CONNECTED SOLUTIONS FOR A CONNECTED WORLD

CARPHONE WAREHOUSE
GROUP PLC

Annual Report 2013

NAVIGATING THE COMPLEXITIES OF THE CONNECTED WORLD...

By putting connectivity at the heart of our business we are committed to helping people experience and buy the best range of hardware, accessories, connections and services to suit their individual needs. We harness the connected world by making technology accessible to our customers.

See more P05

Where this annual report contains forward-looking statements, they are made by the directors in good faith based on the information available to them at the time of the approval of this annual report. These statements should be treated with caution due to the inherent risks and uncertainties underlying any such forward-looking information. The Group cautions users of this document that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statements. Such factors include, but are not limited to, those discussed under the Risk Management sections on pages 19, 26 and 29.

CPW EUROPE

Retail

Largest independent telecommunications retailer in Europe

- 100% owned from completion (scheduled for 26 June 2013); 50/50 joint venture with Best Buy in the year to 31 March 2013
- 2,377 stores across eight countries in Western Europe together with well-developed online propositions
- Specialist and independent advice in areas of product and service complexity
- Customer-focused, with a demonstrated track record of high quality service

Carphone Warehouse
Geek Squad
Phone House
e2save mobiles
mobiles.co.uk
TYPHONE.NL DE ONLINE TELECOMSHOP

£51.1m

Headline Group PAT

P08

CONNECTED WORLD SERVICES

Connected World Services

Developing part of CPW Europe business, providing services using core capabilities, expertise and systems

- Retail managed services
- Insurance services and technical support
- Technology platforms and managed services
- Global supply partnerships

VIRGIN MOBILE FRANCE

Largest MVNO in France with 1.7m customers

- Joint venture with Virgin Group (46% share each), leading experts in developing MVNOs worldwide
- Approximately 80% postpay customers
- Competitive advantage through Full MVNO infrastructure, with over 50% of customers on this platform
- Strong brand with innovative propositions and high levels of customer service

P20

£3.2m
Headline Group PAT

£137.4m
Cash and loans receivable

£30.5m
Property assets

OTHER ASSETS

Property, cash and loans receivable

- Three freehold properties in the UK, with a market value of £30.5m at 31 March 2013
- Year end cash balance of £116.9m, which will be used to offset CPW Europe's funding requirements
- Loans receivable from Virgin Mobile France of £20.5m which are being repaid from operating cash flows

BUSINESS REVIEW

GOVERNANCE

FINANCIAL STATEMENTS

CHAIRMAN'S STATEMENT

"The mobile world has changed enormously, but this only opens up new opportunities."

Sir Charles Dunstone Chairman

IN SUMMARY

- Acquisition of Best Buy's 50% stake in CPW Europe for a net consideration of £471m. Benefits of the acquisition include:
  - a simplified ownership structure making day-to-day management easier
  - the full ownership of growth opportunities across Europe and other potential markets
  - the opportunity for significant value creation over the medium term
- Strong performance from CPW Europe despite industry and consumer challenges
- Orderly exit from French retail market planned, following comprehensive strategic review
- Virgin Mobile France grows postpay base and revenue despite intense competition in the French mobile market
- Roger Taylor to take new role as deputy chairman and Andrew Harrison to step up to become chief executive officer of the Group

Carphone Warehouse has had another good year, during which we have delivered on our guidance, despite a highly competitive marketplace, and made key strategic moves.

Most importantly, shortly after the year end, we agreed with Best Buy to buy back their 50% share of CPW Europe for a net consideration of £471m and, with this, all of Carphone Warehouse returns to its original shareholders.

We have enjoyed a great five-year relationship with Best Buy, sharing and enjoying many attributes of each other's businesses. However, following the sale of our US interest last year, we had become increasingly responsible for the day-to-day operations of CPW Europe whilst, conversely, Best Buy had become more focused on their wholly-owned businesses. We both agreed, therefore, that it was a good time to bring the joint venture to an end. We expect the transaction to be earnings enhancing in the current financial year.

For us, it simplifies our ownership structure, streamlines decision-making and gives us full ownership of our growth opportunities across Europe and other markets around the world. Our Global Connect relationship including our joint venture in China and Mexico also comes to an end, and this enables both parties to focus on opportunities at their own pace and in their own preferred geographies.

It also leads to a change in the management of Carphone Warehouse. As from our annual general meeting on 24 July 2013, Roger Taylor, our Chief Executive Officer, will become deputy chairman, and Andrew Harrison, who has been chief executive officer of CPW Europe, will become chief executive officer of the Group. Andrew has worked for Carphone Warehouse for over 17 years and has been the visionary behind many of our growth strategies including our Best Buy Mobile venture and our Connected World strategy. He epitomises the unique culture and values of Carphone Warehouse and is ideally placed to lead the business through the next phase of its journey.

Since its foundation 24 years ago, Carphone Warehouse has always maintained its core values of providing independent, impartial advice with great value for customers. These core values, and the hard work of our retail and support teams, meant that we enjoyed another successful year. In the UK, we have grown our market share in both the postpay and prepay segments through great value deals and excellent customer service, continuing to build our trusted brand. We also gained further authority in the tablet product category. In mainland Europe, excluding France, we delivered a solid performance. France itself has continued to be particularly challenging, and we have completed our strategic review and decided to pursue an orderly exit by means of store disposals and some store closures.

Virgin Mobile France, however, has proved its resilience in a tough marketplace, continuing to grow its postpay base and now with around half of its customers on its Full MVNO platform. The business will continue to focus on customer migration in the year ahead.

Given our overall performance, we are pleased to recommend a final dividend of 3.25p per share which will be paid on 9 August 2013 to shareholders on the record as of 12 July 2013.

I remain as passionate about our business today as when I founded it 24 years ago. The mobile world has changed enormously, but this only opens up new opportunities – opportunities for which I believe we are very well positioned. I look forward to continuing to lead our Group and, as always, am keenly conscious that all that we have achieved is down to the skills and commitment of our people. On behalf of the Board, I want to thank them.

Sir Charles Dunstone Chairman

"We continue to build on the momentum we gained last year, with compelling value and service across a broad range of connected devices."

Roger Taylor Chief Executive Officer

IN SUMMARY

CPW Europe

- Headline EBIT of £136.6m (2012: £135.0m) despite continued consumer and mobile market challenges
- Significant growth in UK postpay volumes and postpay and prepay market share
- Like-for-like revenue growth of 4.6%
- Strong cash generation

Virgin Mobile France

- 50% of base on the Full MVNO infrastructure
- Revenue up 4.2% at constant currency
- Postpay base up by 11,000 subscribers, despite intense competition

Property

- Sale of two freehold properties: one before year end for £40.5m and one after year end for £10.5m

Our shareholders have now approved our acquisition of Best Buy's 50% interest in CPW Europe. For the purposes of this review, however, we are reporting on the Group's 50% interest in CPW Europe, together with our 46% interest in France's leading MVNO, Virgin Mobile France, and our properties and substantial cash balances.

CPW EUROPE

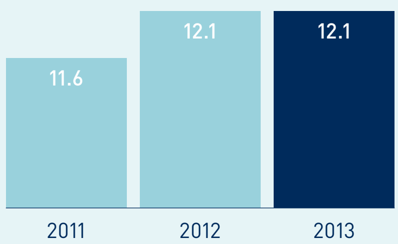
As technology becomes ever more sophisticated, customers look to a trusted source of advice not only on what they should buy, but also how to get it working. Coupled with our commitment to provide the leading value in the marketplace, this positioning is standing our business in very good stead. During the year, we have increased our market share across all our categories and further built our trusted brand. This includes making very good progress in establishing Carphone Warehouse as a recognised destination to buy tablets.

CPW Europe revenue was up 11.5% to £3,694.3m (2012: £3,313.1m) reflecting significant postpay growth in our UK business and growth in our dealer businesses, particularly in Germany. We delivered Headline EBIT of £136.6m (2012: £135.0m) in line with our guidance and slightly up year-on-year.

Within this overall performance, our UK business stands out, with like-for-like revenue growth of over 10%, despite a continued weak prepay market. We have invested in our offering and driven market share. Our 'Smart Deal' promotions and compelling propositions on key handsets, coupled with our investment in our store environment and online platforms, have increased our share in both the postpay and prepay segments.

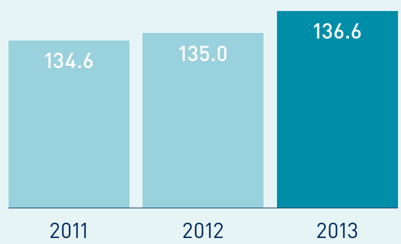
12.1p

Group Headline diluted EPS
pence



£136.6m

CPW Europe Headline EBIT (100% basis)
£m



CPW EUROPE continued

Our businesses in mainland Europe generally performed well given the challenging consumer environment. We were particularly pleased with the performance of our businesses in the Netherlands and in Spain, where we saw increasing momentum in the second half of the year. In contrast, the French market has been extremely difficult and while our Phone House business was profitable for 2012–13, there has been an increasing lack of visibility of returns going forward. We therefore undertook a strategic review and have decided to manage an orderly exit through store disposals and some store closures, as announced in April.

We are committed to building our scale and profitability in European markets where we see potential for growth. Following the successful trial of stores with Media Markt/Saturn in the Netherlands, both parties have now signed a letter of intent and there is potential for this arrangement to be replicated in other Media Markt/Saturn markets in the future. In Germany there is also intent to enter into commercial agreements with Metro Group, which will include business-to-business and business-to-customer propositions. Stores-within-a-store will be rolled out under the Makro/Metro Cash & Carry, Real and Galeria Kaufhof brands. Both parties see potential to roll-out similar Metro/ Makro business-to-business opportunities in other markets.

We are also excited about potential service provision arrangements with third parties looking to develop their own connected world solutions. Over the years CPW Europe has developed sophisticated technology platforms and operating processes, as well as bespoke customer relationship management tools. It is our aspiration that these assets, together with the expertise of our employees, can be leveraged through commercial partnerships and service provision arrangements with third parties.

CPW Europe undertook a restructuring programme during the year, involving store closures and redundancies, which resulted in pre-tax non-Headline charges of £25.1m. We anticipate annualised pre-tax savings of between £20m and £25m as a result of this exercise. Given the situation in France, the goodwill and certain other non-current assets associated with the French business were written off during the year. Together with asset write-downs associated with store closures, a total impairment charge of £94.1m was booked in the year. A tax credit of £12.3m has been recognised against these charges. As a result of these non-Headline items, CPW Europe reported a statutory loss of £4.7m for the year. The statutory loss for Best Buy Europe for the year to March 2012, including the results and exit costs for Best Buy Mobile and Best Buy UK, was £77.9m.

VIRGIN MOBILE FRANCE

Competition in the French market amongst network operators has been intense. However, Virgin Mobile France has proved resilient, growing revenue and its postpay customer base. Its Full MVNO infrastructure enables it to participate more fully in revenue streams, including termination revenues, and to reduce costs, as well as giving it greater tariff flexibility. At the end of the year over 850,000 customers were on this platform, representing 50% of the base, and we will continue to focus on customer migration in the coming year.

The total customer base was down year-on-year at 1.71m customers (2012: 1.92m), partly due to a deliberate reduction in focus on the low-value prepay market, from which there is less visibility of returns on investment. The postpay base increased by 11,000 customers year-on-year to 1.35m (2012: 1.34m) and almost 80% of the customer base is now higher value postpay customers.

On a constant currency basis, we grew revenue by 4.2%, reflecting the growth of mobile termination revenue. On a Sterling basis, revenue was broadly flat for the year at £385.0m, compared to £390.2m in the prior year. Headline EBIT was down year-on-year from £21.5m to £11.9m, affected by an investment of £4.9m (2012: nil) in the development of a quad-play proposition. While this proposition remains in its infancy, it has potential to be a valuable retention tool, whilst also offering opportunities to develop the business' customer reach.

PROPERTY AND OTHER ASSETS

We took action to sell one of our freehold properties in Acton towards the end of the year for £40.5m, followed by the sale of our second Acton freehold after the year end for £10.5m.

The Group had cash balances of £116.9m and loans receivable from Virgin Mobile France with a value of £20.5m as at 31 March 2013.

MANAGEMENT

Following the completion of our acquisition of Best Buy's 50% share of CPW Europe, Carphone Warehouse's retail operation will once again form the core of the Group's business. It is logical, therefore, that Andrew Harrison, who has run this business for several years, should step up to become chief executive officer for the Group. On this basis, I will move to become deputy chairman. In reality, this does not alter the way we have been working in the past, but it ensures clarity of responsibilities and will let us take advantage of the streamlining of ownership and the ability to accelerate decision-making. I welcome Andrew to his new role.

OUTLOOK

In respect of Virgin Mobile France, the French mobile market is expected to remain intensely competitive and we expect some year-on-year reduction in revenues. We aim to maintain the postpay base at a similar level year-on-year and will continue to move customers onto our Full MVNO infrastructure, providing the business with improved margins and greater strategic flexibility. These improved margins will help to counter downward pressure on ARPUs, and we therefore expect Headline EBIT to be broadly flat year-on-year.

For the wholly-owned group, including CPW Europe from completion, we expect Headline EBIT in the coming year to be between £140m and £160m, with the ultimate outturn likely to depend on postpay volumes, and the level of investment in the tablet category and in new business development. We face a continued challenging consumer marketplace in the UK and mainland Europe, but our outlook remains positive. We are well positioned to meet customer demand in what remains a rapidly changing technology and product marketplace and we continue to benefit from the steps we have taken to reorganise our business, to transform our stores, and from the investment we have made in our offering. We continue to build on the momentum we gained last year, with compelling value and service across a broad range of connected devices. We also see the opportunity to grow our business through partnerships, which we will continue to develop.

Roger Taylor Chief Executive Officer

THE DIGITAL WORLD IS MORE COMPLEX THAN EVER...

SIMPLIFYING COMPLEX TECHNOLOGY

Ever since we opened our first store over 20 years ago, we've been working hard to offer our customers the best service in the changing world of mobile technology

FOCUSED ON CUSTOMER EXPERIENCE

IN STORE

- SMARTPHONES
- TABLETS
- ACCESSORIES
- LIVE DEVICES
- EXPERTISE
- GEEK SQUAD

2,377

stores across eight European territories

ONLINE

- Well-developed online propositions
- Engaging with customers through social media
- 'Eye Openers', available on YouTube, features videos from CPW Europe experts giving useful tips and advice
- Free next-day delivery to customer's home or most convenient store

WE ARE UNIQUELY PLACED TO KEEP CUSTOMERS

INDEPENDENT, IMPARTIAL, EXPERT ADVICE

SERVICES INCLUDE

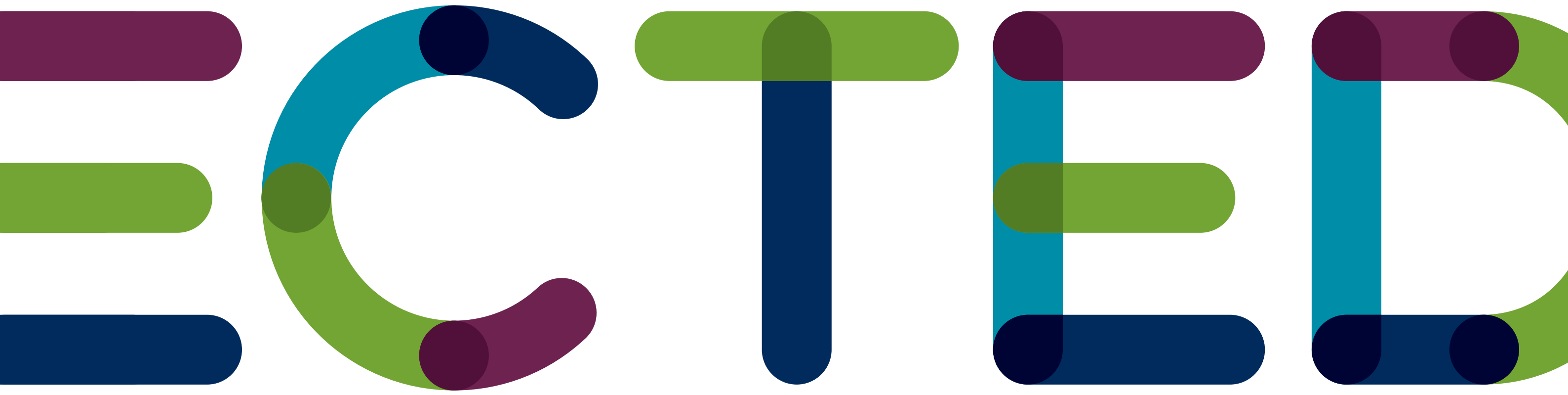
- NETWORK PRICE PROMISE
- UPGRADE REMINDER SERVICE
- TRADE-IN
- TARIFF TAILOR

BEST POSSIBLE CHOICE OF GREAT PRODUCTS AT LOW PRICES

£7.50

'Smart Deals' offering smartphones on contract for as little as £7.50 per month

FREE smartphones + FREE tablet offering great value for money subsidised 'bundled' propositions



SUPPORT THROUGH THE LIFE OF THE DEVICE

SERVICES INCLUDE

- WALK OUT WORKING — Our free service that helps customers get the most from their new devices
- GEEK SQUAD — Our technical support service that provides ongoing customer assurance including:
  - INSURANCE
  - TECH SUPPORT
  - REPAIRS

24/7 TECH SUPPORT

CPW EUROPE

RETAIL

CPW Europe is the largest independent telecommunications retailer in Europe, with 2,377 stores at March 2013 together with well-developed online propositions.

It specialises in mobile handsets, tablets and other connected devices, combining hardware with connections to create subsidised propositions.

Carphone Warehouse

Phone House

Geek Squad

100% OWNERSHIP FROM JUNE 2013

The Group is scheduled to complete the acquisition of Best Buy's 50% interest in CPW Europe on 26 June 2013. This transaction provides a range of benefits for the Group, including more streamlined strategic decision-making and the ability to better leverage CPW Europe's asset base and know-how.

MANAGEMENT STRUCTURE

Beyond the expertise and experience of Sir Charles Dunstone, Roger Taylor and others within Carphone Warehouse, CPW Europe's own management team has been instrumental in growing and developing the business in recent years. Andrew Harrison, chief executive officer of CPW Europe, has been with the Group for more than 17 years and is head of an experienced management team.

PRINCIPAL BRANDS

In the UK and Republic of Ireland, CPW Europe operates primarily under the Carphone Warehouse brand, which was created when the business was formed in 1989. As a mobile phone retailer, this brand scores spontaneous awareness in the range of 51% to 56% and prompted awareness of over 96%. In the rest of Europe, CPW Europe operates principally under the Phone House brand, which scores prompted awareness in most of our markets of over 90%.

EXIT FROM FRENCH RETAIL MARKET

CPW Europe has concluded a strategic review of options for its retail business in France, which has faced a highly challenging market and consumer environment. As a result of this review, CPW Europe will undertake an orderly exit from the market, including the disposal or closure of its 317 stores.

STORE FORMATS AND CHANNELS

CPW Europe has a range of store formats across Europe, together with well-developed online propositions

OWN STORES

- In recent years, CPW Europe has been developing a store format which allows it to showcase a wider range of products and services
- Elements of this format have now been rolled out to all stores in the UK with plans to do the same in mainland Europe over time

2,037	c.650 sq ft
stores at March 2013	**average size**

STORES-WITHIN-A-STORE

- Partnering with other leading retailers to help develop a store-within-a-store proposition for connected products and services
- Allows CPW Europe to build market share, particularly in territories in which it is sub-scale
- 19 stores at March 2013

FRANCHISE

- Branded Phone House, with same proposition and operating model as own stores
- Requires little or no upfront investment
- Lease held by franchisee
- Allows CPW Europe to build scale in more marginal locations

340	c.500 sq ft
stores at March 2013	**average size**

ONLINE

- Transactional websites in all CPW Europe's retail territories, supplemented by an m-commerce site in the UK
- Offering a range of delivery options to home, work or store
- Supports the retail business, allowing customers to research products and find stores online
- 1.5m website visits each week, across UK websites

e2save mobiles   mobiles.co.uk   TYPHONE.NL DE ONLINE TELECOMSHOP

STORE LOCATIONS

UNITED KINGDOM
Own stores: 785

SPAIN
Own stores: 382
Franchise stores: 153

FRANCE*
Own stores: 245
Franchise stores: 72

NETHERLANDS
Own stores: 141
Franchise stores: 65

GERMANY
Own stores: 138
Franchise stores: 36

PORTUGAL
Own stores: 167
Franchise stores: 3

SWEDEN
Own stores: 97
Franchise stores: 11

IRELAND
Own stores: 82

* In April 2013, CPW Europe announced its intention to pursue an orderly exit from the French retail market.

EXPANSION THROUGH POTENTIAL PARTNERSHIPS

CPW Europe currently has 19 stores-within-a-store, providing a specialist connected products and services proposition on behalf of retailers with larger store formats, who enjoy significant footfall but who lack expertise in the mobile field. This concept proved to be particularly successful in the US with Best Buy Mobile. CPW Europe aims to replicate the success of such arrangements with other established retailers in Europe, providing further growth opportunities for the business.

RETAIL PRODUCTS AND SERVICES

A significant proportion of CPW Europe's revenue is derived from MNOs and other service providers, for delivering new customers and renewals. The business generally receives a share of future customer revenues, and/or commissions, which are typically used to subsidise the sales values of a range of connected devices. Hardware includes a range of connected devices such as feature phones, smartphones and tablets, along with accessories to enhance and support this hardware. At selected stores CPW Europe also sells 'app-cessories', which are smartphone/tablet accessories that work specifically with mobile applications. Alongside a full range of postpay, prepay and mobile broadband connections from mobile networks, the business also offers services from fixed broadband, landline and TV providers.

CPW Europe also offers a range of insurance and assurance products to protect customers from loss, damage or theft of their mobile phone and other devices. In most markets, this product also includes '24/7' technical support from the Geek Squad, providing advanced product knowledge and expertise. The primary service offering provided by the Geek Squad is as follows:

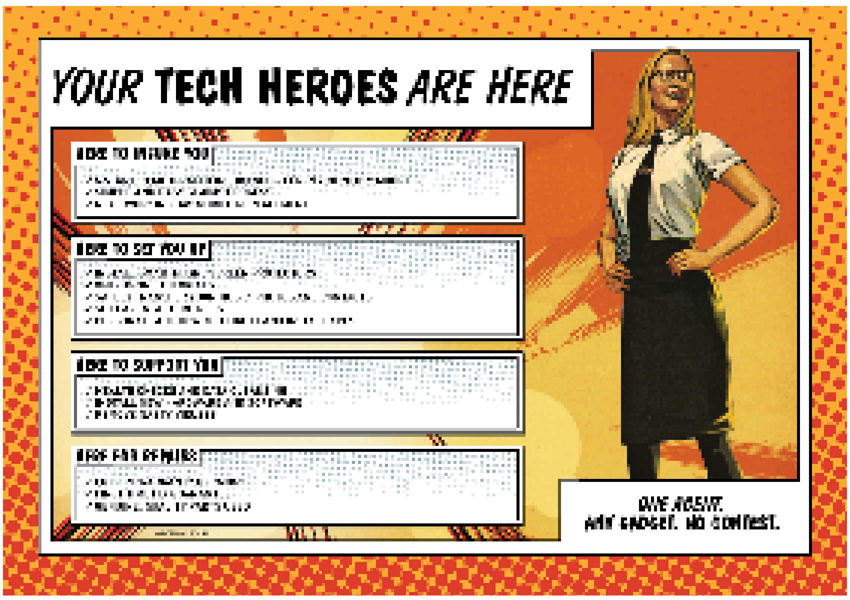
— **technology support:** includes device set-up, data back-up and data transfer services;

— **insurance:** CPW Europe's insurance proposition benefits from its large retail estate, and the business continually seeks to improve the quality of its customer service, with a 48-hour replacement service in several markets and claims acceptance rates typically over 90%; and

— **repairs:** CPW Europe runs the largest in-house mobile phone repair facility in the UK, and has well-developed processes for managing repairs of handsets and other devices across its mainland European markets.

In addition to expert advice, a number of free services are available for all customers, such as 'Walk Out Working', which provides an introductory overview for customers.

CPW Europe also generates significant revenues from the sale of mobile handsets and other products to other retailers, distributors and wholesalers. Its largest operation is in Germany, where the Mobile World Distribution business supplies hardware and provides network connection services to smaller and non-specialist retailers, providing the business with scale and relevance in the German market. Similar services are also provided by CPW Europe's UK business.



CUSTOMER OFFERING

HARDWARE
A wide range of connected devices: phones, smartphones and tablets

ACCESSORIES
Accessories that enhance and support connected hardware and applications

CONNECTIONS
Mobile and fixed line, broadband and TV, packaged with hardware to provide compelling subsidised propositions

CONTENT
Simple and secure, My Hub provides online back-up and allows customers to access all their music wherever they are, using My Music Anywhere

SERVICES
In-store expert advice and ongoing technical support, including insurance and repairs

CUSTOMER PROMISES

CHOICE
The best possible choice of smartphones, tablets and networks

ADVICE
Simple, impartial advice to help find what is best for customers

PRICE
Our Network Price Promise matches or beats the networks

SUPPORT
Support throughout the life of the mobile device

SIMPLIFYING COMPLEX TECHNOLOGY

BRINGING HARDWARE AND SERVICES TOGETHER TO PROVIDE SUBSIDISED PROPOSITIONS

PARTNERS

LEADING TECH COMPANIES
Working closely with leading hardware and software providers to deliver the latest technology in connected devices

MAJOR NETWORKS
Strategic agreements with major networks and selected MVNOs across Europe

RESOURCES AND CAPABILITIES

RELATIONSHIPS
Working closely with manufacturers and networks to provide technology and coverage

BRANDS
Carphone Warehouse, Phone House and Geek Squad are highly recognised across Europe

PEOPLE
Trained experts who are highly motivated and passionate about what they do

SCALE
Largest independent telecommunications retailer in Europe

SYSTEMS
Sophisticated sales, inventory, CRM and network commission control systems

CONNECTED WORLD SERVICES

CPW Europe already provides managed services to a number of businesses in relation to mobile phone insurance and technology solutions and is active in exploring further opportunities both within its existing markets and elsewhere in the world.

Connected World Services aims to leverage the specialist skills, operating processes and technology of the business to provide services to third parties looking to develop their own connected world solutions.

