2020. From 11 July 2020 all Non-Executives moved to a four weekly payroll cycle. The same reduction of 20% was applied for all across the same period.

(3) The average employee percentage change has been calculated using the median pay data collated for CEO Pay Ratio reporting purposes. The calculation includes data for UK colleagues who were furloughed and had Covid-19 related salary reductions in 2020/21.

(4) The percentage change in taxable benefits for the UK workforce is considered to be 0% since there have been no material changes in UK benefits.

(5) No annual performance bonus was paid out for 2019/20 for UK or Group, due to the EBIT performance threshold not being met by the business areas, so a 100% increase has been applied for 2020/21, as an annual performance bonus has been paid for 2020/21.

(6) The median UK colleague is not eligible for an annual performance bonus.

Relative importance of spend on pay

The following table sets out both the total cost of remuneration for the Group compared with adjusted EBIT and profits distributed for 2020/21 and the prior year. Adjusted EBIT was chosen by the Committee as it is the most appropriate measure of the Group's performance. Adjusted EBIT is defined in the glossary on page 217.

	2020/21 £million	2019/20 £million	Change %
Dividends paid(1)	**Nil**	78	100%
Adjusted EBIT(2)	**262**	214	22.43%
Total staff costs – continuing operations(3)	**1,075**	1,123	-4.27%

	Number	Number	Change %
Average employee numbers – continuing operations(3)	**36,087**	42,209	-14.50%

(1) Extracted from note 24 to the Group financial statements.

(2) Extracted from note A2 in Investor Information. Adjusted EBIT for 2019/20 has been restated to exclude the impact of IFRS 16 from adjusting items.

(3) Extracted from note 4 to the Group financial statements.

(4) There were no share buybacks in 2019/20 or 2020/21.

CEO Pay Ratio

The legislation requires the publishing of the ratio of total remuneration of the Group Chief Executive to the 25th, 50th and 75th equivalent percentile of full-time equivalent colleagues.

The ratio is shown in the table below:

Financial Year	Methodology	P25 (Lower Quartile)	P50 (Median)	P75 (Upper Quartile)
2020/21	Option A	173:1	146:1	111:1
2019/20	Option A	54:1	48:1	37:1
2018/19	Option A	79:1	65:1	50:1

Of the three calculation approaches available in the regulations, we have chosen Methodology A because we believe it to be the most appropriate and robust way for the Company to calculate the ratio.

In determining the figures, the following should be noted:

- The single total figure of remuneration of our UK colleagues was calculated as at 1 May 2021 and ranked using 2020/21 P60 and P11D data, employer pension contributions and payments under the Company share schemes, in line with the reporting regulations. P60 data was used as it also includes the value of any overtime payments made in the year.
- The calculation includes data for UK colleagues who were furloughed and had Covid-19 related salary reductions in 2020/21.
- Part time colleagues' earnings have been annualised on a full-time equivalent basis.
- Joiners and leavers were excluded from the ranking.
- The 25th, 50th and 75th percentile colleagues' single total figure of remuneration was then identified and compared to the CEO pay, as shown in the single total figure of remuneration table on page 115.

The following table provides base salary and total remuneration information in respect of the 25th, 50th and 75th percentile colleagues, on a full-time equivalent basis.

Financial Year	Remuneration	Group Chief Executive	P25 (Lower Quartile)	P50 (Median)	P75 (Upper Quartile)
2020/21	Base salary	843,348	16,007	18,896	22,882
	Total remuneration	2,977,303	17,254	20,327	26,868

The Committee has confirmed that the ratio is consistent with the Company's wider policies on colleague pay and reward, taking into account a range of factors including market practice, experience and National Living Wage requirements.

The pay ratio has increased since last year primarily because a 2020/21 bonus was received by the CEO and 2018 LTIP award vested, whereas in prior years there was no LTIP vesting and no bonus was paid for last year. Additionally, the calculations reflect the reduced total pay levels for employees during the furlough period.

Given the nuances of reduced pay levels due to furlough in 2020/21, and larger portions of the CEO's remuneration linked to business performance than the wider workforce, a base salary only ratio is shown below. This allows us to look at the CEO vs. the wider workforce on the one remuneration component that is consistent across both groups. These figures are based on looking at the full-time equivalent salary of colleagues as at 30 April 2021. When we do this, we can see that the ratios and values at the 25th, 50th and 75th percentiles are significantly lower than the CEO pay ratio noted above. In addition, they are consistent between 2019/20 and 2020/21 and much more closely aligned to the CEO ratios in 2019/20 and 2018/19 where nuances such as furlough were limited to a short timeframe or non-existent and the CEO hadn't earned as much in remuneration linked to business performance.

Financial Year	Remuneration	Group Chief Executive	P25 (Lower Quartile)	P50 (Median)	P75 (Upper Quartile)
2020/21	Base salary	£867,000	£18,151	£18,151	£23,460
	CEO Pay Ratio	–	1:48	1:48	1:37

Financial Year	Remuneration	Group Chief Executive	P25 (Lower Quartile)	P50 (Median)	P75 (Upper Quartile)
2019/20	Base salary	£867,000	£17,745	£18,200	£22,500
	CEO Pay Ratio	–	1:49	1:48	1:39

ANNUAL REMUNERATION REPORT 2020/21 CONTINUED

The ratio of the CEO's pay to that of all colleagues is likely to be a volatile number, mainly resulting from the CEO having a larger proportion of his total remuneration linked to business performance than other colleagues in the UK workforce and therefore it does not necessarily shed any light on the alignment or otherwise with regard to pay, reward and progression for the UK workforce. This alignment is, however, something that the Committee considers as part of its overall responsibilities.

The Company continues to take its responsibilities to all stakeholders seriously. Our achievements this year and renewed financial strength has allowed us to invest in our colleagues and announce substantial pay increases for our hourly paid colleagues, in line with the rates set by the Real Living Wage from October 2021. This will factor in next year's calculations. We have also invested in the customer experience, returned £73m of government furlough, repaid £144m of VAT early and recommenced our dividend.

Service agreements

Service contracts

The following table summarises key terms of the service contracts in place with the Executive Directors:

	Date of contract
Alex Baldock	3 Apr 18
Jonny Mason	13 Aug 18

More details are set out in the Service agreements section of the report on page 112.

Letter of appointment

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

The date of the letters of appointment are shown below:

	Letters of appointment
Eileen Burbidge	1 Jan 19
Tony DeNunzio	16 Dec 15
Andrea Gisle Joosen	6 Aug 14
Lord Livingston of Parkhead	16 Dec 15
Fiona McBain	1 Mar 17
Gerry Murphy	6 Aug 14

External Directorships

The policy relating to external Directorships is outlined in the Remuneration Policy. No Executive Director held external Directorships during 2020/21.

Leavers and joiners (audited information)

No changes took place in 2020/21 and no payments were made. Information relating to leavers and joiners in 2021/22 are set out on pages 128 and 129.

Payments to Past Directors (audited information)

No payments were made to past Directors during 2020/21.

Directors' interests in LTIP (audited information)

	Date of grant	At 3 May 2020	Awarded in the year	Lapsed or forfeited in the year	Exercised in the year	At 1 May 2021	Date from which first exercisable	Expiry of the exercise period	Exercise Price (p)
Alex Baldock									
2016 LTIP	19 Aug 2020	–	1,991,959	–	–	1,991,959	19 Aug 2023	19 Aug 2030	–
2016 LTIP	25 July 2019	1,737,530	–	–	–	1,737,530	25 July 2022	25 July 2029	–
2018/19 DSBP	25 July 2019	506,490	–	–	–	506,490	25 July 2021	25 July 2029	–
2016 LTIP	22 Jun 2018	1,197,182	–	–	–	1,197,182	19 July 2021	22 Jun 2028	–
2016 LTIP	3 Apr 2018	455,641	–	455,641	–	0	3 Apr 2021	3 Apr 2028	–
Section 9.4.2	3 Apr 2018	989,078	–	–	329,692	659,386	3 Apr 2021	3 Apr 2028	–
Total (with performance conditions)						4,926,671			
Total (without performance conditions)						1,165,876			

	Date of grant	At 3 May 2020	Awarded in the year	Lapsed or forfeited in the year	Exercised in the year	At 1 May 2021	Date from which first exercisable	Expiry of the exercise period	Exercise Price (p)
Jonny Mason									
2016 LTIP	19 August 2020	–	1,101,436	–	–	1,101,436	19 Aug 2023	19 Aug 2030	–
2016 LTIP	25 July 2019	960,752	–	–	–	960,752	25 July 2022	25 July 2029	–
2018/19 DSBP	25 July 2019	199,494	–	–	–	199,494	25 July 2021	25 July 2029	–
2016 LTIP	13 Aug 2018	734,583	–	–	–	734,583	13 Aug 2021	13 Aug 2028	–
2016 LTIP	13 Aug 2018	267,121	–	–	–	267,121	13 Aug 2021	13 Aug 2028	–
Section 9.4.2	13 Aug 2018	81,435	–	–	–	81,435	13 Aug 2021	13 Aug 2028	–
Total (with performance conditions)						3,063,892			
Total (without performance conditions)						280,929			

Directors' interests in Sharesave (audited information)

	Date of grant	Exercise price (p)	At 3 May 2020	Awarded in the year	Lapsed or cancelled in the year	Exercised in the year	At 1 May 2021	Date from which first exercisable	Expiry of the exercise period
Alex Baldock									
Sharesave	28 Aug 2020	66.64	–	6,662	–	–	6,662	1 Oct 2025	1 Apr 2026
Sharesave	10 Sept 2019	97.28	13,939	–	–	–	13,939	1 Oct 2024	1 Apr 2025
Total			13,939	6,662	–	–	20,601		

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Directors' shareholding (audited information)

The Company share ownership guidelines are designed to encourage shareholding in the Company for Executive Directors.

The level of shareholding requirement for Executive Directors is 200% of base salary to be achieved five years from their appointment date.

Beneficially owned shares (including any interests held by connected persons e.g. spouse) count towards the guidelines, together with:

- unvested awards, on a 'net-of-tax' basis, granted under any deferred bonus arrangement or other plan / arrangement with no post-grant performance conditions; and
- shares subject to an unexpired holding period (including any shares held under a vested but unexercised option), on a 'net-of-tax' basis and provided that no further performance targets must be met.

Details of Directors' interests in shares of the Company as at 1 May 2021 are shown in the following table:

	Scheme interests				
	Beneficially owned shares (including any interests held by connected persons	Shares subject to performance conditions	Shares without performance conditions	Total beneficial interests under share ownership guidelines(1)	Total beneficial share interests as a % of salary(2)
Executive Directors					
Alex Baldock	569,588	4,926,671	1,186,477	1,204,023	194%
Jonny Mason	175,000	3,063,892	280,929	322,909	94%
Non-Executive Directors					
Eileen Burbidge	4,200	–	–	4,200	N/A
Tony DeNunzio	200,000	–	–	200,000	N/A
Andrea Gisle Joosen	24,976	–	–	24,976	N/A
Lord Livingston of Parkhead	205,631	–	–	205,631	N/A
Gerry Murphy	100,000	–	–	100,000	N/A
Fiona McBain	29,129	–	–	29,129	N/A

(1) This figure is calculated on a 'net of tax and commission basis', as appropriate.

(2) The percentage is based on base salary as at 1 May 2021 and an average share price over the month to 1 May 2021 of £1.3964.

(3) Executive Directors have five years from their appointment date to reach their shareholding requirement of 200%.

There were no changes in the Directors' share interests between 1 May 2021 and the date of this Report.

Non-Executive Directors' and Chair of the Board's fees

The fees for the independent Non-Executive Directors, including the Deputy Chair, 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 Chair of the Board 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 fees were reviewed during 2020/21 and remain unchanged. The Chair of the Board and Deputy Chair receive all-inclusive fees reflecting their duties. Other independent Non-Executive Directors received a basic fee of £60,000 and additional fees as set out in the table below for chairing or membership of committees.

	2020/21[4] £'000	2019/20[4] £'000
Chair of the Board(1)	300	300
Deputy Chair(2)	140	140
Chair of Audit Committee(3)	15	15
Member of Audit Committee	5	5
Member of Nominations Committee	5	5
Member of Remuneration Committee	5	5

(1) The Chair of the Board's fee includes Chairship of the Nominations Committee.

(2) The Deputy Chair's fee includes the Senior Independent Director, Chairship of the Remuneration Committee, and membership of the Nominations Committee fees.

(3) The Chair of the Audit Committee fee includes fees for attending the board meetings of the two main operating subsidiaries.

(4) Due to the impact of Covid-19, all Non-Executive Directors agreed to a temporary 20% reduction in fees with effect from 5 April 2020 to 28 June 2020. The figures represented do not reflect this 20% reduction, as it is temporary in nature.

How the Remuneration Policy will be applied in 2021/22

Executive Directors

i) Base Salary

The following salaries will apply during the 2021/22 financial year:

	Salary at 1 May 2021 £'000	% Increase in salary in 2021/22	Salary at 1 August 2021 £'000
Current Directors			
Alex Baldock	867	1.5%	880
Jonny Mason	479	–	479
Bruce Marsh(1)	415	–	415

(1) Salary is effective from date of appointment.

ii) Pension Contributions

Company pension contributions or allowance in lieu of 10% of base salary will be paid to Alex Baldock and Jonny Mason. Bruce Marsh will receive a 3% pension allowance on joining the Company, in line with the wider workforce. The Committee also confirms that Alex Baldock's pension allowance will be aligned with the majority of the wider workforce by the end of 2022.

iii) Annual performance bonus

The maximum annual performance bonus for 2021/22 will be 150% of base salary. Measures are selected to reflect the Group's key objectives and for 2021/22 the bonus will include a clawback facility in order to demonstrate the Company's objective to reinforce a culture of 'Treating Customers Fairly'. A minimum EBIT threshold must be achieved before any bonus is paid out. One-third of any bonus earned will be deferred into shares for two years after payment. The annual performance bonus for 2021/22 will include additional environmental measures. These measures are reflected and deeply embedded in our strategy, is the right thing to do – and meets the growing expectation from our colleagues, customers and shareholders to focus on the environmental agenda. These measures are in addition to the strong emphasis on ESG already in our annual performance bonus plan through our Customer, Employee Engagement and Treating Customers Fairly measures. The Committee feels that specific targets relating to the 2021/22 bonus scheme are 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.

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The performance metrics and their weightings for 2021/22 are shown in the table below:

	Weighting (as a percentage of maximum bonus opportunity)
Adjusted EBIT[1]	45%
Average net debt	15%
ESG Metrics (40%):	
Customer Net Promoter Score	15%
Employee engagement	15%
Environmental to include:	
– Focusing on recycling by increasing e-waste Take Back	5%
– Reducing Scope 1 and 2 Carbon Emissions	5%

(1) Note that the Company has implemented the IFRS 16 accounting standard and the Adjusted EBIT targets in respect of 2021/22 take this into account. The target figures will therefore not be directly comparable with those for 2020/21 and prior years, though in the opinion of the Committee are no less challenging.

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

iv) LTIP

In line with the Policy approved by shareholders in 2019, the Committee intends to make an award of 250% of base salary to Alex Baldock and Bruce Marsh shortly after the announcement of the results for the 2020/21 financial year. As in prior years, the 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 a bespoke comparator group comprised of 21 European Special Lines Retailers. The remaining half of the awards will be subject to the achievement of a cumulative free cash flow target. This year, we plan to set the targets and make the awards after we have announced our annual results, to ensure that we have targets in place that are both stretching for participants and also fully reflective of how shareholders and the market view the long-term performance of the business. We will fully disclose the award details and targets at the time of the grant announcement and also include them in next year's Remuneration Report.

These awards will vest after three years based on continued service and 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.

Awards will be subject to recovery and withholding provisions for material misstatement, misconduct, calculation error, reputational damage and corporate failure, enabling performance adjustments and / or recovery of sums already paid. These provisions will apply for up to three years after vesting. Any shares vesting as a result of these awards, net of tax and national insurance, will be required to be held for a further two years post vesting.

v) Joiners and leavers

Bruce Marsh

In January 2021, the Board announced the appointment of Bruce Marsh as Group Chief Financial Officer, with effect from 12 July 2021. Bruce had been Finance Director, UK and Ireland, at Tesco plc since 2015. Before that he was at Kingfisher plc, where he was Managing Director of Kingfisher Future Homes and Group Strategy Director, and previously held a number of senior finance roles at Dixons Retail plc.

His salary from the date of appointment will be £415,000. In line with policy, he is eligible to receive a pension allowance of 3% of base salary and a maximum bonus of 150% of base salary, with one third deferred into shares for two years. His normal LTIP will be 250% of base salary per annum. Bruce is on a 12-month notice period from the Company and a six months' notice period from the Executive.

Upon joining, Bruce will receive 250% of base salary under the 2016 LTIP for the financial year 2021/22. In addition, he will receive a buy-out award and cash payment to compensate for bonus and awards lost from his previous employer. The cash payment of £271,448 will be paid on joining. The buy-out award of Dixons Carphone plc shares will be granted in October 2021 with a face value of c.£454,938. The actual value of the award will be confirmed on grant and will be based on Tesco share price on relevant dates in July and October 2021. The buy-out award will be granted under the Listing Rule 9.4.2 (2), and full details of the award will be disclosed at grant.

The payment and award are consistent with our Remuneration Policy and, we believe, represent an excellent investment in securing a leader with Bruce's experience and capabilities.

Jonny Mason

The Committee considered the appropriate termination terms for Jonny on his departure. His termination arrangements were in line with the approved Remuneration Policy.

Jonny is on a 12-month notice period to be given by the Company, and notice was given on 20 January 2021. After termination, payment in lieu of notice will be paid in instalments until the end of his notice period or if earlier, the date on which alternative employment is secured or alternative engagements with the same or higher salary / fee is received.

Jonny will receive payment of the 2020/21 bonus, which was assessed on the same performance criteria as other participants at the year end. Two thirds of the bonus will be paid in cash and one third in deferred shares vesting in two years. He will not be eligible for a 2021/22 bonus or LTIP grant.

The Committee has determined that Jonny will receive good leaver status in respect of his outstanding Buy-out, LTIP and Deferred Share Bonus Plan awards, taking account of his significant contribution to the strong profit and cash flow performance in the year and ongoing efforts supporting a successful transition to the new CFO. The Buy-out and LTIP awards will be pro-rated for his period of employment.

Statement of voting at shareholder meetings

The Company is committed to ongoing shareholder dialogue in respect of Directors' remuneration and takes an active interest in voting outcomes. Where there are substantial votes against resolutions, explanatory reasons will be sought, and any actions in response will be communicated to shareholders.

The following table sets out the voting results in relation to the approval of the remuneration policy when it was last put to shareholders at the annual general meeting 2019:

Resolution	Votes for	%	Votes against	%	Withheld
Approval of Directors' remuneration policy	831,610,451	89.26	100,031,252	10.74	33,572,688

The following table sets out the voting results in relation to the resolutions put to the Annual General Meeting 2020:

Resolution	Votes for	%	Votes against	%	Withheld
Approval of annual remuneration report	866,889,321	93.65	58,771,953	6.35	2,170,977

Advice

At the end of the last financial year, the Committee agreed that a review of the executive remuneration advisers should be carried out and a full tender process commenced in 2020/21. Willis Towers Watson were appointed as new advisers from 9 September 2020 following the completion of the tender process.

Prior to Willis Towers Watson's appointment, both AON and PWC advised the Committee. All advisers listed are members of the Remuneration Consultants Group and operate under its code of conduct in relation to the provision of executive remuneration advice in the UK and have confirmed that they adhered to the Code during 2020/21 for all remuneration services provided to the Group. Aon Hewitt received fees of £12,575 (2019/20: £75,255) in relation to the provision of those services, PWC received fees of £63,725 and WTW received fees of £74,745. Fees are charged on a time and expenses basis. During the year, PWC and WTW also provided other ad hoc remuneration services outside the scope of the Committee to the Company.

Compliance

As required by the Regulations, resolutions to approve this Remuneration Report will be proposed at the 2021 Annual General Meeting.

A DeNunzio

Tony DeNunzio CBE

Chair of the Remuneration Committee

29 June 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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 international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The consolidated financial statements are also prepared in accordance with IFRS as issued by the International Accounting Standards Board. The directors have also 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

Alex Baldock
Group Chief Executive
29 June 2021

Jonny Mason
Group Chief Financial Officer
29 June 2021

INDEPENDENT AUDITOR'S REPORT

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Dixons Carphone plc (the 'Company' or the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 1 May 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and 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 Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 34 of the Group financial statements and notes C1 to C10 of the parent company financial statements

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, international accounting standards in conformity with the requirements of the Companies Act 2006 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, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Company for the year are disclosed in note 3 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT CONTINUED

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Revenue recognition – valuation of UK network receivables; • Impairment of UK & Ireland Electricals goodwill and store assets; and • Impairment of UK & Ireland Electricals assets in the course of construction.
Materiality	The materiality that we used for the Group financial statements was £10.5m. Consistent with the prior year, this was determined on the basis of considering a number of different metrics used by investors and other users of the financial statements. These included adjusted profit before tax, net assets and revenue. For further details refer to section 6 of this report.
Scoping	Our full scope audit procedures provided coverage at the Group's key locations, being the retail operations in the UK and Nordics, representing 94% of the Group's revenue.
Significant changes in our approach	Last year we included key audit matters in respect of Carphone Warehouse UK restructuring, going concern basis of accounting and tax provisioning, which are not considered to be key audit matters for this year. Carphone Warehouse UK restructuring was a one off event during 2019/20 and thus has no impact in 2020/21 and has been excluded from the key audit matters. Going concern was considered as a key audit matter in the previous year due to the increase in the level of audit effort, judgement and complexity as a result of the Covid-19 pandemic. The improved trading performance, despite Covid-19 restrictions in place for a sustained period, and the refinancing activities undertaken in April 2021, reduced the level of judgement in the current period. As such, going concern is no longer considered a key audit matter. There have been no significant developments during the period in respect of tax provisioning for the two largest exposures in the UK, and as such the extent of our audit procedures in respect of this audit matter has reduced compared to the previous period. We therefore have not identified this as a key audit matter in the current period. We have refined our impairment key audit matter to no longer include Company investments and central assets. Whilst there remains potential exposure, as indicated by the premium of net assets above market capitalisation, there is a significant level of headroom available at the combined cash generating unit level based on management's forecasts. We included a new key audit matter in respect of impairment of UK assets in the course of construction. This reflects the increased level of management judgement required as a result of recent changes in business strategy in light of the Covid-19 pandemic.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Consideration of the nature of the Group, its business model and related risks including where relevant the impact of both the Covid-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control;
- Evaluation of the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used, such as forecast revenue and operating costs, against historical and forward looking data;
- Evaluation of the directors' plans for future actions in relation to their going concern assessment;
- Evaluation of mitigations in place and further mitigations available to the Group beyond those included within the forecast. This included challenging the extent to which these mitigations are within the control of management in the context of historical performance and costs included in management's underlying forecasts;
- Assessment of the Group's financing agreements, covenant calculations and forecast covenant compliance over the relevant outlook period; and
- Assessment of the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

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.

5.1. Revenue recognition – Valuation of UK network receivables

Key audit matter description	The Group sells mobile phone contracts on behalf of mobile operators. The valuation of gross network commission receivable and contract assets of £405m (2 May 2020: £1,005m), 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 subject to significant management judgement. Included within the gross value are contract assets of £207m (2 May 2020: £546m). These are recognised where the performance obligations have been met but the quantum of consideration from the customer is variable due to factors other than the passage of time. The valuation is based on management's estimate of the extent to which it is highly probable that recognised revenue will not be subject to a material reversal in the future. As described in note 15, the valuation of the expected receivable is determined by four key assumptions: • the expected level of customer spend in excess of their current contracted amount (known as 'out of bundle' spend); • the forecast customer default rate within the contract period; • the forecast rate of customer renewals with the same network provider; and • the expected customer behaviour beyond the initial contract period (the propensity of customers to 'sleep'). We have focused our risk related to the valuation of contract assets on the determination of these four key assumptions. Due to the level of judgement involved, we have determined that there is potential for manipulation of this balance by management. The value of these assumptions influences the level of network commission revenue that the Group recognises. A change in these assumptions can also lead to the adjustment of revenue that has been recognised in prior periods. In determining these assumptions the Group considers historical activity by customers and operators and makes an assessment as to how this activity will change in the future, taking into account other factors such as new regulations. These future variations can be influenced by external factors, including customer behaviour, operator behaviour and changes to market regulations. The current year reflects an out of period revaluation gain of £14m (2019/20: loss of £(47)m). During the financial year the contract with one of the network operators ended in September 2020 and in March 2021 the full debtor was settled. The Group also settled an ongoing contractual dispute with a counterparty and upon settlement recognised a gain of £28m, which has been recognised as other operating income. As described in note 1e to the Group financial statements, remeasurement of prior period assumptions due to changes in consumer behaviour, or where more recent information becomes available, are recognised as revenue in the income statement. Any changes in prior period assumptions, and their consequential impact on revenue, are eliminated from the Group's adjusted profit before tax which is an alternative performance measure, which can be found in Appendix A5 on page 221. The key judgements and estimates involved are described in more detail in the Audit Committee report on page 91, in the key sources of estimation uncertainty disclosed in note 1t and in note 15 to the Group financial statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

How the scope of our audit responded to the key audit matter	We obtained an understanding of the senior management review control of the key assumptions used to determine the UK network receivables balance. We assessed the valuation of revenue recognised through review of the contractual agreements, comparison of data used by management to data submitted by the mobile operators, and performing procedures to assess the reasonableness of the four key assumptions. We challenged: • the forecast customer spend assumptions by comparison to actual customer spend data trends from the network operators and with reference to external market data and trends; • the forecast customer default rate by comparison to the actual rates of default seen in the latest data from the networks and with reference to the external economic environment and default rates observed in external market data; • the forecast rate of customer renewals with the same network provider by comparison to the latest renewals data from the network operators and with reference to other external market data; and • the expected customer behaviour beyond the initial contract period by comparison to actual rates of customers continuing their contract after their fixed contract term and with reference to external market data and analysis. In considering the assumptions, we analysed existing and forthcoming changes in regulation and wider macro-economic environment. We considered whether these could lead to behavioural changes which would impact the amount of revenue recognised in the current year. Such changes could also risk the reversal of revenue recognised in previous accounting periods and the recoverability of the receivable on the balance sheet. Specifically, we considered expected behavioural changes relating to the events described in note 15(iv) and challenged the quantum of constraint applied to the contract asset recognised at the year end. We considered whether management's assumptions in respect of the impact of possible behavioural changes and the resulting impact on the valuation of the UK network receivables balance were reasonable. We assessed management's judgement that the settlement of an ongoing dispute with one of the network operators should be recognised in other operating income. We reviewed the settlement agreement and challenged management on whether there was any contradictory evidence to demonstrate that the settlement should instead be recognised within revenue. In order to confirm the settlements we inspected the receipt on the bank statements and reviewed the contracts. We assessed the changes in assumptions in relation to the revenue recognised for current year connections between consumers and operators, and in relation to revenue recognised in previous accounting periods. In doing so we assessed whether the amount of revenue recognised in each circumstance is consistent with the disclosure in note 15. We assessed the disclosures relating to the treatment of out of period revaluations as an adjusting item in the reconciliation of adjusted profit before tax, a key alternative performance measure.
Key observations	We consider the treatment adopted in relation to the valuation of the UK network commission receivable and the related assumptions applied by management to be appropriate. We consider the recognition of the gain arising upon settlement of an ongoing dispute with one of the network operators to be appropriately recognised within other operating income. We agree that the disclosures relating to network commissions, summarised in note 15, provide an appropriate understanding of the estimates taken by management and how changes in these estimates have influenced the total revenue recognised from network commissions in the year.

