Dixons Carphone

17 December 2014
Embargoed until 7.00am

Interim results for the 31 weeks ended 1 November 2014
A strong half year for our new company with pro forma Headline profit before tax up 30%

Highlights

- Group H1 like-for-like revenue up 5%; Q2 like-for-like up 9%, with stable gross margins in H1
  - Market share gains across electrical and mobile businesses in the UK & Ireland, Nordics and Greece
  - Netherlands and Germany remain challenging but action underway to review and restructure
- Group pro forma Headline PBT of £78m (2013: £60m), up 30%
  - Group pro forma Headline EBIT of £100m (2013: £85m)
  - Headline basic EPS from continuing operations 7.1p (2013: 3.2p)
- Statutory loss before tax from continuing operations £20m (2013: loss of £27m) after non-Headline charges of £100m, statutory basic EPS from continuing operations loss of 4.7p (2013: loss of 5.4p)
- Interim dividend of 2.5p, payable in January 2015
- Integration progressing well and now expected to deliver a minimum £80m of synergies by 2016-17, one year ahead of plan
- Disposal of Virgin Mobile France completed on 4 December 2014 with net cash proceeds of £104m

Pro forma Headline financials	**Headline revenue**		**Headline EBIT**	
	Q2 14/15 Like-for-like	**H1 14/15 Like-for-like**	**H1 14/15 £million**	**H1 13/14 £million**
UK & Ireland	11%	6%	80	61
Northern Europe	9%	5%	20	24
Southern Europe	(5)%	(11)%	(4)	(1)
Connected World Services	n/a	n/a	4	1
Group	**9%**	**5%**	**100**	**85**

Pro forma and Headline results are defined in the performance review on page 3 (Basis of preparation) and a reconciliation of Headline results to statutory results is provided in note 2 to the condensed financial statements.

Like-for-like revenue is defined in the performance review on page 3.

H1 13/14 contains 26 weeks of the Carphone Warehouse business compared with 31 weeks in H1 14/15.

Q2 results reflect the 13 weeks ended 1 November 2014 for Carphone Warehouse and the 3 months ended 31 October 2014 for Dixons Retail.

Sebastian James, Group Chief Executive, said:

"It is clearly a symbolic moment in the history of our great new shared enterprise to be reporting our first half year results. And they are, I am pleased to say, encouraging. Overall sales in the period have grown by 5% on a like-for-like basis and profit before tax has grown by 30%. Best of all, customer satisfaction continues to show good year-on-year progress across the business.

We have seen a barnstorming performance from our UK & Ireland division with like-for-like sales growth of 6% in the first half and 11% in Q2. This has been driven by continued improvements in price and service, competitive changes, technology launches and some recovery in the economy. We have also seen a good performance from our Nordic business where the competitive environment seems - possibly temporarily - to have calmed just a shade. Our Greek business has also had a good half and seems to be benefiting from some market recovery. Life has been tougher for our smaller European phone businesses who are strategically less able to be robust in the face of market changes and we are in the midst of restructuring and reviewing these operations. We remain excited about the long-term potential of our Connected World Services business on which we report separately today. This business continues to show promise with third party deployment of honeyBee and a new contract recently signed with BT.

The integration of our business seems to be going better than I dared hope, and our integrated stores are trading very well which augurs well for the future. There is still much, much more to do, but I have been struck by the willingness of people at all levels and from all parts of the business to roll up their sleeves and get on with it. I also feel, every day, how lucky we are to have such a smart and committed team. I would like to use this opportunity to thank them for their hard work.

All in all, then, this has been a very good half year but there is a lot more of the year to go and a crucial Christmas to come, against a backdrop of big changes in how and when customers do their Christmas shopping. Black Friday was an extraordinary - and fun – day but we are all acutely aware that there is no room for complacency. Ahead of this all-important peak period we remain comfortable with market expectations for this year; at the same time we know that we will need to keep our foot on the gas if we are to achieve our ambitious longer-term goals."

Investor and analyst webcast

There will be a conference call for investors and analysts at 9:00 am today. The presentation slides will be available via webcast (listen only) on our corporate website, www.dixonscarphonegroup.com

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Next announcement

The Group will publish its next trading statement on 21 January 2015.

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Information on Dixons Carphone plc is available at www.dixonscarphonegroup.com

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About Dixons Carphone:

Dixons Carphone plc is Europe's leading specialist electrical and telecommunications retailer and services company, employing over 40,000 people in 14 countries.

Focused on helping customers navigate the connected world, Dixons Carphone offers a comprehensive range of electrical and mobile products, connectivity and expert after-sales services from the Geek Squad and Knowhow.

Dixons Carphone's primary brands include Carphone Warehouse, Currys and PC World in the UK and Ireland, Elkjøp, El Giganten, Gigantti and Lefdal in the Nordic countries, Kotsovolos in Greece, Dixons Travel in a number of European airports and Phone House in Germany, the Netherlands, Portugal, Spain and Sweden. Our key service brands include Knowhow in the UK, Ireland and the Nordics, Geek Squad in the UK, Ireland and various other European markets.

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

Certain statements made in this announcement are forward-looking. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future events or results referred to in these forward-looking statements. Unless otherwise required by applicable laws, regulations or accounting standards, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise. Information contained on the Dixons Carphone plc website or the Twitter feed does not form part of this announcement and should not be relied on as such.

Performance review

Headline[1] revenue and profit analysis – pro forma basis

		Headline revenue (1)				Headline profit / (loss) (1) (7)	
	Note	**H1 14/15 £million**	H1 13/14 £million	**Local currency % change**	**Like-for-like (2) % change**	**H1 14/15 £million**	H1 13/14 £million
UK & Ireland	(3)	2,954	2,741	8%	6%	80	61
Northern Europe	(4)	1,632	1,767	2%	5%	20	24
Southern Europe	(5)	357	421	(9)%	(11)%	(4)	(1)
Connected World Services	(6)	79	41	95%	n/a	4	1
Group		**5,022**	**4,970**	**5%**	**5%**	**100**	**85**
Net finance costs						(22)	(25)
Profit before tax						**78**	**60**
Tax						(26)	(16)
Profit after tax						**52**	**44**

Basis of preparation – pro forma information

On 26 June 2013 Carphone Warehouse Group plc (Carphone Warehouse) acquired the 50% of CPW Europe which it did not already own from Best Buy Co., Inc. (the CPW Europe Acquisition) and on 6 August 2014 an all-share merger of Carphone Warehouse and Dixons Retail plc (Dixons Retail) (the Merger) took place. The information in this performance review refers, unless otherwise stated, to pro forma information, reflecting the results of both Carphone Warehouse (including CPW Europe) and Dixons Retail throughout both the current and comparative periods.

Following the Merger the Group changed its year end to be the Saturday closest to 30 April. As a result, its half year now ends on the Saturday closest to 31 October. The current interim period therefore comprises the 31 weeks to 1 November 2014 for the Carphone Warehouse business with a comparative period of the 26 weeks ended 28 September 2013 in line with previously reported results. The current year therefore benefits from an additional five weeks of trading from the Carphone Warehouse business. The prior year comparatives include an adjustment to Carphone Warehouse's results reflecting the impact of opening balance sheet adjustments required under IFRS following the CPW Europe Acquisition. Under IFRS the opening balance sheet remains open for a period of twelve months from the date of acquisition with any new information about circumstances that existed at the acquisition date being recognised in the opening balance sheet with a corresponding entry in goodwill. The net impact of these adjustments on pro forma Headline EBIT was an increase of £14m in the prior period. There is a corresponding reduction in second half pro forma Headline EBIT with the result for the full year remaining unchanged.

Prior year comparatives for Carphone Warehouse have also been restated to reclassify the unwind of discounts for the time value of money on network commissions receivable from pro forma Headline EBIT to interest, in line with the treatment in the current period. This item had a value of £4m for the 26 weeks to 28 September 2013 and the reclassification had the impact of reducing pro forma Headline EBIT.

Current period pro forma results for the Dixons Retail business comprise the 6 months ended 31 October 2014 with a comparative period of the 6 months ended 31 October 2013. The prior period results of Dixons Retail have been restated to exclude the results of its Central European business which are treated as discontinued following the disposal of this business.

Notes

(1) Headline results exclude amortisation of acquisition intangibles, exceptional items (which comprise net restructuring charges, business impairment charges and other one-off, non-recurring items), net interest on defined benefit pension schemes, the results of businesses exited (which comprise the Group's retail operations in France) and, where applicable, discontinued operations. Such excluded items are described as 'Non-Headline'. For further details see note 3 to the condensed financial statements.

(2) Like-for-like sales are calculated based on Headline store and internet sales using constant exchange rates. New stores are included where they have been open for a full financial year both at the beginning and end of the financial period. Closed stores are excluded for any period of closure during either period. Customer support agreement sales and income earned from insurance policies are excluded from like-for-like calculations, along with revenues from wholesale operations, Connected World Services and other non-retail businesses. Like-for-like revenue reflects performance for the Carphone Warehouse business for the 31 weeks to 1 November 2014 compared to the 31 weeks to 2 November 2013 and for the Dixons Retail business for the 6 months ended 31 October 2014 compared to the 6 months ended 31 October 2013.

(3) UK & Ireland comprises operations in the UK and Ireland and the Dixons Travel business.

(4) Northern Europe comprises operations in Norway, Sweden, Finland, Denmark, Iceland, the Netherlands and Germany.

(5) Southern Europe comprises operations in Spain, Portugal and Greece.

(6) Connected World Services comprises the Group's B2B operation which leverages the specialist skills, operating processes and technology of the Group to provide managed services to third parties looking to develop their own connected world solutions.

(7) Segmental profit / (loss) reflects Headline earnings before interest and tax (Headline EBIT).

Group

Group pro forma Headline revenue in the first half was up 1% to £5,022m (2013: £4,970m) and up 5% on a local currency basis, including a 6% benefit of an extra five weeks of trading from the Carphone Warehouse business. Like-for-like revenue growth was 5% reflecting growth in our UK & Ireland and Nordic businesses, partially offset by Southern Europe, most notably Spain. The difference between the total revenue growth (as adjusted for the additional five weeks of trading from the Carphone Warehouse business) and like-for-like is predominantly due to a reduction in lower margin wholesale revenues and a reduction in store space.

