20 June 07 - PR 86/07
Strictly embargoed
For release at 07.00 hours

DSG international plc

PRELIMINARY AUDITED RESULTS FOR THE 52 WEEKS ENDED 28 APRIL 2007

DSG international plc today announces preliminary audited results for the 52 weeks ended 28 April 2007:

Financial

- Total Group sales up 14% to £7,929.7 million (2005/06: £6,984.4 million)
- Group like for like sales(1) up 4%
- International sales now represent 41% of total Group sales
- Internet sales now represent 10% of total Group sales, up from 3% in the previous year
- Underlying pre-tax profit(2) £295.1 million (2005/06: £311.0 million)
- Underlying diluted earnings per share 10.9 pence (2005/06: 11.8 pence)
- After previously announced impairment and restructuring charges, total profit before tax £114.1 million (2005/06: £295.9 million); Basic earnings per share 1.8 pence (2005/06: 11.2 pence)
- Group target of zero paid days stock(4) achieved on average across the year
- Cost savings of £25 million delivered during the period
- Proposed final dividend of 6.85p, making total dividends for the period of 8.87p per share, an increase of 5%
- £50 million special contribution made to the pension scheme

Key developments

- Decision not to proceed with the option to acquire any interest in Eldorado
- £100 million share buyback programme initiated
- Retirement of John Clare and appointment of John Browett as Group Chief Executive
- For the first time, Czech and Spain profitable for the full year
- Initial benefits of Group buying initiatives delivering margin improvement in Currys
- Successful transition of Dixons into pure-play e-tailer with sales growth of 182% in its first year

- Acquisition of interest in FotoVista, serving e-tailing operations across 26 countries, driving focus on e-tailing
- Closure of PC City stores in France
- Early success of The TechGuys following its launch; PC advice clinics rebranded under The TechGuys
- Major restructuring programme in Italy completed
- Sale of The Link stores and Genesis Communications
- UK store colleague reward system enhanced with rewards based on team performance replacing personal sales commissions

John Clare, Group Chief Executive commented:
“The year was overall one of significant change for the Group, in which many of the foundations for future growth were laid. In that context, I’m pleased with the performance we have delivered in most of our core businesses, including UK, Nordics, Greece and Ireland, and also in our start up businesses in Central Europe and Spain. Our new e-commerce division has also delivered strong growth. However, our overall Group result was disappointing, largely because of a weak performance in Italy.

During the year we stepped up the pace of transition towards our goal of becoming Europe’s leading specialist electrical retailer and e-tailer.

Firstly we chose to discontinue or sell businesses that did not present good opportunities to deliver future value to shareholders, PC City France and the communications businesses.

Secondly we invested significantly to improve the service we offer our customers through the introduction of The TechGuys and a major colleague engagement programme in our UK stores that included moving from personal sales commissions to team bonuses based on store performance.

We also invested in changes in both the people and physical infrastructures that support our current operations. This included the significant change programme in Italy, completing the reorganisation of our UK logistics infrastructure and the development of international buying teams.

Finally, we have invested in creating or acquiring the business base to drive our growth into the European e-tailing market. We acquired a majority interest in Pixmania, Europe's leading electrical e-tailer. We reinvigorated the Dixons brand by taking it off the high street and giving it the freedom to grow on the internet and, with sales almost trebling in its first year, it has got off to an excellent start. We have also enhanced our multi-channel offerings with the introduction of reserve and collect options for our customers in Currys and PC World, and will be rolling them out to our other operations.

Since we signed our option agreement with Eldorado, we have learnt a great deal about both the company and the market in which it operates. This due diligence has led the Board to conclude that it is not appropriate to proceed with this investment. The Board has therefore notified Eldorado that it is terminating the option agreement. We secured this agreement for no cost.

Russia remains an interesting and exciting market and we will continue to watch the developments there, both commercially and politically, and I expect the Group to re-examine opportunities for entering this market in the future.

In view of this decision the Board now plans to return up to £100 million to shareholders through a share buy back programme over the next 12 months, representing the capital that would have been invested in the first tranche of Eldorado shares.

The Group is now in a very different and better position than one year ago. It is well positioned in-store and on-line for future growth in its core markets, including recovery in Italy. It is better meeting the needs of today's customers in the stores, on the web and in after sales support.

The new year has started well, despite the strong comparatives due to last year's World Cup and very strong television sales. Whilst we remain cautious about the prospects for consumer expenditure in many of our markets, including the UK, I am confident that we will continue to offer an exciting range of new technology products that our customers will find appealing. I am also satisfied that this Group is positioned to do well within its markets. The Group's clear focus is now on getting overall earnings growth back on track.

I recently announced my intention to retire from the Group at the AGM on 5th September after 22 years, including 13 years as Chief Executive. Those years have been challenging and competitive, always exciting and never dull. There have been a significant number of successes and innovations over the years including the development of PC World, Freeserve, our international expansion and growth of our e-tailing operations both multi-channel and pure-play. I would like to thank all the colleagues I have worked with over that period, many now retired themselves. They taught me a great deal, and I hope I have passed on much in return. It was great fun.

The Group I inherited had a culture that was very entrepreneurial. We try things and do not fear failure. Despite the size of the Group today, that culture still prevails, and I hope that it always will.

I pass the baton of leadership on to John Browett. I wish him, and all colleagues in DSG international, well in the future. He takes on a great business with great people, well positioned for future growth."

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Information on DSG international plc is available at http://www.dsgiplc.com

An audio webcast of the analyst presentation being held this morning will be available from 3.00pm today at http://www.dsgiplc.com (click "financial information", then "presentations").

NOTES

(1) Like for like sales are calculated based on stores that have been open for a full financial year both at the commencement and end of the financial period. Customer support agreement sales are excluded from all UK like for like calculations to remove the distorting effect of the introduction of pay as you go customer support agreements. Chains that are subject to closure have sales excluded as of the announcement date.

(2) Throughout this statement, references are made to 'underlying' performance measures. Underlying results are defined as being before amortisation of acquired intangibles, exceptional asset impairments, restructuring and other one off items, profit on sale of investments, net fair value remeasurements of financial instruments and, where applicable, discontinued operations. The financial effect of these items is shown in the analyses on the face of the income statement and in note 3 to the financial information.

(3) Free Cash Flow relates to continuing operations and comprises net cash flow from operating activities before special pension contributions, plus net finance income, cash flows related to finance leases, less income tax paid and net capital expenditure.

(4) Average paid days stock is a measure of average period stock days across the year less average period trade creditor days.

(5) Unless otherwise noted, throughout this statement figures relate to continuing operations. Total revenue including discontinued operations was £8,104.5 million (2005/06: £7,403.4 million)

UNDERLYING SALES AND PROFIT ANALYSIS

		Sales				Underlying profit /(loss) (1)	
	Note	52 weeks ended 28 April 2007 £ million	52 weeks ended 29 April 2006 £ million	Total (2) % change	Like for like % change	52 weeks ended 28 April 2007 £ million	52 weeks ended 29 April 2006 £ million
UK Computing	*3*	1,850.8	1,752.3	6%	4%	124.8	129.4
International Computing	*4*	347.0	287.5	22%	-	(28.2)	(22.2)
Total Computing		2,197.8	2,039.8	8%	3%	96.6	107.2
UK & Ireland Electricals		2,808.9	2,742.9	2%	3%	103.1	79.8
Nordic	*5*	1,394.3	1,155.1	24%	9%	91.0	83.4
Southern Europe	*6*	917.0	895.4	4%	(3)%	8.0	44.3
Central Europe	*7*	160.3	118.7	36%	-	(9.3)	(9.9)
Total Electricals		5,280.5	4,912.1	8%	3%	192.8	197.6
e-commerce		451.3	26.3	-	182%	1.2	0.0
Total Retail		7,929.6	6,978.2	14%	4%	290.6	304.8
Corporate & Group Shared Services		0.1	6.2	-	-	(25.7)	(27.3)
Property profits		-	-	-	-	8.7	7.4
Corporate Centre		0.1	6.2	-	-	(17.0)	(19.9)
Group		7,929.7	6,984.4	14%	4%	273.6	284.9
Underlying net finance income						21.5	26.1
Group underlying profit before tax						295.1	311.0

Notes

(1) Underlying results are defined as being before amortisation of acquired intangibles, exceptional asset impairments, restructuring and other one-off items, profit on sale of investments, net fair value remeasurements of financial instruments and, where applicable, discontinued operations.