5.2. Impairment of UK & Ireland Electricals goodwill and store assets

Key audit matter description

In light of the impact of Covid-19, there is a heightened risk of impairment in respect of the UK & Ireland Electricals goodwill of £1,840m (2019/20: £1,840m) and UK store and right-of-use assets of £505m (2019/20: £546m).

£1,840m of goodwill is reviewed by management for impairment within the UK & Ireland Electricals group of cash generating units (CGUs). As set out in note 8b to the Group financial statements, management assesses the recoverable amount of the group of CGUs by calculating its value in use using projections covering a five-year period. Following their impairment review, management did not identify any impairment of goodwill being required.

There is judgement required by management in determining forecast cash flows, particularly in respect of the later and terminal years of their five-year period projections.

As disclosed in note 8 we note that a reasonably possible change in management's forecast annual operating profit throughout their Strategic Plan forecasts would result in headroom of the UK & Ireland combined groups of CGUs being eroded to nil. We note there is uncertainty in the assumptions underlying these forecasts, particularly in respect of forecast operating profit and the future EBIT margin that the Group will generate. Management has included a key source of estimation uncertainty in note 1t, and provided associated sensitivity disclosures in respect of the long term operating profit of the UK & Ireland Electricals group of CGUs as set out in note 8 to the financial statements.

Management has completed a full impairment review of UK store assets, consisting of £442m of right-of-use assets and £63m of store assets, by comparing the value in use indicated by management's store level forecasts to the carrying value of fixed assets of that store. As a result of this review, an impairment of £15m was recognised as described in note 3 to the financial statements. There is an inherent key assumption in management's forecasts as to how customers will behave in the future, in particular the proportion of customers that will shop in store or online. As a result, management has identified that a reasonably possible change in consumer behaviour could result in a further material impairment, and have included a key source of estimation uncertainty in note 1t to the financial statements.

Further information in this area is discussed in the Audit Committee report on page 91 and in note 8 to the Group financial statements.

How the scope of our audit responded to the key audit matter

We have completed the following procedures in respect of goodwill and store impairment:

- obtained an understanding of relevant controls relating to the review and approval of the impairment reviews;
- tested the mechanical accuracy of the value in use models and cash flow forecasts and assessed whether the methodology used in determining the recoverable amount is consistent with IAS 36: '*Impairment of Assets*';
- challenged the key assumptions used by management in the impairment reviews through comparison to historical performance and external evidence. In particular, we challenged management in respect of the forecast improvement in operating profit. We assessed this by:
  - challenging management on the key reconciling items that bridge between the EBIT margin generated in the current and prior periods to the EBIT margin that is forecast over the term of the strategic plan and into perpetuity;
  - considering the reasonableness of management's short term cash flow forecasts, including cost savings related to the transformation of the go to market strategy for one of the Group's main sales categories that the Group expects to achieve, which forms a key part of management's value in use model used to derive the recoverable amount of the group of CGUs. We assessed whether the Group was committed to these plans to the extent that the cost savings can be included in an impairment assessment under IAS 36;
  - challenging management on the forecast proportion of customers that will shop in store or online by comparison to the historical proportion before the impact of Covid-19, the actual proportion experienced during the period and considering forward looking analysis, and reviewing the associated sensitivity disclosures; and
  - evaluating management's assessment of the sensitivity to forecast operating profit margin required to indicate an impairment. We compared the breakeven operating profit margin to the margins achieved by comparator companies.
- challenged management's rationale for the premium of the net assets of the Group above the market capitalisation of the Group by evaluating the reconciling amounts in management's analysis;
- assessed the completeness of assets being included in the asset base and the appropriateness of any liability balances included by management;
- evaluated management's assessment of assets which cannot be allocated on a reasonable and consistent basis to the UK & Ireland Electricals group of CGUs; and
- assessed the completeness and accuracy of disclosures against the requirements of IAS 1 and IAS 36 respectively.

Key observations

We considered that the related disclosures appropriately summarise the uncertainties associated with management's impairment reviews. We concur with management's conclusion that no impairment of goodwill is required and that the impairment of store assets recognised is appropriate.

INDEPENDENT AUDITOR'S REPORT CONTINUED

5.3. Impairment of UK & Ireland Electricals assets in the course of construction

Key audit matter description	The Group invests significant amounts in both tangible and intangible assets in relation to strategic change projects. These projects are typically multiyear and therefore significant capitalised development costs are classified as assets in the course of construction at key reporting dates. The total UK & Ireland Electricals assets in the course of construction is £47m at 1 May 2021 (2019/20: £110m). Within the year, and following a strategic change by the Group, a £55m impairment charge was recognised in relation to intangible assets, primarily related to software development costs, as described in note 9 to the financial statements. Given the recent strategic changes in the business, there remains a risk of impairment in respect of the assets in the course of construction held at year end, and whether there remains a viable business case for these assets. Where the business case is no longer viable, then an impairment of the corresponding asset value is recorded. Further information in this area is discussed in the Audit Committee report on page 91 and in note 9 to the Group financial statements.
How the scope of our audit responded to the key audit matter	We have completed the following procedures in respect of assets in the course of construction: • obtained an understanding of relevant controls relating to the management review of the assets in the course of construction ledger and associated business approval controls; • for a sample of the largest and most aged assets under construction, we have obtained the business case plans prepared by management and assessed whether there continues to be a valid business case by challenging the changes in strategic direction in the year against the original business case plans; • challenged the impairment recognised in the period by comparison to the wider trading performance of the UK trading business and assessing whether there is any indicator of management bias; • made enquiries of management throughout the organisation to further understand the purpose of the project and assess whether it is appropriate the asset remains in assets under construction; and • where impairments have arisen in the year, we have understood why the project costs have been written-off and challenged management on whether this constitutes a prior period error.
Key observations	We concur with management's conclusion that the impairment recognised in the year is appropriate.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Consolidated financial statements	Company financial statements
Materiality	£10.5m (2019/20: £9.5m)	£9.9m (2019/20: £9.0m)
Basis for determining materiality	We considered the following metrics: • Adjusted profit before tax (see note A5); • Net assets; and • Revenue. Using professional judgement, we determined materiality to be £10.5m (£9.5m). Materiality for the current year represents 8.6% of adjusted profit before tax (2019/20: 7.5%), 0.15% of total assets (2019/20: 0.12%) and 0.12% of revenue (2019/20: 0.09%).	Company materiality is determined as a percentage of net assets. Determined company materiality equates to 0.36% (2019/20: 0.33%) of net assets, which is capped at 95% (2019/20: 95%) of group materiality.
Rationale for the benchmark applied	In determining our benchmark for materiality, we considered a number of different metrics used by investors and other users of the financial statements.	Net assets was selected as an appropriate benchmark for determining materiality, as the Company acts as a holding company.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	65% (2019/20: 70%) of group materiality	65% (2019/20: 70%) of parent company materiality
Basis and rationale for determining performance materiality	Performance materiality as a percentage of materiality has reduced from 70% to 65% to reflect the impact of a remote working environment and associated increase in risk of control failures and error. In determining performance materiality, we also considered the following factors: a. the impact of Covid-19 and industry wide pressure on the financial statements, the judgements taken by management and the associated disclosures; b. our risk assessment, including our assessment of the Group's overall control environment and our reliance on controls in the Nordics; and c. our past experience of the audit, including the profit impacting misstatements identified in prior periods and management's willingness to correct any misstatements identified.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.5m (2019/20: £0.5m), 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 CONTINUED

7. An overview of the scope of our audit

7.1. Identification and scoping of components

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 significant components, being the retail operations in the UK and the Nordics, which is consistent with the previous year. Each of these components requires a local statutory audit.

These significant components represent the principal business units and account for approximately 94% of the Group's revenue from continuing operations (2019/20: 94%). 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 £5.3m to £9.9m (2019/20: £5.7m to £9.0m).

At the Dixons Carphone plc Group 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.

7.2. Our consideration of the control environment

Dixons Carphone plc is reliant on the effectiveness of a number of IT applications and controls to ensure that financial transactions are processed and recorded completely and accurately.

UK control environment

We involved our IT specialists to obtain an understanding of the relevant general IT controls. Due to the IT deficiencies identified in prior years, we did not plan to rely on the relevant controls over a number of operating cycles as these rely on automated controls.

The revenue earned from extended warranty service agreements with customers relies upon a single financial reporting system, the general IT controls of which we relied on in the past but were unable to rely on the relevant controls this year due to deficiencies identified in our assessment of these controls.

We planned to rely on the relevant controls associated with the Dixons supplier funding operating cycle, as certain aspects of this process do not rely upon automated controls, but were unable to as a result of immaterial errors identified in our substantive testing, which indicated a failure in the implementation of controls.

As a result of the IT deficiencies identified in the prior and current years, we completed additional substantive procedures. Whilst, for audit purposes, the additional procedures performed mitigated the risk presented by the deficiencies, management is in the course of performing further stabilisation activities associated with the Group's IT infrastructure.

General IT controls continue to be a focus area for management and the Audit Committee. Further information is set out in the risk management and internal control section of the Audit Committee report on page 92.

Nordics control environment

In the Nordics, we relied upon controls across the following operating cycles: inventory, supplier funding, cash, property, plant and equipment, trade payables, revenue and cost of goods sold. We tested and relied upon the relevant controls of two finance systems for our testing of these operating cycles.

7.3. Working with other auditors

The same audit team is responsible for both the Group and UK component audit work.

The Group audit team engaged a component audit team from Deloitte Norway to perform an audit of the Nordics sub-consolidation. The Group audit team held regular communication with the component auditor ahead of and during the year end audit process. Oversight of the component audit team included reviewing the audit work of the component audit team via video conferencing.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT CONTINUED

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: valuation of UK network receivables and supplier funding. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pension legislations, tax legislations and FCA regulations.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's health and safety, insurance selling and environmental regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of UK network receivables as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to this key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- considering any indicators of management bias across the key judgements and estimates in the financial statements, in particular whether any of the judgements and estimates indicated systematic or consistent directional bias;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- assessing the valuation of UK & Ireland Electricals supplier funding related accruals that require the most significant level of management judgment by confirming a sample of accruals directly with the supplier; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' Report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 53;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 53;
- the directors' statement on fair, balanced and understandable set out on page 130;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 53;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 46; and
- the section describing the work of the audit committee set out on page 87.

14. Matters on which we are required to report by exception

14.1. 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.

14.2. 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 in respect of these matters.

INDEPENDENT AUDITOR'S REPORT CONTINUED

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board on 31 July 2003 to audit the financial statements of the Group for the year ending 29 March 2003 and subsequent financial periods. The period of total uninterrupted engagement as the Group auditors, including previous renewals and reappointments of the firm is 19 years, covering the years ending 29 March 2003 to 1 May 2021. The period of engagement as the Company's auditor, following a group restructuring, since being incorporated in 2009, is 11 years, covering the years ending 26 March 2011 to 1 May 2021. As set out in the Audit Committee report on page 95, 2021/22 will be the final year of our audit tenure.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

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.

Stephen Griggs
Senior Statutory Auditor

for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

29 June 2021

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Continuing operations			
Revenue	2,3	**10,344**	10,170
Profit / (loss) before interest and tax	2,3	**147**	(28)
Finance income		**6**	10
Finance costs		**(120)**	(122)
Net finance costs	5	**(114)**	(112)
Profit / (loss) before tax		**33**	(140)
Income tax expense	6	**(33)**	(21)
Profit / (loss) after tax – continuing operations		**–**	(161)
Profit / (loss) after tax – discontinued operations	25	**12**	(2)
Profit / (loss) after tax for the period		**12**	(163)
Earnings / (loss) per share (pence)	7		
Basic – continuing operations		**–p**	(13.9)p
Diluted – continuing operations		**–p**	(13.9)p
Basic – total		**1.0p**	(14.1)p
Diluted – total		**1.0p**	(14.1)p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Profit / (loss) after tax for the period		**12**	(163)
Items that may be reclassified to the income statement in subsequent years:			
Cash flow hedges	23		
Fair value movements recognised in other comprehensive income		**(51)**	26
Reclassified and reported in income statement		**11**	12
Exchange gain / (loss) arising on translation of foreign operations		**46**	(39)
		6	(1)
Items that will not be reclassified to the income statement in subsequent years:			
Actuarial gains / (losses) on defined benefit pension schemes – UK	22	**30**	(3)
– Overseas	22	**–**	(1)
Fair value through other comprehensive income financial assets	13		
Gains / (losses) arising during the period		**8**	(8)
Tax on movements on defined benefit pension schemes	6	**13**	(39)
		51	(51)
Other comprehensive income / (expense) for the period (taken to equity)		**57**	(52)
Total comprehensive income / (expense) for the period		**69**	(215)

CONSOLIDATED BALANCE SHEET

	Note	1 May 2021 £m	2 May 2020 £m
Non-current assets			
Goodwill	8	**2,851**	2,803
Intangible assets	9	**426**	469
Property, plant and equipment	10	**184**	240
Right-of-use assets	11	**1,051**	1,114
Lease receivable	12	**3**	4
Investments	13	**–**	10
Trade and other receivables	15	**138**	294
Deferred tax assets	6	**262**	259
		4,915	5,193
Current assets			
Inventory	14	**1,178**	970
Lease receivable	12	**1**	1
Trade and other receivables	15	**587**	831
Derivative assets	26	**24**	76
Cash and cash equivalents	16	**175**	660
		1,965	2,538
Total assets		**6,880**	7,731
Current liabilities			
Trade and other payables	17	**(2,233)**	(2,017)
Derivative liabilities	26	**(42)**	(52)
Contingent consideration	18	**(2)**	(1)
Income tax payable		**(64)**	(78)
Loans and other borrowings	19	**(6)**	(584)
Lease liabilities	20	**(216)**	(258)
Provisions	21	**(58)**	(114)
		(2,621)	(3,104)
Non-current liabilities			
Trade and other payables	17	**(97)**	(131)
Contingent consideration	18	**–**	(2)
Loans and other borrowings	19	**–**	(280)
Lease liabilities	20	**(1,110)**	(1,186)
Retirement benefit obligations	22	**(482)**	(550)
Deferred tax liabilities	6	**(162)**	(162)
Provisions	21	**(27)**	(36)
		(1,878)	(2,347)
Total liabilities		**(4,499)**	(5,451)
Net assets		**2,381**	2,280
Capital and reserves	23		
Share capital		**1**	1
Share premium reserve		**2,263**	2,263
Other reserves		**(764)**	(775)
Accumulated profits		**881**	791
Equity attributable to equity holders of the parent company		**2,381**	2,280

The financial statements were approved by the directors on 29 June 2021 and signed on their behalf by:

Alex Baldock
Group Chief Executive

Jonny Mason
Group Chief Financial Officer

Company registration number: 7105905

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £m	Share premium reserve £m	Other reserves* £m	Accumulated profits £m	Total equity £m
At 27 April 2019		1	2,263	(713)	1,089	2,640
Adjustment on initial application of IFRS 16		–	–	–	(45)	(45)
Taxation on IFRS 16 transition adjustment		–	–	–	8	8
Adjusted balance at 27 April 2019		1	2,263	(713)	1,052	2,603
Loss for the period		–	–	–	(163)	(163)
Other comprehensive income and expense recognised directly in equity		–	–	(9)	(43)	(52)
Total comprehensive expense for the period		–	–	(9)	(206)	(215)
Amounts transferred to the carrying value of inventory purchased during the year		–	–	(41)	–	(41)
Equity dividends	24	–	–	–	(78)	(78)
Net movement in relation to share schemes		–	–	–	23	23
Purchase of own shares		–	–	(12)	–	(12)
At 2 May 2020		**1**	**2,263**	**(775)**	**791**	**2,280**
Profit for the period		**–**	**–**	**–**	**12**	**12**
Other comprehensive income and expense recognised directly in equity		**–**	**–**	**14**	**43**	**57**
Total comprehensive income for the period		**–**	**–**	**14**	**55**	**69**
Amounts transferred to the carrying value of inventory purchased during the year		**–**	**–**	**24**	**–**	**24**
Net movement in relation to share schemes		**–**	**–**	**4**	**17**	**21**
Amounts transferred from investments revaluation reserve		**–**	**–**	**(18)**	**18**	**–**
Purchase of own shares		**–**	**–**	**(13)**	**–**	**(13)**
At 1 May 2021		1	2,263	(764)	881	2,381

* A detailed reconciliation of these reserves is provided in note 23b.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Operating activities			
Cash generated from operations	27	**926**	649
Contributions to defined benefit pension scheme		**(47)**	(46)
Income tax paid		**(35)**	(20)
Net cash flows from operating activities		**844**	583
Investing activities			
Net cash outflow arising from acquisitions		**(1)**	(3)
Proceeds from sale of financial assets at FVTOCI		**18**	–
Proceeds on sale of business		**2**	2
Acquisition of property, plant and equipment and other intangibles		**(122)**	(191)
Net cash flows from investing activities		**(103)**	(192)
Financing activities			
Interest paid		**(101)**	(106)
Capital repayment of lease liabilities		**(232)**	(219)
Purchase of ordinary shares		**(13)**	(12)
Equity dividends paid		**–**	(78)
(Repayment) / drawdown of borrowings		**(326)**	36
Facility arrangement fees paid		**–**	(4)
Net cash flows from financing activities		**(672)**	(383)
Increase in cash and cash equivalents and bank overdrafts		**69**	8
Cash and cash equivalents and bank overdrafts at the beginning of the period		**120**	106
Currency translation differences		**(20)**	6
Cash and cash equivalents and bank overdrafts at the end of the period	27	**169**	120

NOTES TO THE GROUP FINANCIAL STATEMENTS

1 Accounting policies

a) Basis of preparation

Dixons Carphone plc (the Company) is a public company limited by shares incorporated in the United Kingdom, which is registered in England and Wales under the Companies Act 2006.

The consolidated financial statements have been prepared on a going concern basis in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRS adopted pursuant to Regulation (EC) No 1606 / 2002 as it applies in the European Union and IFRS as issued by the International Accounting Standards Board.

The financial statements have been presented in Pound Sterling, based on the Group's primary economic environment, and on the historical cost basis except for the revaluation of certain financial instruments and defined benefit pension obligations, as explained below. All amounts have been rounded to the nearest £1m, unless otherwise stated.

Alternative performance measures (APMs)

In addition to IFRS measures, the Group uses certain alternative performance measures that are considered to be additional informative measures of ongoing trading performance of the Group and are consistent with how performance is measured internally. The alternative performance measures used by the Group in addition to IFRS measures are included within the glossary and definitions section of the Annual Report on page 216. This includes further information on the definitions, purpose, and reconciliation to IFRS measures of those alternative performance measures that are used for internal reporting and presented to the Group's Chief Operating Decision Maker (CODM). The CODM has been determined to be the Board.

Going concern

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements. The Group and Company's business activities, factors likely to affect future development, performance, and position, as well as the principal risks are set out in the Strategic Report on pages 1 to 67. The Group and Company's funding arrangements and processes for managing its exposure to liquidity risk are set out in notes 19 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, including the potentially prolonged impact of Covid-19, 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 considered the level of borrowings and facilities as set out in note 19 to the Group financial statements and that the Group has a robust policy towards liquidity and cash flow management.

As a result of the uncertainties surrounding the forecasts due to the Covid-19 pandemic, the Group has also modelled a reverse stress test scenario. The reverse stress test models the decline in sales that the Group would be able to absorb before requiring additional sources of financing in excess of those that are committed. Such a scenario, and the sequence of events which could lead to it, is considered to be remote.

As a result, the Board believes that the Group is well placed to manage its financing and other significant risks satisfactorily and that the Group will be able to operate within the level of its facilities for the foreseeable future. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements. The long-term impact of Covid-19 is uncertain and should the impacts of the pandemic on trading conditions be more prolonged or severe than what the directors consider to be reasonably possible, the Group would need to implement additional operational or financial measures.

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.

1 Accounting policies continued

c) Foreign currency translation and transactions

Transactions denominated in foreign currencies are translated to the Group's presentational currency using the exchange rate at the date of the transaction. The Group uses foreign exchange ('FX') forward contracts to hedge material transactions denominated in foreign currencies, as outlined in note 1q.

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 translated at the rates prevailing at the balance sheet date.

The results of foreign operations are translated each month at the monthly rate, and their balance sheets are translated at the rates prevailing at the balance sheet date. Goodwill and acquisition intangible assets are held in the currency of the operation to which they relate. Exchange differences arising on the translation of net assets, goodwill and results of foreign operations are recognised in the translation reserve.

All other exchange differences are included in profit or loss in the year in which they arise.

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 Pound Sterling used in these financial statements are as follows:

	Average		**Closing**	
	2021	**2020**	**2021**	**2020**
Euro	**1.12**	1.14	**1.15**	1.14
Norwegian Krone	**11.90**	11.71	**11.50**	12.93
Swedish Krona	**11.56**	12.18	**11.69**	12.31
US Dollar	**1.33**	1.26	**1.38**	1.25

d) Revenue and supplier income

Revenue

Revenue primarily comprises sales of goods and services excluding sales taxes. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The following accounting policies are applied to the principal revenue generating activities in which the Group is engaged:

- network commission revenue is recognised at a point in time on completion of the performance obligation under the individual contract with the Mobile Network Operator (MNO), as outlined in note 1e;
- revenue from the sale of goods is recognised at the point of sale or, where later, upon delivery to the customer. Where consideration is received, or receivable, in advance of the customer obtaining control and the performance obligations being satisfied, a contract liability is recognised;
- revenue earned from the sale of customer support agreements is recognised in full as the stand-ready performance obligations are satisfied under the contracts with the customer. Where consideration is received in advance of the performance of the obligations being satisfied, a contract liability is recognised. Due to the cancellation options and customer refund clauses, contract terms have been assessed to either be monthly or a series of day to day contracts with revenue recognised respectively in the month to which payment relates, or on a 'straight-line' basis;
- revenue arising on services (including delivery and installation, product repairs and product support) is recognised when the obligation to the customer is fulfilled; and
- 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. Although there are no ongoing performance obligations, future commission receivable can vary due to consumer behaviour however it is only recognised to the extent that it is highly probable that there will not be a significant reversal of revenue. The Group recognises a contract asset in relation to this revenue. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point in which it becomes billable and is no longer conditioned on something other than the passage of time. Revenue from the provision of insurance administration services is recognised over the life of the relevant policies when the Group's performance obligations are satisfied.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

1 Accounting policies continued

d) Revenue and supplier income continued

It is Group policy to grant customers the right to return their products within a defined period of time. As this does not represent a separate performance obligation, the Group only recognises revenue to which it expects to be entitled. The Group uses the most likely amount method to estimate the expected value of goods to be returned by customers exercising their rights in line with the Group's refund policy based on the prior period return rates.

A refund liability is recognised as a component of trade and other payables for the amount of variable consideration that the Group does not expect to be entitled. A separate right to return asset is recognised within inventory to represent the right to recover goods from customers on settlement of the refund liability. This is measured by reference to the former carrying amount of the goods sold less any recoverability costs and decrease in value.

Income received from suppliers such as volume rebates

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. Rebates that relate to inventory not sold are recognised within the value of inventory at the period end. Where an agreement spans period ends, estimation 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.

Customer discount support: 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. Marketing income is recognised over the period as set out in the specific supplier agreements and is recognised as a reduction to cost of sales.

Supplier funding amounts that have been recognised and not invoiced are shown within accrued income on the balance sheet. Cash inflows for supplier funding received are classified as operating cash flows.

e) Network commissions

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

The Group earns a commission for the service provided to each MNO ('network commission'). Revenue is recognised at the point the individual consumer signs a contract with the MNO. Consideration from the MNO becomes receivable over the course of the contract between the MNO and the consumer. A judgement associated with this recognition is the unit of account used in measurement. As there is a large population of homogeneous items, in measuring the amount of revenue to recognise the Group has determined that the number and value of consumers provided to each MNO in any given month (a 'cohort') represents the best unit of account.

The level of network commission earned is based on a share of the monthly payments made by the consumer to the MNO, including contractual monthly line rental payments together with a share of 'out-of-bundle' spend, spend after the contractual term, and amounts due from customer upgrades performed directly by the network. The total consideration receivable is determined by consumer behaviour after the point of recognition. The transaction price includes elements of variability and is therefore an area of estimation.

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

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

Transaction price is estimated based on extensive historical evidence obtained from the networks and an adjustment is made for expected and possible changes in consumer behaviour including as a result of regulatory changes impacting the sector. The consideration for a cohort of consumers is estimated by modelling the expected value of the portfolio of individual sales. Revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur. Management makes a quarterly, and the directors a twice-yearly, assessment of this data. This is based on the best estimate of expected future trends.

1 Accounting policies continued

e) Network commissions continued

Network commission revenue recognised on fulfilment of the service obligation results in a contract asset as the amount that will ultimately be collected is variable based on consumer behaviour. Over time, and dependent on the future behaviour of the consumer, amounts initially recognised as contract assets become payable by the network to the Group and are transferred to trade receivables.

Contract assets are measured at present value. Assumptions are therefore required, particularly in relation to levels of consumer default within the contract period, expected levels of consumer spend, and consumer behaviour beyond the initial contract period.

