

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached preliminary prospectus following this page (the “**Preliminary Prospectus**”) and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Preliminary Prospectus. In accessing the Preliminary Prospectus you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. The attached Preliminary Prospectus is intended for the addressee only.

THE ATTACHED PRELIMINARY PROSPECTUS IS IN PRELIMINARY FORM ONLY, IS NOT COMPLETE AND CONTAINS INFORMATION THAT IS SUBJECT TO COMPLETION AND CHANGE.

THE ATTACHED PRELIMINARY PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE NOTES (THE ‘SECURITIES’) REFERENCED IN THE ATTACHED PROSPECTUS MAY ONLY BE DISTRIBUTED IN ‘OFFSHORE TRANSACTIONS’ TO PERSONS OTHER THAN U.S. PERSONS AS DEFINED IN, AND AS PERMITTED BY, THE US SECURITIES ACT OF 1933 (THE ‘SECURITIES ACT’). ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THIS PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD EXCEPT IN AN OFFSHORE TRANSACTION TO PERSONS OTHER THAN U.S. PERSONS IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Confirmation of your Representation: In order to be eligible to view the attached Preliminary Prospectus or make an investment decision with respect to the Securities, investors must comply with the following provisions. You have been sent the following Preliminary Prospectus on the basis that you have confirmed to The Royal Bank of Scotland plc, HSBC Bank plc, DNB Markets, a part of DNB Bank ASA, Citigroup Global Markets Limited, BNP Paribas and Barclays Bank PLC (together, the “Managers”), being the senders of the attached Prospectus that you are either (a) both a person that is (i) outside the United States (within the meaning of Regulation S under the Securities Act) and (ii) not a U.S. person (within the meaning of Regulation S under the Securities Act); (b) a “**Qualified Investor**” (within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC)) if in the European Economic Area; (c) a “**relevant person**” (as defined below) if in the United Kingdom; or (d) outside the European Economic Area or the United Kingdom (and the electronic mail address that you gave us and to which this e mail has been delivered are not located in such jurisdictions). By accepting this e mail and accessing the attached Prospectus, you shall be deemed to have made the above representation and that you consent to delivery of such Prospectus by electronic transmission.

The attached Preliminary Prospectus is only addressed to and directed at persons in member states of the European Economic Area who are Qualified Investors. In addition, in the United Kingdom, the attached Preliminary Prospectus is being distributed only to and is directed only at Qualified Investors: (a) who are persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”); or (b) who are high net worth entities falling within Article 49 of the Order, and other persons to whom it may otherwise lawfully be communicated under the Order, (all such persons together referred to as “**relevant persons**”). Any investment or investment activity to which the Prospectus relates is available only to: (i) in the United Kingdom, relevant persons; and (ii) in any member state of the European Economic Area other than the United Kingdom, Qualified Investors, and will be engaged in only with such persons. In the case of any Securities being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Securities acquired by it in the offer have not been acquired on a non discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, any person in circumstances which may give rise to an offer of any Securities to the public other than their offer or resale in a relevant member state to Qualified Investors as so defined or in

circumstances in which the prior consent of the Managers has been obtained to each such proposed offer or resale.

The attached Preliminary Prospectus has been delivered to you on the basis that you are a person into whose possession this Preliminary Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located.

The attached Preliminary Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantors and the Managers, or any person who controls them, or any director, officer, employee or agent of any of them, or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between this Preliminary Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Managers.

You are reminded that the information contained in the attached Preliminary Prospectus is not complete and may be changed, and that no representation or warranty, expressed or implied, is made or given by or on behalf of the Managers, nor any person who controls them or any director, officer, employee or agent of any of them, or affiliate of any such person as to the accuracy, completeness or fairness of the information or opinions contained in this Preliminary Prospectus and such persons do not accept responsibility or liability for any such information or opinions.

Neither this electronic transmission nor the attached Preliminary Prospectus constitutes or contains any offer to sell or invitation to subscribe or make commitments for or in respect of any securities in any jurisdiction where such an offer or invitation would be unlawful and the attached Prospectus is subject to correction, completion, modification and amendment in its final form.

The Managers are acting exclusively for the Issuer and the Guarantors and no one else in connection with the offer. They will not regard any other person (whether or not a recipient of the attached Preliminary Prospectus) as their respective clients in relation to the offer and will not be responsible to anyone other than the Issuer and the Guarantors for providing the protections afforded to their respective clients nor for giving advice in relation to the offer or any transaction or arrangement referred to in the attached Preliminary Prospectus.



DIXONS RETAIL PLC

(incorporated in England and Wales under the Companies Act 1985 with registered number 03847921)

£150,000,000 8.75 per cent. Guaranteed Notes due 2017 guaranteed by certain subsidiaries of Dixons Retail plc

Issue Price: 99.015 per cent.

The £150,000,000 8.75 per cent. Guaranteed Notes due 2017 (the “Notes”) will be issued by Dixons Retail plc (“Dixons Retail” or the “Issuer”) and will, upon issue, be unconditionally and irrevocably guaranteed (the “Guarantee”) on a joint and several basis by DSG International Holdings Limited, DSG Retail Limited, DSG Card Handling Services Limited, Coverplan Insurance Services Limited, DSG International Treasury Management Limited, DSG Overseas Investments Limited, DSG European Investments Limited, DSG Ireland Limited, DSG Retail Ireland Limited, DSG Boxmoor Limited, DISL UK Limited and Mastercare Service and Distribution Limited (collectively the “Guarantors” and each a “Guarantor”).

Interest on the Notes is payable on a semi-annual basis in arrear on 15 March and 15 September of each year, beginning on 15 March 2013, as described in “Terms and Conditions of the Notes — Interest”.

Unless previously redeemed or purchased and cancelled, the Notes will mature on 15 September 2017. The Issuer may purchase all (but not some only) of the Notes at their principal amount outstanding together with interest accrued to (but excluding) the date of such purchase or, as the case may be, redemption, in the event of certain tax changes as described under “*Terms and Conditions of the Notes — Redemption and Purchase — Redemption for Taxation Reasons*”. The Notes are also subject to redemption at the option of the holders of the Notes (the “Noteholders”) on the occurrence of a Put Event, as defined and as further described under “*Terms and Conditions of the Notes — Redemption and Purchase-Redemption of Notes upon a Change of Control*”. Notes may be redeemed at the option of the Issuer in whole or in part, as described under “*Terms and Conditions of the Notes — Redemption and Purchase — Redemption at the Option of the Issuer*”.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “UK Listing Authority”) for the Notes to be admitted to the Official List of the UK Listing Authority (the “Official List”) and to the London Stock Exchange plc (the “London Stock Exchange”) for the Notes to be admitted to trading on the London Stock Exchange’s Regulated Market (the “Market”). References to the Notes being “listed” (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

The Notes are expected to be assigned on issue a rating of B1 by Moody’s Investors Service Limited (“Moody’s”). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Moody’s is established in the EU and registered under Regulation (EC) No 1060/2009 (the “CRA Regulation”).

The denomination of the Notes will be £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000. The Notes will initially be represented by a temporary global note (the “Temporary Global Note”), without interest coupons, which will be deposited on or about 19 September 2012 (the “Closing Date”) with a common depositary (the “Common Depositary”) for Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the “Permanent Global Note” and together with the Temporary Global Note, the “Global Notes”), without interest coupons, on or after 30 October 2012, being the 41st day from the Closing Date, upon certification as to non-U.S. beneficial ownership. Definitive Notes will only be issued in limited circumstances, as described in “*Summary of Provisions Relating to the Notes while represented by Global Notes*”.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the “Securities Act”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on the distribution of this Prospectus, see “*Subscription and Sale*” below.

Investing in the Notes involves risks. Prospective investors should have regard to the factors as further described in “Risk Factors” in this Prospectus. This Prospectus does not describe all of the risks of an investment in the Notes.

Joint Lead Managers and Joint Bookrunners

The Royal Bank of Scotland HSBC DNB Markets Citigroup BNP PARIBAS Barclays

This Prospectus comprises a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC (the “Prospectus Directive”) and for the purpose of giving information with regard to the Issuer, the Issuer and its subsidiaries taken as a whole (the “Group”), the Guarantors and the Notes which according to the particular nature of the Issuer, the Guarantors and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantors and the rights attaching to the Notes. The Issuer and each Guarantor (the “Responsible Person(s)”) accept responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Issuer and each Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all the documents which are incorporated herein by reference (see “*Documents Incorporated by Reference*”).

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantors, the Managers or BNP Paribas Trust Corporation UK Limited (the “Trustee”) (as defined in “*Subscription and Sale*” below) to subscribe or purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantors and the Managers to inform themselves about, and to observe, any such restrictions.

For a description of further restrictions on offers and sales of Notes and distribution of this Prospectus, see “*Subscription and Sale*” below.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantors, the Trustee or the Managers. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantors since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantors since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

To the fullest extent permitted by law, none of the Managers, the Trustee or any of their respective affiliates accepts any responsibility whatsoever for the contents of this Prospectus or for any other statement made or purported to be made by a Manager or the Trustee or on its or their behalf in connection with the Issuer, the Guarantors, or the issue and offering of the Notes. Each Manager, the Trustee and their respective affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

The contents of this Prospectus are not to be construed as legal, financial, business or tax advice. Each prospective investor should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor’s overall investment portfolio.

In connection with the issue of the Notes, The Royal Bank of Scotland plc (the “Stabilising Manager”) (or any person acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be

conducted by the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

Throughout this Prospectus, references to the “2009/2010 Financial Year” means the 52 weeks ended 1 May 2010, “2010/2011 Financial Year” means the 52 weeks ended 30 April 2011, and “2011/2012 Financial Year” means the 52 weeks ended 28 April 2012.

Unless otherwise specified or the context requires, references to “pounds sterling”, “£”, “p” or “pence” are to the lawful currency of the United Kingdom and references to “Euro” or “€” are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

The financial information presented in a number of tables in this Prospectus has been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Certain terms used in this Prospectus, such as “underlying sales”, “underlying operating profit”, “underlying profit before tax”, “EBIT”, “EBITDA” and “Like-for-like sales” are measures of performance defined and used by the Group in order to aid in the understanding of the Group’s performance and are not terms explicitly prescribed by IFRS. The term “Free Cash Flow” is a measure defined and used by the Group in order to aid in the understanding of the Group’s cash flows. This definition should not be used as an alternative to the actual movement in cash and cash equivalents as prescribed by IFRS or as a comparison to other companies who may use the same or any similar terms. Definitions of these terms are not standardised and may be defined and calculated differently by other companies using such terms. Investors should therefore not consider these terms as comparable to other companies who may use the same or similar terminology.

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INFORMATION REGARDING FORWARD LOOKING STATEMENTS

This Prospectus contains or incorporates by reference “forward looking statements” regarding the belief or current expectations of the Group, the Issuer’s directors (“Directors”) and other members of its senior management about the Group’s businesses and the transactions described in this Prospectus, including statements relating to the Group’s capital and financial planning projections. Generally, forward looking statements can be identified by the use of words such as “may”, “could”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue” or similar expressions and relate to, among other things, the Group’s results of operations, financial condition, liquidity, financial covenants, prospects, growth, strategies and the industries in which the Group operates. Such statements are based on current expectations and, by their nature, are subject to a number of risks and uncertainties that could cause actual results and performance to differ materially from any expected future results or performance, expressed or implied, by the forward looking statement. Factors that might cause forward looking statements to differ materially from actual results, include, but are not limited to, the risks described under “*Risk Factors*”.

These forward looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Group and are difficult to predict, that may cause actual results to differ materially from any future results or developments expressed or implied from the forward looking statements. These forward looking statements speak only as at the date of this Prospectus.

These statements are further qualified by the risk factors disclosed in this Prospectus that could cause actual results to differ materially from those in the forward looking statements. See “*Risk Factors*” for further information in this regard.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with:

- (i) the audited consolidated financial statements of the Group for the 2011/2012 Financial Year together with the audit report thereon set out on pages 68-131 of the Dixons Retail plc Annual Report and Accounts 2011/12;
- (ii) sections VI - X of the remuneration report set out on pages 62-66 of the Dixons Retail plc Annual Report and Accounts 2011/12;
- (iii) the audited consolidated financial statements of the Group for the 2010/2011 Financial Year together with the audit report thereon set out on pages 56-119 of the Dixons Retail plc Annual Report and Accounts 2010/11;
- (iv) sections VII - XI of the remuneration report set out on pages 50-54 of the Dixons Retail plc Annual Report and Accounts 2010/11;
- (v) the audited unconsolidated financial statements of DSG Retail Limited for the 2011/2012 Financial Year, together with the audit report thereon as set out on pages 14-53 of the DSG Retail Limited Annual Report and Financial Statements for the 52 weeks ended 30 April 2012; and
- (vi) the audited unconsolidated financial statements of DSG Retail Limited for the 2010/2011 Financial Year, together with the audit report thereon as set out on pages 14-52 of the DSG Retail Limited Annual Report and Financial Statements for the 52 weeks ended 30 April 2011,

which have been previously published or are published simultaneously with this Prospectus and which have been filed with the Financial Services Authority. Such documents shall be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Those parts of the documents incorporated by reference in this Prospectus which are not specifically incorporated by reference in this Prospectus are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the registered office of the Issuer and, in the case of items (i) to (iv) above, may also be obtained on the Issuer's website at www.dixonsretail.com. In addition, this Prospectus is also available at the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/prices-and-news/prices-news/home.htm.

Other than in respect of items (i) to (iv) above, the contents of the Issuer's website or any website directly or indirectly linked to the Issuer's website do not form part of this Prospectus and investors should not rely on them.

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OVERVIEW

The following overview should be read as an introduction to the more detailed information appearing elsewhere in this Prospectus. Any investment decision relating to the issue of the Notes should be based on the consideration of the Prospectus as a whole and not solely on this overview. Prospective investors should also carefully consider the information set out under “Risk Factors”.

1 Information on the Group

The Group is one of Europe’s largest specialist electrical multi-channel retailing and services companies which sells consumer electronics, personal computers, domestic appliances, photographic equipment and communication products. It is a multi-channel retailer, selling products in stores, over the internet and by phone. It provides product support services as well as added value services to its customers. It also undertakes business to business (“B2B”) sales and services.

The Group operates from more than 1,200 stores in the UK, Ireland and 10 other European countries using a number of established brands, including Currys and PC World in the UK, and Elkjøp in Norway, as well as multi-channel internet operations under these brands. The Group also operates an internet retail business through websites such as PIXmania.

For the 2011/2012 Financial Year, the Group’s total underlying revenues⁽¹⁾ were £8,186.7 million (2010/2011 Financial Year: £8,154.4 million) and it made an underlying profit before tax⁽¹⁾ of £70.8 million (2010/2011 Financial Year: £85.3 million). The Group’s total revenues (which include non-underlying revenues from the closed business) for the 2011/2012 Financial Year were £8,193.2 million (2010/2011 Financial Year: £8,341.8 million). Net non-underlying charges before tax amounted to £189.6 million (2010/2011 £309.4 million) which are deducted in arriving at the total results before tax. The Group’s total loss before tax for the 2011/2012 Financial Year was £(118.8) million (the Group’s total loss before tax for the 2010/2011 Financial Year was £(224.1) million). The Group’s EBITDA for the 2011/2012 Financial Year was £253.9 million (2010/2011 Financial Year: £267.0 million). The Group’s gross margins were down 30 basis points in the 2011/2012 Financial Year compared to the previous financial year. For a summary of the key financial information of the Group for the last three financial years, see “*Selected Financial Information on the Group*”.

The principal products sold by the Group are categorised as brown goods, white goods, computing products and mobile phones. The Group also offers a broad range of product support services, technical support, delivery and installation and other services.

The Group is headquartered in the UK and is organised into four divisions: UK & Ireland, Northern Europe, Southern Europe and PIXmania.

2 Key Strengths

Management believes that the key strengths of the business are as follows:

- **The Group’s leading market positions and established brands**

The Group is the largest specialist electrical multi channel retailer and services company by market share in the UK, Ireland, the Nordic region and Greece and benefits from long-established and widely recognised brands. The Group also operates as an online European electrical and computing specialist e-tailer, through PIXmania.

In addition the Group operates Knowhow™, which management believes is the largest and most comprehensive nationwide support services provider for consumer electrical and computing products in the UK.

- **Sustainable business model**

In May 2008, the Group launched a Renewal and Transformation plan designed to improve the profitability of the Group. Under this plan significant changes have been made to the business by making it more attractive to customers, easier for colleagues and cheaper to operate. In order to build on the improvements that have been made to the business the Group is focusing on three strategic priorities. These focus on the Group’s service-led multi-channel offering, aligning the Group’s practices across its

(1) See “*Overview — Selected financial information on the Group*” for an explanation of how the Group defines underlying and non-underlying performance measures.

divisions and establishing leading positions in the markets in which it operates. The Group believes that together with the continued execution of the Renewal and Transformation plan, these priorities will improve returns and deliver a sustainable business model in an environment where customer shopping habits are constantly evolving. Further details on this can be found under “*Business Model and Strategy*”.

- **The Group benefits from a strong management team with significant experience in the retail industry**

Dixons Retail benefits from a strong management team both at the Group level and in the key operating businesses and divisions. The Group has a management team with the electrical, retail and international experience to deliver the turnaround of the Group. The Group believes that the executive team’s experience, particularly in terms of customer focused retail businesses, gives it a competitive edge.

- **The Group has strong established relationships with its suppliers**

The Group, with its service-led business model, constitutes a key route to customers for the Group’s suppliers and is an important platform for major manufacturers to showcase their products and to have them explained to customers. The Group maintains and benefits from strong, long-established relationships with a wide range of suppliers at a global and a regional level, allowing the Group to benefit from the tiered organisational structure of certain suppliers while leveraging the Group’s service-led approach and purchasing power, which arises from the Group’s ability to buy large volumes of products. As a result, the Group is able to secure beneficial supply terms with its suppliers.

- **The Group has an efficient distribution model**

The Group’s distribution model, with central distribution centres in each of the regions in which it operates, enables it to reduce costs of operation. In an industry in which easy access to products and efficient delivery are essential, the Group believes that this distribution network is a key competitive advantage.

- **Service-led business model**

In addition to providing suppliers with the ability to showcase their products and have them explained to customers, the Group’s service-led business model helps customers choose the product that best suits their needs as well as providing them with a complete solution. The Group helps customers choose additional products (such as accessories) and services (such as set up or delivery and installation) to help ensure they get the most out of their products. This not only enables the Group to improve its average product margin but also ensures customer loyalty to the retail brands. The Group believes this is an important differentiator to competitors. See “*Business Model and Strategy*” below.

- **The long-term fundamentals of the industry in which the Group operates remain attractive**

Management believes that technological innovation will continue to result in the increased proliferation of electrical products. The increased consumption by customers of digital content as well as the growing prevalence of computing and brown goods in customers’ daily lives drives demand for the Group’s products and services.

- **Store portfolio**

The Group operates predominantly from leasehold stores, this reduces the amount of capital required while retaining flexibility to manage its portfolio and ensure its location is best suited to its customers. The Group believes it operates from a number of high quality locations.

3 Business Model and Strategy

In an environment where technology is becoming an increasingly large part of customers’ lives and they have access to significant information via the internet, Dixons Retail believes that a business model focused on providing good service for customers through a multi-channel offering will deliver a sustainable business as well as an economic return for shareholders.

- **Key priorities**

The Group has made significant improvements under the Renewal and Transformation plan that it has been executing over the last four years. It intends to build on this by focussing on three strategic priorities that it believes will deliver improved returns over time:

- (a) provide a successful and sustainable business model in a multi-channel world;
- (b) be a leader in each of the markets in which the Group operates; and
- (c) align the Group to leverage consistently pan-European scale and knowhow.

These three strategic priorities are considered in further detail below:

(a) Provide a successful and sustainable business model in a multi-channel world

The Group believes that the internet has fundamentally changed the way in which customers research and buy products and empowers them by providing easy access to product knowledge and price transparency. Customer feedback and insight strongly indicates that customers want advice, to see products first-hand and ensure they are choosing the right product to suit their needs, particularly as these are often relatively expensive products that customers may own for several years.

Single channel internet operators have structurally lower costs to sell products and have historically been able to offer highly competitive prices versus store based operators. The Group has made significant progress in bridging this gap in recent years and plans to focus on four distinct activities which it believes are the key strengths of multi-channel service based retailers such as Dixons Retail:

- (i) Work closely with suppliers to harness benefits available to the Group's business model: Suppliers are keen to ensure that customers not only choose their brands, but also experience the benefits of the latest products developed to meet customers' needs. The Group works with its major suppliers so customers are able to have these benefits explained to them in its stores and have products demonstrated to them. The Group's suppliers support this work in a variety of ways including training of colleagues, assisting with in store displays and demonstrations and in some circumstances, through the supply of exclusive products.
- (ii) Focus on complete solutions for customers: Customers buy products in order to achieve something, such as watching movies or to entertain children. When customers buy products they are increasingly interested not only in buying the hardware, but also additional services that are offered, such as delivery, product support and after sales services as well as accessories and recycling. The Group believes that the conversations its colleagues have in store with customers provide the opportunity to explain the benefits of these solutions to customers. The Knowhow™ brand in the UK offers customers one cohesive services brand and there are increasing opportunities emerging for added value services as customers become more reliant on the content, cloud services and technical support needed to get the most out of the products they buy.
- (iii) Drive the service proposition: the Group aims to be recognised as delivering outstanding and reliable service. Customers should visit the Group's stores because they know they will receive a good level of service and knowledgeable advice to help them purchase the right product and solution. Customers should be confident that Dixons Retail will solve their problems quickly and efficiently. The Board believes that customers will be prepared to pay a small premium for this service-led approach.
- (iv) Reduce costs: the Group has removed £285 million of costs over the last five financial years and is targeting a further £90 million to be removed over the current and next financial year. The Group aims to continue to reduce costs by simplifying the Group's business, continuing the 2 in 1 store transformation programme and making it easier to operate as well as more competitive in comparison to lower cost operators.

(b) Be a leader in each of the markets in which the Group operates

The Group benefits from strong market positions in the UK & Ireland, Northern Europe and Greece. Each of these markets has experienced consolidation amongst competitors to varying degrees and the Group sees opportunities to improve its positions further.

In the Southern European and PIXmania divisions management is exploring ways to set these businesses on paths that will either make them strategically strong, or consider other solutions that will put them on firmer footings.

While the economic environment in Greece is currently very tough, Kostovolos has a leading market share in the Greek electricals market and continues to manage costs aggressively. The Italian electrical market is very fragmented and Unieuro is one of 3 main operators in that market. The Group plans to take aggressive action to drive out cost and to improve the stock and cash position.

(c) Align the Group to leverage consistently pan-European scale and knowhow

The Group operates many best practices in each of its business divisions. Some work has taken place to align these and share them across the Group, such as the new store formats, supplier relationships and to a limited degree, own brands. However there remain many opportunities to share understanding, knowledge, expertise and best practice across the Group.

The Group believes that delivering on these priorities should improve EBIT margin going forward as well as continue to generate cash. The UK & Ireland and Northern Europe divisions have together delivered a 2.7 per cent. EBIT return after associated central costs in the 2011/2012 Financial Year, and management believe that a 3-4 per cent. EBIT return for these businesses is achievable. In other businesses the Group plans to focus on reducing the losses to support an improvement in the Group's EBIT return. Cash is also an important part of delivering returns and the Group has been cash generative in each of the last two financial years 2010/11 and 2011/12. The Group intends to consider carefully how cash is either utilised or preserved across the business units, for example in determining ranges in store or managing returns and related processes.

In order to deliver on these three priorities the Group operates a business model based on the following:

- **Customer Insight**

Discussions at customer panels, interviews and detailed surveys provide invaluable customer insight. This helps the Group understand what products and services customers are looking for and enables the Group to build ranges and improve store formats and services as well as make strategic business decisions. This insight is supported by mystery shopping carried out in the Group's stores and those of competitors, exit surveys and customer feedback.

- **Multi-channel**

The Group aims to provide customers with a seamless experience where convenience, ease of navigation and simplicity are key in attracting customers to shop with its brands whether online, in-store or a combination of both. Stores have been improved, making them easier to shop using improved navigation, better signage, playables to allow customers to interact with products before they buy, as well as advice on features and benefits from store colleagues. The Group's websites are an integral part of the way in which customers buy products and a number of improvements have recently been made to them. The introduction of pay&collect in the UK, where customers will be able to buy products not immediately available in their local store for collection later will sit alongside collect@store providing customers with greater choice as to how they shop.