(2) Total sales percentage change is reported in local currency for regional sales and in pounds sterling for divisional and Group totals.

(3) UK Computing comprises PC World, PC World Business and The TechGuys.

(4) International Computing comprises the PC City operations in Spain, France, Sweden and Italy.

(5) Nordic comprises the Elkjøp Group, which operates in Norway, Sweden, Finland, Denmark, Iceland and the Faroe Islands.

(6) Southern Europe comprises UniEuro in Italy and Kotsovolos in Greece.

(7) Central Europe comprises Electro World that operates in Hungary, the Czech Republic and Poland.

BUSINESS PERFORMANCE

Group sales were up 14% to £7,929.7 million (2005/06: £6,984.4 million) and up 4% like for like. Group underlying profit before tax was £295.1 million (2005/06: £311.0 million).

The Group estimates that it has a 6.3% European market share. Sales growth has been driven in all markets by new technology, primarily flat panel TVs and laptop computers as well as by digital imaging and audio products. White goods continue to grow in Nordic, and Southern European markets, whilst in the UK there were some early signs of improvement in this category towards the end of the period. The Group's markets address a total population of some 300 million with almost 100 million transactions carried out across the Group each year, in stores and on-line.

ELECTRICALS DIVISION

Total sales in the Electricals division were up 8% to £5,280.5 million (2005/06: £4,912.1 million) and like for like sales were up 3% with strong sales across the year of flat panel televisions and digital products. Underlying operating profit was £192.8 million (2005/06: £197.6 million).

UK & IRELAND

Total sales in the UK & Ireland operations were up 2% at £2,808.9 million (2005/06: £2,742.9 million) with like for like sales up 3%. Underlying operating profit was £103.1 million (2005/06: £79.8 million). The brown goods market grew by 10% driven by flat panel televisions and the white goods market was relatively subdued growing by 3% across the year.

UK

The UK electricals operations include Currys, Currys.digital and the Dixons Tax Free stores. Total sales for the year were up 1% at £2,677.0 million (2005/06: £2,639.7 million) while like for like sales were up 3%, as Currys continued to reduce its exposure to smaller High Street retail sites.

During the year, Currys introduced a number of initiatives to improve the offering and service levels to customers as well as improving profitability. These include initial benefits from the Group's buying initiatives, improvements in the logistics infrastructure in the UK reducing both cost to the Group and delivery times to customers, as well as the move to team bonuses based on a stores overall performance rather than individual sales commissions.

Currys superstores performed well with like for like sales up 4% across the year and a gross margin improvement of 0.6% versus the previous year.

Currys.digital has had its first full year of operation since the stores were rebranded from Dixons. The conversion of the stores was completed on plan and on budget. The stores had minor refits to improve the display and increase the range of high definition flat panel televisions as well as introducing new categories such as small domestic appliances and white goods. The performance of these stores under the new Currys.digital brand has been a success with a significant reduction in costs and sales in line with expectations.

Sales at Dixons Tax Free were impacted by the disruption at UK airports during the first half. Rents in these stores are tied to turnover and the business managed to transition sales into higher margin products. Against this backdrop the tax free operations delivered a good performance increasing its net contribution to the Group. Dixons Tax Free currently operates from 21 stores and has plans to open 4 new stores in the new Terminal 5 at Heathrow.

Ireland

Sales in Ireland grew by 29% at constant exchange rates to £131.9 million (2005/06: £103.2 million) as the business continued to expand with 7 new stores added during the period, taking the total store base in Ireland to 28 at the end of the year. Like for like sales increased by 8%. Since the end of the financial year the Group's first franchise store in Ireland was opened.

NORDIC

In the Nordic region, Elkjøp grew total sales by 24% at constant exchange rates to £1,394.3 million (2005/06: £1,155.1 million) with like for like sales up 9%. Underlying operating profits grew by 9% to £91.0 million (2005/06: £83.4 million). This performance was impacted by adverse foreign exchange movements. Excluding these, underlying operating profit was up 13%. Elkjøp delivered particularly strong performances in Sweden and Norway.

At the end of previous financial year Elkjøp acquired Markantalo in Finland and in December it acquired a 40% interest in F-Group in Denmark, consolidating Elkjøp's position as the number one electrical retailer across the Nordic market. Elkjøp grew its franchise operations by 9 stores taking the total number to 78 stores. The model developed by Elkjøp has provided the template for the Group to roll out franchising operations in other European countries.

Elkjøp extended its multi-channel offering in all of its markets, increasing its online sales by 85%. It plans to introduce a reserve and collect service for customers during the year.

Elkjøp continues to go from strength to strength and as it grows its operations outside its original market of Norway through organic growth, acquisition, franchising and on-line. The changing sales mix has had a negative impact on its gross margins in percentage terms. However this is in line with management's expectations and Elkjøp's growth plans and cash margin continues to grow.

Elkjøp increased its share in all its markets. With the addition of 21 new stores and 9 franchise stores, Elkjøp now operates a total of 251 stores across the region of which 173 are owned.

SOUTHERN EUROPE

Sales in the Group's Southern European operations grew in total by 4% at constant exchange rates to £917.0 million (2005/06: £895.4 million), with like for like sales down 3%. A strong performance in Greece has been more than offset by the performance in Italy. Underlying operating profit was £8.0 million (2005/06: £44.3 million). In Southern Europe the Group estimates that the brown goods market grew by 7%, white goods by 9% and computing by 7%.

UniEuro

UniEuro in Italy had a disappointing year with total sales down 1% at constant exchange rates to £621.4 million (2005/06: £632.7 million) and like for like sales down 8%. During the period the programme to re-engineer all parts of UniEuro's operations into a centralised structure, common to all other businesses within the Group was a key focus. The impact of this significant change programme was exacerbated by the challenging market environment existing in Italy and the increased space opening programmes of UniEuro's main competitors. As a consequence the electricals market in Italy became more promotional and UniEuro reduced prices to remain competitive, impacting gross margins.

During the year, UniEuro's management team was strengthened and is implementing a plan to recover its market position. This includes improvements in the customer proposition, increased marketing investments and a store refurbishment programme covering a significant proportion of the stores. 35 stores were refurbished over an 8 week period prior to Christmas, and a further 25 stores are planned for the new financial year. The refurbished store format delivers a much improved shopping experience for customers which includes the availability and display of wider ranges of core products such as flat panel televisions, computing products, communications and digital audio products. It also provides additional space for carry out stock, accessories and peripherals. During the final quarter of the financial year the new management team opened 5 new stores, improved stock availability and is now operating with more confidence, maintaining its market share.

Together with the move to a centralised operating model, these recent actions have led to improvements at UniEuro. It is now able to provide customers with wider ranges at better prices in a convenient and enjoyable environment. As a result brand awareness and value perceptions have increased. The Group is confident in the long-term prospects for the Italian market and UniEuro, as such management have now put in place a programme to significantly increase the store portfolio over the next 2-3 years.

Under accounting rules the Group is required to review the carrying value of UniEuro on the Group's balance sheet. As a result of this review the carrying value has been reduced by £115.1 million and goodwill in respect of UniEuro is now carried at £325.9 million.

Kotsovolos

In Greece, Kotsovolos total sales were £295.6 million (2005/06: £262.7 million) with like for like sales up 7%. At constant exchange rates and excluding sales from the Radio Athinae chain, the closure of which commenced in the second half, sales growth on an equivalent basis was 17%.