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

In contracts in which the consideration for the transfer of services to customers is conditional on something other than the passage of time, these amounts are accounted for as a contract asset within ‘trade and other receivables’ in the statement of financial position. Amounts receivable that are no longer conditional on something other than the passage of time are accounted for as trade receivables.

f) Discontinued operations and assets and liabilities held for sale

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

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

g) Share-based payments

Equity settled share-based payments are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. 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 such as free cash flow, 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 such as TSR, because the likelihood that the performance criteria will be met is taken into account when estimating the fair value of the award on the grant date. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in reserves.

h) Retirement benefit obligations

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

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

Actuarial gains and losses arising from changes in actuarial assumptions together with experience adjustments and actual return on assets are recognised in the consolidated statement of comprehensive income and expensed 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 of 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

1 Accounting policies continued

i) Leases

A lease is classified as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

The Group as a lessor

The Group is a lessor predominantly when subleasing retail store properties that are no longer open for trading. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

The Group as a lessee

The Group's leasing activities predominantly relate to retail store properties and distribution properties as well as distribution vehicle fleet. The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (which comprise IT equipment and small items of office furniture). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease with no corresponding right-of use asset.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate and subsequently held at amortised cost in accordance with IFRS 9.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

1 Accounting policies continued

i) Leases continued

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, any initial direct costs and any dilapidation costs less any lease incentives received. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

Right-of-use assets 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 as further described in note 1m.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

j) Taxation

Current tax

Current tax is provided at amounts expected to be paid or recovered using the prevailing tax rates and laws that have been enacted or substantively 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 that 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.

Current and deferred tax is recognised in the income statement except where it relates to an item recognised directly in other comprehensive income or reserves, in which case it is recognised directly in other comprehensive income or reserves as appropriate.

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

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

k) Goodwill

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

Goodwill is not amortised, but is assessed annually for impairment, or more frequently where there is an indication that goodwill may be impaired. Impairment is assessed by measuring the future cash flows of the group of CGUs to which the goodwill relates, at the level at which this is monitored by management. Where the future discounted cash flows or recoverable amount is 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.

1 Accounting policies continued

l) Intangible assets

Acquisition intangibles

Acquisition intangibles comprise brand names and customer relationships purchased as part of acquisitions of businesses and are capitalised and amortised over their useful economic lives on a straight-line basis. These intangible assets are stated at cost less accumulated amortisation and, where appropriate, provision for impairment in value or estimated loss on disposal.

Amortisation is provided to write off the cost of assets on a straight-line basis as follows:

Brands	7% – 13.3% per annum
Customer relationships	13.3% per annum

This amortisation is included in the income statement as an administrative expense and, as further described in note A5 on page 221 of the glossary, this is recognised as an adjusting item.

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 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 ten years, and is recorded in administrative expenses.

Intangible assets 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 intangible assets form part of a separate CGU, such as a store or business unit, 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) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

With the exception of land, depreciation is provided to write off the cost of the assets over their expected useful lives from the date the asset was brought into use or capable of being used on a straight-line basis.

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

Land and buildings	1.7% – 4% per annum
Fixtures, fittings and equipment	10% – 33.3% per annum

Property, plant and 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 and equipment form part of a separate CGU, such as a store, 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.

1 Accounting policies continued

n) Inventories

Inventories are stated at the lower of cost and net realisable value, and on a weighted average cost basis. Cost comprises direct purchase cost and those overheads that have been incurred in bringing the inventories to their present location and condition less any attributable discounts and bonuses received from suppliers in respect of that inventory. Net realisable value is based on estimated selling price, less further costs expected to be incurred to disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Certain purchases of inventories may be subject to cash flow hedges to address foreign exchange risk. Where this is the case a basis adjustment is made; the initial cost of hedged inventory is adjusted by the associated gain or loss transferred from the cash flow hedge reserve.

o) Non-derivative financial assets

Financial assets are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the investment. The Group's financial assets comprise cash and cash equivalents, receivables which involve a contractual right to receive cash from external parties, and financial assets designated as at fair value through other comprehensive income (FVTOCI). Financial assets comprise all items shown in notes 12, 13, 15 and 16 with the exception of prepayments and contract assets.

When the Group recognises a financial asset, it classifies it in accordance with IFRS 9 depending on the Group's intention with regard to the collection, or sale, of contractual cash flows and whether the financial asset's cash flows relate solely to the payment of principal and interest on principal outstanding. All of the Group's assets measured at amortised cost are subject to impairments driven by the expected credit loss (ECL) model as further stipulated in notes 15 and 26.

Financial assets are derecognised when the contractual rights to the cash flows expire or the Group has transferred the financial asset in a way that qualifies for derecognition in accordance with IFRS 9.

Trade and other receivables

Trade receivables are initially measured at their transaction price. Where there is a significant financing component, trade and other receivables are discounted at contract inception using a discount rate that is at an arm's length basis and such that would be reflected in a separate financing transaction between the Group and the customer. Other receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, trade and other receivables are measured at amortised cost.

Investment in listed shares

The Group elected to classify investments in listed shares as FVTOCI, recognising the movement in investment's fair value in other comprehensive income. These were long-term equity investments that were not held for trading, but for long-term strategic purposes, the Group therefore considered this classification to be more relevant.

Cash and cash equivalents

Cash and cash equivalents are classified as held at amortised cost, comprising 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.

Cash and cash equivalents include restricted cash which predominantly comprises funds held by the Group's insurance businesses to cover regulatory reserve requirements.

p) Non-derivative 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 17 to 20. Financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities (or a part of a financial liability) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. In the event that the terms in which the Group are contractually obliged are substantially modified, the financial liability to which it relates is derecognised and subsequently re-recognised on the modified terms.

Where the Group has the right and intention to offset in relation to financial assets and liabilities under IAS 32, these are presented on a net basis. See note 26 for a description of the financial assets and liabilities presented on a net basis.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

1 Accounting policies continued

p) Non-derivative financial liabilities continued

Borrowings

Borrowings in the Group's balance sheet represent bank loans drawn under committed and uncommitted facilities. Borrowings are initially recorded at fair value less attributable transaction costs. Transaction fees such as bank fees and legal costs associated with the securing of financing are capitalised and amortised through the income statement over the term of the relevant facility. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Trade and other payables

Trade and other payables are initially recorded at fair value and subsequently measured at amortised cost.

Contingent consideration

On initial recognition, contingent consideration is measured at fair value using the income approach. Contingent consideration that does not qualify as a measurement period adjustment is subsequently remeasured to fair value at each reporting date with changes in fair value recognised in profit or loss.

q) Derivative financial instruments and hedging activity

The Group uses derivatives to manage its exposures to fluctuating interest and foreign exchange rates. These instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured to fair value at each prevailing balance sheet date and are recorded within assets or liabilities as appropriate. The treatment of the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. Derivatives that qualify for hedge accounting are treated as a hedge of a highly probable forecast transaction (cash flow hedge) in the case of foreign exchange hedging, and a hedge of the exposure arising from changes in the cash flows of a financial liability due to interest rate risk on a floating rate debt instrument in the case of interest rate hedging.

Cash flow hedge accounting

At inception the relationship between the hedging instrument and the hedged item is documented, as well as an assessment of the effectiveness of the derivative instrument used in the hedging transaction in offsetting changes in the cash flow of the hedged item. This effectiveness assessment is repeated on an ongoing basis during the life of the hedging instrument to ensure that the instrument remains an effective hedge of the transaction.

The effective portion of changes in the fair value is recognised in other comprehensive income and accumulated in the cash flow hedge reserve. Any gain or loss relating to the ineffective portion is recognised immediately in the income statement within finance costs. Amounts recognised in other comprehensive income and accumulated in the cash flow hedge reserve are recycled to the income statement, in the same line as the recognised hedged item, in the period when the hedged item will affect profit or loss. If the hedging instrument expires or is sold, or no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. If the forecast transaction is no longer expected to occur, the cumulative gain or loss in other comprehensive income is immediately transferred to the income statement and recognised within finance costs.

Where hedged forecast transactions result in the recognition of a non-financial asset or liability, the gains and losses previously recognised and accumulated in the cash flow hedge reserve are subsequently removed and included in the initial cost of the non-financial asset or liability. Such transfers will not affect other comprehensive income.

Derivatives that do not qualify for hedge accounting

Derivatives that do not qualify for hedge accounting are classified at fair value through profit or loss. All changes in fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within finance costs.

1 Accounting policies continued

r) Provisions

Provisions are recognised when a legal or constructive obligation exists as a result of past events, 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.

Provisions for onerous contracts are recognised when the Group believes that the unavoidable costs of meeting or exiting the contract exceed the economic benefits expected to be received under the contract. Where the Group has assets dedicated to the fulfilment of a contract that cannot be redirected, an impairment loss is recognised before a separate provision for an onerous contract.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring, and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

All provisions are assessed by reference to the best available information at the balance sheet date.

s) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses as related costs which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

t) Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements and estimates used in the preparation of the financial statements are continually reviewed and revised as necessary.

Whilst every effort is made to ensure that such judgements and estimates are reasonable, by their nature they are uncertain, and as such changes may have a material impact.

Key sources of estimation uncertainty

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 inflation rates, discount rates and member longevity. Such assumptions are based on actuarial advice and are benchmarked against similar pension schemes. Refer to note 22 for further information.

Revenue recognition – network commissions

For certain transactions with MNOs, the quantum of commission receivable on mobile phone connections depends on consumer behaviour after the point of sale. This leads to a judgement over the unit of account for measurement of the amounts arising from the MNO and an estimate over the transaction price due to the variability of revenue. A level of constraint is applied to the revenue recognition to ensure revenue is only recognised when it is highly probable there will not be a significant reversal. By the nature of this constraint, applied in line with IFRS 15: ‘Revenue from Contracts with Customers’, it is possible that additional revenue will be recognised in future periods from performance obligations satisfied in prior periods. For example, the network commission receivables are routinely increased each year in line with RPI, however as part of the variable revenue constraint, the Group does not include this RPI estimate in the revenue recognised at point of sale. For the year ended 1 May 2021, the revenue recognised includes a value of £6m (2019/20: £14m) relating to the application of RPI increases on end consumer contracts by the respective MNOs relating to performance obligations satisfied in prior periods. As a result of the revenue constraints applied, it is reasonably possible that additional revenue may be recognised in future periods from performance obligations satisfied in prior periods of between nil and £15m.

Further details of the estimations involved with network commissions can be found in note 1e and a reconciliation of the movements in the network commission receivables within the year is included within note 15.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

1 Accounting policies continued

t) Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty continued

Impairment of non-financial assets

The Group tests whether goodwill has suffered any impairment on an annual basis based on the value of the discounted future cash flows allocated to the group of CGUs to which it is allocated. The methodology and key assumptions used in assessing the carrying value of goodwill are set out in note 8. The key assumptions made for long term projections, sales and costs growth rates, discount rate and the potential long term impact of Covid-19 all include an element of estimation that may give rise to a difference between the value ascribed and the actual outcomes. Due to the current Covid-19 global pandemic, there is an increased level of risk and therefore a key source of estimation uncertainty with the sales and cost growth assumptions that drive the operating profit forecasts. It is reasonably possible that a change in these assumptions could lead to a material change in the carrying value of goodwill specifically within the UK & Ireland Electricals operating segment, where £1,840m of goodwill is allocated, within the next financial year. Further details of the key assumptions used and the sensitivity analysis in respect of the recoverable amount of UK & Ireland Electricals goodwill is disclosed in note 8.

Property, plant and equipment, right-of-use assets, and other non-current assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of an asset or cash generating unit is not recoverable. A cash generating unit is an individual store. The recoverable amount is the greater of the fair value less costs to sell and value-in-use. In calculating the value in use of each store CGU, order & collect sales (and associated costs) have been included, however e-commerce sales that have been delivered directly to the consumer (rather than ordered in store or collected in store) are not attributed to the stores. Due to the current Covid-19 global pandemic, there is an inherent key assumption as to how customers will behave in the future, in particular the proportion of customers that will shop in store or online. As a result, there is an increased level of risk associated with the forecast split of operating profit contribution generated by the stores and online sales channels. Therefore a key source of estimation uncertainty associated with the sales and cost growth assumptions that drive the operating profit forecasts attributable directly to the store portfolio has been identified. It is considered reasonably possible that a change in these operating profit forecast assumptions could lead to a material change in the carrying value of assets specifically attributed to the UK stores, within the next financial year. If the operating profit generated by the store portfolio including order & collect reduces by a reasonably possible 20% from FY2021/22 onwards, this would result in a further impairment of store assets by £18m. The directors do not consider that the relevant change in this assumption would have a consequential effect on other key assumptions.

Critical accounting judgements

Taxation

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. The Group recognises a provision when it is probable that an obligation to pay tax will crystallise as a result of a past event. The quantum of provision recognised is based on the best information available and has been assessed by in-house tax specialists, and where appropriate third-party taxation and legal advisers, and represents the Group's best estimate of the most likely outcome. 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. 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 (or changes in existing provisions) assessed where necessary.

The Group has recognised provisions in relation to uncertain tax positions of £65m at 1 May 2021 (2019/20: £83m). Due to the nature of the provisions recorded, the timing of the settlement of these amounts remains uncertain.

Furthermore, the Group is currently cooperating with HMRC in relation to open tax enquiries arising from pre-merger legacy corporate transactions in the Carphone Warehouse Group. One of the underlying pre-merger transactions under enquiry is considered to have a 'more likely than not' chance of resulting in settlement. The Group therefore determined, due to this level of risk, that a provision was appropriate and this was recognised in the 2018/19 financial statements. This enquiry is still open and the treatment as a provision continues to be deemed appropriate, with £41m (2019/20: £39m) (comprising both the amount of tax due on settlement together with interest up to 1 May 2021) included within the uncertain tax provisions balance explained above as at 1 May 2021. This enquiry is linked to another pre-merger tax risk that has a 'more likely than not' chance of resulting in settlement and has therefore been fully provided for at £17m (2019/20: £17m) (comprising both the amount of tax due together with interest) where discussions with HMRC are held in abeyance pending finalisation of the original enquiry. This provision is included within the uncertain tax provisions balance explained above as at 1 May 2021.

1 Accounting policies continued

t) Critical accounting judgements and key sources of estimation uncertainty continued

Critical accounting judgements continued

In addition, the Group has a further open tax enquiry arising from a separate pre-merger legacy corporate transaction. Based on the strength of third-party legal advice it is considered 'more likely than not' that this enquiry will not result in an economic outflow to the Group and therefore no provision has been made. The potential range of tax exposures relating to this enquiry is estimated to be approximately £nil – £214m excluding interest and penalties. Interest on the upper end of the range is approximately £56m up to 1 May 2021. Penalties could range from nil to 30% of the principal amount of any tax. This potential outflow has been disclosed as a contingent liability within note 33.

u) Recent accounting developments

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for the financial year beginning 3 May 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. The Group has considered the following standards whose impact is not deemed to be material:

- Amendments to IFRS 9: 'Financial Instruments', IAS 39: 'Financial Instruments: Recognition and Measurement' and IFRS 7: 'Financial Instruments: Disclosures' on Phase 1 of interest rate benchmark reform
- Amendments to IAS 1 and IAS 8 Definition of material
- Amendments to IFRS 3 Definition of a business
- Conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards
- Amendment to IFRS 16 Covid-19 Related Rent Concessions.

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:

- IFRS 17: 'Insurance Contracts'
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle: Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
- Amendments to IFRS 9: 'Financial Instruments', IAS 39: 'Financial Instruments: Recognition and Measurement', IFRS 7: 'Financial Instruments: Disclosures', IFRS 4: 'Insurance Contracts' and IFRS 16: 'Leases' on Phase 2 of interest rate benchmark reform.

2 Segmental analysis

The Group's operating segments reflect the segments routinely reviewed by the CODM and which are used to manage performance and allocate resources. This information is predominantly based on geographical areas which are either managed separately or have similar trading characteristics such that they can be aggregated together into one segment.

The Group's operating and reportable segments have therefore been identified as follows:

- UK & Ireland Electricals comprises the operations of Currys PCWorld and the Dixons Travel business
- UK & Ireland Mobile comprises the Carphone Warehouse, iD Mobile and B2B operations
- Nordics operates in Norway, Sweden, Finland, Denmark and Iceland
- Greece, consisting of our ongoing operations in Greece.

UK & Ireland Electricals, UK & Ireland Mobile, Nordics and Greece are involved in the sale of consumer electronics and mobile technology products and services, primarily through stores or online channels.

Transactions between segments are on an arm's length basis.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

2 Segmental analysis continued

In accordance with IFRS 5, discontinued operations are disclosed separately as a single amount within the Group's consolidated income statement after profit after tax for continuing operations. Discontinued operations are therefore excluded from the segmental analysis. Further information on the Group's operations classified as discontinued is outlined in note 25.

a) Segmental results

	Year ended 1 May 2021					
	UK & Ireland Electricals £m	UK & Ireland Mobile £m	Nordics £m	Greece £m	Eliminations £m	Total £m
External revenue	4,921	721	4,186	516	–	10,344
Inter-segmental revenue	66	128	–	–	(194)	–
Total revenue	4,987	849	4,186	516	(194)	10,344
Profit / (loss) before interest and tax	78	(89)	139	19	–	147

	Year ended 2 May 2020					
	UK & Ireland Electricals £m	UK & Ireland Mobile £m	Nordics £m	Greece £m	Eliminations £m	Total £m
External revenue	4,538	1,589	3,573	470	–	10,170
Inter-segmental revenue	86	98	–	–	(184)	–
Total revenue	4,624	1,687	3,573	470	(184)	10,170
Profit / (loss) before interest and tax	119	(282)	115	20	–	(28)

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
UK & Ireland Electricals	78	119
UK & Ireland Mobile	(89)	(282)
Nordics	139	115
Greece	19	20
Profit / (loss) before interest and tax	147	(28)
Finance income	6	10
Finance costs	(120)	(122)
Profit / (loss) before tax	33	(140)

No individual customer represented more than 10% of the Group's revenue within the current or preceding period.

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. Non-current assets exclude financial instruments and deferred tax assets.

	Year ended 1 May 2021					Year ended 2 May 2020				
	UK £m	Norway £m	Sweden £m	Other £m	Total £m	UK £m	Norway £m	Sweden £m	Other £m	Total £m
Revenue	**5,352**	**1,269**	**1,375**	**2,348**	**10,344**	5,865	1,119	1,121	2,065	10,170
Non-current assets	**2,886**	**581**	**461**	**684**	**4,612**	3,184	519	453	729	4,885
Capital expenditure	**60**	**36**	**7**	**19**	**122**	111	43	13	24	191

3 Revenue and profit / (loss) before interest and taxation

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Revenue	**10,344**	10,170
Cost of sales	**(8,592)**	(8,318)
Gross profit	**1,752**	1,852
Operating expenses	**(1,605)**	(1,880)
Profit / (loss) before interest and tax	**147**	(28)

The Group's disaggregated revenues recognised under 'Revenue from Contracts with Customers' in accordance with IFRS 15 relates to the following operating segments and revenue streams:

	Year ended 1 May 2021				
	UK & Ireland Electricals £m	UK & Ireland Mobile £m	Nordics £m	Greece £m	Total £m
Sale of goods	**4,561**	**190**	**3,797**	**491**	**9,039**
Commission revenue	**6**	**463**	**252**	**1**	**722**
Support services revenue	**260**	**–**	**60**	**17**	**337**
Other services revenue	**89**	**68**	**77**	**7**	**241**
Other revenue	**5**	**–**	**–**	**–**	**5**
Total revenue	**4,921**	**721**	**4,186**	**516**	**10,344**

	Year ended 2 May 2020				
	UK & Ireland Electricals £m	UK & Ireland Mobile £m	Nordics £m	Greece £m	Total £m
Sale of goods	4,147	397	3,218	446	8,208
Commission revenue	5	1,090	268	1	1,364
Support services revenue	285	–	30	17	332
Other services revenue	97	102	57	6	262
Other revenue	4	–	–	–	4
Total revenue	4,538	1,589	3,573	470	10,170

Revenue from support services relates predominantly to customer support agreements, while other services revenue comprises delivery and installation, product repairs and product support.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

3 Revenue and profit / (loss) before interest and taxation continued

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

	Year ended 1 May 2021 £m	**Year ended 2 May 2020 £m**
Depreciation of property, plant and equipment	**79**	81
Impairment of property, plant and equipment	**5**	5
Depreciation of right-of-use assets	**200**	217
Impairment of right-of-use assets	**15**	50
Amortisation of acquisition intangibles	**26**	25
Impairment of acquisition intangibles	**8**	–
Amortisation of other intangibles	**57**	44
Impairment of other intangibles	**47**	9
Impairment of inventory	**80**	92
Net impairment on financial assets (see note 15)	**–**	11
Cost of inventory recognised as an expense	**8,175**	7,789
Cash flow hedge amounts reclassified and reported in income statement	**11**	12
Government grant income	**(6)**	(20)
Net foreign exchange gains	**(2)**	(2)
Share-based payments expense	**21**	23
Other employee costs (see note 4)	**1,054**	1,100
Restructuring costs*	**54**	56
Other exceptional income*	**(31)**	–
Regulatory (income) / costs*	**(7)**	30

* Restructuring costs, other exceptional income and regulatory (income) / costs are further detailed within note A5 of the glossary.

Auditor's remuneration comprises the following:

	Year ended 1 May 2021 £m	**Year ended 2 May 2020 £m**
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.1**	0.2
Fees payable to the Company's auditor and its associates for their audit of the Company's subsidiaries	**1.5**	1.3
Total audit fees	**1.6**	1.5
Audit-related assurance services:		
Review of interim statement	**0.2**	0.3
Other assurance services	**0.2**	0.1
Total audit and audit-related assurance services	**2.0**	1.9
Tax compliance services	**0.1**	0.1
Total audit and non-audit fees	**2.1**	2.0

4 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 1 May 2021 £m	**Year ended 2 May 2020 £m**
Salaries and performance bonuses	**901**	949
Social security costs	**119**	117
Other pension costs	**34**	34
	1,054	1,100
Share-based payments	**21**	23
	1,075	1,123

The average number of employees for continuing operations is:

	Year ended 1 May 2021 number	**Year ended 2 May 2020 number**
UK & Ireland Electricals	**18,591**	20,908
UK & Ireland Mobile	**4,434**	8,585
Nordics	**10,399**	10,113
Greece	**2,663**	2,603
	36,087	42,209

Compensation earned by key management, comprising the Board of Directors and senior Executives, is as follows:

	Year ended 1 May 2021 £m	**Year ended 2 May 2020 £m**
Short-term employee benefits	**10**	6
Share-based payments	**4**	3
	14	9

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 CONTINUED

4 Employee costs and share-based payments continued

b) Share-based payments

i) Share option schemes

The Group offers discretionary awards of nil-priced options under the Long Term Incentive Plan (LTIP) to senior employees. Awards are granted annually and will usually vest after three years subject to continued service. Some awards are also subject to the achievement of performance conditions.

For awards granted during the years ended 27 April 2019 and 2 May 2020, awards granted to Executive Directors and key management are subject to performance conditions. For awards issued to other senior management, awards are not subject to performance conditions. For awards granted during the year ended 1 May 2021, awards issued to other senior management are also subject to performance conditions.

For awards granted during the year ended 27 April 2019, performance conditions are based on a combination of relative TSR performance against the constituents of the FTSE 51-150 at the beginning of the performance period and cumulative free cash flow. For awards granted during the years ended 2 May 2020 and 1 May 2021, performance conditions are based on a combination of relative TSR performance against a bespoke comparator group of 22 European Special Line Retailers and other comparable companies and cumulative free cash flow.

In February 2019, the Group launched the Colleague Shareholder Award which granted every permanent colleague with 12 months service at least £1,000 of options which will vest after three years. These awards are not subject to performance conditions.

The following table summarises the number and weighted average exercise price (WAEP) of share options for these schemes:

	Year ended 1 May 2021		**Year ended 2 May 2020**	
	Number m	**WAEP £**	**Number m**	**WAEP £**
Outstanding at the beginning of the period	**63**	**–**	55	–
Granted during the period	**32**	**–**	26	–
Forfeited during the period	**(12)**	**–**	(16)	–
Exercised during the period	**(5)**	**–**	(2)	–
Outstanding at the end of the period	**78**	**–**	63	–
Exercisable at the end of the period	**–**	**–**	–	–

	Year ended 1 May 2021	**Year ended 2 May 2020**
Weighted average market price of options exercised in the period	**£1.01**	£1.08
Weighted average remaining contractual life of awards outstanding	**8.5 yrs**	8.8 yrs
Exercise price for options outstanding	**£nil**	£nil

4 Employee costs and share-based payments continued

b) Share-based payments continued

ii) 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.

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

	Year ended 1 May 2021		Year ended 2 May 2020	
	Number m	**WAEP £**	**Number m**	**WAEP £**
Outstanding at the beginning of the period	**15**	**1.19**	12	1.90
Granted during the period	**14**	**0.67**	14	0.97
Exercised during the period	**–**	**0.86**	–	0.97
Forfeited during period	**(10)**	**1.16**	(11)	1.71
Outstanding at the end of the period	**19**	**0.82**	15	1.19
Exercisable at the end of the period	**1**	**1.53**	1	1.88

	Year ended 1 May 2021	Year ended 2 May 2020
Weighted average market price of options exercised in the period	**£1.36**	£0.77
Weighted average remaining contractual life of awards outstanding	**2.7 yrs**	2.7 yrs
Range of exercise prices for options outstanding	**£0.67 – £3.77**	£0.97 – £3.77

iii) 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 the Group.

The weighted average fair value of options granted during the period was £0.56 (2019/20: £0.75). The following table lists the inputs to the model:

	Year ended 1 May 2021	Year ended 2 May 2020
Exercise price	**£nil – £0.67**	£nil – £0.97
Dividend yield	**0% – 3.8%**	0% – 5.7%
Historical and expected volatility	**41%**	31% – 37%
Expected option life	**4 – 10 yrs**	4 – 10 yrs
Weighted average share price	**£0.91**	£1.24

The expected volatility reflects the assumption that the historical volatility is indicative of future trends.

iv) Charge to the income statement and entries in reserves

During the year ended 1 May 2021, the Group recognised a non-cash accounting charge to profit and loss of £21m (2019/20: £23m) in respect of equity settled share-based payments, with a corresponding credit through reserves.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

4 Employee costs and share-based payments continued

c) Employee Benefit Trust ('EBT')

	1 May 2021			2 May 2020		
	Market value £m	Nominal value £m	Number m	Market value £m	Nominal value £m	Number m
Investment in own shares	**28**	**–**	**20.5**	8	–	10.1
Maximum number of shares held during the period	**28**	**–**	**20.5**	12	–	10.4

The number of shares held by the EBT, which are shown in the table above, remain held for potential awards under outstanding plans. The costs of administering the EBT are charged to the income statement in the year to which they relate. Investment in own shares are recorded at cost and are recognised directly in equity within other reserves.