Pro forma Headline EBIT was £100m (2013: £85m).

Gross margin has been impacted by changes in the revenue mix but on an underlying basis gross margin was stable.

Pro forma Headline profit before tax in the first half was £78m (2013: £60m) reflecting the improved pro forma Headline EBIT and a lower interest charge year-on-year following the redemption of the bonds previously held by Dixons Retail in August of this year.

Integration continues to progress well and our stated target of a minimum £80m of synergies by 2017-18 has now been brought forward by one year to 2016-17. As part of the integration of the two businesses, we have reviewed the consistency of existing operating and financial processes, including the integration of our interactions with suppliers.

Excellent progress has been made in the UK & Ireland with a number of departments now fully integrated. In September we announced our plans for one UK head office. We now have a total of 190 Carphone Warehouse stores-within-a-store (SWAS) operating within Currys and PC World stores (32 new SWAS and 158 converted Phones 4U stores). The SWAS are continuing to outperform expectations and we will re-commence the SWAS roll-out after the all-important peak trading season.

In Sweden we are making good progress and have now opened the first co-branded trial stores and co-marketing is also driving business performance. In addition the head office integration has been communicated.

UK & Ireland

The UK & Ireland had a very strong first half across both electricals and mobile, particularly in the second quarter, and we continued to gain market share across all our brands with strong sales driving increased profits, with pro forma Headline EBIT up 31% versus last year. This excellent performance puts us in a good position ahead of the peak trading period.

The electricals business continued to build on a strong first quarter with white goods and TVs selling well across the half, with a particularly good performance in high-end TVs, aided by a number of initiatives including free warranties. In computing, the laptop market appears to be stabilising, whilst tablets were down year-on-year due to limited product innovation.

Our mobile business in the UK & Ireland also performed well. Postpay volumes and market share continued to grow year-on-year, particularly towards the end of the period as the business benefited from the closure of Phones 4U and some particularly successful product launches. We are also encouraged by the positive impact on ARPU from higher levels of data usage. This was partly offset by continued prepay volume declines, consistent with recent quarters.

Whilst the Phones 4U closure created new market opportunities it also presented a short-term requirement for increased investment including an accelerated SWAS roll-out and the recruitment and integration of many former Phones 4U employees. The Group took on twelve former Phones 4U standalone stores and a further 158 Phones 4U SWAS from which Dixons Retail previously received a profit share, converting them into Carphone Warehouse outlets.

Pro forma revenue in the first half in the UK & Ireland increased by 8% to £2,954m (2013: £2,741m) including a 6% benefit of the additional five weeks of trading of the Carphone Warehouse business. Like-for-like revenue for the first half was up 6% reflecting strong performances in both our electricals and mobile businesses. The difference between the total revenue growth (as adjusted for the additional five weeks of trading from the Carphone Warehouse business) and like-for-like predominantly reflects a reduction in store space.

UK & Ireland pro forma Headline EBIT increased to £80m (2013: £61m) reflecting the factors explained above.

Northern Europe

Northern Europe reflected a very solid first half from our Nordic business with continued sales momentum across the region and good trading across all major categories. ‘Happy or Not’ scores continue to rise and customer service remains strong. In contrast, conditions are tough in Germany and the Netherlands and we have taken decisions to accelerate a review and restructuring of these businesses.

In the Netherlands the market proved to be much more challenging than anticipated and we have expedited its restructuring. To better position ourselves in this market we are closing 50 stores and reducing head office costs. As previously announced we are also closing our retail and wholesale hardware operations in Germany. This resulted in a reduction in revenue but an immaterial impact on Headline profitability. We continue to operate the Mobile World Distribution business, providing connections and services to other businesses. A non-Headline charge of £67m, of which £58m is non-cash, has been recognised in relation to these reorganisations. Further details are provided in the non-Headline section later in this performance review.

Pro forma Headline revenue in Northern Europe in the first half was down 8% to £1,632m (2013: £1,767m). Northern Europe revenue was affected by a significant negative movement on foreign exchange and pro forma revenue on a local currency basis was up 2% including a 4% benefit from an additional five weeks of trading from the Carphone Warehouse business. Like-for-like revenue was up 5% with the variation between the total revenue growth (as adjusted for the additional five weeks of trading from the Carphone Warehouse business) and like-for-like reflecting a reduction in low margin wholesale revenues in the German business.

Northern Europe pro forma Headline EBIT was £20m (2013: £24m) reflecting a negative impact of foreign exchange of £4m, investment in our Nordic business, and the challenges in the mobile business described above.

Southern Europe

We are experiencing good growth in Greece with strong like-for-like sales growth throughout the first half in most categories but in particular large screen TVs. We are hopeful that this business will return to profitability in the short-term.

Our Spanish business was negatively impacted by market pressure in the first half, however we are pleased to announce that we have recently started a relationship with Telefonica to distribute the products and services of Movistar in our stores for the first time. Whilst it is early days, this could be a significant step in terms of the addressable market for us. We continue to evolve the business model, focusing on franchise operations coupled with our own store optimisation. We closed a net 26 stores during the period. This resulted in restructuring and redundancies and the disposal of non-core assets. Whilst there was a positive effect of these activities in the first half, over the full year the impact will be small.

Our Portuguese business is relatively small, but it has been impressive to see how this business has developed a quad play offering from a standing start, taking good market share in recent weeks. The role of the independent retailer in quad play has proved significant in this market and we will be applying what we have learnt to other markets.

Pro forma Headline revenue in Southern Europe in the first half was down 15% to £357m (2013: £421m). Southern Europe revenue was affected by a negative movement on foreign exchange and pro forma revenue on a local currency basis was down 9% including an 8% benefit of the additional five weeks of trading from the Carphone Warehouse business. Like-for-like revenue was down 11% predominantly reflecting the continued challenging market and weak consumer sentiment in Spain. However, improvements in the Greek business continue with double digit like-for-like revenue growth.

Southern Europe pro forma Headline EBIT was a loss of £4m (2013: loss of £1m).

Connected World Services

Today, Connected World Services (CWS), our business services division is reported separately for the first time. This business leverages our core expertise and systems to provide solutions for other companies.

We have made substantial progress in H1, the main new initiative being the deployment of our contract with a major global brand in the UK for the use of our honeyBee platform within its stores. This platform enables activations of connections to network operators on which CWS receives a fee for each connection made. We are now deploying honeyBee in further markets.

We are also pleased to announce that CWS has contracted with BT to be the technical support provider for the migration of their corporate MVNO customer base. Delivery will commence in early 2015 using our technical support capabilities.

We are pleased with the progress of our existing relationships with other blue chip brands, Samsung, Aviva, Talk Talk, RBS to name a few.

CWS pro forma revenue was £79m (2013: £41m) with the increase predominantly reflecting the revenue from our Samsung Experience Stores which launched in the second half of last year in addition to the benefit of the additional five weeks of trading from the legacy Carphone Warehouse business. Pro forma Headline EBIT was £4m (2013: £1m) predominantly reflecting the benefit of CWS contracts as they evolve from initial investment phases.

Tax

The expected pro forma rate of tax for the full year is 25% with this rate being applied to the half year results. This rate is higher than the UK statutory rate of 21% due mainly to higher statutory rates in the Nordics and non-deductible depreciation, mainly in the legacy Dixons Retail UK business. The effective rate for the first half of the year is higher than the full year rate owing to certain items falling discretely into the first half of the year and forming a higher proportion of half year profits.

Statutory results

The explanation of the Group's results presented above is on a pro forma basis as if the group structure following the CPW Europe Acquisition and the Merger had been in place throughout the current and comparative periods. Group results as reported in the condensed financial statements are prepared on a statutory basis, consolidating the results of CPW Europe and Dixons Retail from 26 June 2013 and 6 August 2014 respectively. These results are summarised below:

Headline income statement – continuing operations - statutory basis

	31 weeks ended 1 November 2014 £million	26 weeks ended 28 September 2013 Restated(1) £million
Revenue	**3,341**	822
EBIT	**92**	24
Net finance costs	**(12)**	(2)
Profit before tax	**80**	22
Tax	**(23)**	(5)
Profit after tax	**57**	17
Basic EPS	**7.1p**	3.2p
Diluted EPS	**6.8p**	3.1p

(1) Results for the 26 weeks ended 28 September 2013 have been restated to reflect the finalisation of the opening balance sheet following the CPW Europe Acquisition and also to reclassify the results of Virgin Mobile France as discontinued operations. For further details see note 1 to the condensed financial statements.

Headline EBIT increased from £24m to £92m predominantly reflecting the inclusion of a full period of earnings from CPW Europe and the inclusion of Dixons Retail results from 6 August. The tax charge increased from £5m to £23m reflecting the higher pre-tax earnings described above.

This in turn resulted in an increase in basic Headline EPS from 3.2p to 7.1p for the period. The EPS calculation reflects the fact that the number of shares in issue approximately doubled following the Merger.

The Group's Headline effective rate of taxation for the full year has been estimated at 25% (2013: 20%) with this rate being applied to the half year results. The rate is higher than the UK statutory rate of 21% due mainly to higher statutory rates in the Nordics and non-deductible depreciation, mainly in the Dixons Retail UK business. The rate for the first half of the year is higher than the full year rate owing to certain items falling discretely in to the first half of the year and forming a higher proportion of half year profits.

The acquisition balance sheet of Dixons Retail remains open for a period of twelve months following completion of the Merger, and may therefore be affected by changes in estimates arising from new information obtained in the second half of the year. On this basis, the acquisition balance sheet is at this stage provisional.

Non-Headline items

Headline profit before tax is reported before non-Headline charges of £100 million. These charges are analysed below and are reported on a statutory basis with the Dixons Retail business only consolidated from completion of the Merger on 6 August 2014.

	31 weeks ended 1 November 2014 £million	26 weeks ended 28 September 2013 £million
Headline profit before tax – statutory basis	**80**	22
Merger related costs	**(11)**	-
Restructuring – asset write-downs	**(58)**	-
Restructuring – other costs	**(9)**	-
France exit	**-**	(29)
CPW Europe Acquisition	**-**	(15)
Net pension interest	**(4)**	-
Amortisation of acquisition intangibles	**(18)**	(5)
Loss before tax – statutory basis	**(20)**	(27)

Costs incurred in relation to the Merger include transaction costs of £8m, predominantly reflecting banking and professional fees, and merger integration costs of £3m primarily being professional fees associated with the integration process. Further integration costs will be incurred during the second half of the year as the integration of the two businesses continues.