On 24th May, the Group announced that following the exercise of a put option by Fourlis Holding SA ("Fourlis"), it had acquired a further 10% interest in Kotsovolos for a cash consideration of €22.9 million (£15.6 million). The consideration was calculated in accordance with the pricing formula agreed at the time the Group acquired a controlling interest in Kotsovolos in September 2004. This acquisition takes the Group's total interest in Kotsovolos to 89% of the issued share capital. Under the terms of the original acquisition agreement, Fourlis retained a 20% interest in Kotsovolos, which has now fallen to 10% as a consequence of this transaction. Fourlis has the right to sell its remaining interest to the Group from September 2008 and the Group has the right to acquire any outstanding interest held by Fourlis from September 2009.

Since becoming part of the Group, Kotsovolos continues to improve its performance, as Greece's leading specialist electrical retailer. It is able to leverage the Group's scale to deliver market leading prices and ranges to its customers. It plans to open 5 further large space out of town stores in Greece this year, taking the total to 14 and it continues to rationalise the legacy store portfolio of smaller retail units to provide customers with new and exciting retail environments. Kotsovolos now operates 85 stores across the country, of which 6 are franchises. Gross margins in Kotsovolos were in line with last year.

CENTRAL EUROPE

In Central Europe our Electro World operations continue to perform well with total sales growth at constant exchange rates of 36% to £160.3 million (2005/06: £118.7 million). Underlying investment operating losses were £9.3 million (2005/06: £9.9 million).

The Group continues to invest across these important growth markets. In Poland, Electro World now operates from 5 stores and all performed well. In Hungary, Electro World operates from 7 stores and continued to make progress, despite a difficult economic and political environment.

An important milestone was achieved by Electro World this year with the operations in Czech Republic delivering a first time profit contribution from the 12 stores.

COMPUTING DIVISION

Total sales in the Computing division were up 8% to £2,197.8 million (2005/06: £2,039.8 million) with like for like sales up 3%. Underlying operating profit was £96.6 million (2005/06: £107.2 million).

UK Computing

UK Computing comprises PC World, PC World Business and The TechGuys. Total sales were up 6% at £1,850.8 million (2005/06: £1,752.3 million) with like for like sales up 4%. Underlying operating profit was £124.8 million (2005/06: £129.4 million), including an investment of approximately £4 million in The TechGuys.

PC World continues to experience high levels of deflation in core hardware products, however this was offset by strong sales growth, in particular in laptops. PC World continues to deliver leading levels of attachments to its hardware sales, however with laptops becoming a larger part of the sales mix there has been a negative effect on the gross margin. The overall UK computer hardware market grew by 7% in value, and PC World grew its share. Seven new PC World stores were opened during the period.

PC World has been at the forefront of some of the Group's customer service initiatives with collect@store providing customers the "Best of Both Worlds", as well as through the introduction of team bonuses based on store performance and removal of individual commissions. The launch of The TechGuys also helps PC World to continue to deliver high levels of customer satisfaction. The rebranding of all 157 PC advice clinics to The TechGuys is expected to be complete in the first quarter of the new financial year. As a part of the rebranding process all PC World stores are undergoing a comprehensive service transformation programme, which includes further training and actions to improve customer service.

During the year the PC World Business operations were brought together under one unit, DSGi Business. This encompasses the PC World Business operations in-store, over the telephone and online, together with the Equanet managed account business and the MacWarehouse business supplying Apple products. This integration will allow DSGi Business to reduce its operational costs substantially and better align its operations with its customer base. During the year DSGi Business sales grew by 8% to £407.3 million (2005/06: £376.5 million).

International Computing

PC City total sales were up 22% at constant exchange rates to £347.0 million (2005/06: £287.5 million). The product trends across mainland Europe were similar to those in the UK, with laptops and flat panel televisions selling well.

Progress for the PC City operations was impacted by the weak performance of PC City in France. The Group is exiting store based operations in France and focusing on the e-tailing opportunities in that market. As previously reported, the total costs associated with this closure are expected to amount to some £38 million of which approximately £20 million will be a cash cost.

Underlying investment operating losses were impacted as a result of these changes and were £28.2 million (2005/06: £22.2 million) for PC City as a whole.

Excluding the operations in France, PC City grew total sales by 26% to £296.5 million with a strong performance from PC City Spain which has delivered a full year of profit following good sales and margin growth from its 29 stores.

PC City in Italy and Sweden continue to perform in line with expectations with sales growth of over 40% in each country operating from 10 and 9 stores respectively.

E-COMMERCE DIVISION

This is the newest division of the Group and comprises Dixons.co.uk and Pixmania.com. Total sales for the e-commerce division were £451.3 million (2005/06: £26.3 million). Underlying operating profit was £1.2 million (2005/06: £nil).

Just prior to the start of the year the Group transitioned the Dixons brand into a pure-play e-tailer and it has had a very successful first year growing sales by 182%. It has expanded the ranges and categories available which now account for over a quarter of Dixons.co.uk's sales as well as helping to increase the average transaction value.

Year on year Pixmania grew its sales by 42%. In March the Group announced that Pixmania's operating profits this year would be impacted by fraud and control issues in its supply chain operations. The Board is confident that these issues have now been resolved.

During the second half of the year the range of products offered through Pixmania was expanded to include Group ranges of computing and vision products, particularly in France. Further ranges and categories will be introduced into Pixmania in more countries during 2007 and the Board remains excited about the opportunities for this business as part of the Group. The business will benefit from Group buying, supply chain and logistics infrastructure. The acquisition of the 77% interest in FotoVista S.A. the parent company of Pixmania has brought expertise into the Group that is being used in the Group's other internet and multi-channel operations.

CUSTOMER SERVICE

During the year, the Group took a number of actions to improve the shopping experience and make life easier for our customers. We reduced complexity, improved the range of services, simplified the information we provide and changed the way in which store colleagues are rewarded.

The Group implemented a pioneering employee engagement and training initiative in Currys stores in the UK. The programme is designed to foster a commitment to teamwork in stores that improves motivation, spreads workload equitably and delivers measurable improvements in customer satisfaction. This year's authoritative Verdict report, "How Britain Shops Electricals", pointed to Currys achieving the biggest gains in customer loyalty of any of the retailers profiled. The initiative has also been implemented in the Group's national distribution operation in the UK.

The Group completed the removal of individual commission from its PC World and Currys stores in the UK, replacing the traditional scheme with a new team bonus, based on total store performance and customer service. This major change in reward and store culture has been well received by store colleagues and has delivered measurable improvements in customer satisfaction.

In September, the Group launched The TechGuys, the UK's first and only truly national digital support service for UK homes. The TechGuys became the umbrella brand for the Group's existing service operations. This service is now available to owners of consumer electronics and computing equipment regardless of where they bought their technology. This national operation combines a mobile field force, instore support centres at PC World, a national call centre in Nottingham and trials of standalone support centres on major commuter routes. Rebranding the advice and support centres in PC World stores created an opportunity to introduce a new training programme for in-store TechGuys to ensure we provide customers with experienced technicians with first-rate customer service skills.

The Group is reviewing opportunities to extend the TechGuys brand outside the UK and to provide TechGuys branded services to business customers. Other initiatives include the introduction of a convenient remote fix service that enables technicians to repair customers' PCs remotely via a broadband connection.

The Group made major progress with the development of its international buying operations. The goal is to combine our buying power and standardise our terms for products on a pan-European basis. This will strengthen our competitive retail price position in all of the countries in which we trade, delivering substantial benefits and savings to customers.

The Group launched trials of new format PC World stores in south-east England as part of PC World's mission to transition the business from a focus on computers to a wider range of computing products. The new stores have been fully remodelled. The focus is on helping customers to understand the potential of the products we sell, by giving practical demonstrations of the features and benefits. We are making further modifications to the format of these stores that we will test before undertaking a full roll-out of the new format.

In PC World stores, we also invested in an out-of-hours replenishment programme to improve stock availability and maximise the customer-facing time available to store colleagues. This was particularly successful during peak season.