The EBT acquired 4.1m of the Company's shares during the year ended 1 May 2021 at nominal value and 11.6m via market purchases for cash consideration of £13.2m. For the comparative period 2.1m shares were acquired at nominal value and 9.8m via market purchases for £11.8m.

The EBT has waived rights to receive dividends and agrees to abstain from exercising their right to vote. The shares have not been allocated to specific schemes as further disclosed in the Directors' Report. At 1 May 2021, the EBT held 1.8% (2020: 0.9%) of the issued share capital of the Company.

5 Net finance costs

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Unwind of discounts on trade and other receivables	**6**	10
Finance income	**6**	10
Interest on bank overdrafts, loans and borrowings	**(8)**	(15)
Interest expense on lease liabilities	**(77)**	(80)
Net interest on defined benefit pension obligations	**(8)**	(14)
Amortisation of facility fees*	**(11)**	(2)
Other interest expense	**(16)**	(11)
Finance costs	**(120)**	(122)
Total net finance costs	**(114)**	(112)

* In April 2021, the Group refinanced its existing debt with two new Revolving Credit Facilities, which expire in April 2025. As such, all other facilities were cancelled as part of the refinancing and the fees relating to these facilities were subsequently impaired.

All finance costs in the above table represent interest costs of financial liabilities and assets, other than amortisation of facility fees which represent non-financial assets and net interest on defined benefit pension obligations which represent the net defined benefit liabilities.

6 Tax

a) Tax expense

The corporation tax charge comprises:

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Current tax		
UK corporation tax at 19% (2019/20: 19%)	7	9
Overseas tax	36	24
	43	33
Adjustments made in respect of prior years*:		
UK corporation tax	(12)	(5)
Overseas tax	(1)	1
	(13)	(4)
Total current tax	30	29
Deferred tax		
UK tax	5	(3)
Overseas tax	(6)	3
	(1)	–
Adjustments in respect of prior years:		
UK corporation tax	5	(4)
Overseas tax	(1)	(4)
	4	(8)
Total deferred tax	3	(8)
Total tax charge	33	21

* This is further disclosed in note 6(b)(iii)

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

b) Reconciliation of standard to actual (effective) tax rate

The principal differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to profit / (loss) before taxation are as follows:

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Profit / (loss) before taxation	33	(140)
Tax at UK statutory rate of 19% (2019/20: 19%)	6	(27)
Items attracting no tax relief or liability(i)	12	7
Movement in unprovided deferred tax(ii)	16	52
Effect of change in statutory tax rate	1	(2)
Differences in effective overseas tax rates	6	3
Increase in provisions	1	–
Adjustments in respect of prior years – provisions(iii)	(13)	(17)
Adjustments in respect of prior years – other(iv)	4	5
Total tax charge	33	21

(i) Items attracting no tax relief or liability relate mainly to non-deductible depreciation and share based payments in the UK business.

(ii) Deferred tax assets relating principally to tax losses in the UK business have not been recognised due to uncertainty over the Group's ability to utilise the losses in the future.

(iii) Provision releases are predominantly where the window for recovery has now closed in relation to pre-merger uncertain tax positions.

(iv) Other adjustments in respect of prior years are mainly due to lower tax relief on fixed assets through capital allowances in submitted tax returns.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

6 Tax continued

c) Deferred tax

	Accelerated capital allowances £m	Retirement benefit obligations £m	Losses carried forward £m	Other temporary differences £m	Total £m
At 27 April 2019	(39)	97	5	63	126
Taxation on IFRS 16 transition adjustment	–	–	–	6	6
Adjusted balance at 27 April 2019	(39)	97	5	69	132
(Charged) / credited directly to income statement	(12)	–	34	(13)	9
Charged to equity	–	(44)	–	–	(44)
At 2 May 2020	**(51)**	**53**	**39**	**56**	**97**
(Charged) / credited directly to income statement	**(1)**	**–**	**(13)**	**11**	**(3)**
Credited to equity	**–**	**6**	**–**	**–**	**6**
At 1 May 2021	**(52)**	**59**	**26**	**67**	**100**

Deferred tax comprises the following balances:

	1 May 2021 £m	2 May 2020 £m
Deferred tax assets	**262**	259
Deferred tax liabilities	**(162)**	(162)
	100	97

Analysis of deferred tax relating to items credited / (charged) to equity in the period:

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Defined benefit pension schemes	**6**	(44)
	6	(44)

The Group has total unrecognised deferred tax assets relating to gross tax losses of £1,491m (2019/20: £1,257m) of which £1,459m relates to the UK (2019/20: £1,242m). £1,052m (2019/20: £1,052m) of these losses relate to carried forward capital losses in the legacy Dixons Group. The balance of the losses relates to carried forward trading losses, principally due to the losses realised in the Carphone Warehouse business in the UK in the current period and in the prior period.

A deferred tax asset has not been recognised in respect of the losses for the period (£274m), other deductible temporary differences (£100m) and pension contributions (£170m) expected to reverse after the period of the Group's 5-year plan which is used to determine the availability of future taxable profits.

There were no temporary differences associated with non-distributable earnings of subsidiaries for which deferred tax liabilities had not been recognised at the end of the current period or the prior period.

The Group has a current tax credit of £7m (2019/20: £5m) recognised through equity in relation to pensions.

On 24 May 2021 the Finance Bill 2021 passed through all stages in the House of Commons and became substantively enacted, which included a legislative change to increase the rate of corporation tax to 25% with effect from 1 April 2023. As the Bill was not substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the deferred tax asset to £120m.

7 Earnings / (loss) per share

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Total profit / (loss)		
Continuing operations	**–**	(161)
Discontinued operations	**12**	(2)
Total	**12**	(163)

	Million	Million
Weighted average number of shares		
Average shares in issue	**1,166**	1,162
Less average holding by Group EBT	**(14)**	(5)
For basic earnings / (loss) per share	**1,152**	1,157
Dilutive effect of share options and other incentive schemes	**42**	25
For diluted earnings / (loss) per share	**1,194**	1,182

	Pence	Pence
Basic earnings / (loss) per share		
Total (continuing and discontinued operations)	**1.0**	(14.1)
Adjustment in respect of discontinued operations	**(1.0)**	0.2
Continuing operations	**–**	(13.9)
Diluted earnings / (loss) per share		
Total (continuing and discontinued operations)	**1.0**	(14.1)
Adjustment in respect of discontinued operations	**(1.0)**	0.2
Continuing operations	**–**	(13.9)

Basic and diluted earnings / (losses) per share are based on the profit / (loss) for the period attributable to equity shareholders.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

8 Goodwill

Cost	**£m**
As at 27 April 2019	**3,065**
Foreign exchange	**(37)**
As at 2 May 2020	**3,028**
Foreign Exchange	**48**
As at 1 May 2021	**3,076**

Accumulated impairment	**£m**
As at 27 April 2019 and 2 May 2020	**(225)**
Impairment	**–**
As at 1 May 2021	**(225)**

Carrying amount	**£m**
As at 27 April 2019	**2,840**
As at 2 May 2020	**2,803**
As at 1 May 2021	**2,851**

a) Carrying value of goodwill

The components of goodwill comprise the following businesses:

	1 May 2021 £m	**2 May 2020 £m**
UK & Ireland Electricals	**1,840**	1,840
Nordics	**1,011**	963
	2,851	2,803

No impairment charge has been recognised over goodwill in the current or prior period.

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.

8 Goodwill continued

b) Goodwill impairment testing continued

The long term projections are based on Board approved budgets for 2021/22 together with the Board approved five-year strategic plan. These projections have regard to the relative performance of competitors and knowledge of the current market together with management's views on the future achievable growth in market share and impact of the committed initiatives as well as any longer term impact of the Covid-19 pandemic. 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:

				1 May 2021				2 May 2020
	Compound annual growth in sales	Compound annual growth in costs	Growth rate beyond five years	Pre-tax discount rate	Compound annual growth in sales	Compound annual growth in costs	Growth rate beyond five years	Pre-tax discount rate
UK & Ireland Electricals	**(1.8)%**	**(2.0)%**	**1.4%**	**8.7%**	4.2%	4.0%	1.4%	7.8%
Nordics	**3.2%**	**3.1%**	**1.8%**	**7.8%**	3.2%	3.1%	1.8%	7.6%

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.

Within the Group's UK & Ireland Electricals operating segment and the UK & Ireland Mobile operating segment there are corporate assets that are not allocable to these separate groups of CGUs on a reasonable and consistent basis. Accordingly, the Group tests such assets for impairment by comparing the combined recoverable amount of the UK & Ireland Electricals and UK & Ireland Mobile group of CGUs with the combined carrying value of assets of these respective groups of CGUs including the corporate assets.

c) Goodwill impairment sensitivity analysis

In line with the assumptions noted above and highlighted in note 1t, the Group undertook an impairment review of the UK & Ireland Electricals group of CGUs, where £1,840m of goodwill is allocated. These impairment tests are prepared using the methodology required by IAS 36. The recoverable amount, based on value in use, shows headroom of £501m above the carrying amount of UK & Ireland Electricals CGU. Within the value in use model growth in sales and growth in costs assumptions drive the operating profit forecasts in line with the Group's strategic plan. The key assumption within the value in use model is therefore the operating profit forecast in the strategic plan which is underpinned by the recovery from the impact of Covid-19 and the successful delivery of a number of key strategic initiatives that are currently underway within the business.

In accordance with IAS 36, the Group performed sensitivity analysis on the estimates of recoverable amounts and found that the excess of recoverable amount over the carrying amount of the UK & Ireland Electricals CGU would be reduced to nil as a result of a reasonably possible change in the key assumption. The recoverable amount would equal the carrying value if operating profit were reduced by 21% within the value in use model, and then extrapolated for the remainder of the forecast period including the period beyond the strategic plan. The directors do not consider that the relevant change in this assumption would have a consequential effect on other key assumptions.

For the Nordics group of CGUs, where £1,011m of goodwill is allocated, the directors do not consider that any reasonably possible changes to the key assumptions would reduce the recoverable amount to its carrying value.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

9 Intangible assets

	Acquisition intangibles				
	Brands £m	Customer relationships £m	Sub-total £m	Software and licences £m	Total £m
Balance at 3 May 2020	218	2	220	249	469
Additions	–	–	–	84	84
Amortisation	(24)	(2)	(26)	(57)	(83)
Impairment	(8)	–	(8)	(47)	(55)
Disposals	–	–	–	(1)	(1)
Foreign exchange	5	–	5	7	12
Balance at 1 May 2021	191	–	191	235	426
Cost	372	73	445	802	1,247
Accumulated amortisation and impairment losses	(181)	(73)	(254)	(567)	(821)
Balance at 1 May 2021	191	–	191	235	426
Included in net book value as at 1 May 2021					
Assets in the course of construction	–	–	–	50	50

	Acquisition intangibles				
	Brands £m	Customer relationships £m	Sub-total £m	Software and licences £m	Total £m
Balance at 28 April 2019	246	3	249	215	464
Additions	–	–	–	90	90
Reclassification from property, plant and equipment	–	–	–	3	3
Amortisation	(24)	(1)	(25)	(44)	(69)
Impairment	–	–	–	(9)	(9)
Foreign exchange	(4)	–	(4)	(6)	(10)
Balance at 2 May 2020	218	2	220	249	469
Cost	367	73	440	712	1,152
Accumulated amortisation and impairment losses	(149)	(71)	(220)	(463)	(683)
Balance at 2 May 2020	218	2	220	249	469
Included in net book value as at 2 May 2020					
Assets in the course of construction	–	–	–	75	75

Following the unprecedented effects of the Covid-19 pandemic and the enforced store closures throughout the year ended 1 May 2021, the Group accelerated the operational roll out of its long term strategic plan in moving towards a full omnichannel offering. This resulted in an impairment charge of £47m being recognised over software development costs and IT related assets, within the UK & Ireland Electricals operating segment, that could not be repurposed following the transition to cloud based solutions.

A further £8m impairment was recognised over acquisition intangibles, that arose on the Dixons Retail Merger, following the decision to close the Dixons Travel business.

Further information on the impairments recognised in the year is disclosed in note A5.

In the year ended 2 May 2020, an impairment of £9m was recognised in the UK & Ireland Mobile operating segment following the announcement to close the Carphone Warehouse standalone stores within the United Kingdom.

9 Intangible assets continued

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:

	1 May 2021		2 May 2020	
	Net book value £m	Remaining amortisation period Years	Net book value £m	Remaining amortisation period Years
Currys PCWorld	94	9	106	10
Elgiganten	43	9	47	10
Elkjøp	31	9	31	10
Gigantti	22	9	25	10

10 Property, plant and equipment

	Land and buildings £m	Fixtures, fittings and other equipment £m	Total £m
Balance at 3 May 2020	25	215	240
Additions	9	17	26
Depreciation	(6)	(73)	(79)
Disposals	–	(2)	(2)
Impairment	–	(5)	(5)
Foreign exchange	–	4	4
Balance as at 1 May 2021	28	156	184
Cost	61	702	763
Accumulated depreciation	(33)	(546)	(579)
Balance as at 1 May 2021	28	156	184
Included in net book value as at 1 May 2021			
Assets in the course of construction	–	15	15

	Land and buildings £m	Fixtures, fittings and other equipment £m	Total £m
Balance at 28 April 2019	69	207	276
Adjustment on initial application of IFRS 16*	(41)	–	(41)
Additions	7	91	98
Reclassification to intangible assets	–	(3)	(3)
Depreciation	(7)	(74)	(81)
Disposals	–	(2)	(2)
Impairment	(3)	(2)	(5)
Foreign exchange	–	(2)	(2)
Balance as at 2 May 2020	25	215	240
Cost	52	693	745
Accumulated depreciation	(27)	(478)	(505)
Balance as at 2 May 2020	25	215	240
Included in net book value as at 2 May 2020			
Assets in the course of construction	–	35	35

* The Group adopted IFRS 16: 'Leases' for the first time during the prior period. As at 28 April 2019, those assets previously held under finance leases in accordance with IAS 17 were removed from property, plant and equipment (cost £67m net of £26m accumulated depreciation) and subsequently recognised as right-of-use assets as further disclosed in note 11.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

11 Right-of-use assets

	1 May 2021 £m	2 May 2020 £m
Land and buildings	**1,026**	1,084
Vehicles, equipment and other	**25**	30
	1,051	1,114

Additions to the right-of-use assets for the period were £137m (2019/20: £229m).

The total cash outflow for leases amounts to £310m (2019/20: £300m).

Amounts recognised in profit and loss	1 May 2021 £m	2 May 2020 £m
Depreciation expense on right-of-use assets:		
Land and buildings	**191**	207
Vehicles, equipment and other	**9**	10
Total depreciation on right-of-use assets	**200**	217
Impairment of right-of-use assets	**15**	50
Interest expense on lease liabilities	**77**	80
Expense relating to short-term leases	**10**	21
Expense relating to leases of low value assets	**1**	1
Expense relating to variable lease payments not included in the measurement of the lease liability	**5**	18
Income from subleasing right-of-use assets	**(3)**	(1)

12 Lease receivables

Under IFRS 16, an intermediate lessor accounts for the head lease and sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease. The Group's finance lease arrangements do not include variable payments.

	1 May 2021 £m	2 May 2020 £m
Net investment in the lease analysed as:		
Recoverable after 12 months	**3**	4
Recoverable within 12 months	**1**	1
	4	5

The Group applies the simplified model in accordance with IFRS 9 to recognise lifetime expected credit losses on lease receivables. The value of the expected credit loss on lease receivables is immaterial.

12 Lease receivables continued

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in functional currency.

	1 May 2021 £m	**2 May 2020 £m**
Undiscounted amounts receivable under finance leases:		
Year 1	**1**	1
Year 2	**1**	1
Year 3	**1**	1
Year 4	**1**	1
Year 5	**1**	1
Onwards	**–**	2
Undiscounted amounts receivable	**5**	7
Less: unearned finance income	**(1)**	(2)
Net investment in the lease	**4**	5

13 Interests in investments

	1 May 2021 £m	**2 May 2020 £m**
Financial assets designated as at FVTOCI	**–**	10

During the year ended 1 May 2021 the Group disposed of its equity investment in Unieuro S.p.A, an Italian retailer of consumer electronics and household appliances listed on the Borsa Italiana, for consideration of £18m.

At 2 May 2020, given a readily determinable fair value was available based on the market price of the listed shares, the investment was valued at £10m.

These investments in equity instruments were not held for trading and instead were held for long-term strategic purposes. Accordingly, the Group had elected to designate these investments in equity instruments as at FVTOCI with the movement in investment value being recognised in other comprehensive income. However, the investment was sold within the year as it no longer aligned to the Group’s long-term strategic direction.

The fair valuation techniques used are outlined in note 26.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

14 Inventory

	1 May 2021 £m	2 May 2020 £m
Finished goods and goods for resale	**1,178**	970

15 Trade and other receivables

	1 May 2021 £m	2 May 2020 £m
Trade receivables	**347**	396
Less expected credit loss allowances	**(21)**	(26)
	326	370
Contract assets	**220**	565
Prepayments	**55**	50
Other receivables	**60**	71
Accrued income	**64**	69
	725	1,125
Non-current	**138**	294
Current	**587**	831
	725	1,125

The majority of trade and other receivables are non-interest bearing. Non-current receivables mainly comprise commission receivable on sales, as described below. Where there is a significant financing component, trade and other receivables are discounted at contract inception using a discount rate that is at an arm's length basis and which would be reflected in a separate financing transaction between the Group and the customer.

Included within other receivables is £3m of government grants receivable (2019/20: £20m). This relates to compensation for expenses already incurred by the Group that have been pledged by national governments in light of the Covid-19 pandemic. This is further disclosed in note 30.

As set out in the table below, adjustments are made in the trade receivables balance for expected credit loss allowances. Management also consider the counter party risk relating to its accrued income balance, which comprise amounts where the Group has fulfilled its performance obligations but not yet invoiced, primarily due from large multi-nationals and blue chip companies. As such, the allowances made are not material.

			1 May 2021			2 May 2020
	Gross trade receivables £m	Expected credit loss allowances £m	Net trade receivables £m	Gross trade receivables £m	Expected credit loss allowances £m	Net trade receivables £m
Ageing of gross trade receivables and expected credit loss allowances:						
Not yet due	**308**	**(1)**	**307**	312	(3)	309
Past due:						
Under two months	**13**	**(1)**	**12**	35	(1)	34
Two to four months	**5**	**(1)**	**4**	13	(2)	11
Over four months	**21**	**(18)**	**3**	36	(20)	16
	39	**(20)**	**19**	84	(23)	61
	347	**(21)**	**326**	396	(26)	370

15 Trade and other receivables continued

Movements in the expected credit loss allowances for trade receivables is as follows:

	1 May 2021 £m	2 May 2020 £m
Opening balance	(26)	(17)
Charged to the income statement	(3)	(12)
Receivables written off as irrecoverable	4	2
Amounts recovered during the year	3	1
Disposal of business	1	–
Closing balance	(21)	(26)

Further details with regards to trade receivables credit risk are included in note 26.

Contract assets

	1 May 2021 £m	2 May 2020 £m
Insurance commission contract assets	13	19
Network commission contract assets	207	546
	220	565

The Group recognises contract assets where the performance obligations have been met but the right to consideration from the customer is conditional on something other than the passage of time. This occurs on both insurance commission revenue and network commission revenue as detailed in note 1d.

Upon the initial recognition of revenue from contracts with customers, the Group considers the risk profile for amounts due from network and insurance customers based on historical experience and forward looking information in accordance with IFRS 15. As such, credit risk is factored into the initial recognition of revenue, while contract assets are adjusted at each reporting date to reflect the future expected value. Therefore, no further expected credit loss is recognised as it is included within the initial measurement of the Group’s contract assets. Further information is disclosed in note 26, while additional information on the measurement of expected consideration is detailed below.

The significant changes in the contract asset balances within the year occurred within the network commission contract assets. Further detail and a full reconciliation of movements within the financial year have therefore been provided below.

Network commission contract assets and receivables

As described in note 1e, the revenue earned by the Group for the acquisition of consumers on behalf of third-party network operators is subject to variable consideration. Some consideration is paid by the MNOs at the time of connection with the remainder paid over the duration of the consumer’s contractual relationship with the MNO which is usually between one and five years. Whilst the underlying contract with the consumer predominately constitutes a fixed monthly value, variability arises due to future expected behaviour of such consumers after the point of connection.

Under IFRS 15: ‘Revenue from Contracts with Customers’ the Group only recognises revenue to the extent that it is highly probable that there will not be a significant reversal in the future. Determining the amount of revenue to recognise is judgemental and subject to a degree of estimation uncertainty in particular due to the nature of the variable revenue constraint applied in line with IFRS 15 as described in note 1t. In previous periods, the Group has estimated such revenue with a high level of accuracy, as evidenced and regularly monitored by the level of cash the Group receives from MNOs in the periods subsequent to acquiring consumers on their behalf.

In determining the amount of revenue to recognise, the Group estimates the amount that it expects to receive in respect of each consumer based on historical trends and anticipated changes in consumer behaviour. The Group also discusses and analyses emerging behavioural trends with the respective MNOs, considers external sources of industry and market analysis and models the impact of potential regulatory changes, if any are proposed.

15 Trade and other receivables continued

Network commission contract assets and receivables continued

A discounted cash flow methodology is used to measure the expected consideration, by estimating all future cash flows that will be received from the MNO and discounting these based on the timing of receipt. 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.

Having estimated the expected consideration, the Group applies a constraint to reduce to a level where any future significant reversal of revenue would be considered highly improbable. Management makes a regular assessment of historical amounts and market data to ensure that the amounts recognised still meet the requirements of IFRS 15. In the current year ended 1 May 2021, the net revaluation recognised from performance obligations satisfied in previous periods was an increase of £3m (2019/20: £(49)m, 2018/19: £(3)m).

Amounts recognised in the financial statements in respect of such variable consideration are summarised and reconciled from prior year below:

	Note	**1 May 2021 £m**	**2 May 2020 £m**
Gross network commission receivable and contract asset: Opening balance	(i)	**1,005**	1,294
Less: amounts received in advance from MNOs		**(389)**	(497)
Net network commission receivable and contract asset: Opening balance	(ii)	**616**	797
Revenue recognised in respect of current year sales	(iii)	**388**	997
Revaluation of opening network commission contract asset	(iv)	**14**	(47)
Revenue reversed in respect of prior period sales not previously included in the estimation of revenue recognised	(v)	**(11)**	(2)
Revenue recognised / (reversed) in respect of prior period sales		**3**	(49)
Revenue recognised in the period		**391**	948
Cash received from network operators	(vi)	**(774)**	(1,139)
Movements due to the effect of discounting		**6**	10
Net network commission receivable and contract asset: closing balance	(vii)	**239**	616
Comprising:			
Net network commission receivable and contract asset in more than one year		**100**	259
Net network commission receivable and contract asset in less than one year		**139**	357
		239	616
Less amount billed (network commission trade receivable)	(viii)	**(32)**	(70)
Net network commission contract asset	(ix)	**207**	546

15 Trade and other receivables continued

Network commission contract assets and receivables continued

i. Net of discounting for the time value of money. The unwind of this discounting is recognised as finance income in the relevant period. The amount of related finance income within the year, as shown in the table above, was £6m (2019/20: £10m).

ii. Payment terms with the MNOs are based on a mix of cash received upon connection and future payments as the MNO receives monthly instalments from end consumers over the life of the consumer contract. This balance shows the net amounts receivable from the MNOs. Further information is included below to explain the classification split of this balance between trade receivables and contract assets.

iii. This relates to revenue recognised from connections made in the current year. This revenue is recognised at point of sale as explained within the accounting policies in note 1e. This figure includes in-year adjustments to the carrying value of revenue recognised (net of constraints) where the estimated consideration has changed since point of recognition within the year.

iv. The Group continues to monitor the level of this revaluation as an indicator of estimation uncertainty in respect of previously recognised variable consideration. The current year reflects a positive revaluation of the prior period contract asset and is what the Group would expect as a result of the variable revenue constraint under IFRS 15. In the prior year the reversal of revenue was related to a number of events that were previously considered highly improbable in the recognition of variable revenue. These included the closure of all standalone Carphone Warehouse stores in the UK, Covid-19 assessment due to expected consumer behaviours, and Ofcom regulation changes. This revaluation of £14m (2019/20: £(47)m) discussed above is the figure that has historically been used by the Group to monitor the accuracy of assumptions made in previous periods and is excluded from measuring the performance of the UK & Ireland Mobile segment in our alternative performance measures as explained within the glossary to the Annual Report. This amount is also presented as the Group has received feedback from certain stakeholders that its separate presentation is helpful, in order to present more clearly the underlying performance in year.

v. These amounts were not previously recognised as revenue due to the application of the constraint (described above) and include a value of £6m (2019/20: £14m) relating to the uplift in the profit share the Group receives associated with RPI on commission receivable where the performance obligations were satisfied in prior periods. These amounts also include other out of period amounts settled with MNOs in respect of prior period transactions of £(17)m (2019/20: £(16)m). As the Group does not recognise an estimate of these amounts within revenue at the point of sale, they are recognised in revenue within each financial year once the amounts for that period are known. Therefore, the RPI uplift and the other out of period amounts settled with MNOs are included within the Group's alternative performance measures as explained within the glossary to the Annual Report.

vi. Cash received in the period. This includes the cash settlement of £189m received from EE on 1 April 2021 to settle the outstanding EE network debtor receivable. The majority of this payment was previously expected over the course of 2021/22 and 2022/23.

vii. Gross network receivable and contract asset balance of £405m, offset by amounts received in advance of £166m. This is in line with the explanation in (ii) above.

viii. Amounts that have been invoiced to the network operators and are no longer conditional on something other than the passage of time. These amounts are therefore classified as trade receivables.

ix. This is the contract asset element of the network commissions receivable. This is variable based on future consumer behaviour and hence conditional on something other than the passage of time therefore as per IFRS 15 this is classified as a contract asset.