As a result of the challenging markets in Germany and the Netherlands described earlier in this performance review, restructuring activities have taken place in these markets including store closure programmes, head office restructuring and the closure of the wholesale hardware business in Germany. A charge of £9m has been recognised in relation to these programmes reflecting the anticipated costs of restructuring programmes to which the business had committed at the end of the period. Charges of £58m, reflecting the write-down of tangible and intangible assets associated with these businesses and the goodwill associated with the Netherlands, were also recognised reflecting the store and business closures and uncertainty over future cash generation in the Netherlands.

Net pension interest was £4m reflecting the charge incurred in relation to the Dixons Retail pension scheme following completion of the Merger. Further details on the pension scheme can be found in the Pensions section later in this performance review.

The charge for the amortisation of acquisition intangibles was £18m (2013: £5m) with the current period including a full seven months of amortisation of intangible assets recognised following the CPW Europe Acquisition and, since 6 August 2014, the amortisation of intangible assets recognised as a result of the Merger.

For further details of non-Headline items see note 3 to the condensed financial statements.

Non-Headline items included within Dixons Retail results in the period prior to the Merger comprised £9m in respect of the acceleration of share based payment charges which vested on the Merger, £12m of merger related professional fees and £6m of merger integration planning costs committed to prior to completion of the Merger, £42m of debt restructuring costs in respect of early repayment of the bonds previously held by Dixons Retail and £4m of pension interest costs. As these items were incurred prior to the Merger they do not form part of the Group's consolidated results.

Discontinued operations

On 4 December 2014 the Group completed the disposal of Virgin Mobile France resulting in net cash proceeds of £104m. The gain on disposal will be reflected in the Group's full year results.

On 11 August 2014, the Group completed the sale of its Electroworld operations in the Czech Republic and Slovakia (Central Europe) following an agreement previously entered into by Dixons Retail prior to the Merger and recorded in the results of Dixons Retail prior to the Merger. No gain or loss is included in Group results, as described further in note 11 to the condensed financial statements.

Cash and movement on net funds

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

Free cash flow – pro forma basis

	H1 14/15 £million	H1 13/14 £million
Headline EBIT	**100**	85
Depreciation and amortisation	**77**	87
Working capital	**(216)**	(157)
Capital expenditure	**(95)**	(63)
Taxation	**(42)**	(37)
Interest	**(30)**	(9)
Other items	**9**	11
Free cash flow before restructuring items	**(197)**	(83)
Restructuring costs	**(14)**	(44)
Free cash flow	**(211)**	(127)

Pro forma free cash flow before restructuring in the first half was an outflow of £197m (2013: £83m). The Group experienced a working capital outflow of £216m (2013: £157m) on a pro forma basis with the year-on-year increase largely reflecting the change in period end for Carphone Warehouse affecting network and supplier payment profiles and stock levels relative to the period end.

Capital expenditure in the first half was £95m on a pro forma basis (2013: £63m) reflecting incremental investment in honeyBee, the platform that will support the continued development of both our retail and Connected World Services businesses, and other Connected World Services platforms, in addition to the development of the Carphone Warehouse branded SWAS across the Currys and PC World estate.

Restructuring costs in both periods predominantly reflect cash costs associated with the exit of the Carphone Warehouse retail business in France, which was provided for last year.

Funding – pro forma basis

	H1 14/15 £million	H1 13/14 £million
Free cash flow – pro forma basis	**(211)**	(127)
Dividends	**(23)**	(19)
Merger transaction costs	**(71)**	-
Acquisitions and disposals including discontinued operations	**(31)**	(374)
Shares issued	**1**	132
Pension contributions	**(13)**	(10)
Other items	**(8)**	(20)
Movement in net funds / (debt) – pro forma basis	**(356)**	(418)
Opening net funds – pro forma basis [(1)]	**63**	280
Closing net debt – pro forma basis [(2)]	**(293)**	(138)

(1) Opening net funds in the current period reflects net funds for Carphone Warehouse at 29 March 2014 and for Dixons Retail at 30 April 2014. Opening net funds in the prior period reflects net funds for Carphone Warehouse at 31 March 2013 and for Dixons Retail at 30 April 2013.

(2) Closing net debt in the current period reflects the consolidated net debt of the Group at 1 November 2014. Closing net debt in the prior period reflects net debt for Carphone Warehouse at 28 September 2013 and for Dixons Retail at 31 October 2013.

At 1 November 2014 the Group had net debt of £293m. Prior period pro forma closing net debt, as at the end of September for Carphone Warehouse and as at the end of October for Dixons Retail, was £138m. Pro forma net debt at the end of October 2013 for both businesses was £357m. Average net debt on a pro forma basis for the period April 2014 to October 2014 was approximately £300m.

Free cash flow was an outflow of £211m (2013: £127m) for the reasons described above.

Merger transaction costs reflect professional and banking fees, the cash cost of share option exercises as a result of the Merger and the cost of redeeming the bonds previously held by Dixons Retail.

Cash flows from acquisitions and disposals including discontinued operations in the prior period were £374m predominantly reflecting cash outflows associated with the CPW Europe Acquisition. Cash outflows in the current period were £31m reflecting the first payment of deferred consideration for the CPW Europe Acquisition and cash outflows in discontinued operations which were partly offset by the cash received on the disposal of non-core assets in Spain.

Other items resulted in an outflow of £8m (2013: £20m) predominantly comprising the revaluation of cash balances held in non-UK subsidiaries and in the prior period the purchase of own shares.

The Group has a total of £900m of committed borrowing facilities comprising: i) a £650m multi-currency term and revolving credit facility, and ii) a £250m revolving credit facility, both of which mature in April 2017. The £650m facility is split into two tranches: a £400m revolving tranche and a term loan tranche of £250m, which amortises by £25m on 30 June 2015 and by a further £50m on 30 June 2016.

Goodwill

The provisional goodwill of £2,638 million arising from the Merger reflects the fact that the value of Dixons Retail is based on its cash generating potential rather than its existing assets and the fact that many of its key strengths, such as its scale and expertise, do not represent intangible assets as defined by IFRS. For further details see note 4 to the condensed financial statements.

Pensions

The IAS 19 accounting deficit of the defined benefit section of the UK pension scheme of Dixons Retail amounted to £382 million at 1 November 2014 which is an improvement on the £430 million at the date of the Merger on 6 August 2014. The assumptions used for determining the accounting valuation use a consistent basis to that adopted within the financial statements of Dixons Retail for the year ended 30 April 2014 and which build from the most recent actuarial valuation as at 31 March 2010. Contributions during the period under the terms of the deficit reduction plan amounted to £13m on a pro forma basis (2013: £10m).

The deficit has reduced largely as a result of the increase in asset values, partially offset by changes in financial assumptions which determine liabilities. The triennial valuation as at 31 March 2013 remains in progress and the results are expected later in the financial year.

Dividends

The Board has declared an interim dividend of 2.50p per share, up from 2.00p per share last year. The ex-dividend date is Friday 2 January 2015, with a record date of Monday 5 January 2015 and an intended payment date of Friday 23 January 2015.

Consolidated Income Statement

	Note	Headline* £million	Non-Headline* £million	Total £million
		31 weeks ended 1 November 2014 Unaudited		
Continuing operations				
Revenue	2	**3,341**	**–**	**3,341**
Profit / (loss) from operations before share of results of joint ventures		**92**	**(96)**	**(4)**
Share of results of joint ventures		**–**	**–**	**–**
Profit / (loss) before interest and tax	2,3	**92**	**(96)**	**(4)**
Finance income		**6**	**–**	**6**
Finance costs		**(18)**	**(4)**	**(22)**
Net finance costs		**(12)**	**(4)**	**(16)**
Profit / (loss) before tax		**80**	**(100)**	**(20)**
Income tax (expense) / credit	5	**(23)**	**5**	**(18)**
Profit / (loss) after tax – continuing operations		**57**	**(95)**	**(38)**
Profit after tax – discontinued operations	11	**–**	**–**	**–**
Profit / (loss) after tax for the period		**57**	**(95)**	**(38)**
Earnings / (loss) per share (pence)	6			
Basic – continuing operations		**7.1p**		**(4.7)p**
Diluted – continuing operations		**6.8p**		**(4.7)p**
Basic – total				**(4.7)p**
Diluted – total				**(4.7)p**

* Headline figures exclude amortisation of acquisition intangibles, exceptional items (which comprise net restructuring charges, business impairment charges and other one off, non-recurring items), net interest on defined benefit pension schemes, the results of businesses exited (which comprise the Group's retail operations in France) and, where applicable, discontinued operations. Such excluded items are described as 'Non-Headline'. Further information on these items is shown in notes 2, 3 and 11.

Consolidated Income Statement

	Note	26 weeks ended 28 September 2013† Restated Unaudited Headline* £million	Non-Headline* £million	Total £million	Year ended 29 March 2014 Audited Headline* £million	Non-Headline* £million	Total £million
Continuing operations							
Revenue	2	822	40	862	2,505	71	2,576
Profit / (loss) from operations before share of results of joint ventures		21	(26)	(5)	133	(37)	96
Share of results of joint ventures		3	(23)	(20)	3	(23)	(20)
Profit / (loss) before interest and tax	2,3	24	(49)	(25)	136	(60)	76
Finance income		3	–	3	8	–	8
Finance costs		(5)	–	(5)	(17)	–	(17)
Net finance costs		(2)	–	(2)	(9)	–	(9)
Profit / (loss) before tax		22	(49)	(27)	127	(60)	67
Income tax (expense) / credit	5	(5)	3	(2)	(25)	6	(19)
Profit / (loss) after tax – continuing operations		17	(46)	(29)	102	(54)	48
Profit after tax – discontinued operations	11	1	–	1	–	–	–
Profit / (loss) after tax for the period		18	(46)	(28)	102	(54)	48
Earnings / (loss) per share (pence)	6						
Basic – continuing operations		3.2p		(5.4)p	18.4p		8.6p
Diluted – continuing operations		3.1p		(5.4)p	18.1p		8.5p
Basic – total				(5.2)p			8.6p
Diluted – total				(5.2)p			8.5p

* Headline figures exclude amortisation of acquisition intangibles, exceptional items (which comprise net restructuring charges, business impairment charges and other one off, non-recurring items), net interest on defined benefit pension schemes, the results of businesses exited (which comprise the Group's retail operations in France) and, where applicable, discontinued operations. Such excluded items are described as 'Non-Headline'. Further information on these items is shown in notes 2, 3 and 11.