The Group completed the implementation of its multi-channel retail offering in the UK, adding a reserve online and collect at store service to Currys. This followed the successful earlier implementation of collect@store at PC World, an initiative that generates 7% of PC World's current turnover. Early indications from Currys are that reserve and collect has been welcomed by customers, contributing 2% of turnover in the second half of the financial year. The service will be extended to a wider range of products in the current financial year. Implementation is also underway in Norway and is likely to be extended to other countries in the year ahead.

From 1st July, the Group will offer customers an in-store take back service for end-of-life electrical products. Shoppers visiting Currys and PC World to buy a product will be able to bring their old product back for recycling or refurbishment at the same time. This will apply regardless of where they bought their original product. In-store take back has been operating in our Nordic stores for several years and customer reaction has been very positive. We also take back old products and packaging as part of our delivery service to customers. These services also meet our compliance obligations under the forthcoming electrical waste directive (WEEE).

FINANCIAL POSITION

The Group delivered underlying profit before tax of £295.1 million (2005/06: £311.0 million), including property profits of £8.7 million (2005/06: £7.4 million). Underlying diluted EPS reduced 8% to 10.9 pence. Total Group profit before tax was £114.1 million (2005/06: £295.9 million).

ADJUSTMENTS TO UNDERLYING RESULTS

	52 weeks ended 28 April 2007 £million	52 weeks ended 29 April 2006 £million
Profit before tax	114.1	295.9
Add back operating items:		
Amortisation of acquired intangibles	4.7	1.8
Distribution Network	17.0	4.6
Information Systems outsourcing	-	7.0
Electricals division operations and brand portfolio	-	6.0
PC City France closure and re-organisation	38.4	4.8
One off charges relating to UniEuro	115.1	-
Other one off charges	-	4.1
Effect of changes in pension benefits	(4.7)	-
	170.5	28.3
Add back financing items:		
Profit on sale of investments	-	(2.9)
Net fair value remeasurements	10.5	(10.3)
	10.5	(13.2)
Net charges to add back	181.0	15.1
Underlying profit before tax	295.1	311.0

Underlying profit before tax is reported before one off net operating costs of £170.5 million and non-underlying financing charges of £10.5 million. A further explanation of these charges is explained below:

- £17.0 million in connection with the final stage of reorganisation costs associated with the distribution operations in UK and Italy. One off gains on the sale of the properties related to the distribution re-organisation are expected in 2007/08 financial year.
- £38.4 million charge in respect of the closure and reorganisation of the PC City France operations described above.

- £115.1 million relating to the impairment of UniEuro. Such charges comprise the impairment of goodwill of £98.1 million, together with a provision for onerous lease commitments and fixed asset write downs of £12.0 million and £5.0 million, respectively.
- £4.7 million gain relating to changes in benefits accruing to members of the UK defined benefit pension scheme following changes in legislation concerning lump sums allowed on retirement.
- The charge of £10.5 million relates to the net fair value remeasurement gains and losses on revalutation of financial instruments as required by IAS 32 and 39. It includes a £9.3 million charge in respect of the re-valuation of put options held by the minority shareholder of Kotsovolos, Fourlis, who held 20% of the share capital at 28th April 2007. As described above, on 24th May 2007, Fourlis exercised options amounting to 10% resulting in the Group now owning 89% of this business.

Free Cash Flow

In the period Free Cash Flow generated was £164.0 million, compared with £284.1 million in the previous year.

	52 weeks ended 28 April 2007 £million	52 weeks ended 29 April 2006 £million	Change Year on Year £million
Underlying profit before tax	295.1	311.0	(15.9)
Depreciation & amortisation	138.6	132.1	6.5
Working capital *	57.1	94.3	(37.2)
Working capital impact of pay-as-you-go customer support agreements	(67.3)	(86.5)	19.2
Taxation	(100.8)	(85.0)	(15.8)
Capital expenditure +	(136.1)	(152.7)	16.6
Sale of freehold property	51.9	33.6	18.3
Other	(10.9)	3.4	(14.3)
Free Cash Flow before restructuring items	227.6	250.2	(22.6)
Net (expenditure) / proceeds from the restructuring of distribution assets +	(26.8)	37.0	(63.8)
Other restructuring and one off items	(36.8)	(3.1)	(33.7)
Free Cash Flow	164.0	284.1	(120.1)

* Working capital includes dividend payments to minority shareholders of £nil in the period (2005/06: £8.2 million).

+ Capital expenditure excludes £31.1 million relating to the restructuring of distribution assets in the UK.

Underlying working capital improvements in the period were £57.1 million (2005/06: £94.3 million), driven by higher stock turns and creditor days. The Group achieved its target of zero average paid days stock across the year. The introduction of the monthly pay-as-you-go customer support agreements proposition impacted working capital by £67.3 million (2005/06: £86.5 million).

Capital expenditure was £136.1 million (2005/06: £152.7 million). Cash generated from the sale of freehold property was £51.9 million (2005/06: £33.6 million). In addition, in the period, £4.3 million cash was generated from properties sold relating to the restructure of the UK distribution network.

Available net funds

At 28 April 2007 the Group had available net funds (which exclude funds held under trust for customer support agreement liabilities) of £113.7 million, compared with £246.1 million in the previous year.

		52 weeks ended 28 April 2007 £million		52 weeks ended 29 April 2006 £million
Opening net funds		439.6		523.9
Free Cash Flow		164.0		284.1
Dividends	(157.5)		(149.9)	
Share buy back programme	-		(107.6)	
Acquisitions & disposals	(199.8)		(68.7)	
Pension contribution	(50.0)		-	
Other items	28.6		(42.2)	
Other movements in net funds		(378.7)		(368.4)
Closing net funds		224.9		439.6
Less: Funds held under trust		(111.2)		(193.5)
Available net funds		113.7		246.1

Movements in net funds include £157.5 million dividend payments, £199.8 million representing the net cash impact of acquisitions and disposals, principally £179.3 million for FotoVista S.A., and £50.0 million for the special pension contribution made in the period. Other items include £20.8 million inflow from the issue of ordinary share capital.

Dividends

The directors have proposed a final dividend of 6.85 pence per share (2005/06: 6.53 pence), an increase of 5%. Subject to shareholder approval at the AGM on 5th September, it will be paid on 28th September 2007 to shareholders registered on 24th August 2007. This gives total dividends for the year of 8.87 pence (2005/06: 8.45

pence) an increase of 5%. The Group's policy is to increase dividends in line with earnings over time however in the short term this will be balanced against rebuilding dividend cover.

TAX

The Group's tax rate on underlying profit was 30% (2005/06: 28.8%). The increase in the tax rate reflects the reduced benefit of lower overseas tax rates.

COST SAVINGS

In the period, the Group delivered £25 million of cost savings and is targeting further savings of £25 million for 2007/08. Of these initiatives the outsourcing of the Group's IS service and the reorganisation of the logistics infrastructure are delivering savings over a number of years as follows:

- The outsourcing of the IS services will save the Group approximately £10 million per annum. As a result of the phasing of this contract the Group realised £5 million of this during the 2006/07 financial year. The full benefits of this contract are expected to be realised during the 2007/08 financial year.
- The reorganisation of the Group's logistics infrastructure in the UK and in Italy is expected to save approximately £20 million per annum. This is a significant change programme over a number of years, and is expected to be completed during the first quarter of the new financial year. In 2006/07 £5 million of this benefit was realised as the changes were implemented. In 2007/08 this is expected to rise to £15 million with the full benefits being realised in the 2008/09 financial year.

The balance of the cost savings initiatives are being delivered from a number of areas within the Group including a programme to rationalise the retail support functions under a "One Group" structure.