CONNECTED WORLD SERVICES

OUR CUSTOMERS INCLUDE

belgacom

British Gas

RBS The Royal Bank of Scotland

TalkTalk

CONNECTED WORLD SERVICES PLANS TO OPERATE ACROSS:

CONNECTED RETAILING	Provision of consultancy and support for connected product and service propositions, both in store and online, ranging from specific managed services through to comprehensive partnerships on the Best Buy Mobile model
SERVICES AND SUPPORT **Partner:** AVIVA	Provision of insurance services on connected devices, including policy design and administration, and claims administration and fulfilment; and provision of on-site and remote technical support solutions for connected devices
OMNI-CHANNEL PLATFORM **Partner:** accenture High performance. Delivered.	Provision of technology platforms and managed services to support complex transactions, connections to service providers and customer relationship management
GLOBAL PARTNERSHIPS	Partnerships leveraging CPW Europe's scale and commercial relationships, enabling partner retailers to source hardware and to provide network operator services, and at the same time providing product manufacturers and network operators with additional routes to market

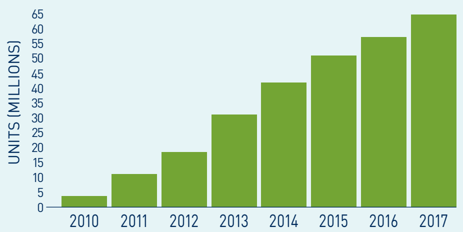
ADAPTING TO AN EVOLVING MARKET...

SMARTPHONES AND TABLETS

The development of smartphone technology has seen the entry to the handset market of new manufacturers and operating system providers, creating intense competition in a relatively short period of time. With the rapid development of technology and device innovation, there is scope for new challengers to emerge, providing an ongoing opportunity for CPW Europe to provide independent advice and device support. Furthermore, manufacturers are broadening their smartphone range by bringing ever more affordable devices to the market, allowing greater smartphone penetration especially within the low-end postpay and prepay categories.

The first tablet was launched in 2010. Similar to smartphones, there has been rapid adoption of these devices as manufacturers continue to develop ever more sophisticated products at ever more affordable prices.

WESTERN EUROPE TABLET SHIPMENTS



Source: Strategy Analytics, Global branded tablet shipments forecast 2010–2017 (March 2013)*

* For the eight Western European markets in which CPW Europe operates.

Initially the market was dominated by a single premium device, but increasing competition from other manufacturers has contributed to the growth seen in 2011 and 2012. Further growth is predicted for 2013 and beyond. Most tablets are currently sold for use on wi-fi networks only. Such tablets can also be 'tethered', enabling them to share the internet connection of another device such as a smartphone, but cannot use mobile networks independently. The development of 4G services is expected to support significantly improved download speeds on mobile networks and to increase the proportion of tablets that are both wi-fi and 4G-enabled.

Growth in smartphones and tablets has increased the demand for service and technical support offerings as consumers seek to understand and make best use of advanced functionality and become increasingly reliant on assistance with software applications and device synchronisation.

CPW Europe's close relationship with MNOs and manufacturers of both smartphones and tablets, together with its expertise in helping customers to navigate the range of choices available to them, position it well to take advantage of the development of this market.

4G

Western Europe has yet to adopt 4G technology widely and most consumers continue to use 3G enabled mobile handsets, with 4G penetration in Western Europe estimated to be 1% at the end of 2012 (source: Cisco). The growth of smartphones and increased data usage has put significant pressure on 3G networks. MNOs are investing heavily in developing 4G networks, to provide extra capacity and an improved service for their customers. 4G is reportedly five times faster than 3G. As 4G technology and 4G-enabled devices become more widely adopted, the user experience is expected to improve and consumption of mobile data is likely to increase, to accommodate users' changing needs. To benefit from 4G services, customers need 4G-enabled devices. As 4G network coverage improves in Western Europe, there is incentive for customers to upgrade their services, which may stimulate the handset replacement cycle, creating greater opportunities for mobile retailers, including CPW Europe.

REGULATORY PRESSURE

Western European MNOs have been subject to significant regulatory intervention, particularly on charges to terminate calls from other network operators and on international roaming charges, causing downward pressure on MNO ARPUs. Alongside this, the consumer environment has been challenging, causing reduced consumer spending and intensifying price competition amongst the MNOs. In the US and in other highly developed 4G markets, MNOs have applied premiums to 4G tariffs, reflecting the higher quality service being provided, as well as using tiered data packages to match charges to the level of data consumption. It is anticipated that MNOs in Western Europe may seek to adopt a similar approach in order to stimulate ARPU.

OWNERSHIP OF THE CONNECTED WORLD

OBJECTIVES		2012–13 ACHIEVEMENTS
1	Provide outstanding value and service across a broad range of connected devices	— Continued to improve customer service scores during the year — Achieved increased relevance in the tablet market, in part through bundling with mobile phone connections — Recorded substantial growth in non-cellular revenues during the year, driven by an exciting array of new products
2	Help consumers simplify complex areas of technology	— Ran extensive training programmes and developed online tools to ensure our consultants and Geek Squad agents kept pace with fast-moving technology — Achieved record number of customers interacting with the Geek Squad website through the provision of exciting and relevant technology support content online
3	Enhance multi-channel platforms to improve customer choice	— Continued to evolve our websites to improve the customer experience — Launched a transactional m-commerce site in the UK, which delivers substantial sales as well as supporting the retail business, allowing customers to research products and find stores whilst on the move — Further increased social media activity as we continued to engage with our customers in new ways

CONTINUE TO BUILD MARKET SHARE

1	Leverage global scale to build strategic relationships with key suppliers and partners	— Delivered substantial market share gains across the postpay and prepay segments, and in the tablet category — Continued to develop dealer and franchise channels to develop scale with limited capital investment
2	Replicate success of Best Buy Mobile in the US by partnering with retailers in target markets	— Our dedicated team continued to investigate potential opportunities, establishing relationships with several retailers in target markets — Hosted our second mobile phone retailers forum, which was well attended by representatives from approximately 30 retailers from across the globe

UTILISE CORE COMPETENCIES

1	Leverage expertise and systems capabilities to provide managed services to third parties	— Continued to develop third party service agreements, such as with RBS, for the provision of mobile phone insurance, and with TalkTalk and British Gas, for the provision of technical support services

GOING FORWARD

— Continue to construct innovative propositions and to find new ways to subsidise expensive products
— Use CPW Europe's supplier and network relationships, and experience in connected transactions, to develop sales of 4G-enabled tablets

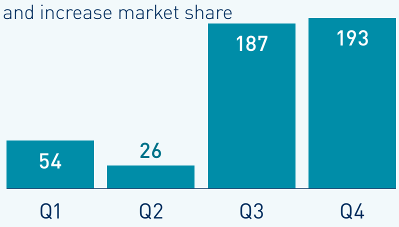
— Continue to invest in the ongoing training of our expert consultants, and to focus on in-store set-up through the 'Walk Out Working' programme
— Continue to use Geek Squad agents as a differentiator for the CPW Europe business and to deliver a market-leading level of after-sales service to our customers

— Continued focus on m-commerce to drive traffic and improve conversion
— Continued focus on social media as we evolve the way in which we operate to make even better use of this opportunity to interact with customers

KPIs

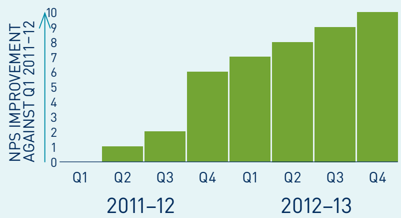
GROWTH IN TABLET VOLUMES (%)

During 2012–13 CPW Europe experienced significant year-on-year growth in tablet volumes, particularly during H2, in line with a deliberate strategy to invest in the proposition and increase market share



NET PROMOTER SCORE ("NPS")

NPS allows CPW Europe to gauge customer satisfaction. NPS improved every quarter, measured against Q1 2011–12



— Continue to reinvest the benefits of scale in the customer proposition, to drive further growth
— Focus on the development of partnerships to leverage CPW Europe's scale and commercial relationships

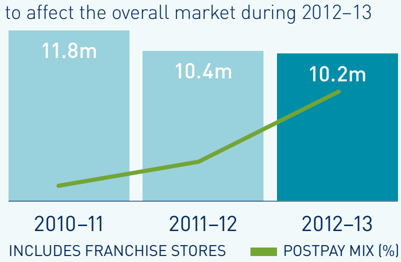
— Seek to conclude further partnerships with retailers in target markets

— Continue to seek commercial partnerships for the provision of mobile insurance services, technology platforms and managed services, and retail managed services

KPIs

CONNECTIONS (MILLIONS)

Connections decline in 2011–12 was caused by reduced subsidies on prepay handsets, as a result of MTR cuts, which has continued to affect the overall market during 2012–13



LIKE-FOR-LIKE REVENUE GROWTH (%)

2012–13 saw a return to like-for-like revenue growth, boosted by a particularly strong H2 in the UK

> The business delivered its earnings target, despite market challenges and a tough economic environment, and achieved significant improvements in market share.
>
> **Nigel Langstaff** Chief Financial Officer

HEADLINE INCOME STATEMENT *

(100% basis)	2013 £m	2012 £m
Revenue	**3,694.3**	3,313.1
Gross margin	**914.0**	947.4
Gross margin %	**24.7%**	28.6%
Operating expenses	**(697.8)**	(727.8)
EBITDA**	**216.2**	219.6
Depreciation and amortisation	**(79.6)**	(84.6)
EBIT	**136.6**	135.0
EBIT %	**3.7%**	4.1%
Interest	**(8.7)**	(16.4)
Tax	**(25.7)**	(22.0)
PAT	**102.2**	96.6
Group share	**51.1**	48.3

* Headline results exclude exceptional items and discontinued businesses. Details of these items can be found in note 4 to the Group financial statements.

** Headline EBITDA includes the unwinding of discounts for the time value of money on network commissions receivable over the life of the customer. This unwind is treated as interest income in the joint venture's statutory results. Further details can be found in note 13 to the Group financial statements.

CPW Europe generated revenues of £3,694.3m, an increase of 11.5% year-on-year (2012: £3,313.1m). This increase was driven principally by growth of approximately £250m in our dealer business, together with strong like-for-like revenue growth in our retail and online channels. Additional growth in non-like-for-like revenues largely offset the effects of a weaker Euro and the absence of revenues from Phone House Belgium, which was sold in December 2011.

Full year like-for-like revenue growth was 4.6%, with particularly strong performance in the second half of the year. This performance was driven primarily by significant postpay growth in our UK business, which recorded significant year-on-year market share gains in this category. Alongside growth in the high-end smartphone category, the UK business has been particularly successful in driving volume in the low-tier postpay segment, bringing new postpay customers into the segment for the first time.

Outside the UK, several of our businesses performed strongly, despite a highly challenging consumer environment. In France, however, our business faced the combined challenges of a difficult consumer and regulatory backdrop, and an intensely competitive mobile market. As a result of these challenges, the prospects of positive cash generation in that market have become increasingly remote, and we therefore took the decision after the end of the financial year to exit the French market on a progressive basis in the coming months.

As anticipated, the prepay market remained subdued throughout the year, reflecting reduced subsidies from network operators following regulatory cuts to mobile termination rates in 2011. Whilst increasingly attractive prepay smartphone propositions have started to permeate this segment, the network operators remain principally focused on postpay. Against this backdrop, CPW Europe increased its share of the prepay market year-on-year.

As a result of continued weakness in the prepay segment, connection volumes dropped year-on-year by 2.7% from 9.8m to 9.5m.

CPW Europe opened or re-sited 127 stores during the year, acquired 38 new stores in Portugal, and closed 181 stores, with the largest closure programmes in France and Germany. CPW Europe ended the year with 2,377 stores, down from 2,393 at March 2012. Within this portfolio, 340 were franchise stores, up from 338 at March 2012.

CPW Europe's gross margin percentage decreased by approximately 390 basis points year-on-year to 24.7% (2012: 28.6%). Part of this reduction reflects increased dealer activity, which drives scale benefits but operates at very low gross margins. Gross margins on the core business were down by approximately 310 basis points. This decrease reflects a combination of changes in the product mix, together with continued investment in gross margin to drive market share in a highly competitive market. The product mix effect reflected an increase in the proportion of tablet sales, both on a standalone basis and as part of a bundled proposition with a connected handset, together with low-end postpay connections, on which the cash gross margin and the gross margin percentage is typically lower than on other postpay connections. Additionally, while average cash margins on other postpay connections were broadly flat year-on-year, the weighting of high-end handsets within the mix increased year-on-year, resulting in a reduction in the gross margin percentage.

Operating expenses decreased by 4.1% year-on-year to £697.8m (2012: £727.8m), largely reflecting the effects of a weaker Euro and the absence of operating expenses from Phone House Belgium, together with the first effect of the Group's restructuring programme. Operating expenses also benefited from a gain on the disposal of an associate investment towards the end of the year; CPW Europe recorded profits of £9.1m in relation to its investment in Mobile Money Network ("MMN"), representing profits on disposal, offset by its share of MMN's operating losses prior to disposal. The net profits from MMN were substantially offset during the year by investment within the retail business to drive awareness and the sales of MMN together with other non-core business development costs.

Depreciation and amortisation reduced by 5.9% from £84.6m to £79.6m year-on-year, in part reflecting the first effect of outsourcing contracts, through which responsibility for capital investment has transferred to third parties.

CPW Europe's Headline EBIT increased from £135.0m to £136.6m and its Headline EBIT margin reduced from 4.1% to 3.7%, reflecting the factors noted above.

The interest charge for the year was £8.7m (2012: £16.4m). The prior year includes the write-off of facility fees relating to a receivables financing arrangement, which was replaced by a new revolving credit facility in July 2011, together with investment of £2.9m in the start-up costs of an associate. The reduction in the underlying interest charge year-on-year largely reflects lower margins payable under the new facility.

CPW Europe had an effective tax rate of 20.1% on Headline earnings (2012: 18.5%). The effective rate in both years reflects the resolution of various uncertainties.

CPW Europe undertook a review of its UK and group organisational structure during the year, with a view to simplifying group functions and giving more autonomy and accountability to individual business units. The business also reviewed its European operations during the year and announced plans to reduce its store portfolio and operating cost base across certain markets. As a result of this exercise, the business booked an exceptional pre-tax charge of £25.1m in relation to redundancies, lease exit costs and other cash restructuring costs. We expect these programmes to provide ongoing annualised pre-tax savings of between £20m and £25m.

The large majority of store closures within this exercise were in France, reflecting highly challenging mobile market conditions there, and the provision includes the costs of exiting approximately 75 stores. A strategic review was undertaken in the second half of the year, involving extensive employee consultation, as a result of which the closure of these stores has not yet been completed. We announced in April 2013 that we had concluded the strategic review; as a result we intend to pursue an orderly exit from the French retail market by means of store disposals and some further store closures. The ultimate costs of this exit programme will depend on the mix of store disposals and store closures, the duration of the employee consultation process, and the extent to which value can be realised for the assets of the business, but our provisional estimate is that net cash exit costs will be in a range around £30m. Since there was no commitment to the exit programme at 31 March 2013, associated costs will be recorded as non-Headline charges in the forthcoming year.

In light of the situation in France, the goodwill associated with the French business was written off during the year, alongside various other non-current assets in the business. Together with asset write-downs associated with the store closures committed during the year, total non-cash asset write-downs of £94.1m were booked in the year.

A tax credit of £12.3m has been recognised against these charges, principally in respect of relief anticipated on the exceptional cash costs and the derecognition of deferred tax liabilities.

CASH FLOW

(100% basis)	2013 £m	2012 £m
Headline EBITDA	**216.2**	219.6
Working capital	**89.1**	(170.8)
Capex	**(60.8)**	(88.3)
Operating free cash flow	**244.5**	(39.5)
Best Buy Mobile	**—**	45.0
Best Buy UK	**(44.5)**	(124.5)
Other	**(50.2)**	(42.1)
Movement in net funds (debt)	**149.8**	(161.1)
Opening net (debt) funds	**(29.4)**	131.7
Closing net funds (debt)	**120.4**	(29.4)

Headline EBITDA was broadly flat year-on-year at £216.2m (2012: £219.6m).

As anticipated, the business saw a significant working capital inflow during the year, despite substantial growth in its postpay volumes. The inflow of £89.1m (2012: outflow of £170.8m) principally reflected renegotiated commercial terms and improved stock management.

Capex spend reduced to £60.8m (2012: £88.3m), reflecting particularly high levels of investment in the store estate in the previous year, and the outsourcing arrangements noted above. Capex for the year was offset by proceeds of £7.0m in relation to the disposal of CPW Europe's interest in MMN.

Cash outflows associated with Best Buy UK were £44.5m, predominantly reflecting the cash costs of completing the process of assigning store leases, the charge for which was booked during 2011–12.

Other cash flows principally reflect interest and tax payments, the settlement of incentive plans associated with the Best Buy Mobile Disposal, the cost of which was booked during 2011–12, and cash costs associated with the restructuring programmes noted above.

At the end of the year, CPW Europe had net funds of £120.4m, against net debt of £29.4m at the start of the year, reflecting the net cash generation described above.

“”

The business delivered strong cash generation, despite a substantial increase in postpay volumes.

Nigel Langstaff Chief Financial Officer

OUTLOOK

We expect the consumer environment in Europe to remain challenging in the year ahead, and anticipate the continued effects on the mobile market of regulation and competition. Against this, the more widespread development and promotion of 4G services may provide a stimulus to the handset replacement cycle and an opportunity for network operators to develop pricing structures to reflect higher quality services and higher levels of data consumption. CPW Europe's investment in expert consultants and in its store formats positions the business well to help customers through this additional choice and complexity.

We plan to continue to drive volume growth, particularly in the postpay segment, and anticipate further like-for-like revenue growth in the coming year. We also plan to continue to develop the tablet category, both through standalone sales and handset/tablet bundled propositions. The development of 4G services is expected to improve download speeds significantly and therefore to stimulate demand for tablets with connectivity to mobile networks as well as wi-fi services.

We are targeting growth in cash gross margins from the continuing business in the coming year. The gross margin percentage will continue to be affected by the mix of sales, both within the core postpay category and between mobile and non-cellular sales and the level of revenue generated by our dealer businesses.

Following the completion of the Group's acquisition of Best Buy's interest in CPW Europe, the results of CPW Europe will be consolidated in full from that date. We will be required to perform a fair valuation exercise of the CPW Europe balance sheet. This exercise has not yet been undertaken, but we provisionally expect to see some reduction in the value of existing non-current assets. Alongside the outsourcing arrangements noted above, we expect this to result in reduced levels of ongoing depreciation and amortisation. From an earnings perspective, we expect that this will largely offset the loss of profits associated with our French business, which continued to deliver a positive contribution until towards the end of last year, and our Swiss telecoms business, which was sold in April 2013.

The business will benefit from the restructuring programme undertaken in 2012-13, although some of the cost savings associated with this programme will be offset by underlying cost inflation, the integration of plc costs and by investment in new business development.

We will operate CPW Europe and the current wholly-owned group as one following completion, and expect Headline EBIT for the enlarged wholly-owned group in the coming year to be between £140m and £160m, with the ultimate outturn likely to depend on the volume of postpay connections and the level of investment in the tablet category and in new business development.

Cash generation will remain a key priority for the business. We expect further growth in the postpay category to absorb some working capital in the coming year and we expect increased levels of capex investment, particularly in IT, to support the continued development of the retail proposition and to facilitate the development of the Connected World Services business.

Nigel Langstaff Chief Financial Officer

CPW Europe has a well-established risk management function, which monitors the key risks facing the business. The table below summarises the most material risks identified, and the ways in which the business seeks to mitigate them.

RISK	MITIGATION
CONSUMER ENVIRONMENT CPW Europe's major markets have suffered low or negative economic growth since 2009, and there is uncertainty surrounding the economic outlook, particularly in the Eurozone markets in which the business operates. Some of the products and services offered by the business may be viewed as discretionary, and may therefore be particularly affected by consumer confidence.	The business continues to focus on its structure and on strong cost control to try to ensure that it is well positioned to deal with an uncertain environment.
DEPENDENCE ON KEY SUPPLIERS AND CUSTOMERS CPW Europe's principal revenue streams are from mobile network operators, and any change in their strategy could affect the revenues and profits of the business. Changes in network ARPU could also have an adverse effect on the revenues and profits of the business. The business is also dependent on relationships with key suppliers to source products on which availability may be limited.	The business has moved towards commercial arrangements that provide a closer alignment of interests with the network operators, whereby the risks and rewards of customer ownership are shared, and has focused on the high value postpay and smartphone segments to help to drive economic value for the networks. The business seeks to increase and leverage the scale of its operations to support global strategic relationships.
COMPETITION CPW Europe operates in markets that are highly competitive, in which the behaviour of competitors may damage revenues and margins. In some markets CPW Europe may not have the scale required to compete effectively against increased competition.	The business has sought to differentiate itself through innovative propositions, high quality customer service, and a good supply of scarce products. The business is working to build partnerships with other retailers in certain territories in order to achieve additional scale.
REGULATION CPW Europe is subject to regulation in a number of areas, including insurance operations, information security and customer management. Non-compliance with regulation could result in financial loss and/or reputational damage to the business.	The business has internal committees and control structures to manage these requirements, to ensure appropriate compliance, and to react swiftly should issues arise.
OPERATIONS CPW Europe's operations are dependent on internal and external IT systems which could fail or be unable to keep pace with the needs of the business.	A significant investment has been made over recent years in the IT infrastructure of the business, supported by testing processes and ongoing business continuity planning.
FOREIGN EXCHANGE A material part of CPW Europe's earnings are denominated in Euros, giving rise to exposure to foreign currency fluctuations.	The business may hedge a proportion of such earnings, to provide certainty of their value.

VIRGIN MOBILE FRANCE

Virgin Mobile is the largest MVNO in the French market, with a reputation for innovation and high quality customer service.

It has a strong distribution network with over 2,000 third party handset sales points, some 37,000 distribution points for prepay vouchers, a small portfolio of Virgin Mobile branded stores, and a well-established online platform.

MANAGEMENT STRUCTURE

Virgin Mobile France has its own experienced management team, led by chairman Geoffroy Roux de Bézieux and chief executive officer Pascal Rialland.

Geoffroy joined Carphone Warehouse in 1995, founding its retail business in France, and was a member of the Old Carphone Warehouse board before leaving to set up this venture, in which he is also a minority shareholder. Pascal joined Virgin Mobile France in 2010 having previously worked at SAP, SFR and Xerox.

A shareholder board meets formally on a regular basis to agree strategy and review performance.

FULL MVNO

The business has invested in the development of a Full MVNO infrastructure, which enables it to participate more fully in customer revenue streams, including termination revenues, and to reduce its costs. It also provides additional strategic flexibility by giving the business greater control of its customers.

The business had approximately 50% of its customers on this infrastructure at March 2013, with plans to have the large majority of customers on this platform by the end of the forthcoming year.

FUNDING

Virgin Mobile France is funded primarily through shareholder loans, which are provided in proportion to each party's shareholding, supplemented since the year end by a third party finance lease facility.

OWNERSHIP

JV

Joint venture with Virgin Group (46% each) with the remaining interests held by management. Virgin Group was founded by entrepreneur Sir Richard Branson, and operates across a range of sectors globally.

CUSTOMER OFFERING

MOBILE SERVICES
Wide range of tariffs and contract options, catering for a broad range of customer needs

QUAD-PLAY
Quad-play package comprising mobile, fixed line, broadband and TV services, providing customer retention benefits

HANDSETS
Wide range of smartphones and other mobile handsets

SERVICES
High quality customer support, through contact centres and expanding store portfolio

CUSTOMER VALUES

SIMPLE AND HONEST
Offers that are both simple and clear, with no surprises

ACCESSIBLE
Offers that are affordable and great value for money

FAIR
Customers benefit from the same high quality of customer service regardless of their postpay or prepay tariffs

ORIGINAL
Humour, pleasure and being anti-establishment are its motifs: a constant desire to shake up the market

INNOVATIVE, DIFFERENTIATED AND COMPETITIVE

MAJOR ALTERNATIVE BRAND IN FRENCH MARKET

PARTNERS

FRENCH NETWORKS
Strong partnerships with Orange and SFR provide the network infrastructure for the business

LEADING TECH COMPANIES
Working closely with leading hardware companies to deliver the latest technology in devices

RESOURCES AND CAPABILITIES

LARGEST MVNO IN FRANCE
The largest MVNO in France with 1.7m subscribers. Its scale and high levels of customer satisfaction have enabled it to forge strong partnerships with Orange and SFR

BRAND
The Virgin brand is one of the world's most recognised brands. Virgin Mobile is a major alternative brand to MNOs in the French market

DISTRIBUTION
A network with over 2,000 third party handset sales points, 37,000 distribution points for prepay vouchers, a portfolio of Virgin Mobile branded stores and a well-established online platform

THE CLEAR NUMBER ONE MVNO...

COMPETITIVE LANDSCAPE

The French mobile market is the third largest in Western Europe in terms of service revenue, behind the UK and Germany, with approximately 73m subscribers.

The regulator, ARCEP, has encouraged competition by aiding the development of MVNOs, including a requirement for MNOs to host MVNOs and allow access to their networks. There are currently more than 20 MVNOs, mostly using the networks of Orange and SFR.

Following the launch of the fourth MNO by Iliad in January 2012 under the Free Mobile brand, the mobile market in France has been fiercely competitive.

CUSTOMER ARPU

In addition to regulated price reductions faced by all European MNOs, the French network operators have experienced downward pressure on customer ARPUs as a result of increased competition, particularly in the SIM-only segment. As a result, total mobile service revenues declined by approximately 15% between 2010 and 2012 (Company estimates based on ARCEP quarterly reports). Continued competition is likely to continue to cause revenue erosion over time.

REINFORCE POSITION AS NUMBER ONE MVNO

OBJECTIVES		2012–13 ACHIEVEMENTS
1	Attracting high value postpay customers	— Despite intense competition, the business managed to grow its postpay base during the year — Revenue growth of 4.2%, reflecting improved customer quality and the benefit of termination revenues, offset by downward pressure on outbound ARPU
2	Development of distribution channels	— Increased the number of Virgin Mobile stores from 31 to 43 during the year (excluding Virgin Megastores)

CONTINUE TO INVEST LONG-TERM

1	Migration of customers onto the Full MVNO platform	— Achieved our target of 50% of customers on the Full MVNO infrastructure by the end of the year

4G

4G network services are expected to drive mobile data traffic. All four MNOs are currently testing 4G services in some areas, but availability of commercial 4G services is limited. However, Bouygues Telecom has recently been granted permission to reuse its 1800 MHz spectrum for 4G services and is targeting 40% 4G coverage by October 2013.

4G is reportedly five times faster than 3G. As 4G technology and 4G-enabled devices become more widely adopted, the user experience is expected to improve and consumption of mobile data is likely to increase, to accommodate users' changing needs. In the US and in other more highly developed 4G markets, MNOs have applied premiums to 4G tariffs, reflecting the higher quality service being provided, as well as using tiered data packages to match charges to the level of data consumption. It is anticipated that providers in France may seek to adopt a similar approach in order to stimulate ARPU.