† Results for the 26 weeks ended 28 September 2013 have been restated to reflect final fair value allocation for the CPW Europe Acquisition and also to reclassify the results of Virgin Mobile France as discontinued operations, both of which were reflected in the results for the full year ended 29 March 2014. Further information is included in note 1.

Financial Information

Consolidated Statement of Comprehensive Income and Expense

	31 weeks ended 1 November 2014 Unaudited £million	26 weeks ended 28 September 2013 Restated Unaudited £million	Year ended 29 March 2014 Audited £million
(Loss) / profit for the period	**(38)**	(28)	48
Items that may be reclassified to the income statement in subsequent years			
Cash flow hedges			
Fair value remeasurement gains	**7**	–	–
Gains transferred to carrying amount of inventories	**(1)**	–	–
Gains transferred to income statement (within cost of sales)	**(5)**	–	–
Movements in relation to interest rate hedges	**–**	–	2
Exchange differences arising on translation of foreign operations	**(40)**	(9)	(8)
Other foreign exchange differences	**–**	–	(3)
	(39)	(9)	(9)
Items that will not be reclassified to the income statement in subsequent years:			
Actuarial gains on defined benefit pension schemes – UK	**39**	–	–
Deferred tax on actuarial gains on defined benefit pension schemes	**(8)**	–	–
	31	–	–
Other comprehensive expense for the period (taken to equity)	**(8)**	(9)	(9)
Total comprehensive (expense) / income for the period	**(46)**	(37)	39

Consolidated Balance Sheet

	Note	**1 November 2014 Unaudited £million**	28 September 2013 Restated† Unaudited £million	29 March 2014 Audited £million
Non-current assets				
Goodwill		**3,052**	482	481
Intangible assets		**531**	122	136
Property, plant & equipment		**337**	85	90
Trade and other receivables		**260**	130	191
Interests in joint ventures		**–**	12	–
Deferred tax assets		**226**	44	54
		4,406	875	952
Current assets				
Inventory		**1,235**	316	240
Trade and other receivables		**1,123**	921	821
Short term investments		**1**	–	–
Cash and cash equivalents		**137**	178	283
		2,496	1,415	1,344
Assets held for sale	11	**11**	–	11
Total assets		**6,913**	2,290	2,307
Current liabilities				
Trade and other payables		**(2,390)**	(847)	(869)
Deferred consideration		**(25)**	(25)	(25)
Income tax payable		**(51)**	(38)	(36)
Finance lease obligations		**(2)**	(2)	(1)
Provisions		**(72)**	(60)	(50)
		(2,540)	(972)	(981)
Non-current liabilities				
Trade and other payables		**(622)**	(111)	(113)
Deferred consideration		**–**	(25)	(25)
Loans and other borrowings		**(338)**	(370)	(290)
Finance lease obligations		**(91)**	–	–
Retirement benefit obligations	8	**(384)**	–	–
Deferred tax liabilities		**(121)**	–	(18)
Provisions		**(22)**	–	–
		(1,578)	(506)	(446)
Total liabilities		**(4,118)**	(1,478)	(1,427)
Net assets		**2,795**	812	880
Capital and reserves				
Share capital		**1**	1	1
Share premium reserve		**2,256**	283	283
Accumulated profits		**1,337**	1,285	1,355
Translation reserve		**(49)**	(7)	(9)
Demerger reserve		**(750)**	(750)	(750)
Equity attributable to equity holders of the parent company		**2,795**	812	880

† The consolidated balance sheet as at 28 September 2013 has been restated to reflect final fair value allocation for the CPW Europe Acquisition as described further in note 1.

Consolidated Cash Flow Statement

		Note	31 weeks ended 1 November 2014 Unaudited £million	26 weeks ended 28 September 2013 Unaudited £million	Year ended 29 March 2014 Audited £million
Operating activities – continuing operations					
Cash generated from operations	*	10	**(74)**	203	458
Special contributions to defined benefit pension scheme			**(13)**	–	–
Income tax paid	*		**(15)**	(12)	(16)
Net cash flows from operating activities			**(102)**	191	442
Investing activities – continuing operations					
Interest received	*		**1**	3	2
Net cash outflow arising from CPW Europe Acquisition			**(25)**	(317)	(317)
Cash acquired on the Merger			**347**	–	–
Proceeds from disposal of property, plant and equipment	*		**10**	11	10
Proceeds on sale of business and short term investments			**6**	5	5
Acquisition of property, plant & equipment and other intangibles	*		**(77)**	(17)	(60)
Net receipts from joint ventures			**–**	2	2
Net cash flows from investing activities			**262**	(313)	(358)
Financing activities – continuing operations					
Settlement of financial instruments			**2**	2	3
Interest paid	*		**(16)**	(4)	(14)
Repayment of obligations under finance leases			**(3)**	(1)	(2)
Issue of shares			**1**	124	124
Net purchase of own shares			**–**	(12)	(12)
Equity dividends paid			**(23)**	(19)	(30)
(Decrease) / increase in borrowings			**(203)**	370	19
Repayment of CPW Europe debt upon acquisition			**–**	(271)	–
Bond redemption premium			**(38)**	–	–
Facility arrangement fees paid			**(4)**	(6)	(6)
Net cash flows from financing activities			**(284)**	183	82
(Decrease) / increase in cash and cash equivalents					
Continuing operations			**(124)**	61	166
Discontinued operations		11	**(18)**	–	–
			(142)	61	166
Cash and cash equivalents at beginning of the period			**283**	117	117
Currency translation differences			**(4)**	–	–
Cash and cash equivalents at end of the period			**137**	178	283
Free Cash Flow	(i)		**(171)**	184	380

(i) Free Cash Flow comprises those items marked * and comprises cash generated from / (utilised by) continuing operations before special pension contributions, less net finance expense, less income tax paid and net capital expenditure. The directors consider that 'Free Cash Flow' provides additional useful information to shareholders in respect of cash generation and is consistent with how business performance is measured internally.

Consolidated Statement of Changes in Equity

	Share capital £million	**Share premium reserve £million**	**Accumulated profits £million**	**Translation reserve £million**	**Demerger reserve £million**	**Total equity £million**
At 30 March 2014	**1**	**283**	**1,355**	**(9)**	**(750)**	**880**
Loss for the period	**–**	**–**	**(38)**	**–**	**–**	**(38)**
Other comprehensive income and expense recognised directly in equity	**–**	**–**	**32**	**(40)**	**–**	**(8)**
Total comprehensive income and expense for the period	**–**	**–**	**(6)**	**(40)**	**–**	**(46)**
Ordinary shares issued	**–**	**1,973**	**–**	**–**	**–**	**1,973**
Equity dividends	**–**	**–**	**(23)**	**–**	**–**	**(23)**
Net movement in relation to share schemes	**–**	**–**	**11**	**–**	**–**	**11**
At 1 November 2014	**1**	**2,256**	**1,337**	**(49)**	**(750)**	**2,795**

	Share capital £million	Share premium reserve £million	Accumulated profits £million	Translation reserve £million	Demerger reserve £million	Total equity £million
At 1 April 2013	1	170	1,238	2	(750)	661
Loss for the period (restated)	–	–	(28)	–	–	(28)
Other comprehensive income and expense recognised directly in equity	–	–	–	(9)	–	(9)
Total comprehensive income and expense for the period	–	–	(28)	(9)	–	(37)
Ordinary shares issued	–	113	103	–	–	216
Net purchase of own shares	–	–	(12)	–	–	(12)
Equity dividends	–	–	(19)	–	–	(19)
Net movement in relation to share schemes	–	–	3	–	–	3
At 28 September 2013	1	283	1,285	(7)	(750)	812

	Share capital £million	Share premium reserve £million	Accumulated profits £million	Translation reserve £million	Demerger reserve £million	Total equity £million
At 1 April 2013	1	170	1,238	2	(750)	661
Profit for the period	–	–	48	–	–	48
Other comprehensive income and expense recognised directly in equity	–	–	2	(11)	–	(9)
Total comprehensive income and expense for the period	–	–	50	(11)	–	39
Ordinary shares issued	–	113	103	–	–	216
Net purchase of own shares	–	–	(12)	–	–	(12)
Equity dividends	–	–	(30)	–	–	(30)
Tax on items recognised directly through reserves	–	–	6	–	–	6
At 29 March 2014	1	283	1,355	(9)	(750)	880

Notes to the Financial Information

1 Basis of preparation

The interim financial information for the 31 weeks ended 1 November 2014 was approved by the directors on 16 December 2014. The interim financial information, which is a condensed set of financial statements, has been prepared in accordance with the Listing Rules of the Financial Conduct Authority and International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) as adopted by the European Union and has been prepared on the going concern basis as described further in the section on risks to achieving the Group's objectives.

As described in note 4, on 6 August 2014, the Group completed an all-share merger of Dixons Retail plc (Dixons) and Carphone Warehouse plc (Carphone) (the Merger), which was implemented by way of a scheme of arrangement of Dixons. The Company has been renamed Dixons Carphone plc (Dixons Carphone). Under the terms of the Merger, Dixons Shareholders received 0.155 of a new Dixons Carphone Share in exchange for each Dixons share. In accordance with the criteria set out in IFRS 3 'Business Combinations' it has been determined that Carphone acquired Dixons.

Other than as set out below, the accounting policies adopted are those set out in the Group's Annual Report and Accounts for the year ended 29 March 2014 which were prepared in accordance with IFRS as adopted by the European Union. These policies are consistent with those for the Dixons business acquired as part of the Merger on 6 August 2014 and as disclosed in the Dixons Annual Report and Accounts for the year ended 30 April 2014. Those policies which are in addition to the Group's existing policies comprise those in respect of retirement benefit obligations and are set out as follows:

- 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. Differences between the actual and expected return on assets are recognised in the consolidated statement of comprehensive income and expense together with remeasurements arising from actuarial gains and losses. Such amounts are not reclassified to the income statement in subsequent years.