Training programmes in both services and products provide employees with the right tools to understand customers' needs and to provide them with the complete solution to properly meet those needs. The Group believes this service-led, multi-channel approach provides Dixons Retail with a key differentiator when compared to its online and mass market competitors.

- **Products**

The Group's customer insight, service-led approach and market strength across Europe provides it with access to the right range of products to suit customers' needs. It also enables suppliers to showcase the latest technology and products in the Group's stores which have dedicated areas for key suppliers' products.

With a clearly defined 'good-better-best' brand range of the Group's Currys and PC World Essentials, Logik, iWantit, Advent, Goji, and Sandstrøm brands, own brand products enable the Group to offer customers greater choice and access to a range of products at competitive prices.

- **After Sales Services and Support**

The Group provides services to varying degrees across its business divisions. The Group's business in the UK & Ireland sets the benchmark for its services infrastructure. The UK & Ireland division operates the largest network of two-man deliveries in the UK with an average of 50,000 deliveries per week providing customers with the convenience of next day delivery in a three hour time slot or the value of a free delivery later. The Group believes it offers a market leading range of help and support services to customers providing expertise and support that keeps their technology working. The Knowhow™ teams in stores, call centres and technicians operating in customers' homes can provide set up and upgrade services as well as online fix and back up services. A state of the art repair facility in Newark, United Kingdom was created in

2010 and repaired approximately 600,000 laptops and televisions in the 2011/2012 Financial Year. The UK & Ireland division is able to provide customers with a choice of support agreements such as 'Premier' services which provide customers with loaned product replacements (such as television sets, for example) if their products are taken away for repair.

Management believes that ownership of the service infrastructure can ensure the quality of service delivered to customers. The Group believes that this provides a significant competitive advantage in meeting the needs of customers, as well as a revenue stream not readily available to single-channel online and mass market competitors.

Elements of this business model exist, and will be developed further, in each of the other operating divisions of the Group. However, the UK is expected to remain the most developed and integrated services platform within the Group as this model is adapted for local markets.

- **Low Cost Operating Model**

The Group continues to transition to a lower cost operating model. This reduces its relative operating cost compared to competitors with structurally lower costs such as single-channel internet operators and enables the Group to provide customers with good value products.

The low cost operating model drives continuous improvement in process and cost efficiencies which can be re-invested in providing better value products and services for customers and drive increased customer and brand loyalty.

4 Recent Developments

Revolving Credit Facility

The Issuer and DSG Retail Limited (as borrower and guarantor) and the Guarantors (as guarantors) entered into an amended and restated facility agreement on 24 May 2012 providing an unsecured £300 million multi-currency revolving credit facility maturing on 30 June 2015. Under its terms, the size of the facility will be reduced by the amount of any debt or equity raised by the Issuer after 24 May 2012 up to a maximum reduction of £75 million. The size of the facility will therefore reduce to £225 million upon receipt of the proceeds of the issue of the Notes and any drawings under the facility must be repaid up to £75 million. The size of the facility will further reduce to £200 million by 15 August 2013. As at 7 September 2012, none of this facility was drawn down with £300 million unused.

2012 Notes and 2015 Notes Tender Offer

On 10 September 2012, the Issuer announced that it was inviting holders of its £150 million 8.75 per cent. Guaranteed Notes due 3 August 2015 (the "2015 Notes") to tender their 2015 Notes for repurchase by the Issuer for cash at a fixed repurchase price of £1,050 per £1,000 principal amount of the 2015 Notes and any accrued but unpaid interest. As described under "Use of Proceeds" in this Prospectus, the purpose of the net proceeds from the issue of Notes is, in part, to finance the Tender Offer for the 2015 Notes.

On 15 July 2010, the Issuer invited holders of the £300 million 6.125 per cent. Guaranteed Notes due 15 November 2012 (the "2012 Notes") to tender their 2012 Notes for repurchase by it for cash at a fixed repurchase price of £1,015 per £1,000 principal amount of the 2012 Notes and any accrued but unpaid interest (the "2012 Note Tender Offer"). £140 million of the 2012 Notes were repurchased by the Issuer under the 2012 Note Tender Offer leaving £160 million of the 2012 Notes outstanding.

On 10 September 2012, the Issuer announced that it was inviting holders of its 2012 Notes to tender their 2012 Notes for repurchase by the Issuer for cash at a fixed repurchase price of £1,004 per £1,000 principal amount of the 2012 Notes and any accrued but unpaid interest. As illustrated under "*Capitalisation and Indebtedness*" in this Prospectus, the Tender Offer for the 2012 Notes is financed by business cash flow. The Tender Offer for the 2012 Notes is not conditional on the issue of the Notes.

Purchase of shares in PIXmania

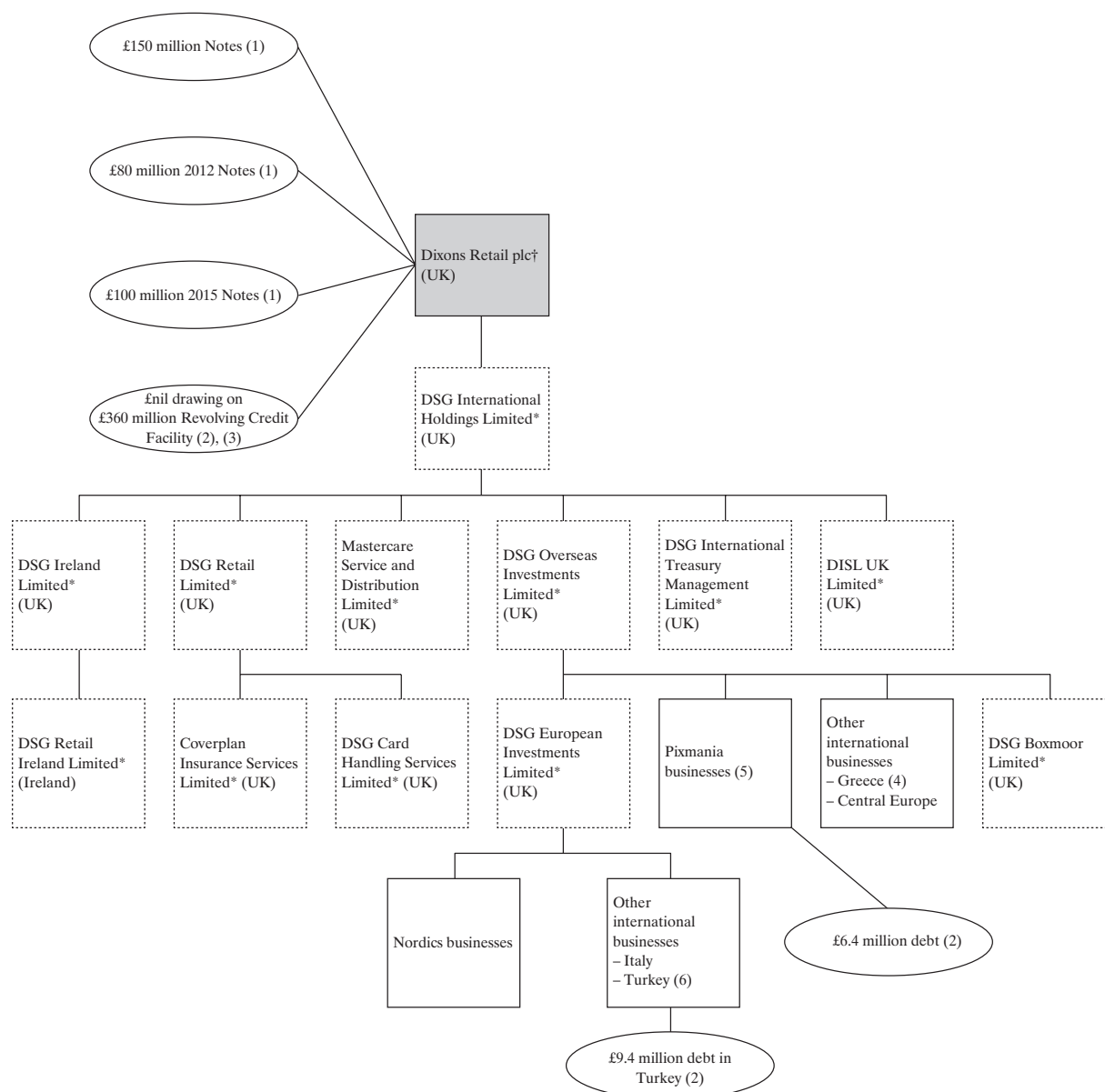
On 10 August 2012 the Issuer announced that it had acquired 22 per cent. of the shares in PIXmania that were indirectly held by the founders of the business, Steve and Jean-Emile Rosenblum, enabling the Group to take full day to day control of the business and, in line with the Group's strategy, to take the necessary actions to improve the performance of this business.

Quarterly Trading Statement

On 6 September 2012 Dixons Retail issued its first quarter trading statement for the 12 weeks ended 21 July 2012. This showed an encouraging start to the financial year with total sales for this period up 2 per cent. and like for like sales up 5 per cent. It also reported strong performances in the UK and Ireland with like for like sales up 7 per cent. and Northern Europe with like for like sales up 13 per cent. In Southern Europe like for likes were down 10 per cent. as these markets continue to be impacted by weak economic environments, however the Issuer confirmed it was taking appropriate actions in these businesses. While the Issuer continued to see strong multi-channel growth the trading environment for its single channel business, PIXmania, was challenging. Group gross margins were down 0.3 per cent. in the first quarter.

5 Corporate Structure

The following chart shows a simplified summary of the corporate structure of the Group, highlighting the Issuer and the Guarantors as at 28 April 2012 and giving effect to the issue of the Notes and the use of proceeds therefrom as described under “Use of Proceeds”. Unless otherwise indicated in the notes below, Subsidiary undertakings illustrated in the corporate structure are (directly or indirectly) wholly owned by the Issuer.



Notes:

† Issuer

* Guarantors

- (1) This assumes that £80 million of business cash flow is used to finance the purchase and cancellation of the 2012 Notes and that £50 million of the proceeds of the issue of the Notes is used to finance the purchase and cancellation of the 2015 Notes, in each case pursuant to the Tender Offer.
- (2) As at 28 April 2012.
- (3) On 24 May 2012, the Group signed an amendment and restatement agreement implementing a revised revolving credit facility agreement (the "New Facility") for £300 million. The New Facility, which has a maturity date of 30 June 2015, replaces the £360 million Facility. The New Facility will reduce to £225 million within 3 business days of the Issuer receiving the proceeds from the issue of the Notes.
- (4) Shareholding of 99.2 per cent. in the Greece business.
- (5) Shareholding of 77.1 per cent. in the PIXmania business as at 28 April 2012. On 10 August 2012, the Group announced that it had acquired a further shareholding in the PIXmania business, taking its total shareholding to 99.2 per cent.
- (6) Shareholding of 60.0 per cent. in the Turkey business.
- (7) Out of the £428.1 million of total gross indebtedness of the Group as at 28 April 2012, £102.0 million related to obligations under finance leases. Of this total indebtedness, £20.2 million related to non-Guarantor subsidiaries of the Group and of this, £4.4 million related to obligations under finance leases.
- (8) For the 2011/2012 Financial Year, the Guarantors (on a non-consolidated basis) in aggregate contributed to approximately 47.2 per cent. of sales, 153.9 per cent. of EBITDA and 44.7 per cent. of gross assets, respectively, of the Group. For the purposes of determining these percentages, EBITDA has been calculated as total operating profit before deduction of depreciation and amortisation. EBITDA for Guarantors also excludes any items which are eliminated in the consolidated Group EBITDA. Gross Assets for the Guarantors exclude investments in subsidiary companies and intercompany receivables, both of which are eliminated in the consolidated Group Gross Assets. EBITDA is not a term explicitly prescribed by IFRS, see page ii of this Prospectus. This particular method of calculating EBITDA differs from the way it is calculated elsewhere in this Prospectus. The way EBITDA is calculated is defined where this term arises elsewhere in this Prospectus.

OVERVIEW OF THE OFFERING

The following is an overview of the principal features of the Notes and is qualified in its entirety by the detailed information appearing elsewhere in this Prospectus and, in particular, "Terms and Conditions of the Notes" (the "Conditions"). Potential purchasers of the Notes are urged to read this Prospectus in its entirety. Terms used in this overview and not otherwise defined shall have the meanings given to them in the Conditions.

Issuer	Dixons Retail plc
Guarantors	DSG Retail Limited, DSG International Holdings Limited, DSG Card Handling Services Limited, Coverplan Insurance Services Limited, DSG International Treasury Management Limited, DSG Overseas Investments Limited, DSG European Investments Limited, DSG Ireland Limited, DSG Retail Ireland Limited, DSG Boxmoor Limited, DISL UK Limited and Mastercare Service and Distribution Limited. Other subsidiaries of the Issuer may become guarantors of the Notes after the Issue Date (as defined below), as described in Condition 2(d) (<i>Additional Guarantors</i>). Any of the above Guarantors or any other subsidiary of the Issuer which becomes a guarantor of the Notes after the Issue Date may also cease to be a guarantor, as described in Condition 2(c) (<i>Release of a Guarantor</i>).
Description of Notes	£150,000,000 8.75 per cent. Guaranteed Notes due 2017.
Denomination of the Notes	The denomination of the Notes will be £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000.
Joint Lead Managers and Joint Bookrunners	The Royal Bank of Scotland plc HSBC Bank plc DNB Markets, a part of DNB Bank ASA Citigroup Global Markets Limited BNP Paribas Barclays Bank PLC
Trustee	BNP Paribas Trust Corporation UK Limited.
Principal Paying Agent	BNP Paribas Securities Services, Luxembourg Branch.
Interest	8.75 per cent. payable semi annually in arrear on 15 March and 15 September of each year, beginning on 15 March 2013, as described in Condition 4 (<i>Interest</i>).
Issue Date	19 September 2012.
Issue Price	99.015 per cent. of the principal amount of the Notes.
Maturity	15 September 2017.
Status of the Notes	The Notes are direct, unconditional, unsubordinated and (subject to the provisions of the negative pledge described below) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves.
Status of the Guarantee	The payment obligations under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and (subject to the negative pledge described below) rank equally with all other outstanding unsecured and unsubordinated obligations, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.
Negative Pledge	The terms of the Notes contain a negative pledge provision pursuant to which the Issuer undertakes not to, and shall procure that none of its subsidiaries shall, incur or otherwise permit to subsist, as Security for any Debt, any security other

than any Permitted Security (as defined in the Conditions), subject to certain exceptions, as further described in Condition 3.1 (*Negative Pledge*).

Covenants

In addition to the negative pledge described above, the terms of the Notes contain a covenant that limits the ability of the Issuer and its subsidiaries to incur Debt unless the Consolidated Fixed Charge Coverage Ratio (as defined in the Conditions) would be equal to or greater than 2.5 to 1.0, subject to the exceptions and provisions set out in Condition 3.2 (*Limitation on Debt*).

The Conditions also include restrictions on the Issuer's ability to consolidate, merge or amalgamate with or into another person, or otherwise dispose of all or substantially all of its assets unless the provisions in Condition 3.3 (*Merger, Consolidation and Sale of Substantially All Assets*) are met.

There are also restrictions on the Issuer's ability to pay dividends and other Restricted Payments (see Condition 3.4 (*Limitation on Restricted Payments*)).

Furthermore, the terms of the Notes include a covenant that prohibits the Issuer and its subsidiaries from consummating any Asset Disposition (as defined in the Conditions) unless the provisions in Condition 3.5 (*Limitation on Sales of Assets and Subsidiary Stock*) are met.

The Issuer has also covenanted to provide certain information as provided in Condition 3.6 (*Information and Reports*).

The covenants contained in Conditions 3.2 (*Limitation on Debt*), 3.3(c) (*Merger, Consolidation and Sale of Substantially All Assets*), 3.4 (*Limitation on Restricted Payments*) and 3.5 (*Limitation on Sales of Assets and Subsidiary Stock*) will cease to apply if the Notes are given an investment grade rating by at least two of the rating agencies and no Event of Default or Potential Event of Default has occurred and is continuing (a "Suspension Event"). However, such covenants will be reinstated as of and from the first day on which a Suspension Event ceases to be in effect.

Events of Default

Events of Default under the Notes include: non-payment under the Notes; breach of the covenants and other terms contained in the Conditions; winding-up events relating to the Issuer, a Guarantor or any Principal Subsidiary; suspension of payments or cessation to carry on all or substantially all the business of the Issuer, a Guarantor or a Principal Subsidiary; certain insolvency events; and if a Guarantee ceases to be in full force and effect, in each case, subject to the provisions described in Condition 8 (*Events of Default*).

The Notes will also have the benefit of a cross acceleration provision, as described in Condition 8(ix).

Redemption for tax reasons

The Issuer may, subject to and in accordance with Condition 5(b) (*Redemption for Taxation Reasons*), on giving notice to the Noteholders, redeem all (but not some only) of the Notes at their principal amount outstanding together with interest accrued to the date fixed for redemption, if the Issuer or DSG Retail Limited has or will become obliged to pay additional amounts (as provided in Condition 7 (*Taxation*)) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom, which change or amendment becomes effective on or after 19 September 2012.

Redemption at the option of the Noteholders upon a Change of Control

The Noteholders may, subject to and in accordance with Condition 5(c) (*Redemption of Notes upon a Change of Control*), on the occurrence of a Put Event (as defined in Condition 5(c)), exercise an option to require the Issuer to redeem or, at the option of the Issuer, purchase (or procure the purchase of) any of the Notes held by such Noteholder at a cash price equal to 101 per cent. of their principal amount together with interest accrued to, but excluding the date of redemption or purchase.

Redemption at the option of the Issuer

Notes may be redeemed at the option of the Issuer in whole or in part at a price equal to:

- (i) 100 per cent. of the principal amount of the Notes redeemed; plus
- (ii) accrued and unpaid interest to the date of redemption; plus
- (iii) the Applicable Premium (as defined in Condition 17 (*Definitions*)),

on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders.

Taxation

All payments in respect of the Notes and Coupons or the Guarantee will be made without withholding of or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within the UK or Ireland or any political subdivision thereof or by any authority thereof or therein having power to tax, save as may be required by law. In the event that any such withholding or deduction is required by law, the Issuer or, as the case may be, the Guarantors will, save in certain customary circumstances provided in Condition 7 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.

Governing Law

The Notes and the Trust Deed constituting the Notes and any non-contractual obligations arising out of or in connection with them will be governed by English law.

Listing and Trading

The Issuer has applied for the Notes to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's Regulated Market.

Ratings

The Notes are expected, on issue, to be rated B1 by Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Use of Proceeds

The principal purposes of the net proceeds from the issue of the Notes are to finance the purchase and cancellation of a certain amount of the 2015 Notes pursuant to the terms of the Tender Offer (as described in "*Description of the Group—Recent Developments*") and for general corporate purposes.

Rationale for the Offering

The rationale for the issue of the Notes is (i) to reduce the Group's reliance on bank lending (the Revolving Credit Facility will be reduced by £75 million upon receipt of the proceeds from the issue of the Notes), (ii) to extend the Group's bond debt maturity profile by raising funds to purchase and cancel a certain amount of the 2015 Notes pursuant to the Tender Offer, and (iii) to further strengthen the Group's liquidity position by retaining the balance of the net proceeds for general corporate purposes.

ISIN

XS0804232337.

Common Code

080423233.

Selected Financial Information on the Group

The following summary consolidated historical financial information and other information is derived from, should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements of the Group for the 2011/2012 Financial Year and the 2010/2011 Financial Year and the accompanying notes thereto, which are incorporated by reference in this Prospectus. Certain financial information for the 2009/2010 Financial Year has been restated from the figures presented in the Annual Report and Accounts for the 2010/2011 Financial Year in order to reflect the changes in divisional reporting which was announced on 21 December 2011. Certain financial information for the 2009/2010 Financial Year has been included in the following table for information only and, for the avoidance of doubt, the consolidated financial statements of the Group for the 2009/2010 Financial Year are not incorporated by reference in this Prospectus.

The following table includes both underlying and total performance measures. Underlying performance measures comprise profits and losses incurred as part of the day-to-day ongoing retail activities of the Group and include profits and losses incurred on the disposal and closure of owned or leased properties that occur as part of the Group's annual retail churn. The profits or losses incurred on disposal or closure of owned or leased properties as part of a one-off restructuring programme are excluded from underlying performance measures. Underlying results is defined by the Directors as excluding the trading results of closed businesses, amortisation of acquired intangibles, net restructuring and business impairment charges and other one-off, non-recurring items, profit on sale of investments, fair value remeasurements of financial instruments and, where applicable, discontinued operations. Underlying performance measures may not be directly comparable with other similarly titled measures or "adjusted" revenue or profit measures used by other companies.

The Directors consider underlying performance measures to be a more accurate reflection of the ongoing trading performance of the Group and believe that these measures provide additional useful information on the Group's performance and are consistent with how business is measured internally.

Key income statement data

	2009/2010 ⁽³⁾ Financial Year	2010/2011 ⁽³⁾ Financial Year	2011/2012 Financial Year
		(£ million)	
Underlying Revenue			
UK & Ireland	4,163.0	3,925.3	3,833.9
Northern Europe	2,197.1	2,375.6	2,628.0
Southern Europe	1,188.2	1,120.0	1,059.8
PIXmania	771.7	733.5	665.0
Total underlying revenue	<u>8,320.0</u>	<u>8,154.4</u>	<u>8,186.7</u>
Closed businesses ⁽¹⁾	212.5	187.4	6.5
Total revenue ⁽²⁾	<u>8,532.5</u>	<u>8,341.8</u>	<u>8,193.2</u>
Underlying profit before tax			
UK & Ireland	76.3	68.7	78.8
Northern Europe	91.9	102.1	113.9
Southern Europe	(2.8)	(18.1)	(30.4)
PIXmania	6.1	3.5	(19.8)
Central costs	(19.5)	(15.8)	(13.8)
Property losses	(18.8)	(12.8)	(13.6)
Net finance costs	(42.3)	(42.3)	(44.3)
Underlying profit before tax	<u>90.9</u>	<u>85.3</u>	<u>70.8</u>
Non-underlying-closed businesses ⁽¹⁾	(0.6)	(8.5)	(2.9)
Non-underlying-other	22.4	(300.9)	(186.7)
Total profit/(loss) before tax	<u>112.7</u>	<u>(224.1)</u>	<u>(118.8)</u>
Profit/(loss) after tax-continuing operations			
Underlying	50.2	53.9	34.4
Non-underlying	15.8	(297.1)	(197.3)
	<u>66.0</u>	<u>(243.2)</u>	<u>(162.9)</u>
Profit/(loss) for the period			
Underlying	50.2	53.9	34.4
Non-underlying	7.1	(299.2)	(197.3)
	<u>57.3</u>	<u>(245.3)</u>	<u>(162.9)</u>

	2009/2010 Financial Year	2010/2011 Financial Year	2011/2012 Financial Year
		(£ million)	
Cash flow data-continuing operations			
Net cash flows from operating activities	226.4	254.6	188.5
Net cash flows from investing activities	(131.8)	(204.0)	(16.8)
Net cash flows from financing activities	17.1	(13.9)	(187.1)
Capital expenditure	(165.3)	(223.2)	(101.5)
Free Cash Flow ⁽⁴⁾	(17.6)	10.0	130.3
Key balance sheet data			
Total current assets	1,673.8	1,693.4	1,544.9
of which Cash and cash equivalents	295.7	334.7	316.8
Short term investments	8.5	10.5	7.3
Total assets	3,715.8	3,577.4	3,046.4
Total liabilities	(2,840.7)	(2,900.9)	(2,642.4)
Total equity	875.1	676.5	404.0
Net debt	(220.6)	(206.8)	(104.0)
Unrestricted net debt ⁽⁵⁾	(299.5)	(327.1)	(218.0)
Financial data			
EBITDA ⁽⁶⁾	261.8	267.0	253.9
Net debt to EBITDA ratio ⁽⁷⁾	0.8x	0.8x	0.4x
Consolidated Fixed Charge Coverage ratio ⁽⁸⁾	8.8	8.1	7.6
Like-for-like sales ⁽⁹⁾	+2%	(2)%	(3)%

Notes:

- (1) Closed businesses comprise PC City Spain which was closed in June 2011 and Markantalo and PC City Sweden whereby these store based businesses were closed in May 2009. These operations do not meet the definition of discontinued operations as stipulated by IFRS 5 and accordingly the disclosures made above differ from those for discontinued operations.
- (2) Total revenue relates to continuing operations.
- (3) Figures have been restated from those presented in the 2010/2011 and the 2009/2010 Annual Report and Accounts in order to reflect the changes in divisional reporting announced in December 2011. The change in divisional reporting comprised the amalgamation of Dixons.co.uk into the UK & Ireland division from the e-commerce division (which has now been renamed PIXmania) and the Central European operations into the Northern Europe division (previously named the Nordics division). Figures for the 2010/2011 Financial Year are presented as comparatives in the financial statements for the 2011/2012 Financial Year.
- (4) Free Cash Flow comprises cash generated from/(utilised by) continuing operations before special pension contributions, less net finance expense (which includes finance income), less income tax paid and net capital expenditure.
- (5) Restricted funds predominantly comprise funds held under trust to fund customer support agreements. Unrestricted net debt excludes these amounts.
- (6) Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) means consolidated underlying operating profit of the Group as presented in the consolidated income statement of the Group after adding back depreciation and the amortisation of other intangible assets, to the extent deducted in consolidated underlying operating profit. This is not a term explicitly prescribed by IFRS-see page ii of this Prospectus.
- (7) Net debt to EBITDA ratio is calculated as Net debt divided by EBITDA.
- (8) The Consolidated Fixed Charge Coverage ratio is calculated in accordance with the definitions provided in “*Terms and Conditions of the Notes-Covenants—Limitation on Debt*”.
- (9) Like-for-like sales are calculated based on stores that have been open for a full financial year both at the beginning and end of the financial period and are calculated using constant exchange rates. Customer support agreement sales are excluded from all UK like for like calculations. Operations that are subject to closure have sales excluded as of the announcement date. Stores subject to a closure due to a refurbishment are excluded during the period of closure. All PIXmania store sales are included in like for like sales.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes and the Guarantors believe that, unless otherwise indicated, the following factors may affect their ability to fulfil their obligations under the Guarantee. Most of these factors are contingencies which may or may not occur and none of the Issuer or the Guarantors is in a position to express a view on the likelihood of any such contingency occurring. In addition, risk factors which are specific to the Notes are also described below.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer and (where applicable) the Guarantors believe the factors described below represent the principal risks inherent when considering an investment in the Notes, but the Issuer or the Guarantors may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons, and the Issuer and the Guarantors do not represent that the statements below regarding the risks of holding the Notes are exhaustive. The risks described below do not necessarily comprise all those risks associated with the Group, and are not set out in any particular order of priority. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Risks Related to the Group

The Group may continue to be negatively affected by the impact that the economic downturn has had, and may continue to have, on consumer spending

The Group's operating and financial performance is influenced by the economic conditions in each of the countries in which it operates. The economic environment impacts on consumer spending on electrical and computing goods in many ways. Consumer confidence is an important influence on spending on electrical and computing goods, which is largely discretionary. Sovereign debt levels (currently most notably in Southern Europe), unemployment levels, interest rates, consumer debt levels, availability of credit, costs of food, fuel and energy, taxation and many other factors influence consumer confidence and customer spending decisions. The default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions could cause severe stress in the financial system generally and could adversely affect the markets in which the issuer operates and the businesses and economic condition and prospects of the Issuer's counterparties, customers, suppliers or creditors, directly or indirectly, in ways which it is difficult to predict. In addition, house moves and home improvements, which are influenced by the economic environment, impact on consumer spending on domestic appliances. The difficult economic conditions that have existed over the past four years in the markets in which the Group operates have resulted in a general reduction in consumer confidence and spending, which has adversely impacted the Group's earnings and financial position. Whilst the Group has taken steps to alleviate the impact of these conditions on its business where possible, there can be no guarantee that these will continue to be effective, and to the extent the current economic environment does not improve or any improvement takes place over an extended period of time, the Group's business, financial condition and results of operations may be materially adversely affected.