GOING FORWARD

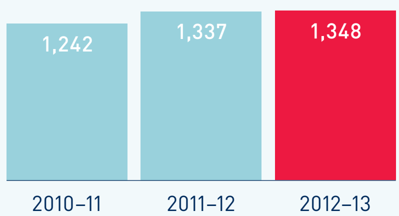
— The business continues to focus on its postpay base through its innovative propositions
— The business will explore opportunities presented by 4G and will seek to use this as a differentiator

— The business continues to invest in its web platform and processes in order to improve the customer experience
— The business will also seek further partnerships with major retailers and consolidate existing relationships, as well as growing the number of Virgin Mobile branded stores

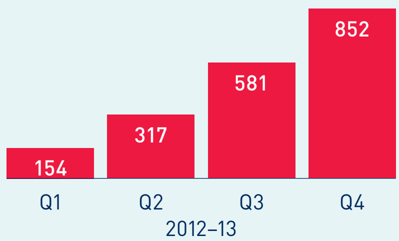
— Further migration to the Full MVNO planned in order to maximise value; expect to have the large majority of customers on this platform by the end of the year

KPIs

POSTPAY BASE (000s)
Approximately 80% of the base are higher value postpay customers



FULL MVNO CUSTOMER BASE (000s)
Migration continues well, providing the opportunity to enhance revenue, reduce costs and provide a more flexible strategic platform



> The business has shown remarkable resilience in a fiercely competitive market.
>
> **Nigel Langstaff** Chief Financial Officer

HEADLINE INCOME STATEMENT

(100% basis)	2013 £m	2012 £m
Revenue*	**385.0**	390.2
EBITDA	**19.7**	25.7
Depreciation and amortisation	**(7.8)**	(4.2)
EBIT	**11.9**	21.5
EBIT %	**3.1%**	5.5%
Interest	**(1.4)**	(2.5)
Tax	**(3.9)**	(6.7)
PAT	**6.6**	12.3
Group share	**3.2**	6.1

* Revenue excludes contributions towards subscriber acquisition costs from network operators and customers to avoid distorting underlying performance. These items are netted off against acquisition costs within Headline EBITDA.

Virgin Mobile France revenue was broadly flat year-on-year on an actual currency basis at £385.0m (2012: £390.2m) reflecting underlying revenue growth offset by a weakening of the Euro year-on-year. Revenue at a constant currency was up by 4.2%, driven by growth in the average postpay base and by mobile termination revenue, which was earned for the first time towards the end of the prior year. These factors helped to offset the effects of downward pressure on outbound ARPU caused by a highly competitive market.

While Virgin Mobile France's total customer base was down year-on-year at 1.71m customers (2012: 1.92m) the postpay base, which is of significantly higher value, was marginally up year-on-year to 1.35m (2012: 1.34m). The market remains intensely competitive and the business maintains its focus on innovative propositions and high quality customer service to provide differentiation.

Virgin Mobile France has deliberately reduced focus on the low value prepay market, in which there is less visibility of returns on investment.

The business launched a quad-play proposition during the first half of the year. While the proposition remains in its infancy and has to date principally been used as a retention tool, it provides the business with opportunities to develop its customer reach. EBIT investment in this channel was £4.9m (2012: nil), reflecting customer acquisition costs, limited marketing, and depreciation and amortisation of the infrastructure developed to support the proposition.

Virgin Mobile France continued to develop its Full MVNO infrastructure during the year and had half its customer base on this platform at 31 March 2013. The Full MVNO infrastructure enables the business to participate more fully in customer revenue streams, including termination revenues, and to reduce its costs.

The business produced a Headline EBIT margin of 3.1% (2012: 5.5%). Excluding EBIT investment in quad-play, the EBIT margin was 4.4%, with the year-on-year reduction largely due to increased depreciation and amortisation on the Full MVNO infrastructure. The intensely competitive market has put downward pressure on gross margins and has required a greater level of investment in customer acquisition and retention. This has been offset by tight control of operating costs.

Interest decreased year-on-year from £2.5m to £1.4m, reflecting lower average debt following loan repayments over the last two years.

The tax charge decreased to £3.9m (2012: £6.7m), primarily reflecting the lower level of pre-tax earnings described above.

Virgin Mobile France recorded amortisation on acquisition intangibles arising on the acquisition of Tele2 France, of which the Group's post-tax share is £0.5m (2012: £1.3m). This charge is excluded from Headline results to avoid distortion of underlying performance.

CASH FLOW

(100% basis)	2013 £m	2012 £m
Headline EBITDA	**19.7**	25.7
Working capital	**4.6**	8.9
Capex	**(19.1)**	(12.5)
Operating free cash flow	**5.2**	22.1
Other	**(5.2)**	1.1
Movement in net debt	**—**	23.2
Opening net debt	**(40.4)**	(63.6)
Closing net debt*	**(40.4)**	(40.4)

* Comprises shareholder loans of £42.4m (2012: £50.5m) and net cash of £2.0m (2012: £10.1m).

Headline EBITDA decreased from £25.7m to £19.7m for the reasons described above. Capex increased year-on-year to £19.1m (2012: £12.5m), reflecting investment in the Full MVNO infrastructure, some of which was deferred from the previous year.

The working capital inflow of £4.6m (2012: £8.9m) reflected some one-off items which are not expected to be repeated. Other cash flows reflect interest and tax payments and the impact of foreign exchange, which had a positive effect in 2011–12.

OUTLOOK

The French mobile market is expected to remain highly competitive, with continued pressure on ARPU. We aim to maintain the postpay base at a similar level year-on-year, and expect some year-on-year reduction in revenues, particularly in the earlier part of the year.

We will continue to move customers onto our Full MVNO infrastructure, and expect to have the large majority of the base on this platform by the end of the year, providing the business with improved margins and greater strategic flexibility.

These improved margins will help to counter downward pressure on ARPU, and we therefore expect Headline EBIT to be broadly flat year-on-year.

The business will continue to focus on cash generation and is targeting further repayments of shareholder loans, supported by a recently negotiated finance lease facility, which will be used to fund capex in the forthcoming year.

Nigel Langstaff Chief Financial Officer

VIRGIN MOBILE FRANCE RISK MANAGEMENT

Virgin Mobile France has its own risk management process, which monitors the main risks facing the business. The table below summarises the most material risks identified, and the ways in which the business seeks to mitigate them.

RISK	MITIGATION
CONSUMER ENVIRONMENT Consumer confidence in France remains relatively low, which may affect the level of customer spending and the ability of the business to acquire new customers.	The business is focused on improving the quality of its proposition through a wider product and service offering, increased distribution channels and ongoing brand development.
DEPENDENCE ON KEY SUPPLIERS The business is reliant on third parties for the provision of its network infrastructure and on key suppliers to source products for which availability may be limited.	Virgin Mobile France has a strong relationship with its key suppliers, with its scale supporting its commercial position. The business has developed a Full MVNO infrastructure to reduce dependency and improve flexibility over time.
COMPETITION Since 2012 the mobile market in France has been fiercely competitive putting downward pressure on industry ARPUs, a trend which could continue going forward.	The business continues to invest in the quality of its proposition, brand and distribution channels to try to improve its scale and competitive position. The business seeks to use innovative and differentiated propositions in order to remain competitive.
OPERATIONS The business is reliant on internal and external IT systems which could fail or be unable to keep pace with the needs of the business. The Full MVNO infrastructure and quad-play proposition place further reliance on these IT systems.	A significant investment has been made over recent years in the IT infrastructure of the business, supported by ongoing business continuity planning.

OTHER GROUP FINANCIALS

> The acquisition of Best Buy's interest in CPW Europe provides significant earnings accretion, and gives us complete control over our decision-making.
>
> **Nigel Langstaff** Chief Financial Officer

HEADLINE GROUP INCOME STATEMENT

	2013 £m	2012 £m
Revenue	10.7	6.4
Operating expenses	(7.9)	(5.4)
CPW Europe[1]	51.1	48.3
Virgin Mobile France[2]	3.2	6.1
EBIT	57.1	55.4
Interest	1.9	2.9
PBT	59.0	58.3
Tax	(0.9)	(0.6)
PAT	58.1	57.7

1 See page 16.
2 See page 24.

Revenue increased to £10.7m (2012: £6.4m), reflecting consultancy income associated with the disposal of the Group's interest in Best Buy Mobile. Operating expenses were £7.9m (2012: £5.4m) with the increase primarily reflecting incremental investment in new business development.

Net interest income for the year decreased to £1.9m (2012: £2.9m), principally reflecting a reduction in loans to Virgin Mobile France.

A tax charge of £0.9m arose in the year (2012: £0.6m) increasing due to higher pre-tax profits from wholly-owned operations.

Headline earnings per share decreased marginally from 12.6p to 12.3p, reflecting a higher average number of shares in issue year-on-year.

	2013 Pence	2012 Pence
Basic EPS	12.3	12.6
Diluted EPS	12.1	12.1

STATUTORY RESULTS

	2013 £m	2012 £m
Headline PAT	58.1	57.7
Best Buy Mobile Disposal		
Initial consideration	—	813.0
Operating expenses (post-tax)	—	(19.7)
Share of CPW Europe		
Discontinued businesses	—	(9.8)
Exceptionals	(53.4)	(77.4)
Share of Virgin Mobile France		
Amortisation of acquisition intangibles	(0.5)	(1.3)
Statutory PAT	4.2	762.5
Basic EPS	0.9p	167.0p

Exceptional charges within CPW Europe reflect the restructuring programmes detailed on page 17, together with the impairment of non-current assets associated with our French business.

Prior year results reflect Best Buy UK closure costs and profits associated the disposal of the Group's interests in Best Buy Mobile, which have subsequently been distributed to shareholders.

Discontinued businesses within CPW Europe in the prior year represent Best Buy Mobile and Best Buy UK. The results of these businesses have been excluded from Headline results in order to provide visibility of the performance of the continuing business.

A reconciliation between Headline results and statutory results is provided in note 9 to the Group financial statements.

GROUP BALANCE SHEET

	2013 £m	2012 £m
Best Buy Europe	**523.5**	521.0
Virgin Mobile France	**13.7**	14.5
Cash	**116.9**	102.7
Property	**26.7**	66.1
Other	**(20.2)**	3.7
Net assets	**660.6**	708.0

Group net assets reduced by £47.4m year-on-year to £660.6m (2012: £708.0m), principally reflecting distributions to shareholders of £56.6m during the year.

The Group's interests in Best Buy Europe comprise our share of the joint venture's net assets, together with goodwill on the investment, and the year-on-year increase in its value is broadly in line with our share of Best Buy Europe statutory results and movements on its other reserves.

The Group's interests in Virgin Mobile France include loans due to the Group as well as our share of the venture's net liabilities. The year-on-year reduction reflects loan repayments during the year, offset by the Group's share of post-tax profits.

NET FUNDS AND DIVIDENDS

The Group closed the year with net funds of £116.9m (2012: £102.7m) and loans receivable from Virgin Mobile France of £20.5m (2012: £24.3m). Cash inflows during the year include proceeds of £40.5m on the disposal of one of the Group's freehold properties which, together with the settlement of receivables from CPW Europe, helped to offset aggregate distributions to shareholders of £56.6m during the year.

We are proposing a final dividend of 3.25p per share, taking the total dividend for the year to 5.0p, in line with last year's distribution. The final dividend is subject to shareholder approval at the Company's forthcoming annual general meeting. The ex-dividend date is Wednesday 10 July 2013, with a record date of Friday 12 July 2013 and an intended payment date of Friday 9 August 2013.

CPW EUROPE ACQUISITION

On 26 June 2013 the Group is scheduled to complete the acquisition of Best Buy's interest in CPW Europe, for a net consideration of £471m. Gross consideration of £500m has been offset by payments from Best Buy of approximately £29m in respect of the prepayment or termination of the Group's other interests with Best Buy.

The Company completed the placing of 47.2m shares at a price of £2.22 per share on 3 May 2013, providing net proceeds of £103.2m, and agreed a new £250m four-year amortising Sterling term loan facility, further details of which are provided below.

The proceeds of the placing and term loan were used to fund initial cash consideration of £341m, which will be paid on completion. A further £80m of consideration is being provided through the issue on completion of 42.1m shares to Best Buy, at a price of £1.90 per share. The remaining consideration of £50m is deferred and is payable in two equal instalments of £25m on the first and second anniversaries of completion. The deferred consideration bears interest at a rate of 2.5% per annum.

The Group has the right to sell the Consideration Shares issued to Best Buy in the 12 months following completion, if it determines that there is sufficient demand in the market. The Group will retain any proceeds on disposals above the issue price if the aggregate of the disposal proceeds and the value of any shares that have not been sold exceeds £80m. If the total value of disposal proceeds and shares that have not been sold is lower than £64m, the Group is obliged to compensate Best Buy for any shortfall on £64m. If the value is between £64m and £80m, the Group is obliged to settle any dividends accruing to Best Buy during the 12 months post-completion, which would otherwise be waived.

The acquisition will give the Group full control of CPW Europe. The Group will therefore derecognise its joint venture interest in CPW Europe and will instead consolidate its net assets, together with its profits, in full.

The acquisition gives rise to additional interest costs and has resulted in an increase in the number of ordinary shares in issue from 472.8m throughout the year ended 31 March 2013 to 562.1m immediately after completion. Against this, the Group will benefit from 100% of CPW Europe's profits following completion, providing a significant improvement in Headline Group earnings.

On this basis, our guidance range of £140m to £160m Headline EBIT for the enlarged wholly-owned group in the year to March 2014 translates into a basic Headline EPS range of 17p to 20p, compared to a basic Headline EPS of 12.3p for the year to March 2013.

OTHER KPIs

The Group's principal KPIs relate to its joint venture operations and are reported in the relevant sections of the Business Review. The KPIs which are relevant for the Group as a whole are those regarding shareholder return, profitability and growth.

Headline KPIs	2013	2012
ROCE	**8.5%**	7.9%
EPS	**12.3p**	12.6p
Ordinary dividends for the year	**£25.2m**	£23.3m
Other distributions for the year	**—**	£812.8m

The improvement in return on capital employed principally reflects distributions to shareholders during the year.

RISK MANAGEMENT

The key risks of the Group relate to its joint venture operations and such risks are described on pages 19 and 26. The risks associated with CPW Europe will be borne entirely by the Group following the acquisition of Best Buy's interest in this business after the year end. The Group does not exercise control over Virgin Mobile France and therefore material decisions can only be made with the consent of our joint venture partner. Inability to reach consensus on such decisions could have an adverse effect on the growth, business and financial results of this business. Such risks are mitigated through agreed strategies, defined and documented processes and regular communication. The Group is also exposed to market risks such as interest rate risk and foreign currency risk. Further details on such risks are provided below.

CAPITAL STRUCTURE, FINANCING AND TREASURY

At 31 March 2013, the Group was funded entirely by equity, which at that date was £660.6m (2012: £708.0m). As described above, the Group agreed a new £250m four-year amortising Sterling term loan facility, to provide part of the funding for the acquisition of Best Buy's interest in CPW Europe. The loan matures in April 2017 and amortises to £225m and £175m on the second and third anniversaries of completion of the acquisition respectively.

CPW Europe had a £400m RCF which was due to mature in July 2015. The Group has renegotiated a replacement RCF of the same value, which has a maturity of April 2017, and which will allow, amongst other things, the Company to be the main borrower.

CPW Europe also has various local overdrafts and other uncommitted facilities, to assist with cash management efficiency.

Virgin Mobile France is funded principally through equity and shareholder loans, which are provided by its shareholders in proportion to their shareholding. Virgin Mobile France also has uncommitted overdraft facilities, which are used for cash management purposes. In April 2013, the business agreed a three-year third party financing arrangement to provide funding of up to €25m in respect of capital expenditure.

The Group's investment policy is to maximise investment returns whilst ensuring low risk and suitable liquidity.

As further described in note 17 to the Group financial statements, treasury policies permit the use of long-term derivative products for the management of currency and interest rate risk and the Group's exposures are monitored regularly. The Group does not trade or speculate in any financial instruments. Except for a Euro-denominated loan provided to Virgin Mobile France, the Group has limited direct exposure to foreign currency fluctuations. The Group hedges its loan to Virgin Mobile France in order to prevent income statement fluctuations arising from foreign currency movements.

The Group is more significantly affected by foreign currency fluctuations through the results of its joint ventures. All of Virgin Mobile France's profits arise in Euros, while those of CPW Europe are materially affected by the Euro and certain other European currencies. CPW Europe may hedge a proportion of its non-Sterling earnings to provide certainty of their value. CPW Europe provides some funding to its subsidiaries in currencies other than Sterling, giving it limited exposure within net funds to currency fluctuations.

GOING CONCERN

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position, are set out elsewhere within this Business Review, including the Risk Management sections. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are shown in the balance sheet, cash flow statement and accompanying notes to the Group financial statements.

As described in note 1 to the Group financial statements, the directors, in their consideration of going concern, have reviewed the future cash and profit forecasts of the Group's joint venture investments and other businesses, which they consider to be based on prudent assumptions. This review considered the implications of the CPW Europe Acquisition, including the effect on forecast cash flows and changes to the Group's financing facilities. Based on these forecasts, the directors consider that it is appropriate to prepare the Group financial statements on the going concern basis.

Nigel Langstaff Chief Financial Officer

CORPORATE RESPONSIBILITY

Our corporate vision is at the core of corporate responsibility – to inspire and guide, making more people's lives better through connected technology. Our customer ambition is to extend the reach of our trusted brand - 'Always on your side'. We are progressively looking at all aspects of our business and aim to conduct all areas responsibly.

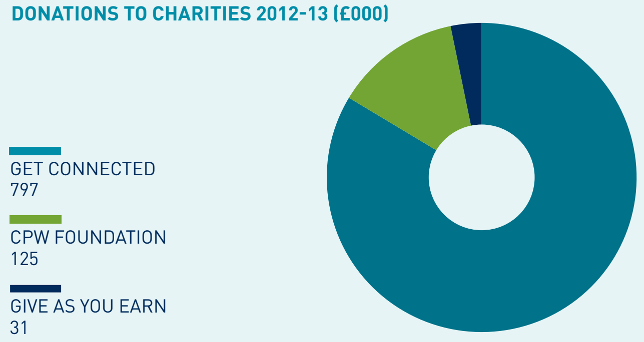
The Board is committed to operating a responsible and ethical business. We listen to our customers, shareholders and employees, as well as local and wider communities to understand their expectations and ensure they are reflected in our business decisions. Our priorities are to positively engage employees with our vision and values, to make a noticeable difference in the communities in which we operate, and to minimise our impact on the environment.

Our corporate responsibility activities are categorised into Charity, Community, Environment and People.

CHARITY

We donate, and our people raise, hundreds of thousands of pounds a year for our charity partner, Get Connected, and other charitable causes.

DONATIONS TO CHARITIES 2012-13 (£000)



Get Connected support	£000
Partnership fundraising activities	308
Financial support through gifts-in-kind and cash	384
Office space and systems improvements	105
Total	**797**

GET CONNECTED

We continued our long-standing support of Get Connected, our charity partner. This registered charity is a free, confidential helpline for children and young people under the age of 25. It provides a first point of contact for those who need help, such as emotional support or advice on options available to them, or putting them in touch with the services they need.

Get Connected has built a solid platform through our investment in technological improvements, cash, and the provision of running costs and office infrastructure. Fundraising activity such as employee engagement projects and individual participation challenges has directly supported the recruitment and training of the charity's helpline volunteers, as well as the development of a new website, providing a comprehensive online portal for young people.

A key priority for 2012–13 was to help increase the public profile of Get Connected, making it more accessible to young people in need. During the year almost 150,000 young people in crisis contacted Get Connected for help, which is more than double the number of contacts received during 2011–12. Over 30% of these people sought help via the Carphone Warehouse-enabled integrated webhelp 24/7 portal. During 2012–13 the business donated a total of £797,000 towards the running costs of Get Connected, helping the charity develop a unique service, expanding its reach significantly.

Our dedicated Get Connected Week in June raised £63,000

THE CARPHONE WAREHOUSE FOUNDATION

Set up over nine years ago, the Foundation's primary aim is to support employees with their own fundraising initiatives for causes that they feel strongly about. The Foundation is partly funded through our 'Take Back' scheme through which the business will match employee personal fundraising efforts with grants of up to £200 per employee per annum, or up to £500 for employee team efforts. During the year, the Carphone Warehouse Foundation provided £125,000 to support a range of charities and worthy causes.

To raise further awareness for charities our employees feel strongly about, we ran a '12 Days of Christmas' campaign last December. Through this campaign, the Foundation donated £1,000 to 12 charities nominated by employees over a 12-day period. Beneficiaries of this campaign include: Chickenshed, Connect, Dallaglio Foundation, Digital Unite, Get Connected, Hannah's Trees, Kid's Company, Macmillan Cancer Support, Make a Wish, Naace, NSPCC and Start Small.

The Foundation also supports employee charitable ventures such as overseas challenges which generally take place once a year. During September 2012, a number of employees undertook a challenge to construct a shelter for the children of Nakuru in Kenya, remarking, "It was one of the best experiences of our lives and will leave a positive, long-lasting memory." Whilst there, these employees lived and worked alongside locals, helping to create a much needed shelter to protect children from the elements during meal times. Each participant raised £3,000 in order to participate, with much of the funds contributing towards building materials for the shelter. This challenge was run in conjunction with Start Small, a UK based charity working in Nakuru, Kenya, trying to make a difference through educating children and supporting various local projects.

Carphone Warehouse employees helped build a shelter for children attending school in Nakuru, Kenya

COMMUNITY

We recognise that developing and maintaining strong, mutually beneficial relationships with the communities in which we operate generates community support, loyalty and goodwill.

TABLETS FOR SCHOOLS

TABLETS for SCHOOLS

Carphone Warehouse is the driving force behind a Government-backed programme called 'Tablets for Schools', which aims to transform education in the UK by being the catalyst that enables every child to have access to tablet computing and content in school and at home.

As Europe's largest independent telecommunications retailer, we were able to co-ordinate a multi-agency collaboration, comprising manufacturers, content providers, academics, relevant agencies, not-for-profit organisations and the UK Government. Partners include Google, Samsung, Microsoft, Sony, Acer, Virgin Media, Currys/PC World, Pearsons, the Educational App Store, AQA, 9ine, the e-learning foundation and Naace.

Our objective is to inspire schools, teachers and parents and provide a blueprint for them to adopt tablet technology, to help them adapt the way they teach and significantly improve children's engagement and attainment.

This programme involves a study of 30 schools, which we estimate is the biggest of its kind in the world. In addition, we have been collating existing research and facilitating expert working groups to overcome the challenges highlighted by our studies.

In parallel with this, we are inspiring and guiding parents, teachers and schools by addressing concerns and campaigning through our dedicated website, in the hope that every child in the UK will soon be able to learn in a way that reflects the world in which we live.

We look forward to exciting developments in 2013–14.

Our most exciting not-for-profit initiative of 2012-13 is the Government-backed 'Tablets for Schools' programme

INSPIRE AND GUIDE

Our core purpose as a business is to inspire and guide, making more people's lives better through connected technology. Our retail people are empowered to make a positive difference to people's lives through our 'Inspire and Guide' initiative. During 2012–13 we encouraged our employees to send us their 'Inspire and Guide' stories of how they have made a difference for customers or their local communities. These stories are shared with the rest of the business through the Carphone Warehouse intranet. For 2013–14, we have taken this a step forward by launching the quarterly 'Inspire and Guide' awards, recognising employee efforts. During the year we also committed to help Digital Unite with their Spring Online campaign by asking our people to volunteer their time to help an estimated 20,000 older people and other less confident users to use digital technology.

During 2012–13 we launched a waste campaign and an 'Understanding Mobile Data for Dummies' guide to help UK mobile consumers. The guide demystifies popular misconceptions of data usage which can lead to escalating mobile phone costs. It also offers a simple and effective way to reduce mobile bill costs. As the largest independent phone retailer in the UK, we want to ensure that customers are making informed decisions and agreeing to affordable tariffs for their individual needs.

We also launched the 'Bill Angel' mobile phone app. This app is designed to help mobile phone users manage and reduce their bills. The free app tracks calls, texts and data usage and will alert customers when they are about to go over any set limits.

WASTE NOT, WANT NOT

In the UK alone, an estimated £173m is wasted annually on unsuitable monthly tariffs. We developed an 'Understanding Mobile Data For Dummies' guide and launched the 'Bill Angel' app to help raise awareness and cut consumers' phone bills.

Carol Vorderman at the 'Bill Angel' launch

ENVIRONMENT

The Group's businesses are not by their nature particularly high impact in terms of carbon emissions and waste; however, we are fully committed to minimising our environmental impact.

MANAGING OUR EMISSIONS AND CARBON PERFORMANCE

During 2011 Carphone Warehouse was awarded the Carbon Saver Gold Standard for measuring, managing and reducing carbon emissions across the organisation. Initiatives included lighting upgrades, infrared sensors, smart meters, a new air conditioning systems and replacement hand dryers. All of these initiatives were maintained or further implemented during 2012–13. The Carbon Saver Gold Standard is awarded on a bi-annual basis and we are working towards receiving this again in 2013.

Energy consultants, EnergyQuote JHA, help the business manage and report its Carbon Reduction Commitment ("CRC"). CRC requirements have been in place for the past two years and the business paid its first Carbon Levy in July 2012. For 2012–13 we were able to report on 90% of metered locations and will be required to report on 100% of metered locations for the year ahead.

We are also working closely with EnergyQuote JHA to improve monitoring and management of emissions in preparation for the new greehouse gas emissions reporting guidance for quoted companies. Under the draft guidance, all UK companies listed on the main market of the LSE will be required to report their business's carbon emissions in their annual directors' report. As such, we have been implementing the necessary procedures for an emissions reporting time period that corresponds with our annual financial reporting period.

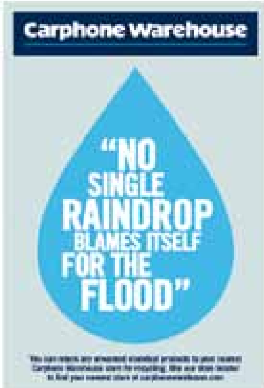
The reporting requirement is effective for financial year ends falling after 1 October 2013 and will be applied in our 2013–14 annual report.

'TAKE BACK' SCHEME AND TRADE-IN SERVICE

We are committed to recycling old handset components through our 'Take Back' scheme. Mobile handsets and tablets are refurbished for re-use or broken down for recycling to avoid toxic materials being taken to landfill. Recycling bags are available to customers purchasing a new handset, encouraging them to send us their old handsets. During 2012–13, we recycled thousands of handsets, the estimated value of which was donated to The Carphone Warehouse Foundation and Get Connected. During the year, almost £60,000 was raised through this scheme. The business also offers a trade-in service for customers. If the device doesn't have a trade-in value, it is recycled under the 'Take Back' scheme mentioned above. During 2012–13, tens of thousands handsets received through our trade-in service were processed by waste partners for data removal, re-use, parts and environmentally safe disposal.