16 Cash and cash equivalents

	1 May 2021 £m	**2 May 2020 £m**
Cash at bank and on deposit	**175**	660

Cash at bank and on deposit includes short-term bank deposits which are available on demand. Within cash and cash equivalents, £35m (2019/20: £32m) is restricted and predominantly comprises funds held 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 CONTINUED

17 Trade and other payables

	1 May 2021		2 May 2020	
	Current £m	Non-current £m	Current £m	Non-current £m
Trade payables	**1,420**	**–**	1,249	–
Other taxes and social security	**236**	**–**	363	–
Other creditors	**1**	**–**	2	–
Contract liabilities	**203**	**92**	184	92
Accruals	**373**	**5**	219	39
	2,233	**97**	2,017	131

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

Included within trade and other payables for the prior year ended 2 May 2020 was £51m of amounts due where extended payment terms had been agreed with the supplier using a supplier financing facility. These payment terms are customary in the industry and in line with credit terms offered by our other suppliers of similar products. These terms are made available and administered under arrangements between the supplier and third-party banks selected by the supplier. No such facility was in use as at 1 May 2021.

Contract liabilities

Movements in the contract liabilities balance are as follows:

	1 May 2021 £m	2 May 2020 £m
Opening balance	**276**	272
Revenue recognised in the period that was included in the opening balance	**(165)**	(147)
Increase in contract liabilities in the period not yet recognised in revenue	**184**	151
Closing balance	**295**	276

Contract liabilities predominantly relate to the sale of customer support agreements. Revenue is recognised in full as each performance obligation is satisfied under the contracts with the customer. Where consideration is received in advance of the performance of the obligations being satisfied, a contract liability is recognised. Due to the cancellation options and customer refund clauses, contract terms have been assessed to either be monthly or a series of day to day contracts with revenue recognised respectively in the month to which payment relates, or on a 'straight-line' basis. The reduction in the contract liability balance due to amounts recognised as revenue within the year that were included in the balance at the start of the year have been more than offset by new sales made and consideration received in advance of satisfying the performance obligations.

18 Contingent consideration

	1 May 2021		2 May 2020	
	Current £m	Non-current £m	Current £m	Non-current £m
Contingent consideration	2	–	1	2

	1 May 2021 £m	2 May 2020 £m
Opening balance	3	5
Settlements	(1)	(2)
Closing balance	2	3

Earn-out consideration of up to £2m is payable in cash (2019/20: £3m) and is contingent on the performance of the Epoq kitchen business against earnings growth targets in the period following the balance sheet date. The fair value of contingent consideration arrangements has been estimated by applying the income approach. A change in growth assumptions used in the fair value methodology could result in the amount of contingent consideration payable decreasing to £nil.

19 Loans and other borrowings

	1 May 2021 £m	2 May 2020 £m
Current liabilities		
Bank overdrafts	6	540
Loans and other borrowings	–	44
	6	584
Non-current liabilities		
Loans and other borrowings	–	280
	6	864

Committed facilities as at 1 May 2021

In April 2021, the Group refinanced its existing debt with two new Revolving Credit Facilities totalling £551m, which expire in April 2025. All other facilities were cancelled as part of the refinancing. The Group's facilities available throughout the current and prior year are detailed below:

£200m Revolving Credit Facility

In April 2021, the Group signed a £200m Revolving Credit Facility ('RCF') with a number of relationship banks which expires in April 2025. The interest rate payable for drawings under this facility is at a margin over risk free rates (or other applicable interest basis) for the relevant currency and for the appropriate period. The actual margin applicable to any drawing depends on the fixed charges cover ratio calculated in respect of the most recent accounting period. A non-utilisation fee is payable in respect of amounts available but undrawn under this facility and a utilisation fee is payable when aggregate drawings exceed certain levels. This facility was undrawn at 1 May 2021.

NOK 4,036m Revolving Credit Facility

In April 2021, the Group signed a NOK 4,036m (£351m) RCF with a number of relationship banks which expires in April 2025. This is on broadly similar terms to the £200m facility. This facility was undrawn at 1 May 2021.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

19 Loans and other borrowings continued

Facilities previously available that have now lapsed or been cancelled

£800m Revolving Credit Facility

In October 2015, the Group signed a five-year £800m RCF with a number of relationship banks; this facility was extended in October 2016 and 2017 by an additional year and the facility was due to expire in October 2022. The interest rate payable for drawings under this facility was at a margin over LIBOR (or other applicable interest basis) for the relevant currency and for the appropriate period. The actual margin applicable to any drawing depended on the fixed charges cover ratio calculated in respect of the most recent accounting period. A non-utilisation fee was payable in respect of amounts available but undrawn under this facility and a utilisation fee was payable when aggregate drawings exceeded certain levels. This facility was cancelled in April 2021. At 2 May 2020, the Group had drawn down on this facility by £280m.

£250m Revolving Credit Facility

In October 2016, the Group signed a four-year £250m RCF with a group of relationship banks; this facility was on broadly similar terms to the £800m RCF; this facility was extended in February 2019 by an additional two years and the facility was due to expire in October 2022. This facility was cancelled in April 2021. This facility was undrawn at 2 May 2020 and was cancelled in April 2021.

£266m Revolving Credit Facility

In April 2020, the Group signed a one-year £266m RCF to mitigate any potential impact of the Covid-19 pandemic with a group of relationship banks; this facility was on broadly similar terms to the £800m and £250m RCF. The facility was due to expire in April 2021 and was cancelled in February 2021 with no amounts having been drawn down.

€50m term loan

The Group had access to a €50m term loan with BBVA. The terms of this facility were broadly similar to the £800m and £250m RCF and was fully drawn at 2 May 2020. This facility expired in October 2020.

Uncommitted facilities

The Group also has overdrafts and short-term money market lines from UK and European banks denominated in various currencies, all of which are repayable on demand. Interest is charged at the market rates applicable in the countries concerned and these facilities are used to assist in short-term liquidity management. Total available facilities are £70m (2019/20: £57m).

All borrowings are unsecured.

20 Lease Liabilities

	1 May 2021 £m	**2 May 2020 £m**
Analysed as:		
Current	**216**	258
Non-current	**1,110**	1,186
	1,326	1,444

Total undiscounted future committed payments due are as follows:

	1 May 2021 £m	**2 May 2020 £m**
Amounts due:		
Year 1	**271**	306
Year 2	**253**	261
Year 3	**227**	237
Year 4	**200**	209
Year 5	**162**	179
Onward	**534**	589
	1,647	1,781

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's Treasury function.

21 Provisions

	1 May 2021					2 May 2020				
	Reorganisation £m	Sales £m	Property £m	Other £m	Total £m	Reorganisation £m	Sales £m	Property £m	Other £m	Total £m
At beginning of period	39	7	64	40	150	16	7	98	30	151
Adjustment on initial application of IFRS 16	–	–	–	–	–	–	–	(47)	–	(47)
Additions	54	10	21	5	90	51	14	45	37	147
Released in the period	(6)	–	(22)	(19)	(47)	–	–	–	(6)	(6)
Utilised in the period	(77)	(11)	(12)	(9)	(109)	(28)	(13)	(32)	(21)	(94)
Foreign exchange	–	1	–	–	1	–	(1)	–	–	(1)
At end of period	10	7	51	17	85	39	7	64	40	150
Analysed as:										
Current	10	5	34	9	58	39	5	31	39	114
Non-current	–	2	17	8	27	–	2	33	1	36
	10	7	51	17	85	39	7	64	40	150

Provisions held by the Group at the reporting date are detailed below while information on the Group's provision recognition and measurement policies are further disclosed in note 1r.

Reorganisation

Reorganisation provisions of £8m relate to redundancy costs incurred following the announcement on 21 April 2021 that the Group would be closing the Carphone Warehouse Ireland business while a further £2m has been provided for redundancy programmes within central operations. Reorganisation provisions are only recognised when a detailed formal plan is in place and it has been communicated to those affected. As at 1 May 2021, all employees affected still retained employee status and will be departing between June – August 2021.

£6m of reorganisation provisions related to restructuring the legacy concession agreements were released following their successful exit.

Sales

Sales provisions relate to 'cash-back' and similar promotions and product and service warranties. The anticipated costs of these are assessed by reference to historical trends and any other information that is considered relevant. Management estimates the related provision for future related claims based on historical information, as well as recent trends that might suggest that past cost information might differ from future claims.

Property

Following the previously announced store closure programmes, the Group has a number of present obligations related to its property portfolio that are explicitly excluded from the measurement of lease liabilities in accordance with IFRS 16. As such, the Group has onerous contracts for unavoidable store closure costs including service fees, legal costs and dilapidations of £32m primarily relating to the Currys PCWorld 3-in-1 programme and Carphone Warehouse UK store closures at the reporting date.

Provisions for the costs described above are only recognised where there is a definitive business decision to exit a leased property, it is believed the unavoidable cost of meeting or exiting the obligations exceed the expected benefit to be received and after any impairment being recorded over right-of-use and store related assets in accordance with IAS 36.

The amounts of future expenditures for store closure costs are reviewed throughout the year and are based on readily available information at the reporting date as well as management's historical experience of similar transactions.

21 Provisions continued

Property continued

Of the £32m related to closure programmes announced in prior periods, utilisation is to be incurred in conjunction with the profile of the leases to which they relate. The longest lease will unwind over the next nine years. Where appropriate and in the interests of the Group, management will proactively seek to exit any liabilities early. Where there is a substantive expectation that the unavoidable costs provided for will be reduced as a result of exit negotiations, the provision will be remeasured based on the best available information and an amount released, as seen in the period.

As a result of the announcement to close the Carphone Warehouse Ireland business, as disclosed above, additional property provisions akin to those in the UK have been recognised to the total of £6m. As with the Group's other onerous property related contracts, utilisation is expected to be incurred in line with the lease liabilities, of which the longest will be over the next 15 years.

As further disclosed in note A5, management also made the decision to close the Dixons Travel business during the year ended 1 May 2021. The Group has calculated the least net unavoidable costs of meeting the obligations under their property contracts as being £13m, with £8m expected to be utilised within the following 12 months and £5m within 12 months thereafter.

Other

Other provisions predominantly relate to regulatory costs, data incident costs, and warranties in relation to discontinued operations.

In the year ended 27 April 2019 the Group reported that it was subject to a £29m fine imposed by the FCA following the conclusion of an investigation into historical Geek Squad mobile phone insurance selling processes for a period prior to June 2015. The Group ran two voluntary customer redress programmes which led to the refund of £1.5m paid in the year ended 2 May 2020.

The Group subsequently received claims from a number of customers who believe they were mis-sold Geek Squad policies. All customer claims are carefully considered by the Group on a case by case basis with the majority of claims received being invalid and no new claims having been received during the period. Nevertheless, the volume and value of outstanding claims remains uncertain with utilisation of the provision expected to be incurred over the next two years as the Group continues to co-operate with the relative authorities. Management estimates the related provision based on historical claims information and applying this against any remaining potential claimants using an expected value approach. As at 1 May 2021, this particular provision had a carrying value of £13m (2019/20: £25m), with a release of £8m recognised in the income statement during the period.

A further release was recognised during the year as the Group successfully settled a historical warranty claim in relation to operations classified as discontinued. Further information can be found in note 25.

In determining the amounts to be provided management have considered the utilisation profile and do not consider the time value of money to be material.

22 Retirement and other post-employment benefit obligations

	1 May 2021 £m	**2 May 2020 £m**
Retirement benefit obligations – UK	**482**	550
– Nordics	**–**	–
	482	550

The Group operates a defined benefit and a number of defined contribution schemes. The principal scheme which operates in the UK includes a funded final salary 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.

22 Retirement and other post-employment benefit obligations continued

a) Defined contribution pension schemes

The pension charge in respect of defined contribution schemes was £34m (2019/20: £34m).

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

A full actuarial valuation of the scheme was carried out as at 31 March 2019 and showed a shortfall of assets compared with liabilities of £645m. A 'recovery plan' based on this valuation was agreed with the Trustees such that contributions in respect of the scheme were £47m for the 2020/21 financial year, rising to £78m per year from the 2021/22 financial year until 2027/28, with a final payment of £52m in 2028/29.

The principal actuarial assumptions as at 31 March 2019 were:

		Rate per annum
Discount rate for accrued benefits*	– Equity portfolio	3.85%
	– Multi-asset credit portfolio	3.00%
	– Matching portfolio	1.50%
Rate of increase to pensions		0.00% – 3.80%
Inflation		3.40%

* The discount rate is based on a linear de-risking methodology which assumes the Scheme's investment strategy switches investments from growth assets (such as equities) to matching assets (such as bonds) and multi-asset credit over a period of eight years from 2026 to 2034 so that by 2034 the asset portfolio is projected to be 100% invested in matching assets and multi-asset credit.

At 31 March 2019, the market value of the scheme's investments was £1,210m and, based on the above assumptions, the value of the assets was sufficient to cover 65% of the benefits accrued to members with the liabilities amounting to £1,855m.

c) UK Defined benefit pension scheme – IAS 19

The following summarises the components of net defined benefit expense recognised in the consolidated income statement, the funded status and amounts recognised in the consolidated balance sheet and other amounts recognised in the statement of comprehensive income. The methods set out in IAS 19 are different from those used by the scheme actuaries in determining funding arrangements.

(i) Principal assumptions adopted

The assumptions used in calculating the expenses and obligations are set by the directors after consultation with the independent actuaries.

	1 May 2021	2 May 2020
Rates per annum:		
Discount rate	**1.90%**	1.60%
Rate of increase in pensions in payment / deferred pensions (pre / post April 2006 accrual)	**3.20% / 2.20%**	2.55% / 1.95%
Inflation	**3.20%**	2.55%

The Group uses demographic assumptions underlying the formal actuarial valuation of the scheme as at 31 March 2019. Post retirement mortality has been assumed to follow the standard mortality tables 'S3' All Pensioners tables published by the CMI, based on the experience of Self-Administered Pension Schemes (SAPS) with multipliers of 108% for males and 104% for females. In addition, an allowance has been made for future improvements in longevity by using the new CMI 2020 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 86.5 years and 88.1 years for men and between 89.0 years and 90.4 years for women for those reaching 65 over the next 20 years.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

22 Retirement and other post-employment benefit obligations continued

c) UK Defined benefit pension scheme – IAS 19 continued

(ii) Amounts recognised in consolidated income statement

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Past service cost	1	–
Net interest expense on defined benefit obligation	8	14
Total expense recognised in the income statement	9	14

On 20 November 2020, the High Court issued a judgement in relation to historical transfer values impacted by Guaranteed Minimum Pensions (GMPs) equalisation in the Lloyds Banking Group's defined benefits pension schemes. This judgement is in addition to an earlier judgement on unequal GMPs in October 2018. We estimate that this will increase the liability by £1m, and therefore have recorded this as a past service cost in the current period.

(iii) Amounts recognised in other comprehensive income:

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Remeasurement of defined benefit obligation – actuarial gains / (losses) arising from:		
Changes in demographic assumptions	(4)	93
Changes in financial assumptions	(70)	(136)
Experience adjustments	17	(46)
Remeasurement of scheme assets:		
Actual return on plan assets (excluding amounts included in net interest expense)	87	86
Cumulative actuarial gain / (loss)	30	(3)

For the year ended 2 May 2020, amounts recognised in other comprehensive income included amounts arising from changes in demographic and membership modelling estimates identified from the full actuarial valuation of the Scheme as at 31 March 2019. Changes in demographic assumptions included gains of £97m arising from the update of pensioner longevity assumptions by using the new CMI 2018 Core projections. Experience adjustments included losses of £59m to align modelling of future liabilities with updated membership data used for the actuarial valuation at 31 March 2019.

(iv) Amounts recognised in the consolidated balance sheet

	1 May 2021 £m	2 May 2020 £m
Present value of defined benefit obligations	(1,885)	(1,850)
Fair value of plan assets	1,403	1,300
Net obligation	(482)	(550)

22 Retirement and other post-employment benefit obligations continued

c) UK Defined benefit pension scheme – IAS 19 continued

(iv) Amounts recognised in the consolidated balance sheet continued

Changes in the present value of the defined benefit obligation:

	1 May 2021 £m	2 May 2020 £m
Opening obligation	**1,850**	1,775
Past service cost	**1**	–
Interest cost	**29**	45
Remeasurements in other comprehensive income – actuarial (gains) / losses arising from changes in:		
Demographic assumptions	**4**	(93)
Financial assumptions	**70**	136
Experience adjustments	**(17)**	46
Benefits paid	**(52)**	(59)
Closing obligation	**1,885**	1,850

The weighted average maturity profile of the defined benefit obligation at the end of the year is 20 years (2019/20: 21 years), comprising an average maturity of 25 years (2019/20: 25 years) for deferred members and 12 years (2019/20: 13 years) for pensioners.

Changes in the fair value of the scheme assets:

	1 May 2021 £m	2 May 2020 £m
Opening fair value	**1,300**	1,196
Interest income	**21**	31
Employer special contributions	**47**	46
Remeasurements in other comprehensive income:		
Actual return on plan assets (excluding interest income)	**87**	86
Benefits paid	**(52)**	(59)
Closing fair value	**1,403**	1,300

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

22 Retirement and other post-employment benefit obligations continued

c) UK Defined benefit pension scheme – IAS 19 continued

(iv) Amounts recognised in the consolidated balance sheet continued

Analysis of scheme assets:

		1 May 2021 £m	2 May 2020 £m
Multi-asset credit funds	– Listed	**125**	133
	– Unlisted	**176**	151
Private equity	– Unlisted	**18**	11
Corporate bonds	– Listed	**110**	108
Other credit linked funds*	– Listed	**345**	358
	– Unlisted	**41**	8
Liability driven investments ('LDIs')*	– Listed	**104**	855
	– Unlisted	**(43)**	(302)
Synthetic equity*	– Unlisted	**499**	(24)
Cash and cash instruments	– Listed	**–**	1
	– Unlisted	**27**	–
Other	– Unlisted	**1**	1
		1,403	1,300

* These assets are managed together as part of one investment portfolio.

The table above provides the market value of the Scheme's assets split into key categories as at 1 May 2021. The Scheme's investment strategy is to:

- gain economic exposure to equity markets equivalent to a third of its assets through derivatives;
- invest a third of its assets in credit markets; and
- use a third of its assets to hedge inflation and interest rate risk.

The Scheme invests part of its assets in a bespoke fund to achieve this strategy. The fund consists of a synthetic equity portfolio, a credit portfolio and a liability hedging portfolio. The synthetic equity portfolio uses equity total return swaps and equity futures to provide economic exposure to a range of equity markets while the credit portfolio provides economic exposure to short duration global credit. The objective of the liability hedging portfolio is to hedge the Scheme's liabilities against inflation and interest rate risk up to the value of the Scheme's assets.

In the fair value hierarchy, listed investments are categorised as level 1. Unlisted investments (including unlisted LDIs and synthetic equity) relate to derivatives, which are categorised as level 2, and private credit and private equity funds which are categorised as level 3. Private credit investments are valued by aggregating bid and offer quotes from brokers where this information is available. If this information is not available, investments are valued at amortised cost, with provision for impairment where appropriate. Private equity fund valuations are based on the last audited accounts of each investment plus any known movements including distributions since the last audited accounts.

The investment strategy of the Scheme is determined by the independent Trustees through advice provided by an independent investment consultant. The Trustee's objective is to achieve an above average long term return on the Scheme's assets from a mixture of capital growth and income, whilst managing investment risk and ensuring the strategy remains within the guidelines set out in the Pensions Act 1995 and 2004 and the Scheme's statement of investment principles. In setting the strategy, the nature and duration of the Scheme's liabilities are taken into account, ensuring that an integrated approach is taken to investment risk and both short term and long term funding requirements. The Scheme invests in a diverse range of asset classes as set out above with matching assets primarily comprising holdings in inflation linked gilts, corporate bonds and liability driven investments.

22 Retirement and other post-employment benefit obligations continued

c) UK Defined benefit pension scheme – IAS 19 continued

(iv) Amounts recognised in the consolidated balance sheet continued

To reduce volatility risk a liability driven investment (LDI) strategy forms part of the Trustee's management of the UK defined benefit scheme's assets, including government bonds, corporate bonds and derivatives. Repurchase agreements are entered into with counterparties to better offset the scheme's exposure to interest and inflation rates, whilst remaining invested in assets of a similar risk profile. Interest rate and inflation rate derivatives are also employed to complement the use of fixed and index-linked bonds in matching the profile of the scheme's liabilities.

Actual return on the scheme assets was a gain of £87m (2019/20: gain of £86m).

(v) Sensitivities

The value of the UK defined benefit pension scheme assets is sensitive to market conditions. Changes in assumptions used for determining retirement benefit costs and liabilities may have a material impact on the 2020/21 income statement and the balance sheet. The main assumptions are the discount rate, the rate of inflation and the assumed mortality rate. The following table provides an estimate of the potential impacts of each of these variables if applied to the current year consolidated income statement and balance sheet.

	Net finance costs		Net deficit	
	Year ended 1 May 2021 £m	**Year ended 2 May 2020 £m**	**1 May 2021 £m**	**2 May 2020 £m**
Positive / (negative) effect				
Discount rate: 0.5% increase	**1**	3	**179**	184
Inflation rate: 0.5% increase*	**(2)**	(4)	**(147)**	(151)
Mortality rate: 1 year increase	**(1)**	(2)	**(75)**	(74)

* 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 1 May 2021 the net obligation in relation to these benefits was £5m (2019/20: £5m) which is included in trade and other payables.

23 Share capital, retained earnings and reserves

a) Share capital

	1 May 2021 million	**2 May 2020 million**	**1 May 2021 £m**	**2 May 2020 £m**
Authorised, allotted, called-up and fully paid ordinary shares of 0.1p each	**1,166**	1,162	**1**	1

	1 May 2021 million	**2 May 2020 million**	**1 May 2021 £m**	**2 May 2020 £m**
Ordinary shares of 0.1p each in issue at the beginning of the period	**1,162**	1,160	**1**	1
Issued during the period	**4**	2	**–**	–
Ordinary shares of 0.1p each in issue at the end of the period	**1,166**	1,162	**1**	1

During the year ended 1 May 2021, 4,098,442 (2019/20: 2,149,777) ordinary shares with nominal value of 0.1p each were issued for consideration at nominal value (2019/20: at nominal value) to satisfy awards under the Group's share option schemes.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

23 Share capital, retained earnings and reserves continued

b) Retained earnings and reserves

Movements in retained earnings and reserves during the reported periods are presented in the consolidated statement of changes in equity.

Movements within the individual reserves are as follows:

	Hedging reserve £m	Investments revaluation reserve £m	Investment in own share reserve £m	Translation reserve £m	Demerger reserve £m	Total £m
As at 27 April 2019	11	18	(1)	9	(750)	(713)
Other comprehensive income and expense recognised directly in equity	38	(8)	–	(39)	–	(9)
Amounts transferred to the carrying value of inventory purchased during the year	(41)	–	–	–	–	(41)
Purchase of own shares	–	–	(12)	–	–	(12)
As at 2 May 2020	8	10	(13)	(30)	(750)	(775)
Other comprehensive income and expense recognised directly in equity	**(40)**	**8**	**–**	**46**	**–**	**14**
Amounts transferred to the carrying value of inventory purchased during the year	**24**	**–**	**–**	**–**	**–**	**24**
Amounts transferred to accumulated profits	**–**	**(18)**	**4**	**–**	**–**	**(14)**
Purchase of own shares	**–**	**–**	**(13)**	**–**	**–**	**(13)**
As at 1 May 2021	**(8)**	**–**	**(22)**	**16**	**(750)**	**(764)**

The hedging reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. Amounts are subsequently either transferred to the initial cost of inventory or reclassified to profit or loss as appropriate.

The investments revaluation reserve represents changes in the fair value of investments in listed shares which the Group has elected to classify as FVTOCI. These changes are accumulated within the investments revaluation reserve, and amounts are transferred from this reserve to accumulated profits when the listed shares are sold. As further disclosed in note 13, the Group disposed of its investment in listed shares during the period with the cumulative change in fair value being transferred to accumulated profits following this disposal.

The investment in own shares reserve is used to recognise the cost of shares held by the EBT. When shares are issued by the EBT to satisfy employee share awards, the cost of these shares is transferred to accumulated profits.

The translation reserve accumulates exchange differences arising on translation of foreign subsidiaries which are recognised in other comprehensive income. The cumulative amount is reclassified to accumulated profits when the related net investment is disposed of.

The demerger reserve arose as part of the demerger of the Group from TalkTalk in 2010.

24 Equity dividends

	1 May 2021 £m	2 May 2020 £m
Amounts recognised as distributions to equity shareholders in the period – on ordinary shares of 0.1p each		
Final dividend for the year ended 27 April 2019 of 4.50p per ordinary share	–	52
Interim dividend for the year ended 2 May 2020 of 2.25p per ordinary share	–	26
	–	78

The following distribution is proposed but has not been effected at 1 May 2021 and is subject to shareholders' approval at the forthcoming Annual General Meeting:

	£m
Final dividend for the year ended 1 May 2021 of 3.00p per ordinary share	**34**

The payment of this dividend will not have any tax consequences for the Group.

25 Discontinued operations and assets held for sale

There have been no additional operations classified as discontinued during the year ended 1 May 2021. The following were classified as discontinued in previous years and have continued to incur costs and cash flows in the current financial year:

honeybee

No profit or loss has been recognised in relation to the disposal of the honeybee operation in the current or comparative period.

Spain

On 29 September 2017, the Group completed the disposal of The Phone House Spain S.L.U., Connected World Services Europe S.L. and Smarthouse Spain S.A., which together represented the trading operations in Spain. For the year ended 1 May 2021, a £2m credit was recognised in relation to the reversal of previously held provisions no longer required.

Other

During the prior year, VAT assessments were issued for historical periods relating to the disposed Phonehouse Germany business. These assessments fell under warranties given as part of the sale agreement and as such, the full amount was provided for with a charge of £6m being recognised. The claim was subsequently settled within the year ended 1 May 2021 resulting in the release of £5m, reducing the provision to nil.

As a result of the settlement of the Phonehouse Germany set out above, the Group does not expect any further warranty claims in respect of tax risks in territories within which the legacy Carphone group used to operate. As such, £5m has been released during the year.