PENSIONS

At 28 April 2007, excluding deferred tax benefits, the deficit of the UK defined benefit pension scheme amounted to £38.4 million (29 April 2006 £141.7 million). Including deferred tax benefits the deficit amounted to £17.0 million (29 April 2006 £99.8 million). The Group has been implementing a programme of changes to pension arrangements in order to address the deficit over the longer term. These have included the gradual increase in the Group contribution rate which is currently 12.9 per cent and the change of benefits to operate on a career average earnings basis rather than 'final salary' for future service. The deficit has mainly been reduced by a special contribution made by the Group of £50 million in March 2007 coupled with a significant increase in the discount rate applied to liabilities in the period which reflects returns on long term gilts.

The charge to operating profit for the scheme was £11.8 million (2005/06: £18.3 million) and includes the one off benefit of £4.7 million relating to the change in legislation concerning lump sum payments allowed on retirement.

Also included in the income statement is a net financing income of £4.5 million (2005/06: cost of £0.6 million) which represents the expected return on assets of the scheme, based on market conditions prevailing at the start of the financial period, offset by the unwinding of the discount applied to the liabilities of the scheme. The defined benefit section of the UK pension scheme was closed to new entrants on 1 September 2002.

FINANCIAL CALENDAR

Following the adoption by the UK Listing Authority of the European Union's Transparency Directive, the Group has reviewed the impact on its reporting calendar. As a result of the new timing restrictions applying to reporting dates the Group will now report interim results in respect of a 24 week period rather than the previous 28 week period.

The financial calendar for the 2007/08 financial year will comprise a 53 week period due to the effect of the leap year falling in 2008. As a result the second half for this financial year will be 29 weeks and the draft financial calendar in chronological order from the date of this announcement will now be as follows:-

5 September 2007	AGM Trading Statement in respect of the 16 week period to 18 August 2007
13 October 2007	Half year end
24 October 2007	Trading Statement for the 24 week period to 13th October 2007
28 November 2007	Interim results announcement
16 January 2008	Trading Statement for the 12 week period to 5th January 2008
3 May 2008	Financial year end
14 May 2008	Trading Statement in respect of the full year
25 June 2008	Preliminary Results announcement

OUTLOOK

Commenting on the outlook John Clare said:

"The new year has started well, despite the strong comparatives due to last year's World Cup and very strong television sales. Whilst we remain cautious about the prospects for consumer expenditure in many of our markets, including the UK, I am confident that we will continue to offer an exciting range of new technology products that our customers will find appealing.

I am also satisfied that this Group is positioned to do well within its markets. The Group's clear focus is now on getting overall earnings growth back on track."

- ENDS -

Maylands Avenue	John Clare
Hemel Hempstead	Group Chief Executive
Hertfordshire HP2 7TG	20 June 2007

Report and Accounts publication date	24 July 2007
Ex dividend date for final dividend	22 August 2007
Record date for final dividend	24 August 2007
Annual General Meeting	5 September 2007
Proposed final dividend payment date	28 September 2007

Copies of the Report and Accounts will be available from the Company Secretary at the above address and on the Group's website at http://www.dsgiplc.com

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CONSOLIDATED INCOME STATEMENT

	Note	52 weeks ended 28 April 2007 Underlying* £million	Non-underlying* £million	Total £million	52 weeks ended 29 April 2006 Underlying* £million	Non-underlying* £million	Total £million
Continuing operations							
Revenue	2	7,929.7	-	7,929.7	6,984.4	-	6,984.4
Profit from operations before associates		271.2	(170.5)	100.7	284.6	(28.3)	256.3
Share of post tax results of associates		2.4	-	2.4	0.3	-	0.3
Operating profit	2	273.6	(170.5)	103.1	284.9	(28.3)	256.6
Profit on sale of investments		-	-	-	-	2.9	2.9
Finance income		94.5	12.7	107.2	91.4	15.0	106.4
Finance costs		(73.0)	(23.2)	(96.2)	(65.3)	(4.7)	(70.0)
Net finance income / (costs)	4	21.5	(10.5)	11.0	26.1	13.2	39.3
Profit before tax		295.1	(181.0)	114.1	311.0	(15.1)	295.9
Income tax expense	5	(88.5)	11.2	(77.3)	(89.2)	1.0	(88.2)
Profit after tax – continuing operations		206.6	(169.8)	36.8	221.8	(14.1)	207.7
Net loss on disposals		-	(28.8)	(28.8)	-	-	-
(Loss) / profit after tax from discontinued operations		-	(5.6)	(5.6)	-	4.0	4.0
(Loss) / profit after tax – discontinued operations		-	(34.4)	(34.4)	-	4.0	4.0
Profit for the period		206.6	(204.2)	2.4	221.8	(10.1)	211.7
Attributable to:							
Equity shareholders of the parent company		203.0	(198.0)	5.0	220.6	(4.7)	215.9
Minority interests		3.6	(6.2)	(2.6)	1.2	(5.4)	(4.2)
		206.6	(204.2)	2.4	221.8	(10.1)	211.7
Earnings per share (pence)	6						
Basic - total				0.3p			11.7p
Diluted - total				0.3p			11.6p
Basic - continuing operations				1.8p			11.2p
Diluted - continuing operations				1.8p			11.1p
Underlying earnings per share (pence)	6						
Basic - continuing operations		11.1p			12.0p		
Diluted - continuing operations		10.9p			11.8p		

* 'Underlying' profit and earnings per share measures exclude the impact of amortisation of acquired intangibles, exceptional asset impairments, restructuring and other one-off items, profit on sale of investments, net fair value remeasurements of financial instruments and, where applicable, discontinued operations. Such items are described as 'Non-underlying'. Further information on these items is shown in notes 3,4 and 5.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	52 weeks ended 28 April 2007 £million	52 weeks ended 29 April 2006 £million
Profit for the period	2.4	211.7
Actuarial gains on defined benefit pension scheme	45.7	47.1
Cash flow hedges		
Fair value remeasurement gains	7.9	8.3
Losses transferred to carrying amount of inventories	(3.1)	(4.4)
Losses transferred to income statement	(5.4)	(7.8)
Net investment hedges		
Fair value remeasurements	13.2	(18.7)
Investments		
Fair value remeasurement losses	(0.1)	(0.3)
Tax on items taken directly to equity	(18.1)	(7.2)
Currency translation movements	(24.5)	27.1
Net income recognised directly in equity	15.6	44.1
Total recognised income and expense for the period	18.0	255.8
Attributable to:		
Equity shareholders of the parent company	20.7	259.8
Minority interests	(2.7)	(4.0)
	18.0	255.8

CONSOLIDATED BALANCE SHEET

	Note	28 April 2007 £million	29 April 2006 £million
Non current assets			
Goodwill		1,057.1	1,087.6
Intangible assets		127.7	109.7
Property, plant & equipment		580.6	641.4
Investments in associates		21.8	2.2
Trade and other receivables		40.2	50.4
Deferred tax assets		82.2	134.4
		1,909.6	2,025.7
Current assets			
Inventories	7	1,030.6	873.4
Trade and other receivables		393.3	370.4
Income tax receivable		16.6	-
Short term investments		185.9	232.6
Cash and cash equivalents		440.5	617.5
		2,066.9	2,093.9
Total assets		3,976.5	4,119.6
Current liabilities			
Bank overdrafts		(5.7)	-
Borrowings		(2.9)	(8.8)
Obligations under finance leases		(1.0)	(0.5)
Trade and other payables		(1,807.5)	(1,644.2)
Income tax payable		(19.6)	(67.9)
Provisions		(32.7)	(27.7)
		(1,869.4)	(1,749.1)
Net current assets		197.5	344.8
Non current liabilities			
Borrowings		(290.4)	(301.1)
Obligations under finance leases		(101.5)	(100.1)
Retirement benefit obligations		(38.4)	(141.7)
Other payables		(335.2)	(387.0)
Deferred tax liabilities		(18.9)	(6.1)
Provisions		(18.4)	(10.8)
		(802.8)	(946.8)
Total liabilities		(2,672.2)	(2,695.9)
Net assets		1,304.3	1,423.7
Capital and reserves	8		
Called up share capital		46.1	45.6
Share premium account		166.2	145.9
Other reserves		(420.8)	26.1
Retained earnings		1,490.2	1,196.8
Equity attributable to equity holders of the parent company		1,281.7	1,414.4
Equity minority interests		22.6	9.3
Total equity		1,304.3	1,423.7