The Group may continue to be negatively affected by the uncertainty surrounding the future of the Eurozone and, in particular, the potential that one or more countries may exit the Euro

Changing political conditions are leading to further uncertainty impacting the macro economic environment, such as the uncertain future of the Euro. The Group may feel exposure to markets potentially exiting the Euro, such as Greece. If Greece were to exit from the Euro, this may lead to a deterioration of the Greek economy and challenge the sustainability of the business. It may also have a contagion effect on other countries in which the Group transacts business. Whilst the Group and the Greek management teams in particular have taken action to mitigate a significant reduction in market size and plan for other potential consequences of Greece exiting the Euro, there can be no guarantee that these will continue to be effective, and to the extent the current economic uncertainty does not diminish or any improvement takes place over an extended period of time, the Group's business, financial condition and results of operations may be materially adversely affected.

The Group operates in a highly competitive environment

The Group operates in a highly competitive environment, facing competition from both in-town and out-of-town store based retailers, such as specialists, generalists, independents, mass merchants and supermarkets, as well as internet retailers. The Group competes with these retailers for customers, employees, locations, products and other important aspects of its business. Businesses join and leave the market and/or expand or reduce their product ranges in response to competitive forces. Some of the Group's competitors may have access to greater resources or use strategies such as lower pricing, wider selection of products, exclusive products, larger store size, better located stores, higher promotional and advertising intensity, better store design and more efficient sales methods that can give them advantages over the Group in retaining existing customers, attracting new customers, generating revenue and profits and maintaining profit margins. In response to increasing competition from existing competitors, new entrants into the markets in which the Group operates, consolidation of fragmented markets or an otherwise changing competitive environment, the Group's businesses may from time to time make certain pricing, service or marketing decisions that could have a material adverse effect on the Group's revenues, costs, financial condition and results of operations. In addition, if the Group cannot respond adequately to these multiple sources and types of competition, it could have a material adverse effect on the Group's business, financial performance and results of operations.

Failure of a significant element within the multi-channel service-led business model critical for delivery of a seamless experience for customers

The Group operates in a competitive market with customers making purchases from the Group through many different sales channels. The Group's customers increasingly expect a seamless experience when accessing these channels and want to be able to interact with the Group in a variety of ways. In order to deliver such a service, the Group relies on a number of different internal systems and operating models across distribution channels. If a significant element fails this may have a material adverse effect on the Group's business, results of operations and financial condition.

The objectives of the Renewal and Transformation plan and strategic priorities may not be met in their entirety

The Group has made significant progress in delivering the five-point Renewal and Transformation plan, launched in May 2008, which the Group believes has improved the business for customers and shareholders and the Group has developed strategic priorities to build on this work. Realisation of further benefits is based on a variety of assumptions and variables, including among other things, future economic conditions and the trading performance of the Group. There can be no guarantee that the Group's assumptions underpinning these plans will prove correct, that the benefits currently being seen will continue, that the Group will have the capital available to continue to deliver these plans, that the Group will continue to meet its stated goals or that it will achieve these within its estimated costs. Moreover, the challenging economic climate and reduced consumer confidence in the markets in which the Group operates may make it more difficult than expected for the Group to implement its plans effectively or to achieve the expected financial and operational benefits even if they are implemented effectively. If the Group fails fully to implement its plans, or if the estimated and expected future financial and operational benefits are not achieved, the Group's business, financial condition and results of operations may be materially adversely affected.

For further details regarding the Group's plans, see "Description of the Group—Strategy".

Interruptions in the availability or flow of stock from third party product suppliers could have a material adverse effect on the Group's business, results of operations and financial condition

The Group purchases products from a wide variety of domestic and international third party product suppliers, including a limited number of large global manufacturers whose products account for a substantial proportion of the Group's sales. Many of the relationships between the Group and its suppliers are not based on long-term supply contracts and, in some instances, are not set out in written agreement. As a consequence, relationships may be varied or terminated with little or no notice. The Group's operations may be adversely affected by the interruption or restriction of the supply of stock whether through supplier choice, or external factors (e.g. natural disasters in Japan and Thailand), significant changes in terms imposed by these suppliers (e.g. credit terms) or the termination of any key product supplier arrangement. Any breakdown or change in the Group's relationships with product suppliers could materially adversely affect the Group's business, results of operations and financial condition.

Changes to, or withdrawals of, credit insurance provided to the Group's suppliers could have a material adverse effect on the Group's business, results of operations and financial condition

The Group's business is dependent on the sale of electrical and computing goods supplied to it by third parties. The Group's working capital funding is typically a balance of funding through its credit facilities and credit from its suppliers. The Group believes that third party suppliers in the electrical goods and computing products market have traditionally taken out credit insurance to protect these receivables against the risk of bad debt, insolvency or protracted default of their buyers, including the Group. Credit levels remain dependent on the general economic environment and the Group's financial position.

If there is a significant decrease in the availability, or the withdrawal in its entirety, of credit insurance to the Group's suppliers, and the suppliers are unwilling or unable to take credit risk themselves or find alternative credit sources, they may choose to take actions to reduce their credit exposure to the Group, including seeking to change their credit terms. Any of these actions could have a material adverse impact on the Group's cash position and lead to an increase in the Group's indebtedness, which could have a material adverse effect on its business, trading, reputation, financial condition and results of operations.

The Group's failure to meet its debt obligations or comply with the terms of its credit facilities could harm its business, financial condition and results of operations

The Group relies on external funding sources to finance a portion of its operations and growth. As of 28 April 2012, the net indebtedness of the Group was £104.0 million (30 April 2011: £206.8 million). The availability of funds from borrowings under committed bank and other facilities, which the Group maintains in order to meet anticipated short-term and long-term financial requirements, is subject to compliance with certain covenants. To the extent the Group is not able to continue to pay its debt obligations or meet the covenants in respect of its credit facilities, it may be required to refinance or renegotiate the terms of those facilities, including the covenants, and may have to incur significant costs in doing so. If the Group fails to comply with its covenants, or fails to pay any of its debt obligations, this may result in cross default on its other debt obligations, an acceleration of debt repayment obligations, an inability to refinance its debt and a reduction of its credit rating, which could increase the Group's costs of funding, harm its ability to incur additional indebtedness on acceptable terms and affect its relationship with suppliers. In addition, the Group must dedicate a portion of its cash flow to pay the interest due under its debt, which reduces funds available for other business purposes and the terms of its Revolving Credit Facility limit the amount of capital expenditure it may use in the Renewal and Transformation plan and for strategic priorities. The Group's debt obligations and banking covenants could therefore affect its ability to implement its Renewal and Transformation plan or other strategic priorities or to react effectively to changes in consumer demand or to increased competition. As a result of this debt, the Group may be placed at a competitive disadvantage compared to competitors that have less debt and may be or become more vulnerable to general adverse economic and industry conditions.

If the Group does not anticipate and respond quickly enough to capitalise on changing technology, content, service delivery, or consumer preferences, or does not manage its inventory levels effectively, its operating results could materially suffer

The Group's success largely depends on its ability to anticipate and introduce new products, content, services and technologies to consumers, as well as on the frequency of such introductions, the level of consumer acceptance in relation to them, and the related impact on the demand for existing products, content, services and technologies. Some electrical and computing products sold by the Group are subject to rapid technological change, which shortens their life cycle and may negatively impact sales of existing stock by the Group as consumers may elect to purchase newer products or defer their decision to purchase once technological changes have been announced. In addition, reduced consumer spending and changes in consumer purchasing trends may lead to excess inventory levels. Careful management is required to avoid the risk of holding stock that has become obsolete or that is in excess of customer demand, which may result in consequent stock write-offs and write downs. There can be no assurance that the Group will successfully anticipate technological changes and consumer demands in the future or that it will be able to obtain adequate supplies of popular new products. Failure to adequately manage its product stock or predict accurately the constant changing of technology, consumer tastes, preferences, spending patterns and other lifestyle decisions could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's business is highly seasonal, with a significant dependence on the revenue and operating profit generated during its third financial quarter

The Group's business is highly seasonal, with a substantial proportion of its revenue and operating profit generated during its third financial quarter, which includes the Christmas and New Year season. In connection with this peak trading season, the Group increases its advertising spend, hires additional staff and sources additional products. The Group procures stock for this period well in advance and must anticipate trends in consumer preferences and the level of likely demand for its products in this period or it will suffer an excess or a shortage of stock. As a result of this seasonality, results during any interim financial period cannot be used as an accurate indicator of the Group's annual results. In addition, secondary seasonal peaks can occur in regional markets, notably in Southern Europe, where hot summer periods encourage sales of air conditioning units and cooler summers may limit sales of these types of products. Any factors negatively affecting the Group during the third financial quarter of any year, or which negatively affect the Group's regional operations during periods where other seasonal peaks ordinarily occur, including adverse weather, product sourcing issues or unfavourable economic conditions, could have a disproportionately adverse effect on the Group's financial performance or results of operations for the entire year.

The Group operates in a market which has historically been predominantly price deflationary, which can put pressure on its money margins

Price deflation has been a common feature across most electrical goods categories for a number of years, primarily driven by improving efficiencies in production throughout the life cycle of a product as well as product development and new ranges. While price deflation may drive increased sales volume, there can be no guarantee that this will occur, which may make it harder for the Group to maintain or grow its money margins over a product's life cycle. Where the effect of price deflation is not countered by an increase in sales volumes, the importance of strong cost and expense management, as well as stock management, in maintaining or growing money margins, is increased. If the Group is unable to maintain or grow its money margins, manage its stock levels, and increase its sales volumes, this could have a material adverse impact on its results of operations. In addition, where the effect of price deflation is not countered by volume increase, strong cost management is required to maintain money margins. An inability to manage costs may have a material adverse impact on the Group's money margins.

Loss of, or disruption to, the Group's distribution and administrative sites may have a material adverse effect on the Group's business and operations

The Group operates from a small number of distribution and administrative sites, all of which are subject to the risks of fire, weather and water damage and, in some cases, earthquakes. The Group's ability to distribute merchandise to its stores and to sell and distribute merchandise to its customers is reliant on its operational infrastructure, particularly the efficient functioning of its distribution centres and distribution network. Failures or unavailability of such infrastructure (caused, for example, by fire, structural damage, natural disaster, industrial action or terrorist activity) could result in disruptions to the Group's ability to deliver products to its stores or its customers. Although the Group has established disaster recovery procedures designed to minimise the impact of any such disruption, there can be no assurance that those procedures will be adequate or effective. Although the Group maintains insurance to cover material exposures, there can be no assurance that its insurance coverage will be sufficient, or that insurance proceeds will be paid on a timely basis to the Group if any distribution centre or administrative site is unavailable for any period of time. As a result, any loss or disruption to any of the Group's distribution centres or administrative sites may have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's lease obligations could limit its operating flexibility

It is the Group's general practice to lease rather than own its stores. In the event of a significant reduction in the profitability of some or all of its stores, a significant shift in sales to other distribution channels or as part of a restructuring of its business (whether as part of the Renewal and Transformation plan or otherwise), the Group's ability to reduce its costs through the negotiation of lease terminations or modifications on acceptable terms or at all may be limited. To the extent the Group remains obligated under leases for unprofitable or vacant stores, or to the extent that the termination or modification of leases results in significant costs, the Group's ability to manage its costs and margins will be impacted and its business and operating results may be adversely affected.

The Group's performance may be affected by the quality of its store portfolio

The quality and location of the Group's store portfolio is a key contributor to the Group's performance and growth strategy. The location of its stores, their design (both internally and externally), store surroundings and the types of other retailers adjacent to the Group's store locations are among the variety of factors that impact the quality of the Group's store portfolio in the eyes of its customers and thus their results. The Group continually reviews its store portfolio in both the UK and overseas and its business is dependent on identifying and securing favourable new sites, reformatting existing stores at an acceptable return on investment and assigning, sub-leasing or terminating lease obligations at an acceptable cost where it no longer wishes to operate. The Group's ability to secure new sites for its stores is affected by the level of competition from other retailers, local land use and zoning regulations, environmental regulations and the cost of leasing its stores. If the Group is unable to obtain appropriate locations for its stores as well as maintain their quality, it could have a material adverse effect on its business, results of operations and financial condition.

The Group may remain liable in relation to stores it has sub-leased or for which leases have been assigned

The Group has sub-leased, or assigned to third parties the leases of, a number of stores that it no longer wanted to occupy in the past and may enter into sub-lease or assignment arrangements with third parties in the future. The Group may remain directly or contingently liable for the performance of related leasehold and other obligations under its lease arrangement in respect of stores which are sub-leased or where leases are assigned, including the payment of rent, which could crystallise in the event of insolvency or other default by the sub-lessees or assignees of those properties. In the event that any of the Group's sub-lessees or assignees fail to meet their obligations under the sub-leases or assigned leases, the Group may become responsible for such obligations, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is dependent on its senior management and skilled employees

Dixons Retail is dependent on its senior management to operate its business and execute its strategies. Dixons Retail has a decentralised management structure with many high-level management responsibilities devolved to regional or country management. During the last four years, Dixons Retail has experienced a number of changes to its senior management team, including the Group Chief Executive.

If members of Dixons Retail's senior management depart, Dixons Retail may not be able to find effective replacements in a timely manner, or at all, and Dixons Retail's business may be disrupted. In addition, the loss of key members of senior management to competitors could have a material adverse effect on Dixons Retail's competitive position.

The Group also faces the challenge of attracting, developing and retaining the right calibre of staff for its stores while controlling its labour costs. The turnover rate in the retail industry is relatively high, and individuals of the required quality to fill positions may be in short supply in some areas. The Group's ability to support its transformation strategy may be limited by its ability to employ, train, motivate and retain sufficient skilled personnel. The failure of the Group to recruit and retain senior management and skilled employees could adversely impact its sales performance, increase its wage costs, and adversely affect the Group's business, results of operations and financial condition.

The Group is exposed to currency fluctuations

The Group's reporting currency is pounds sterling. In the 2011/2012 Financial Year, 54.7 per cent. of the Group's revenue was generated in foreign currencies by subsidiaries outside the United Kingdom and whose results of operations, assets and liabilities must be translated into pounds sterling to produce the Group's consolidated financial statements. The Group's principal translation currency exposures are to the Euro and Norwegian Krone. The Group is also subject to certain transactional currency exposures, principally to the US Dollar and the Euro as a result of purchases by the Group of products from Asia which are made in US Dollars, and purchases from Europe which are made in Euro. In addition, the revaluation of the assets and liabilities of overseas subsidiaries at the balance sheet date results in the recognition of foreign exchange translation gains or losses in retained earnings. Changes in the relevant exchange rates between pounds sterling and the other currencies to which the Group is exposed, which have been volatile recently due to the global financial downturn, have affected and will continue to affect the value of the Group's assets and liabilities denominated in currencies other than pounds sterling and the cost of goods purchased, each of which could have an adverse effect on the Group's results of operations.

Although it is the Group's policy to reduce its currency exposures through the use of hedging instruments such as forward exchange contracts, there can be no assurance that such hedging arrangements will be effective or that all of the Group's currency exposure will be hedged.

In addition, the timing and quantum of the repayment of internal loans or the receipt of dividends or other distributions from overseas subsidiaries can cause cash flow volatility if there are movements in exchange rates. The Group typically hedges the currency exposure created when it lends the proceeds of pounds sterling borrowings to its overseas subsidiaries in local currencies. If it does not receive repayments from the subsidiaries in the amounts or at the times anticipated, it must purchase local currency in the market to cover the difference. Similarly, to the extent the Group hedges its translation currency exposure and does not receive anticipated dividends or other distributions from its subsidiaries, the Group must purchase currency in the market. If exchange rates have moved adversely since the time the relevant hedges were created, the currency purchases will result in cash outflows, which may be substantial.

The Group is exposed to interest rate fluctuations

The Group has borrowings that are subject to variable interest rates, and is therefore exposed to movements in interest rates. In addition, interest rate fluctuations will affect the return on the Group's cash investments. Although the Group uses interest rate based hedging instruments to manage interest rate exposures on its borrowings, there can be no assurance that such hedging arrangements will be effective or that all of the Group's interest rate exposure will be hedged. Movements in interest rates could have a material adverse effect on any unhedged borrowing exposure or on the returns generated by the Group's investments, either of which could adversely affect the Group's business, results of operations and financial condition.

The Group's business may be affected by the default of counterparties, including customers, in respect of monies owed

The Group's exposure to credit risk on liquid funds, investments, derivative financial instruments and consumer credit arises from the risk of default of counterparties. Investments mainly comprise bank deposits, floating rate notes and commercial paper. Consumer credit is offered to customers in most markets in which the Group operates, provided by a number of financial institutions. In the majority of cases, the commissions due are paid in full by the financial institution immediately. However, in some instances, such as in Greece and Turkey, the Group is paid the commissions over the term of the customers' payment plan. In addition, in Greece, in some circumstances, the Group also has potential liabilities to financial institutions in respect of certain consumer loans. These are actively managed and pursued as part of normal debt collection activity. When considering these consumer loans, as well as receivables from business to business customers, or, to a lesser degree, amounts due directly from retail customers, the Group believes that the carrying value of any receivables, net of any provisions, is appropriate. Although the Group regularly reviews the current payment experience and the adequacy of provisions against those receivables, there can be no assurance that they will be sufficient. It is the Group's policy to limit counterparty exposures. However, there can be no assurance that the Group's policy to limit counterparty exposures will effectively eliminate such exposures, and any such counterparty default may have a material adverse effect on the Group's business, results of operations and overall financial condition.

Dixons Retail has funding risks relating to its UK defined benefit pension scheme

The principal pension scheme operated by Dixons Retail is the DSG Retirement and Employee Security Scheme, which provides both defined benefit and money purchase benefits. The defined benefit section was closed to new entrants on 1 September 2002 and to future accrual for existing members on 30 April 2010.

The scheme is subject to risks that the value of its assets (which move in line with markets) may not fully cover the amount of its defined benefit liabilities (which are affected by changes in life expectancy, inflation and the discount factor used by the scheme actuary to calculate the present value of future benefit payments), potentially requiring Dixons Retail to recognise an increased funding deficit on its balance sheet.

The last triennial actuarial valuation of the scheme showed a funding deficit of £239 million as at 31 March 2010, which Dixons Retail agreed with the scheme trustee to make good by paying deficit contributions of £16 million in 2011/2012, £20 million in 2012/2013 and gradually rising to £35 million by 31 March 2021.

The next valuation is scheduled to be carried out as at 31 March 2013. The 2013 valuation could show a further deficit, which may require Dixons Retail to contribute additional amounts to the scheme. In addition, actions by the UK Pensions Regulator or the scheme trustee, or changes to existing pension law, could result in additional funding obligations, which could have a material adverse effect on the Group's overall financial position.

Information technology systems failure or disruption could impact the Group's day-to-day operations

The Group relies heavily on its information technology systems to enable its customers to purchase products in store, online and over the phone as well as record and process transactions and manage its operations. These systems provide information regarding most aspects of financial and operational performance, including sales and stock information and, given the number of transactions that are completed and the importance of the efficient management of stock, it is vital to maintain continuous operation of the computer hardware and software systems. Notwithstanding efforts to prevent an information technology failure or disruption, the Group's systems may be vulnerable to damage or interruption from fire, telecommunications failures, floods, physical or electronic break-ins, computer viruses, power outages and other malfunctions or disruptions. The Group is in the process of migrating one of its data centres to a more remote location to reduce the vulnerability of the data centres to such events. This is planned to be completed by 30 September 2012. Any of these events could cause system interruption, delays or loss of critical data and could prevent the Group from accepting and fulfilling customer orders as well as disrupt its operations and management. There can be no certainty that the Group's recovery and contingency plans will be effective or sufficient in the event that they need to be activated. Significant disruption to systems could have a material adverse effect on the Group's reputation, business, results of operations and overall financial condition.

The Group's operations may be adversely affected by legal, regulatory and other developments in countries in which it operates, or contractual disputes with third parties, joint venture and business partners

The Group is subject to a range of legal and regulatory requirements originating from the UK, the other countries where it operates and the European Union, particularly in the areas of consumer protection, product safety, competition, bribery and corruption, health and safety, taxation, environment, labour and employment practices (including pensions), transportation, extended warranties, copyright royalties and levies. Compliance with these laws and regulations may result in significant costs and payments for the Group and developments in such laws and regulations or, the policies regarding enforcement, may have an adverse impact on the Group in terms of cost, changes to business practices or restrictions on activities. In addition, contractual disputes, whether with third parties, joint venture partners or other business partners may have a material adverse effect on the Group's business, results of operations and overall financial condition. Further, certain areas such as extended warranties have previously been the subject of regulatory investigation and may be subject to further investigations in the future which could impact on the Group's ability to offer customer support agreements to its customers and therefore have a material adverse effect on the Group's business, results of operations and overall financial condition.

The Group may be accused of infringing others' intellectual property rights and be liable for significant damages

Many of the Group's products are subject to intellectual property rights owned by others and the Group is, from time to time, subject to claims that its products infringe intellectual property owned by others (e.g. technologies contained within products). Such claims might require the Group to enter into settlement or licence agreements, to pay significant damage awards, and/or to face a temporary or permanent injunction prohibiting the Group from marketing or selling certain of its products, which could have a material adverse effect on the Group's business, results of operations, financial condition and reputation.