For the year ended 2 May 2020 an additional £4m credit was recognised following the release of provisions relating to other legacy European Carphone operations which are now in liquidation.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

25 Discontinued operations and assets held for sale continued

a) Profit / (loss) after tax from discontinued operations

	Year ended 1 May 2021			
	honeybee £m	Spain £m	Other £m	Total £m
Revenue	–	–	–	–
Expenses	–	2	5	7
Profit before tax	–	2	5	7
Income tax	–	–	5	5
	–	2	10	12

	Year ended 2 May 2020			
	honeybee £m	Spain £m	Other £m	Total £m
Revenue	–	–	–	–
Expenses	–	–	(2)	(2)
Loss before tax	–	–	(2)	(2)
Income tax	–	–	–	–
	–	–	(2)	(2)

b) Cash flows from discontinued operations

The net cash flows incurred by the discontinued operation during the year are as follows. These cash flows are included within the consolidated cash flow statement:

	Year ended 1 May 2021			
	honeybee £m	Spain £m	Other £m	Total £m
Operating activities	–	–	(3)	(3)
Investing activities	2	–	–	2
	2	–	(3)	(1)

	Year ended 2 May 2020			
	honeybee £m	Spain £m	Other £m	Total £m
Operating activities	–	–	(1)	(1)
Investing activities	2	–	–	2
	2	–	(1)	1

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).

Listed investments held are categorised as level 1 in the fair value hierarchy and are valued based on quoted bid prices in an active market.

Contingent consideration is categorised as level 3 in the fair value hierarchy as the valuation requires the use of significant unobservable inputs. An explanation of the valuation methodologies and the inputs to the valuation model is provided in note 18. The impact of Covid-19 has had no material impact on the fair value of contingent consideration.

The significant inputs required to fair value the Group's remaining financial instruments that are measured at fair value on the balance sheet, being derivative financial assets and liabilities, are observable and are classified as level 2 in the fair value hierarchy. There have also been no transfers of assets or liabilities between levels of the fair value hierarchy.

Fair values have been arrived at by discounting future cash flows (where the impact of discounting is material), assuming no early redemption, or by revaluing forward currency contracts and interest rate swaps to period end market rates as appropriate to the instrument.

The directors consider that the carrying amount of financial assets and liabilities recorded at amortised cost and their fair value are not materially different.

The carrying amount of the Group's financial assets, liabilities and derivative financial instruments are as follows:

	1 May 2021 £m	**2 May 2020 £m**
Investments(1)	**–**	10
Cash and cash equivalents(2)	**175**	660
Trade and other receivables excluding derivative financial assets(2)	**450**	510
Derivative financial assets(3)	**24**	76
Derivative financial liabilities(3)	**(42)**	(52)
Trade and other payables(2)	**(1,799)**	(1,509)
Contingent consideration(3)	**(2)**	(3)
Loans and other borrowings(2)	**(6)**	(864)

(1) Held at fair value through other comprehensive income.

(2) Held at amortised cost.

(3) Held at fair value through profit or loss.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

26 Financial risk management and derivative financial instruments continued

Offsetting financial assets and financial liabilities

The Group has forward foreign exchange contracts and cash that are subject to enforceable master netting arrangements and cash pooling arrangements that do not meet the IAS 32 criteria for offset in balance sheet:

(i) Financial assets

					1 May 2021
	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the balance sheet £m	Net amounts of financial assets presented in the balance sheet £m	Financial instruments not set off in the balance sheet £m	Net amount £m
Forward foreign exchange contracts*	24	–	24	(23)	1
Cash and cash equivalents	175	–	175	(6)	169
	199	–	199	(29)	170

					2 May 2020
	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the balance sheet £m	Net amounts of financial assets presented in the balance sheet £m	Financial instruments not set off in the balance sheet £m	Net amount £m
Forward foreign exchange contracts*	76	–	76	(39)	37
Cash and cash equivalents	660	–	660	(540)	120
	736	–	736	(579)	157

(ii) Financial liabilities

					1 May 2021
	Gross amounts of recognised financial liabilities £m	Gross amounts of recognised financial assets set off in the balance sheet £m	Net amounts of financial liabilities presented in the balance sheet £m	Financial instruments not set off in the balance sheet £m	Net amount £m
Forward foreign exchange contracts*	(42)	–	(42)	23	(19)
Overdrafts	(6)	–	(6)	6	–
	(48)	–	(48)	29	(19)

					2 May 2020
	Gross amounts of recognised financial liabilities £m	Gross amounts of recognised financial assets set off in the balance sheet £m	Net amounts of financial liabilities presented in the balance sheet £m	Financial instruments not set off in the balance sheet £m	Net amount £m
Forward foreign exchange contracts*	(52)	–	(52)	39	(13)
Overdrafts	(540)	–	(540)	540	–
	(592)	–	(592)	579	(13)

* The forward foreign exchange contract assets and liabilities are recognised within the statement of financial position as derivative assets and derivative liabilities respectively. The change in fair value of the forward foreign exchange contract assets is accounted for as a qualifying cash flow hedge.

26 Financial risk management and derivative financial instruments continued

a) Financial risk management policies

The Group's activities expose it to certain financial risks including market risk (such as foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's treasury function, which operates under treasury policies approved by the Board, uses certain financial instruments to mitigate potentially adverse effects on the Group's financial performance from these risks. These financial instruments consist of bank loans and deposits, spot and forward foreign exchange contracts, foreign exchange swaps and interest rate swaps.

Throughout the period under review, in accordance with Group policy, no speculative use of derivatives, foreign exchange or other instruments was permitted. No contracts with embedded derivatives have been identified and, accordingly, no such derivatives have been accounted for separately.

b) Foreign exchange risk

The Group undertakes certain transactions that are denominated in foreign currencies and as a consequence has exposure to exchange rate fluctuations. These exposures primarily arise from inventory purchases, with most of the Group's exposure being to Euro 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 1 May 2021, the total notional principal amount of outstanding currency contracts was £2,872m (2019/20: £2,201m) and had a net fair value of £18m liability (2019/20: £24m asset). Monetary assets and liabilities and foreign exchange contracts are sensitive to movements in foreign exchange rates.

There is no impact from the movement in foreign exchange rates on the Group's profit and loss as all monetary assets and liabilities in foreign currency are offset by non-hedged derivatives or offsetting monetary assets or liabilities.

This sensitivity can be analysed in comparison to year end rates (assuming all other variables remain constant) as follows:

	Year ended 1 May 2021		Year ended 2 May 2020	
	Effect on profit before tax £m	**Effect on total equity £m**	**Effect on profit before tax £m**	**Effect on total equity £m**
10% movement in the US dollar exchange rate	–	13	–	13
10% movement in the Euro exchange rate	–	60	–	62
10% movement in the Norwegian Krone exchange rate	–	30	–	30
10% movement in the Swedish Krona exchange rate	–	27	–	26
10% movement in the exchange rate Danish Krone	–	17	–	17
10% movement in the Chinese Yuan Offshore exchange rate	–	6	–	6

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

26 Financial risk management and derivative financial instruments continued

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 risk free rates and other applicable 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 100 basis point 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 1 May 2021		Year ended 2 May 2020	
	Effect on profit before tax increase / (decrease) £m	Effect on total equity increase / (decrease) £m	Effect on profit before tax increase / (decrease) £m	Effect on total equity increase / (decrease) £m
1% increase in the Sterling interest rate	2	–	1	(2)

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 response to Covid-19, the Group entered into a one year facility of £266m in April 2020; this was cancelled in February 2021.

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 £551m (2019/20: £1,360m). The lower amount of facilities reflect strong cash flow generation in financial year ended 1 May 2021 and a lower requirement for debt going forward. Further details of committed borrowing facilities are shown in note 19.

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.

				1 May 2021
	Within one year £m	In more than one year but not more than five years £m	In more than five years £m	Total £m
Lease liabilities	(271)	(842)	(534)	(1,647)
Derivative financial instruments – gross cash outflows:				
Forward foreign exchange contracts	(2,872)	–	–	(2,872)
Derivative financial instruments – gross cash inflows:				
Forward foreign exchange contracts	2,854	–	–	2,854
Loans and other borrowings	(6)	–	–	(6)
Deferred consideration	(2)	–	–	(2)
Trade and other payables	(1,794)	(5)	–	(1,799)
	(2,091)	(847)	(534)	(3,472)

26 Financial risk management and derivative financial instruments continued

d) Liquidity risk continued

				2 May 2020
	Within one year £m	In more than one year but not more than five years £m	In more than five years £m	Total £m
Lease liabilities	(306)	(886)	(589)	(1,781)
Derivative financial instruments – gross cash outflows:				
Forward foreign exchange contracts	(2,201)	–	–	(2,201)
Derivative financial instruments – gross cash inflows:				
Forward foreign exchange contracts	2,225	–	–	2,225
Loans and other borrowings	(589)	(287)	–	(876)
Deferred consideration	(1)	(2)	–	(3)
Trade and other payables	(1,470)	(39)	–	(1,509)
	(2,342)	(1,214)	(589)	(4,145)

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 credit risk associated with cash and cash equivalents and derivative financial instruments are closely monitored and credit ratings are used in determining maximum counterparty credit risk.

Surplus cash is invested in investment grade institutions using only low risk, highly liquid instruments such as overnight deposits and money market funds. For the purposes of short term operational requirements in Greece, local banks which are below investment grade are used to service short term liquidity needs. Any surplus cash in Greece is moved to an investment grade institution.

Counterparty credit rating	1 May 2021 £m	2 May 2020 £m
AAA to AA-	78	619
A+ to A-	81	36
BBB+ to BBB-	6	2
Cash held for short term operational requirements within Greece	10	3
	175	660

All derivative assets are considered low risk financial instruments as they are held at banks that are investment grade.

The Group's contract assets of £220m (2019/20: £565m) are generally owed to the Group by 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 subscribers. Exposure to credit risk associated with the MNO subscriber is managed through an extensive consumer credit checking process prior to connection with the network. The large volume of MNO subscribers reduces the Group's exposure to concentration of credit risk. Further information for credit risk associated to contract assets and the MNOs is disclosed within note 15.

For the Group's trade and other receivables in the UK and Nordics, it has adopted the simplified approach to calculating expected credit losses allowed by IFRS 9. Historical credit loss rates are applied consistently to groups of financial assets with similar risk characteristics. These are then adjusted for known changes in, or any forward-looking impacts on creditworthiness. In Greece the Group has adopted both the simplified approach for business to business and a debtor by debtor expected credit loss model based on the probability of default.

26 Financial risk management and derivative financial instruments continued

e) Credit risk continued

The Group reviews several factors when considering a significant increase in credit risk including but not limited to: credit rating changes; adverse changes in general economic and / or market conditions; material changes in the operating results or financial position of the debtor.

Indicators that an asset is credit-impaired would include observable data in relation to the financial health of the debtor; significant financial difficulty of the issuer or the debtor; the debtor breaches contract; it is probable that the debtor will enter bankruptcy or financial reorganisation.

Of the Group's £450m trade and other receivables that fall within the classification of financial assets (2019/10: £510m), £135m is deemed by the Group to have a material level of credit risk (2019/20: £120m). Other amounts within trade and other receivables are not considered to have a material level of credit risk because they primarily relate to receivables with blue chip multi-national companies with no history of default and no particular concentration of credit risk to the Group. The Group applies the expected credit loss model, as described above, to all financial assets. For the year ended 1 May 2021, management have considered the impact of Covid-19 by increasing the expected level of default however this has resulted in an immaterial increase in the Group's expected credit losses. The areas of risk and corresponding expected credit loss are as follows:

	1 May 2021		2 May 2020	
	Gross carrying amount £m	**Expected credit loss £m**	**Gross carrying amount £m**	**Expected credit loss £m**
UK – PC World Business (B2B)	**13**	**3**	8	3
UK – DSG Retail – Main Sales Ledger	**39**	**4**	31	3
UK – CPW Concessions	**2**	**2**	2	2
Nordics – Business to Business	**24**	**3**	20	–
Nordics – Franchise Debtors	**30**	**1**	29	2
Greece – Business to Business	**4**	**–**	4	1
Greece – Franchise Debtors	**2**	**1**	3	2
Greece – Consumer Credit	**15**	**1**	20	1
Greece – Main Sales Ledger	**6**	**1**	3	1
	135	**16**	120	15

Ageing of the areas of credit risk is set out in the tables below:

Gross amounts of recognised financial assets	**1 May 2021 £m**	**2 May 2020 £m**
Not Yet Due	**108**	93
0–90 Days	**13**	12
91–180 Days	**2**	3
180+ Days	**12**	12
	135	120

The Group's funding is reliant on its £551m bank facilities, which are provided by eight banks; these institutions are 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 a going concern, 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.

26 Financial risk management and derivative financial instruments continued

g) Derivatives

Derivative financial instruments comprise forward foreign exchange contracts, foreign exchange swaps and interest rate swaps. The Group has designated financial instruments under IFRS 9 as follows:

Cash flow hedges

Foreign exchange

The objective of the Group's policy on foreign exchange hedging is to protect the Group from adverse currency fluctuations and to gain greater certainty of earnings by protecting the Group from sudden currency movements. All hedging of foreign currency exposures is managed centrally within the Group Treasury function. The Group analyses its exposure to FX rate movements without assuming any correlations between currency pairs and uses this analysis to hedge up to the level prescribed in its transactional hedging policy (a target of up to 80% hedged a year in advance). The Group generally prefers to use vanilla forward FX contracts as hedging instruments for hedges of forecasted transactions. The Group has a policy that all its FX rate derivatives must be eligible for hedge accounting. The Group can use more complex derivatives including options when management considers that they are more appropriate, based on management's views on potential FX rate movements.

Any amendments to the Group's policies or strategy on managing foreign currency risk must be approved by the Group's Tax and Treasury Committee.

At 1 May 2021 the Group had forward and swap foreign exchange contracts in place with a notional value of £1,570m (2019/20: £1,499m) and a net fair value of £17m liability (2019/20: £23m asset) 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 £1m liability (2019/20: £1m asset).

Possible sources of ineffectiveness are scenarios where future cash flows are delayed to a later period or brought forward to a prior period. Ineffectiveness can also be caused by credit risk (both own risk and that of the counterparty). All hedges are expected to be highly effective.

Covid-19 has had an impact on the timing and volume of foreign currency purchases into the UK business. However, all hedged items are considered highly probable, therefore no material ineffectiveness has been recognised.

As of 1 May 2021, the Group holds the following levels of foreign exchange hedging derivatives (foreign exchange forwards) to hedge its exposure to fluctuating foreign exchange rates of the next 12 months:

	Year ended 1 May 2021			**Year ended 2 May 2020**		
	Maturing hedges in the next 12 months £m	**Weighted average hedge rate**	**Change in value during the period £m**	**Maturing hedges in the next 12 months £m**	**Weighted average hedge rate**	**Change in value during the period £m**
Hedging USD purchases into GBP (UK)	**66**	**1.3704**	**(1)**	51	1.2649	1
Hedging EUR purchases into GBP (UK)	**24**	**1.1247**	**–**	18	1.1401	–
Hedging CNY purchases into GBP (UK)	**61**	**9.0489**	**–**	65	9.0544	1
Hedging EUR purchases into NOK (Nordics)	**761**	**10.4977**	**(33)**	733	10.6596	48
Hedging USD purchases into NOK (Nordics)	**84**	**8.7562**	**(4)**	88	9.3812	8
Hedging SEK sales into NOK (Nordics)	**301**	**0.9787**	**12**	285	1.0215	(20)
Hedging DKK sales into NOK (Nordics)	**189**	**0.7100**	**8**	190	0.7081	(15)
Hedging EUR purchases into GBP (Ireland)	**84**	**0.8864**	**1**	69	0.8755	–
	1,570		**(17)**	1,499		23

The change in value of hedged items is a total of £(17)m (2019/20: £23m), this is used in assessing the economic relationship between hedged items and hedging instruments.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

26 Financial risk management and derivative financial instruments continued

g) Derivatives continued

Cash flow hedges continued

Interest rate

The Group's interest rate risk management objective is to limit the amount of additional expense incurred if interest rates rise to unexpected levels. To manage the interest rate exposure, the Group generally enters interest rate swaps to fix its floating rate borrowings, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. The Group monitors and manages its interest rate risk individually in each currency and it does not make any assumptions about how interest rates in different currencies may move in tandem.

Any amendments to the Group's policies or strategy on managing Interest rate risk must be approved by the Group's Tax and Treasury Committee.

Whilst the Group's policy and strategy on interest rate risk has not changed, £60m of interest rate hedges were discontinued in April 2021 because they no longer fulfilled the criteria for hedge accounting under IFRS 9. Due to strong cash flow during the financial year, the Group no longer has a long-term core debt and therefore the economic relationship between underlying risk and hedging items no longer exists. As a result, mark-to-market on these trades which rounded to £nil was recognised in the Group income statement.

The Group held interest rate swaps with a notional value of £nil (2019/20: £280m), and a fair value of £nil (2019/20: £nil), whereby the Group receives a floating rate of interest based on LIBOR and pays a fixed interest rate. All interest rate swap contracts were terminated in April 2021.

IBOR Reform

During the year, the Group adopted the 'Interest Rate Benchmark Reform Phase 1' amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. This allowed the Group to continue hedge accounting for its benchmark interest rate exposures during the period of uncertainty from interest rate benchmark reforms.

In April 2021, the Group extinguished its instruments linked to IBOR in the period. This included the refinancing of the Group's Revolving Credit Facilities which were replaced with new agreements linked to risk-free rate indices as set out in note 19. The Group simultaneously cancelled all of its interest rate hedging as they no longer met with the requirements of IFRS 9. Significant cash generation and a large one-off receipt from a network partner of £189m, meant that the relationship between underlying risk (floating debt) and the hedged items had ceased to exist therefore the hedges were terminated.

The Group's interest rate risk management strategy and policies remain unchanged and if circumstances change, the Group's interest rate programme may be recommenced in future.

The Group has not early adopted 'Interest Rate Benchmark Reform Phase 2' and considers the risk of transition to be low because significant progression has been made during the financial year.

As of 1 May 2021, the Group holds the following levels of interest rate hedging derivatives (interest rate swaps) to hedge its exposure to fluctuating interest rates over the next five years:

	Year ended 1 May 2021		Year ended 2 May 2020	
	Notional value of swaps £m	**Weighted Average fixed rate %**	**Notional value of swaps £m**	**Weighted Average fixed rate %**
Financial year ending 2021	–	–	220	0.68
Financial year ending 2022	–	–	10	0.71
Financial year ending 2023	–	–	20	0.54
Financial year ending 2024	–	–	20	0.52
Financial year ending 2025	–	–	10	0.52
Financial year ending 2026	–	–	–	–

A reconciliation of the Group's hedging items included in the hedging reserve is set out in note 23b.

27 Notes to the cash flow statement

a) Reconciliation of cash and cash equivalents and bank overdrafts at the end of the period

	Year ended 1 May 2021 £m	**Year ended 2 May 2020 £m**
Cash at bank and on deposit	**175**	660
Bank overdrafts	**(6)**	(540)
Cash and cash equivalents and bank overdrafts at end of the period	**169**	120

b) Reconciliation of operating profit / (loss) to net cash inflow from operating activities

	Year ended 1 May 2021 £m	**Year ended 2 May 2020 £m**
Profit / (loss) before interest and tax – continuing operations	**147**	(28)
Profit / (loss) before interest and tax – discontinued operations	**7**	(2)
Depreciation and amortisation	**362**	367
Share-based payment charge	**21**	23
(Profit) / loss on disposal of fixed assets	**(6)**	3
Impairments and other non-cash items	**76**	51
Operating cash flows before movements in working capital	**607**	414
Movements in working capital:		
(Increase) / decrease in inventory	**(174)**	156
Decrease in receivables	**404**	284
Increase / (decrease) in payables	**182**	(248)
(Decrease) / increase in provisions	**(93)**	43
	319	235
Cash generated from operations	**926**	649

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

27 Notes to the cash flow statement continued

c) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	3 May 2020 £m	Financing cash flows £m	Lease additions, modifications and disposals £m	Foreign exchange £m	Interest £m	1 May 2021 £m
Loans and other borrowings (note 19)(i)	(324)	348	–	–	(24)	–
Lease liabilities (note 20)(ii)	(1,444)	310	(96)	(19)	(77)	(1,326)
Total liabilities from financing activities	(1,768)	658	(96)	(19)	(101)	(1,326)

	28 April 2019 £m	Adjustment on initial application of IFRS 16(iii) £m	Financing cash flows £m	Lease additions, modifications and disposals £m	Foreign exchange £m	Interest £m	2 May 2020 £m
Loans and other borrowings (note 19)(i)	(288)	–	(10)	–	–	(26)	(324)
Lease liabilities (note 20)(ii)	(83)	(1,403)	299	(194)	17	(80)	(1,444)
Total liabilities from financing activities	(371)	(1,403)	289	(194)	17	(106)	(1,768)

(i) The Group used interest rate swaps and FX forward contracts to hedge borrowings. The fair value of these derivatives rounded to £nil (2019/20: £nil). There were no material cash flows or changes in fair value on these instruments during the year.

(ii) Lease liabilities are secured over the Group's right-of-use assets.

(iii) The Group adopted IFRS 16 using the modified retrospective approach in the year ended 2 May 2020.

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 4a for details of related party transactions with key management personnel.

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

	1 May 2021 £m	2 May 2020 £m
Revenue from sale of goods and services	16	14
Amounts owed to the Group	–	2

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

29 Capital commitments

	1 May 2021 £m	2 May 2020 £m
Intangible assets	14	4
Property, plant and equipment	5	8
Contracted for but not provided for in the accounts	19	12

30 Government support

During the year ended 1 May 2021, the Group received government support designed to mitigate the impact of Covid-19 in several countries in which the Group operates.

In the United Kingdom the Group received government grants to cover the salaries for those employees who had been ‘furloughed’ through the Coronavirus Job Retention Scheme. A similar subsidy was also received in Ireland through the Temporary Wage Subsidy Scheme and subsequently the Employment Wage Subsidy Scheme. It was subsequently announced on 28 April 2021 that the Group had repaid in full the grants received during the year ended 1 May 2021 in relation to the above schemes. As such, no amounts have been recognised within the Group’s income statement (2 May 2020: £19m of income was recognised and recorded against employee costs).

£6m (2019/20: £1m) of government grant income has been recognised in relation to similar employment cost subsidy schemes across the Nordics while the Group also benefited from £4m of reduced employment costs from government backed assistance programmes across the international business.

The Group also benefited from government backed Covid-19 related rent concessions for closed stores in Greece. The Group elected to take the practical expedient related to rent concessions under IFRS 16, subsequently recognising a £6m credit against rental expense to reflect the variable element of the reduction and a corresponding adjustment to the lease liability.

In March 2021, the UK government announced it would be extending the previously announced business rates tax holiday for the retail, hospitality and leisure industry. This led to a £62m reduction in operating costs in the period (2019/20: £4m).

To help deal with the rapid onset of the Covid-19 pandemic, a number of governments across the territories in which the Group operates offered tax, VAT and social security payment deferral schemes to help preserve and maintain liquidity. At the reporting date, £2m of social security payments for the Group’s Danish operations had been deferred under the relevant government-backed schemes, with the £88m deferred on the balance sheet as at 2 May 2020 being fully repaid during the year.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. There are no unfulfilled conditions or contingencies attached to these grants.

31 Operating lease arrangements

The Group as a lessor

Under IFRS 16, an intermediate lessor is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease. As such, operating leases in which the Group is a lessor relate to right-of-use assets subleased to external third parties. A maturity analysis of undiscounted lease payments to be received relating to these operating leases is shown below.

	1 May 2021 £m	**2 May 2020 £m**
Undiscounted amounts receivable under sub-leases classified as operating leases:		
Year 1	**1**	1
Year 2	**–**	1
Year 3	**–**	1
Year 4	**–**	–
Year 5	**–**	–
Onwards	**–**	1

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

32 Contingent assets

The Group is currently seeking damages from an independent third party following their involvement in anti-competitive behaviour that adversely impacted the Group. Following recent court judgements on similar claims, the Group expects to receive a material amount in settlement. The value of the settlement is not disclosed as it could be prejudicial to the outcome.

33 Contingent liabilities

The Group continues to cooperate with HMRC in relation to open tax enquiries arising from pre-merger legacy corporate transactions in the Carphone Warehouse group. There are two separate material underlying transactions where there are open enquiries. These have been explained further within note 1t. One of the enquiries has resulted in a contingent liability being disclosed. This determination is based on the strength of third-party legal advice on the matter and therefore the Group considers it 'more likely than not' that these enquiries will not result in an economic outflow. The potential range of tax exposures relating to this enquiry is estimated to be approximately £nil – £214m excluding interest and penalties. Interest on the upper end of the range is approximately £56m up to 1 May 2021. Penalties could range from nil to 30% of the principal amount of any tax.

The Group has received notification in relation to a Spanish tax assessment connected to a business that was disposed of by the legacy Carphone Warehouse Group in 2014 and is in the process of receiving the full facts and circumstances connected with this case. The Group considers that it is not probable the claim will result in an economic outflow. The maximum potential exposure as a result of the claim is £10m based on the Group's current understanding of the matter. Given the stage of the enquiry it is not possible to determine the timing of the resolution of this case.

34 Events after the balance sheet date

There were no material events after the balance sheet date.

COMPANY BALANCE SHEET

	Note	1 May 2021 £m	2 May 2020 £m
Non-current assets			
Investments in subsidiaries	C4	**2,670**	2,670
Debtors	C5	**–**	4
		2,670	2,674
Current assets			
Cash and cash equivalents		**55**	160
Debtors	C5	**3,583**	2,803
Derivative assets	C7	**63**	124
		3,701	3,087
Current liabilities			
Creditors	C6	**(3,578)**	(2,593)
Loans payable	C8	**–**	(44)
Derivative liabilities	C7	**(65)**	(124)
Net current assets		**58**	326
Total assets less current liabilities		**2,728**	3,000
Non-current liabilities			
Loans payable	C8	**–**	(280)
Net assets		**2,728**	2,720
Capital and reserves			
Share capital	C9	**1**	1
Share premium reserve	C9	**2,263**	2,263
Profit and loss account		**464**	456
		2,728	2,720

The Company's profit for the year was £20m (2019/20: £42m).