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

The interim financial information uses definitions that are set out on page 105 in the Company's March 2014 annual report.

Certain line item descriptions within the income statement and balance sheet have been adapted to suit the newly merged group and are intended to be presented on this basis going forwards.

Historically, the Group has prepared its financial statements to the Saturday closest to its accounting reference date of 31 March. Following the Merger the Group has changed its accounting reference date to 30 April, but will continue to draw up accounts to the nearest Saturday. In order to provide appropriate comparable information going forward, the Group has prepared its interim financial statements to 1 November 2014.

The following new standards, which are applicable to the Group, have been published but are not yet effective and have not yet been adopted by the EU:

- IFRS 9 'Financial Instruments'. This standard is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and affects the accounting for financial assets.
- IFRS 15 'Revenue from Contracts with Customers' provides guidance on the recognition, timing and measurement of revenue.

Certain other amendments to existing standards and interpretations are in issue but not yet effective, which either do not apply to the Group or are not expected to have any material effect. New accounting standards, amendments to standards and IFRIC interpretations which became applicable during the period were either not relevant or had no impact on the Group's net results or net assets.

The interim financial information is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006, but has been reviewed by the auditor. The financial information for the year ended 29 March 2014 does not constitute the Company's statutory accounts for that period but has been extracted from those accounts which have been filed with the Registrar of Companies and are also available on the Group's corporate website www.dixonscarphonegroup.com. The auditor has reported on those accounts, their report was unqualified, did not draw attention to any matters by way of emphasis, and did not contain statements under Sections 498 (2) or (3) of the Companies Act 2006.

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

Non-Headline items comprise trading results of businesses exited, amortisation of acquisition intangibles, exceptional items (which comprise net restructuring and business impairment charges and other one-off, non-recurring items), net pension interest costs and, where applicable, discontinued operations. Businesses exited are those which do not meet the definition of discontinued operations as stipulated by IFRS 5.

In the period ended 1 November 2014 gains on disposal of non-core businesses in Southern Europe have been included in Headline results net of restructuring costs. The net impact of these activities totalled £5 million.

Notes to the Financial Information (continued)

1 Basis of preparation (continued)

A reconciliation of Headline profit and losses to total profits and losses is shown in note 2. Items excluded from Headline results can evolve from one financial year to the next depending on the nature of exceptional items or one-off type activities described above and the exclusion of pension interest is such an item applicable to the 31 weeks ended 1 November 2014. Headline performance measures and non-Headline performance measures may not be directly comparable with other similarly titled measures or "adjusted" revenue or profit measures used by other companies.

Since the period ended 28 September 2013, the Group applied adjustments to the fair values of assets and liabilities acquired as part of the CPW Europe Acquisition and which formed part of the results and financial position as at 29 March 2014. Further, as described below in note 2, results have been restated to reclassify the Group's share of results of Virgin Mobile France as discontinued operations. For the period to 28 September 2013 these restatements resulted in a reduction in profit from operations before share of results of joint ventures of £8 million, an increase in the Group's share of results of joint ventures of £6 million and an increase in the total loss for the period of £1 million from £27 million to £28 million. Net assets at 28 September 2013 correspondingly reduced by £1 million primarily comprising a £24 million increase in receivables offset by £13 million reduction in goodwill and a £9 million reduction in deferred tax assets.

2 Segmental analysis

The Group's operating segments reflect the segments routinely reviewed by the Board and which are used to manage performance and allocate resources. This information is predominantly based on geographical areas which are either managed separately or have similar trading characteristics such that they can be aggregated together into one segment.

Following the Merger, the Group operates four operating segments as described further below. Comparative periods have been re-presented to reflect this change. During the second half of 2013-14, as described further below, Virgin Mobile France became a discontinued operation. The comparative period to 28 September 2013 has been restated to reflect this change.

Virgin Mobile France has previously been reported separately as it has a distinct and separable management team and discrete financial information. In light of the Group's announcement on 16 May 2014 of its intention to sell this business, Virgin Mobile France is reported as a discontinued operation and its results are therefore excluded from the segmental results analysis below.

On 11 August 2014, the Group completed the sale of the Electroworld operations in the Czech Republic and Slovakia which had previously formed part of the discontinued operations of Dixons. The results included in the period since the Merger until completion were not material.

The Group's reportable segments have been identified as follows:

- UK & Ireland comprises operations in the UK and Ireland as well as operations in airports across Europe (primarily in the UK) which are managed from the UK.
- Northern Europe operates in Norway, Sweden, Finland, Denmark, Germany, the Netherlands, Iceland, Greenland and the Faroe Islands.
- Southern Europe comprises operations in Spain, Portugal and Greece.
- Connected World Services is the Group's B2B operation which leverages the specialist skills, operating processes and technology of the Group to provide managed services to third parties looking to develop their own connected world solutions.

UK & Ireland, Northern Europe and Southern Europe are involved in the sale of consumer electronics and mobile technology products and services, primarily through stores or online channels.

Businesses exited: since CPW Europe's French retail business was closed rather than disposed it does not meet the definition of discontinued operations as stipulated by IFRS 5.

Notes to the Financial Information (continued)

2 Segmental analysis (continued)
(a) Segmental results

	UK & Ireland £million	Northern Europe £million	Southern Europe £million	Connected World Services £million	Joint ventures £million	Eliminations £million	Total £million
							31 weeks ended 1 November 2014
Headline external revenue	**2,009**	**969**	**284**	**79**	**–**	**–**	**3,341**
Inter-segmental revenue	**24**	**–**	**–**	**–**	**–**	**(24)**	**–**
Total Headline revenue	**2,033**	**969**	**284**	**79**	**–**	**(24)**	**3,341**
Headline EBIT before share of results of joint ventures	**82**	**5**	**1**	**4**	**–**	**–**	**92**
Share of Headline results of joint ventures (post-tax)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Headline EBIT	**82**	**5**	**1**	**4**	**–**	**–**	**92**

Reconciliation of Headline profit to total profit

	Headline profit / (loss) £million	Businesses exited £million	Amortisation of acquisition intangibles £million	Net restructuring charges £million	Other exceptional items £million	Non-operating items £million	Total profit / (loss) £million
							31 weeks ended 1 November 2014
UK & Ireland	**82**	**–**	**(10)**	**–**	**–**	**–**	**72**
Northern Europe	**5**	**–**	**(4)**	**(67)**	**–**	**–**	**(66)**
Southern Europe	**1**	**–**	**(1)**	**–**	**–**	**–**	**–**
Connected World Services	**4**	**–**	**(3)**	**–**	**–**	**–**	**1**
Unallocated	**–**	**–**	**–**	**–**	**(11)**	**–**	**(11)**
EBIT before share of results of joint ventures	**92**	**–**	**(18)**	**(67)**	**(11)**	**–**	**(4)**
Share of results of joint ventures	**–**	**–**	**–**	**–**	**–**	**–**	**–**
EBIT	**92**	**–**	**(18)**	**(67)**	**(11)**	**–**	**(4)**
Finance income	**6**	**–**	**–**	**–**	**–**	**–**	**6**
Finance costs	**(18)**	**–**	**–**	**–**	**–**	**(4)**	**(22)**
Profit / (loss) before tax for the period	**80**	**–**	**(18)**	**(67)**	**(11)**	**(4)**	**(20)**

Notes to the Financial Information (continued)

2 Segmental analysis (continued)
(a) Segmental results (continued)

26 weeks ended 28 September 2013
Restated

	UK & Ireland £million	Northern Europe £million	Southern Europe £million	Connected World Services £million	Joint ventures £million	Eliminations £million	Total £million
Headline external revenue	452	194	159	17	–	–	822
Inter-segmental revenue	–	–	–	–	–	–	–
Total Headline revenue	452	194	159	17	–	–	822
Headline EBIT before share of results of joint ventures	24	(9)	3	3	–	–	21
Share of Headline results of joint ventures (post-tax)	–	–	–	–	3	–	3
Headline EBIT	24	(9)	3	3	3	–	24

Total external revenue for the Group of £862 million includes £40 million relating to businesses exited.

Reconciliation of Headline profit to total profit

26 weeks ended 28 September 2013
Restated

	Headline profit / (loss) £million	Businesses exited £million	Amortisation of acquisition intangibles £million	Net restructuring charges £million	Other exceptional items £million	Total profit / (loss) £million
UK & Ireland	24	–	(3)	–	–	21
Northern Europe	(9)	–	(1)	–	–	(10)
Southern Europe	3	(6)	(1)	–	–	(4)
Connected World Services	3	–	–	–	–	3
Unallocated	–	–	–	–	(15)	(15)
EBIT before share of results of joint ventures	21	(6)	(5)	–	(15)	(5)
Share of results of joint ventures	3	(23)	-	–	–	(20)
EBIT	24	(29)	(5)	–	(15)	(25)
Finance income	3	–	–	–	–	3
Finance costs	(5)	–	–	–	–	(5)
Profit / (loss) before tax for the period	22	(29)	(5)	–	(15)	(27)

Notes to the Financial Information (continued)

2 Segmental analysis (continued)
(a) Segmental results (continued)

Year ended 29 March 2014
Re-presented

	UK & Ireland £million	Northern Europe £million	Southern Europe £million	Connected World Services £million	Joint ventures £million	Eliminations £million	Total £million
Headline external revenue	1,426	588	423	68	–	–	2,505
Inter-segmental revenue	–	–	–	–	–	–	–
Total Headline revenue	1,426	588	423	68	–	–	2,505
Headline EBIT before share of results of joint ventures	123	(4)	12	2	–	–	133
Share of Headline results of joint ventures (post-tax)	–	–	–	–	3	–	3
Headline EBIT	123	(4)	12	2	3	–	136

Total external revenue for the Group of £2,576 million includes £71 million relating to businesses exited.