The Group may be adversely affected by differences between anticipated and actual tax liabilities (whether as a result of a change in law or otherwise) and by disputes with tax authorities over tax payments

Judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. In such circumstances, the Group recognises liabilities for anticipated taxes due based on information available and its estimate of the anticipated liability. The final outcome of such matters may differ from the amounts initially recorded and any differences will impact the income tax and deferred tax provisions in the period to which such determination is made and could have a material adverse effect on the Group's business, results of operations and overall financial condition.

In addition, from time to time, the Group may be involved in discussions or disputes with tax authorities regarding the Group's tax liabilities, which may lead to a revision of tax liability, and therefore impact the Group's financial position.

Tax legislation and/or the published guidance relating thereto and interpretation thereof is subject to change. Any such change may adversely affect Dixons Retail's or the Group's financial position.

Failure to protect customers' confidential information could significantly impact the Group's reputation and expose the Group to litigation

The Group must comply with restrictions on the use of customer data and ensure that confidential information (including financial and personal data) is transmitted in a secure manner over public networks. Despite controls to ensure the confidentiality, availability and integrity of customer data, the Group may breach restrictions or may be subject to attack from computer programs that attempt to penetrate the network security and misappropriate confidential information. Due to advances in these programs, computing capabilities and other developments, there is no guarantee that the Group's security measures will be sufficient to prevent breaches. Any such breach or compromise of security could adversely impact the Group's reputation with current and potential customers, lead to litigation or fines, and as a result, have a material adverse effect on its business, results of operations and overall financial condition.

The Group is dependent on third parties for certain outsourced functions

The Group currently outsources certain of its functions, including its IT development, certain logistics functions and UK facilities maintenance. These services may cease to be provided, for example due to a contract period expiring or a contract being terminated, and there can be no guarantee that the chosen suppliers will be able to provide the functions for which they have contracted. Although the Group may replace suppliers or decide to perform functions itself, the Group cannot ensure that such substitution can be accomplished in a timely fashion or without significant costs or disruption to its operations. Any failure of the counterparties to deliver the contracted services could have a material adverse effect on the Group's business, results of operations and overall financial condition.

Deteriorating markets could result in the impairment of goodwill, intangible assets and property, plant and equipment, which may adversely affect the Group's financial position

Under IFRS, goodwill is not amortised but is subject to annual impairment tests or more frequent tests if there are indications of impairment. Other intangible assets and property, plant and equipment are amortised and depreciated, respectively and are also assessed on an ongoing basis to determine whether there are indications of impairment. As part of non-underlying items, the Group recorded significant impairment charges in the 2011/12 Financial Year and in the 2010/11 Financial Year. However, the Group did not make any charges of this nature in the 2009/10 Financial Year other than those associated with the acceleration of investment programmes. The impairment charges which predominantly comprise goodwill mostly resulted from weakness in the Southern European economies, such that the carrying value of assets could no longer be supported by the present value of expected cash flows from their continuing use. To the extent that the depressed economic environment continues, the economies in which the Group operates do not recover or the Group's businesses underperform against expectations, the Group may need to record additional impairment charges relating to its businesses, which would be recorded within non-underlying items, and such charges, whilst not directly affecting the cash flows of the Group, could have an adverse effect on the Group's financial position.

Risks Related to the Issuer and the Guarantors

The Issuer and certain of the Guarantors are holding companies with no revenue generating operations of their own

The business of the Group is carried out in large part through its operating subsidiaries and associated companies. The Group depends upon operating subsidiaries to provide the funds necessary to pay the principal of, and the interest on, the Notes. With the exception of DSG Retail Limited and DSG Retail Ireland Limited, these operating subsidiaries and associated companies have not guaranteed the Notes, and have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make funds available for these payments, whether in the form of liens, dividends or otherwise. Payments from the operating subsidiaries to the Issuer and the Guarantors might not be able to be made in some circumstances, due to corporate law, contractual or other legal restrictions or other factors.

Holders of the Notes will have a direct claim based on the Notes against the Issuer and the Guarantors, but will not have a direct claim based on the Notes against any other operating subsidiaries. The right of the holders of the Notes to receive payments under the Notes will be structurally subordinated to all liabilities of the non-Guarantor operating subsidiaries and associated companies. These liabilities include debt that some of its subsidiaries have incurred under bank facilities. In the event of a bankruptcy, liquidation, reorganisation or similar proceeding relating to a non-Guarantor subsidiary, the right of the holders of the Notes to participate in a distribution of the assets of such subsidiary will rank behind such subsidiary's and associated companies' creditors (including trade creditors) and preferred stockholders (if any), except to the extent that the Issuer or the Guarantors have a direct claim against such subsidiary.

Risks Related to the Notes Generally

Set out below is a brief description of certain risks relating to the Notes generally:

The Guarantee may be released in certain circumstances

The Notes will, subject to the release provisions described in “*Terms and Conditions of the Notes—Guarantee and Status—Release of a Guarantor*”, benefit from a Guarantee unconditionally and irrevocably given on a joint and several basis by the Guarantors, which as at the date of this Prospectus are guarantors of the Revolving Credit Facility. A Guarantee will terminate in respect of an individual Guarantor in certain circumstances as set out in the Terms and Conditions of the Notes. Investors should therefore note that the Notes may at any time no longer be guaranteed by any or all of the Guarantors.

Modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed (save in relation to certain matters described in the Terms and Conditions of the Notes) which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or to any modification which is of a formal, minor or technical nature or to correct a manifest error, (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor or guarantor under any Notes in place of the Issuer or the Guarantor, as the case may be, in the circumstances described in “*Terms and Conditions of the Notes—Substitution*” and “*Terms and Conditions of the Notes—Meetings of Noteholders, Modifications, Waivers and Authorisations*”.

Change of control put option

If specific kinds of change of control events occur as set out in the Terms and Conditions of the Notes, each Noteholder will have the option to require the Issuer to redeem or, at the option of the Issuer, purchase (or procure the purchase of) any of the Notes held by such Noteholder at a cash price equal to 101 per cent. of their principal amount together with interest accrued to, but excluding the date of redemption or purchase. However, some important corporate events that might adversely affect the value of the Notes would not constitute a “Put Event” as specified in the Terms and Conditions of the Notes. In addition, the Issuer's ability to redeem or purchase the Notes as may be required in the Terms and Conditions of the Notes will depend on its access to funds at such time, and it may not be able to secure access to enough cash to finance the redemption or purchase. See “*Terms and Conditions of the Notes—Redemption and Purchase—Redemption of Notes upon a Change of Control*”.

Optional redemption by the Issuer

The optional redemption feature in “*Terms and Conditions of the Notes—Redemption and Purchase—Redemption at the Option of the Issuer*” may limit the market value of the Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the

Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “EU Savings Directive”), each EU member state is required to provide to the tax authorities of another EU member state details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other EU member state. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect to provide information in accordance with the EU Savings Directive) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries, and certain dependant or associated territories of certain EU member states have adopted similar measures.

If a payment were to be made or collected through an EU member state which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the EU Savings Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. Where Notes are in definitive form, the Issuer is required to maintain a Paying Agent in an EU member state that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

Denominations involve integral multiples: definitive Notes

The Notes have denominations consisting of a minimum of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000. It is possible that the Notes may be traded in amounts that are not integral multiples of £100,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than £100,000 in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to £100,000.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of £100,000 may be illiquid and difficult to trade.

Risks Related to the Market Generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. The Notes are especially sensitive to interest rate, currency or market risks. As such, the Notes generally will have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes and the Guarantors will make any payments under the Guarantee in pounds sterling. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “Investor’s Currency”) other than pounds sterling. These include the risk that exchange rates may significantly change

(including changes due to devaluation of pounds sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to pounds sterling would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

Credit ratings may not reflect all risks and a downgrade of Dixons Retail's credit ratings could adversely affect Dixons Retail's access to and cost of credit

The Notes are expected to be assigned on issue a rating of B1 by Moody's. Any rating of Dixons Retail may not reflect the potential impact of all risks that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

A downgrade in Dixons Retail's current credit rating could restrict access to credit markets and increase the interest rate which Dixons Retail pays on new debt and have an adverse effect on the Group's business, financial condition and results of operations.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, after deduction of fees and commissions, are expected to be approximately £146,577,500. The principal purposes of the net proceeds from the issue of the Notes are to finance the purchase and cancellation of a certain amount of the 2015 Notes pursuant to the terms of the Tender Offer (as described in “*Description of the Group—Recent Developments*”) and for general corporate purposes.

RATIONALE FOR THE OFFERING

The rationale for the issue of the Notes is (i) to reduce the Group’s reliance on bank lending (the Revolving Credit Facility will be reduced by £75 million upon receipt of the proceeds from the issue of the Notes), (ii) to extend the Group’s bond debt maturity profile by raising funds to purchase and cancel a certain amount of the 2015 Notes pursuant to the Tender Offer, and (iii) to further strengthen the Group’s liquidity position by retaining the balance of the net proceeds for general corporate purposes.

CAPITALISATION AND INDEBTEDNESS

The following table sets out the audited consolidated capital and reserves and consolidated indebtedness of the Group as at 28 April 2012.

The unaudited consolidated pro forma statement set out below has been prepared to illustrate the effect on the consolidated cash and cash equivalents, borrowings and hedging derivative contracts related thereto, and capitalisation of the Group as at 28 April 2012, and shows the effect of the issue of the Notes and the use of proceeds therefrom as described under “*Use of Proceeds*”.

The unaudited consolidated pro forma statement has been prepared for illustrative purposes only and, because of its nature, the unaudited consolidated pro forma statement addresses a hypothetical situation and does not, therefore, represent the Group’s actual financial position or results. The unaudited consolidated pro forma statement has been prepared under IFRS and on the basis set out in the notes below. You should read this table in conjunction with “*Overview—Selected Financial Information of the Group*”, the audited consolidated financial statements of the Group for the 2011/2012 Financial Year and the 2010/2011 Financial Year respectively, and the accompanying notes thereto.

	As at 28 April 2012 ⁽¹⁾	Adjusted for the issue of Notes and use of proceeds therefrom ⁽²⁾ (£ million)	Pro forma ⁽³⁾
Cash and cash equivalents and short-term investments . . .	324.1	20.0	344.1
Current:			
Bank overdrafts	15.8	—	15.8
The 2012 Notes	162.5	(80.0)	82.5
Obligations under finance leases	3.1	—	3.1
Current financial indebtedness	181.4	(80.0)	101.4
Non-current:⁽⁴⁾			
The 2015 Notes	147.8	(50.0)	97.8
Obligations under finance leases	98.9	—	98.9
Notes offered hereby	—	150.0	150.0
Non-current financial indebtedness	246.7	100.0	346.7
Total indebtedness	428.1	20.0	448.1
Net indebtedness	104.0	—	104.0
Total equity	404.0	—	404.0
Total capitalisation	832.1	—	832.1

Notes:

- (1) Information in this column has been extracted without material adjustment from the audited consolidated financial statements of the Group for the 2011/2012 Financial Year.
- (2) This column has been included to show the effect of the issue of the Notes and the use of proceeds therefrom as described under “*Use of Proceeds*”. It assumes that the proceeds of the issue of the Notes will be £150 million and that £50 million of such proceeds will be used to finance the purchase and cancellation of the 2015 Notes pursuant to the Tender Offer. It also assumes that £80 million of business cash flow will be used to finance the purchase and cancellation of the 2012 Notes pursuant to the Tender Offer. This column excludes the effect of any fees and expenses associated with the issue of the Notes and the Tender Offer as well as the effect of any premium or discount pursuant to the Notes and the Tender Offer.
- (3) Note that the unaudited consolidated pro forma statement takes no account of trading or transactions since 28 April 2012 other than those described in Note (2).
- (4) In the normal course of business, the Group has contingent liabilities comprising potential obligations to financial institutions in respect of activities undertaken in the normal course of business and relate to amounts utilised under standby letters of credit. In addition, contingent liabilities also exist in respect of lease covenants relating to premises assigned to third parties.

DESCRIPTION OF THE GROUP

1 Introduction

The Group is a specialist electrical retailer and services company which sells consumer electronics, personal computers, domestic appliances, photographic equipment and communication products. It is a multi-channel retailer, selling products in stores, over the internet and by phone. It provides product support services as well as added value services to its customers. It also undertakes business to business (“B2B”) sales and services. The Group operates from more than 1,200 stores in the UK, Ireland and 10 other European countries using a number of established brands, including Currys and PC World in the UK, and Elkjøp in Norway, as well as multi-channel internet operations under these brands. The Group also operates an internet retail business through websites such as PIXmania.

For the 2011/2012 Financial Year, the Group’s total underlying revenues⁽¹⁾ were £8,186.7 million (2010/2011 Financial Year: £8,154.4 million) and it made an underlying profit before tax of £70.8 million (2010/2011 Financial Year: £85.3 million). The Group’s total revenues (which include non-underlying revenues from the closed business) for the 2011/2012 Financial Year were £8,193.2 million (2010/2011 Financial Year: £8,341.8 million). Net non-underlying charges before tax amounted to £189.6 million (2010/2011 £309.4 million) which are deducted in arriving at the total results before tax. The Group’s total loss before tax for the 2011/2012 Financial Year was £(118.8) million (the Group’s total loss before tax for the 2010/2011 Financial Year was £(224.1) million). The Group’s EBITDA for the 2011/2012 Financial Year was £253.9 million (2010/2011 Financial Year: £267.0 million). The Group’s gross margins were down 30 basis points in the 2011/2012 Financial Year compared to the previous financial year.

2 Overview of Products and Services Offered by the Group

2.1 Products

The principal products sold by the Group are categorised as brown goods, white goods, computing products and mobile phones.

Brown goods include: vision products, such as televisions, DVD players and Blu-Ray players; audio products, such as stereos, home theatre kits, radios, CD players, MP3 players and iPods; imaging products, such as cameras and camcorders; gaming products, such as games consoles; and related essentials (additional products required for the operation of other products, such as camera batteries, keyboards and printer ink) and accessories (products related to other products, such as camera cases).

White goods include: major domestic appliances (“MDA”), such as washing machines, dryers, refrigerators, and gas and electric cookers; and small domestic appliances (“SDA”), such as microwave ovens, vacuum cleaners, kettles, coffee makers, toasters, irons, breadmakers and personal care items.

Computing products include desktop computers, laptop computers, iPads and tablet computers, ultrabooks, netbooks, printers and a wide range of related essentials and accessories.

Mobile phones include prepaid and contract mobile phones, mobile broadband modems and related accessories.

Brown goods, computing products and mobile phones are generally characterised by rapid technological advances that offer major improvements in quality, functionality, interactivity and design. White goods tend to benefit from innovation, energy efficiency, fashion and improved design and are typically heavily dependent on the replacement cycle in most markets.

In addition to selling third-party branded products, the Group sells a number of own-branded products.

2.2 Services

The Group offers a broad range of product support and added value services. The most important of these, which represent a substantial proportion of the revenue from support services provided by the Group, are customer support agreements for repairs and protection against breakage, fault and mishap, and after-sales support for products bought from the Group. In addition, the Group provides a range of technical support, repair, installation and other services. The Group also offers a range of home delivery and installation services for its products, including deliveries within specified time frames, collection of

(1) See “*Overview—Selected financial information on the Group*” for an explanation of how the Group defines underlying and non-underlying performance measures.

customers' old appliances for recycling, installation of appliances and television installation and set up. In the UK, these services are provided through a network of customer service centres, Knowhow™ clinics in stores, a laptop and TV repair centre and a dedicated Knowhow™ telephone support team. The Group also has arrangements with a number of third-parties for the repair of products purchased through the Group.

3 History and Development of the Group

Dixons Retail was incorporated in 1937 with the opening of a photographic studio, Dixons Studios Limited, in London. In 1948, Charles Kalms was joined by his son, Stanley, who now holds the honorary title President of Dixons Retail, and who expanded the business into the retailing of cameras and associated accessories.

In 1962, Dixons was listed on the London Stock Exchange and at that time was operating from 16 branches. Growth since then has been both organic and through a number of acquisitions and has resulted in the Group expanding from a photographic business to being a specialist electrical retailer and services company.

Key recent events in the development of the Group include:

<u>Year</u>	<u>Event</u>	<u>Location</u>
2011	Closure of PC City Spain	Spain
2010	Closure of Markantalo stores in Finland and PC City stores in Sweden	Finland/Sweden
2009	In June 2009, the Group raised gross proceeds of £310.6 million from the issue of 1,837,458,762 new ordinary shares in the capital of Dixons Retail pursuant to a placing and rights issue	
2009	Disposal of Electro World Hungary and Electro World Poland	Hungary/Poland
2007 and 2008	Acquisitions of further stakes in Kotsovolos, taking the Group's shareholding to 99.2 per cent.	Greece
2007	Electro World Turkey founded and first store opened	Turkey
2006, 2010 and 2012	Acquisition of 76.9 per cent. stake in FotoVista (now renamed PIXmania) with further stake acquired in 2010 taking the Group's shareholding to 77.1 per cent. Further stake acquired in August 2012 taking the Group's shareholding to 99.2 per cent.	France
2006	Disposal of the Group's 60 per cent. stake in The Link	UK
2004	Acquisition of controlling interest in Kotsovolos	Greece
2002	Acquisition of controlling interest in Unieuro (the Group subsequently acquired the remaining interest in Unieuro in 2003), entering Central Europe and the Czech Republic	Various
2001	Disposal of the Group's 79.3 per cent. stake in Freeserve	UK
	Acquisition of 24.3 per cent. stake in Unieuro	Italy
1999	Acquisition of Elkjøp	Nordic region

4 The market in which the Group operates

Specialist electrical retail outlets are the predominant destination for customers buying electrical goods in the European market. Buying groups, general merchants and independents also have a retail presence in most European markets. The market is served by a relatively small number of global manufacturers supplying goods to local, regional, national and international electrical retailers.

The electrical retail market can be split between specialist electrical retailers, such as Dixons Retail and general retailers which sell certain electrical goods as part of a wider offering, such as catalogue retailers, department stores, large supermarket chains and single channel internet retailers. For example in the UK, the Group estimates that specialist electrical retailers comprise approximately 62 per cent. of the market in which the Group operates, that general retailers and others account for approximately 26 per cent. while single channel internet retailers account for approximately 12 per cent. of the market. The market can also be broken down into two distinct distribution channels: 'assisted' and 'unassisted'. In the assisted channel, specialist retailers help customers through the buying process in the form of product advice, add-on services, delivery and installation. The unassisted channel, which includes single channel internet retailers as well as general retailers, does not typically offer such services.

The Group is one of the largest specialist electrical retailers in Europe and, with leading market shares in the UK, Ireland, the Nordic region and Greece, benefits from long-established and widely recognised brands. The Group's closest competitors are Comet in the UK (which is privately owned) as well as Darty and Media Markt across Europe. While Dixons Retail also competes against general retailers, this is generally limited to certain lower unit price product categories as these operators do not typically offer the full range of products, assisted sale or associated ancillary services provided by the Group.

The Group is present in the unassisted internet channel through its e-commerce business PIXmania. In this channel, the Group competes directly with a large number of internet retailers across Europe, leveraging its purchasing power and operational scale to compete effectively on price.

The internet delivers enhanced product information and facilitates price comparability for consumers. Whilst this creates new challenges for the Group, it also provides a significant opportunity. Management believes that over time, internet demand will polarise towards the larger retailers with scaleable distribution and systems, together with proven after-sales service and support. In particular customers are increasingly combining internet shopping with shopping in store by using services such as collect@store where customers can order goods on the internet and collect them from a convenient store at a suitable time.

The key drivers of the European electrical retail market include:

- **Product development**

Innovation brings new products and products with improved functionality, such as 3D and smart TVs, ultrabooks and Apple's iPad, in turn driving sales growth. New content, such as operating platforms such as Microsoft Windows or Apple IOS, social media, apps, digital media and cloud computing, also help to drive hardware innovation and replacement. Product sales are also driven by structural shifts such as analogue to digital and standard format to HD television. In addition, innovation drives new service requirements such as TV installation and data backup.

- **Economic growth**

Electrical products, and in particular brown goods, are predominantly discretionary purchases. However, increasing use of digital technology in the home drives replacement cycles as these products become less discretionary. The economic backdrop also determines whether customers buy up or down price points. Accordingly, the electrical market tends to grow at a rate at or exceeding the economy during boom years. While the opposite can be true during a downturn, this may be influenced by new innovation and products.

The current economic backdrop has led to a number of electrical retail operations, both store and internet based, exiting the market, which has led to an increased market share for the Group. This underpins the Group's view that a strong service-led multi-channel operation satisfies both customer and supplier needs and delivers a sustainable business model.

- **Price deflation**

The rapid innovation cycle leads to price deflation in brown goods and computing but also drives volume as products become more affordable and replacement cycles accelerate. For larger ticket items, the low frequency of purchases limits the impact of price deflation on total market sales as consumers typically trade up.

- **Replacement cycle**

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

their repair. The sale of white goods is also driven by the dynamics of the housing market, as new construction, house sales and refurbishment trigger new purchases.

- **Online presence**

The Group's core UK and Nordic markets have a maturing online sales platform. The increase in online shopping provides retailers with the opportunity to increase both the range of goods on offer and the availability of product information. The growth of online shopping also provides opportunities for multi-channel retailers to exploit synergies between internet and store-based retailing.

5 Structure of the Group

The Group is organised into four divisions: UK & Ireland, Northern Europe, Southern Europe and PIXmania.

The activities of each division are described as follows:

- UK & Ireland comprises electrical and computing retail chains as well as business to business (B2B) activities and Dixons.co.uk, an online retailer. The division is engaged predominantly in multi-channel retail sales, associated peripherals and services and after sales services. It also engages in B2B sales of computer hardware, software and services.
- Northern Europe operates in Norway, Sweden, Finland, Denmark, the Czech Republic, Slovakia, Iceland, Greenland and the Faroe Islands. The division engages in multi-channel retail sales and provides related product support services to its customers. It also engages in B2B sales of computer hardware, software and services. Across the region, the division operates a successful franchise business, typically in smaller markets across the region.
- Southern Europe comprises operations in Italy, Greece, Turkey and historically the closed business in Spain which is excluded from underlying results. The division engages in retail sales (including multi-channel sales in some countries) and provides related product support services to its customers in all of its markets. It also engages in B2B sales of computer hardware, software and services in Italy and Greece and has franchise operations in Italy, Greece and Turkey.
- PIXmania is an online retailer and operates across Europe.

During the 2011/2012 Financial Year, management responsibility for Dixons.co.uk was transferred from the e-commerce division to UK & Ireland. In addition, management responsibility for the Group's Central European operations was transferred from the Other International division (now renamed Southern Europe) to the Northern Europe division to enable these operations to benefit from the better operating model of the Elkjop Group.

6 Business Description

6.1 Business model

The Group's objective is to provide customers with an unbeatable combination of value, choice and service through a full service retail model across a wide range of sales channels as well as by the provision of product support services. Further detail on the Group's business model is set out below under "*Business Model and Strategy*".

6.2 Product sourcing and purchasing

The sourcing of suitable products to meet customers' needs is an important function within the Group. Product sourcing offices for each of the UK & Ireland division, the Northern Europe division, Italy, Greece, Turkey and PIXmania (in France) aim to continually monitor current and future product cycles and maintain strong relationships with suppliers of branded products. The electrical and computing products industry is characterised by a number of large global manufacturers. Products supplied by these manufacturers account for a substantial proportion of the Group's sales. The Group also sources products from a large number of smaller manufacturers. Maintaining established relationships with its suppliers is important in seeking to ensure that the Group can purchase appropriate products on favourable terms. Relationships with manufacturers are maintained at the local business level as well as through the Group's central buying team and senior management.

Commercial planning (including category, range and space planning) and buying is undertaken by commercial and buying teams for each of the UK & Ireland division, the Northern Europe division, Italy, Greece, Turkey and PIXmania (in France). These teams are supported by a central international buying team, which negotiates framework agreements with a number of the Group's suppliers to manage the overall relationship between the Group and the supplier and also negotiates rebates in respect of volumes of products sold by the Group as a whole.

Maintaining relationships with suppliers at a global, regional and local level allows the Group to benefit from the tiered organisational structure of certain major suppliers whilst leveraging the Group's purchasing power, resulting from the large volumes of products it buys.

The Group has extensive experience of managing electrical goods with short product life cycles. It maintains aged stock records and utilises demand forecasts, price management, accessory offers and point-of-sale material to sell its products. Regular surveys of customer satisfaction are conducted and customer feedback is used to shape product ranges and to understand where the Group can be more responsive to customers' needs.