WEEE COMPLIANT

Carphone Warehouse is registered under the European WEEE (Waste Electrical and Electronic Equipment) Directive 2007 and Waste Batteries and Accumulator Regulations 2009 as a Producer, which allows members of the public to return used electrical items on a like-for-like basis to any of our stores. This is collected and processed by licensed companies and recycled in an environmentally sound manner. This operation is part of our 'Take Back' operation required under the Directive.



WELSH GOVERNMENT CARRIER BAGS REGULATION

On 1 October 2011 Wales became the first UK country to introduce a charge for single-use carrier bags. Since then, we have been charging customers purchasing from our stores in Wales 5 pence per carrier bag. The regulation requires that all carrier bag charges collected by retailers be passed on to good causes. To date we have raised nearly £1,000 for an environmental charity, The Woodland Trust, the UK's leading woodland conservation charity, which cares for over 1,000 woods, covering 50,000 acres, most of which are open to the public.

EMPLOYEE BEHAVIOURS

Our 'bin free' policy in support and contact centres helps to ensure that employees recycle their waste on-site and is a contributing factor in our 100% landfill-free status. According to waste management and recycling specialist, BIFFA, we have increased recycling from 54% to 79%. A range of awareness campaigns help remind employees to 'switch off', 'recycle', 'reuse' and be mindful of the impact their actions have on the environment.

During Climate Week in March 2013 we tried to encourage greater environmental awareness by previewing the award-winning documentary 'Chasing Ice', narrated by James Balog, who spent time in the Arctic on an assignment for National Geographic, to gather undeniable evidence, and to share the story of the Earth's changing climate. The film was shown for two consecutive evenings at our head office in Acton and again at our site in Preston, and was well received by employees.

PEOPLE

People are the most important part of our business and therefore our biggest investment. Attracting and retaining the right people by ensuring they feel valued and rewarded is essential. Recognition at Carphone Warehouse is based on both personal contribution and the overall success of our business.

ENGAGEMENT

We listen to our employees and encourage two-way dialogue through a variety of communication channels including a weekly face-to-face senior leadership briefing, which is cascaded throughout the organisation; a quarterly retail forum which meets to raise issues and discuss improvements; and an intranet whereby employees communicate with senior leaders and colleagues through discussion boards.

Our annual OneTeam conference in May brings managers together from across Europe to discuss an update on the strategy of the business and a plan for the implementation thereof going forward. Our teams are central to delivering the strategy for the business. In the UK, this is followed five months later with retail roadshows, allowing managers to come together and review progress made since the OneTeam conference and prepare for Christmas, our busiest trading period.

We run our business using a balanced scorecard called 'Compass', based on the belief that engaged teams deliver great service, which in turn, delivers results for the business and our investors. Every employee's objectives and rewards are aligned to this scorecard. We measure the people element of our scorecard using an employee engagement survey called 'Pulse', which runs twice a year, in April and October. Employee feedback has influenced some of our biggest people initiatives over the last year including the retail reward scheme, sales advancement, employee recognition scheme and Project Hub, which transformed the work environment in the support and contact centres through the introduction of an actual Carphone Warehouse store, a faux 'beach' and 'a park'.

We are committed to helping everyone learn and develop. During the year we launched 'My Learning World', an online learning portal for our retail employees, which integrates E-learning with on-the-job coaching. 'My Learning World' has been designed to support our people by providing relevant training and tools to help them carry out their roles to the best of their abilities. In November 2009, CPW Europe launched 'Eye Openers', available on YouTube, which features videos from our employees demonstrating useful tips and providing advice on a range of devices. 'Eye Openers' has established itself as a technology advice channel, with over 10 million video views as of March 2013.

Our teams are central to delivering our strategy for the business

ECO-ZINE

The quarterly Eco-zine is another example of how we engage with our employees. It aims to help employees understand the role of corporate responsibility and helps increase awareness of our partnership with Get Connected. It also provides a platform to congratulate employees on their fundraising initiatives and, in doing so, provides visibility of donations by the Carphone Warehouse Foundation.

PEOPLE POLICIES

A range of policies are in place to ensure people are treated fairly and complaints are resolved in a timely manner. Our dignity at work and grievance policies provide formal and informal approaches to resolve any workplace issues that may arise. Informal mediation is also available to assist employees in constructively dealing with workplace conflicts.

We welcome applications from all suitably qualified candidates and monitor statistics to ensure our workforce reflects the diversity of the wider population. Our attraction and selection strategies are continually reviewed and evaluated to achieve this aim.

We take talent management seriously, ensuring we have the skills needed to meet our growth strategies. At Carphone Warehouse we also believe in creating balanced, diverse teams and have been focused on increasing the number of female leaders in business.

HEALTH AND WELLBEING

The greatest importance is given to the health, safety and welfare of our employees, temporary employees, visitors and members of the public.

Healthy living is promoted through a number of initiatives and facilities. This year saw the refurbishment of our on-site gyms in Acton, Warrington and Preston, where we also provide on-site canteens offering a range of foods for a balanced diet.

Support is offered in other ways too. For example, in support centres our sedentary employees have been encouraged to take part in 'boot camp' programmes and in Acton a physiotherapist comes in regularly and offers treatments at reduced rates.

The Employee Assistance Programme offers a 24/7 online and telephone helpline for all of our employees, and an opportunity to speak to an independent, impartial third party.

CHAIRMAN'S INTRODUCTION

The Group has a reputation for its entrepreneurial management style. It is essential that we have the necessary controls and procedures in place to steer this entrepreneurial drive and ambition. This naturally should start at Board level, setting the tone of governance for the entire Group. The Board of directors is ultimately responsible for the strategic direction, management and control of the Group's activities. The Board recognises the importance of high standards of corporate governance.

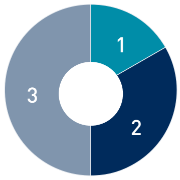
SIR CHARLES DUNSTONE CHAIRMAN

RESPONSIBILITIES

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

- determines the overall strategic direction for the Group;
- manages the Group's investments, including reviewing their performance;
- reviews and challenges management performance;
- ensures that the necessary operational, financial and human resources are in place to enable the Group to meet its objectives;
- develops an understanding of the views of major shareholders about the Group; and
- communicates with shareholders in conjunction with its dedicated internal investor relations department.

COMPOSITION OF THE BOARD



Chairman
Sir Charles Dunstone

Executive directors
Roger Taylor
Nigel Langstaff

Independent non-executive directors
John Gildersleeve (Deputy Chairman)
John Allwood
Baroness Morgan of Huyton

The Company currently has a standard listing on the main market of the London Stock Exchange, and as such is not required to comply with the UK Corporate Governance Code (the "Code") published by the UK Financial Reporting Council. However, the Board is committed to the highest standards of corporate governance and in accordance with the Listing Rules of the UK Listing Authority ("Listing Rules") the Board confirms that, except to the extent stated below, the Company has throughout the year and as at the date of this annual report complied with the provisions set out in the Code. As announced on 30 April 2013, the Company also aims to move from a standard listing to a premium listing in due course. In accordance with the Listing Rules, the relevant parts of this Report have been reviewed by the Company's auditors and their opinion is contained in the Independent Auditors' Report on page 49.

INDEPENDENCE AND COMPLIANCE

The Board has six members, three of whom, excluding the Chairman, are considered to be independent non-executive directors. These directors are John Gildersleeve, John Allwood and Baroness Morgan of Huyton. Therefore more than half of the directors excluding the Chairman are independent.

Executive directors and the Chairman have service contracts that can be terminated by either the Company or the director on between six and 12 months' notice, depending on the individual.

The non-executive directors have three-year periods of appointment, the terms of which are substantially in the same format as suggested by the Code, with three-month notice periods and no compensation for loss of office. Further details on each director's remuneration and notice period are set out in the Remuneration Report on pages 42 to 46.

Each of the directors will stand for re-appointment at the Company's annual general meeting.

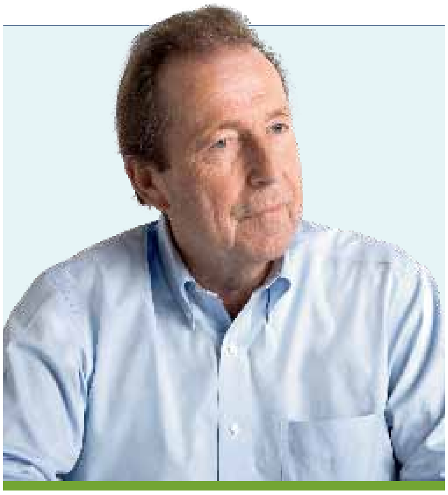
REPORT OF THE AUDIT COMMITTEE See page 41
REMUNERATION REPORT See pages 42 to 46

BOARD OF DIRECTORS

Sir Charles Dunstone
Chairman

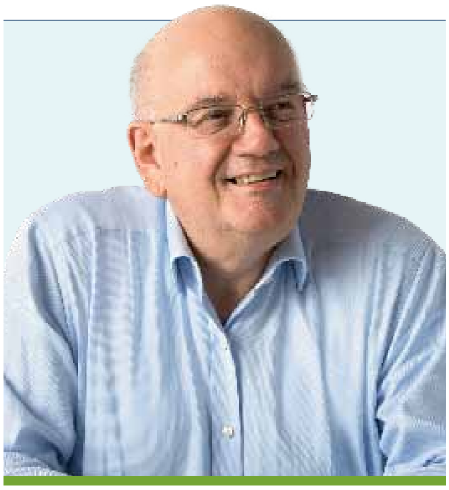
Roger Taylor
Chief Executive Officer

Nigel Langstaff
Chief Financial Officer



John Gildersleeve
Non-Executive Deputy Chairman

Baroness Morgan of Huyton
Non-executive director



John Allwood
Non-executive director

MEETINGS

The Board had ten formal meetings during the year as well as other meetings as were appropriate for approving certain announcements to shareholders and other matters from time to time.

	Meetings									
Charles Dunstone	●	●	●	●	●	●	●	●	●	●
Roger Taylor	●	●	●	●	●	●	●	●	●	●
Nigel Langstaff	●	●	●	●	●	●	●	●	●	●
John Gildersleeve	●	●	●	●	●	●	●	●	●	●
John Allwood	●	●	●	●	●	●	●	●	●	●
Baroness Morgan of Huyton	●	●	●	●	●	●	●	●	●	●

● Attended ○ Did not attend

EXPERIENCE/INDUSTRY BACKGROUND

The wide range of experience and expertise of the non-executive directors, combined with the skills of the executive directors, provides vast retailing, mobile industry and general business experience, strong personal skills and independence of thought and perspective.

John Gildersleeve is the Senior Independent Director.

John Allwood is the non-executive director with relevant financial experience.

Sir Charles Dunstone
Chairman

Sir Charles is the founder of Carphone Warehouse and has been Chairman of Carphone Warehouse since 28 January 2010. He was chief executive officer of Old Carphone Warehouse from 1989 to 2010 where he led the growth of Old Carphone Warehouse both before and after its flotation on the London Stock Exchange in 2000 to become Europe's largest independent retailer of mobile phones. Sir Charles was also appointed chairman of TalkTalk in 2010. He was a non-executive director of The Daily Mail and General Trust Plc from 2001 until 2012 and a non-executive director of Independent Media Distribution Plc (now Independent Media Distribution Limited) from 2002 until 2011. Sir Charles has been chairman of the Prince's Trust since 2009 and a member of its Council since 2000.

Roger Taylor
Chief Executive Officer

Roger is Chief Executive Officer of Carphone Warehouse and has been in his current role since 28 January 2010. He was chief financial officer of Old Carphone Warehouse from 2000 to 2010 where he played a key role in the growth of Old Carphone Warehouse across Europe and construction and completion of the successful transactions with Best Buy. He is responsible for new business development, strategic initiatives and investor relations at Carphone Warehouse. He is also a director of Virgin Mobile France and was non-executive deputy chairman of TalkTalk from 2010 until 2012.

Nigel Langstaff
Chief Financial Officer

Nigel has been Chief Financial Officer of Carphone Warehouse since 28 January 2010, with responsibility for the Group's finance functions. He previously held roles within Old Carphone Warehouse from 1997 to 2010, including UK finance director and group finance director. Prior to 1997, he spent four years with Arthur Andersen. Nigel has considerable experience and in-depth knowledge of all of the Group's businesses and has played a key role in the growth of Carphone Warehouse to date. He is also a director of Virgin Mobile France.

John Gildersleeve
Non-Executive Deputy Chairman

John joined the Board as Non-Executive Deputy Chairman on 28 January 2010. He was a member of the board of Old Carphone Warehouse from 2000 and was non-executive chairman between 2005 and 2010. He was appointed a non-executive director of The British Land Company PLC in September 2008 and became Chairman in January 2013. He has been a non-executive director of TalkTalk since January 2010. Previously, he was an executive director of Tesco plc until he retired in February 2004.

Baroness Morgan of Huyton
Non-executive director

Baroness Morgan joined the Board as a non-executive director on 28 January 2010. She was a non-executive director of Old Carphone Warehouse from 2005 to 2010. From November 2001 until May 2005, she was director of government relations at 10 Downing Street. Prior to this, Baroness Morgan was political secretary to the Prime Minister from 1997 to 2001 and was appointed Minister for Women and Equalities in 2001. In 2006, she was appointed as a board member of the Olympic Delivery Authority. She is an advisor to the board of the children's charity ARK and a member of the advisory committee of Virgin Group Holdings Limited. She was appointed chair of Ofsted in March 2011.

John Allwood
Non-executive director

John joined the Board as a non-executive director on 28 January 2010. He is also a non-executive director of TalkTalk and chairman of Romanes Media Group Limited. He has spent his career in the telecoms and media sectors in a number of senior positions including chief executive of Orange UK and chief executive and finance director of Mirror Group plc. He is a governor of Exeter University.

COMMITTEE MEMBERS

There are three Board Committees: Nomination, Audit and Remuneration. The Committees are provided with sufficient resources via the Company Secretary and, where necessary, have direct access to independent professional advisors to undertake their duties.

	John Gildersleeve	Baroness Morgan of Huyton	John Allwood
Nomination Committee p39	Member	Chairperson	—
Audit Committee p39	Member	Member	Chairperson
Remuneration Committee p40	Chairperson	Member	Member

Chairperson Member

BOARD OF DIRECTORS continued

RESERVED MATTERS
There are documented schedules of matters reserved to the Board and matters delegated to Committees of the Board. Such reserved matters include:

— approval of published financial statements;

— declaration of interim and final dividends;

— approval of budget and strategy;

— appointment and remuneration of directors and auditors;

— approval of major acquisitions and disposals;

— approval of authority levels for expenditure; and

— approval of treasury and risk management policies.

EXTERNAL APPOINTMENTS
The Board supports executive directors taking up non-executive directorships as part of their continuing development, and the Board believes that this will ultimately benefit the Company. Further details are provided in the Remuneration Report on pages 42 to 46.

BOARD GOVERNANCE MATTERS
All Board papers are sent out on a timely basis with sufficient information for the directors to be able to discharge their duties. The Company Secretary ensures that all Board papers are sent to non-attending directors and that, where possible, any comments they have are received beforehand so that they can be expressed at the meeting.

PERFORMANCE EVALUATION
The internal annual review of the balance of skills, knowledge and experience of the directors was conducted as usual during the course of the year. In addition, the Code recommends that the performance of the Board be reviewed externally every three years, and therefore an external evaluation was also carried out by NJMD Corporate Services during the financial year.

Internally, using the Higgs Report 'Suggestions for Good Practice' as guidance, the individual directors completed separate questionnaires and the Chairman, the Senior Independent Director, the Chief Executive Officer and the Board as a whole then collated and analysed the results. The areas covered included the roles of the executive and non-executive directors, the Board, Board Committees, the Chairman, preparation for and performance at meetings, the effectiveness of each director, leadership, culture and corporate governance. The results were then considered by the Board as a specific item of business.

The external evaluation covered a similar set of areas as recommended by the Guidance on Board Effectiveness published by the Financial Reporting Council. The overall findings of the review were that the Board is effectively run and administered. Levels of satisfaction with each member of the Board were consistently high, with effective communication between the committees and the Board, and no areas of major concern were identified.

The Chairman meets regularly with all the non-executive directors, usually on an evening prior to a Board meeting. This provides the opportunity to raise any questions regarding the performance of the executive directors or in respect of any other matters.

Following the results of the internal and external evaluations, the Chairman confirms that all directors who seek re-election at the annual general meeting continue to be effective and demonstrate a commitment to the role, including having time to attend all necessary meetings and to carry out other appropriate duties.

The Senior Independent Director also met with the non-executive directors, in the absence of the Chairman, to assess the Chairman's effectiveness, having first reviewed the results of a performance evaluation questionnaire completed by all of the directors apart from the Chairman. The Board is of the opinion that the Chairman had no other significant commitments during the year that affected his performance in his role.

COMMUNICATION WITH INVESTORS
The Board believes that it is important to explain business developments and financial results to the Company's shareholders and to understand shareholder concerns. The principal communication media used to impart information to shareholders are news releases (including results announcements), investor presentations and Company publications.

The Chief Executive Officer has lead responsibility for investor relations. He is supported by a dedicated investor relations department that, amongst other matters, organises presentations for analysts and institutional investors. There is a full programme of regular dialogue with major institutional shareholders and potential shareholders as well as sell-side analysts. In all such dialogue, care is taken to ensure that no price sensitive information is released. The Chairman ensures that the Board receives regular shareholder updates at Board meetings. The Board also receives periodic reports on investors' views of the performance of the Company. The Chairman and all the non-executive directors, in particular the Senior Independent Director, are available to meet with major shareholders, if such meetings are required.

The Company also communicates with shareholders through the annual general meeting, at which the Chairman gives an account of the progress of the business over the last year, a review of current issues, and provides the opportunity for shareholders to ask questions.

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

BOARD COMMITTEES

NOMINATION COMMITTEE

MEMBERS

— Baroness Morgan of Huyton (Chairwoman)

— John Gildersleeve

MEETINGS

— The Nomination Committee meets as and when required.

— The Nomination Committee met once during the year.

	Meetings
John Gildersleeve	●
Baroness Morgan of Huyton	●

● Attended ○ Did not attend

RESPONSIBILITIES

The principal responsibility of the Nomination Committee is to consider succession planning and appropriate appointments to the Board, and its duties include:

— overseeing the identification, selection and appointment of directors;

— reviewing the structure, size, composition and leadership needs of the Board;

— considering other commitments of directors relative to the time required for them to fulfil their duties;

— evaluating the skills, knowledge and experience of the Board; and

— making recommendations to the Board.

The terms of reference of the Nomination Committee are available on the Group's website (www.cpwplc.com) or on request from the Company Secretary.

AUDIT COMMITTEE

MEMBERS

— John Allwood (Chairman)

— John Gildersleeve

— Baroness Morgan of Huyton

MEETINGS

— The Audit Committee met three times during the year. All members attended each of these meetings except for Baroness Morgan who was absent from the meeting held on 30 October 2012 due to a prior engagement that could not be changed.

— The Chief Executive Officer, Chief Financial Officer, other senior management and representatives of the Company's external auditors, Deloitte LLP, attend the Audit Committee meetings by invitation of the Audit Committee.

	Meetings		
John Gildersleeve	●	●	●
John Allwood	●	●	●
Baroness Morgan of Huyton	●	○	●

● Attended ○ Did not attend

ADVISORS

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

RESPONSIBILITIES

The Audit Committee has the following principal duties:

— monitoring the integrity of the financial statements and any formal announcements relating to the Group's financial performance;

— reviewing significant financial reporting judgements;

— reviewing the Group's financial controls and internal control and risk management systems;

— monitoring and reviewing the effectiveness of the Group's internal audit functions;

— making recommendations to the Board in relation to the appointment of external auditors;

— reviewing and monitoring the relationship with the external auditors, including their independence, effectiveness, remuneration and terms of engagement;

— considering arrangements by which employees may raise concerns about possible improprieties in matters of financial reporting or other matters;

— considering other topics, as defined by the Board; and

— referring matters to the Board which, in its opinion, should be addressed at a meeting of the Board.

The terms of reference of the Audit Committee are available on the Group's website (www.cpwplc.com) or on request from the Company Secretary.

OTHER GOVERNANCE MATTERS

— The Chairman of the Audit Committee updates the Board on any significant issues that have arisen at the previous Audit Committee meeting.

— External auditors have direct access to the Audit Committee during formal meetings and time is set aside for them to have private discussions with the Audit Committee, in the absence of management.

BOARD COMMITTEES continued
REMUNERATION COMMITTEE

MEMBERS
— John Gildersleeve (Chairman)

— John Allwood

— Baroness Morgan of Huyton

MEETINGS
— The Remuneration Committee met three times during the year.

	Meetings		
John Gildersleeve	●	●	●
John Allwood	●	●	●
Baroness Morgan of Huyton	●	●	●

● Attended ○ Did not attend

ADVISORS
— PricewaterhouseCoopers LLP – long-term incentive plans and share option schemes.

— Deloitte LLP – employment tax and share option schemes.

— Deloitte LLP are the Group's auditors and provide other services as described on page 41.

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

— making recommendations to the Board on the Company's framework of executive remuneration;

— considering and making recommendations to the Board on the remuneration of the executive directors and senior management relative to performance and market data;

— approving contracts of employment which exceed defined thresholds of total remuneration or have unusual terms or termination periods;

— considering and agreeing changes to remuneration policy or major changes to employee benefit structures; and

— approving employee share-based incentive schemes and associated performance conditions and targets.

The terms of reference of the Remuneration Committee are available on the Group's website (www.cpwplc.com) or on request from the Company Secretary.

OTHER GOVERNANCE MATTERS
— None of the members of the Remuneration Committee has any personal financial interest (other than as shareholders) in the matters to be decided by the Remuneration Committee nor potential conflicts of interest arising from cross-directorships.

— No director or any person advising the Remuneration Committee plays a part in any discussion about his or her own remuneration.

— All members are non-executive directors who have no day-to-day involvement in running the Group's business.

A detailed description of the Remuneration Committee's work during the period is contained in the Remuneration Report on pages 42 to 46.

REPORT OF THE AUDIT COMMITTEE

In light of the assessments and review undertaken, the Audit Committee recommended to the Board that Deloitte LLP be retained as auditors of the Company. This recommendation was endorsed by the Board. The policy relating to the provision of non-audit services by the external auditors specifies the types of work from which the external auditors are excluded; for which the external auditors can be engaged without referral to the Audit Committee; and for which a case-by-case decision is required. In order to safeguard the external auditors' objectivity and independence, the ratio of non-audit fees to audit fees is monitored by the Audit Committee within an overall limit set by the Board on the recommendation of the Audit Committee.

A statement of fees paid or accrued for services from the external auditors during the year is set out below:

	2013 £m	2012 £m
Audit services – statutory audit	**0.1**	0.1
Tax advisory services	**—**	0.6
Other assurance services	**—**	0.2
Total	**0.1**	0.9

The Group's share of the external auditors' statutory audit fees for joint ventures was £0.5m (2012: £0.6m) and the Group's share of their fees for tax and other services was £0.2m (2012: £0.2m).

Certain non-audit services are pre-approved by the Audit Committee depending upon the nature and cost of the service. Tax services principally comprise technical advice associated with relevant UK and international fiscal laws and regulations and, in particular, assessment of the potential implications of proposed corporate transactions or restructuring. Having undertaken a review of the non-audit related work, the Audit Committee has satisfied itself that the services undertaken during the year did not prejudice the external auditors' independence.

At each of its meetings the Audit Committee reviewed and considered reports on the status of the Group's risk management systems, findings from reviews of internal controls in joint venture operations, and reports on the status of any weaknesses in internal controls identified by the internal or external auditors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has established a risk management programme that assists management throughout the Group to identify, assess and mitigate business, financial, operational and compliance risks. The Board views management of risk as integral to good business practice.

The directors have overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. The Board delegates to executive management the responsibility for designing, operating and monitoring these systems. The systems are based on a process of identifying, evaluating and managing significant risks and include the risk management processes set out above.

Executive management of Best Buy Europe and Virgin Mobile France have direct responsibility for the risk management programmes of their businesses. Consequently, the Board places reliance as far as possible on the risk management processes of the joint venture boards.

The Board's focus is primarily on reviewing the effectiveness of these processes, more than involving itself in the processes themselves. Specific controls and processes are detailed further below.

The systems of internal control described above were in place throughout the year and up to the date of approval of the annual report and financial statements. The effectiveness of these systems is periodically reviewed by the Audit Committee in accordance with the revised guidance in the Turnbull Report. These systems are also refined as necessary to meet changes in the Group's business and associated risks. The systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives. They can only provide reasonable and not absolute assurance against material errors, losses, fraud or breaches of laws and regulations.

The Board has conducted an annual review of the effectiveness of the systems of risk management and internal control in operation during the year and up to the date of the approval of the annual report and financial statements and this was approved by the Audit Committee and the Board.

JOINT VENTURE CONTROL PROCESSES

A dedicated team of risk specialists, including internal auditors, form the Best Buy Europe Risk and Business Assurance function. Members of this team conduct risk workshops and reviews within each of the main Best Buy Europe operating divisions and assist Virgin Mobile France with similar risk reviews as required.

The risk management processes of Best Buy Europe and Virgin Mobile France have involved assessments of significant business risks which are wide-ranging, covering risks arising from the regulatory environment, strategy, counter-parties and organisational change associated with acquisitions and major projects. The output from each assessment is a list of strategic, financial, operational and compliance risks. Associated action plans and controls to mitigate them are also put in place where this is possible and to the extent considered appropriate, taking account of costs and benefits.

Reports, action plans and any changes to the status of significant risks and risk matrices are reported at each Audit Committee meeting and at Board meetings where applicable. During the year the Board has not identified or been advised of any significant control failings.

Other controls in place for Best Buy Europe and Virgin Mobile France are as follows:

- Best Buy Europe has its own audit committee. Nigel Langstaff is a member of the committee and other members of senior management attend the meetings by invitation. Internal audit and risk reports are provided at these meetings.
- A number of key matters are reserved for the approval of both of Best Buy Europe's shareholders before they can be undertaken by the Best Buy Europe management team.
- Roger Taylor and Nigel Langstaff are directors of Virgin Mobile France. Its board ordinarily meets monthly and has ultimate responsibility for strategic, operational, risk and compliance matters for the business.
- There is frequent informal interaction between shareholders and management on strategic and operational matters, with respect to Best Buy Europe and Virgin Mobile France.

PART 1: REMUNERATION COMMITTEE, POLICIES AND STRUCTURE (UNAUDITED)

On behalf of the Board, I am pleased to present the 2013 Directors' Remuneration Report, for which we will seek approval from our shareholders at our forthcoming annual general meeting.

Despite the tough economic and retail environment in Europe we have had another strong year, and these results reflect the skills, dedication and efforts of our people. In reflection of this difficult environment, our executive directors again had no change in their basic salary during the year and their salaries have stayed the same as those which were approved at the time of the Demerger in March 2010.