The financial statements of the Company were approved by the Board on 29 June 2021 and signed on its behalf by:

Alex Baldock
Group Chief Executive

Jonny Mason
Group Chief Financial Officer

Company registration number: 7105905

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium reserve £m	Profit and loss account £m	Total equity £m
At 27 April 2019	1	2,263	504	2,768
Profit for the year	–	–	42	42
Total comprehensive income for the year	–	–	42	42
Purchase of own shares	–	–	(12)	(12)
Equity dividends	–	–	(78)	(78)
At 2 May 2020	1	2,263	456	2,720
Profit for the year	**–**	**–**	**20**	**20**
Other comprehensive income	**–**	**–**	**1**	**1**
Total comprehensive income for the year	**–**	**–**	**21**	**21**
Purchase of own shares	**–**	**–**	**(13)**	**(13)**
At 1 May 2021	**1**	**2,263**	**464**	**2,728**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

C1 Accounting policies

Basis of preparation

The Company is incorporated in the United Kingdom. The financial statements have been prepared on a going concern basis (see note 1 to the Group financial statements).

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council, incorporating the Amendments to FRS 101 as issued by the Financial Reporting Council.

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. The directors consider there are no critical accounting judgements or key sources of estimation uncertainty which affect these financial statements.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

The Company had no employees during the year ended 1 May 2021 (2019/20: nil). All directors were remunerated by other group companies.

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 1 May 2021 was £20m (2019/20: £42m) and included £1m of charitable donations (2019/20: £nil). 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 24 of the Group financial statements.

C4 Investments in subsidiaries

	1 May 2021 £m	**2 May 2020 £m**
Opening balance	**2,670**	2,676
Impairments	**–**	(6)
Closing balance	**2,670**	2,670
Cost	**2,776**	2,776
Accumulated impairments	**(106)**	(106)
Net carrying amount	**2,670**	2,670

Balances comprise investments in subsidiary undertakings and other minority investments. Details of the Company's investments in subsidiary undertakings are provided in note C10.

The directors acknowledged that as at 1 May 2021 the market capitalisation of Dixons Carphone plc was less than the net assets of the company which primarily consists of investments in subsidiaries. This was considered to be an indicator of impairment and an impairment test over the investment in subsidiaries was performed in accordance with IAS 36. The recoverable amounts of the investments have been determined based on value-in-use calculations where management have prepared discounted cash flows based on the latest five year strategic plan and require the use of estimates.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

C4 Investments in subsidiaries continued

The recoverable amount, based on the value-in-use, shows a headroom of £3,894m above the carrying amount of the investments in subsidiaries. As such, no impairment charge was recognised over investment in subsidiaries as a result of the impairment test detailed above.

For the year ended 2 May 2020, an impairment of £6m was recognised over subsidiaries where trading has ceased during the period. The Company received a dividend in the period from these entities which led to an impairment being recognised as the investment exceeded the net assets of the subsidiaries.

C5 Debtors

	1 May 2021 £m	2 May 2020 £m
Amounts owed by Group undertakings	**3,582**	2,798
Prepayments	**–**	9
Other debtors	**1**	–
	3,583	2,807

Amounts owed by Group undertakings are unsecured, repayable on demand and any interest charged is at current market rates.

Receivable balances with other Group entities are reviewed for potential impairment based on the ability of the counterparty to meet its obligations. The net current asset / liability position of the entity is considered and where the amount due to the Company is not covered, the estimated future cash flows of the counterparty and subsidiary companies with the ability to distribute cash to it are considered. No impairment (2019/20: £19m) was recognised in relation to amounts owed by Group undertakings.

All other amounts are due within one year. For the year ended 2 May 2020, £4m of prepayments were classified as non-current.

C6 Creditors

	1 May 2021 £m	2 May 2020 £m
Amounts owed to Group undertakings	**3,576**	2,124
Overdrafts	**2**	468
Accruals and deferred income	**–**	1
Amounts falling due within one year	**3,578**	2,593

C7 Derivatives

	1 May 2021 £m	2 May 2020 £m
Foreign exchange contracts	**63**	124
Derivative assets	**63**	124
Foreign exchange contracts	**(65)**	(124)
Derivative liabilities	**(65)**	(124)

This value is determined using forward exchange and interest rates derived from market sourced data at the balance sheet date, with the resulting value discounted back to present value (level 2 classification). See note 26 for further details.

Included within the Company's derivatives are £39m of assets (2019/20: £48m asset) and £23m of liabilities (2019/20: £72m liability) related to internal trades with Group undertakings.

C7 Derivatives continued

At 1 May 2021 the Company had external forward and swap foreign exchange contracts in place with a notional value of £1,570m (2019/20: £1,499m). The external derivative contracts are passed down to the hedging subsidiary using an internal derivative and designated as an effective cash flow hedge with a notional fair value of £1,570m (2019/20: £1,499m), resulting in a total net fair value of £nil (2019/20: £nil). These contracts are expected to cover exposures ranging from one month to one year. The gross fair value of derivative foreign exchange contracts and foreign exchange swaps passed down and not designated as cash flow hedges was £3m asset and £5m liabilities (2019/20: £5m asset and £5m liabilities).

As of 1 May 2021, the Company holds the following levels of foreign exchange hedging derivatives (foreign exchange forwards) to hedge its exposure to fluctuating foreign exchange rates of the next 12 months:

	Year ended 1 May 2021			Year ended 2 May 2020		
	Maturing hedges in the next 12 months £m	**Weighted average hedge rate**	**Change in value during the period £m**	**Maturing hedges in the next 12 months £m**	**Weighted average hedge rate**	**Change in value during the period £m**
External trades:						
Hedging USD purchases into GBP (UK)	**66**	**1.3704**	**(1)**	51	1.2649	1
Hedging EUR purchases into GBP (UK)	**24**	**1.1247**	**–**	18	1.1401	–
Hedging CNY purchases into GBP (UK)	**61**	**9.0489**	**–**	65	9.0544	1
Hedging EUR purchases into NOK (Nordics)	**761**	**10.4977**	**(33)**	733	10.6596	48
Hedging USD purchases into NOK (Nordics)	**84**	**8.7562**	**(4)**	88	9.3812	8
Hedging SEK sales into NOK (Nordics)	**301**	**0.9787**	**12**	285	1.0215	(20)
Hedging DKK sales into NOK (Nordics)	**189**	**0.7100**	**8**	190	0.7081	(15)
Hedging EUR purchases into GBP (Ireland)	**84**	**0.8864**	**1**	69	0.8755	–
	1,570		**(17)**	1,499		23
Internal trades:						
Hedging USD purchases into GBP (UK)	**66**	**1.3704**	**1**	51	1.2649	(1)
Hedging EUR purchases into GBP (UK)	**24**	**1.1247**	**–**	18	1.1401	–
Hedging CNY purchases into GBP (UK)	**61**	**9.0489**	**–**	65	9.0544	(1)
Hedging EUR purchases into NOK (Nordics)	**761**	**10.4977**	**33**	733	10.6596	(48)
Hedging USD purchases into NOK (Nordics)	**84**	**8.7562**	**4**	88	9.3812	(8)
Hedging SEK sales into NOK (Nordics)	**301**	**0.9787**	**(12)**	285	1.0215	20
Hedging DKK sales into NOK (Nordics)	**189**	**0.7100**	**(8)**	190	0.7081	15
Hedging EUR purchases into GBP (Ireland)	**84**	**0.8864**	**(1)**	69	0.8755	–
	1,570		**17**	1,499		(23)

C8 Loans payable

Details of loans payable are provided in note 19 to the Group financial statements.

C9 Share capital and share premium

Details of movements in share capital and share premium are disclosed in note 23 to the Group financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

C10 Subsidiary undertakings

a) Principal subsidiaries as at 1 May 2021

The Company has investments in the following principal subsidiary undertakings. All holdings are in equity share capital and give the Group an effective holding of 100% on consolidation.

Name	Registered office address	Country of incorporation or registration	Share class(es) held	% held	Business activity
Carphone Warehouse Europe Limited	1 Portal Way, London, W3 6RS	United Kingdom	A and B Ordinary	100	Holding company
CPW Technology Services Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100	IT
Dixons Carphone Holdings Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100*	Holding company
			Deferred	100*	
			A Ordinary	84.6**	
			B Ordinary	100*	
Dixons Retail Group Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary Deferred	100 100*	Holding company
Dixons South East Europe A.E.V.E.	90 Marinou Antypa str., Neo Irakleio, Athens 14121	Greece	Ordinary	100	Retail
DSG International Holdings Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100	Holding company
DSG Retail Ireland Limited	3rd Floor Office Suite,Omni Park Shopping Centre, Santry, Dublin 9	Ireland	Ordinary	100	Retail
DSG Retail Limited	1 Portal Way, London, W3 6RS	United Kingdom	Irredeemable Cumulative Preference and Ordinary	100	Retail
Elgiganten Aktiebolag	Box 1264, 164, 29 Kista, Stockholm	Sweden	Ordinary	100	Retail
ElGiganten A/S	Arne Jacobsens Allé 16, 2.sal København S, 2300 Copenhagen	Denmark	Ordinary	100	Retail
Elkjøp Nordic AS	Nydalsveien 18A, NO-0484 Oslo	Norway	Ordinary	100	Retail
Elkjøp Norge AS	Solheimveien 10, NO-1473, Lørenskog	Norway	Ordinary	100	Retail
Gigantti Oy	Töölönlahdenkatu 2, FI-00100, Helsinki	Finland	Ordinary	100	Retail
The Carphone Warehouse Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100	Retail
The Carphone Warehouse Limited	3rd Floor Office Suite, Omni Park Shopping Centre, Santry, Dublin 9	Ireland	Ordinary	100	Retail

* Interest held directly by Dixons Carphone plc.

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

C10 Subsidiary undertakings continued

b) Other subsidiary undertakings

The following are the other subsidiary undertakings of the Group, all of which are wholly owned unless otherwise indicated. All these companies are either holding companies or provide general support to the principal subsidiaries listed on the previous page.

Name	Registered office address	Country of incorporation or registration	Share class(es) held	% held
Alfa s.r.l.	Via monte Napoleone n. 29, 20121 Milano	Italy	Ordinary	100
Carphone Warehouse Ireland Mobile Limited (in liquidation)	44 Fitzwilliam Place, Dublin 2	Ireland	Ordinary	100
CCC Nordic A/S	Arne Jacobsens Allé 15, 8., 2300 København S.	Denmark	Ordinary	100
Codic GmbH (in liquidation)	Eschenheimer Anlage 1, 60316, Frankfurt	Germany	Ordinary	100
Connected World Services Distributions Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
Connected World Services LLC	2711 Centerville Road, Suite 400 Wilmington DE 19808	United States	Ordinary	100
Connected World Services Netherlands BV	Watermanweg 96, 3067 GG, Rotterdam	Netherlands	Ordinary	100
Connected World Services SAS (in liquidation)	26 rue de Cambacérès, 75008 Paris	France	Ordinary	100
CPW Acton Five Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
CPW Brands 2 Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100*
CPW CP Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
CPW Tulketh Mill Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100*
Currys Limited(1)	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
Currys Retail Limited(2)	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DISL 2 Limited	6th Floor, Victory House, Prospect Hill, Douglas, IM1 1EQ	Isle of Man	Ordinary	100
DISL Limited	6th Floor, Victory House, Prospect Hill, Douglas, IM1 1EQ	Isle of Man	Ordinary	100
Dixons Carphone CoE s.r.o.	Trnita, 491/5, 602 00 Brno	Czech Republic	Business Shares	100
Dixons Deutschland GmbH i.L (in liquidation)	Ottostraße 21, 80333 Munich	Germany	Ordinary	100
Dixons Sourcing Limited	31/F, AXA Tower Landmark East, 100 How Ming Street, Kwun Tong Kowloon	Hong Kong	Ordinary	100
Dixons Stores Group Retail Norway AS	Nydalsveien 18A, NO-0484 Oslo	Norway	Ordinary	100
Dixons Travel srl (in liquidation)	Foro Buonaparte 70, 20121, Milan	Italy	Ordinary	100
DSG Card Handling Services Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG Corporate Services Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG European Investments Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG Hong Kong Sourcing Limited	31/F, AXA Tower Landmark East, 100 How Ming Street, Kwun Tong Kowloon	Hong Kong	Ordinary	100
DSG International Belgium BVBA (in lquidation)	Havenlaan 86C, Box 204, B-1000 Brussels	Belgium	Ordinary	100

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

C10 Subsidiary undertakings continued

b) Other subsidiary undertakings continued

Name	Registered office address	Country of incorporation or registration	Share class(es) held	% held
DSG International Retail Properties Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG Ireland Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG KHI Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG Overseas Investments Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
DSG Retail Ireland Pension Trust Limited	40 Upper Mount Street, Dublin 2, D02 PR89	Ireland	Ordinary	100
Elcare Workshop AS(3)	Industrivegen, 53, 2212, Kongsvinger	Norway	Ordinary	100
Elcare Workshop Oy(4)	Silvastintie 1, 01510, Vantaa	Finland	Ordinary	100
Electrocare Nordic AB(5)	Arabygatan 9, 35246 Växjö, Kronobergs län	Sweden	Ordinary	100
El-Giganten Logistik AB	Mobelvagen 51, 556 52 Jönköping	Sweden	Ordinary	100
Elkjøp Holdco AS	Nydalsveien 18A, NO-0484 Oslo	Norway	Ordinary	100
Epoq Logistic DC k.s.	Evropská 868, 664 42 Modřice	Czech Republic	Ordinary	100
iD Mobile Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
Kungsgatan Concept Store AB	Box 1264, 164, 29 Kista, Stockholm	Sweden	Ordinary	100
Mastercare Service and Distribution Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
MTIS Limited	Carphone Warehouse, Dixons Unit, 301 Omni Park Shopping Centre, Swords Road, Dublin 9	Ireland	Ordinary	100
New CPWM Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
PC City (France) SNC (in liquidation)	52 rue de la Victoire 75009 Paris	France	Partnership	100
Petrus Insurance Company Limited	2 Irish Town	Gibraltar	Ordinary	100
Simplify Digital Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
TalkM Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
Team Knowhow Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
The Carphone Warehouse (Digital) Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100*
The Carphone Warehouse UK Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100
The Phone House Holdings (UK) Limited	1 Portal Way, London, W3 6RS	United Kingdom	Ordinary	100

* Interest held directly by Dixons Carphone plc.

(1) Currys Limited was called Kereru Limited until 13 May 2021.

(2) Currys Retail Limited was called Mohua Limited until 13 May 2021.

(3) Formerly named InfoCare Workshop AS.

(4) Formerly named InfoCare Workshop Oy.

(5) Formerly named InfoCare CS AB.

C10 Subsidiary undertakings continued

c) Other significant shareholdings

The following are the other significant shareholdings of the Company, all of which are held indirectly.

Name	Registered office address	Country of incorporation or registration	Share class held	% held	Business activity
Elkjøp Fjordane AS	Fugleskjærgata 10, 6905 Florø	Norway	Ordinary	30	Retail

d) Subsidiary undertakings exempt from audit

The following subsidiaries, all of which are incorporated in England and Wales 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
Carphone Warehouse Europe Limited	06534088
Connected World Services Distributions Limited	01847868
CPW Acton Five Limited	05738735
CPW Technology Services Limited	02881162
Currys Limited(1)	05929750
Currys Retail Limited(2)	05929753
Dixons Carphone Holdings Limited	07866062
Dixons Retail Group Limited	03847921
DSG Card Handling Services Limited	04185110
DSG European Investments Limited	03891149
DSG International Holdings Limited	03887870
DSG International Retail Properties Limited	00476440
DSG Ireland Limited	00240621
DSG KHI Limited	09012752
DSG Overseas Investments Limited	02734677
Simplify Digital Limited	06095563
TalkM Limited	04682207
The Carphone Warehouse (Digital) Limited	03966947
The Phone House Holdings (UK) Limited	03663563

(1) Currys Limited was called Kereru Limited until 13 May 2021.

(2) Currys Retail Limited was called Mohua Limited until 13 May 2021.

FIVE YEAR RECORD (UNAUDITED)

Income statement – Adjusted

	2020/21 £m	2019/20 £m	2018/19 £m	2017/18 £m	2016/17 £m
Adjusted[1]					
Revenue	**10,330**	10,217	10,474	10,555	10,221
Net profit after tax	**123**	78	269	327	370
Earnings per share					
– Basic	**10.7p**	6.7p	23.2p	28.3p	32.1p
– Diluted	**10.3p**	6.6p	23.0p	28.2p	32.0p
Adjusted results[1]					
Revenue	**10,330**	10,217	10,474	10,555	10,221
EBIT	**262**	214	363	430	495
Interest	**(106)**	(98)	(24)	(18)	(16)
Profit before taxation	**156**	116	339	412	479

(1) Adjusted results reflect the statutory results of the Group excluding items classified as adjusting items, which are defined within the Glossary and definitions section on page 221 and in note A5.

SHAREHOLDER AND CORPORATE INFORMATION

Dixons Carphone plc is listed on the main market of the London Stock Exchange (stock symbol: DC) and is a constituent of the FTSE 250.

Company registration number

07105905

Registered office

1 Portal Way, London, W3 6RS, United Kingdom

Corporate website

www.dixonscarphone.com

The website includes information about the Group's vision and strategy, business performance, corporate governance, sustainability, latest news and press releases. The Investors section includes information on the latest trading performance, records of past financial results, share price information and analyst coverage.

Share Registrar

Equiniti, Aspect House, Spencer Road, Lancing,
West Sussex, BN99 6DA, United Kingdom

https://equiniti.com/uk/contact-us/shareholder-enquiries

0371 384 2089 (UK callers) or +44 (0)121 415 7047 (International callers)

Telephone lines are open on UK business days between 8.30am and 5.30pm UK time.

Shareholder enquiries

Any queries that shareholders have regarding their shareholdings, such as a change of name or address, transfer of shares or lost share certificates, should be referred to the Registrar using the contact details above.

Managing shares online

Shareholders can manage their holdings online by registering with an electronic communications service called Shareview at www.shareview.co.uk. This is a secure online platform which is provided by the Registrar. To register, you will need your shareholder reference number, which can be found on your share certificate, dividend confirmation or form of proxy.

Unauthorised brokers (boiler room scams)

Dixons Carphone plc is legally obliged to make its share register available to the general public in certain circumstances. Consequently, some shareholders may receive unsolicited phone calls or correspondence concerning investment matters which may imply a connection to the company concerned. These are typically from overseas-based 'brokers' who target UK shareholders offering to buy their shares or sell them what can turn out to be worthless or high-risk shares in US or UK investments. These communications can be persistent and extremely persuasive. Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad. While high profits are promised, those who buy or sell shares in this way usually lose their money.

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at www.fca.org.uk/scams where you can find out about the latest investment scams. You can also call the Consumer Helpline on 0800 111 6768.

ShareGift

If you have a very small shareholding that is uneconomical to sell, you may wish to consider donating it to ShareGift (Registered charity no. 1052686), a charity that specialises in the donation of small, unwanted shareholdings to good causes. You can find more information by visiting sharegift.org or by calling 0207 930 3737.

Electronic communications

Shareholders will receive annual reports and other documentation electronically, unless they tell our registrars that they would like to continue to receive printed materials. This is in line with best practice and underpins our commitment to reduce waste. Shareholders may view shareholder communications online instead of receiving them in hard copy. Shareholders may elect to receive notifications by email whenever shareholder communications are added to the website by visiting www.shareview.co.uk and registering online.

Auditor

Deloitte LLP,
1 New Street Square,
London, EC4A 3BZ

www.deloitte.com

Joint Stockbrokers

Deutsche Bank AG,
1 Great Winchester Street,
London, EC2N 2DB

www.db.com

Citigroup Global Markets Limited,
33 Canada Square,
Canary Wharf,
London, E14 5LB

www.citigroup.com

Company Secretary

Nigel Paterson, General Counsel and Company Secretary
cosec@dixonscarphone.com

Investor relations

Dan Homan, Head of Investor Relations
ir@dixonscarphone.com

GLOSSARY AND DEFINITIONS

Alternative performance measures ('APMs')

In the reporting of financial information, and as set out in the Strategic Report, the Group uses certain measures that are not required under IFRS. These are presented in accordance with the Guidelines on APMs issued by the European Securities and Markets Authority ('ESMA'). We consider that these additional measures (commonly referred to as 'alternative performance measures') provide additional information on the performance of the business and trends to shareholders. These measures are consistent with those used internally, and are considered critical to understanding the financial performance and financial health of the Group. APMs are also used to enhance the comparability of information between reporting periods, by adjusting for non-recurring or items considered to be distortive on trading performance which may affect IFRS measures, to aid the user in understanding the Group's performance. These alternative performance measures may not be directly comparable with other similarly titled measures or 'adjusted' revenue or profit measures used by other companies, and are not intended to be a substitute for, or superior to, IFRS measures.

Adjusting items

Included within our APMs we report adjusted revenue, adjusted PBT, adjusted EBIT, adjusted EBITDA, adjusted EBITDAR and adjusted EPS. These measures exclude items which are significant in size or volatility or by nature are non-trading or highly infrequent. Adjusted results are stated before the results of discontinued operations or exited / to be exited businesses, amortisation of acquisition intangibles, acquisition related costs, any items considered so material that they distort underlying performance (such as reorganisation costs, impairment charges and property rationalisation costs, out of period mobile network debtor revaluations and non-recurring charges), income from previously disposed operations, and net pension interest costs. There are no adjustments made to exclude the impact of Covid-19. 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 / or operations of the Group.

Impact of IFRS 16: 'Leases'

The Group adopted IFRS 16: 'Leases' using the modified retrospective method in the prior year. In order to aid comparability with prior year measures, the impact of IFRS 16 was included within adjusting items and adjusted results were reported under IAS 17.

Following the adoption, and ability to report comparatives under IFRS 16, the impact of such is no longer considered to be an adjusting item. The adjusted results and adjusting items for the comparative reporting period ended 2 May 2020 have subsequently been restated to reflect this.

Currency neutral

Some comparative performance measures are translated at constant exchange rates, called 'currency neutral' measures. This restates the prior period results at a common exchange rate to the current year in order to provide appropriate year-on-year movement measures without the impact of foreign exchange movements.

Definitions and reconciliations

In line with the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority ('ESMA'), we have provided additional information on the APMs used by the Group below, including full reconciliations back to the closest equivalent statutory measure.

Alternative performance measure	Closest equivalent GAAP measure	Note reference showing reconciliation to IFRS measure	Definition and purpose
Revenue measures			
Adjusted revenue	Revenue	See note A1	Adjusted revenues are adjusted to remove out of period mobile network debtor revaluations and the revenues of those operations which the Group classifies as exited or to be exited but do not meet the definition of discontinued in accordance with IFRS 5: 'Non-Current Assets Held for Sale and Discontinued Operations'.
Like-for-like (LFL) % change	No direct equivalent	Not applicable	Like-for-like revenue is calculated based on adjusted store and online revenue (including order & collect, Online In-Store and ShopLive) using constant exchange rates consistent with the currency neutral % change measure detailed below. 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 (where closed by the Group's decision and not where closed due to government imposed restrictions related to the global Covid-19 pandemic) are excluded for any period of closure during either period. Customer support agreement, insurance and wholesale revenues along with revenue from other non-retail businesses are excluded from like-for-like calculations. We consider that LFL revenue represents a useful measure of the trading performance of our underlying and ongoing store and online portfolio.
Currency neutral % change	Revenue compared to prior period consolidated at a constant exchange rate	Not applicable	Reflects total revenues on a constant currency and period basis. Provides a measure of performance excluding the impact of foreign exchange rate movements.
Profit measures			
Adjusted profit / (loss) before tax, adjusted EBIT and adjusted profit / (loss) after tax	Profit / (loss) before interest and tax, Profit / (loss) after interest and tax	See notes A2 and A5	As discussed above, the Group uses adjusted profit measures in order to provide a useful measure of the ongoing performance of the Group. These are adjusted from total measures to remove adjusting items, the nature of which are disclosed above.
EBIT	Profit / (loss) before interest and tax	No reconciling items	Earnings before interest and tax (EBIT) is directly comparable to profit / (loss) before tax. The terminology used is consistent with that used historically and in external communications.
Adjusted EBITDA	Profit / (loss) before interest and tax	See note A4	As discussed above, the Group uses adjusted profit measures in order to provide a useful measure of the ongoing performance of the Group. These are adjusted from total measures to remove adjusting items, the nature of which are disclosed above.
EBITDA	Profit / (loss) before interest and tax	See note A3	Earnings before interest, tax, depreciation and amortisation (EBITDA). Provides a measure of profitability based on profit / (loss) before tax, and after adding back depreciation and amortisation expense. The terminology used is consistent with that used historically and in external communications.
Adjusted EBITDAR	Profit / (loss) before interest and tax	See note A4	As discussed above, the Group uses adjusted profit measures in order to provide a useful measure of the ongoing performance of the Group. These are adjusted from total measures to remove adjusting items, the nature of which are disclosed above.
EBITDAR	Profit / (loss) before interest and tax	See note A3	Earnings before interest, tax, depreciation, amortisation and rental expense (EBITDAR). Provides a measure of profitability based on profit / (loss) before tax, and after adding back depreciation, amortisation and rental expenses outside the scope of IFRS 16.