The financial statements were approved by the directors on 20 June 2007 and signed on their behalf by:

John Clare
Group Chief Executive

Kevin O'Byrne
Group Finance Director

CONSOLIDATED CASH FLOW STATEMENT

		Note	52 weeks ended 28 April 2007 £million	52 weeks ended 29 April 2006 £million
Operating activities – continuing operations				
Cash generated from operations	*	10	358.0	422.8
Special contribution to defined benefit pension scheme			(50.0)	-
Income tax paid	*		(100.8)	(85.0)
Net cash flows from operating activities			207.2	337.8
Investing activities – continuing operations				
Purchase of property, plant & equipment and other intangibles	*		(167.0)	(196.4)
Purchase of subsidiaries			(185.0)	(56.8)
Purchase of investment in associate			(16.8)	-
Purchase of non-current investments			-	(3.9)
Interest received	*		47.6	53.3
Decrease in short term investments			46.9	74.7
Disposals of property, plant & equipment and other intangibles	*		56.2	69.2
Disposals of non-current investments			-	8.2
Proceeds from sale of discontinued operations			33.8	-
Net cash flows from investing activities			(184.3)	(51.7)
Financing activities – continuing operations				
Issue of ordinary share capital			20.8	2.5
Purchase of own shares			-	(109.9)
Capital element of finance lease payments	*		(0.2)	(0.3)
Interest element of finance lease payments	*		(7.0)	(4.4)
Decrease in borrowings due within one year			(6.6)	(11.8)
Decrease in borrowings due after more than one year			(0.5)	(3.3)
Cash received on inception of finance leases	*		-	45.4
Interest paid	*		(22.8)	(20.5)
Equity dividends paid			(157.5)	(149.9)
Net cash flows from financing activities			(173.8)	(252.2)
(Decrease) / increase in cash and cash equivalents	*(i)*			
Continuing operations			(150.9)	33.9
Discontinued operations			(30.0)	(13.5)
			(180.9)	20.4
Cash and cash equivalents at beginning of period	*(i)*	10	617.5	597.4
Currency translation differences			(1.8)	(0.3)
Cash and cash equivalents at end of period	*(i)*	10	434.8	617.5
Free Cash Flow	*(ii)*		164.0	284.1

(i) For the purposes of this cash flow statement, cash and cash equivalents comprise those items disclosed as “cash and cash equivalents” on the face of the balance sheet, less overdrafts, which are classified within current liabilities on the face of the balance sheet. A reconciliation to the balance sheet amounts is shown in note 10.

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

1 Basis of preparation

The financial information, which comprises the consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet, consolidated cash flow statement and extracts from the notes to the accounts for 28 April 2007 and 29 April 2006, has been prepared in accordance with the accounting policies set out in the full financial statements.

The financial information set out in this announcement does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and is an abridged version of the Group's financial statements for the 52 weeks ended 28 April 2007 which were approved by the directors on 20 June 2007. Statutory accounts for the 52 weeks ended 29 April 2006 have been delivered to the Registrar of Companies and those for the period ended 28 April 2007 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts, their reports were unqualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and IFRS issued by the International Accounting Standards Board (IASB) and those parts of the Companies Act 1985 applicable to those companies reporting under IFRS.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings for the 52 weeks ended 28 April 2007. Comparative figures are for the 52 weeks ended 29 April 2006.

The Directors consider that the 'underlying' performance measures, together with their associated income statement presentation, provide additional useful information for shareholders on underlying performance of the business, and are consistent with how business performance is measured internally. It is not a recognised profit measure under IFRS and may not be directly comparable with 'adjusted' profit measures used by other companies. Such measures exclude the amortisation of acquired intangibles, exceptional asset impairments, restructuring and other one-off items, profit on sale of investments, fair value remeasurements of financial instruments and, where applicable, discontinued operations.

2 Segmental analysis

On 5 April 2006 the Group announced that the Dixons brand was to focus exclusively on e-commerce operations. As a result, the e-commerce operations of Dixons together with the operations of FotoVista which were acquired during the period, now form an e-commerce division. Comparative figures for the Electricals division have been restated to reflect the change in management responsibility for the e-commerce activities of Dixons.

During the period, the Group completed the sale of its 60 per cent stake in The Link Stores Limited (The Link) together with the sale of Genesis. These businesses comprised the Communications division which operated solely within the UK and have been treated as discontinued operations.

The Group is now managed and reported according to three operating divisions: Computing, Electricals and e-commerce.

These divisions are the basis on which the Group reports its primary segmental information. The principal activities of each division are as follows:

- The Computing division is engaged in the retail and business to business sale of computer hardware and software, associated peripherals and services and related financial and after-sales services. The division operates in the UK and Southern Europe (which also includes the small Nordic operations).
- The Electricals division is engaged in the retail sale of high technology consumer electronics, domestic appliances, photographic equipment and related financial and after-sales services. The division operates in the UK, Ireland, the Nordic region, Southern Europe and Central Europe.
- The e-commerce division is engaged in activities being the on-line retail sale of high technology consumer electronics, domestic appliances, photographic equipment and related financial and after-sales services. The division operates in the UK, Ireland and across continental Europe.

Corporate centre and shared services includes the residual Codic property operations in Germany retained by the Group following the sale of the remainder of the European Property division in 2003. Corporate Centre and Shared Services assets and liabilities mainly comprise freehold land and buildings, investments, cash and cash equivalents, borrowings, net retirement benefit obligations, inter segment elimination's and related tax assets and liabilities.

The Group's secondary reporting segments are geographical and comprise four territories, the UK & Ireland, the Nordic region, Southern Europe and Central Europe. There were no material exports from the locations in which the Group operates.

2 Segmental analysis (continued)

Primary segments – Business

52 weeks ended 28 April 2007

	Computing £million	Electricals £million	e-commerce £million	Corporate centre & shared services £million	Total £million
a) Income statement – continuing operations					
Revenue	2,197.8	5,280.5	451.3	0.1	7,929.7
Underlying operating profit / (loss) before associates	96.6	190.4	1.2	(17.0)	271.2
Share of post tax result of associates	-	2.4	-	-	2.4
Underlying operating profit / (loss)	96.6	192.8	1.2	(17.0)	273.6
Amortisation of acquired intangibles	(1.4)	(1.0)	(2.3)	-	(4.7)
Net restructuring charges	(38.4)	(17.0)	-	-	(55.4)
Other one off charges - impairment	-	(103.1)	-	-	(103.1)
- other	-	(12.0)	-	-	(12.0)
Effect of changes in pension benefits	1.4	2.4	-	0.9	4.7
Operating profit / (loss)	58.2	62.1	(1.1)	(16.1)	103.1

Underlying operating profit is stated after recognising net property profits of £8.7 million in Corporate centre and shared services.

52 weeks ended 29 April 2006

	Computing £million	Electricals £million	e-commerce £million	Corporate centre & shared services £million	Total £million
a) Income statement – continuing operations					
Revenue	2,039.8	4,912.1	26.3	6.2	6,984.4
Underlying operating profit / (loss) before associates	107.2	197.3	-	(19.9)	284.6
Share of post tax result of associates	-	0.3	-	-	0.3
Underlying operating profit / (loss)	107.2	197.6	-	(19.9)	284.9
Amortisation of acquired intangibles	(1.2)	(0.6)	-	-	(1.8)
Net restructuring charges	(9.7)	(12.7)	-	-	(22.4)
Other one off charges - impairment	-	-	-	(1.3)	(1.3)
- other	-	-	-	(2.8)	(2.8)
Effect of changes in pension benefits	-	-	-	-	-
Operating profit / (loss)	96.3	184.3	-	(24.0)	256.6

Underlying operating profit is stated after recognising net property profits of £7.4 million in Corporate centre and shared services.