We continue to seek to provide remuneration packages that retain, motivate and attract the best people whilst ensuring that our remuneration policy serves the interests of our shareholders and reflects the strategy of the Group. In order to achieve this we believe that a significant portion of our executive directors' remuneration should be variable. Such variable remuneration is based on financial measures such as the Group's EPS, shareholder return measures such as TSR, and a balanced scorecard which considers financial, customer, employee and strategic performance.

The variable element of executive directors' remuneration is ordinarily achieved through annual performance bonuses and long-term incentive schemes. However, following the vesting of the Best Buy Europe VES last year we considered that the shareholdings of our executive directors were sufficient to ensure alignment of interest between directors and shareholders for the financial year ended 31 March 2013 and therefore no long-term incentive schemes have been in place during the year just ended.

To further ensure alignment of interests with shareholders we encourage share ownership by our executive directors and require that they retain a shareholding in the Company (including share options and shares associated with other incentive schemes) of at least 200% of their annual salary. Such share ownership helps to reinforce focus on the Group's success, risk management and shareholder returns.

Following the completion of our acquisition of Best Buy's interest in CPW Europe we will reassess the Group's remuneration policy, and new or amended long-term incentive schemes were approved by our shareholders on 24 June 2013 in light of the new group structure. We believe that these schemes will provide a strong link between reward and performance and help drive value creation for all of our shareholders.

John Gildersleeve Remuneration Committee Chairman

REMUNERATION POLICY

The Group's remuneration policy has been defined so as to meet the Remuneration Committee's remuneration strategy:

REMUNERATION STRATEGY

The Remuneration Committee seeks to ensure that remuneration and incentive schemes:

- achieve alignment between employees and shareholders;
- provide a strong link to individual and business performance;
- attract, retain and incentivise individuals of high quality who have the skills to achieve the highest levels of performance; and
- are in line with best practice.

REMUNERATION POLICY

In order to achieve this strategy, the Group's remuneration policy is to:

- provide overall packages which are market-competitive and capable of rewarding exceptional performance;
- set fixed remuneration at market median levels;
- offer variable rewards, linked to the performance of the Group, which can provide significant overall levels of remuneration for exceptional performance and shareholder value creation; and
- require executive directors to retain a shareholding in the Company, including share options and shares associated with other incentive schemes, of at least 200% of their annual salary.

COMPONENTS OF REMUNERATION

The main fixed and performance-related elements of remuneration for executive directors are as follows:

ELEMENT	OPERATION AND REASON	CONDITIONS
Basic salary and benefits (fixed)	Fixed remuneration and benefits reflect skills, experience and responsibilities and are designed to attract and retain key employees. Taxable benefits consist of car allowances and private medical cover.	Salaries are reviewed annually with changes ordinarily taking effect on 1 July each year. Salary reviews take into account individual and business performance and market data.
Pension (fixed)	Reasonable and competitive retirement benefits are provided through the Company contributing to defined contribution pension schemes or self-invested pension plans. The Chairman and non-executive directors do not participate in any pension schemes.	Fixed at 5% of the executive directors' basic salary.
Annual performance bonus (short-term variable)	Annual performance bonuses are in place to incentivise achievement of annual objectives which support the short and medium-term strategy of the Group. These bonuses provides a strong link between reward and performance and drive the creation of further shareholder value. The Chairman and non-executive directors do not receive an annual performance bonus.	The bonus scheme for the year ended 31 March 2013 was based on TSR together with specific joint venture targets based on financial measures and a balanced scorecard. The balanced scorecard considered financial, customer, employee and strategic objectives. The bonus scheme for 2013–14 will have a similar structure. The bonus scheme has a maximum payment of 200% of annual salary. For the year ended 31 March 2013 an award of 110% was made to executive directors.
Value enhancement and share option schemes (long-term variable)	Long-term incentive schemes align long-term interests of key employees and shareholders, through incentivising a good return on shares in the Company. Following the vesting of the Best Buy Europe VES in the year ended 31 March 2012, there were no long-term incentive schemes in place during the year just ended. The shares issued under the Best Buy Europe VES remain restricted from sale until 2015.	No schemes were in place during the year ended 31 March 2013, but such schemes would ordinarily be based on measures reflecting value creation and shareholder return.

PART 1: REMUNERATION COMMITTEE, POLICIES AND STRUCTURE (UNAUDITED) continued

LONG-TERM INCENTIVES

As the Best Buy Europe VES vested in the year ended 31 March 2012 and no share options have been granted to directors since the Demerger, the directors are not participants in any long-term incentive schemes operated by the Group. The Remuneration Committee considered that the shareholdings of the directors were sufficient to ensure that the long-term interests of directors and shareholders were aligned during the 2013 financial year.

Prior to the Demerger, Old Carphone Warehouse introduced the TalkTalk VES, a long-term incentive scheme in which certain Company directors and other key management participate. Whilst the obligation to settle the scheme lies with TalkTalk Group, the Group advanced loans to participants to enable them to participate. A market rate of interest was charged on these loans and they were fully repaid during the year ended 31 March 2013.

At the general meeting on 24 June 2013 the shareholders approved the following new or amended long-term incentive schemes:

CPWG SHARE PLAN

The CPWG Share Plan enables participants to share in the incremental value of CPW Europe in excess of an opening valuation determined by the Remuneration Committee. Participants will acquire at market value a fixed number of a separate class of shares in a subsidiary company that holds the Company's interests in CPW Europe. Participants will be offered a loan from the Group at a commercial rate of interest to acquire the shares.

The vesting of awards will be subject to continued employment, a minimum compound return on invested capital of 7%, a minimum TSR compound rate of return of 5% and outperformance of the FTSE 250 median. The scheme vests over four years, with 40% deferred for a further year.

When the awards vest, the value of the shares held by participants will be based on the incremental value (if any) of CPW Europe in excess of the opening valuation together with the minimum return on invested capital. These shares will then be purchased by the Company for cash and/or the Company's ordinary shares.

Loans are ordinarily repayable in full if performance conditions are met. If the market value of the shares is less than the amount of the outstanding loan (and any accrued interest) then the participant may be required to repay such proportion of the loan as the Remuneration Committee determines.

The main participants of the plan will be executive directors and other senior Group employees.

CARPHONE WAREHOUSE SHARE SCHEME

The Carphone Warehouse Share Scheme will allow nil-priced and market-priced options to be offered to senior employees who are not participants in the CPWG Share Plan. The options will be subject to continuing employment and may also be subject to performance conditions. The directors will not participate in these schemes.

CPW SAYE SCHEME

The CPW SAYE Scheme is a Save-As-You-Earn share option scheme under which participants make monthly contributions of between £5 and £250 for a period of three or five years. Options under the plan will be granted at up to a 20% discount to market value. All UK employees are eligible to participate in the plan.

BEST BUY EUROPE

Senior Best Buy Europe employees participate in a share option scheme which was due to vest in 2015. Under the scheme, participants received options over A shares in New BBED and each of Best Buy and the Company had an obligation to acquire 50% of these shares at a value based on the Headline PBT of CPW Europe over the vesting period. The pool was based on earnings in excess of minimum growth targets, against the earnings for the year ended 31 March 2009. The Company and Best Buy agreed a minimum value of the pool, in recognition of the value that had already accrued in the scheme in relation to Best Buy Mobile.

With regards to satisfying the Company's obligations under the scheme and in order to align the interests of participants with those of the Company, the value of the A shares in New BBED was to be assessed at defined points during the vesting period, and nil-priced options over shares in the Company granted to participants through the Participation Plan to match this value, so that participants benefited from any growth in the market capitalisation of the Company during the vesting period.

During the year ended 31 March 2013, the Company issued 6.9m nil-priced share options under the Participation Plan. These share options are not ordinarily exercisable until June 2015. As at 31 March 2013, 5.4m of these nil-priced share options were outstanding. Further share options were due to be granted in respect of value that had accrued in the scheme to 31 March 2013.

At the general meeting on 24 June 2013 the Company's shareholders authorised the acceleration of the vesting of this scheme, based on the value accrued in the scheme at March 2013. Following the acquisition of Best Buy's interest in CPW Europe, Best Buy's obligations under the scheme will be assumed by the Company. The directors have been authorised to allot up to 16.3m new ordinary shares in relation to full and final satisfaction of the Best Buy Europe share option scheme. The options will be exercised at the point of vesting, and participants will therefore hold ordinary shares in the Company. These shares will ordinarily be restricted from sale until 2015.

VIRGIN MOBILE FRANCE

Virgin Mobile France has issued market-priced and nil-priced share options in Omer Telecom Limited, the parent company of Virgin Mobile France, to certain employees of the business. These options vest over periods of two to four years. Directors of the Company do not participate in the share option schemes of Virgin Mobile France.

DIRECTORS' INTERESTS IN SHARES AND SERVICE CONTRACTS

Details of directors' interests in shares of the Company at 31 March 2013 and their service contracts are shown in the following table:

	Ordinary shares			
	2013	2012	Date of contract	Notice period
Sir Charles Dunstone	**132,833,481**	132,833,481	28 January 2010	12 months
Nigel Langstaff	**3,609,180**	3,609,180	28 January 2010	6 months
Roger Taylor	**9,693,554**	9,693,554	28 January 2010	6 months
John Allwood	**10,000**	10,000	28 January 2010	3 months
John Gildersleeve	**123,000**	123,000	28 January 2010	3 months
Baroness Morgan of Huyton	**991**	991	28 January 2010	3 months

Sir Charles Dunstone, Roger Taylor and Nigel Langstaff participated in the share placing which completed on 3 May 2013 resulting in their interest in shares of the Company increasing to 135,083,481 ordinary shares, 9,808,554 ordinary shares and 3,654,180 ordinary shares respectively.

EXTERNAL APPOINTMENTS

The Board supports executive directors taking non-executive directorships as a part of their continuing development.

The Board has reviewed all such appointments and those appointments that the Board believes require disclosure pursuant to the Code are set out below. The Board has also agreed that the executive directors may retain their fees from such appointments.

Roger Taylor was the non-executive deputy chairman of TalkTalk Telecom Group PLC until his resignation on 26 July 2012, for which he received £25,000 (2012: £75,000).

Each of the non-executive directors has a letter of appointment substantially in the form suggested by the Code. The Company has no age limit for directors.

FEES FOR NON-EXECUTIVE DIRECTORS

The fees for the independent non-executive directors are determined by the Board after considering external market research. Independent non-executive directors receive a basic fee of £43,000 (2012: £43,000) plus additional fees as detailed below:

	2013 £000	2012 £000
Chairperson of Audit Committee	**15**	15
Member of Audit Committee	**4**	4
Chairperson of Nomination Committee	**5**	5
Member of Nomination Committee	**4**	4
Chairperson of Remuneration Committee	**10**	10
Member of Remuneration Committee	**4**	4
Senior Independent Director	**17**	17

PERFORMANCE GRAPH

The graph below shows the Group's performance measured through TSR, compared with the FTSE 250 Index, since 29 March 2010 when the Company was first admitted to the London Stock Exchange following the Demerger. The FTSE 250 Index was selected as it is a broad market which includes competitors of the Company.

PART 2: REMUNERATION DETAILS (AUDITED)

The Accounting Regulations under the Companies Act 2006 ("Regulations") require the Company's auditors to report to the members on this part of the Remuneration Report and to state, in their opinion, that this part of the Remuneration Report has been properly prepared in accordance with the Companies Act 2006.

AGGREGATE REMUNERATION

The total amounts of directors' remuneration and other benefits (excluding pension contributions) were as follows:

	Basic salary/ fees £000	Taxable benefits £000	Annual bonuses £000	**Total 2013 £000**	Total 2012 £000
Sir Charles Dunstone	240	—	—	**240**	241
Nigel Langstaff	275	10	303	**588**	574
Roger Taylor	440	12	484	**936**	452
John Allwood	62	—	—	**62**	62
John Gildersleeve	79	—	—	**79**	79
Baroness Morgan of Huyton	55	—	—	**55**	55

PENSION CONTRIBUTIONS

The schedule below sets out payments by the Group to pension schemes on behalf of executive directors:

	2013 £000	2012 £000
Nigel Langstaff	**14**	14
Roger Taylor	**22**	22

COMPLIANCE

This Remuneration Report has been prepared in accordance with the Regulations, the relevant Listing Rules of the Financial Conduct Authority and the Code. The constitution and operation of the Remuneration Committee are in compliance with the Code. In framing its remuneration policy the Remuneration Committee has given full consideration to the matters set out in Schedule A of the Code. As required by the Regulations, a resolution to approve this Remuneration Report will be proposed at the annual general meeting to be held on 24 July 2013.

This report was approved by the Board on 25 June 2013.

John Gildersleeve Chairman, Remuneration Committee

OTHER STATUTORY INFORMATION

EMPLOYEE INVOLVEMENT
The Group places significant emphasis on its employees' involvement in the business at all levels. Managers are remunerated according to results wherever possible and employees are kept informed of issues affecting the Group through formal and informal meetings and through the Group's internal publications. The management team regularly communicates matters of current interest and concern with employees. Further information on employee engagement is included in the report on Corporate Responsibility on pages 30 to 34.

EMPLOYMENT OF DISABLED PEOPLE
It is the Group's policy to encourage application for employment from disabled people and to assist with their training and career development, having regard to particular aptitudes and abilities. Every endeavour is made to find suitable alternative employment and to re-train any employee who becomes disabled while serving the Group.

SUPPLIER PAYMENT POLICY
The Group's policy is to agree terms of transactions, including payment terms, with suppliers and, provided that suppliers perform in accordance with the agreed terms, it is the Group's normal practice that payment is made accordingly. Trade payables were not material at 31 March 2013 and 31 March 2012.

DONATIONS
Information on the Group's charitable activities and donations is included in the report on Corporate Responsibility on pages 30 to 34. No political donations were made during either year by the Group or its joint venture businesses.

DIRECTORS' INDEMNITIES
The Company has made qualifying third party indemnity provisions (as defined in the Companies Act 2006) for the benefit of its directors during the year; these provisions remain in force at the date of this report.

CAPITAL STRUCTURE
Details of the movements in issued share capital during the year are provided in notes 19 and 20 to the Group financial statements. Ordinary shares of the Company carry the right to one vote at a general meeting of the Company and have no right to fixed income.

The B shares associated with the deferred capital option of the B/C Share Scheme were redeemed by the Company on 10 April 2012 for 172p per share at a total cost of £32.9m. The Company carried out a capital reduction in July 2012 so as to cancel all deferred shares and the capital redemption reserve arising on the B/C Share Scheme, which resulted in the creation of additional distributable reserves of £589.8m.

Details of employee share schemes are provided in note 5 to the Group financial statements. The Group's ESOT held 0.04m shares on 31 March 2013 (2012: 0.2m) and has waived its right receive dividends.

The shareholder agreement of Virgin Mobile France includes a change of control clause, whereby if there is a change of control event in relation to the Company, the other shareholders have the option to acquire the Company's ownership of Virgin Mobile France, or require the Company to acquire the other shareholders' interests.

The Company and Best Buy had previously granted to each other call options to acquire their respective 50% interests in Best Buy Europe. The options were exercisable from March 2015 with Best Buy having the first opportunity to purchase the Company's interest at fair market value. If Best Buy did not exercise its option then the Company would have the right to purchase Best Buy's interest at a 10% discount to fair market value. As part of the acquisition of Best Buy's interest in Best Buy Europe these options have been cancelled.

PROPERTY, PLANT AND EQUIPMENT
Movements in property, plant and equipment are set out in note 11 to the Group financial statements. In the opinion of the directors the current open market value of the Group's interests in freehold land and buildings exceeds the book value by £3.8m at 31 March 2013.

SIGNIFICANT SHAREHOLDINGS
At 25 June 2013, the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules of the UK Financial Conduct Authority, of the following interests of over 3% of issued share capital:

Name	Number of shares	Percentage of share capital
D P J Ross	56,388,699	10.84%
BlackRock Investment Management (UK) Ltd	56,138,198	10.80%
Odey Asset Management LLP	28,361,351	6.00%
M&G Investment Management Ltd	24,330,656	5.15%
Newton Investment Management Ltd	23,559,219	4.98%
Invesco Limited	23,090,239	4.88%

Following the issue of the Consideration Shares to Best Buy on 25 June 2013, Best Buy held 42,105,263 ordinary shares in the Company. Directors' interests in the Company's shares and the movements thereon are detailed in the Directors' Remuneration Report on pages 42 to 46.

AUDITORS
Each director at the date of approval of this annual report confirms that:

— so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

— the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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

By order of the Board on 25 June 2013

Tim Morris Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the consolidated financial statements in accordance with IFRS and Article 4 of the IAS Regulation and have elected to prepare the Company financial statements in accordance with UK GAAP. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Company and Group for that period.

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

— select suitable accounting policies and then apply them consistently;

— make judgements and accounting estimates that are reasonable and prudent;

— state whether applicable UK GAAP has been followed, subject to any material departures disclosed and explained in the financial statements; and

— prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

— properly select and apply accounting policies;

— present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

— provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and

— make an assessment of the Group's ability to continue as a going concern.

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

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

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

— the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

— the Business Review on pages 3 to 34, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board on 25 June 2013

Roger Taylor Chief Executive Officer

Nigel Langstaff Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of Carphone Warehouse Group plc for the year ended 31 March 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the notes to the Consolidated Financial Statements 1 to 22, the Company Balance Sheet and the notes 1 to 11 of the Company Financial Statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRS. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and UK GAAP.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS
In our opinion:

— the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2013 and of the Group's profit for the year then ended;

— the Group financial statements have been properly prepared in accordance with IFRS;

— the Company financial statements have been properly prepared in accordance with UK GAAP; and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006
In our opinion:

— the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

— the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

— adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or

— the Company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or

— certain disclosures of directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

OTHER MATTERS
Although not required to do so, the directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We reviewed:

— the directors' statement, contained on page 29 of the Business Review, in relation to going concern;

— the part of the report on Corporate Governance relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and

— certain elements of the Remuneration Report.

John Adam (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
25 June 2013

CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED 31 MARCH 2013 AND 31 MARCH 2012

	Notes	**Headline 2013 £m**	**Non-Headline* 2013 £m**	**Statutory 2013 £m**	Headline 2012 £m	Non-Headline* 2012 £m	Statutory 2012 £m
Revenue	2	**10.7**	**—**	**10.7**	6.4	—	6.4
Cost of sales		**—**	**—**	**—**	—	—	—
Gross profit		**10.7**	**—**	**10.7**	6.4	—	6.4
Operating expenses	4	**(7.9)**	**—**	**(7.9)**	(5.4)	(20.6)	(26.0)
Share of results of joint ventures	2, 4, 13	**54.3**	**(53.9)**	**0.4**	54.4	(88.5)	(34.1)
Profit (loss) before investment income, interest and taxation	3	**57.1**	**(53.9)**	**3.2**	55.4	(109.1)	(53.7)
Interest income	6	**1.6**	**—**	**1.6**	2.9	—	2.9
Interest expense	6	**—**	**—**	**—**	(0.2)	—	(0.2)
Investment income	4, 6	**0.3**	**—**	**0.3**	0.2	813.0	813.2
Profit before taxation		**59.0**	**(53.9)**	**5.1**	58.3	703.9	762.2
Taxation	4, 7	**(0.9)**	**—**	**(0.9)**	(0.6)	0.9	0.3
Net profit for the year		**58.1**	**(53.9)**	**4.2**	57.7	704.8	762.5

	Notes	Headline 2013	Statutory 2013	Headline 2012	Statutory 2012
Earnings per share					
Basic	10	**12.3p**	**0.9p**	12.6p	167.0p
Diluted	10	**12.1p**	**0.9p**	12.1p	159.6p

* Non-Headline items comprise exceptional items, the results of businesses which have been discontinued by the Group's joint ventures, and amortisation of acquisition intangibles (see note 4). A reconciliation of Headline results to statutory results is provided in note 9.

The accompanying notes are an integral part of this Consolidated Income Statement. All amounts relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 MARCH 2013 AND 31 MARCH 2012

	2013 £m	2012 £m
Net profit for the year	**4.2**	762.5
Currency translation	**2.2**	(11.9)
Total recognised income and expenses for the year	**6.4**	750.6

The accompanying notes are an integral part of this Consolidated Statement of Comprehensive Income.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2013

	Share capital £m	Share premium reserve £m	Accumulated profits £m	Translation reserve £m	Demerger reserve £m	Capital redemption reserve £m	Total £m
At the beginning of the year	**33.4**	**170.0**	**697.8**	**0.1**	**(750.2)**	**556.9**	**708.0**
Total recognised income and expenses for the year	**—**	**—**	**4.2**	**2.2**	**—**	**—**	**6.4**
Redemption of shares	**(32.9)**	**—**	**(32.9)**	**—**	**—**	**32.9**	**(32.9)**
Equity dividends	**—**	**—**	**(23.7)**	**—**	**—**	**—**	**(23.7)**
Capital reduction	**—**	**—**	**589.8**	**—**	**—**	**(589.8)**	**—**
Share of other reserve movements of joint ventures	**—**	**—**	**2.7**	**—**	**—**	**—**	**2.7**
Net movement in relation to share schemes	**—**	**—**	**0.1**	**—**	**—**	**—**	**0.1**
At the end of the year	**0.5**	**170.0**	**1,238.0**	**2.3**	**(750.2)**	**—**	**660.6**

FOR THE YEAR ENDED 31 MARCH 2012

	Share capital £m	Share premium reserve £m	Accumulated profits £m	Translation reserve £m	Demerger reserve £m	Capital redemption reserve £m	Total £m
At the beginning of the year	0.5	754.0	741.7	12.0	(750.2)	—	758.0
Total recognised income and expenses for the year	—	—	762.5	(11.9)	—	—	750.6
Issue of shares	589.8	(584.0)	—	—	—	—	5.8
Redemption of shares	(556.9)	—	(556.9)	—	—	556.9	(556.9)
Equity dividends	—	—	(253.6)	—	—	—	(253.6)
Net purchase of own shares	—	—	(16.0)	—	—	—	(16.0)
Tax on items recognised directly in reserves	—	—	(0.2)	—	—	—	(0.2)
Share of other reserve movements of joint ventures	—	—	0.7	—	—	—	0.7
Net movement in relation to share schemes	—	—	19.6	—	—	—	19.6
At the end of the year	33.4	170.0	697.8	0.1	(750.2)	556.9	708.0

The accompanying notes are an integral part of this Consolidated Statement of Changes in Equity.

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2013 AND 31 MARCH 2012

	Notes	**2013 £m**	2012 £m
Non-current assets			
Property, plant and equipment	11	**26.7**	66.1
Non-current asset investments	12	**0.1**	0.1
Interests in joint ventures	13	**537.2**	535.5
Deferred tax assets	7	**1.0**	1.3
		565.0	603.0
Current assets			
Trade and other receivables	14	**2.8**	21.3
Cash and cash equivalents	16	**116.9**	102.7
		119.7	124.0
Total assets		**684.7**	727.0
Current liabilities			
Trade and other payables	15	**(17.3)**	(10.1)
Provisions	18	**(6.8)**	(8.9)
Total liabilities		**(24.1)**	(19.0)
Net assets		**660.6**	708.0
Equity			
Share capital	19, 20	**0.5**	33.4
Share premium reserve	20	**170.0**	170.0
Accumulated profits	20	**1,238.0**	697.8
Translation reserve	20	**2.3**	0.1
Demerger reserve	20	**(750.2)**	(750.2)
Capital redemption reserve	20	**—**	556.9
Funds attributable to equity shareholders		**660.6**	708.0

The accompanying notes are an integral part of this Consolidated Balance Sheet.

The financial statements on pages 50 to 77 were approved by the Board on 25 June 2013 and signed on its behalf by:

Roger Taylor Chief Executive Officer

Nigel Langstaff Chief Financial Officer

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEARS ENDED 31 MARCH 2013 AND 31 MARCH 2012

	2013 £m	2012 £m
Operating activities		
Profit (loss) before investment income, interest and taxation	**3.2**	(53.7)
Adjustments for non-cash items:		
Share-based payments	**0.1**	14.9
Non-cash movements on joint ventures	**(0.4)**	34.1
Depreciation	**1.3**	1.0
Impairment	**1.0**	0.8
Profit on disposal of property, plant and equipment	**(3.3)**	—
Operating cash flows before movements in working capital	**1.9**	(2.9)
Decrease (increase) in trade and other receivables	**18.9**	(4.2)
Increase in trade and other payables	**7.2**	—
Decrease in provisions	**(2.5)**	(4.3)
Cash flows from operating activities	**25.5**	(11.4)
Taxation paid	**(0.6)**	(0.9)
Net cash flows from operating activities	**24.9**	(12.3)
Investing activities		
Investment income received	**0.3**	813.2
Interest received	**1.6**	2.9
Proceeds on disposal of property, plant and equipment	**40.5**	—
Acquisition of property, plant and equipment	**(0.1)**	(0.5)
Net receipts from joint ventures	**3.8**	9.9
Cash flows from investing activities	**46.1**	825.5
Financing activities		
Settlement of financial instruments	**(0.2)**	1.5
Net purchase of own shares	**—**	(27.7)
Equity dividends paid	**(23.7)**	(253.6)
Shares redeemed	**(32.9)**	(556.9)
Interest paid	**—**	(0.2)
Repayment of VES loans	**—**	5.8
Cash flows from financing activities	**(56.8)**	(831.1)
Net increase (decrease) in cash and cash equivalents	**14.2**	(17.9)
Cash and cash equivalents at the start of the year	**102.7**	120.6
Cash and cash equivalents at the end of the year	**116.9**	102.7

The accompanying notes are an integral part of this Consolidated Cash Flow Statement.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

a) BASIS OF PREPARATION
The Company is incorporated in England and Wales. The financial statements of the Group have been prepared on a going concern basis in accordance with IFRS as applied in accordance with the provisions of the Companies Act 2006 and Article 4 of the EU IAS Regulation. The financial statements have been presented in UK Sterling, the functional currency of the Company, on the historical cost basis except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

GOING CONCERN
Note 17 to the financial statements includes the Group's policies and processes for managing its exposure to liquidity risk. At 31 March 2013, the Group had cash and cash equivalents of £116.9m (2012: £102.7m).

The directors have reviewed the future cash and profit forecasts of the Group's joint venture investments and other businesses, which they consider to be based on prudent assumptions. This review considered the implications of the CPW Europe Acquisition after the year end (see note 21), including the effect on forecast cash flows and changes to the Group's financing facilities. The directors are of the opinion that the forecasts, which reflect both the current uncertain economic outlook and reasonably possible changes in trading performance, show that these businesses and the Group should be able to operate within their facilities and comply with their banking covenants. In arriving at this conclusion the directors were mindful that the Group has significant cash and cash equivalents.

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

JOINT VENTURES
Where necessary, adjustments are made to the financial statements of joint ventures to bring accounting policies used into line with those used by the Group. The accounting policies below also relate to those applied to the Group's joint ventures.

b) BASIS OF CONSOLIDATION
The financial statements reflect the Group's results for the year from 1 April 2012 to 31 March 2013 and comparative information for the year from 1 April 2011 to 31 March 2012. Best Buy Europe reports to a retail calendar, whereby its year-end date is normally the Saturday closest to 31 March. As such its results for the year ended 31 March 2013 cover the 52 weeks ended 30 March 2013 and its results for the year ended 31 March 2012 cover the 52 weeks ended 31 March 2012.