GLOSSARY AND DEFINITIONS CONTINUED

Alternative performance measure	Closest equivalent GAAP measure	Note reference showing reconciliation to IFRS measure	Definition and purpose
Other earnings measures			
Adjusted net finance costs	Net finance costs	See note A6	Adjusted net finance costs exclude certain adjusted finance costs from total finance costs. The adjusting items include the finance charge of business to be exited, net pension interest costs, finance income from previously disposed operations not classified as discontinued, and other exceptional items considered so one-off and material that they distort underlying finance costs of the Group. Under IAS 19: 'Employee Benefits', the net interest charge on defined benefit pension schemes is calculated based on corporate bond yield rates at a specific date, which, as can vary over time, creates volatility in the income statement and is unrepresentative of the actual investment gains or losses made on the liabilities. Therefore, this item has been removed from our adjusted earnings measure in order to remove this non-cash volatility.
Adjusted income tax expense / (credit)	Income tax expense / (credit)	See note A7	Adjusted income tax expense / (credit) represents the income tax on adjusted earnings. Income tax expense / (credit) on adjusting items represents the tax on items classified as 'adjusted', either in the current year, or the current year effect of prior year tax adjustments on items previously classified as adjusted. We consider the adjusted income tax measures represent a useful measure of the ongoing tax charge / credit of the Group.
Adjusted / Total effective tax rate	No direct equivalent	See note A7	The effective tax rate measures provide a useful indication of the tax rate of the Group. Adjusted effective tax is the rate of tax recognised on headline earnings, and total effective tax is the rate of tax recognised on total earnings.
Earnings per share measures			
Adjusted basic EPS – continuing operations, adjusted diluted EPS – continuing operations, adjusted basic EPS – total, adjusted diluted EPS – total	Statutory EPS figures	See note A8	EPS measures are presented to reflect the impact of adjusting items in order to show an adjusted EPS figure, which reflects the adjusted earnings per share of the Group. We consider the adjusted EPS provides a useful measure of the ongoing earnings of the underlying Group.
Cash flow measures			
Segmental working capital	No direct equivalent	See note A11	Segmental working capital comprises movements in inventory, trade receivables, trade payables and provisions and is adjusted to remove movements arising from adjusting items, the nature of which are disclosed above.
Free cash flow	Cash generated from operations	See note A9	Free cash flow comprises cash generated from / (utilised by) continuing operations including restructuring costs, but before cash generated from / (utilised by) businesses exited / to be exited, less net finance expense, less income tax paid, less net capital expenditure and before any special pension contributions and dividends. Free cash flow is derived from adjusted EBIT which excludes adjusting items as described above.
Operating cash flow	Cash generated from operations	See page 57 and note A9	Operating cash flow comprises cash generated from / (utilised by) continuing operations, but before cash generated from / (utilised by) discontinued operations, adjusting items, the nature of which are disclosed above, repayments of lease liabilities for non-trading properties where closed by the Group's decision, and movements in working capital.
Net debt	Cash and cash equivalents less loans and other borrowings	See note A10	Comprises cash and cash equivalents and short-term deposits, less borrowings. We consider that this provides a useful measure of the indebtedness of the Group.

A1 Reconciliation from statutory to adjusted revenue

						Year ended 1 May 2021
	UK & Ireland Electricals £m	UK & Ireland Mobile £m	Nordics £m	Greece £m	Eliminations £m	Total £m
Statutory external revenue	4,921	721	4,186	516	–	10,344
Out of period mobile network debtor revaluations	–	(14)	–	–	–	(14)
Adjusted external revenue	4,921	707	4,186	516	–	10,330
Inter-segmental revenue	66	128	–	–	(194)	–
Total adjusted revenue	4,987	835	4,186	516	(194)	10,330

						Year ended 2 May 2020
	UK & Ireland Electricals £m	UK & Ireland Mobile £m	Nordics £m	Greece £m	Eliminations £m	Total £m
Statutory external revenue	4,538	1,589	3,573	470	–	10,170
Out of period mobile network debtor revaluations	–	47	–	–	–	47
Adjusted external revenue	4,538	1,636	3,573	470	–	10,217
Inter-segmental revenue	86	98	–	–	(184)	–
Total adjusted revenue	4,624	1,734	3,573	470	(184)	10,217

A2 Reconciliation from statutory profit / (loss) before interest and tax to adjusted EBIT and adjusted PBT

									Year ended 1 May 2021
	Total profit / (loss) £m	Mobile network debtor revaluations £m	Acquisition / disposal related items £m	Strategic change progra-mmes £m	Regulatory costs £m	Impairment losses and onerous contracts £m	Other £m	Pension scheme interest £m	Adjusted profit / (loss) £m
UK & Ireland Electricals	78	–	14	21	1	100	(5)	–	209
UK & Ireland Mobile	(89)	(14)	–	20	(8)	–	(26)	–	(117)
Nordics	139	–	12	–	–	–	–	–	151
Greece	19	–	–	–	–	–	–	–	19
EBIT	147	(14)	26	41	(7)	100	(31)	–	262
Finance income	6	–	–	–	–	–	–	–	6
Finance costs	(120)	–	–	–	–	–	–	8	(112)
Profit / (loss) before tax	33	(14)	26	41	(7)	100	(31)	8	156

GLOSSARY AND DEFINITIONS CONTINUED

A2 Reconciliation from statutory profit / (loss) before interest and tax to adjusted EBIT and adjusted PBT continued

	Year ended 2 May 2020							
	Total profit / (loss) £m	Mobile network debtor revaluations £m	Acquisition / disposal related items £m	Strategic change progra-mmes £m	Regulatory costs £m	Impairment losses and onerous contracts £m	Pension scheme interest £m	Adjusted profit / (loss) (restated)* £m
UK & Ireland Electricals	119	–	14	13	–	18	–	164
UK & Ireland Mobile	(282)	47	1	107	30	–	–	(97)
Nordics	115	–	11	–	–	–	–	126
Greece	20	–	–	1	–	–	–	21
EBIT	(28)	47	26	121	30	18	–	214
Finance income	10	–	–	–	–	–	–	10
Finance costs	(122)	–	–	–	–	–	14	(108)
(Loss) / profit before tax	(140)	47	26	121	30	18	14	116

* Adjusted results for the year ended 2 May 2020 have been restated from those previously reported to exclude the impact of IFRS 16 from adjusting items.

A3 Reconciliation from statutory profit / (loss) before interest and tax to EBITDA and EBITDAR

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Profit / (loss) before interest and tax	**147**	(28)
Depreciation	**279**	298
Amortisation	**83**	69
EBITDA	**509**	339
Leasing costs in EBITDA	**13**	40
EBITDAR	**522**	379

A4 Reconciliation from adjusted EBIT to adjusted EBITDA and adjusted EBITDAR

	Year ended 1 May 2021 £m	Year ended 2 May 2020 (restated)* £m
Adjusted EBIT	**262**	214
Depreciation	**279**	298
Amortisation	**57**	44
Adjusted EBITDA	**598**	556
Leasing costs in EBITDA	**13**	40
Adjusted EBITDAR	**611**	596

* Adjusted results for the year ended 2 May 2020 have been restated from those previously reported to exclude the impact of IFRS 16 from adjusting items.

A5 Further information on the adjusting items between statutory profit / (loss) to adjusted profit measures noted above

	Note	Year ended 1 May 2021 £m	Year ended 2 May 2020 (restated)* £m
Included in revenue			
Mobile network debtor revaluation	(i)	**(14)**	47
		(14)	47
Included in profit / (loss) before interest and tax			
Mobile network debtor revaluation	(i)	**(14)**	47
Acquisition / disposal related items	(ii)	**26**	26
Strategic change programmes	(iii)	**41**	121
Regulatory costs	(iv)	**(7)**	30
Impairment losses and onerous contracts	(v)	**100**	18
Other	(vi)	**(31)**	–
		115	242
Included in net finance costs			
Net non-cash finance costs on defined benefit pension schemes	(vii)	**8**	14
Total impact on profit / (loss) before tax – continuing operations		**123**	256
Tax regulatory matters	(viii)	**1**	(17)
Tax on other adjusting items	(ix)	**(1)**	–
Total impact on profit / (loss) after tax – continuing operations		**123**	239
Discontinued operations	25	**(12)**	2
Total impact on profit / (loss) after tax		**111**	241

* Adjusted results for the year ended 2 May 2020 have been restated from those previously reported to exclude the impact of IFRS 16 from adjusting items.

(i) Mobile network debtor revaluations

In the current period changes in consumer behaviour on previously recognised transactions have led to positive revaluations of network receivables of £14m. For the comparative period, the Group recognised negative revaluations totalling £47m as legislative impacts, changing consumer taste and the closure of the Carphone Warehouse standalone stores within the UK drove a reduction in the expected value of variable revenue previously recognised.

Further information can be found in footnote (iv) of the network commission receivables and contract assets reconciliation table within note 15 to the Group financial statements.

(ii) Acquisition / disposal related items

A charge of £26m (2019/20: £26m) relates primarily to amortisation of acquisition intangibles arising on the Dixons Retail Merger.

GLOSSARY AND DEFINITIONS CONTINUED

A5 Further information on the adjusting items between statutory profit / (loss) to adjusted profit measures noted above continued

(iii) Strategic change programmes

During the current period, restructuring and redundancy costs of £54m (2019/20: £56m) have been incurred as the Group continues to deliver it's long term strategic plan by becoming clearer, simpler and faster in order to improve the overall customer experience with an Omnichannel offering. The costs incurred relate to the following strategic restructuring programmes:

- £24m for restructuring and redundancy costs across the UK & Ireland Electricals store team management structure;
- £17m related to central operations;
- £8m following the strategic decision to close the Carphone Warehouse Ireland business as the Group enters the next strategic phase in returning Mobile to profitability; and
- £5m related to the previously announced Carphone Warehouse standalone store closure within the United Kingdom.

Property rationalisation:

Included within strategic change programmes is a credit of £19m that primarily relates to the release of excess property provisions following successful early exit negotiations on stores included within previously announced rationalisation and closure programmes.

The Group has also incurred £9m of property costs following the announcement to close the Carphone Warehouse Ireland business, £3m of which relates to non-cash impairments over right-of-use assets and £6m for dilapidation and closure related costs.

For the year ended 2 May 2020, a further £71m of property costs was recognised following the closure of the Carphone Warehouse standalone stores in the United Kingdom while £6m of property provisions within the UK & Ireland Electricals segment were released.

(iv) Regulatory costs

In the year ended 2 May 2020, based on the information available, the Group provided £30m for redress related to the mis-selling of Geek Squad mobile phone insurance policies following the FCA investigation for periods prior to June 2015. All customer claims are carefully considered by the Group on a case by case basis with the majority of claims received being invalid.

While the volume and value of outstanding claims remains uncertain no new claims have been received during the period. This has led to the Group reducing the provision in relation to redress by £8m.

Costs of £1m have also been recognised in relation to past service costs for the Group's defined benefit pension scheme following an additional judgement on GMP equalisation. This is further disclosed in note 22.

(v) Impairment losses and onerous contracts

Following the unprecedented effects of the Covid-19 pandemic and the enforced store closures throughout the year ended 1 May 2021, the Group accelerated the operational roll out of its long term strategic plan in moving towards a full omnichannel offering; bringing stores and online together, giving customers the best of both worlds at scale.

This change, accelerated by the pandemic, has resulted in the identification of a material non-cash impairment charge over intangible assets within the UK & Ireland Electricals business, together with impairment of related assets to be recognised against individual stores and additional onerous IT contracts. The breakdown of the impairment recorded in relation to the UK & Ireland Electricals asset base is as follows:

- £46m of intangible assets, primarily related to software development costs, as the Group moves towards best in class cloud based solutions to achieve operational efficiencies and improve the customer journey;
- £14m over right-of-use and store related assets following the deterioration in individual store forecast performance. This is further disclosed in note 1t.

In addition, a £16m one off cash charge related to the early settlement of contracted IT service arrangements has been recognised.

A5 Further information on the adjusting items between statutory profit / (loss) to adjusted profit measures noted above continued

(v) Impairment losses and onerous contracts continued

Following the continued impact of Covid-19 on the aviation and travel and tourism industry, coupled with the UK government's decision to remove airside tax-free shopping, the Group announced the difficult decision on 28 April 2021 to close the Dixons Travel business. This has led to recognition of:

- £16m of onerous contracts and store related asset impairments; and
- an £8m impairment of acquisition intangibles arising on the Dixons Retail Merger.

For the year ended 2 May 2020, an impairment indicator was identified following the initial government enforced store closure across the United Kingdom. Management considered the future cash flow forecasts and adjusted for the negative impact of Covid-19 using the best available knowledge at that time. This resulted in an impairment of £18m being recorded over right-of-use assets in the UK & Ireland Electricals operating segment.

(vi) Other

In May 2021, the Group settled an ongoing legal matter following a contractual dispute with the counterparty that caused damage to the Group. As a result of the settlement confirming the Group's position, a credit of £28m has been recognised within the UK & Ireland Mobile operating segment for the year ended 1 May 2021 and is included within trade and other receivables at the reporting date.

A further £5m was received in the year following the settlement of a legal case in relation to anti-competitive behaviour engaged by the counterparty.

(vii) Net non-cash financing costs on defined benefit pension schemes

The net interest charge on defined benefit pension schemes represents the non-cash remeasurement calculated by applying the corporate bond yield rates applicable on the last day of the previous financial year to the net defined benefit obligation. As a non-cash remeasurement cost which is unrepresentative of the actual investment gains or losses made or the liabilities paid and payable, the accounting effect of this is excluded from adjusted earnings.

(viii) Tax regulatory matters

As previously disclosed, the Group has been co-operating with HMRC in relation to the tax treatment arising due to pre-merger legacy corporate transactions. The Group maintains the tax treatment was appropriate, however, the likelihood of litigation, and therefore risk associated with this matter was such that a provision was recognised in the year ended 27 April 2019. There have been no significant developments in the year, as such the principal has been retained as set out in note 6, while a further £1m of interest accumulated throughout the last 12 months has been provided.

(ix) Tax on other adjusting items

The effective tax rate on adjusting items is nil. The rate of relief is lower than the UK statutory rate of 19% predominantly due to store closure costs that do not attract tax relief and movements in unrecognised deferred tax assets in the UK where it is not considered there are sufficient future taxable profits to recognise all of the deferred tax asset in respect of losses, pensions and other timing differences.

A6 Reconciliation from statutory net finance costs to adjusted net finance costs

	Year ended 1 May 2021 £m	**Year ended 2 May 2020 (restated)* £m**
Total net finance costs	**(114)**	(112)
Net interest on defined benefit pension obligations	**8**	14
Adjusted total net finance costs	**(106)**	(98)

* Adjusted results for the year ended 2 May 2020 have been restated from those previously reported to exclude the impact of IFRS 16 from adjusting items.

GLOSSARY AND DEFINITIONS CONTINUED

A7 Adjusted tax expense

a) Tax expense

The corporation tax charge comprises:

		Year ended 1 May 2021 £m	Year ended 2 May 2020 (restated)* £m
Current tax			
UK corporation tax at 19% (2019/20: 19%)	– Adjusted	**5**	13
	– Adjusting	**2**	(4)
Overseas tax	– Adjusted	**36**	23
	– Adjusting	**–**	1
		43	33
Adjustments made in respect of prior years:			
UK corporation tax	– Adjusted	**(12)**	12
	– Adjusting	**–**	(17)
Overseas tax	– Adjusted	**(1)**	1
		(13)	(4)
Total current tax		**30**	29
Deferred tax			
UK tax	– Adjusted	**4**	(9)
	– Adjusting	**1**	6
Overseas tax	– Adjusted	**(3)**	6
	– Adjusting	**(3)**	(3)
		(1)	–
Adjustments in respect of prior years:			
UK corporation tax	– Adjusted	**5**	(4)
Overseas tax	– Adjusted	**(1)**	(4)
		4	(8)
Total deferred tax		**3**	(8)
Total tax charge		**33**	21
Adjusted tax charge		**33**	38

* Adjusted results for the year ended 2 May 2020 have been restated from those previously reported to exclude the impact of IFRS 16 from adjusting items.

Tax related to discontinued operations is included in the figures set out in note 25 to the consolidated financial statements.

A7 Adjusted tax expense continued

b) Reconciliation of standard to actual (effective) tax rate

The principal differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to profit / (loss) before taxation are as follows:

	Year ended 1 May 2021			Year ended 2 May 2020 (restated)		
	Adjusted £m	**Adjusting items £m**	**Statutory £m**	**Adjusted* £m**	**Adjusting items* £m**	**Statutory £m**
Profit / (loss) before taxation	**156**	**(123)**	**33**	116	(256)	(140)
Tax at UK statutory rate of 19% (2019/20: 19%)	**30**	**(24)**	**6**	22	(49)	(27)
Items attracting no tax relief or liability[(i,v)]	**4**	**8**	**12**	3	4	7
Movement in unprovided deferred tax[(iv)]	**1**	**15**	**16**	6	46	52
Effect of change in statutory tax rate	**1**	**–**	**1**	(1)	(1)	(2)
Differences in effective overseas tax rates	**6**	**–**	**6**	3	–	3
Increase in provisions	**1**	**–**	**1**	–	–	–
Adjustments in respect of prior years – provision[(ii)]	**(14)**	**1**	**(13)**	–	(17)	(17)
Adjustments in respect of prior years – other[(iii)]	**4**	**–**	**4**	5	–	5
Total tax charge / (credit)	**33**	**–**	**33**	38	(17)	21

* Adjusted results for the year ended 2 May 2020 have been restated from those previously reported to exclude the impact of IFRS 16 from adjusting item.

The effective tax rate on adjusted earnings for the year ended 1 May 2021 is 21% (2019/20: 33%).

(i) Items attracting no tax relief or liability relate mainly to non-deductible depreciation and share-based payments in the UK business.

(ii) Provision releases are predominantly where the window for recovery has now closed in relation to pre-merger uncertain tax positions.

(iii) Other adjustments in respect of prior years are mainly due to lower tax relief on fixed assets through capital allowances in submitted tax returns than originally estimated.

The effective tax rate on adjusting items is nil (2019/20: 7%).

(iv) Deferred tax assets relating principally to tax losses in the UK business have not been recognised due to uncertainty over the Group's ability to utilise the losses in the future.

(v) Items attracting no tax relief or liability relate mainly to non-deductible store closure costs.

The future effective tax rate is likely to be impacted by the geographical mix of profits and the Group's ability to take advantage of currently unrecognised deferred tax assets.

GLOSSARY AND DEFINITIONS CONTINUED

A8 Adjusted earnings / (loss) per share

	Year ended 1 May 2021 £m	Year ended 2 May 2020 (restated)* £m
Adjusted profit		
Continuing operations	123	78
Total profit / (loss)		
Continuing operations	–	(161)
Discontinued operations	12	(2)
Total profit / (loss)	12	(163)

	Million	Million
Weighted average number of shares		
Average shares in issue	1,166	1,162
Less average holding by Group EBT	(14)	(5)
For basic earnings per share	1,152	1,157
Dilutive effect of share options and other incentive schemes	42	25
For diluted earnings per share	1,194	1,182

	Pence	Pence
Basic earnings / (loss) per share		
Total (continuing and discontinued operations)	1.0	(14.1)
Adjustment in respect of discontinued operations	(1.0)	0.2
Continuing operations	–	(13.9)
Adjustments – continuing operations (net of taxation)	10.7	20.6
Adjusted basic earnings per share	10.7	6.7
Diluted earnings / (loss) per share		
Total (continuing and discontinued operations)	1.0	(14.1)
Adjustment in respect of discontinued operations	(1.0)	0.2
Continuing operations	–	(13.9)
Adjustments – continuing operations (net of taxation)	10.3	20.5
Adjusted diluted earnings per share	10.3	6.6

* Adjusted results for the year ended 2 May 2020 have been restated from those previously reported to exclude the impact of IFRS 16 from adjusting items.

Basic and diluted earnings per share are based on the profit for the period attributable to equity shareholders. Adjusted earnings per share is presented in order to show the underlying performance of the Group. Adjustments used to determine adjusted earnings are described further in note A5.

A9 Reconciliations of cash inflow from operations and adjusted EBIT to free cash flow

Reconciliation of cash inflow from operations to free cash flow

	Year ended 1 May 2021 £m	Year ended 2 May 2020 £m
Cash inflow from operations	**926**	649
Operating cash flows from discontinued operations*	**3**	1
Taxation	**(35)**	(20)
Interest, facility arrangement fees, dividends from investments and other	**(25)**	(31)
Repayment of leases	**(309)**	(299)
Capital expenditure	**(122)**	(191)
Free cash flow	**438**	109

* Operating cash flows from discontinued operations are removed in the above reconciliation as free cash flow is presented on a continuing basis.

Reconciliation of adjusted EBIT to free cash flow

	Year ended 1 May 2021 £m	Year ended 2 May 2020 (restated)* £m
Adjusted EBIT (note A2)	**262**	214
Depreciation and amortisation (note A4)	**336**	342
Segmental working capital (note A11)	**454**	141
Share-based payments**	**21**	23
Capital expenditure	**(122)**	(191)
Taxation	**(35)**	(20)
Interest	**(24)**	(26)
Repayment of leases	**(275)**	(284)
Other**	**(6)**	4
Free cash flow before exceptional items	**611**	203
Exceptional costs	**(173)**	(94)
Free cash flow	**438**	109

* Adjusted results for the year ended 2 May 2020 have been restated from those previously reported to exclude the impact of IFRS 16 from adjusting items.

** Other non-cash items in EBIT, as disclosed within the Performance Review, comprises share-based payments and other items in the above reconciliation to free cash flow.

GLOSSARY AND DEFINITIONS CONTINUED

A10 Reconciliation from liabilities arising from financing activities to net cash / (debt)

	1 May 2021 £m	2 May 2020 (restated)* £m
Loans and other borrowings (note 19)	–	(324)
Lease liabilities (note 20)	(1,326)	(1,444)
Total liabilities from financing activities (note 27c)	(1,326)	(1,768)
Cash and cash equivalents (note 16)	175	660
Overdrafts (note 19)	(6)	(540)
Add back lease liabilities	1,326	1,444
Net cash / (debt)	169	(204)

* Net cash / (debt) as at 2 May 2020 has been restated from the amounts previously reported to reflect the new definition as discussed on page 65 in the Performance Review.

A11 Reconciliation of statutory working capital cash inflow to segmental working capital cash inflow

Within the performance review on page 57, a reconciliation of the adjusted EBIT to free cash flow is provided. Within this, the working capital balance of £454m (2019/20: £141m) differs to the statutory working capital balance of £319m (2019/20: £235m) as cash flows on adjusting items are separately disclosed. A reconciliation of the disclosed working capital balance is as follows:

	Year ended 1 May 2021 £m	Year ended 2 May 2020 (restated)* £m
Working capital cash inflow (note 27b)	319	235
Exceptional provisions	93	(43)
Network debtor out of period revaluation	14	(47)
Exceptional receivable – legal settlement (note A5(vi))	28	–
Facility arrangement fees	–	(4)
Segmental working capital	454	141

* Adjusted results for the year ended 2 May 2020 have been restated from those previously reported to exclude the impact of IFRS 16 from adjusting items.

A12 Summary of working capital presented within the performance review

Within the performance review on page 66, a summary balance sheet is provided which includes a working capital balance of £(684)m (2019/20: £(645)m). The below table provides a breakdown of how the summary working capital balance ties through to the statutory balance sheet. Network commission receivables are excluded from the breakdown as they are presented separately. Further information on network commission receivables can be found in note 15.

	Note	1 May 2021 £m	2 May 2020 (restated)* £m
Non-current assets			
Trade and other receivables**	15	**38**	35
Current assets			
Inventory	14	**1,178**	970
Trade and other receivables**	15	**448**	474
Derivative assets	26	**24**	76
Current liabilities			
Trade and other payables	17	**(2,233)**	(2,017)
Derivative liabilities	26	**(42)**	(52)
Non-current liabilities			
Trade and other payables	17	**(97)**	(131)
Working capital presented within the performance review		**(684)**	(645)

* Working capital presented within the performance review as at 2 May 2020 has been restated from the amounts previously reported to reflect the separate presentation of provision balances within the performance review balance sheet summary.

** Trade and other receivables excludes network commission receivables and contract assets of £239m (2019/20: £616m) as these are presented separately within the condensed balance sheet in the performance review.

GLOSSARY AND DEFINITIONS CONTINUED

Other definitions

The following definitions apply throughout this Annual Report and Accounts unless the context otherwise requires:

Acquisition intangibles	Acquired intangible assets such as customer bases, brands and other intangible assets acquired through a business combination capitalised separately from goodwill. Where businesses have grown organically rather than through acquisition, there is no amortisation of acquired intangibles and therefore the non-cash amortisation charge is removed from our adjusted earnings measures in order to increase comparability between segments
Active credit customers	Customers with an open 'Your Plan' account
ADRs	American Depositary Receipts
ARPU	Average monthly revenue per user
B2B	Business to business
Board	The Board of Directors of the Company
Businesses to be exited	Businesses exited or to be exited are those which the Group has exited or committed to or commenced to exit through disposal or closure but do not meet the definition of discontinued operations as stipulated by IFRS and are material to the results or operations of the Group. Comparative results in the statement of comprehensive income and the notes are restated accordingly for the impact of businesses exited or to be exited
Carphone, Carphone Warehouse or Carphone Group	The Company or Group prior to the Merger on 6 August 2014
CGU	Cash Generating Unit
CODM	Chief Operating Decision Maker
Colleague engagement	Measured using various colleague engagement surveys across the Group
Company or the Company	Dixons Carphone plc (incorporated in England and Wales under the Act, with registered number 07105905), whose registered office is at 1 Portal Way, London W3 6RS
CPW	The continuing business of the Carphone Group
CPW Europe	Best Buy Europe's core continuing operations
CPW Europe Acquisition	The Company's acquisition of Best Buy's interest in CPW Europe, which completed on 26 June 2013
Credit adoption	Sales on Credit as a proportion of total sales
CRM	Customer Relationship Management
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
EBT	Employee benefit trust
Electricals	Represents the combination of our UK & Ireland Electricals, Nordics, and Greece operating segments
GfK	Growth from Knowledge
HMRC	Her Majesty's Revenue and Customs
honeybee	honeybee was our proprietary IT software operation for which an asset sale was completed on 31 May 2018
IFRS	International Financial Reporting Standards as adopted by the European Union
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
Mobile	Represents sales made from legacy Carphone brands, iD Mobile and SimplifyDigital
MVNO	Mobile virtual network operator
NPS	Net Promoter Score, a rating used by the Group to measure customers' likelihood to recommend its operations
Online	Online sales and Online market share relate to all sales where the journey is completed via the website or app. This includes online home delivered, order & collect, Online In-Store and ShopLive
Online In-store	Online In-store is the term used for sales that are generated through in-store tablets for product that is not stocked in the store
Order & collect	Order & collect is the term used for sales where the sale is made via the website or app and collected in store
Peak / post peak	Peak refers to the 10 week trading period ended on 9 January 2021 as reported in the Group's Christmas Trading statement on 20 January 2021. Post peak refers to the trading period from 10 January 2021 to the Group's year end on 1 May 2021
RCF	Revolving credit facility
Sharesave or SAYE	Save as you earn share scheme
ShopLive	The Group's own video shopping service where store colleagues can assist, advise and demonstrate the use of products to customers online face-to-face
SIMO	Sales of SIM-only contracts, without attached handset
SWAS	Stores-within-a-store
TSR	Total shareholder return
UK GAAP	United Kingdom Accounting Standards and applicable law
Virgin Mobile France	Omer Telecom Limited (incorporated in England and Wales) and its subsidiaries, operating an MVNO in France as a joint venture between the Company, Bluebottle UK Limited and Financom S.A.S.
WAEP	Weighted average exercise price

NOTES

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