Secondary segments – Geographical

	52 weeks ended 28 April 2007 £million	52 weeks ended 29 April 2006 £million
Revenue – continuing operations		
UK & Ireland	4,790.3	4,521.5
Nordic	1,442.5	1,155.1
Southern Europe	1,492.7	1,182.9
Central Europe	204.1	118.7
Corporate centre & shared services	0.1	6.2
Total	7,929.7	6,984.4

3 Non-underlying items

	Note	52 weeks ended 28 April 2007 £million	52 weeks ended 29 April 2006 £million
Included in operating profit:			
Amortisation of acquired intangibles		(4.7)	(1.8)
Net restructuring charges	(i)	(55.4)	(22.4)
Other one off charges including impairment	(ii)	(115.1)	(4.1)
Effect of changes in pension benefits	(iii)	4.7	-
		(170.5)	(28.3)
Included in net finance income:			
Profit on sale of investments	(iv)	-	2.9
Net fair value remeasurements on financial instruments	(v)	(10.5)	10.3
		(10.5)	13.2
Total		(181.0)	(15.1)

(i) Net restructuring charges:

	Net property loss £million	Asset impairment £million	Other charges £million	52 weeks ended 28 April 2007 Total £million	52 weeks ended 29 April 2006 Total £million
Distribution network transformation	(1.9)	(3.0)	(12.1)	(17.0)	(4.6)
Information systems outsourcing	-	-	-	-	(7.0)
Electricals division operations and brand portfolio	-	-	-	-	(6.0)
PC City France closure and reorganisation	(5.5)	(19.4)	(13.5)	(38.4)	(4.8)
	(7.4)	(22.4)	(25.6)	(55.4)	(22.4)

Net property profits include gains and losses on sale of properties associated directly with the reorganisation plans net of onerous lease costs. Asset impairments relate to intangible assets, items of property, plant & equipment which are to be eliminated from the business over a shorter period than their current useful expected lives and inventories. Other charges are predominantly employee severance and incremental transition costs.

(ii) Other one-off charges including impairment: Such charges are defined as those costs deriving from non-restructuring events outside the ordinary course of business together with exceptional asset impairments. For 2006/07 such charges relate to the impairment of UniEuro and comprise £98.1 million and £5.0 million for the impairment of goodwill and property, plant & equipment, respectively together with £12.0 million of onerous lease costs. Property, plant & equipment relates to assets in individual under performing stores connected with the impairment review of UniEuro as a whole (2005/06 £2.8 million related to remedial work associated with damage caused to the Group's head office premises by the Buncefield oil depot explosion in December 2005, which is the subject of an insurance claim, together with £1.3 million relating to the impairment of a small minority investment).

(iii) Effect of changes in pension benefits: Relates to the change in actuarial valuation methodology concerning commutations.

(iv) Profit on sale of investments: 2005/06 related to profit arising from the sale of a minority shareholding in Monstermob Group PLC.

(v) Net fair value remeasurement gains and losses on revaluation of financial instruments: Items excluded from underlying finance income and expense represent the gains and losses arising from the revaluation of derivative financial instruments under methodologies stipulated by IAS 39 compared with those on an accruals basis. IAS 39 requires gains and losses on the value of derivative contracts to be taken through the income statement based on their value at the balance sheet date. Included within this amount is a remeasurement loss relating to a put option held by a minority shareholder. Such a treatment is a form of revaluation gain or loss created by an assumption that the derivatives will be settled before their maturity. Such gains and losses are unrealised and in the directors' view also conflict with both the commercial reasons for entering into such arrangements as well as Treasury policy whereby early settlement in the majority of cases would amount to speculative use of derivatives.

4 Net finance income

		52 weeks ended 28 April 2007 £million	52 weeks ended 29 April 2006 £million
Profit on sale of investments	*	-	2.9
Bank and other interest receivable		51.7	57.0
Expected return on pension scheme assets		42.8	34.4
Fair value remeasurement gains on financial instruments	*	12.7	15.0
Finance income		107.2	106.4
6.125% Guaranteed Bonds 2012 interest and related charges		(18.6)	(18.6)
Bank loans, overdrafts and other interest payable	(i)	(9.1)	(7.3)
Finance lease interest payable		(7.0)	(4.4)
Interest on pension scheme liabilities		(38.3)	(35.0)
Fair value remeasurement losses on financial instruments	*	(23.2)	(4.7)
Finance costs		(96.2)	(70.0)
Total net finance income		11.0	39.3
Underlying total net finance income	(ii)	21.5	26.1

(i) Included within bank loans, overdrafts and other interest payable is £4.3 million arising from exchange differences (2005/06 £4.8 million).

(ii) Underlying total net finance income excludes items marked *. See note 3 for a description of such items.

5 Taxation

(a) Income tax expense – continuing operations

		52 weeks ended 28 April 2007 £million	52 weeks ended 29 April 2006 £million
Current tax:			
UK corporation tax at 30%		31.5	56.3
Credit in respect of non-underlying items	*	(9.1)	-
		22.4	56.3
Double tax relief		-	(22.8)
		22.4	33.5
Overseas taxation		23.7	21.9
Adjustment in respect of earlier periods:			
- UK corporation tax		(16.5)	(1.9)
- Overseas taxation		0.8	0.6
		30.4	54.1
Deferred tax:			
Current period		32.1	42.4
Credit in respect of non-underlying items	*	(2.1)	(1.0)
Adjustment in respect of earlier periods:			
- UK corporation tax		10.4	(7.3)
- Overseas taxation		6.5	-
		46.9	34.1
Total income tax expense – continuing operations		77.3	88.2
Underlying income tax expense – continuing operations		88.5	89.2

Underlying income tax expense excludes those items marked *.

6 Earnings per share

	52 weeks ended 28 April 2007 £million	52 weeks ended 29 April 2006 £million
Basic and diluted earnings		
Total (continuing and discontinued operations)	5.0	215.9
Discontinued operations - loss / (profit) after tax	34.4	(4.0)
- minority interests	(6.2)	(5.4)
Continuing operations	33.2	206.5
Adjustments		
Amortisation of acquired intangibles	4.7	1.8
Net restructuring charges	55.4	22.4
Other one off charges including impairment	115.1	4.1
Profit on sale of investments	-	(2.9)
Effect of change in pension benefits	(4.7)	-
Net fair value remeasurements of financial instruments	10.5	(10.3)
	181.0	15.1
Tax on adjustments	(11.2)	(1.0)
Total adjustments (net of taxation)	169.8	14.1
Underlying basic and diluted earnings	203.0	220.6

	Million	Million
Basic weighted average number of shares	1,836.7	1,844.7
Employee share option and ownership schemes	19.1	18.5
Diluted weighted average number of shares	1,855.8	1,863.2

	Pence	Pence
Basic earnings per share		
Total (continuing and discontinued operations)	0.3	11.7
Discontinued operations	1.5	(0.5)
Continuing operations	1.8	11.2
Adjustments (net of taxation)	9.3	0.8
Underlying basic earnings per share	11.1	12.0
Diluted earnings per share		
Total (continuing and discontinued operations)	0.3	11.6
Discontinued operations	1.5	(0.5)
Continuing operations	1.8	11.1
Adjustments (net of taxation)	9.1	0.7
Underlying diluted earnings per share	10.9	11.8

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

7 Inventories

	2007 £million	2006 £million
Finished goods and goods for resale	1,079.7	917.4
Provision for obsolete and slow moving goods	(43.7)	(43.2)
Impairment arising from restructuring	(5.4)	(1.7)
	1,030.6	872.5
Properties held for development or resale	-	0.9
	1,030.6	873.4