Reconciliation of Headline profit to total profit

Year ended 29 March 2014
Re-presented

	Headline profit / (loss) £million	Businesses exited £million	Amortisation of acquisition intangibles £million	Net restructuring charges £million	Other exceptional items £million	Total profit / (loss) £million
UK & Ireland	123	–	(8)	–	–	115
Northern Europe	(4)	–	(4)	–	–	(8)
Southern Europe	12	(6)	(4)	–	–	2
Connected World Services	2	–	–	–	–	2
Unallocated	–	–	–	–	(15)	(15)
EBIT before share of results of joint ventures	133	(6)	(16)	–	(15)	96
Share of results of joint ventures	3	(23)	–	–	–	(20)
EBIT	136	(29)	(16)	–	(15)	76
Finance income	8	–	–	–	–	8
Finance costs	(17)	–	–	–	–	(17)
Profit before tax for the period	127	(29)	(16)	–	(15)	67

(b) Seasonality

The Group's business is highly seasonal, with a substantial proportion of its revenue and EBIT generated during its third quarter, which includes the Christmas and New Year season.

Notes to the Financial Information (continued)

3 Non-Headline items

	Note	**31 weeks ended 1 November 2014 £million**	26 weeks ended 28 September 2013 Restated £million	Year ended 29 March 2014 £million
Included in profit / (loss) before interest and tax:				
Businesses exited	(i)	**–**	(6)	(6)
Amortisation of acquisition intangibles		**(18)**	(5)	(16)
Exceptional items – Restructuring charges	(ii)	**(67)**	–	–
– CPW Europe Acquisition	(iii)	**–**	(15)	(15)
– Merger	(iv)	**(11)**	–	–
Share of results of joint ventures exited (post-tax)	(i)	**–**	(23)	(23)
		(96)	(49)	(60)
Included in net finance costs:				
Net non-cash finance costs on defined benefit pension schemes	(v)	**(4)**	–	–
		(4)	–	–
Total impact on profit / (loss) before tax		**(100)**	(49)	(60)
Tax on non-Headline items		**5**	3	6
Total impact on profit / (loss) after tax		**(95)**	(46)	(54)

Discontinued operations, which comprise the results of Virgin Mobile France and Electroworld operations in the Czech Republic and Slovakia which had previously formed part of the discontinued operations of Dixons, are shown separately after post-tax results in accordance with IFRS 5 and are further described in note 11.

(i) Businesses exited including share of joint ventures exited:

Represents the trading results of exited businesses where they do not meet the criteria under IFRS 5 for separate disclosure as discontinued operations together with related exit costs and comprises the Carphone Warehouse French retail operations. In light of an increasingly challenging market, CPW Europe commenced an exit from the French retail market in April 2013.

26 weeks ended 28 September 2013 and year ended 29 March 2014:
Following the CPW Europe acquisition in June 2013, after which the French operations became a fully consolidated subsidiary undertaking, trading losses of £6 million were incurred.

Prior to the CPW Europe acquisition, when the French operations were part of the CPW Europe joint venture, operating losses of £10 million were incurred and restructuring items comprised asset write-downs of £8 million and provisions for exit costs of £32 million principally covering redundancies and lease exit costs. A tax credit of £3 million was recognised against these items. The Group's post-tax share of these losses, asset impairments and restructuring costs was £23 million.

(ii) Exceptional items – Restructuring charges:

	31 weeks ended 1 November 2014 £million	26 weeks ended 28 September 2013 £million	Year ended 29 March 2014 £million
Goodwill impairment	**(35)**	–	–
Other asset impairments	**(23)**	–	–
Property charges	**(6)**	–	–
Other charges	**(3)**	–	–
	(67)	–	–

31 weeks ended 1 November 2014:
In light of challenging market conditions, the Group implemented a reorganisation of operations in Germany and the Netherlands which has resulted in charges in respect of asset write offs, onerous lease provisions and employee severance. This reorganisation will include store closure programmes and head office restructuring in both countries and the closure of the wholesale business in Germany. In the case of the Netherlands, the goodwill, acquisition intangibles and property, plant and equipment associated with this business have been written off reflecting the uncertainty over future cash generation.

Notes to the Financial Information (continued)

3 Non-Headline items (continued)

(iii) Exceptional items – CPW Europe Acquisition:

	31 weeks ended 1 November 2014 £million	26 weeks ended 28 September 2013 Restated £million	Year ended 29 March 2014 £million
CPW Europe Acquisition	**–**	(15)	(15)

CPW Europe Acquisition:
The CPW Europe Acquisition which occurred on 26 June 2013 gave rise to the following exceptional items:

- Operating expenses which included banking and professional fees of £7 million in relation to the transaction. Additionally, as a result of the transaction, a number of incentive schemes could not be maintained in their existing form, and they were either allowed to vest early or were replaced during the period. This resulted in further costs of £8 million which were cash in nature and an acceleration of non-cash accounting charges of £3 million. A tax credit of £3 million was recognised in respect of these costs.

- A gain of £1 million resulting from the requirement of the Group to fair value its existing 50% interest in CPW Europe, which was considered to be equal to the £500 million gross consideration for Best Buy's 50% interest.

- Arrangements with Best Buy allowed the Group to manage the disposal of the Consideration Shares issued to Best Buy, and to benefit from any gain on disposal above a share price of £1.90. The Consideration Shares were placed at a price of £2.44, resulting in a net cash gain of £23 million for the Group. The gain implied by comparing the share price at completion, being £2.38 and £1.90, was treated as an adjustment to consideration and the remaining gain of £2 million was recorded in the income statement.

(iv) Exceptional items – Merger:

	31 weeks ended 1 November 2014 £million	26 weeks ended 28 September 2013 £million	Year ended 29 March 2014 £million
Merger costs	**(8)**	–	–
Merger integration costs	**(3)**	–	–
	(11)	–	–

The Merger is described further in notes 1 and 4. The Merger has given rise to the following costs which have been treated as exceptional items:

- Merger costs comprise banking and professional fees in relation to the transaction.

- Merger integration costs which comprise mainly professional fees associated with the integration process.

(v) Net non-cash financing costs on defined benefit pension schemes:

Under IAS 19 'Employee Benefits', the net interest charge on defined benefit pension schemes is calculated by applying the corporate bond yield rates applicable on the last day of the previous financial year to the net defined benefit obligation. Corporate bond yield rates vary over time which in turn creates volatility in the income statement and balance sheet and results in a non-cash remeasurement cost which can be volatile due to corporate bond yield rates prevailing on a particular day and is also unrepresentative of the actual investment gains or losses made or the liabilities paid and payable. Consistent with a number of other companies, the accounting effects of these non-cash revaluations of net defined benefit pension liabilities have been excluded from Headline earnings.

Notes to the Financial Information (continued)

4 All-share merger of Carphone with Dixons and Goodwill

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

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

Carphone and Dixons have put in place appropriate banking facilities to ensure that Dixons Carphone will have a strong financial profile enabling the combined Group to retain flexibility whilst reviewing its optimal capital structure going forward.

The merged entity creates a leader in European consumer electricals, mobiles, connectivity and related services. The directors believe that the Merger will deliver significant value to shareholders through a combination of enhanced commercial opportunities, operating synergies and growth opportunities. The integration of the two businesses is being managed by a dedicated integration team, bringing together the best relevant capabilities of both businesses, with the aim of facilitating a smooth integration.

(a) Fair value of assets and liabilities

The provisional fair values of identifiable assets and liabilities of Dixons as at the acquisition date were as follows:

	Note	£million
Assets		
Intangible assets		**403**
Property, plant & equipment		**266**
Trade and other receivables	(i)	**304**
Deferred tax assets		**188**
Inventory		**789**
Income tax receivable		**20**
Short term investments		**1**
Cash and cash equivalents		**339**
Assets held for sale	(ii)	**30**
Total assets		**2,340**
Liabilities		
Loans and other borrowings		**(289)**
Finance lease obligations		**(93)**
Retirement benefit obligations		**(432)**
Trade and other payables		**(1,947)**
Income tax payable		**(36)**
Provisions	(iii)	**(63)**
Deferred tax liabilities		**(106)**
Liabilities directly associated with assets classified as held for sale		**(30)**
Total liabilities		**(2,996)**
Total fair value of identifiable net liabilities acquired	(iv)	**(656)**
Provisional goodwill	(v)	**2,638**
Total consideration – fair value of ordinary shares issued	(vi)	**1,982**

(i) The fair value of trade and other receivables represents gross trade receivables of £323 million less amounts not considered collectible of £19 million.

(ii) Assets held for sale included cash and cash equivalents of £8 million.

(iii) Provisions include the recognition of contingent liabilities of £7 million mainly in relation to lease covenants relating to premises assigned or sublet to third parties and legal claims. It is anticipated that the majority of any utilisation associated with these contingent liabilities will be incurred over the next 5 years. No utilisation of these provisions has occurred between the acquisition date and 1 November 2014.

(iv) The finalisation of the fair value of the acquired assets and liabilities will be completed within 12 months of the acquisition and is currently provisional owing to the complexity of the valuation process as well as the requirement to re-assess the status of contingent liabilities which have been provided for. At this stage, it is therefore anticipated that adjustments could arise in respect of the allocation of value between provisions and goodwill.

Notes to the Financial Information (continued)

4 All-share merger of Carphone with Dixons and Goodwill (continued)

(v) The goodwill arising on acquisition is not deductible for income tax purposes. The provisional goodwill of £2,638 million reflects the fact that Dixons' value is based on its cash generating potential rather than its existing assets and the fact that many of its key strengths, such as its scale and expertise, do not represent intangible assets as defined by IFRS. The goodwill furthermore reflects the main reasons the directors of Dixons and Carphone proposed the Merger, being:

- The markets in which Carphone and Dixons operate are converging and the combination of the two complementary businesses will create the opportunity for compelling end-to-end propositions and long-term relationships with customers;
- The Group will have improved scale and reach;
- Significant synergies will arise with operating synergies of at least £80 million on a recurring basis expected to be delivered in full in the financial year 2016-17; and
- The Merger will provide a stronger platform for growth through the provision of services to customers and businesses.

(vi) On 6 August 2014 the Company issued 574,723,226 shares with a mid-market share price of £3.432 as consideration to Dixons shareholders, resulting in an increase to share capital and share premium of £1,972 million. In addition, the Company assumed the obligation to satisfy outstanding share options within the Dixons Carphone business for which a fair value of £11 million has been included as part of the consideration. This has been partially offset by shares with a value of £1 million included within Dixons Retail Employee Share Trust.