The Group retails a number of products categorised as own equipment manufacture ("OEM") products, which are products designed and produced by third party manufacturers that are either sold under one of the Group's own brands (such as Advent for computing products or Sandstrøm for brown and other goods) or in some circumstances a licensed brand. These products are sourced by the Group's teams based in the UK and Hong Kong. For some computing products, the Group sources certain components direct from the manufacturer for incorporation into these products often enabling it to benefit from, for example, volume discounts.

6.3 Central distribution

The Group operates central distribution centres for each of the UK and Ireland, the Nordic region, the Czech Republic, Italy, Greece, Turkey, and PIXmania (in France). Management believes that centralised distribution provides the Group with a number of significant competitive advantages, including reduced costs of operation through efficiencies of scale, reduced suppliers' delivery costs due to the requirement for fewer deliveries, reduced volumes of stock in stores, increased space efficiency in stores, increased flexibility on where stock can be delivered, and facilitation of home deliveries.

6.4 Marketing

Marketing activities are conducted at a regional and local level. These activities include television campaigns, press activity, promotional offers and event-based marketing, such as targeted marketing at the peak Christmas trading season. The Group continues to develop customer databases to drive client relationship management activity as well as increasing its emphasis on understanding the needs of customers in order to better focus marketing activities on matching product ranges to customers' anticipated demands.

6.5 Route to customer

The Group is a multi-channel retailer and aims to sell large volumes of products to customers through stores, the internet and by telephone. The Group offers a range of payment methods and facilitates customer credit through arrangements with banks and other financial institutions.

6.6 Store portfolio

The Group operates from leased stores in a variety of locations throughout the markets in which it operates, including larger, out-of-town stores, megastores and smaller stores, often in high street locations.

The Group reviews its store portfolio on an ongoing basis to seek to ensure that the Group's stores are competitively located. In the UK & Ireland, following a comprehensive review of the store portfolio, management is reducing the number of stores from which the business operates.

As at 28 April 2012, the Group operated a total of 1001 of its own stores. It also had a total of 210 franchised stores in the Nordic region, Italy, Greece, Turkey and the Czech Republic. These franchise stores operate pursuant to franchise agreements entered into by the Group and the franchisee. Under the arrangement, the franchisee is required to purchase a substantial majority of its product requirements from the Group's relevant regional or country purchasing function. The franchise arrangements provide the

Group with access to markets in areas where the population catchment is lower than in areas where the Group would normally operate or that are more difficult for the Group to access. Management believes the franchise operations are an important part of the Group's overall operations as they increase the volume of purchases and related purchasing power of their respective divisions as well as increasing the reach of the Group's brands in each market.

7 Divisions

7.1 UK & Ireland

For the 2011/2012 Financial Year, the UK & Ireland division reported revenue of £3,833.9 million and an underlying operating profit of £78.8 million (total operating profit was £65.7 million). For the 2010/2011 Financial Year, the UK & Ireland division reported revenue of £3,925.3 million and an underlying operating profit of £68.7 million (total operating profit was £47.8 million). The Group estimates that it has a leading market share of 19 per cent. of the market in which it operates and that in the 2011/2012 Financial Year the division traded ahead of its markets.

The UK & Ireland division comprises the specialist electrical and computing retail brands Currys, CurrysDigital, Dixons Travel, Dixons.co.uk and the predominantly computing product focused brands PC World and PC World Business. It also includes product support services provided to customers through Knowhow™. Currys, CurrysDigital, PC World and Knowhow™ operate throughout the UK and Currys, PC World and Knowhow™ operate in Ireland. As at 28 April 2012, the UK & Ireland division operated out of 98 high street locations, 350 superstores, 38 megastores, 75 combined 2 in 1 Currys & PC World superstores and 26 travel stores.

The high street locations have an average size of approximately 3,000 sq. ft. and operate under the CurrysDigital brand, with a small number of combined 2 in 1 Currys & PC World stores. CurrysDigital stores focus on portable technology and sell brown goods, computing products and mobile phones, as well as services.

The superstores typically range in size from 10,000 to 35,000 sq. ft. and operate under the Currys and PC World brands, with a growing number of combined 2 in 1 Currys & PC World stores. The Currys stores offer customers a full range of white goods, brown goods, computing products and mobile phones, as well as support services. The PC World stores offer computing products, mobile phones and certain brown goods such as televisions and audio products, as well as support services.

The megastores typically range in size from 35,000 to 55,000 sq. ft. and operate under the Currys brand as well as combined 2 in 1 Currys & PC World brand. The division has 269 stores in the new format. The Group estimates that by Christmas 2012, approximately 75 per cent. of its sales will be through new format stores and that it will take approximately 3 to 4 years to complete the store transformation plan in the UK and Ireland.

Over time, the Group plans that the high street stores, superstores and megastores will be transitioned into the Group's 2 in 1 store format.

Dixons Travel offers brown goods and computing products at a number of airports.

In addition to sales in stores, Currys and PC World sell products over the internet and by telephone either for home delivery or for customers to reserve and collect in-store. In the second half of the 2011/2012 Financial Year multi-channel sales grew by 48 per cent. and by 28 per cent. in the full year.

Knowhow™ provides product support and repair services through in-store clinics, in customers' homes, over the internet and over the phone in the UK and Ireland.

The Group offers customer support agreements for many of its products, under the Whatever Happens and Knowhow™ brands.

The provision of services in the UK & Ireland division continue to be transformed, with the aim of shortening response times to customers, improving quality of service and reducing costs. The Group has also increased the range of service products to better match the needs of customers as well as the merchandising and sale of these products in stores. The division has benefitted from the Renewal and Transformation plan. This is increasingly being recognised by customer exit surveys carried out by a third party in the division's stores which have recorded "very likely to recommend" advocacy ratings rising from 43 per cent. in October 2010 to 75 per cent. in April 2012.

The UK & Ireland division has a principal distribution centre in Newark which co-ordinates the delivery of products to stores and to the division's customer service centres throughout the UK and Ireland, which are responsible for co-ordinating home deliveries to customers.

7.2 Northern Europe division

For the 2011/2012 Financial Year, the Northern Europe division reported underlying revenue of £2,628.0 million and an underlying operating profit of £113.9 million (total operating profit was £152.7 million). For the 2010/2011 Financial Year, the Northern Europe division reported underlying revenue of £2,375.6 million and an underlying operating profit of £102.1 million (total operating profit was £81.4 million).

The Northern Europe division operates through 315 stores and over the internet and telephone (either for home delivery or for customers to reserve and collect in-store). It has the following primary brands: Elkjøp and Lefdal in Norway, El Giganten in Sweden, Gigantti in Finland, El Giganten in Denmark and Electroworld in the Czech Republic and in Slovakia. The Fona business in Denmark is operated through a company which is 60 per cent. owned by a local partner and 40 per cent. owned by the Group. The Group believes that it has leading market positions in Norway, Sweden, Finland, Denmark and the Czech Republic. With a cost to sales ratio of below 20 per cent., the Northern Europe operating model is the preferred basis of the operating model for the rest of the Group.

The Northern Europe division operates a centralised distribution, logistics and management structure. This reduces operating costs and enables better management of the complexities of operating across the Northern Europe region. There are two central distribution centres for the Northern Europe division located in Jönköping, Sweden and Brno, Czech Republic.

The Northern Europe division uses one central wholesale unit, which purchases large volumes of products from suppliers based on detailed forecast demand from the stores in all countries across the region. The national and franchise retail operations then buy products from the range sourced by the Northern Europe division's central wholesale unit. This model differs from the central purchasing model used by the rest of the Group where the ranges and volumes which are supplied to the various stores is determined centrally. Management believes that the different purchasing model used by the Northern Europe division is an important contributor to the profitability of this division because it allows the national operations to have a certain level of independence in this complex region whilst maintaining the purchasing leverage of using a centralised function. It also enables the Northern Europe division to use the same purchasing system for both the national and franchise operations.

7.3 Southern Europe division

For the 2011/2012 Financial Year, the Southern Europe division reported underlying revenue of £1,059.8 million and an underlying operating loss of £(30.4) million (total operating loss was £(201.6) million). For the 2010/2011 Financial Year, the Southern Europe division reported underlying revenue of £1,120.0 million and an underlying operating loss of £(18.1) million (total operating loss was £(150.3) million).

The Southern Europe division operates in Italy, Greece and Turkey. In Italy, the Group operates under the Unieuro and combined 2 in 1 Unieuro and PC City brands, principally from large out-of-town leased stores, while the franchised operations predominantly operate from smaller stores. Dixons Travel also operates several stores in Rome and Milan airports, offering brown goods and computing products. In Greece, the Group operates under the Kotsovolos brand, which is one of the leading specialist electrical and computing retailers in Greece. In Turkey, the Group operates under the Electro World brand. The business in Turkey is operated through a company which is 40 per cent. owned by a local partner and 60 per cent. owned by the Group.

Across the Southern Europe division, the Group offers customers a full range of white goods, brown goods, computing products and mobile phones, as well as support services.

The Southern Europe division has, in each country in which it operates, a centralised purchasing, logistics and management structure, as well as a distribution centre which supplies the stores, all internet businesses and also co-ordinates certain home deliveries for that country.

7.4 PIXmania

For the 2011/2012 Financial Year, the PIXmania division reported revenue of £665.0 million and an underlying operating loss of £(19.8) million (total operating loss was £(58.2) million). For the 2010/2011 Financial Year, the PIXmania division reported revenue of £733.5 million and an underlying operating profit of £3.5 million (the PIXmania division reported a total operating loss of £(118.2) million). Its performance during the 2011/2012 Financial Year was impacted by supply issues relating to digital cameras and hard discs resulting from factories of suppliers being impacted by national disasters that occurred in Japan and Thailand.

The PIXmania division is an online internet business and consists primarily of the PIXmania brand.

PIXmania has internet retail sites across Europe, with sales predominantly in France, Sweden, Italy, Spain, Germany and the UK. Based in France, the business operates an innovative web engine platform developed in-house, known as e-merchant. This platform provides customers with easy navigation, helpful product information and displays relevant related products for the core product. PIXmania also hosts websites for third parties including contracts with Carrefour and Celio. PIXmania also operates PIXplace, an online facility for third party suppliers and merchants to list their products on PIXmania's websites.

PIXmania has a centralised purchasing function with distribution predominantly through its distribution centre located in Paris, as well as a Group central warehouse in Newark in the UK, which distributes products to its customers.

8 Key Strengths

Management believes that the key strengths of the business are as follows.

8.1 Leading market positions and established brands

The Group is the largest specialist electrical multi-channel retailer and services company by market share in the UK, Ireland, the Nordic region and Greece and benefits from long-established and widely recognised brands.

The Group also operates as a leading online European electrical and computing specialist e-tailer, through the PIXmania brand.

In addition, the Group operates Knowhow™, which management believes is the largest and most comprehensive nationwide support services provider for consumer electrical and computing products in the UK.

8.2 Sustainable business model

In May 2008, the Group launched a Renewal and Transformation plan designed to improve the profitability of the Group. Under this plan significant changes were made to the business by making it more attractive to customers, better for employees and cheaper to operate. This has enabled the Group to focus on delivering a sustainable business model in an environment where customer shopping habits are constantly evolving. See "*Business Model and Strategy*" below.

8.3 Strong management team with significant experience in the retail industry

Dixons Retail benefits from a strong management team both at the Group level and in the key operating businesses and divisions. The Group has a management team with the electrical, retail and international experience to deliver a turnaround of the Group. The Group believes that the executive team's experience, particularly in terms of customer focused retail businesses, gives it a competitive edge.

8.4 Strong established relationships with suppliers

The Group, with its service-led business model, constitutes a key route to customers for the Group's suppliers and an important platform for major manufacturers to have explained and showcase their products to customers. The Group maintains and benefits from strong, long-established relationships with a wide range of suppliers at a global and a regional level, allowing the Group to benefit from the tiered organisational structure of certain suppliers while leveraging the Group's service-led approach and purchasing power, which arises from the Group's ability to buy large volumes of products. As a result, the Group is able to secure beneficial supply terms with its suppliers.

8.5 Efficient distribution model

The Group's distribution model, with central distribution centres in each of the regions in which it operates, enables it to reduce costs of operation through efficiencies of scale, reduce suppliers' delivery costs through the requirement for less frequent deliveries, reduce the quantity of stock in stores and warehouses, increase space efficiency in stores, increase flexibility on where stock can be delivered and facilitate home deliveries. In an industry in which easy access to products and efficient delivery are essential, the Group believes that this distribution network is a key competitive advantage.

8.6 Service-led business model

In addition to providing suppliers the ability to showcase their products and have them explained to customers, the Group's service-led business model helps customers choose the product that best suits their needs as well as providing them with a complete solution. The Group helps customers choose additional products (such as accessories) and services (such as set up or delivery and installation) to help ensure they get the most out of their products. This not only enables the Group to improve its average product margin but also ensures customer loyalty to the retail brands. The Group believes this is an important differentiator to competitors. See "*Business Model and Strategy*" below.

8.7 Long-term industry fundamentals remain attractive

Management believes that technological innovation, such as new digital products and products that combine or overlap in new ways (e.g. combined wireless handheld devices and mobile phones), together with further developments in wireless technology and the eco-systems in which the products operate will continue to increase the use of digital media in homes, and the increased proliferation of electrical and computing products. Customers consume increasing amounts of digital content, through home and remote storage, digital services, gaming, social media and programmes. This constant development of content drives continuous need for improved hardware, which provides increased functionality and ease of use by consumers, requiring further hardware developments in a continuous cycle of content and hardware development. These ongoing developments, coupled with increasing complexity as well as the growing prevalence of computing and brown goods in customers daily lives drives an increasing need for services such as remote storage, repair and fix, installation and set up, as well as the need for new services as products and usage develops. In addition management believes that improving the efficiency of products and the replacement cycle for white goods will remain relatively stable and will continue to drive demand for these products.

8.8 Store portfolio

The Group operates predominantly from leasehold stores, this reduces the amount of capital required while retaining flexibility to manage its portfolio and ensure its location is best suited to its customers. The Group believes it operates from a number of high quality locations. The Group's new format stores provide a better and easier shopping environment for customers and the Group's continuing innovation in the format, including playtables, navigation, signage, customer journeys (which include providing customers with extensive information about the product and the product area to enable them to make an informed choice) and the provision of services, as well as areas dedicated to suppliers, differentiates the Group from the majority of its competitors.

9 Business Model and Strategy

In an environment where technology is becoming an increasingly large part of customers' lives and they have access to significant information via the internet, Dixons Retail believes that a business model focused on providing good service for customers through a multi-channel offering will deliver a sustainable business as well as an economic return for shareholders.

9.1 Key priorities

The Group has made significant improvements under the Renewal and Transformation plan that it has been executing over the last four years. It intends to build on this by focussing on three strategic priorities that it believes will deliver improved returns over time:

- Provide a successful and sustainable business model in a multi-channel world;

- Be a leader in each of the markets in which the Group operates; and
- Align the Group to leverage consistently pan-European scale and knowhow.

These three strategic priorities are considered in further detail below:

(i) Provide a successful and sustainable business model in a multi-channel world

The Group believes that the internet has fundamentally changed the way in which customers research and buy products and empowers them by providing easy access to product knowledge and price transparency. Customer feedback and insight strongly indicates that customers want advice, to see products first-hand and ensure they are choosing the right product to suit their needs, particularly as these are often relatively expensive products that customers may own for several years.

Single channel internet operators have structurally lower costs to sell products and have historically been able to offer highly competitive prices versus store based operators. The Group has made significant progress in bridging this gap in recent years and plans to focus on four distinct activities which it believes are the key strengths of multi-channel service based retailers such as Dixons Retail:

- Work closely with suppliers to harness benefits available to the Group's business model: Suppliers are keen to ensure that customers not only choose their brands, but also experience the benefits of the latest products developed to meet customers' needs. The Group works with its major suppliers so customers are able to have these benefits explained to them in its stores and have products demonstrated to them. The Group's suppliers support this work in a variety of ways including training of colleagues, assisting with in store displays and demonstrations and in some circumstances, through the supply of exclusive products.
- Focus on complete solutions for customers: Customers buy products in order to achieve something, such as watching movies or to entertain children. When customers buy products they are increasingly interested not only in buying the hardware, but also additional services that are offered, such as delivery, product support and after sales services as well as accessories and recycling. The Group believes that the conversations its colleagues have in store with customers provides the opportunity to explain the benefits of these solutions to customers. The Knowhow™ brand in the UK offers customers one cohesive services brand and there are increasing opportunities emerging for added value services as customers become more reliant on the content, cloud services and technical support needed to get the most out of the products they buy.
- Drive the service proposition: the Group aims to be recognised as delivering outstanding and reliable service. Customers should visit the Group's stores because they know they will receive a good level of service and knowledgeable advice to help them purchase the right product and solution. Customers should be confident that Dixons Retail will solve their problems quickly and efficiently. The Board believes that customers will be prepared to pay a small premium for this service-led approach.
- Reduce costs: the Group has removed £285 million of costs over the last five financial years and is targeting a further £90 million to be removed over the current and next financial year. The Group aims to continue to reduce costs by simplifying the Group's business and making it easier to operate as well as more competitive in comparison to lower cost operators.

(ii) Be a leader in each of the markets in which the Group operates

The Group benefits from strong market positions in the UK & Ireland, Northern Europe and Greece. Each of these markets has experienced consolidation amongst competitors to varying degrees and the Group sees opportunities to improve their positions further.

In the Southern European and PIXmania divisions management is exploring ways to set these businesses on paths that will either make them strategically strong, or consider other solutions that will put them on firmer footings.

While the economic environment in Greece is currently very tough, Kostovolos has a leading market share in the Greek electricals market and continues to manage costs aggressively. The Italian electrical market is very fragmented and Unieuro is one of three main operators in that market. The Group plans to take aggressive action to drive out cost and to improve the stock and cash position.

(iii) Align the Group to leverage consistently pan-European scale and knowhow

The Group operates many best practices in each of its business divisions. Some work has taken place to align these and share them across the Group, such as the new store formats, supplier relationships and to a limited degree, own brands. However there remain many opportunities to share understanding, knowledge, expertise and best practice across the Group.

The Group believes that delivering on these priorities should improve EBIT margin going forward as well as continue to generate cash. The UK & Ireland and Northern Europe divisions have together delivered a 2.7 per cent. EBIT return after associated central costs in the 2011/12 Financial Year, and management believe that a 3-4 per cent. EBIT return for these businesses is achievable. In other businesses the Group plans to focus on reducing the losses to support an improvement in the Group's EBIT return. Cash is also an important part of delivering returns and the Group has been cash generative in each of the last two financial years 2010/11 and 2011/12. The Group intends to consider carefully how cash is either utilised or preserved across the business units, for example in determining ranges in store or managing returns and related processes.

In order to deliver on these three priorities the Group operates a business model based on the following:

9.2 Customer insight

Discussions at customer panels, interviews and detailed surveys provide invaluable customer insight. This helps the Group understand what products and services customers are looking for and enables the Group to build ranges, improve store formats and services as well as make strategic business decisions. This insight is supported by mystery shopping carried out in the Group's stores and those of competitors, exit surveys and customer feedback.

9.3 Multi-channel

The Group aims to provide customers with a seamless experience where convenience, ease of navigation and simplicity are key in attracting customers to shop with its brands whether online, in-store or a combination of both. Stores have been improved, making them easier to shop using improved navigation, better signage, playables to allow customers to interact with products before they buy, as well as advice on features and benefits from store colleagues. The Group's websites are an integral part of the way in which customers buy products and a number of improvements have recently been made to them. The introduction of pay&collect in the UK, where customers will be able to buy products not immediately available in their local store for collection later will sit alongside collect@store providing customers with greater choice as to how they shop.

Training programmes in both services and products provide employees with the right tools to understand customers' needs and to provide them with the complete solution to properly meet those needs. The Group believes this service-led, multi-channel approach provides Dixons Retail with a key differentiator when compared to its online and mass market competitors.

9.4 Products

The Group's customer insight, service-led approach and market strength across Europe provides it with access to the right range of products to suit customers' needs. It also enables suppliers to showcase the latest technology and products in the Group's stores which have dedicated areas for key suppliers' products.

With a clearly defined 'good-better-best' brand range of the Group's Currys and PC World Essentials, Logik, iWantit, Advent, Goji, and Sandstrøm brands, own brand products enable the Group to offer customers greater choice and access to a range of products at competitive prices.

9.5 After sales services and support

The Group provides services to varying degrees across its business divisions. The Group's business in the UK & Ireland sets the benchmark for its services infrastructure. The UK & Ireland division operates the largest network of two-man deliveries in the UK with an average of 50,000 deliveries per week providing customers with the convenience of next day delivery in a three hour time slot or the value of a free delivery later. A market leading range of help and support services are also offered to customers providing expertise and support that keeps their technology working. The KnowhowTM teams in stores, call centres

and technicians operating in customers' homes can provide set up and upgrade services as well as online fix and back up services. A state of the art repair facility in Newark, United Kingdom was created in 2010 and repaired approximately 600,000 laptops and televisions in the 2011/2012 Financial Year. The UK & Ireland division is able to provide customers with a choice of support agreements such as 'Premier' services which provide customers with loaned product replacements (such as television sets, for example) if their products are taken away for repair.

Management believes that ownership of the service infrastructure can ensure the quality of service delivered to customers. The Group believes that this provides a significant competitive advantage in meeting the needs of customers, as well as a revenue stream not readily available to single-channel online and mass market competitors.

Elements of this business model exist, and will be developed further, in each of the other operating divisions of the Group. However, the UK is expected to remain the most developed and integrated services platform within the Group as this model is adapted for local markets.

9.6 Low cost operating model

The Group continues to transition to a low cost operating model. This reduces its relative operating cost compared to competitors with structurally lower costs such as single-channel internet operators and enables the Group to provide customers with good value products.

The low cost operating model drives continuous improvement in process and cost efficiencies which can be re-invested back into providing better value products and services for customers and drive increased customer and brand loyalty.

10 Key Performance Indicators

The successful delivery of the Group's strategic objectives is monitored by the Board through key performance indicators ("KPI") and the periodic review of Group operations. The table below describes the definitions the Board has adopted in relation to its financial and operational KPIs:

<u>Financial and Operational</u>	<u>Definition</u>
Total sales	Growth in total sales. The ability to grow sales is an important measure of the Group's appeal to customers and its competitive position.
Like-for-like sales	<p>The ability to grow sales in stores in the Group is an important measure of a brand's appeal to customers and its competitive position. The Board measures like-for-like sales as sales in stores that have been open for a full financial year both at the beginning and end of the financial period and are calculated using constant exchange rates.</p> <p>Customer support agreement sales are excluded from all UK like-for-like calculations. Operations that are subject to closure have sales excluded as of the announcement date. Stores subject to closure due to refurbishment are excluded during the period of closure.</p> <p>All PIXmania pick-up store sales are included in like for like sales. Sales targets and growth are set relative to the market and expected economic conditions.</p>
Market position	In line with the Group's strategy to be the leading specialist electrical retailer in Europe, this is an important measure of how well customers are being engaged by the Group's brands in each market. Retail operations should be, or be capable of becoming, the number one or number two specialist electrical retailer in their market, measured by market share.
Underlying operating profit	Continued growth of underlying operating profit enables the Group to invest in its future and provide a return for shareholders. Targets are set relative to expected market performance.
Underlying profit before tax	Continued growth of underlying profit before tax represents a measure of Group performance to external investors and shareholders. Targets are set relative to expected market performance.
Free Cash Flow	The Group defines Free Cash Flow as net cash generated from operations, less net finance costs (being finance costs net of finance income), less taxation and net capital expenditure and excluding certain discrete items such as special pension contributions. The management of cash usage, in particular, working capital employed in the business, optimises resources available for the Group to invest in its future growth and to generate shareholder value.
Underlying diluted earnings per share (EPS)	The level of growth in EPS provides a suitable measure of the financial health of the Group and its ability to deliver returns to shareholders each year. The Group targets growth in EPS commensurate with growth in earnings.
Total Shareholder Return	This metric provides a relative performance measure over the longer term of the Group's ability to deliver returns for shareholders. From 2010/2011, the base which the Group used was to measure against the FTSE 250 Index (comprising FTSE 101-350 companies), excluding investment trusts, over a three year period.

11 Information Technology

The Group's information technology systems are managed at a regional or business unit level and cover all key business processes in the value chain, including logistics, stock management and point-of-sale functions. Certain of these systems are considered business critical and plans are in place to mitigate failures of these systems. In addition, each of the Group's business units monitors its IT systems on an ongoing basis to ensure that they provide appropriate support for the Group's business model and strategy.