8 Reconciliation of movements in equity

	Share capital £million	Share premium account £million	Other Reserve £million	Retained earnings £million	Sub total £million	Minority interests £million	Total equity £million
At 1 May 2005	47.3	142.1	42.6	1,165.8	1,397.8	21.5	1,419.3
Total recognised income and expense for the period	-	-	(16.0)	275.8	259.8	(4.0)	255.8
Equity dividends paid	-	-	-	(150.2)	(150.2)	-	(150.2)
Dividend paid to minority shareholder	-	-	-	-	-	(8.2)	(8.2)
Purchase and cancellation of own shares	(1.8)	-	1.8	(107.6)	(107.6)	-	(107.6)
Investment in own shares	-	-	(1.5)	-	(1.5)	-	(1.5)
Vesting of own shares	-	-	(0.8)	-	(0.8)	-	(0.8)
Share based payments	-	-	-	8.8	8.8	-	8.8
Tax on share based payments	-	-	-	5.6	5.6	-	5.6
Ordinary shares issued – employee options	0.1	2.4	-	-	2.5	-	2.5
– employee trusts	-	1.4	-	(1.4)	-	-	-
At 29 April 2006	45.6	145.9	26.1	1,196.8	1,414.4	9.3	1,423.7
Total recognised income and expense for the period	-	-	8.7	12.0	20.7	(2.7)	18.0
Equity dividends paid	-	-	-	(157.0)	(157.0)	-	(157.0)
Minority interests – acquisitions	-	-	-	-	-	11.7	11.7
– disposals	-	-	-	-	-	(16.5)	(16.5)
Transfers	-	-	(455.6)	434.8	(20.8)	20.8	-
Share based payments	-	-	-	0.6	0.6	-	0.6
Tax on share based payments	-	-	-	3.0	3.0	-	3.0
Ordinary shares issued – employee options	0.5	20.3	-	-	20.8	-	20.8
At 28 April 2007	46.1	166.2	(420.8)	1,490.2	1,281.7	22.6	1,304.3

Minority interests for 2006/07 comprise shareholdings in P Kotsovolos S.A. (Kotsovolos) and FotoVista S.A. (2005/06 comprised shareholdings in The Link Stores Limited and P Kotsovolos S.A.). The transfer between retained earnings and minority interests relates to the fair value remeasurement of a put option held by a minority shareholder as described in note 3.

A transfer of £425.5 million between other reserves and retained earnings has been made during the period. This relates to amounts within capital reserves which have been reclassified as available for distribution following approval by the Court on 2 April 2007. A transfer of £20.8 million has been made between minority interests and other reserves to better classify the initial valuation of a put option held by a minority shareholder. A further transfer of £9.3 million has been made between retained earnings and other reserves representing the reclassification of the revaluation in 2006/07 of the above put option.

9 Dividends paid and proposed

	per share	52 weeks ended 28 April 2007 £million	52 weeks ended 29 April 2006 £million
Amounts recognised as distributions to equity shareholders in the period - on ordinary shares of 2.5p each			
Final dividend for 2004/05	6.22p	-	115.2
Interim dividend for 2005/06	1.92p	-	35.0
Final dividend for 2005/06	6.53p	119.8	-
Interim dividend for 2006/07	2.02p	37.2	-
		157.0	150.2
Proposed final dividend for 2006/07	6.85p	126.4	-

As at 28 April 2007, the proposed final dividend for 2006/07 is subject to approval by shareholders at the annual general meeting and, accordingly, has not been recognised as a liability in these financial statements.

10 Notes to the cash flow statement

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

	52 weeks ended 28 April 2007 £million	52 weeks ended 29 April 2006 £million
Operating profit	97.4	261.9
Operating loss / (profit) – discontinued operations	5.7	(5.3)
Operating profit – continuing operations	103.1	256.6
Amortisation of acquired intangibles	4.7	1.8
Amortisation of other intangibles	24.1	23.8
Depreciation	109.8	106.5
Share based payment charge	2.8	9.0
Share of post tax results of associates	(2.4)	(0.3)
Profit on disposal of property, plant & equipment	(7.6)	(7.6)
Profit on disposal of property, plant & equipment arising from restructuring	(4.4)	(9.0)
Net additions to non-underlying provisions and impairment	138.1	34.2
Operating cash flows before movements in working capital	368.2	415.0
Movements in working capital		
Increase in inventories	(164.2)	(16.5)
Increase in trade and other receivables	(11.9)	(11.4)
Decrease in trade and other payables	165.9	35.7
	(10.2)	7.8
Cash generated from operations – continuing operations	358.0	422.8

(a) Analysis of net funds

		30 April 2006 £million	Cash flow £million	Disposals (ii) £million	Acquis-itions (ii) £million	Other non-cash movements £million	Exchange movements £million	28 April 2007 £million
Cash and cash equivalents	(i)	617.5	(175.2)	-	-	-	(1.8)	440.5
Bank overdrafts		-	(5.7)	-	-	-	-	(5.7)
		617.5	(180.9)	-	-	-	(1.8)	434.8
Short term investments		232.6	(46.9)	-	0.1	-	0.1	185.9
Borrowings due within one year		(8.8)	6.6	0.1	-	(1.2)	0.4	(2.9)
Borrowings due after more than one year		(301.1)	0.5	-	-	9.9	0.3	(290.4)
Obligations under finance leases		(100.6)	0.2	-	(2.0)	(0.1)	-	(102.5)
		(410.5)	7.3	0.1	(2.0)	8.6	0.7	(395.8)
Net funds		439.6	(220.5)	0.1	(1.9)	8.6	(1.0)	224.9

Funds held under trust to fund customer support agreements were £111.2 million (29 April 2006 £193.5 million). Net funds excluding amounts held under trust to fund customer support agreements totalled £113.7 million (29 April 2006 £246.1 million).

(i) Cash and cash equivalents are represented as a single class of assets on the face of the consolidated balance sheet. For the purposes of the consolidated cash flow, cash and cash equivalents comprise those amounts represented on the consolidated balance sheet as cash and cash equivalents, less bank overdrafts (which are disclosed separately on the consolidated balance sheet).

(ii) Excluding cash and cash equivalents and overdrafts.

11 Post balance sheet events

On 24 May 2007, following the exercise of a put option by Fourlis Holding SA, the main minority shareholder of Kotsovolos, the Group acquired a further 10% in Kotsovolos for a cash consideration of €22.9 million (£15.6 million). The acquisition increases the Group's total interest in Kotsovolos to 89.1%.

In 2004/05, a co-operation agreement was entered into by the Group with Eldorado Group (Eldorado) granting the Group the option to acquire Eldorado in tranches up to 100% by 2011. On 19 June 2007, the directors notified Eldorado that the Group was terminating this option arrangement.

Details of the dividends proposed but awaiting approval and relating to the current financial period are shown in note 9.

ADDITIONAL INFORMATION

Retail Store data

	Number of stores		Selling space '000 sq ft	
	28 April 2007	29 April 2006	28 April 2007	29 April 2006
Computing				
PC World	157	150	2,505	2,420
The Tech Guys	7	1	8	1
UK Computing	164	151	2,513	2,421
PC City Spain	29	25	491	424
PC City France	11	11	190	190
PC City Italy	10	7	166	125
PC City Sweden	9	8	152	136
International Computing	59	51	999	875
Total Computing	223	202	3,512	3,296
Electricals				
Currys *	535	568	4,966	5,005
Ireland	28	21	281	211
UK & Ireland Electricals	563	589	5,247	5,216
Elkjøp – Norway	99	96	1,191	1,087
Elkjøp – Sweden	56	51	985	941
Elkjøp – Denmark	28	26	490	447
Elkjøp – Finland	62	43	786	667
Elkjøp – Iceland	3	2	32	30
Elkjøp – Faroe Islands	3	3	9	9
Nordic **	251	221	3,493	3,181
UniEuro **	153	110	2,505	2,111
Kotsovolos **	85	77	789	671
Southern Europe	238	187	3,294	2,782
Electro World Hungary	7	6	239	207
Electro World Czech Republic	12	8	393	280
Electro World Poland	5	2	178	91
Central Europe	24	16	810	578
Total Electricals	1,076	1,013	12,844	11,757
Total Retail	1,299	1,215	16,356	15,053

* Comprises Currys, Currys.digital and Dixons Tax Free.

** Includes franchise stores