(b) Other information

Transaction related charges of £8 million incurred by the Group in respect of the Merger have been included in non-Headline operating expenses as set out in note 3.

The results of Dixons have been consolidated from 6 August 2014, contributing £1,707 million of revenue and profit after tax of £41 million in the period to 1 November 2014. If the acquisition had completed at the beginning of Dixons' financial year, being 1 May 2014, the Group's revenue would have been £5,022 million and the Group's loss after tax would have been £105 million. Non-Headline items included within Dixons results in the period prior to the Merger comprised £9 million in respect of the acceleration of share-based payment charges which vested on the Merger, £12 million of merger related professional fees, £6 million of merger integration costs, £42 million of debt restructuring costs in respect of early repayment of Dixons Guaranteed Notes and £4 million of pension interest costs. A tax credit of £11 million was recognised against these charges.

Goodwill

Movements in goodwill during the period ended 1 November 2014 primarily comprise the recognition of goodwill from the Merger of £2,638 million, impairment of goodwill associated with Netherlands of £35 million as described in note 3 and a reduction in goodwill of £32 million on retranslation of amounts denominated in foreign currencies.

5 Tax

The taxation charge on Headline earnings is based on the estimated effective rate of taxation of 25% on Headline earnings for the 2014/15 full financial period (year ended 29 March 2014, the equivalent effective rate was 20%).

The UK corporation tax rate for the 31 weeks ended 1 November was 21% (26 weeks ended 28 September 2013: 23%, year ended 29 March 2014: 23%). The UK corporation tax rate will fall to 20% from 1 April 2015 and because this change has been enacted, UK deferred tax has been computed at this rate.

Tax related to discontinued operations is included in the figures set out in note 11.

Notes to the Financial Information (continued)

6 Earnings / (loss) per share

		31 weeks ended 1 November 2014 £million	26 weeks ended 28 September 2013 Restated £million	Year ended 29 March 2014 £million
Headline earnings				
Continuing operations		**57**	17	102
Discontinued operations		**–**	1	–
Total		**57**	18	102
Total earnings / (loss)				
Continuing operations		**(38)**	(29)	48
Discontinued operations		**–**	1	–
Total		**(38)**	(28)	48
		Million	Million	Million
Weighted average number of shares				
Average shares in issue		**808**	541	558
Less average holding by Group ESOT		**(4)**	(2)	(3)
For basic earnings per share		**804**	539	555
Dilutive effect of share options and other incentive schemes	†	**30**	7	7
For diluted earnings per share	†	**834**	546	562
		Pence	Pence	Pence
Basic earnings / (loss) per share				
Total (continuing and discontinued operations)		**(4.7)**	(5.2)	8.6
Adjustment in respect of discontinued operations		**–**	(0.2)	–
Continuing operations		**(4.7)**	(5.4)	8.6
Adjustments (net of taxation)		**11.8**	8.6	9.8
Headline basic earnings per share		**7.1**	3.2	18.4
Diluted earnings / (loss) per share				
Total (continuing and discontinued operations)	†	**(4.7)**	(5.2)	8.5
Adjustment in respect of discontinued operations		**–**	(0.2)	–
Continuing operations	†	**(4.7)**	(5.4)	8.5
Adjustments (net of taxation)		**11.5**	8.5	9.6
Headline diluted earnings per share		**6.8**	3.1	18.1

† The weighted average number of shares for the calculation of diluted loss per share does not include potentially dilutive shares if they would decrease the loss per share.

Basic and diluted earnings per share are based on the profit for the period attributable to equity shareholders. Headline earnings per share is presented in order to show the underlying performance of the Group. Adjustments used to determine Headline earnings are described further in note 3.

7 Dividends

	31 weeks ended 1 November 2014 £million	26 weeks ended 28 September 2013 £million	Year ended 29 March 2014 £million
Amounts recognised as distributions to equity shareholders in the period – on ordinary shares of 0.1p each			
Final dividend for the year ended 31 March 2013 of 3.25p	**–**	19	19
Interim dividend for the year ended 29 March 2014 of 2.00p	**–**	–	11
Final dividend for the year ended 29 March 2014 of 4.00p	**23**	–	–
	23	19	30

The proposed interim dividend for the year ending 2 May 2015 is 2.5p per share. The expected cost of this dividend is £29 million and incorporates the agreement of the Group's Employee Share Ownership Trusts to waive its rights to receive dividends.

Notes to the Financial Information (continued)

8 Retirement benefit obligations

The Group operates a number of defined contribution and defined benefit pension schemes. The principal scheme which was acquired as part of the Merger operates in the UK and includes a funded defined benefit section, the assets of which are held in a separate trustee administered fund. The defined benefit section of the scheme was closed to future accrual on 30 April 2010. The net obligations of this scheme, calculated in accordance with IAS 19, are analysed as follows:

	1 November 2014 £million	28 September 2013 £million	29 March 2014 £million
Fair value of plan assets	**879**	–	–
Present value of defined benefit obligations	**(1,261)**	–	–
Net obligation	**(382)**	–	–

The value of obligations is particularly sensitive to the discount rate applied to liabilities at the assessment date as well as mortality rates. The value of the plan assets is sensitive to market conditions, particularly equity values. The assumptions used in the valuation of obligations are listed below:

		1 November 2014	28 September 2013	29 March 2014
Rates per annum:				
Discount rate		**4.15%**	–	–
Rate of increase in pensions in payment / deferred pensions	– pre April 2006	**2.95%**	–	–
	– post April 2006	**1.95%**	–	–
Inflation		**3.15%**	–	–

Mortality rates are based on historical experience and standard actuarial tables and include an allowance for future improvements in longevity.

9 Financial instruments

The fair value of the financial instruments is predominantly determined using observable market data such as interest rates and foreign exchange rates and, for available for sale assets, observable recently traded prices for identical or similar assets. As such, all the financial instruments held by the Group at fair value are considered to have values determined by ‘Level 2’ inputs as defined by the fair value hierarchy of IFRS 13 ‘Fair Value Measurement’.

The Group holds the following financial instruments at fair value:

	1 November 2014 £million	28 September 2013 £million	29 March 2014 £million
Short-term investments (classified as available for sale)	**1**	–	–
Derivative financial instruments:	**17**	2	2

Fair values have been arrived at by discounting future cash flows, assuming no early redemption, or by revaluing forward currency contracts and interest rate swaps to period end market rates as appropriate to the instrument.

There have also been no transfers of assets or liabilities between levels of the fair value hierarchy such that all items have remained at ‘Level 2’ throughout the period. For all other financial assets and liabilities, the carrying amount approximates their fair value.

Notes to the Financial Information (continued)

10 Note to the cash flow statement

	31 weeks ended 1 November 2014 £million	26 weeks ended 28 September 2013 £million	Year ended 29 March 2014 £million
(Loss) / profit before interest and tax – including discontinued operations	**(4)**	(24)	76
Profit before interest and tax – discontinued operations	**–**	(1)	–
Operating (loss) / profit – continuing operations	**(4)**	(25)	76
Non-cash movements on joint ventures	**–**	19	19
Amortisation and depreciation	**64**	17	50
Share-based payment charge	**2**	3	4
Net loss on disposal / impairment of assets and businesses	**38**	–	–
Operating cash flows before movements in working capital	**100**	14	149
Movements in working capital:			
(Increase) / decrease in inventory	**(220)**	23	97
(Increase) / decrease in trade and other receivables	**(77)**	65	107
Increase in trade and other payables	**131**	111	125
Decrease in provisions	**(8)**	(10)	(20)
	(174)	189	309
Cash generated from operations – continuing operations	**(74)**	203	458

Restricted funds, which predominantly comprise funds held under trust to fund potential customer support agreement liabilities and cash held by the Group's insurance business for regulatory reserve requirements were £119 million (28 September 2013: £36 million; 29 March 2014: £25 million).

Notes to the Financial Information (continued)

11 Interests in joint ventures, assets held for sale and discontinued operations

(a) Interests in joint ventures

Interests in joint ventures are as follows:

Business	Principal activities	**1 November 2014**	28 September 2013	29 March 2014
CPW Europe	Retail, distribution, insurance, telecom services	**n/a**	n/a	n/a
Virgin Mobile France	MVNO	**46.3%**	46.3%	46.3%

The Group acquired Best Buy's 50% interest in CPW Europe on 26 June 2013, following which the Group's joint venture interest in CPW Europe was derecognised and the Group consolidated the results of CPW Europe.

On 16 May 2014 the Group announced that it had entered into an exclusivity agreement for the sale of Virgin Mobile France and completed the disposal on 4 December 2014. The results of Virgin Mobile France are therefore presented within discontinued operations and the Group's interest in that business is presented as an asset held for sale since 29 March 2014. Management of Virgin Mobile France held share options and warrants that gave them the right to acquire new shares at a price based on the value of existing shareholder funding and an additional amount which increased with the quantity of shares being acquired. Management exercised warrants and share options reducing the Group's interest in the business to 44% at completion of the disposal.

(b) Profit after tax - discontinued operations

	Note	**31 weeks ended 1 November 2014 £million**	26 weeks ended 28 September 2013 Restated £million	Year ended 29 March 2014 £million
Profit after tax from discontinued operations	(i)	**–**	1	–
Net loss on disposals	(ii)	**–**	–	–
		–	1	–

(i) Results of discontinued operations

As a result of the agreement entered into for the sale of Virgin Mobile France, the Group's interest in this business was recorded as an asset held for sale. As a result the Group ceased equity accounting for Virgin Mobile France from 29 March 2014.

The Group's share of the results of its joints ventures within discontinued operations is analysed as follows:

	31 weeks ended 1 November 2014 £million	26 weeks ended 28 September 2013 £million	Year ended 29 March 2014 £million
Revenue†	**–**	176	346
Headline profit after taxation	**–**	1	1
Group share of Headline profit after taxation	**–**	1	–
Group share of amortisation of acquisition intangibles (post-tax)	**–**	–	–
Group share of profit after taxation	**–**	1	–

† Revenue excludes contributions towards subscriber acquisition costs from network operators and customers, as the directors consider that this provides a better representation of underlying performance. These items, which had a value of £20 million for the 26 weeks ended 28 September 2013 and £48 million for the 52 weeks ended 29 March 2014, are netted off against acquisition costs within Headline EBIT. Reported revenue on a statutory basis for the 26 weeks ended 28 September 2013 was £196 million and for the year ended 29 March 2014 was £394 million.