12 Intellectual Property

The Group considers its most important intellectual property to be its brands and domain names. The Group's policy is to register its important brands as trademarks in those markets that the Directors believe are, or are likely in the future to be, material to the Group's business. The Group also registers domain names connected to its websites.

The Group considers the following to be its particularly important brands:

- the Group brand name Dixons;
- the electrical and computing brand names Currys, Dixons Travel, Elkjøp, UniEuro, Kotsovolos, El Giganten, Giganti and Electro World;
- the computing brand names PC World, PC City and PC World Business;
- the e-commerce brand name PIXmania;
- the product support service brand name KnowhowTM; and
- the OEM brand names Sandstrøm, Logik, Advent, Goji and iWantit.

In connection with its OEM products, the Group also licenses a number of brands from third parties including Hitachi (for audio products and SDA) and Kenwood.

13 Regulatory and Environmental Matters

The Group is subject to a range of legal and regulatory requirements in the countries where it operates, particularly in the areas of consumer protection (including product safety), competition, health and safety, taxation, environment, labour and employment practices (including pensions), transportation, bribery and corruption. A number of the key regulations which affect the Group's business are set out below.

The products which the Group sells are subject to various consumer protection laws in the markets in which it operates, which has an effect on the pricing of products, product descriptions, promotional activity and product safety among other things. The Group offers customer support agreements, including extended warranties, which are subject to compliance with legislation and regulation and have recently been the subject of regulatory investigation. The Group is also subject to legislation and regulation regarding the energy efficiency of products, products with age restrictions on sale, data privacy, product packaging, collection and recycling of end of life electrical products (in particular the Waste Electrical and Electronic Equipment Directive and the Waste Batteries and Accumulators Regulations), money laundering, TV licensing, hazardous waste and trade waste. This legislative environment is supplemented with codes of practice and additional guidance provided by various enforcing regulators, as well as the activities of self-regulatory bodies (such as the UK Advertising Standards Authority and Clearcast in relation to advertising).

14 Employees and Employee Relations

For the 2011/2012 Financial Year, the average number of employees from continuing operations, including part-time employees, was 36,585.

As far as the Group is aware, there is a low level of unionisation across the Group, other than in Italy, where approximately 20 per cent. of employees are members of unions or other related bodies. Management believes that relations with employees across the Group are generally positive.

15 Recent Developments

Tender Offer for the 2012 Notes and 2015 Notes

The Issuer issued the 2015 Notes on 30 July 2010. On 10 September 2012, the Issuer announced that it was inviting holders of the 2015 Notes to tender their 2015 Notes for repurchase by it for cash at a fixed repurchase price of £1,050 per £1,000 principal amount of the 2015 Notes and any accrued but unpaid interest. The tender offer for the 2015 Notes is conditional upon and subject to the issue of the Notes offered in this Prospectus and the Issuer has proposed to accept offers of up to £50,000,000 in aggregate principal amount of the 2015 Notes for repurchase (although the Issuer had reserved the right to accept more or less than such amount for repurchase). As described in “*Use of Proceeds*” in this Prospectus, the principal purpose of the net proceeds from the issue of Notes is, in part, to finance the tender offer of the 2015 Notes.

The Issuer issued the 2012 Notes on 15 November 2002. On 15 July 2010, the Issuer invited holders of the 2012 Notes to tender their 2012 Notes for repurchase by it for cash at a fixed repurchase price of £1,015 per £1,000 principal amount of the 2012 Notes and any accrued but unpaid interest (the “2012 Note Tender Offer”). £140 million of the 2012 Notes were repurchased by the Issuer under the 2012 Note Tender Offer leaving £160 million of the 2012 Notes outstanding. On 10 September 2012, the Issuer announced that it was inviting holders of the 2012 Notes to tender their 2012 Notes for repurchase by it for cash at a fixed repurchase price of £1,004 per £1,000 principal amount of the 2012 Notes and any accrued but unpaid interest. The Issuer has proposed to accept offers of up to £80,000,000 in aggregate principal amount of the 2012 Notes for repurchase (although the Issuer had reserved the right to accept more or less than such amount for repurchase). As illustrated under “*Capitalisation and Indebtedness*” in this Prospectus, the Tender Offer for the 2012 Notes is financed by business cash flow. The Tender Offer for the 2012 Notes is not conditional on the issue of the Notes.

The tender offer for each of the 2012 Notes and the 2015 Notes (together, the “Tender Offer”) is made on the terms and subject to the conditions contained in a tender offer memorandum dated 10 September 2012.

The Joint Lead Managers (with the exception of DNB Markets, a part of DNB Bank ASA) are acting as joint dealer managers of the Tender Offer. The results of the Tender Offer are expected to be announced on 18 September 2012 and settlement of the Tender Offer is expected to take place on 20 September 2012.

Revolving Credit Facility

The Issuer and DSG Retail Limited (as borrower and guarantor) and the Guarantors (as guarantors) entered into an amended and restated facility agreement on 24 May 2012 providing an unsecured £300 million multi-currency revolving credit facility maturing on 30 June 2015. Under its terms, if the Issuer raises any debt or equity, the size of the facility will be reduced by the amount of debt or equity raised after 24 May 2012 up to a maximum reduction of £75 million. The size of the facility will therefore reduce to £225 million upon receipt of the proceeds of the issue of the Notes and any drawings under the facility must be repaid up to £75 million. The size of the facility will further reduce to £200 million by 15 August 2013. As at 7 September 2012, none of this facility was drawn down with £300 million unused.

Purchase of shares in PIXmania

On 10 August 2012 the Issuer announced that it had acquired 22 per cent. of the shares in PIXmania that were indirectly held by the founders of the business, Steve and Jean-Emile Rosenblum, enabling the Group to take full day to day control of the business and, in line with the Group’s strategy, to take the necessary actions to improve the performance of this business.

Quarterly Trading Statement

On 6 September 2012 Dixons Retail issued its first quarter trading statement for the 12 weeks ended 21 July 2012. This showed an encouraging start to the financial year with total sales for this period up 2 per cent. and like for like sales up 5 per cent. It also reported strong performances in the UK and Ireland with like for like sales up 7 per cent. and Northern Europe with like for like sales up 13 per cent. In Southern Europe like for likes were down 10 per cent. as these markets continue to be impacted by weak economic environments, however the Issuer confirmed it was taking appropriate actions in these businesses. While the Issuer continued to see strong multi-channel growth the trading environment for its single channel business, PIXmania, was challenging. Group gross margins were down 0.3 per cent. in the first quarter.

DESCRIPTION OF THE GUARANTORS

Each of the Guarantors is (directly or indirectly) a wholly owned or controlled subsidiary of the Issuer. See “*Overview—Corporate Structure*” for a diagram setting out the Guarantors in the corporate structure of the Group.

1 DSG International Holdings Limited

DSG International Holdings Limited (“DSGIHL”) was incorporated and registered as a private limited company in England under the registered number 3887870 on 2 December 1999, and operates under the Companies Act 2006.

DSGIHL is a wholly owned direct subsidiary of the Issuer and is the holding company of the operating companies of the Group.

Board of Directors

The directors of DSGIHL and their functions and principal activities outside the Group are as follows:

Name	Title	Principal activities outside the Group
Edward Leigh	Director	None
Dominic Page	Director	None
Humphrey Singer	Director	None
Julian Smith	Director	None

The business address of each of the above directors is Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TG, United Kingdom. None of the directors has any potential conflict of interests between duties to DSGIHL and their private interests or other duties.

2 DSG Retail Limited

DSG Retail Limited (“DSGR”) was incorporated and registered as a private limited company in England under the registered number 504877 on 28 February 1952, and operates under the Companies Act 2006.

All of the ordinary shares of DSGR are held by DSGIHL. DSGR is a specialist electrical and computing retailer which sells consumer electronics, personal computers, domestic appliances, photographic equipment and communication products. It is a multi channel retailer, selling products in stores, over the internet and by phone and provides product support and related services to its customers. It also undertakes B2B sales and services. See “*Description of the Group—UK and Ireland*” above.

Board of Directors

The directors of DSGR and their functions and principal activities outside the Group are as follows:

Name	Title	Principal activities outside the Group
Steve Ager	Director	Non-executive director of Palmer and Harvey Mclane Limited
Katie Bickerstaffe	Director	Non-executive director of SSE plc
Jeremy Fennell	Director	None
Helen Grantham	Director and Company Secretary	None
Sebastian James	Director	Chairman of INK Publishing (Holdings) Limited
Humphrey Singer	Director	None
Marie Wall	Director	None

The business address of each of the above directors is Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TG. None of the directors has any potential conflict of interests between duties to DSGR and their private interests or other duties.

3 DSG Card Handling Services Limited

DSG Card Handling Services Limited (“DCHSL”) was incorporated and registered as a private limited company in England under the registered number 4185110 on 22 March 2001, and operates under the Companies Act 2006.

All of the ordinary shares of DCHSL are held by DSGR. DCHSL’s principal activity is non-equity investment in other Group companies.

Board of Directors

The directors of DCHSL and their functions and principal activities outside the Group are as follows:

<u>Name</u>	<u>Title</u>	<u>Principal activities outside the Group</u>
Edward Leigh	Director	None
Dominic Page	Director	None
Humphrey Singer	Director	None

The business address of each of the above directors is Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TG, United Kingdom. None of the directors has any potential conflict of interests between duties to DCHSL and their private interests or other duties.

4 Coverplan Insurance Services Limited

Coverplan Insurance Services Limited (“CISL”) was incorporated and registered as a private limited company in England under the registered number 797142 on 19 March 1964 and operates under the Companies Act 2006.

CISL is a wholly owned subsidiary of DSGR. The principal activity of CISL until April 2012 was the sale of customer support agreements in the mobile phone market. For the 2009/2010 Financial Year, the company was also engaged in arranging the provision of credit and credit related products and services for companies within the Group. On 30 April 2010, CISL ceased the activities relating to credit related products and services. From April 2012 the company has not engaged in any activities.

Board of Directors

The directors of CISL and their functions and principal activities outside the Group are as follows:

<u>Name</u>	<u>Title</u>	<u>Principal activities outside the Group</u>
Edward Leigh	Director	None
Dominic Page	Director	None
Humphrey Singer	Director	None
Julian Smith	Director	None

The business address of each of the above directors is Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TG, United Kingdom. None of the directors has any potential conflict of interests between duties to CISL and their private interests or other duties.

5 DSG International Treasury Management Limited

DSG International Treasury Management Limited (“DITML”) was incorporated and registered as a private limited company in England under the registered number 2792167 on 19 February 1993 and operates under the Companies Act 2006.

DITML is a wholly owned subsidiary of DSGIHL and its principal activity is treasury management and funding to other companies in the Group.

Board of Directors

The directors of DITML and their functions and principal activities outside the Group are as follows:

<u>Name</u>	<u>Title</u>	<u>Principal activities outside the Group</u>
Helen Grantham	Director	None
Edward Leigh	Director	None
Dominic Page	Director	None
Humphrey Singer	Director	None

The business address of each of the above directors is Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TG, United Kingdom. None of the directors has any potential conflict of interests between duties to DITML and their private interests or other duties.

6 DSG Overseas Investments Limited

DSG Overseas Investments Limited (“DOIL”) was incorporated and registered as a private limited company in England under the registered number 2734677 on 27 July 1992 and operates under the Companies Act 2006.

DOIL’S immediate parent and controlling entity is DSGIHL. DOIL’s principal activity is that of an investment holding company and it is the holding company of several of the Group’s overseas subsidiaries.

Board of Directors

The directors of DOIL and their functions and principal activities outside the Group are as follows:

<u>Name</u>	<u>Title</u>	<u>Principal activities outside the Group</u>
Helen Grantham	Director	None
Edward Leigh	Director	None
Dominic Page	Director	None
Humphrey Singer	Director	None
Julian Smith	Director	None

The business address of each of the above directors is Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TG, United Kingdom. None of the directors has any potential conflict of interests between duties to DOIL and their private interests or other duties.

7 DSG European Investments Limited

DSG European Investments Limited (“DEIL”) was incorporated and registered as a private limited company in England under the registered number 3891149 on 9 December 1999 and operates under the Companies Act 2006.

DEIL is a wholly owned subsidiary of DOIL. Its principal activity is that of an investment holding company and it is the holding company of a group of those overseas subsidiaries of the Group not held by DOIL, or in the case of DRIL (as defined below), DSG Ireland Limited.

Board of Directors

The directors of DEIL and their functions and principal activities outside the Group are as follows:

<u>Name</u>	<u>Title</u>	<u>Principal activities outside the Group</u>
Helen Grantham	Director	None
Edward Leigh	Director	None
Dominic Page	Director	None
Humphrey Singer	Director	None
Julian Smith	Director	None

The business address of each of the above directors is Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TG, United Kingdom. None of the directors has any potential conflict of interests between duties to DEIL and their private interests or other duties.

8 DSG Ireland Limited

DSG Ireland Limited (“DIL”) was incorporated and registered as a private limited company in England under the registered number 240621 on 27 June 1929 and operates under the Companies Act 2006.

DIL is a wholly owned subsidiary of DSGIHL, which is in turn a wholly owned subsidiary of the Issuer. DIL’s principal activity is that of an investment holding company and is the holding company of DSG Retail Ireland Limited.

Board of Directors

The directors of DIL and their functions and principal activities outside the Group are as follows:

<u>Name</u>	<u>Title</u>	<u>Principal activities outside the Group</u>
Edward Leigh	Director	None
Dominic Page	Director	None
Humphrey Singer	Director	None
Julian Smith	Director	None

The business address of each of the above directors is Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TG, United Kingdom. None of the directors has any potential conflict of interests between duties to DIL and their private interests or other duties.

9 DSG Retail Ireland Limited

DSG Retail Ireland Limited (“DRIL”) was incorporated and registered as a private limited company in Ireland under the registered number 259460 on 13 January 1997 and operates under the Companies Acts 1963-2012 (as amended) of Ireland.

DRIL is a wholly owned subsidiary of DIL, which is in turn a wholly owned subsidiary of DSGIHL. DRIL’s principal activity is the retail sale of high technology consumer electronics, personal computers, domestic appliances, photographic equipment, communications products and related after sales services through stores trading as Currys and PC World. See “*Description of the Group—UK and Ireland*” above.

Board of Directors

The directors of DRIL and their functions and principal activities outside the Group are as follows:

<u>Name</u>	<u>Title</u>	<u>Principal activities outside the Group</u>
Declan Ronayne	Director	None
Julian Smith	Director	None

The business address of Declan Ronayne is 9A Carrickmines Retail Park, Carrickmines, Dublin 18, Republic of Ireland and Julian Smith is Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TG, United Kingdom. None of the directors has any potential conflict of interests between duties to DRIL and their private interests or other duties.

10 DSG Boxmoor Limited

DSG Boxmoor Limited (“DSGBL”) was incorporated and registered as a private limited company in England under the registered number 5430014 on 20 April 2005 and operates under the Companies Act 2006.

DSGBL is a wholly owned subsidiary of DOIL, which is in turn a wholly owned subsidiary of DSGIHL. DSGBL’s principal activity is investment. The Company did not trade during the 2009/2010, 2010/2011 and 2011/2012 Financial Years and it is not anticipated that it will do so in the near future.

Board of Directors

The directors of DSGBL and their functions and principal activities outside the Group are as follows:

<u>Name</u>	<u>Title</u>	<u>Principal activities outside the Group</u>
Edward Leigh	Director	None
Dominic Page	Director	None
Humphrey Singer	Director	None

The business address of each of the above directors is Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TG, United Kingdom. None of the directors has any potential conflict of interests between duties to DSGBL and their private interests or other duties.

11 DISL UK Limited

DISL UK Limited (“DISL”) was incorporated and registered as a private limited company in England under the registered number 4977812 on 26 November 2003 and operates under the Companies Act 2006.

DISL is a wholly owned subsidiary of DSGIHL, which in turn is wholly owned subsidiary of the issuer. DISL did not trade during the 2009/2010, 2010/2011 and 2011/2012 Financial Years and was dormant within the meaning of sections 1169 and 480 of the Companies Act 2006 throughout the period.

Board of Directors

The directors of DISL and their functions and principal activities outside the Group are as follows:

<u>Name</u>	<u>Title</u>	<u>Principal activities outside the Group</u>
Edward Leigh	Director	None
Dominic Page	Director	None
Humphrey Singer	Director	None

The business address of each of the above directors is Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TG, United Kingdom. None of the directors has any potential conflict of interests between duties to DISL and their private interests or other duties.

12 Mastercare Service and Distribution Limited

Mastercare Service and Distribution Limited (“MSDL”) was incorporated and registered as a private limited company in England under the registered number 1314676 on 23 May 1977 and operates under the Companies Act 2006.

MSDL is a wholly owned subsidiary of DSGIHL, which in turn is a wholly owned subsidiary of the issuer. MSDL did not trade during the 2009/2010, 2010/2011 and 2011/2012 Financial Years and was dormant within the meaning of sections 1169 and 480 of the Companies Act 2006 throughout this time.

Board of Directors

The directors of MSDL and their functions and principal activities outside the Group are as follows:

<u>Name</u>	<u>Title</u>	<u>Principal activities outside the Group</u>
Dominic Page	Director	None
Humphrey Singer	Director	None

The business address of each of the above directors is Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TG, United Kingdom. None of the directors has any potential conflict of interests between duties to DISL and their private interests or other duties.

MANAGEMENT

Board of Directors of the Issuer

The Directors of the Issuer and their functions and principal activities outside the Group are as follows:

<u>Name</u>	<u>Title</u>	<u>Principal activities outside the Group</u>
John Allan	Chairman	Chairman of WorldPay Limited Chairman of Care UK Health & Social Care Holdings Limited Non-executive Member of Home Office supervisory board
Sebastian James	Group Chief Executive	Chairman of INK Publishing (Holdings) Limited
Katie Bickerstaffe	Chief Executive UK & Ireland	Non-executive Director of SSE plc
Humphrey Singer	Group Finance Director	None
Prof. Dr Utho Creusen	Non-executive Director	Non-executive Director of M.Video
Tim How	Senior Independent Director	Chairman of BlueGem Zeta Ltd Chairman of Rayner and Keeler Limited Chairman of Woburn Enterprises Limited Non-executive Director of Henderson Group plc Chairman of Downing Income VCT 4 plc Non-executive director of Peabody Capital plc
Dharmash Mistry	Non-executive Director	Partner at Balderton Capital Management (UK) LLP Non-executive Director of Hargreaves Lansdown plc
Jock Lennox	Non-executive Director	Non-executive Director of A&J Mucklow Group plc Non-executive Director of Enquest plc Non-executive Director of Hill and Smith Holdings plc Non-executive Director of Oxford Instruments plc

The business address of the Directors is Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TG, United Kingdom. There are no potential conflicts of interest between any duties to the Issuer of any member of the Board of Directors of the Issuer and their private interests or other duties.

John Allan CBE, Chairman

John Allan (64) joined the Board on 23 June 2009 and was appointed Chairman on 2 September 2009. He is chairman of the Nominations Committee and a member of the Remuneration Committee. He is also chairman of WorldPay Limited and Care UK Health & Social Care Holdings Limited and senior advisor to Deutsche Bank UK and Alix Partners. He is a non-executive member of the Home Office Supervisory Board, chairman of the DHL UK Foundation and a Regent of the University of Edinburgh. He was previously chief executive of Exel plc and, following its acquisition by Deutsche Post, a member of its

management board and subsequently chief financial officer of Deutsche Post. Prior to this, he was a director of BET Plc. His early career was with Lever Brothers, Bristol-Myers Company Ltd and Fine Fare Ltd. He has extensive board experience having been chairman of Samsonite Corporation and a non-executive director of PHS Group plc, ISS A/S, National Grid plc, Wolseley plc, Hamleys plc, 3i plc and Connell plc. He has also served on the supervisory boards of both Lufthansa AG and Deutsche Postbank.

Sebastian James, Group Chief Executive

Sebastian James (46) joined the Board on 20 February 2012. Sebastian joined the Group in April 2008 and held various roles before his appointment to the Board including Group Operations Director. He is chairman of INK Publishing (Holdings) Limited. Prior to joining the Group he was chief executive of Synergy Insurance Services Limited, a private equity backed insurance company. He has wide retail experience and was strategy director responsible for developing and implementing the turnaround strategy at Mothercare plc in 2003. He started his career at The Boston Consulting Group having completed an MBA at INSEAD and an MA at Oxford University.

Humphrey Singer, Group Finance Director

Humphrey Singer (46) joined the Board on 1 July 2011. Humphrey joined Dixons Retail in 2007. He has held various finance roles since then, including finance director of Currys, group financial controller and finance director of the UK & Ireland division. Prior to joining Dixons Retail Humphrey was finance director of Coca Cola Enterprises (UK) Ltd and prior to that also held a number of finance roles at Coca Cola Enterprises (UK) Ltd and Cadbury Schweppes plc.

Katie Bickerstaffe, Chief Executive of UK and Ireland

Katie Bickerstaffe (45) joined the Board on 20 February 2012. She joined the Group as Director of Marketing, People and Property in June 2008. In addition to her executive position she is also a non-executive director of Scottish and Southern Energy plc. Previously Katie was managing director of Kwik Save Ltd, and group retail director and group HR director at Somerfield plc. Her earlier career included roles at Dyson Ltd, PepsiCo Inc. and Unilever PLC.

Tim How, Senior Independent Director

Tim How (61) joined the Board on 8 September 2009. He took on the role of senior independent director on 9 May 2012 and he is chairman of the Remuneration Committee and a member of both the Audit and Nominations Committees. He is chairman of Rayner and Keeler Limited, Woburn Enterprises Limited, BlueGem Zeta Limited and Downing Income VCT 4 plc, non-executive director of Henderson Group plc and Peabody Capital plc, director of Wine and Spirit Education Trust and a governor of the Peabody Trust. He was formerly chief executive of Majestic Wine plc, where he led the management buy-out of the business and subsequent Alternative Investment Market (AIM) flotation. Prior to this, Tim How was managing director of Bejam Group plc.

Jock Lennox, Independent Non-Executive Director

Jock Lennox (55) joined the Board on 10 January 2012. He is chairman of the Audit Committee and is also a member of the Nominations and the Remuneration Committees. Jock is a Chartered Accountant and has extensive accounting and finance experience having worked for over 30 years for Ernst & Young (20 years as a partner) where he led a number of relationships with international clients and held a number of leadership positions in the UK and globally. Jock retired from Ernst & Young in 2009 and subsequently has acted as a non-executive director of a number of companies and was until recently a council member of the Institute of Chartered Accountants of Scotland. He is currently a trustee of Tall Ships Youth Trust and non-executive director and chairman of the Audit Committee of A&J Mucklow Group plc, Enquest plc, Hill and Smith Holdings plc and Oxford Instruments plc.

Prof. Dr. Utho Creusen, Independent Non-Executive Director

Utho Creusen (56) joined the Board on 1 February 2010. He is a member of the Audit, Nominations and Remuneration Committees. He is owner of Positive Leadership (a management consultancy) and co-owner of Grid-International, non-executive director of M.Video (the leading Russian electronic retailer), chairman of the Jury of the European Retail Institute, Vice-President of Modern Market-Methods Association in Germany, advisor to Boston Consulting Group, and honorary professor at both Westfälische

Wilhelms-Universität Münster and the Catholic University, Eichstätt-Ingolstadt. He has extensive international retail experience and was previously human resources director of Media-Saturn Holding GmbH (an electronics retail chain) and co-owner of Alpha tecc (the German consumer electronics chain). He spent 22 years with OBI AG, a leading European DIY retailer, where he rose to become a member of its executive board and chairman of OBI Franchise GmbH.

Dharmash Mistry, Independent Non-Executive Director

Dharmash Mistry (41) joined the Board on 27 September 2010. He is a member of the Audit, Nominations and Remuneration Committees. He is a partner at Balderton Capital Management (UK) LLP and non-executive director of Hargreaves Lansdown plc. He was formerly a Board Director of Lovefilm. Prior to joining Balderton Capital, he was part of the executive team at Emap plc, as group managing director of Emap Consumer Media and Emap Performance. Prior to this, he was at Boston Consulting Group and started his career as a brand manager at Procter & Gamble.

Board Committees

The Board has established the Nominations, Remuneration and Audit Committees that operate within defined terms of reference, which terms are made available on the Issuer's website (www.dixonsretail.com), and their minutes are circulated to the Board.