The results of subsidiaries and joint ventures acquired or sold during the year are included from or to the date on which control or significant influence passed. Intercompany transactions and balances between subsidiaries are eliminated on consolidation.

In accordance with UITF 38 'Accounting for ESOP Trusts', shares in the Company held by the Group's ESOT are shown as a reduction in shareholders' funds. Other assets and liabilities held by the Group's ESOT are consolidated with the assets of the Group.

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

The results of overseas operations are translated at the average foreign exchange rates for the year, and their balance sheets are translated at the rates prevailing at the balance sheet date. Exchange differences arising on the translation of net assets, goodwill and results of overseas operations are recognised in the translation reserve. All other exchange differences are included in the income statement.

c) FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS continued

The principal exchange rates against UK Sterling used in these financial statements are as follows:

	Average		Closing	
	2013	2012	**2013**	2012
Euro	**1.22**	1.16	**1.19**	1.20
United States Dollar	**1.58**	1.60	**1.52**	1.60

If a foreign operation is sold, the gain or loss on disposal recognised in the income statement is determined after taking into account the cumulative currency translation differences that are attributable to the operation.

d) REVENUE

Revenue comprises rental income on investment properties and consultancy income, and is stated net of VAT and other sales-related taxes. All such revenue is recognised as the services are provided.

The following accounting policies are applied to revenue arising in the Group's joint ventures:

— revenue arising on the sale of mobile and other products and services is recognised when the relevant products or services are provided;

— commission receivable on sales, being commission which is contractually committed, and for which there are no ongoing performance criteria, is recognised when the sales to which the commission relates are made, net of any provision for promotional offers and network operator performance penalties. Commission includes a share of customer airtime spend, to the extent that it can be reliably measured and there are no ongoing service obligations (see 'Use of critical accounting estimates and assumptions' in note '1t' on page 58. Where the time value of money has a material impact, an appropriate discount is applied such that revenue is recognised at an amount equal to the present value of the future consideration received;

— other ongoing revenue is recognised as it is earned over the lives of the relevant customers;

— volume bonuses receivable from network operators are recognised when the conditions on which they are earned have been met;

— volume bonuses received from suppliers of products are recognised as an offset to product cost when the conditions on which they are earned have been met, and are recognised within cost of sales when the products to which the volume bonuses relate have been sold;

— insurance premiums are typically paid either monthly or quarterly in advance. Sales commission paid by third parties is recognised when the insurance policies to which it relates are sold, to the extent that it can be reliably measured and there are no ongoing service obligations. Insurance premium income for the provision of ongoing insurance services is recognised over the lives of the relevant policies;

— revenue from the sale of prepaid credits is deferred until the customer uses the airtime or the credit expires;

— revenue generated from the provision of fixed and mobile network services is recognised as it is earned over the lives of the relevant customers; and

— all other revenue is recognised when the relevant goods or services are provided.

e) SHARE-BASED PAYMENTS

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

Fair value is measured by use of a Binomial model for share-based payments with internal performance criteria (such as EPS targets) and a Monte Carlo model for those with external performance criteria (such as TSR targets).

For schemes with internal performance criteria, the number of options expected to vest is recalculated at each balance sheet date, based on expectations of performance against target and of leavers prior to vesting. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in reserves.

For schemes with external performance criteria, the number of options expected to vest is adjusted only for expectations of leavers prior to vesting. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in reserves.

If a share-based payment scheme is cancelled, any remaining part of the fair value of the scheme is expensed through the income statement. If a share-based payment scheme is forfeited, no further expense is recognised and any charges previously recognised through the income statement are reversed.

1 ACCOUNTING POLICIES continued

e) SHARE-BASED PAYMENTS continued
Share-based payment charges are also recognised on loans that are provided to employees to settle personal tax liabilities; the cost of such loans is expensed on grant.

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

f) PENSIONS
Contributions to defined contribution schemes are charged to the income statement as they become payable in accordance with the rules of the schemes.

g) DIVIDENDS
Dividend income is recognised when payment has been received. Final dividend distributions are recognised as a liability in the financial statements in the year in which they are approved by shareholders. Interim and other dividends are recognised in the year in which they are paid.

h) LEASES
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives and rent-free periods are amortised through the income statement over the period of the lease.

i) TAXATION
Current tax, including UK corporation tax and overseas tax, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax liabilities represent tax payable in future periods in respect of taxable temporary differences. Deferred tax assets represent tax recoverable in future periods in respect of deductible temporary differences, and the carry-forward of unused tax losses and credits. Deferred tax is determined using the tax rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

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

Deferred tax assets and liabilities are offset where there is a legal right to do so in the relevant jurisdictions.

j) INTANGIBLE ASSETS
GOODWILL
Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is recognised initially as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. At the acquisition date, goodwill is allocated to each of the CGUs expected to benefit from the combination and held in the currency of the operations to which the goodwill relates. Goodwill is reviewed at least annually for impairment, or more frequently where there is an indication that goodwill may be impaired. Impairment is determined by assessing the future cash flows of the CGUs to which the goodwill relates. Where the future cash flows are less than the carrying value of goodwill, an impairment charge is recognised in the income statement.

On disposal of subsidiary undertakings and businesses, the relevant goodwill is included in the calculation of the profit or loss on disposal.

SOFTWARE AND LICENCES
Software and licences includes internal infrastructure and design costs incurred in the development of software for internal use. Internally generated software is recognised as an intangible asset only if it can be separately identified, it is probable that the asset will generate future economic benefits, and the development cost can be measured reliably. Where these conditions are not met, development expenditure is recognised as an expense in the year in which it is incurred. Software and licences are amortised on a straight-line basis over their estimated useful economic lives of up to eight years.

KEY MONEY
Key money paid to enter a property is stated at cost, net of amortisation and any provision for impairment. Amortisation is provided on key money at rates calculated to write off the cost, less estimated residual value, on a straight-line basis over ten years or the lease term if less.

ACQUISITION INTANGIBLES
Acquisition intangibles are amortised over their expected useful lives of up to five years. The value attributed to such assets is based on the future economic benefit that is expected to be derived from them, calculated as the present value of future cash flows after a deduction for contributory assets.

1 ACCOUNTING POLICIES continued

k) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, principally for the Group comprising investment property (property held to earn rental income and/or for capital appreciation), is stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all property, plant and equipment, except for land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life from the date it is brought into use, as follows:

Investment properties:	2–4% per annum
Short leasehold costs:	10% per annum or the lease term if less
Network equipment and computer hardware:	12.5–50% per annum
Fixtures and fittings:	20–25% per annum
Motor vehicles:	25% per annum

l) RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets.

m) INVESTMENTS

Investments, other than subsidiaries and joint ventures, are initially recognised at cost, being the fair value of the consideration given plus any transaction costs associated with the acquisition. Investments are categorised as available-for-sale and are then recorded at fair value. Changes in fair value, together with any related taxation, are taken directly to reserves, and recycled to the income statement when the investment is sold or determined to be impaired.

n) INTERESTS IN JOINT VENTURES

Interests in joint ventures are accounted for using the equity method. The consolidated income statement includes the Group's share of the post-tax profits or losses of the joint ventures based on their financial statements for the year. In the consolidated balance sheet, the Group's interests in joint ventures are shown as a non-current asset in the balance sheet, representing the Group's investment in the share capital of the joint ventures, as adjusted by post-acquisition changes in the Group's share of the net assets or liabilities less provision for any impairment. Any associated goodwill is included within the carrying value of the investment and is assessed for impairment as part of that investment.

Where a joint venture has net liabilities, any loans advanced to it are included in the Group's equity-accounted investment in it. Where a joint venture has net assets, any loans advanced to it are shown separately in the balance sheet, as a receivable to the Group.

o) STOCK

Stock is stated at the lower of cost and net realisable value. Cost, net of discounts and volume bonuses from product suppliers (see note 1d), includes all direct costs incurred in bringing stock to its present location and condition and represents finished goods and goods for resale. Net realisable value is based on estimated selling price, less further costs expected to be incurred to disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

p) CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash.

q) LOANS AND OTHER BORROWINGS

Other borrowings in the balance sheets of joint ventures represent committed and uncommitted bank loans and loans from shareholders other than the Group.

Bank fees and legal costs associated with the securing of external financing are ordinarily capitalised and amortised over the term of the relevant facility. Borrowing costs associated with qualifying assets are included in the cost of the asset. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

1 ACCOUNTING POLICIES continued

r) PROVISIONS

Provisions are recognised when a legal or constructive obligation exists as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted where the time value of money is considered to be material.

Provisions in the Group relate primarily to warranties provided in relation to the Best Buy Europe Joint Venture Transaction.

Provisions in Best Buy Europe and Virgin Mobile France include the following categories:

SALES

Sales provisions relate to 'cash-back' and similar promotions, product warranties, product returns, and network operator performance penalties. The anticipated costs of these items are assessed by reference to historical trends and any other information that is considered to be relevant.

INSURANCE

Full provision is made for the estimated cost of all claims notified but not settled at the balance sheet date. Provision is also made for the estimated cost of claims incurred but not reported at the balance sheet date, based on historical experience of the value of such claims. Any differences between original claims provisions and subsequent settlements are reflected in the income statement in the relevant year.

REORGANISATION

Reorganisation provisions relate principally to redundancy costs, the costs of onerous leases and other onerous contracts, and are only recognised where plans are demonstrably committed and where appropriate communication to those affected has been undertaken at the balance sheet date. Provisions are not recognised in respect of future operating losses.

OTHER

Other provisions relate to dilapidations and similar property costs, and all other provisions, principally being the anticipated costs of unresolved tax issues and legal disputes, and costs associated with onerous contracts. All such provisions are assessed by reference to the best available information at the balance sheet date.

s) HEADLINE RESULTS

Headline results are stated before any exceptional items that are considered to be one-off and so material that they require separate disclosure to avoid distortion of underlying performance, the results of discontinued businesses within the Group's joint ventures, and the amortisation of acquisition intangibles.

t) USE OF CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and assumptions used in the preparation of the financial statements are continually reviewed and revised as necessary. Whilst every effort is made to ensure that such estimates and assumptions are reasonable, by their nature they are uncertain, and as such changes in estimates and assumptions may have a material impact.

The principal items in the financial statements where changes in estimates and assumptions may have a material impact are as follows:

RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

All non-current assets, including goodwill and other intangible assets, are reviewed for potential impairment using estimates of the future economic benefits attributable to them. Any estimates of future economic benefits made in relation to non-current assets may differ from the benefits that ultimately arise and materially affect the recoverable value of the asset. Refer to notes 11, 12 and 13.

TRADE AND OTHER RECEIVABLES

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

REVENUE RECOGNITION

Commission receivable within Best Buy Europe depends for certain transactions on customer behaviour after the point of sale. Assumptions are therefore required, particularly in relation to levels of customer default within the contract period, expected levels of customer spend, and customer behaviour beyond the initial contract period. Such assumptions are based on extensive historical evidence, and provision is made for the risk of potential changes in customer behaviour, but they are nonetheless inherently uncertain. Changes in estimates recognised as an increase to revenue may be made, where for example more reliable information is available, and any such changes are required to be recognised in the income statement. Changes of estimates during the year ended 31 March 2013 in relation to commission receivable after the initial contract term for sales originating in previous years totalled £21.0m (2012: £17.0m). Total ongoing revenues receivable within Best Buy Europe are £550.0m (2012: £474.0m).

CURRENT TAXATION

The complex nature of tax legislation across the tax jurisdictions in which the Group and its joint ventures operate necessitates the use of many estimates and assumptions, where the outcome may differ from that assumed. Refer to note 7.

1 ACCOUNTING POLICIES continued

t) USE OF CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS continued

DEFERRED TAXATION

The extent to which tax losses can be utilised depends on the extent to which taxable profits are generated in the relevant jurisdictions in the foreseeable future, and on the tax legislation then in force, and as such the value of associated deferred tax assets is uncertain.

PROVISIONS

The Group's provisions are based on the best information available to management at the balance sheet date. However, the future costs assumed are inevitably only estimates, which may differ from those ultimately incurred.

Provisions relating to the disposal of excess property necessitate assumptions in respect of period to disposal and exit costs, which may differ from the ultimate cost of disposal.

u) RECENT ACCOUNTING DEVELOPMENTS

There have been no standards, amendments or interpretations adopted by the Group during the year ended 31 March 2013 which have had or are likely to have a material effect on the results, disclosures or financial position of the Group.

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective, and in some cases had not yet been adopted by the EU:

- IFRS 1 (amended) 'First-time Adoption of International Financial Reporting Standards' on 'Government Loans'
- IFRS 7 (amended) 'Financial Instruments: Disclosures' on 'Disclosures – Offsetting Financial Assets and Financial Liabilities'
- IFRS 9 'Financial Instruments'
- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IFRS 13 'Fair Value Measurement'
- IAS 1 (amended) 'Presentation of Items of Other Comprehensive Income'
- IAS 19 (revised) 'Employee Benefits'
- IAS 27 (revised) 'Separate Financial Statements'
- IAS 28 (revised) 'Investments in Associates and Joint Ventures'
- IAS 32 (amended) 'Offsetting Financial Assets and Financial Liabilities'
- IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine'
- Annual Improvements to IFRSs

IFRS 13 may affect the measurement of certain assets and liabilities of the Group, but otherwise the directors do not expect that the adoption of these standards, amendments or interpretations in future periods will have a material impact on the financial statements of the Group in future periods.

2 SEGMENTAL REPORTING

Segmental results are analysed as follows:

2013	**Best Buy Europe (see note 13) £m**	**Virgin Mobile France (see note 13) £m**	**Wholly-owned operations £m**	**Total £m**
Revenue	**—**	**—**	**10.7**	**10.7**
Headline EBIT before share of results of joint ventures	**—**	**—**	**2.8**	**2.8**
Share of Headline results of joint ventures (post-tax)	**51.1**	**3.2**	**—**	**54.3**
Headline EBIT	**51.1**	**3.2**	**2.8**	**57.1**
Share of joint venture exceptional items (post-tax) *	**(53.4)**	**—**	**—**	**(53.4)**
Share of amortisation of joint venture acquisition intangibles (post-tax) *	**—**	**(0.5)**	**—**	**(0.5)**
Statutory EBIT (segment results)	**(2.3)**	**2.7**	**2.8**	**3.2**
Assets	**523.5**	**13.7**	**147.5**	**684.7**
Liabilities	**—**	**—**	**(24.1)**	**(24.1)**
Net assets	**523.5**	**13.7**	**123.4**	**660.6**

* See note 4 for further details.

2012	Best Buy Europe (see note 13) £m	Virgin Mobile France (see note 13) £m	Wholly-owned operations £m	Total £m
Revenue	—	—	6.4	6.4
Headline EBIT before share of results of joint ventures	—	—	1.0	1.0
Share of Headline results of joint ventures (post-tax)	48.3	6.1	—	54.4
Headline EBIT	48.3	6.1	1.0	55.4
Exceptional items *	—	—	(20.6)	(20.6)
Share of operating results of discontinued businesses within joint ventures (post-tax) *	(9.8)	—	—	(9.8)
Share of joint venture exceptional items (post-tax) *	(77.4)	—	—	(77.4)
Share of amortisation of joint venture acquisition intangibles (post-tax) *	—	(1.3)	—	(1.3)
Statutory EBIT (segment results)	(38.9)	4.8	(19.6)	(53.7)
Assets	521.0	14.5	191.5	727.0
Liabilities	—	—	(19.0)	(19.0)
Net assets	521.0	14.5	172.5	708.0

* See note 4 for further details.

Transactions between segments are on an arm's length basis.

3 PROFIT (LOSS) BEFORE INVESTMENT INCOME, INTEREST AND TAXATION

Profit (loss) before investment income, interest and taxation is stated after charging (crediting):

	2013 £m	2012 £m
Auditors' remuneration – see below	**0.1**	0.9
Depreciation of property, plant and equipment	**1.3**	1.0
Profit on disposal of property, plant and equipment	**(3.3)**	—
Impairment of property, plant and equipment	**1.0**	0.8
Investment property rental income	**(5.7)**	(5.6)
Share-based payments	**0.1**	14.9
Other employee costs (see note 5)	**4.4**	5.2

Auditors' remuneration comprises the following:

	2013 £m	2012 £m
Statutory services – audit of Company and the Company's subsidiaries	**0.1**	0.1
Tax advisory services	**—**	0.6
Other assurance services	**—**	0.2
	0.1	0.9

The Group's share of audit fees for Best Buy Europe and Virgin Mobile France was £0.5m (2012: £0.6m) in the year and the Group's share of fees for their tax and other services was £0.2m (2012: £0.2m).

Other assurance services for the year ended 31 March 2012 relate to reporting accountant work in respect of the Best Buy Mobile Disposal.

4 NON-HEADLINE ITEMS

Non-Headline items comprise:

- exceptional items, which have been disclosed separately, given their size and one-off nature;
- the Group's share of results of discontinued businesses within joint ventures; and
- the Group's share of joint venture amortisation of acquisition intangibles.

Non-Headline items for the year ended 31 March 2013 are grouped into the following two categories: CPW Europe reorganisation costs and Virgin Mobile France amortisation.

Non-Headline items for the year ended 31 March 2012 are grouped into the following three categories: Best Buy Mobile Disposal, Best Buy UK closure and Virgin Mobile France amortisation.

Non-Headline items are analysed as follows:

	Notes	2013 £m	2012 £m
Operating expenses:			
Best Buy Mobile Disposal			
Costs associated with the Best Buy Mobile Disposal	(i)	—	(20.6)
		—	(20.6)
Share of results of joint ventures (post-tax):			
Best Buy Europe			
CPW Europe reorganisation costs			
Reorganisation costs and non-cash asset write-downs	(ii)	**(53.4)**	—
Best Buy Mobile Disposal			
Best Buy Mobile operating profit	(iii)	—	16.7
Costs associated with the Best Buy Mobile Disposal	(iv)	—	(16.9)
Best Buy UK closure			
Best Buy UK operating losses	(v)	—	(26.5)
Closure costs of Best Buy UK	(vi)	—	(60.5)
Virgin Mobile France			
Virgin Mobile France amortisation			
Virgin Mobile France amortisation of acquisition intangibles	(vii)	**(0.5)**	(1.3)
		(53.9)	(88.5)
Investment income:			
Best Buy Mobile Disposal			
Consideration from the Best Buy Mobile Disposal	(viii)	—	813.0
		—	813.0
Taxation:			
Best Buy Mobile Disposal			
Tax credit on costs associated with the Best Buy Mobile Disposal	(ix)	—	0.9
		—	0.9
		(53.9)	704.8

4 NON-HEADLINE ITEMS continued

Exceptional items within joint ventures are further analysed as follows:

	2013 £m	2012 £m
CPW Europe reorganisation costs	**(25.1)**	—
CPW Europe non-cash asset write-downs	**(94.1)**	—
Costs associated with the Best Buy Mobile Disposal	**—**	(28.4)
Closure costs of Best Buy UK	**—**	(146.8)
Tax	**12.3**	20.4
	(106.9)	(154.8)
Group share	**(53.4)**	(77.4)

The operating results of discontinued businesses within joint ventures for the year ended 31 March 2012 are further analysed as follows:

	2012 £m
Best Buy Mobile	
EBIT	45.0
Tax	(11.7)
	33.3
Best Buy UK	
EBIT	(72.5)
Tax	19.5
	(53.0)
Group share	(9.8)

a) BEST BUY EUROPE

CPW EUROPE REORGANISATION COSTS

ii) During the year, CPW Europe undertook a review of its UK and group operations, with a view to simplifying group functions and giving more autonomy and accountability to individual business units. CPW Europe also reviewed its European operations, and announced plans to reduce its store portfolio and operating cost base across certain markets. As a result of this exercise, the business booked an exceptional charge of £25.1m in relation to redundancies, lease exit costs and other cash restructuring costs.

Subsequent to the year end, CPW Europe completed a strategic review of its French business, as a result of which, given a lack of visibility of returns in the French market, CPW Europe plans to pursue an orderly exit. Since there was no commitment to this programme at 31 March 2013, no provision for the anticipated costs of exit was made at that date.

In light of the situation in France, the goodwill associated with the French business was written off towards the end of the year, alongside various other non-current assets in the business. Together with asset write-downs associated with the store closures committed during the year, total non-cash asset write-downs of £94.1m were booked in the year.

A tax credit of £12.3m has been recognised against these charges, principally in respect of relief anticipated on cash reorganisation costs and the derecognition of deferred tax liabilities.

4 NON-HEADLINE ITEMS continued

a) BEST BUY EUROPE continued

BEST BUY MOBILE DISPOSAL

During the year ended 31 March 2012 the Group disposed of its interest in Best Buy Mobile for an initial consideration of £813.0m. The initial consideration was returned to shareholders in February and April 2012 via the B/C Share Scheme. As a result of this transaction a number of long-term incentive schemes either vested or were replaced, resulting in cash costs and non-cash accounting charges. Other costs were also incurred as a result of this transaction by both the Group and Best Buy Europe.

i) Costs incurred by the Group comprise cash costs of £7.2m and other non-cash accounting charges of £13.4m.

As a result of the Best Buy Mobile Disposal, existing Best Buy Europe incentive schemes were cancelled, and in recognition of the value that had built up in relation to Best Buy Mobile, the Company gifted 7.0m shares to senior Best Buy Europe executives. This gift resulted in a non-cash accounting charge of £11.4m and employer taxes of £1.6m for the Group as Best Buy Europe agreed to pay cash compensation of £11.7m to satisfy the cost of the remaining shares. As described in note 5, certain Group incentive schemes were allowed to vest early in order to facilitate the Best Buy Mobile Disposal and to avoid a substantial loss in value. This resulted in cash costs of £2.5m and non-cash accounting charges of £2.0m.

Professional fees of £3.1m were also incurred in relation to the disposal.

iii) The Group's share of the results of Best Buy Mobile has been excluded from Headline results in order to provide visibility of the performance of the continuing business.

iv) The cancellation of existing incentive plans, the share gift described above, associated employment taxes and bonuses paid as a result of the transaction resulted in cash costs of £26.7m and non-cash accounting charges of £0.7m within Best Buy Europe, including the compensation to the Group described above.

Best Buy Europe also incurred fees of £1.0m in relation to the transaction.

A tax credit of £7.2m was recognised in respect of these charges. This was offset by the derecognition of £12.7m of deferred tax assets which were expected to be irrecoverable due to the Best Buy Mobile Disposal.

viii) The Group received initial consideration of £813.0m for its interest in Best Buy Mobile in the form of a dividend.

ix) The Group recognised a tax credit of £0.9m in relation to costs associated with the Best Buy Mobile Disposal.

BEST BUY UK CLOSURE

During the year ended 31 March 2012 Best Buy Europe closed its Best Buy UK business. While the 11 stores that had been opened had delivered positive customer satisfaction scores, they did not have the national reach to achieve scale and brand economies.

v) The Group's share of the results of Best Buy UK has been excluded from Headline results in order to provide visibility of the performance of the continuing business.

vi) Total costs of closure of £146.8m were recognised, against which a tax credit of £25.9m was booked. These closure costs are analysed as follows:

	2012 £m
Property exit costs	57.5
Employee redundancies and other employee-related costs	10.7
Non-cash asset write-downs (net)	45.9
Other exit costs	32.7
Exceptional charge before tax	146.8
Tax credit	(25.9)
Exceptional charge after tax	120.9
Group share	60.5

Other exit costs predominantly reflect stock write-downs and contract exit costs.

b) VIRGIN MOBILE FRANCE

VIRGIN MOBILE FRANCE AMORTISATION

vii) Amortisation of acquisition intangibles within Virgin Mobile France relates to the acquisition of Tele2 France in December 2009.

5 EMPLOYEE COSTS AND SHARE-BASED PAYMENTS

The aggregate remuneration recognised in the income statement in each year is as follows:

	2013 £m	2012 £m
Salaries and performance bonuses	**3.8**	3.1
Social security costs	**0.5**	2.0
Other pension costs	**0.1**	0.1
	4.4	5.2
Share-based payments (see below)	**0.1**	14.9
	4.5	20.1

The average number of employees (including directors) during the year ended 31 March 2013 was 22 (2012: 18).

Compensation earned by key management, comprising the Board of Directors and senior executives, was as follows:

	2013 £m	2012 £m
Salaries	**1.7**	1.5
Performance bonuses	**1.3**	0.9
Share-based payments	**0.1**	14.5
	3.1	16.9

At 31 March 2012 loans to key management of £4.0m were outstanding in respect of the TalkTalk VES (£2.9m to directors of the Company). These loans, together with accrued interest, were repaid in full during the year.

At 31 March 2013 loans to key management in relation to the Carphone Warehouse 2010 LTIP were £0.7m (2012: £0.7m).

As detailed in note 5f, a number of shares were gifted to key management during the year. Loans of £0.1m, which were outstanding at the end of the year, were advanced to cover the tax arising on this gift. Interest is charged on these loans at market rates.

SHARE-BASED PAYMENTS

a) VALUE ENHANCEMENT SCHEMES

Prior to the Demerger during the year ended 31 March 2010, Old Carphone Warehouse introduced the Best Buy Europe VES, to provide long-term incentives to its senior management group in relation to Best Buy Europe.

The Best Buy Europe VES allowed participants to invest at market value in shares which allowed them to share in up to 2.24% of any increase in value of Best Buy Europe over an opening valuation as at 1 April 2009. The incremental value was measured after a minimum annual rate of return of 7% on this valuation, and was subject to an adjustment for any change in the Company's market capitalisation since 6 April 2009.

The Group advanced loans totalling £5.8m to participants to allow them to purchase A shares in CPW Retail Holdings Limited, which held part of the Group's investment in Best Buy Europe. The Company had an obligation to acquire these shares if performance conditions were met, to provide participants with the share of value described above. Performance was to be measured over performance periods to July 2013 and July 2014, at which point participants had put options over the shares.

In order to facilitate the Best Buy Mobile Disposal and the B/C Share Scheme, these shares were exchanged for shares in the Company at fair market value, as determined by the Remuneration Committee, supported by third party advisors. As part of this agreement participants are not permitted (unless the Remuneration Committee determines otherwise) to sell the shares until June 2015. The loans, together with accrued interest, were repaid by participants in February 2012.

Prior to the Demerger, Old Carphone Warehouse introduced the TalkTalk VES, a long-term incentive scheme in which certain Company directors and other key management participate. Whilst the obligation to settle the scheme lies with TalkTalk Group, the Group advanced loans to participants to enable them to participate. A market rate of interest is charged on these loans and they were fully repaid during the year ended 31 March 2013.

b) SHARE OPTION SCHEMES

At the start of the year ended 31 March 2012 a number of options were held over the Company's shares by employees and former employees of the Group, Old Carphone Warehouse Group and TalkTalk Group. These options included schemes which had vested prior to the Demerger and options issued to employees of the Group under the Carphone Warehouse 2010 LTIP.