Notes to the Financial Information (continued)

11 Interests in joint ventures, assets held for sale and discontinued operations (continued)
(b) Profit after tax - discontinued operations (continued)
(ii) Disposal of discontinued operations

Prior to the Merger, Dixons signed an agreement to sell its Electroworld operations in the Czech Republic and Slovakia (Central Europe) and accordingly classified the related assets and liabilities as held for sale owing to the sale being highly probable under the definitions stipulated in IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. A loss on disposal in respect of Central Europe was recorded within Dixons' last Annual Report and Accounts and this comprised the difference between the consideration expected to be received and net assets held for sale including any impairment of these assets down to their anticipated net realisable value on completion less accrued costs to sell. The net assets held for sale were included within fair value of assets and liabilities acquired which is shown in note 4. The sale completed on 11 August 2014 with no adjustment being required to the loss on disposal which was already incorporated on acquisition.

(c) Assets held for sale

The Group's assets held for sale comprise the Group's share of Virgin Mobile France and are analysed as follows:

	1 November 2014 £million	28 September 2013 £million	29 March 2014 £million
Share of net liabilities	**(6)**	(6)	(7)
Loans	**17**	18	18
Assets held for sale	**11**	12	11

The investment in Virgin Mobile France was not treated as held for sale at 28 September 2013, and as such is included in interests in joint ventures within non-current assets. Loans were provided to Virgin Mobile France under a shareholder agreement and provided in proportion to each party's shareholding.

(d) Cash flows from discontinued operations

	31 weeks ended 1 November 2014 £million	26 weeks ended 28 September 2013 £million	Year ended 29 March 2014 £million
Investing activities	**(18)**	–	–

(e) Share of results from joint ventures

The Group's share of results of joint ventures within continuing operations relate to CPW Europe prior to its acquisition on 26 June 2013 and is analysed as follows:

	26 weeks ended 28 September 2013 Restated £million	Year ended 29 March 2014 £million
Headline revenue	777	777
Headline EBIT†	12	12
Net finance costs	(2)	(2)
Taxation on Headline results	(5)	(5)
Headline profit after taxation	5	5
Group share of Headline profit after taxation	3	3
Group share of French operations (in process of closure) (post-tax)	(23)	(23)
Group share of loss after taxation	(20)	(20)

† Headline EBIT includes the unwinding of discounting for the time value of money on network commissions receivable over the life of the customer. This unwinding had a value of £3 million for the period to 26 June 2013 and is treated as finance income in the joint venture's statutory results.

Notes to the Financial Information (continued)

12 Contingent liabilities

	1 November 2014 £million	28 September 2013 £million	29 March 2014 £million
Contingent liabilities	**2**	–	–

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

13 Related party transactions

During the period the Group had the following disclosable transactions and balances with Virgin Mobile France, its joint venture:

	31 weeks ended 1 November 2014 £million	26 weeks ended 28 September 2013 £million	Year ended 29 March 2014 £million
Revenue for services provided	**–**	–	1
Net finance income	**–**	–	1
Loans owed to the Group	**17**	18	18

Revenues for services provided relate to commissions on sales of Virgin Mobile France connections by the Group's wholly owned operations in France.

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

14 Post balance sheet events

On 4 December 2014 the Group sold its interest in Virgin Mobile France resulting in gross proceeds to the Group of £104 million including loan repayments of £17 million.

Risks to Achieving the Group's Objectives

Risks to achieving the Group's objectives for the remainder of the financial year together with estimates, judgements and critical accounting policies remain those set out in the 2013-14 Annual Report and Accounts on page 19 and in note 1(u) to the financial statements, respectively. In addition this interim statement provides a commentary by the Group Chief Executive concerning the remainder of the financial year. Furthermore, in respect of the Merger, additional risks together with estimates, judgements and critical accounting policies specific to the Dixons Retail plc business are also relevant and are set out on pages 14 to 17 and in note 1.19 of the Dixons Retail plc Annual Report and Accounts. A summary of these risks which represent the principal risks applicable to the combined business, highlighting those additional risks specific to the acquired Dixons business and the Merger itself is as follows:

1. **Corporate strategy**
   - The business does not respond quickly or decisively enough to changing technology and consumer preferences.
2. **Consumer environment and sustainable business model**
   - Failure to respond with a business model that enables the business to compete against a broad range of competitors on price, range and / or quality of service in a changing economy.
   - The UK economic recovery is slow and prolonged with increased volatility through 2014 and beyond.
   - The products and services offered by the Group may be viewed as discretionary, and consequently affected by consumer confidence.
   - Some markets may not have the scale required to compete effectively against increased competition.
   - In respect of the Dixons business, stability of the economy in Greece is not sustained, leading to a further deterioration and challenge to that business. Strategic and business planning takes into account various economic scenarios with ongoing monitoring.
3. **Dependence on key suppliers and customers**
   - Principal revenue streams in telecommunications are from mobile network operators (MNOs). Changes in MNO strategies and/or their performance, could materially affect the revenues and profits of the business.
   - Dependency on relationships with key suppliers in telecommunications in particular to source products on which availability may be limited.
4. **Information security**

   In respect of the Dixons business, damage to reputation or financial impacts could arise from the following:
   - The business suffers a major loss / breach of customer, colleague or business sensitive data.
   - Under investment in people, systems and processes leaves the business vulnerable to attack.

   Group-wide initiatives and change programmes are in place as well as recovery plans in the event of failure which are tested regularly.
5. **IT Systems and infrastructure**
   - Failure to invest adequately and appropriately in IT systems and infrastructure, constrains ability to grow and / or adapt quickly.
   - A key system becomes unavailable for a period of time.
6. **Organisational change and execution risk**
   - In respect of the Dixons business, the planned change programmes do not deliver the necessary benefits due to programme failure or not delivering to the required timescales. A senior management committee is dedicated to governance and monitoring of major programmes with regular review and analysis taking place.
7. **Colleague retention and capability**

   In respect of the Dixons business:
   - the organisational structure limits ability to adapt to market changes.
   - failure to attract, develop and retain the quality and depth of necessary leadership and management talent.

   Group-wide standardised performance management is in place with talent and succession plans maintained and reward aligned to retain the best talent. Continued improvements are made to the quality of training courses and development programmes with specialist focus on service, product, commercial and technical.
8. **Business continuity and major incident response**
   - In respect of the Dixons business, a major incident impacts the Group's ability to trade. Appropriate business continuity plans are in place for key locations and disaster recovery plans are in place for key IT systems and data centres.
9. **Health and safety**
   - In respect of the Dixons business, failure to prevent injury or loss of life for customers and / or colleagues. A dedicated team responsible for health and safety risks controls, monitors against applicable regulation and reports to a compliance committee. Clear policies and procedures are in place detailing controls required to manage health and safety risks and quality checks and factory audits are performed for own brand products.

Risks to Achieving the Group's Objectives (continued)

10. Finance & treasury

- Foreign exchange losses are incurred through supplier contracts or income being denominated in a foreign currency.
- Failure to maintain and develop processes and controls to support changes in business activities.

In respect of the Dixons business:

- An increase in the UK defined benefit pension scheme deficit requires higher deficit recovery payments. Diversified pension investment strategy is in place with regular reviews by the Trustee, external investment consultants and Group Treasury.
- Failure to maintain the support of credit insurers whereby proactive engagement with suppliers and credit insurers reduces any risks of deteriorating cash flow.

11. Governance, fraud, regulation and internal controls

- Failure to comply with laws and regulations or suffer adverse rulings by regulatory authorities.
- Actions result in disputes with third parties and / or business partners.
- Failure to maintain and develop processes and controls to support business activities.
- Information security and customer management.

12. Merger integration risk

- The Combined Group may fail to realise the business growth opportunities, margin benefits and other synergies anticipated from, or may incur unanticipated costs associated with the Merger.
- The Combined Group's future prospects will, in part, be dependent on its ability to integrate the Carphone Group and the Dixons Group effectively, including the successful integration and motivation of certain Carphone and Dixons key employees and IT and operational systems.
- Risks of executing the Merger could cause the market price of Dixons Carphone Shares to decline.

The directors have prepared the interim financial information on a going concern basis. In considering the going concern basis, the directors have considered the above mentioned principal risks and uncertainties, especially in the context of the continuing difficult consumer and retail environment as well as the wider macro-economic environment in the euro zone and how these factors might influence the Group's objectives and strategy.

After reviewing the performance of the business, the Group's expenditure requirements, current financial projections and expected future cash flows, together with the available cash resources and undrawn committed borrowing facilities, the directors consider that the Group has sufficient covenant and liquidity headroom in its borrowing facilities and accordingly has adequate resources for the Group to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Responsibility Statement

The directors confirm that to the best of their knowledge:

- the interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union;
- the financial highlights, review of business performance and interim financial information include a fair review of the information required by DTR 4.2.7R (indication of important events during the first 7 months and description of principal risks and uncertainties for the remaining 6 months of the year); and
- the financial highlights and review of business performance includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

At the date of this statement, the directors are those listed in the Group's 2013-14 Annual Report and Accounts with the exception of the following appointments and resignations which all occurred on upon the Merger on 6 August 2014:

Appointments	Resignations
John Allan	Nigel Langstaff
Sebastian James	John Allwood
Humphrey Singer	
Katie Bickerstaffe	
Graham Stapleton	
Jock Lennox	
Tim How	
Andrea Gisle Joosen	

By order of the Board

Sebastian James
Group Chief Executive
16 December 2014

Humphrey Singer
Group Finance Director
16 December 2014

Independent Review Report

To Dixons Carphone plc

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the interim statement for the 31 weeks ended 1 November 2014 which comprises the consolidated income statement, the consolidated statement of comprehensive income and expense, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and related notes 1 to 14. We have read the other information contained in the interim statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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 for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities
The interim statement, including the condensed set of financial statements contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim statement in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim statement has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34) as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim statement based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed set of financial statements in the interim statement for the 31 weeks ended 1 November 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union and the Disclosure and Transparency Rules of the UK Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
16 December 2014