Nominations Committee

The Nominations Committee's responsibilities include making recommendations to the Board on all new Board appointments and succession planning, in particular the Chairman and Chief Executive. The Nominations Committee's responsibilities also include to review the structure, size and composition of the Board and its principal committees and to recommend changes deemed necessary. It identifies, evaluates and nominates to the Board candidates for appointment to the Board and makes recommendations to the Board for the continuation or otherwise of a Director in office upon the expiry of any specified term of appointment.

No member of the Nominations Committee participates in discussions or decisions concerning their own appointment.

The members of the Nomination Committee are John Allan (Chairman), Prof. Dr Utho Creusen, Tim How, Dharmash Mistry and Jock Lennox.

Remuneration Committee

The Remuneration Committee is responsible for assisting the Board in discharging its responsibilities for determining policy in relation to, and approval of, remuneration packages for the Executive Directors and other senior executives. This includes the terms and conditions of employment of each of the Executive Directors of the Issuer and for other senior executives of the Group; and policy in relation to the operation of the Group's share based employee incentive schemes. The Remuneration Committee also determines the Chairman's remuneration without the Chairman participating. No Director is involved in discussion regarding his or her remuneration.

The members of the Remuneration Committee are Tim How (Chairman), John Allan, Prof. Dr Utho Creusen, Jock Lennox and Dharmash Mistry.

Audit Committee

The Audit Committee's responsibilities include the appointment of the external auditors, the review of the annual and interim financial statements of the Group, the appointments of the post of head of internal audit and the approval of the terms of reference of the internal audit function, among other things.

The members of the Audit Committee are Jock Lennox (Chairman), Prof. Dr Utho Creusen, Tim How and Dharmash Mistry.

Corporate Governance

Throughout the 2011/2012 Financial Year and subsequent thereto through to the date of this Prospectus, the Issuer has complied with all of the provisions of the Financial Reporting Council's UK Corporate Governance Code.

MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

As at 7 September 2012 (being the last practicable date prior to the publication of this Prospectus), the Issuer had been notified of or was otherwise aware of the following shareholders who had a direct or indirect interest in ordinary shares of the Issuer which was notifiable under the Disclosure and Transparency Rules:

<u>Name</u>	<u>Percentage of Voting Rights (%)</u>
Schroders Plc	14.07
UBS Global Asset Management	11.10
Tameside MBC Greater Manchester Pension Fund	7.12*
Standard Life Investments Ltd	6.78
Invesco Limited	5.00
Letko, Brosseau & Associates Inc	4.98
Capital Research & Management Company	4.85
Skagen AS	4.12
Norges Bank	4.00
Legal & General Group Plc	3.19
Capital Group International, Inc	3.00

* *This holding is managed by, and is also included in, the figure shown above for UBS Global Asset Management.*

Related Party Transactions

Other than as disclosed in note 31 to the audited consolidated financial statements of the Group for the 2011/2012 Financial Year which is incorporated by reference in this Prospectus, there are no related party transactions between the Issuer or members of the Group that were entered into during the 2010/11 Financial Year, the 2011/12 Financial Year, and during the period between 29 April 2012 and 7 September 2012 (the latest practicable date prior to the publication of this Prospectus).

DESCRIPTION OF OTHER INDEBTEDNESS

Description of the 2012 Notes

On 15 November 2002, the Issuer issued the 2012 Notes in a principal amount of £300 million with a coupon of 6.125 per cent. maturing on 15 November 2012. Interest on the 2012 Notes is payable annually in arrear on 15 November each year. The 2012 Notes are unsecured, unconditionally and irrevocably guaranteed by DSG Retail Limited, a Guarantor of the Notes. The 2012 Notes are listed on the Market.

Of the £300 million of 2012 Notes, £250 million was swapped into floating rate borrowings bearing interest based on LIBOR. Of this, £200 million was swapped into floating rate Euro borrowings on which interest based on EURIBOR to provide a hedge against certain Euro-denominated investments was applied. On 15 July 2010, the Issuer invited holders of the 2012 Notes to tender their 2012 Notes for repurchase by it for cash at a fixed repurchase price of £1,015 per £1,000 principal amount of the 2012 Notes and any accrued but unpaid interest (the “2012 Note Tender Offer”). £140 million of the 2012 Notes were repurchased by the Issuer under the 2012 Note Tender Offer leaving £160 million of the 2012 Notes outstanding.

Description of the 2015 Notes

On 30 July 2010, the Issuer issued the 2015 Notes in a principal amount of £150 million with a coupon of 8.75 per cent. maturing on 3 August 2015. Interest on the 2015 Notes is payable semi-annually in arrears on 1 February and 1 August in each year. The 2015 Notes are unsecured and are unconditionally and irrevocably guaranteed on a joint and several basis by DSG International Holdings Limited, DSG Retail Limited, DSG Card Handling Services Limited, Coverplan Insurance Services Limited, DSG International Treasury Management Limited, DSG Overseas Investments Limited, DSG European Investments Limited, DSG Ireland Limited and DSG Retail Ireland Limited, DSG Boxmoor Limited, DISL UK Limited and Mastercare Service and Distribution Limited. Following this issue £125 million of the floating rate interest rate swaps were designated as hedging the 2015 Guaranteed Bonds.

2012 Notes and 2015 Notes Tender Offer

On 10 September 2012, the Issuer announced that it was inviting holders of the 2012 Notes and the 2015 Notes to tender their 2012 Notes and/or 2015 Notes for repurchase by the Issuer for cash at a fixed repurchase price of (i) £1,004 per £1,000 principal amount of the 2012 Notes and (ii) £1,050 per £1,000 principal amount of the 2015 Notes plus any accrued but unpaid interest.

Revolving Credit Facility

The Issuer and DSG Retail Limited (as borrower and guarantor) and the Guarantors (as guarantors) entered into an amended and restated facility agreement on 24 May 2012 providing an unsecured £300 million multi-currency revolving credit facility maturing on 30 June 2015. Under its terms, the size of the facility will be reduced by the amount of any debt or equity raised by the Issuer after 24 May 2012 up to a maximum reduction of £75 million. The size of the facility will therefore reduce to £225 million upon receipt of the proceeds of the issue of the Notes and any drawings under the facility must be repaid up to £75 million. The size of the facility will further reduce to £200 million by 15 August 2013. As at 7 September 2012 (being the last practicable date prior to the publication of this Prospectus), none of this facility was drawn down with £300 million unused.

Bank Facilities

The Group has a number of bank facilities which are denominated predominantly in pounds sterling and Euros, as translated at the closing rates of exchange of such currencies on 28 April 2012. On that date, the extent to which these facilities were utilised were £6.4 million in the PIXmania business and £9.4 million in the Turkey business.

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form (if issued):

The £150,000,000 8.75 per cent. Guaranteed Notes due 2017 (the “**Notes**”, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series with the Notes) of Dixons Retail plc (the “**Issuer**”) are constituted by a Trust Deed dated 19 September 2012 (the “**Trust Deed**”) made between the Issuer, DSG Retail Limited, DSG International Holdings Limited, DSG Card Handling Services Limited, Coverplan Insurance Services Limited, DSG International Treasury Management Limited, DSG Overseas Investments Limited, DSG European Investments Limited, DSG Ireland Limited, DSG Retail Ireland Limited, DSG Boxmoor Limited, DISL UK Limited and Mastercare Service and Distribution Limited (each, an “**Original Guarantor**” and together, the “**Original Guarantors**”) as guarantors and BNP Paribas Trust Corporation UK Limited (the “**Trustee**”) as trustee for the holders of the Notes (the “**Noteholders**”) and the holders of the interest coupons appertaining to the Notes (the “**Couponholders**” and the “**Coupons**”, respectively). The issue of the Notes was authorised by resolutions of the Board of Directors of the Issuer passed on 19 June 2012 and of a duly authorised Committee of the Board of Directors of the Issuer passed on 6 September 2012 and the giving of the guarantee in respect of the Notes was authorised by resolutions of the Board of Directors of each Original Guarantor passed on 6 September 2012 and written resolutions of the shareholders of each Original Guarantor passed on 6 September 2012. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 19 September 2012 (the “**Agency Agreement**”) made between the Issuer, the Original Guarantors, BNP Paribas Securities Services, Luxembourg Branch as principal paying agent (the “**Principal Paying Agent**”), together with any additional paying agents appointed from time to time pursuant to the terms of the Agency Agreement (the “**Paying Agents**”, which expression shall include the Principal Paying Agent) and the Trustee are available for inspection during normal business hours by the Noteholders and the Couponholders at the registered office of the Trustee, being at the time of issue of the Notes at 55 Moorgate, London EC2R 6PA, and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

Terms used in these Conditions but not defined in the Condition in which they first appear shall have the meanings attributed to them in Condition 17 (*Definitions*) and capitalised terms used but not defined in these Conditions shall have the meanings attributed to them in the Trust Deed (in each case, unless the context otherwise requires or unless otherwise stated).

1 Form, Denomination and Title

- (a) The Notes are in bearer form, serially numbered, in the denominations of £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000, each with Coupons attached on issue.
- (b) Title to the Notes and to the Coupons will pass by delivery.
- (c) The Issuer, the Guarantors, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Note and the bearer of any Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

2 Guarantee and Status

(a) *Guarantee*

Each Original Guarantor has in the Trust Deed, jointly and severally, unconditionally and irrevocably guaranteed the due payment by the Issuer of the principal, premium (if any) and interest in respect of the Notes and all other moneys payable by the Issuer under the Notes, the Coupons and the Trust Deed (each such guarantee of a Guarantor being referred to collectively in these Conditions as the “**Guarantee**”).

The Trust Deed provides for the release of a Guarantor in the circumstances set out in Condition 2(c) (*Release of a Guarantor*) and the accession of Additional Guarantors in the circumstances set out in Condition 2(d) (*Additional Guarantors*).

(b) Status

The Notes and the Coupons constitute direct, unconditional, unsubordinated and (subject to Condition 3.1 (*Negative Pledge*)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons and of the Guarantors under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3.1 (*Negative Pledge*), rank equally, without any preference among themselves, with all their respective other outstanding unsecured and unsubordinated obligations, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

(c) Release of a Guarantor

Upon receipt by the Trustee of a certificate signed by two directors or one director and the company secretary of the Issuer containing each of the certifications set out in Condition 2(c)(i) to (iv) below, the Guarantor to which such certificate relates shall cease to be a Guarantor in respect of the Notes and such Guarantor shall automatically and irrevocably be released and relieved of all its future obligations under the Guarantee and all of its future obligations as a Guarantor under the Trust Deed but without prejudice to any obligations which may have accrued prior to such release. The certifications required to be given in connection with such release are that:

- (i) no Event of Default or Potential Event of Default is continuing or will result from the release of that Guarantor;
- (ii) no sum advanced pursuant to any Relevant Debt or Principal Debt in respect of which that Guarantor is or was providing a guarantee is at that time due and payable but unpaid;
- (iii) such Guarantor (a) is not (or will cease to be at the date and time specified in such notice) a Principal Subsidiary, (b) is no longer (or will cease to be at the date and time specified in such notice) a Subsidiary of the Issuer or (c) became an Additional Guarantor after the Issue Date in accordance with paragraph (d) of this Condition 2; and
- (iv) such Guarantor is not (or will cease to be substantially concurrently with, but in no event later than 10 London business days following, such release) providing a guarantee in respect of any Relevant Debt or Principal Debt.

When determining whether or not a Guarantor is a Principal Subsidiary of the Issuer for the purposes of sub-paragraph (c)(iii) of this Condition 2 only, the threshold conditions specified in the definition of "Principal Subsidiary" in Condition 17 (*Definitions*) shall be deemed to specify 1 per cent. instead of 10 per cent.

The Trustee shall be entitled to rely conclusively without further investigation on any certificate provided to it by two directors or one director and the company secretary of the Issuer as to the matters set out therein and shall have no responsibility for verifying any statement set out therein. The Trustee shall notify the Issuer as soon as reasonably practicable upon receipt of such certificate.

In addition, a Guarantor will automatically and unconditionally be released from all obligations under the Guarantee, and its guarantee thereunder shall thereupon terminate and be discharged and be of no further force or effect, (i) upon the merger or consolidation of such Guarantor with any Person that is the surviving Person in such merger or consolidation pursuant to sub-paragraph (e) of this Condition 2, provided that the surviving Person has expressly assumed such Guarantor's obligations under the Guarantee if and when required by sub-paragraph (e) of this Condition 2; (ii) upon the solvent liquidation of such Guarantor following the transfer of all its assets to the Issuer or another Guarantor; or (iii) upon payment in full of the aggregate principal amount, premium (if any) and interest in respect of all Notes then outstanding and all other applicable obligations of such Guarantor then due and owing.

Upon any such occurrence of any release pursuant to this sub-paragraph (c) of Condition 2, the Trustee shall, at the request and cost of the Issuer, execute any documents reasonably required by the Issuer in order to evidence such release, discharge and termination in respect of such guarantee.

(d) Additional Guarantors

If, at any time after the Issue Date, any Subsidiary of the Issuer (other than a Guarantor) provides a guarantee, or at the time it becomes a Subsidiary of the Issuer, is providing a guarantee, in each case in respect of any Relevant Debt or Principal Debt, the Issuer shall procure that such Subsidiary shall, at or prior to the date of the giving of such guarantee or the date of it becoming a Subsidiary of the Issuer as applicable, become a Guarantor in accordance with the provisions of Clause 21.3 of the Trust Deed by executing a deed supplemental to the Trust Deed (in a form and with substance reasonably satisfactory to the Trustee, and accompanied by such opinion(s) as the Trustee shall require) pursuant to which such Subsidiary (an “**Additional Guarantor**”) shall guarantee the obligations of the Issuer in respect of the outstanding Notes, the Coupons and the Trust Deed on the same terms as the Guarantor, unless such Subsidiary is prohibited or restricted from providing a guarantee with respect to the Notes by law or is otherwise prevented or restricted from providing a guarantee as a result of general corporate or contractual restrictions applicable to such Subsidiary, in each case after the Issuer has used its reasonable endeavours (without requiring the Issuer to procure any change in jurisdiction of incorporation of such Subsidiary or the purchase of any minority shareholder interest in such Subsidiary) to enable such Subsidiary to provide such guarantee not subject to any restrictions or limitations.

Each Guarantor has in the Trust Deed confirmed, and each Additional Guarantor shall confirm in the relevant supplemental trust deed, that it consents to any such entity becoming a Guarantor as aforesaid without any need for any existing Guarantor to execute any further deed, consent or other instrument.

The Issuer shall be permitted to add Guarantors in accordance with the provisions of the Trust Deed even if such Guarantors are not required at such time to become Guarantors pursuant to this sub-paragraph (d) of this Condition 2.

Notwithstanding the foregoing, (A) the Issuer shall be obliged to comply with Condition 2(g) (*Limitations*) below, to the extent applicable, until such time as the relevant Subsidiary is permitted to provide a guarantee in respect of the Notes not subject to any restriction or limitation and (B) no Subsidiary of the Issuer shall be required to become or continue to be a Guarantor for so long as it is prohibited or restricted from providing a guarantee by law, provided that, if such prohibition or restriction is removed, the Issuer shall, within 30 days of the Issuer becoming aware of any such prohibition or restriction being removed, cause that Subsidiary to become a Guarantor.

(e) Consolidation, merger or transfer of assets of a Guarantor

Notwithstanding anything else to the contrary contained in this Condition 2, upon the consolidation, merger or transfer of all or substantially all the assets of a Guarantor to or with another Person, if such other Person is not the Issuer or a Guarantor, such Guarantor’s obligations under the Guarantee must be expressly assumed by such other Person, except that such assumption will not be required in the case of: (i) the sale or other disposition (including by way of consolidation or merger) of a Guarantor, including the sale or disposition of Capital Stock of a Guarantor, following which such Guarantor is no longer a Subsidiary of the Issuer; or (ii) the sale or disposition of all or substantially all the assets of a Guarantor. Upon any sale or other disposition pursuant to sub-clause (i) or (ii) of this paragraph (e) of Condition 2, the relevant Guarantor will be automatically released from its obligations under the Guarantee.

(f) Notification

Notice of any release of a Guarantor or addition of a Guarantor pursuant to this Condition 2 (*Guarantee and Status*) will be given by the Issuer to the Noteholders in accordance with Condition 16 (*Notices*) as soon as practicable thereafter.

(g) Limitations

Subject to the provisions of Condition 2(d) (*Additional Guarantors*), if a Subsidiary of the Issuer that is required to be a Guarantor pursuant to this Condition 2 is prohibited or restricted from providing a guarantee with respect to moneys payable under the Notes, the Coupons or the Trust Deed by law or is otherwise prevented or restricted from providing a guarantee as a result of general corporate or contractual restrictions applicable to such Subsidiary, but such prohibition or restriction could be

avoided by the inclusion of limitations in the guarantee to be given by it, such Subsidiary of the Issuer shall become a Guarantor provided that its guarantee shall incorporate and shall be given subject to such limitations.

If, as a result of a change in law taking effect after the date on which a Subsidiary became a Guarantor, a Guarantor becomes prohibited or restricted by law from continuing to be a Guarantor, but such prohibition or restriction could be avoided by the inclusion of limitations in its guarantee with respect to moneys payable under the Notes, the Coupons and the Trust Deed, such guarantee shall be deemed to incorporate the applicable limitations as at the date such change in law comes into effect, and the Issuer shall procure that such guarantee is amended within 30 days of the Issuer becoming aware of any such prohibition or restriction to reflect such limitations.

In the circumstances described above, the limitations applicable to such guarantee shall be the minimum practical limitations required under relevant laws in order that the prohibition or restriction be avoided.

3 Covenants

3.1 Negative Pledge

So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer shall not, and shall procure that none of its Subsidiaries will, create, incur, assume or otherwise permit to subsist, as security for any Debt, any Security other than any Permitted Security upon, or with respect to, the whole or any part of its present or future business, undertakings, assets or revenues (including any uncalled capital) unless, in any such case, the Issuer and/or any such Subsidiary, as the case may be, shall simultaneously with, or prior to, the creation or assumption of such Security and, in any other case, promptly, take any and all action necessary to procure that all amounts payable under the Trust Deed by the Issuer and by the Guarantors under the Guarantee, are secured equally and rateably with the Debt secured by such Security to the satisfaction of the Trustee or that such other Security is provided or such other arrangement (whether or not including the giving of Security) is made as the Trustee shall, in its absolute discretion, deem not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

3.2 Limitation on Debt

Consolidated Fixed Charge Coverage Ratio: The Issuer will not, and will not permit any Subsidiary of the Issuer to Incur, directly or indirectly, any Debt (including Acquired Debt); provided, however, that the Issuer or any Guarantor may Incur Debt (including Acquired Debt) if, on the date of such Incurrence and after giving effect thereto on a pro forma basis, the Consolidated Fixed Charge Coverage Ratio would be equal to or greater than 2.5 to 1.0.

Notwithstanding the foregoing, the above covenant will not prohibit the Incurrence of the following Debt:

- (a) Debt of the Issuer or any Guarantor (including, if applicable, reimbursement obligations in respect of guarantees or letters of credit issued thereunder but excluding any unutilised or undrawn amount) under the Credit Facilities in an aggregate principal amount at any one time outstanding under this sub-clause (a) not to exceed £500,000,000 less the sum of (i) the Outstanding Bond Refinancing Debt and (ii) the outstanding Additional Non-Guarantor Subsidiary Debt at such time;
- (b) the Incurrence by the Issuer or any of its Subsidiaries of intercompany Debt between or among the Issuer or any of its Subsidiaries; provided, however, that (A) any subsequent issuance or transfer of any Capital Stock which results in any such Subsidiary ceasing to be a Subsidiary of the Issuer and any such Debt thus being held by a Person other than the Issuer or any of its Subsidiaries or any subsequent transfer of such Debt (other than to a Subsidiary of the Issuer), shall be deemed, in each case in respect of such Debt, to constitute the Incurrence of such Debt which was not permitted by this sub-paragraph (b) and (B) if the Issuer or a Guarantor is the obligor in respect of such Debt, such Debt is unsecured and ranks *pari passu* with or lower than the Notes;

- (c) Debt under the Notes (other than further notes issued pursuant to Condition 15 (*Further Issues*) and the Guarantee;
- (d) Debt outstanding on the Issue Date (other than Debt described in sub-paragraphs (a), (b) or (c) of this Condition 3.2);
- (e) Refinancing Debt in respect of Debt Incurred pursuant to the first paragraph of this Condition 3.2 or Debt described in sub-paragraphs (c), (d), (m) and (r) or this sub-paragraph (e) of this Condition 3.2, provided, however, that if such Refinancing Debt directly or indirectly refinances Debt of the Issuer or a Guarantor, such Refinancing Debt shall be Incurred only by the Issuer or a Guarantor or any one or more of them;
- (f) Hedging Obligations entered into for non-speculative purposes, including any such Hedging Obligations Incurred in connection with the issuance of the Notes;
- (g) Debt in respect of bankers' acceptances and letters of credit or similar credit transactions (including guarantees or indemnities related thereto) in the ordinary course of business;
- (h) Debt arising from the honouring by a bank or other financial institution of a cheque, draft or similar instrument, so long as such Debt is covered within five business days in the place where the account against which the cheque, draft or similar instrument is drawn or held;
- (i)
 - (i) Debt owed to banks or other financial institutions Incurred in the ordinary course of business of the Issuer and its Subsidiaries maintained with such banks or financial institutions and which arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Subsidiaries; and
 - (ii) Debt of the Issuer and/or any of its Subsidiaries under overdraft arrangements (being arrangements which are repayable on demand) and other short term lines of credit obtained in the ordinary course of business (provided that any amount borrowed is repaid within 90 days);
- (j) the guarantee or indemnity by the Issuer or any of its Subsidiaries of Debt of the Issuer or any of its Subsidiaries that was permitted to be Incurred by another provision of this covenant; provided that if the Debt being guaranteed or indemnified is subordinated in right of payment to the Notes or the Guarantee, then such guarantee or indemnity shall be subordinated to the same extent as the Debt guaranteed or indemnified;
- (k) Debt represented by Finance Leases or mortgage financings entered into by the Issuer and its Subsidiaries in the ordinary course of business which does not exceed £30,000,000 in the aggregate at any one time outstanding under this sub-clause (k);
- (l) Debt relating to deferral of taxes with the agreement of the relevant tax authorities;
- (m) Any Bond Refinancing Debt;
- (n) Debt in respect of the factoring of Receivables not to exceed £30,000,000 in the aggregate at any one time outstanding under this sub-clause (n);
- (o) Debt in respect of a sale-and-leaseback transaction or a transaction of similar commercial effect in relation to any assets in connection with any transaction not exceeding £30,000,000 in the aggregate at any one time outstanding under this sub-clause (o);
- (p) Debt Incurred by Electro World Turkey, but only if and to the extent that payments in respect of such Debt do not benefit (directly or indirectly) from any guarantee, indemnity or contractual insurance or other reimbursement arrangement provided by, or creating recourse to, any member of the Group other than Electro World Turkey, in an aggregate principal amount at any one time outstanding under this sub-clause (p) not to exceed £100,000,000;
- (q) Debt incurred in the ordinary course of business in respect of arrangements for the provision of customer financing by a Person in connection with a customer's purchase of goods or services from the Issuer or a Subsidiary of the Issuer or through a franchisee of the Issuer or a Subsidiary of the Issuer;

- (r) Debt of any other Person Incurred and outstanding on or prior to the date on which such other Person was acquired by the Issuer or an Acquiring Subsidiary (other than Debt Incurred in connection with, or in contemplation of, the transaction or series of related transactions pursuant to which such Person became a Subsidiary of the Issuer or was otherwise acquired by the Issuer or the Acquiring Subsidiary); provided, however, that on the date that such Person is acquired by the Issuer or the Acquiring Subsidiary, (A) such Person becomes a Subsidiary of the Issuer and (B) the Issuer or a Guarantor would have been able to Incur such Debt pursuant to the first paragraph of this covenant; and
- (s) additional Debt (i) of the Issuer or any of its Subsidiaries in an aggregate principal amount at any one time outstanding under this sub-clause (s)(i) not to exceed £105,000,000 and (ii) of any of the Issuer's Subsidiaries that are not Guarantors in an aggregate principal amount at any one time outstanding under this sub-clause (s)(ii) not to exceed £100,000,000 (the aggregate principal amount of all such outstanding Debt Incurred under this sub-clause (s)(ii) of this Condition 3.2 at any time being the "**Additional Non-Guarantor Subsidiary Debt**").