In the year ended 31 March 2012 the Carphone Warehouse 2010 LTIP was allowed to vest early in order to avoid a substantial loss in value following the B/C Share Scheme. Loans of £2.5m were made to participants in relation to tax and national insurance due on the exercise of the share options. These loans bear interest at market rates. Loans outstanding at 31 March 2013 including interest were £2.5m (2012: £2.5m).

5 EMPLOYEE COSTS AND SHARE-BASED PAYMENTS continued

The following table summarises the number and weighted average exercise price ("WAEP") of share options for the schemes:

	2013		2012	
	Number million	**WAEP £**	Number million	WAEP £
Outstanding at the beginning of the year	**—**	**—**	6.1	0.70
Exercised during the year	**—**	**—**	(6.1)	0.70
Outstanding at the end of the year	**—**	**—**	—	—
Exercisable at the end of the year	**—**	**—**	—	—

No options were exercised during the year. The options exercised in the year ended 31 March 2012 were exercised at a weighted average market price of £3.29.

c) JOINT VENTURE INCENTIVE SCHEMES

Best Buy Europe has a share option scheme, under which participants receive options over A shares in New BBED and each of Best Buy and the Company has an obligation to acquire 50% of these shares at a value based on the Headline PBT of CPW Europe over the vesting period. The pool is based on earnings in excess of minimum growth targets, against the earnings for the year ended 31 March 2009. The Company and Best Buy agreed a minimum value of the pool, in recognition of the value that had already accrued in the scheme in relation to Best Buy Mobile.

In order to align the interests of participants with those of the Company, the value of the A shares in New BBED are assessed at defined points during the vesting period, and nil-priced options over shares in the Company are granted to participants through the Participation Plan to match this value, so that participants benefit from any growth in the market capitalisation of the Company during the vesting period.

The following table summarises the number and WAEP of share options for this scheme:

	2013		2012	
	Number million	**WAEP £**	Number million	WAEP £
Outstanding at the beginning of the year	**—**	**—**	—	—
Granted during the year	**6.9**	**—**	—	—
Lapsed during the year	**(1.5)**	**—**	—	—
Outstanding at the end of the year	**5.4**	**—**	—	—
Exercisable at the end of the year	**—**	**—**	—	—

Virgin Mobile France has issued market-priced and nil-priced share options in Omer Telecom Limited, the parent company of Virgin Mobile France, to certain employees of the business. These options vest over periods of two to four years.

d) FAIR VALUE MODEL

The fair value of options with external performance targets was estimated at the date of grant using a Monte Carlo model. The model combines the market price of a share at the date of grant with the probability of meeting performance criteria, based on the historical performance of Old Carphone Warehouse shares.

The Best Buy Europe share option scheme described above was valued based on market perception of the likely future earnings of CPW Europe with appropriate discounts made for lack of marketability, lack of control and the volatility of the Company's share price.

e) CHARGE TO INCOME STATEMENT AND ENTRIES IN RESERVES

During the year ended 31 March 2013, the Group recognised a non-cash accounting charge to the income statement of £0.1m (2012: £14.9m) in respect of equity settled share-based payments, which is offset by an entry through reserves. As detailed in note 4, the charge in the year ended 31 March 2012 relates principally to a gift of shares to Best Buy Europe executives (£11.4m) and the accelerated vesting of other incentive schemes (£2.0m).

f) SHARE GIFT

During the year 0.2m shares were gifted to senior management of the Group. Loans of £0.1m were advanced to cover the tax arising on this gift. These loans attract interest at market rates.

g) EMPLOYEE SHARE OWNERSHIP TRUST

The Group has an ESOT, which held 0.04m shares in the Company at 31 March 2013 (2012: 0.2m) for the benefit of the employees of the Group. The maximum number of shares held by the Group's ESOT during the year was 0.2m, from April to August 2012 (2012: 10.3m, in November 2011), which represented 0.04% (2012: 2.3%) of the Group's issued share capital. The ESOT has waived its rights to receive dividends and its shares have not been allocated to specific schemes. At 31 March 2013 the shares had a market value of £0.1m (2012: £0.3m).

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6 INTEREST INCOME, INTEREST EXPENSE AND INVESTMENT INCOME

Interest income is analysed as follows:

	2013 £m	2012 £m
Interest on cash and cash equivalents	**0.6**	1.0
Interest and other finance income from joint ventures	**0.8**	1.5
Other interest income	**0.2**	0.4
	1.6	2.9

Interest expense is analysed as follows:

	2013 £m	2012 £m
Other interest expense	**—**	0.2
	—	0.2

Investment income is analysed as follows:

	2013 £m	2012 £m
Consideration from the Best Buy Mobile Disposal	**—**	813.0
Income from minority investments	**0.3**	0.2
	0.3	813.2

In the year ended 31 March 2012 the Group received initial consideration of £813.0m for its interest in Best Buy Mobile in the form of a dividend. The dividend was received in US Dollars and hedged to convert it to £813.0m. The amount of the dividend received was US$1,303.4m, which was exchanged for £813.0m on 26 January 2012.

7 TAXATION

The tax charge (credit) comprises:

	2013 £m	2012 £m
Current tax:		
UK corporation tax	**0.2**	0.7
Adjustments made in respect of prior years	**—**	(0.2)
	0.2	0.5
Deferred tax:		
Origination and reversal of timing differences	**0.2**	(0.9)
Adjustments in respect of prior years	**0.5**	0.1
	0.7	(0.8)
Total tax charge (credit)	**0.9**	(0.3)

The principal differences between the tax charge (credit) and the amount calculated by applying the standard rate of UK corporation tax of 24% (2012: 26%) to profit before taxation are as follows:

	2013 £m	2012 £m
Profit before taxation	**5.1**	762.2
Profit before taxation at 24% (2012: 26%)	**1.2**	198.2
Adjustments in respect of prior years	**0.5**	(0.1)
Items attracting no tax relief or liability	**(0.8)**	(198.4)
Total tax charge (credit)	**0.9**	(0.3)

Items attracting no tax relief or liability relate primarily to the Group's share of results of joint ventures and certain profits or losses associated with freehold property. In the year ended 31 March 2012, items attracting no tax relief or liability also reflect exceptional items associated with the Best Buy Mobile Disposal. Taxation associated with the Group's interests in joint ventures is recognised within their results.

7 TAXATION continued

Deferred tax balances recognised by the Group and movements thereon during the year are as follows:

	2013 £m	2012 £m
Opening balance	**1.3**	1.4
(Charge) credit to the income statement	**(0.7)**	0.8
Movements through accumulated profits	**—**	(1.1)
Current year tax losses carried forward	**—**	0.2
Closing balance	**0.6**	1.3

Deferred tax comprises the following balances:

	2013 £m	2012 £m
Deferred tax assets	**1.0**	1.3
Deferred tax liabilities	**(0.4)**	—
	0.6	1.3

The Government has announced the reduction of the UK corporation tax rate from 24% to 23% with effect from April 2013 and then to 21% from April 2014. The impact of this reduction is not material to the wholly-owned Group.

8 EQUITY DIVIDENDS AND OTHER DISTRIBUTIONS

The following dividends and distributions were paid during the year:

	2013 £m	2012 £m
Final dividend for the year ended 31 March 2011 of 5.0p per ordinary share	**—**	22.7
Interim dividend for the year ended 31 March 2012 of 1.75p per ordinary share	**—**	7.9
Dividend of 172p per C share through the B/C Share Scheme	**—**	223.0
Redemption of 172p per B share through the B/C Share Scheme	**32.9**	556.9
Final dividend for the year ended 31 March 2012 of 3.25p per ordinary share	**15.4**	—
Interim dividend for the year ended 31 March 2013 of 1.75p per ordinary share	**8.3**	—
	56.6	810.5

The following distribution is proposed but had not been effected at 31 March 2013:

	2013 £m
Final dividend for the year ended 31 March 2013 of 3.25p per ordinary share	**16.9**

The proposed final dividend for the year ended 31 March 2013 is subject to shareholders' approval at the forthcoming annual general meeting and has not been included as a liability in these financial statements. The expected cost of this dividend reflects the placing by the Group of 47.2m shares, which completed on 3 May 2013, the fact that Best Buy has agreed to waive its rights to dividends payable on the Consideration Shares (see note 21) and the fact that the Group's ESOT has agreed to waive its rights to receive dividends (see note 5g).

9 RECONCILIATION OF HEADLINE RESULTS TO STATUTORY RESULTS

2013	Profit before investment income, interest and taxation £m	Profit before taxation £m	Net profit for the year £m
Headline results	**57.1**	**59.0**	**58.1**
Share of joint venture exceptional items (post-tax) *	**(53.4)**	**(53.4)**	**(53.4)**
Share of amortisation of joint venture acquisition intangibles (post-tax) *	**(0.5)**	**(0.5)**	**(0.5)**
Statutory results	**3.2**	**5.1**	**4.2**

* See note 4 for further details.

9 RECONCILIATION OF HEADLINE RESULTS TO STATUTORY RESULTS continued

2012	Profit (loss) before investment income, interest and taxation £m	Profit before taxation £m	Net profit for the year £m
Headline results	55.4	58.3	57.7
Group exceptional items*	(20.6)	792.4	793.3
Share of operating results of discontinued businesses within joint ventures (post-tax)*	(9.8)	(9.8)	(9.8)
Share of joint venture exceptional items (post-tax)*	(77.4)	(77.4)	(77.4)
Share of amortisation of joint venture acquisition intangibles (post-tax)*	(1.3)	(1.3)	(1.3)
Statutory results	(53.7)	762.2	762.5

* See note 4 for further details.

Headline information is provided because the directors consider that it provides assistance in understanding the Group's underlying performance.

10 EARNINGS PER SHARE

	2013	2012
Headline earnings (£m)	**58.1**	57.7
Statutory earnings (£m)	**4.2**	762.5
Weighted average number of shares (millions):		
Average shares in issue	**472.8**	460.1
Less average holding by Group ESOT (see note 5g)	**(0.1)**	(3.5)
For basic earnings per share	**472.7**	456.6
Dilutive effect of share options and other incentive schemes	**6.7**	21.1
For diluted earnings per share	**479.4**	477.7

Basic earnings per share	**2013**	2012
Headline	**12.3p**	12.6p
Statutory	**0.9p**	167.0p

Diluted earnings per share	**2013**	2012
Headline	**12.1p**	12.1p
Statutory	**0.9p**	159.6p

Dilution in the prior year relates to incentive schemes which vested in that year (see notes 5a and 5b).

Dilution in the current year relates to an incentive scheme for senior Best Buy Europe employees, the Group's obligations for which are expected to be met using the Company's shares. Under the scheme, participants have the opportunity to share in earnings in excess of minimum growth targets, against the year ended 31 March 2009.

A minimum value of the pool was agreed in the year ended 31 March 2012, in recognition of the value that had already accrued in the scheme in relation to Best Buy Mobile, which was disposed of in January 2012. The dilution reflected in the current period relates to this minimum value and reflects the Group's obligations under the scheme during the year.

Further to the CPW Europe Acquisition, the Remuneration Committee has allowed the scheme to vest based on performance achieved to 31 March 2013. In addition to the Group's obligations under the scheme in relation to earnings in excess of minimum growth targets for the years ended March 2010 to March 2013 and the minimum value agreed in relation to Best Buy Mobile, the Group has also agreed to satisfy Best Buy's obligations under the scheme. In total, further dilution of up to 9.6m shares has been approved by shareholders in addition to the 6.7m shares included within the earnings per share calculations above, although this may be mitigated by the use of cash instead of shares.

11 PROPERTY, PLANT AND EQUIPMENT

	2013 £m	2012 £m
Opening balance	**66.1**	67.8
Additions	**0.1**	0.1
Disposals	**(37.2)**	—
Depreciation	**(1.3)**	(1.0)
Impairment	**(1.0)**	(0.8)
Closing balance	**26.7**	66.1
Cost	**30.3**	72.3
Accumulated depreciation	**(3.6)**	(6.2)
Net carrying amount	**26.7**	66.1

Property, plant and equipment held by the Group is principally investment property.

On 28 March 2013 the Group completed the sale of its primary property in Acton for £40.5m in cash, giving rise to a profit on disposal of £3.3m.

The fair value of the investment property held at 31 March 2013 was £30.5m (2012: £74.1m). The valuation of properties was performed internally by reference to appropriate yield rates and market evidence of recent transactions.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2013 £m	2012 £m
Within one year	**1.9**	5.5
In two to five years	**7.7**	22.1
After five years	**13.6**	40.0
	23.2	67.6

12 NON-CURRENT ASSET INVESTMENTS

	2013 £m	2012 £m
Non-current asset investments	**0.1**	0.1

PRINCIPAL COMPANY INVESTMENTS

The Company has investments in the following subsidiary undertakings, which, alongside joint ventures, principally affected the profits or losses or net assets of the Group. To avoid a statement of excessive length, details of investments which are not significant have been omitted. All holdings are in equity share capital, are held directly by the Company, and give the Group an effective holding of 100% on consolidation.

Name	Country of incorporation or registration	Nature of business
CPW Acton One Limited	Isle of Man	Property holding company
CPW Acton Five Limited	England and Wales	Property holding company
CPW Tulketh Mill Limited	England and Wales	Property holding company
CPW Irlam Limited	England and Wales	Property holding company
CPW Consultancy Limited	England and Wales	Provider of consultancy services

Following the disposal of the Group's primary property in Acton during March 2013, CPW Acton One Limited is non-trading. For the year ended 31 March 2013, the subsidiaries incorporated in England and Wales intend to take advantage of the audit exemption available under section 394c of the Companies Act 2006.

13 INTERESTS IN JOINT VENTURES

Interests in joint ventures are as follows:

Business	Principal activities	Country of incorporation	2013 interest	2012 interest
Best Buy Europe	Retail, distribution, insurance, telecoms services	England and Wales	**50.0%**	50.0%
Virgin Mobile France	MVNO	England and Wales	**46.3%**	46.6%

The Group's interest in Virgin Mobile France reduced from 46.6% to 46.3% during the year, following the exercise of share options by management of Virgin Mobile France. In addition to share options, management hold warrants that give them the right to acquire new shares at a price based on the value of existing shareholder funding and an additional amount which increases with the quantity of shares being acquired. The maximum potential dilution to the Group's stake if all existing share options and warrants were exercised is approximately 5.2%, although the value of this dilution would be partially offset by cash inflows in relation to the proceeds on exercise.

a) GROUP BALANCE SHEET INTERESTS

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

2013	**Net assets (liabilities) £m**	**Goodwill £m**	**Loans £m**	**Total £m**
Opening balance	**408.3**	**102.9**	**24.3**	**535.5**
Share of results	**0.4**	**—**	**—**	**0.4**
Loans repaid (net)	**—**	**—**	**(4.0)**	**(4.0)**
Share of other reserve movements	**2.7**	**—**	**—**	**2.7**
Acquisition of shares	**—**	**0.2**	**—**	**0.2**
Foreign exchange	**2.2**	**—**	**0.2**	**2.4**
Closing balance	**413.6**	**103.1**	**20.5**	**537.2**
Best Buy Europe	**420.6**	**102.9**	**—**	**523.5**
Virgin Mobile France	**(7.0)**	**0.2**	**20.5**	**13.7**
Closing balance	**413.6**	**103.1**	**20.5**	**537.2**

2012	Net assets (liabilities) £m	Goodwill £m	Loans £m	Total £m
Opening balance	453.6	102.9	35.7	592.2
Share of results	(34.1)	—	—	(34.1)
Loans repaid (net)	—	—	(9.9)	(9.9)
Share of other reserve movements	0.7	—	—	0.7
Foreign exchange	(11.9)	—	(1.5)	(13.4)
Closing balance	408.3	102.9	24.3	535.5
Best Buy Europe	418.1	102.9	—	521.0
Virgin Mobile France	(9.8)	—	24.3	14.5
Closing balance	408.3	102.9	24.3	535.5

The Group has no formal funding commitments to Best Buy Europe, which is funded principally through a £400m RCF from its core bank group. As at 31 March 2013 this facility was due to mature in July 2015. Further to the CPW Europe Acquisition, agreement has been reached with the Group's core relationship banks for the provision of a new £400m RCF, which will mature in April 2017. CPW Europe also has a number of overdrafts and other uncommitted facilities which are used for cash management purposes.

Loans are provided to Virgin Mobile France under a shareholder agreement; funding requirements are agreed between the shareholders on a regular basis and are provided in proportion to each party's shareholding. Virgin Mobile France also has an overdraft facility and since the year end has agreed a third party three-year financing arrangement to provide funding up to €25.0m in respect of capital expenditure.

13 INTERESTS IN JOINT VENTURES continued

b) ANALYSIS OF PROFITS AND LOSSES

The Group's share of the results of its joint ventures is as follows:

Best Buy Europe	2013 £m	2012 £m
Revenue	**3,694.3**	3,313.1
Headline EBITDA *	**216.2**	219.6
Depreciation and amortisation	**(79.6)**	(84.6)
Headline EBIT	**136.6**	135.0
Net interest expense**	**(8.7)**	(16.4)
Taxation on Headline results	**(25.7)**	(22.0)
Headline profit after taxation	**102.2**	96.6
Group share of Headline profit after taxation	**51.1**	48.3
Group share of operating results of discontinued businesses (post-tax) (see note 4)	**—**	(9.8)
Group share of exceptional items (post-tax) (see note 4)	**(53.4)**	(77.4)
Group share of loss after taxation	**(2.3)**	(38.9)

* Headline EBITDA includes the unwinding of discounts for the time value of money on network commissions receivable over the life of the customer. This unwind has a value of £8.6m in the year ended 31 March 2013 (2012: £8.0m) and is treated as interest income in the joint venture's statutory results.

** Net interest expense in the year ended 31 March 2012 includes a post-tax loss of £2.9m in relation to CPW Europe's share of the start-up costs of an associate. Ongoing trading losses from this associate have been included within EBITDA in the year ended 31 March 2013.

Virgin Mobile France	2013 £m	2012 £m
Revenue *	**385.0**	390.2
Headline EBITDA	**19.7**	25.7
Depreciation and amortisation	**(7.8)**	(4.2)
Headline EBIT	**11.9**	21.5
Net interest expense	**(1.4)**	(2.5)
Taxation on Headline results	**(3.9)**	(6.7)
Headline profit after taxation	**6.6**	12.3
Group share of Headline profit after taxation before change in share ownership	**3.1**	5.8
Gain on reduction of % share ownership	**0.1**	0.3
Group share of Headline profit after taxation	**3.2**	6.1
Group share of amortisation of acquisition intangibles (post-tax)	**(0.5)**	(1.3)
Group share of profit after taxation	**2.7**	4.8

* 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 have a value of £73.7m in the year ended 31 March 2013 (2012: £71.0m), are netted off against acquisition costs within Headline EBITDA. Reported revenue on a statutory basis for the year ended 31 March 2013 is £458.7m (2012: £461.2m).

Total Group share	2013 £m	2012 £m
Headline	**54.3**	54.4
Statutory	**0.4**	(34.1)

13 INTERESTS IN JOINT VENTURES continued

c) ANALYSIS OF ASSETS AND LIABILITIES

The Group's share of the assets and liabilities of its joint ventures is as follows:

Best Buy Europe	2013 £m	2012 £m
Non-current assets	548.3	662.4
Cash and overdrafts (net)	123.6	165.3
Other borrowings	(3.2)	(194.7)
Other assets and liabilities (net)	172.6	203.2
Net assets	841.3	836.2
Group share of net assets	420.6	418.1

Virgin Mobile France	2013 £m	2012 £m
Non-current assets	100.0	127.4
Cash and overdrafts (net)	2.0	10.1
Loans from the Group	(20.5)	(24.3)
Other borrowings	(21.9)	(26.2)
Other assets and liabilities (net)	(74.8)	(107.9)
Net liabilities	(15.2)	(20.9)
Group share of net liabilities	(7.0)	(9.8)

Total Group share	2013 £m	2012 £m
Total Group share of net assets and liabilities of joint ventures	413.6	408.3

There are no material contingent liabilities in relation to the Group's joint ventures. Best Buy Europe and Virgin Mobile France had no capital commitments at the end of either period.

Within the cash and overdrafts of Best Buy Europe, £28.0m (2012: £37.0m) is held by its insurance business to cover regulatory reserve requirements; these funds are not available to offset other Best Buy Europe borrowings.

The Group's principal CGUs are its joint venture investments and freehold properties, which are tested annually for impairment or more frequently if there are indications that they might be impaired. Best Buy Europe tests for impairment and allocates its goodwill to CGUs generally based on geographical location.

The recoverable amounts of the CGUs are determined from value in use calculations or fair market value as appropriate. The Group and its joint ventures prepare cash flow forecasts derived from the most recent financial budgets approved by management for the next four or five years and extrapolate cash flows in perpetuity based on a growth rate of 1.5% to 4.5% (2012: 1.3% to 4.6%). The pre-tax rates used to discount the forecast cash flows range between 6.5% and 10.2% (2012: 6.5% and 11.8%).

The key assumptions for the value in use calculations are those in relation to the discount rates, growth rates and expected changes to selling prices and direct costs, all of which are based on historical patterns and expectations of future market developments. Management estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

The Group recognised an impairment charge of £1.0m (2012: £0.8m) in relation to one of its freehold properties. Otherwise the directors do not consider that there are any other CGUs in the wholly-owned Group where a realistic change to one of the key assumptions on which the value in use calculations are based would result in the CGU's recoverable amount falling below its carrying value.

Within the net assets of Best Buy Europe is goodwill of £148.0m (2012: £214.0m), following the impairment of goodwill in relation to CPW Europe's French operation (see note 4). The directors of Best Buy Europe consider that Germany is the only CGU for which a reasonably possible change during the next year in key assumptions would cause the recoverable amount of the CGU to fall below its carrying amount. At 31 March 2013, the recoverable amount exceeded the carrying value by £94m in Germany, incorporating a long-term growth rate of 1.5% and a pre-tax discount rate of 7.7% as key assumptions. If the pre-tax discount rate increased above 11.8% or forecast EBITDA reduced by more than 40%, the recoverable amount in Germany would fall below its carrying amount.

14 TRADE AND OTHER RECEIVABLES

	2013 £m	2012 £m
Other receivables	**2.8**	21.3
	2.8	21.3

Other receivables at 31 March 2012 include loans of £4.0m to members of senior management relating to the TalkTalk VES which were repaid during the year and amounts due from Best Buy Europe in relation to the shares gifted to senior Best Buy Europe executives, as detailed in note 4, which were settled in April 2012.

The Group's trade and other receivables are all not yet due, are entirely denominated in UK Sterling and are expected to be fully recoverable.

15 TRADE AND OTHER PAYABLES

	2013 £m	2012 £m
Other payables	**1.2**	1.5
Accruals and deferred income	**16.1**	8.6
	17.3	10.1

16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2013 £m	2012 £m
Short-term bank and other deposits and money market funds	**116.9**	102.7
	116.9	102.7

Cash and cash equivalents include bank deposits with maturities of up to six months, which are available on demand.

SECURITIES AND GUARANTEES
No facilities are secured over Group assets. The Group has provided guarantees to third party suppliers of Virgin Mobile France, alongside the other shareholders of the business. The Group's maximum potential exposure on these guarantees is £1.2m (2012: £19.8m).

FUNCTIONAL CURRENCY
All of the Group's material subsidiaries prepared accounts in UK Sterling. The businesses that had a material effect on the Group's joint venture investments prepared accounts in UK Sterling, Euro and US Dollar.

17 FINANCIAL RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

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

	2013 £m	2012 £m
Cash and cash equivalents	**116.9**	102.7
Loans to Virgin Mobile France (see note 13)	**20.5**	24.3
Trade and other receivables	**2.8**	21.3
Trade and other payables	**(17.3)**	(10.1)

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

a) FINANCIAL RISK MANAGEMENT POLICIES
The Group's activities expose it to certain financial risks including market risk (such as foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's treasury function, which operates under approved treasury policies, uses certain financial instruments to mitigate potentially adverse effects on the Group's financial performance from these risks. These financial instruments may consist of bank loans and deposits, spot and forward foreign exchange contracts, and foreign exchange swaps. Other products, such as interest rate swaps and currency options, may also be used depending on the risks to be covered. The Group does not trade or speculate in any financial instruments.

17 FINANCIAL RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS continued

b) FOREIGN EXCHANGE RISK

TRANSLATIONAL RISK

The Group uses forward currency contracts to hedge balance sheet assets and liabilities. Translational currency risk, primarily arising on funding of Virgin Mobile France, is hedged using foreign exchange swaps.

The Group's foreign exchange position is calculated daily and any positions are closed out unless the exposure is immaterial. The translation risk on converting overseas currency profits or losses is not hedged and such profits or losses are converted into UK Sterling at average exchange rates throughout the year. This gives the Group a direct exposure to the Euro in respect of Virgin Mobile France. As explained in note 16, while Best Buy Europe reports in UK Sterling, its results were materially affected by the Euro and, in the year ended 31 March 2012, also the US Dollar. Best Buy Europe may hedge a proportion of its non-Sterling earnings to provide certainty of their value.

At 31 March 2013, the total notional principal amount of outstanding currency contracts was £20.5m (2012: £24.3m).

Currency loans and foreign exchange contracts are sensitive to movements in foreign exchange rates. This sensitivity can be analysed in comparison to year-end rates (assuming all other variables remain constant) where a 10% movement in the UK Sterling/Euro exchange rate would have no impact on the income statement or equity (2012: no impact). Changes in the value of currency loans would not be expected to have an impact on the income statement, as they are matched by the value of foreign exchange contracts, assuming the hedges remain fully effective.

Best Buy Europe's policies for translational risk are consistent with those of the Group. Virgin Mobile France has limited translational risk exposures as its operations are based solely in France.

TRANSACTIONAL RISK AND CASH FLOW HEDGES

The Group is exposed to limited cross-border transactional commitments but, where significant, these are hedged at inception using forward currency contracts. At 31 March 2013 and 31 March 2012 the Group held no material cash flow hedges.

Best Buy Europe's operations were exposed to foreign currency transactional risks, primarily through the Best Buy Mobile profit share arrangement and purchases of stock. Best Buy Europe may use foreign exchange contracts to mitigate against foreign currency fluctuations arising on these transactions.

c) INTEREST RATE RISK

The Group's interest rate risk arises primarily on cash, cash equivalents and loans to joint ventures, all of which are at floating rates of interest and which therefore expose the Group to cash flow interest rate risk. These floating rates are linked to LIBOR and other interest rate bases as appropriate to the instrument and currency. Future cash flows arising from these financial instruments depend on interest periods agreed at the time of rollover. Group policy permits the use of long-term interest rate derivatives in managing the risks associated with movements in interest rates although the Group holds none of these products at present.

Cash and borrowings, as well as some foreign exchange products, are sensitive to movements in interest rates. This sensitivity can be analysed through calculating the effect on the income statement of a 1% movement in the interest rate in relation to cash, cash equivalents and loans to joint ventures. This analysis has been prepared on the assumption that the year-end positions prevail throughout the year, and therefore may not be representative of fluctuations in levels of deposits and borrowings. A 1% movement in the interest rate would result in a £1.2m (2012: £1.0m) movement in profit before taxation.

d) LIQUIDITY RISK

The Group manages its exposure to liquidity risk by regularly reviewing the long-term and short-term cash flow projections for the business against the resources available to it. Regular reports are made to the Audit Committee assessing the adequacy of these resources and reports are routinely circulated to senior management showing the Group's net funds. Headroom is assessed based on historical experience as well as by assessing current business risks, including foreign exchange movements.

e) CREDIT RISK

The Group's exposure to credit risk is regularly monitored and the Group's policy updated as appropriate. Deposits and foreign exchange transactions are spread amongst a number of institutions, all of which have credit ratings appropriate to the Group's policies and exposures.

f) CAPITAL RISK

The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns, whilst maximising the return to shareholders through a suitable mix of debt and equity. The Group's overall strategy remains unchanged from the year to March 2012. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. The Group is not subject to any externally imposed capital requirements. The Group monitors its capital structure on an ongoing basis, including assessing the risks associated with each class of capital.

18 PROVISIONS

	2013 £m	2012 £m
Opening balance	**8.9**	13.2
Charge in the income statement	**0.4**	—
Released in the year	**(2.5)**	(4.3)
Closing balance	**6.8**	8.9

Provisions relate principally to warranties provided in relation to the Best Buy Europe Joint Venture Transaction.

19 SHARE CAPITAL

	2013 million	2012 million	2013 £m	2012 £m
Allotted, called-up and fully paid ordinary shares of 0.1p each	**472.8**	472.8	**0.5**	0.5
B shares – redeemable preference shares of 172p each	**—**	19.2	**—**	32.9
Deferred shares of 0.01p each	**—**	129.7	**—**	—

A description of the movements in share capital is provided in note 20.

On 30 April 2013 the Group placed 47.2m ordinary shares at 222 pence per share. The placing raised net proceeds of £103.2m which were received on 3 May 2013 and which were used to fund part of the consideration for the CPW Europe Acquisition (see note 21). On 25 June 2013 the Group issued 42.1m Consideration Shares to Best Buy. Best Buy has agreed to waive rights to dividends payable on these shares subject to certain conditions (see note 21).

20 RESERVES AND ACCUMULATED PROFITS

2013	Share capital £m	Share premium reserve £m	Accumulated profits £m	Translation reserve £m	Demerger reserve £m	Capital redemption reserve £m	Total £m
At the beginning of the year	**33.4**	**170.0**	**697.8**	**0.1**	**(750.2)**	**556.9**	**708.0**
Total recognised income and expenses for the year	**—**	**—**	**4.2**	**2.2**	**—**	**—**	**6.4**
Redemption of shares	**(32.9)**	**—**	**(32.9)**	**—**	**—**	**32.9**	**(32.9)**
Equity dividends	**—**	**—**	**(23.7)**	**—**	**—**	**—**	**(23.7)**
Capital reduction	**—**	**—**	**589.8**	**—**	**—**	**(589.8)**	**—**
Share of other reserve movements of joint ventures	**—**	**—**	**2.7**	**—**	**—**	**—**	**2.7**
Net movements in relation to share schemes	**—**	**—**	**0.1**	**—**	**—**	**—**	**0.1**
At the end of the year	**0.5**	**170.0**	**1,238.0**	**2.3**	**(750.2)**	**—**	**660.6**

On 10 April 2012, 19.2m B shares which had been issued under the B/C Share Scheme were redeemed by the Company for 172p per share, being £32.9m. The Company carried out a capital reduction in July 2013 so as to cancel all deferred shares and the capital redemption reserve arising on the B/C Share Scheme, which resulted in the creation of additional distributable reserves of £589.8m.

2012	Share capital £m	Share premium reserve £m	Accumulated profits £m	Translation reserve £m	Demerger reserve £m	Capital redemption reserve £m	Total £m
At the beginning of the year	0.5	754.0	741.7	12.0	(750.2)	—	758.0
Total recognised income and expenses for the year	—	—	762.5	(11.9)	—	—	750.6
Issue of shares	589.8	(584.0)	—	—	—	—	5.8
Redemption of shares	(556.9)	—	(556.9)	—	—	556.9	(556.9)
Equity dividends	—	—	(253.6)	—	—	—	(253.6)
Net purchase of own shares	—	—	(16.0)	—	—	—	(16.0)
Tax on items recognised directly in reserves	—	—	(0.2)	—	—	—	(0.2)
Share of other reserve movements of joint ventures	—	—	0.7	—	—	—	0.7
Net movements in relation to share schemes	—	—	19.6	—	—	—	19.6
At the end of the year	33.4	170.0	697.8	0.1	(750.2)	556.9	708.0

20 RESERVES AND ACCUMULATED PROFITS continued

On 30 January 2012 under the B/C Share Scheme, 342.9m B shares and 129.7m C shares were allotted to shareholders through the capitalisation of £589.8m of the share premium reserve. On 31 January 2012 the Company redeemed 323.8m B shares for 172p per share, being £556.9m in total, and a dividend was declared on each C share of 172p, totalling £223.0m. Following the declaration of dividends on the C shares, these shares became deferred shares which carry no rights to participate in the profits of the Company or a return of capital. The B shares, C shares and deferred shares have no rights to attend or vote at a general meeting of the Company.

Net purchase of own shares reflects the purchase of 9.0m shares in the Company for gross consideration of £28.1m offset by £11.7m cash compensation paid by Best Buy Europe in April 2012 in relation to the shares gifted to senior Best Buy Europe executives, as detailed in note 4, and £0.4m received in option costs on the exercise of non-nil-priced share option exercises.

On 20 January 2012, the Company issued 15.7m ordinary shares to participants in the Best Buy Europe VES.

21 POST BALANCE SHEET EVENTS

On 26 June 2013 the Group is scheduled to complete the CPW Europe Acquisition for a net consideration of £471m, at which point Best Buy Europe will become a 100% owned subsidiary of the Group. £341m of the net consideration will be paid in cash on completion with the balance satisfied by the issue of the Consideration Shares and £50m of deferred cash consideration payable in two equal instalments of £25m in June 2014 and June 2015.

The primary reasons for the acquisition were to bring a simplified ownership structure, making day-to-day management easier, the strategic decision-making process more streamlined and the ability to better leverage CPW Europe's asset base and know-how. Such a structure will provide full ownership of growth opportunities across Europe and other potential markets.

On 30 April 2013 the Group placed 47.2m ordinary shares at a price of 222 pence per share. The placing raised net proceeds of £103.2m, which were used to fund part of the cash consideration for the acquisition.

Additional funding for the cash consideration was provided through a new £250m Sterling term loan facility, provided by the Group's core relationship banks. This facility matures in April 2017, and has amortisation of £25m and £50m respectively in June 2015 and June 2016. Interest on the facility is at margins over LIBOR. The actual margin depends on the level of fixed charges cover (based on interest and operating lease expenditure) in the most recent accounting period. The facility has covenants limiting the ratio of net debt to EBITDA and requiring a minimum level of fixed charges cover.

On 25 June 2013 the Group issued 42.1m Consideration Shares to Best Buy. Best Buy has agreed to waive any rights to dividends payable on these shares subject to certain conditions.

An acquisition accounting exercise in relation to the CPW Europe Acquisition has not yet been undertaken, and details will therefore be provided in due course.

On 15 April 2013 the Group completed the sale of a freehold property in Acton, London, for £10.5m in cash. The net book value of this property at 31 March 2013 was £10.5m and the transaction did not result in a profit or loss on disposal. Following the disposal the market value of properties owned by the Group was £20.0m.

22 RELATED PARTY TRANSACTIONS

During the year, the Group had the following disclosable transactions and balances with its joint ventures (see also note 13):

	2013		2012	
	Best Buy Europe £m	**Virgin Mobile France £m**	Best Buy Europe £m	Virgin Mobile France £m
Revenue for services provided	**3.6**	**—**	3.1	—
Net interest and other finance income	**—**	**0.8**	0.3	1.2
Loans owed to the Group	**—**	**20.5**	—	24.3
Other amounts owed to the Group	**1.4**	**—**	15.4	—
Other amounts owed by the Group	**(6.4)**	**—**	—	—

Revenue for services provided relates to investment property rental income.

Amounts owed to the Group by Best Buy Europe at 31 March 2012 primarily reflect amounts due in relation to shares gifted to senior Best Buy Europe executives, as detailed in note 4, which were settled in April 2012.

FIVE-YEAR RECORD (UNAUDITED)

HEADLINE RESULTS

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
a) Group					
Revenue	**10.7**	6.4	5.6	5.5	5.1
Share of results of CPW Europe	**51.1**	48.3	47.3	38.2	28.3
Share of results of Virgin Mobile France	**3.2**	6.1	8.2	(8.2)	(8.4)
Other	**(6.9)**	(3.1)	(6.4)	(7.2)	(7.0)
Net profit	**58.1**	57.7	54.7	28.3	18.0
Earnings per share					
– Basic	**12.3p**	12.6p	12.1p	6.3p	4.0p
– Diluted	**12.1p**	12.1p	11.6p	6.2p	3.9p
b) CPW Europe					
Revenue	**3,694.3**	3,313.1	3,504.8	3,528.8	3,562.6
EBITDA	**216.2**	219.6	219.1	206.3	184.5
EBIT	**136.6**	135.0	134.6	114.4	97.2
Interest	**(8.7)**	(16.4)	(15.2)	(16.3)	(11.9)
Taxation	**(25.7)**	(22.0)	(24.8)	(21.8)	(28.7)
Profit after taxation	**102.2**	96.6	94.6	76.3	56.6
c) Virgin Mobile France					
Revenue	**385.0**	390.2	328.4	232.8	138.9
EBITDA	**19.7**	25.7	24.3	(19.3)	(20.2)
EBIT	**11.9**	21.5	20.6	(22.2)	(22.7)
Interest	**(1.4)**	(2.5)	(2.9)	(1.5)	(1.4)
Taxation	**(3.9)**	(6.7)	(0.7)	5.1	6.7
Profit (loss) after taxation	**6.6**	12.3	17.0	(18.6)	(17.4)

The financial results for the periods prior to the Demerger have been prepared on the basis that the structure of the Group at Demerger had been in place for the duration of all periods reported.

COMPANY BALANCE SHEET
AS AT 31 MARCH 2013 AND 31 MARCH 2012

	Notes	2013 £m	2012 £m
Fixed assets			
Investments	4	**740.5**	749.9
Current assets			
Cash and cash equivalents		**137.0**	161.0
Debtors: due within one year	5	**26.1**	46.4
		163.1	207.4
Creditors: amounts falling due within one year	6	**(21.7)**	(12.8)
Net current assets		**141.4**	194.6
Total assets less current liabilities		**881.9**	944.5
Provisions	7	**(6.4)**	(8.9)
Net assets		**875.5**	935.6
Equity			
Share capital	9	**0.5**	33.4
Share premium reserve	9	**170.0**	170.0
Profit and loss account	9	**705.0**	175.3
Capital redemption reserve	9	**—**	556.9
Total capital employed		**875.5**	935.6

The accompanying notes are an integral part of this Company Balance Sheet.

The financial statements on pages 79 to 83 were approved by the Board on 25 June 2013 and signed on its behalf by:

Roger Taylor Chief Executive Officer

Nigel Langstaff Chief Financial Officer

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

a) BASIS OF PREPARATION

The Company is incorporated in the United Kingdom. The financial statements have been prepared on a going concern basis (see note 1 to the Group financial statements) and in accordance with applicable United Kingdom accounting standards under the historical cost convention, as modified by FRS 26 'Financial Instruments: Measurement'.

The Group's financial statements for the year ended 31 March 2013 contain a consolidated cash flow statement. Consequently, the Company has applied the exemption in FRS 1 'Cash Flow Statements' not to present its own cash flow statement.

The following principal accounting policies have been applied consistently throughout both years.

b) INVESTMENTS

Investments held in subsidiaries and joint ventures are recognised at cost, being the fair value of consideration, acquisition charges associated with the investment and capital contributions by way of share-based payments, less any provision for permanent diminution in value.

Investments where the Company does not have control or significant influence are treated as available-for-sale and recorded at fair value. Changes in fair value, together with any related deferred taxation, are taken directly to reserves, and recycled to the profit and loss account when the investment is sold or is determined to be impaired.

c) SHARE-BASED PAYMENTS

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

Fair value is measured by use of a Binomial model for share-based payments with internal performance criteria (such as EPS targets) and a Monte Carlo model for those with external performance criteria (such as TSR targets).

For schemes with internal performance criteria, the number of options expected to vest is recalculated at each balance sheet date, based on expectations of performance against target and of leavers prior to vesting. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in reserves.

For schemes with external performance criteria, the number of options expected to vest is adjusted only for expectations of leavers prior to vesting. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in reserves.

If a share-based payment scheme is cancelled, any remaining part of the fair value of the scheme is expensed through the profit and loss account. If a share-based payment scheme is forfeited, no further expense is recognised and any charges previously recognised through the profit and loss account are reversed.

Share-based payment charges are also recognised on loans that are provided to employees to settle personal tax liabilities; the cost of such loans is expensed on grant.

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

d) DIVIDENDS

Dividends receivable from the Company's subsidiaries are recognised only when they are approved by shareholders.

Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the year in which they are approved by the Company's shareholders. Interim and other dividends are recognised in the year in which they are paid.

e) FOREIGN CURRENCY TRANSLATION

Material transactions in foreign currencies are hedged using forward purchases or sales of the relevant currencies and are recognised in the financial statements at the exchange rates thus obtained. Unhedged transactions are recorded at the exchange rate on the date of the transaction. Material monetary assets and liabilities denominated in foreign currencies are hedged, mainly using forward foreign exchange contracts to create matching liabilities and assets, and are retranslated at each balance sheet date. Hedge accounting as defined by FRS 26 has been applied in the both years.

f) LOANS AND OTHER BORROWINGS

Bank fees and legal costs associated with the securing of external financing are capitalised and amortised over the term of the relevant facility. All other borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

g) PROVISIONS

Provisions are recognised when a legal or constructive obligation exists as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted where the time value of money is considered to be material.

2 PROFIT AND LOSS ACCOUNT

In accordance with the exemption permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented separately. The loss recognised for the year to 31 March 2013 was £3.6m (2012: profit of £789.6m). Information regarding the audit fees for the Group is provided in note 3 to the Group financial statements.

3 EQUITY DIVIDENDS AND OTHER DISTRIBUTIONS

The following dividends and distributions were paid during the year:

	2013 £m	2012 £m
Final dividend for the year ended 31 March 2011 of 5.0p per ordinary share	—	22.7
Interim dividend for the year ended 31 March 2012 of 1.75p per ordinary share	—	7.9
Dividend of 172p per C share through the B/C Share Scheme	—	223.0
Redemption of 172p per B share through the B/C Share Scheme	32.9	556.9
Final dividend for the year ended 31 March 2012 of 3.25p per ordinary share	15.4	—
Interim dividend for the year ended 31 March 2013 of 1.75p per ordinary share	8.3	—
	56.6	810.5

The following distributions are proposed but had not been effected at 31 March 2013:

	2013 £m
Final dividend for the year ended 31 March 2013 of 3.25p per ordinary share	16.9

The proposed final dividend for the year ended 31 March 2013 is subject to shareholders' approval at the forthcoming annual general meeting and has not been included as a liability in these financial statements. The expected cost of this dividend reflects the placing by the Group of 47.2m shares, which completed on 3 May 2013, the fact that Best Buy has agreed to waive its rights to dividends payable on the Consideration Shares (see note 21 to the Group financial statements) and the fact that the Group's ESOT has agreed to waive its rights to receive dividends (see note 5g to the Group financial statements).

4 FIXED ASSET INVESTMENTS

	2013 £m	2012 £m
Opening balance	749.9	750.4
Additions	—	87.0
Disposals	—	(0.6)
Impairments	(9.4)	(86.9)
Closing balance	740.5	749.9
Cost	838.4	838.4
Accumulated impairments	(97.9)	(88.5)
Net carrying amount	740.5	749.9

Fixed asset investments comprise investments in subsidiary undertakings, joint venture investments and other minority investments. Details of the Company's investments in material subsidiary undertakings are provided in note 12 to the Group financial statements.

During the year, CPW Acton One Limited disposed of its investment property in Acton, London, for £40.5m in cash. Following this transaction the net assets of CPW Acton One Limited fell below the value of the Company's investment in that company resulting in an impairment.

Additions during the year ended 31 March 2012 primarily reflect the transfer of part of the Group's interest in Best Buy Europe from CPW Retail Holdings Limited to the Company. CPW Retail Holdings Limited paid a dividend to the Company during the years ended 31 March 2013 and 31 March 2012 resulting in the impairment of the Company's investment in that company in both years.

Disposals for the year ended 31 March 2012 reflect the sale of shares in Virgin Mobile France to management of that business.

5 DEBTORS: DUE WITHIN ONE YEAR

	2013 £m	2012 £m
Amounts owed by Group undertakings	**3.8**	15.8
Loans to joint ventures	**20.5**	24.3
Deferred tax asset	**1.0**	1.1
Other debtors	**0.8**	5.2
	26.1	46.4

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

Other debtors at 31 March 2012 include loans of £4.0m to members of senior management relating to the TalkTalk VES. These loans, including accrued interest, were repaid during the year.

6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £m	2012 £m
Amounts owed to Group undertakings	**1.0**	0.9
Other creditors	**0.5**	0.9
Accruals and deferred income	**20.2**	11.0
	21.7	12.8

7 PROVISIONS

	2013 £m	2012 £m
Opening balance	**8.9**	13.2
Released in the period	**(2.5)**	(4.3)
Closing balance	**6.4**	8.9

Provisions relate principally to warranties provided in relation to the Best Buy Europe Joint Venture Transaction.

8 FINANCIAL INSTRUMENTS

The Company has applied the exemption under FRS 25 'Financial Instruments: Presentation' not to disclose details of financial instruments held by the Company. Full disclosure of the Group's financial instruments under FRS 29 (IFRS 7) 'Financial Instruments: Disclosures' and IAS 39 'Financial Instruments: Recognition and Measurement' is provided in note 17 to the Group financial statements.

The Company has provided guarantees to third party suppliers of Virgin Mobile France, alongside the other shareholders of the business. The Company's maximum potential exposure on these guarantees is £1.2m (2012: £19.8m).

9 SHARE CAPITAL, RESERVES AND ACCUMULATED PROFITS

	2013 million	2012 million	2013 £m	2012 £m
Allotted, called-up and fully paid ordinary shares of 0.1p each	**472.8**	472.8	**0.5**	0.5
B shares – redeemable preference shares of 172p each	**—**	19.2	**—**	32.9
Deferred shares of 0.01p each	**—**	129.7	**—**	—

9 SHARE CAPITAL, RESERVES AND ACCUMULATED PROFITS continued

2013	Share capital £m	Share premium reserve £m	Profit and loss account £m	Capital redemption reserve £m	Total £m
Opening balance	**33.4**	**170.0**	**175.3**	**556.9**	**935.6**
Retained loss for the year	**—**	**—**	**(3.6)**	**—**	**(3.6)**
Redemption of shares	**(32.9)**	**—**	**(32.9)**	**32.9**	**(32.9)**
Equity dividends	**—**	**—**	**(23.7)**	**—**	**(23.7)**
Capital reduction	**—**	**—**	**589.8**	**(589.8)**	**—**
Net cost of share-based payments	**—**	**—**	**0.1**	**—**	**0.1**
Closing balance	**0.5**	**170.0**	**705.0**	**—**	**875.5**

2012	Share capital £m	Share premium reserve £m	Profit and loss account £m	Capital redemption reserve £m	Total £m
Opening balance	0.5	754.0	181.5	—	936.0
Retained profit for the year	—	—	789.6	—	789.6
Issue of shares	589.8	(584.0)	—	—	5.8
Redemption of shares	(556.9)	—	(556.9)	556.9	(556.9)
Equity dividends	—	—	(253.6)	—	(253.6)
Tax on items recognised directly in reserves	—	—	(0.2)	—	(0.2)
Net cost of share-based payments	—	—	14.9	—	14.9
Closing balance	33.4	170.0	175.3	556.9	935.6

Notes 19 and 20 to the Group financial statements provides further details of the issue of shares, redemption of shares and the capital reduction.

For details of the Company's equity dividends and other distributions see note 3.

10 POST BALANCE SHEET EVENTS

On 26 June 2013 the Company is scheduled to complete the CPW Europe Acquisition for a net consideration of £471m, at which point Best Buy Europe will become a 100% owned subsidiary of the Company. Further details in relation to this acquisition can be found in note 21 to the Group financial statements.

11 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under FRS 8 'Related Party Disclosures' not to provide details of related party transactions with other Group companies, as the Company's financial statements are presented together with the consolidated Group financial statements.

During the year, the Company had the following disclosable transactions and balances with its joint ventures:

	2013		2012	
	Best Buy Europe £m	**Virgin Mobile France £m**	Best Buy Europe £m	Virgin Mobile France £m
Net interest and other finance income	**—**	**0.8**	0.3	1.2
Loans owed to the Company	**—**	**20.5**	—	24.3
Other amounts owed to the Company	**0.1**	**—**	0.4	—
Other amounts owed by the Company	**(6.4)**	**—**	—	—

BUSINESS REVIEW GOVERNANCE FINANCIAL STATEMENTS

INFORMATION FOR SHAREHOLDERS

FINANCIAL CALENDAR 2013

Accounting period end	31 March
Preliminary results 2012–13	26 June
Ex-dividend date (final dividend 2012–13)	10 July
Record date (final dividend 2012–13)	12 July
Annual general meeting	24 July
Interim management statement Q1 2013–14	24 July
Intended dividend payment date (final dividend 2012–13)	9 August
Interim results 2013–14	14 November

INFORMATION FOR INVESTORS

STOCK SYMBOL
CPW

MARKET
London Stock Exchange, Main Market

FTSE INDEX
Following the CPW Europe Acquisition, the Company intends to apply for admission to the premium segment of the Official List and inclusion in the FTSE UK Index Series. Until this time, it has a standard listing and is not eligible for inclusion in the FTSE UK Index Series.

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GLOSSARY AND DEFINITIONS

The following definitions apply throughout this annual report unless the context otherwise requires:

ACQUISITION INTANGIBLES	Acquired intangible assets such as customer bases, brands and other intangible assets acquired through a business combination capitalised separately from goodwill.
ARPU	Average revenue per user.
B/C SHARE SCHEME	The scheme used to return the initial proceeds from the Best Buy Mobile Disposal to shareholders.
BEST BUY	Best Buy Co., Inc. (incorporated in the United States) and its subsidiaries and interests in joint ventures and associates.
BEST BUY EUROPE	Best Buy Europe Distributions and its subsidiaries and interests in joint ventures and associates.
BEST BUY EUROPE DISTRIBUTIONS	Best Buy Europe Distributions Limited (incorporated in England and Wales) which is a subsidiary of New BBED.
BEST BUY EUROPE JOINT VENTURE TRANSACTION	Old Carphone Warehouse's disposal of a 50% interest in its mobile retail and distribution business (Best Buy Europe), including its economic interests in Best Buy Mobile, in June 2008.
BEST BUY MOBILE	Best Buy's retail operations in respect of mobile phones and other connected devices in which Best Buy Europe had a profit share arrangement.
BEST BUY MOBILE DISPOSAL	The disposal of the Group's interest in Best Buy Mobile to Best Buy.
BEST BUY UK	Best Buy Europe's Best Buy branded 'Big Box' stores and online business.
BOARD	The Board of directors of the Company.
CGU	Cash generating unit.
COMPANY	Carphone Warehouse Group plc (incorporated in England and Wales).
CONSIDERATION SHARES	The 42.1m ordinary shares in the Company issued to Best Buy on 25 June 2013 at a price of £1.90 per share, in connection with the CPW Europe Acquisition.
CPW EUROPE	Best Buy Europe's core continuing operations.
CPW EUROPE ACQUISITION	The Company's acquisition of Best Buy's interest in CPW Europe, which is scheduled to complete on 26 June 2013.
DEMERGER	The demerger of Old Carphone Warehouse into the Group and TalkTalk Group, effective on 26 March 2010.
EARNINGS	Profit or loss after taxation, unless the context otherwise requires.
EBIT	Earnings before investment income, interest and taxation.
EBITDA	Earnings before investment income, interest, taxation, depreciation and amortisation.
EPS	Earnings per share (basic unless otherwise indicated).
ESOT	Employee share ownership trust.
GROUP	The Company, its subsidiaries, interests in joint ventures and other investments.
HEADLINE RESULTS	Results before non-Headline results. The phrases "Headline earnings", "Headline EBIT", "Headline EBITDA" and "Headline EPS" should be interpreted in the same way. The Headline results of the Group's joint ventures also include certain reclassifications, as detailed in note 13 to the Group financial statements, to aid understanding of underlying performance.
IFRS	International Financial Reporting Standards as adopted by the European Union.
MNO	Mobile network operator.
MVNO	Mobile virtual network operator.
MTR	Mobile termination rates.
NEW BBED	New BBED Limited (incorporated in England and Wales) owned jointly by the Group and Best Buy.
NON-HEADLINE RESULTS	Items which have been excluded from Headline results to avoid distortion of underlying performance. Comprises exceptional items which are considered to be one-off and so material that they require separate disclosure to avoid distortion of underlying performance, the results of businesses which have been discontinued by joint ventures, and amortisation of acquisition intangibles.
OLD CARPHONE WAREHOUSE	TalkTalk Telecom Holdings Limited (formerly "The Carphone Warehouse Group PLC") (incorporated in England and Wales).
OLD CARPHONE WAREHOUSE GROUP	Old Carphone Warehouse and its subsidiaries and interests in joint ventures prior to the Demerger.
PARTICIPATION PLAN	The Carphone Warehouse Group plc Participation Plan 2011.
PAT	Profit after taxation.
PBT	Profit before taxation.
ROCE	Return on capital employed. Net profit as a percentage of capital employed, calculated using Headline earnings and with capital employed defined as average equity and average non-current debt. Averages are calculated based on the opening and closing positions for the relevant year.
RCF	Revolving credit facility.
TALKTALK GROUP	TalkTalk Telecom Group PLC and its subsidiaries and other investments.
TSR	Total shareholder return.
UK GAAP	United Kingdom Accounting Standards and applicable law.
VES	Value enhancement scheme.
VIRGIN MOBILE FRANCE	Omer Telecom Limited (incorporated in England and Wales) and its subsidiaries, operating an MVNO in France as a joint venture between the Company, Bluebottle UK Limited and Financom S.A.S.

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