For the purposes of determining compliance with this covenant, in the event that an item of proposed Debt (or any portion thereof) meets the criteria of more than one of the categories described in sub-paragraphs (a) through (s) above, or is entitled to be Incurred pursuant to the first paragraph of this covenant, the Issuer will be permitted to classify such item of Debt (or any portion thereof) on the date of its Incurrence, or later reclassify all or a portion of such item of Debt, in any manner that complies with this covenant except that all Debt outstanding on the Issue Date under the Revolving Credit Facility shall be deemed initially Incurred under sub-paragraph (a) of the second paragraph of this covenant.

The accrual of interest, the accretion or amortisation of original issue discount, the payment of interest on any Debt in the form of additional Debt with the same terms, the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock and the obligation to pay a premium in respect of Debt arising in connection with the issuance of a notice of redemption or the making of a mandatory offer to purchase such Debt will not be deemed to be an Incurrence of Debt or an issuance of Disqualified Stock for the purposes of this covenant.

Notwithstanding any other provision of this covenant, the maximum amount of Debt that the Issuer or any its Subsidiaries may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

For the purposes of determining compliance with any sterling denominated restriction on the incurrence of Debt, the Sterling Equivalent of the principal amount of Debt denominated in another currency will be calculated based on the most recently published year-end or semi annual interim financial statements of the Issuer to the extent shown therein or, otherwise, based on the relevant currency exchange rate in effect on the date such Debt was incurred, in the case of term Debt, or first committed, in the case of Debt incurred under a Credit Facility; provided that, (i) if and for so long as any such Debt is subject to an agreement intended to protect against fluctuations in currency exchange rates with respect to the currency in which such Debt is denominated covering principal and interest on such Debt, the amount of such Debt, if denominated other than in sterling, will be the amount of the principal payment required to be made under such currency agreement and, otherwise, the Sterling Equivalent of such amount plus the Sterling Equivalent of any premium which is at such time due and payable but is not covered by such currency agreement, (ii) if such Debt is Incurred to refinance other Debt denominated in a currency other than sterling, and such refinancing would cause the applicable sterling denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such sterling denominated restriction shall be deemed not to have been exceeded by reason of the Incurrence of such refinancing Debt so long as the principal amount of such refinancing Debt does not exceed the principal amount of such Debt being refinanced; and (iii) with respect to any Debt not appearing in the most recently published year-end or semi annual interim financial statements of the Issuer, the Sterling Equivalent of the principal amount of any such Debt outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date.

The amount of any Debt outstanding as of any date will be:

- (1) the accreted value of the Debt, in the case of any Debt issued with original issue discount;

- (2) in respect of Debt of another Person secured by Security on the assets of the specified Person, the lesser of:
 - (A) the Fair Market Value of such asset at the date of determination; and
 - (B) the amount of the Debt of the other Person;
- (3) the greater of the liquidation preference or the maximum fixed redemption or repurchase price of the Disqualified Stock, in the case of Disqualified Stock; and
- (4) the principal amount of the Debt, in the case of any other Debt.

For the purposes of the foregoing, the “maximum fixed redemption or repurchase price” of any Disqualified Stock that does not have a fixed redemption or repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed or repurchased on any date of determination.

3.3 Merger, Consolidation and Sale of Substantially All Assets

The Issuer shall not consolidate, merge or amalgamate with or into (whether or not the Issuer is the surviving corporation), or sell, assign or convey, transfer, lease, or otherwise dispose of, in one transaction or a series of transactions, all or substantially all of its assets (determined on a consolidated basis for it and its Subsidiaries) to, another Person, unless:

- (a) the resulting, surviving or transferee Person, if other than the Issuer (the “**Successor**”), shall be a Person organised and existing under the laws of England and Wales, any member state of the European Union as of 1 January 2004, the United States of America, Switzerland or Canada and shall expressly assume, by a supplement to the Trust Deed, executed and delivered to the Trustee, in a form satisfactory to the Trustee, all the obligations of the Issuer in respect of the Notes and under the Trust Deed, and each Guarantor, unless it is the Successor, has, by way of execution of a supplement to the Trust Deed, confirmed that its guarantee of moneys payable under the Notes, the Coupons and the Trust Deed (unless otherwise released in accordance with, and only to the extent not limited by, Condition 2 (*Guarantee and Status*)) will apply to such Successor’s obligations under the Notes and the Trust Deed;
- (b) immediately after giving effect to such transaction (and treating any Debt which becomes an obligation of the Issuer or the Successor, as applicable, or any Subsidiary of the Issuer or the Successor, as the case may be, as a result of such transaction as having been Incurred by the Issuer or the Successor or such Subsidiary at the time of such transaction), no Event of Default or Potential Event of Default (as defined in the Trust Deed) shall have occurred and be continuing;
- (c) immediately after giving effect to such transaction (and treating any Debt which becomes an obligation of the Issuer or the Successor, as applicable, or any Subsidiary of the Issuer or the Successor, as the case may be, as a result of such transaction as having been Incurred by the Issuer or the Successor or such Subsidiary at the time of such transaction), the Issuer or, as the case may be, the Successor (i) could Incur at least £1 of additional Debt pursuant to the first paragraph of the covenant in Condition 3.2 (*Limitation on Debt*) or (ii) would have a Consolidated Fixed Charge Coverage Ratio not less than it was immediately prior to giving effect thereto; and
- (d) the Issuer shall have delivered to the Trustee (i) a certificate signed by two directors or one director and the company secretary of the Issuer stating that such consolidation, merger, amalgamation or sale, assignment, conveyance, transfer, lease or other disposition complies with sub-paragraphs (b) and (c) of this Condition 3.3 and (ii) an opinion(s) of independent legal advisers of recognised standing as to all relevant laws in a form(s) satisfactory to the Trustee and opining as to the matters referred to in sub-paragraph (a) of this Condition 3.3.

The Successor shall succeed to, and be substituted for and may exercise every right and power of, the Issuer under the Trust Deed. Upon such succession and substitution, the Issuer shall be relieved of all obligations and covenants under the Trust Deed and the Notes.

Nothing contained in the foregoing restrictions on merger, consolidation, amalgamation and asset transfers shall prohibit any Subsidiary of the Issuer from consolidating or amalgamating with, merging with or into, or transferring all or part of its properties and assets to the Issuer or another Subsidiary of the Issuer provided that, after giving effect to any such merger, consolidation, amalgamation or

asset transfer, no Event of Default or Potential Event of Default shall have occurred and be continuing or would result therefrom.

3.4 Limitation on Restricted Payments

- (a) The Issuer shall not, and shall not permit any Subsidiary of the Issuer to, directly or indirectly, make a Restricted Payment if at the time the Issuer or such Subsidiary makes such Restricted Payment:
- (i) an Event of Default or Potential Event of Default shall have occurred and be continuing (or would result therefrom);
 - (ii) the Issuer or any Guarantor is not entitled to Incur an additional £1.00 of Debt pursuant to the first paragraph of the covenant in Condition 3.2 (*Limitation on Debt*); or
 - (iii) the aggregate amount of such Restricted Payment and all other Restricted Payments, in each case made since the Issue Date, would exceed the sum (the “**Restricted Payments Basket**”) of (without duplication):
 - (A) 50 per cent. of the Consolidated Net Income accrued during the period (treated as one accounting period) from the beginning of the semi-annual period during which the Issue Date occurs to the end of the most recent semi-annual period for which financial statements are available prior to the date of such Restricted Payment (or, in case such Consolidated Net Income shall be a deficit, minus 100 per cent. of such deficit); plus
 - (B) 100 per cent. of the aggregate Net Cash Proceeds received by the Issuer from the issuance or sale of its Capital Stock (other than Disqualified Stock) subsequent to the Issue Date (other than an issuance or sale to a Subsidiary of the Issuer and other than an issuance or sale to an employee stock ownership plan or to a trust established by the Issuer or any of its Subsidiaries for the benefit of their employees) and 100 per cent. of any cash capital contribution received by the Issuer from its shareholders subsequent to the Issue Date; plus
 - (C) the amount by which Debt of the Issuer is reduced on the Issuer’s balance sheet upon the conversion or exchange subsequent to the Issue Date of any Debt of the Issuer convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Issuer (less the amount of any cash, or the fair value of any other property, distributed by the Issuer upon such conversion or exchange); provided, however, that the foregoing amount shall not exceed the Net Cash Proceeds received by the Issuer or any of its Subsidiaries from the sale of such Debt (excluding Net Cash Proceeds from sales to a Subsidiary of the Issuer or to an employee stock ownership plan or a trust established by the Issuer or any of its Subsidiaries for the benefit of their employees); plus
 - (D) to the extent that any Restricted Investment that was made after the Issue Date is (x) sold, disposed of or otherwise cancelled, liquidated, returned or repaid, the lesser of (1) 100 per. cent of the Fair Market Value of the total consideration received by the Issuer or any Subsidiary of the Issuer in respect of such Restricted Investment and (2) the original value of such Restricted Investment at the time the Restricted Investment was made, or (y) made in a Person that subsequently becomes a Subsidiary of the Issuer, 100 per cent. of the Fair Market Value of the Restricted Investment of the Issuer and its Subsidiaries as at the date on which such entity becomes a Subsidiary of the Issuer.
- (b) The preceding provisions will not prohibit:
- (i) any Restricted Payment made out of the Net Cash Proceeds of the substantially concurrent sale of, or made by exchange for, Capital Stock of the Issuer (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary of the Issuer or an employee stock ownership plan or to a trust established by the Issuer or any of its Subsidiaries for the benefit of their employees) or a substantially concurrent cash capital contribution received by the Issuer from its shareholders; provided, however, that (A) such Restricted Payment shall be excluded in the calculation of the amount of Restricted Payments and (B) the Net Cash Proceeds from such sale or such cash capital contribution (to the extent so used for

such Restricted Payment) shall be excluded from the calculation of the amount of Restricted Payments;

- (ii) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations of the Issuer or a Guarantor made by exchange for, or out of the proceeds of the substantially concurrent Incurrence of, Refinancing Debt of such Person which is permitted to be Incurred pursuant to Condition 3.2 (Limitation on Debt) and which is also a Subordinated Obligation; provided, however, that such purchase, repurchase, redemption, defeasance or other acquisition or retirement for value shall be excluded in the calculation of the amount of Restricted Payments;
- (iii) dividends paid within 90 days after the date of declaration thereof if at such date of declaration such dividend would have complied with this covenant; provided, however, that at the time of payment of such dividend, no Event of Default or Potential Event of Default shall have occurred and be continuing (or result therefrom); provided further, however, that such dividend shall be included in the calculation of the amount of Restricted Payments;
- (iv) so long as no Event of Default or Potential Event of Default has occurred and is continuing the purchase, redemption or other acquisition of shares of Capital Stock of the Issuer or any of its Subsidiaries from employees, former employees, directors or former directors of the Issuer or any of its Subsidiaries (or permitted transferees of such employees, former employees, directors or former directors), pursuant to the terms of the agreements (including employment agreements) or plans (or amendments thereto) approved by the Board of Directors or a committee of the Board of Directors under which such individuals purchase or sell or are granted the option to purchase or sell, shares of such Capital Stock; provided, however, that the aggregate amount of such Restricted Payments (excluding amounts representing cancellation of Debt) shall not exceed £10,000,000 in any calendar year (with amounts unused in any calendar year available to be used in any subsequent calendar year); provided further, however, that such Restricted Payments shall be excluded in the calculation of the amount of Restricted Payments;
- (v) so long as no Event of Default or Potential Event of Default has occurred and is continuing, loans and advances to employees and directors of the Issuer or any of its Subsidiaries the proceeds of which are used to purchase Capital Stock of the Issuer; provided, however, that the amount of such loans and advances will be included in the calculation of the amount of Restricted Payments, except to the extent such loans and advances are repaid from time to time;
- (vi) so long as no Event of Default or Potential Event of Default has occurred and is continuing, the purchase or other acquisition of shares of Capital Stock of the Issuer (including purchases by employee trusts and similar Persons funded by the Issuer or any of its Subsidiaries) purchased in the open market for future delivery to employees, directors and other persons under agreements or plans approved by the Board of Directors or a committee of the Board of Directors; provided, however, that the aggregate amount of such Restricted Payments shall not exceed £10,000,000 in any calendar year (with amounts unused in any calendar year available to be used in any subsequent calendar year) and such Restricted Payments shall be excluded in the calculation of the amount of Restricted Payments;
- (vii) the declaration and payments of dividends on Disqualified Stock; provided, however, that, at the time of payment of such dividend, no Event of Default or Potential Event of Default shall have occurred and be continuing (or result therefrom); provided further, however, that such dividends shall be excluded in the calculation of the amount of Restricted Payments;
- (viii) repurchases of Capital Stock deemed to occur upon exercise of stock options if such Capital Stock represents a portion of the exercise price of such options; provided, however, that such Restricted Payments shall be excluded in the calculation of the amount of Restricted Payments;
- (ix) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Issuer; provided, however, that any such cash payment shall not be for the purpose of evading the limitation of the covenant described under this Condition 3.4 (*Limitation on Restricted Payments*) (as determined in good faith by the Board of Directors); provided

further, however, that such payments shall be excluded in the calculation of the amount of Restricted Payments;

- (x) in the event of a Change of Control (as defined in Condition 5(c) (*Redemption of Notes upon a Change of Control*)), and if no Event of Default or Potential Event of Default shall have occurred and be continuing, the payment, purchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations of the Issuer or any Guarantor, in each case, at a purchase price not greater than 101 per cent. of the principal amount of such Subordinated Obligations, plus any accrued and unpaid interest thereon; provided, however, that such payments, purchases, redemptions, defeasances or other acquisitions or retirements shall be included in the calculation of the amount of Restricted Payments; and
- (xi) payments of intercompany Debt that is a Subordinated Obligation, the Incurrence of which was permitted under paragraph (b) of Condition 3.2 (*Limitation on Debt*); provided, however, that no Event of Default or Potential Event of Default has occurred and is continuing or would otherwise result therefrom; and provided further, however, that such payments shall be excluded in the calculation of the amount of Restricted Payments.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset or securities proposed to be transferred or issued by the Issuer or any of its Subsidiaries, as the case may be, pursuant to the Restricted Payment.

3.5 Limitation on Sales of Assets and Subsidiary Stock

- (a) The Issuer will not, and will not permit any Subsidiary of the Issuer to, consummate any Asset Disposition unless:
 - (1) the Issuer or such Subsidiary receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value of the shares and assets subject to such Asset Disposition;
 - (2) at least 75 per cent. of the consideration thereof received by the Issuer or such Subsidiary is in the form of (A) cash, (B) Cash Equivalents or (C) Additional Assets; and
 - (3) within 365 days from the later of the date of such Asset Disposition or the receipt of Net Available Cash from such Asset Disposition, an amount equal to 100 per cent. of such Net Available Cash may be applied by the Issuer (or a Subsidiary of the Issuer):
 - (A) to prepay, repay, redeem or purchase Pari Passu Debt of the Issuer or a Subsidiary of the Issuer or (in the case of letters of credit, bankers' acceptances or other similar instruments) cash collateralise any such Pari Passu Debt (in each case other than Pari Passu Debt owed to the Issuer or a Subsidiary of the Issuer);
 - (B) to purchase Notes pursuant to an offer to all holders of Notes (a "Notes Offer");
 - (C) to acquire Additional Assets or make any capital expenditure; provided, however, that any such reinvestment in Additional Assets or capital expenditure made pursuant to an agreement or a commitment of the Issuer or a Subsidiary of the Issuer that is executed or approved within 365 days from the later of the date of such Asset Disposition or the receipt of such Net Available Cash will satisfy this requirement, so long as such investment is consummated within 180 days of such 365 day; or
 - (D) in any combination of any of the applications permitted by the foregoing paragraphs (A) to (C).

For the purposes of this covenant, the following are deemed to be cash:

- (1) Debt of the Issuer or any Subsidiary of the Issuer (other than Debt that is by its terms expressly subordinated to the Notes or the Guarantee) which is expressly assumed by a Person other than the Issuer or any of its Subsidiaries (pursuant to a customary novation, indemnity or similar agreement) or discharged, repaid in full or cancelled in connection with such Asset Disposition, provided that in each case the Issuer and its Subsidiaries have no further liability (actual or contingent) in respect of such Debt;
- (2) any other liabilities, as shown on the Issuer's most recent consolidated balance sheet (other than contingent liabilities and obligations that by their terms are expressly subordinated to

- the Notes or the Guarantee) that are assumed by the transferee of any such assets pursuant to customary novation, indemnity or similar agreement that releases the Issuer and all of its Subsidiaries from, or indemnifies against, further liability;
- (3) Debt of any former Subsidiary of the Issuer that is no longer a Subsidiary of the Issuer as a result of such Asset Disposition, to the extent that the Issuer and each Subsidiary of the Issuer is released from any guarantee of payment (other than a guarantee that is by its terms subordinated to the Notes or the Guarantee) of the principal amount of such Debt in connection with such Asset Disposition; and
- (4) securities, notes or other obligations received by the Issuer or any Subsidiary of the Issuer from the transferee that are converted by the Issuer or such Subsidiary into cash within 180 days, to the extent of the cash received in that conversion.
- (b) Any Net Available Cash from Asset Dispositions or an equivalent amount that are not applied or invested as provided in Condition 3.5(a)(3) will constitute “Excess Proceeds”. When the aggregate amount of Excess Proceeds exceeds £25,000,000, within 30 business days thereof, the Issuer will make an offer (an “**Asset Sale Offer**”) to all holders of Notes and may make an offer to any or all holders of Pari Passu Debt to purchase, prepay or redeem with the Excess Proceeds the maximum principal amount of Notes and such other Pari Passu Debt (plus all accrued interest and the amount of fees and expenses incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The Issuer may also make an Asset Sale Offer at its own election at any time prior to the expiration of the 365 day period described in Condition 3.5(a)(3). The offer price for the Notes and any other Pari Passu Debt in any Asset Sale Offer will be equal to a purchase price of 100 per cent. of the principal amount, plus accrued and unpaid interest and additional amounts as provided or referred to in Condition 7 (*Taxation*), if any, to (but not including) the date of purchase, prepayment or redemption, subject to the rights of Noteholders to receive interest due on the relevant Interest Payment Date, and will be payable in cash in accordance with the procedures (including prorating in the event of oversubscription) set forth in the Trust Deed. If the aggregate purchase price of the Notes and the other Pari Passu Debt tendered exceeds the Excess Proceeds allotted to their purchase, prepayment or redemption, or if the aggregate amount of Notes tendered pursuant to a Notes Offer exceeds the amount of Net Available Cash so applied, the securities will be purchased on a pro rata basis but in round denominations, which in the case of the Notes will be denominations of £1,000 principal amount or multiples thereof. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer may use those Excess Proceeds for any purpose not otherwise prohibited by these Conditions. Upon completion of an Asset Sale Offer, Excess Proceeds will be deemed to be reduced or reset to zero.
- (c) If the Issuer makes a Notes Offer or an Asset Sale Offer to Noteholders pursuant to this Condition 3.5(a) (*Limitation on Sales of Assets and Subsidiary Stock*), it shall give notice to the Noteholders in accordance with Condition 16 (*Notices*) specifying the procedure for the Notes Offer or Asset Sale Offer, as the case may be. To accept the Asset Sale Offer, a Noteholder must, within the period of 30 days after publication of a notice of such offer in accordance with Condition 16 (*Notices*) (the “**Offer Period**”), deposit such Note(s) at the specified office of any Paying Agent, during normal business hours on any business day in the city of the specified office of any Paying Agent, together with a duly signed and completed notice of exercise in the then current form obtainable from a specified office of any Paying Agent (an “**Offer Acceptance Notice**”) and in which the Noteholder must specify a bank account complying with the provisions of Condition 6 (*Payments*) (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 3.5 (*Limitation on Sale of Assets and Subsidiary Stock*). Any Note should be deposited together with all Coupons relating thereto maturing after the closing of the Asset Sale Offer failing which an amount will be deducted from the redemption amount corresponding to the aggregate amount payable in respect of such missing Coupons. The Issuer shall redeem, or at its option, purchase (or procure the purchase of), the relevant Note(s) on the date seven days after the expiration of the Offer Period unless previously redeemed or purchased and cancelled. An Offer Acceptance Notice, once given, shall be irrevocable. Prior to the publication of any notice of a Notes Offer or an Asset Sale Offer pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two directors or one director and the company secretary of the Issuer stating that the Issuer is entitled to or obliged to (as the case may be) make a Notes Offer or an Asset Sale Offer (as the case may be) and setting forth a statement

of facts setting out the circumstances pursuant to which the Issuer is entitled to or obliged to (as the case may be) make a Notes Offer or an Asset Sale Offer (as the case may be). The Trustee shall be entitled to accept the certificate referred to above as sufficient evidence of the circumstances pursuant to which the Issuer is entitled to or obliged to (as the case may be) make a Notes Offer or an Asset Sale Offer (as the case may be), in which event it shall be conclusive and binding on the Noteholders and Couponholders.

- (d) The Issuer will comply, to the extent applicable, with the requirements of Section 14 (e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue of its compliance with such securities laws or regulations.

3.6 Information and Reports

As long as any Notes are outstanding, and in accordance with the Listing Rules applicable to a company whose ordinary shares are admitted to the Official List of the UK Listing Authority and to trading on the Regulated Market of the London Stock Exchange, the Issuer will furnish to the Trustee (whether or not the Issuer's shares continue to be listed):

- (a) within four months after the end of the Issuer's financial year, the Issuer's annual report and accounts (including audited year end financial statements prepared in accordance with IFRS and an explanatory statement) prepared in accordance with the Listing Rules;
- (b) within three months after the end of the first semi annual period of the Issuer's financial year (commencing with the first semi annual period of the financial year following the Issue Date), an interim report (including a condensed set of semi annual interim financial statements prepared in accordance with IFRS and an explanatory statement) prepared in accordance with the requirements of the Listing Rules for a half-yearly report; and
- (c) within 15 days following its issuance, all information that is required to be provided to the holders of the ordinary shares of the Issuer under the Listing Rules or the Companies Act.

At the same time as providing any such document to the Trustee, the Issuer will also make the relevant documents available on the website of the Issuer (being at the time of issue of the Notes at www.dixonsretail.com), subject to any distribution and offering restrictions and subject to compliance with applicable laws and regulations.

3.7 Listing

So long as any of the Notes remains outstanding, the Issuer has covenanted in the Trust Deed that it shall use all reasonable endeavours to maintain the admission of the Notes to the Official List of the UK Listing Authority and to trading on the Regulated Market of the London Stock Exchange (as defined in the Trust Deed) or, if it is unable to do so having used such endeavours, or if the maintenance of such listing is reasonably considered by the Issuer to be unduly onerous, it shall use all reasonable endeavours to obtain and maintain a quotation or listing of the Notes on such other internationally recognised stock exchange or exchanges or securities market or markets as the Issuer may (with the prior written approval of the Trustee) decide and shall also, upon obtaining a quotation or listing of the Notes on such other stock exchange or exchanges or securities market or markets, enter into a trust deed supplemental to the Trust Deed to effect such consequential amendments to the Trust Deed as the Trustee may require or as shall be requisite to comply with the requirements of any such stock exchange or securities market.

3.8 Suspension of Covenants

If, on any date following the Issue Date, the Notes are given an Investment Grade rating by at least two of the Rating Agencies and no Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred and is continuing (a "**Suspension Event**"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have an Investment Grade rating from at least two of the Rating Agencies, the provisions of Conditions 3.2 (*Limitation on Debt*), subparagraph (c) of Condition 3.3 (*Merger, Consolidation and Sale of Substantially All Assets*), Condition 3.4 (*Limitation on Restricted Payments*) and Condition 3.5 (*Limitation on Sales of Assets and Subsidiary Stock*) will cease to apply.

However, such provisions will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such provisions will not, however, be of any effect with regard to actions of the Issuer or the Guarantors properly taken in compliance with the provisions of the Trust Deed during the continuance of the Suspension Event.

The Issuer has covenanted under the Trust Deed to notify the Trustee promptly upon becoming aware of the occurrence of a Suspension Event and when such Suspension Event is no longer continuing. The Trustee shall have no duty to monitor or enquire as to the occurrence of a Suspension Event or whether, once any such event has occurred, it is continuing. Pursuant to the Trust Deed the Trustee is entitled, absent express notice or actual notice to the contrary, to assume that the Issuer and the Guarantors are complying with their obligations, including, without limitation, the covenants set out herein. The Trustee shall not monitor compliance by the Issuer or any Guarantor of their respective obligations in relation to the covenants in this Condition 3 or otherwise.

4 Interest

- (a) The Notes bear interest from, and including, 19 September 2012 at the rate of 8.75 per cent. per annum, payable semi-annually in arrear on 15 March and 15 September in each year (each an “**Interest Payment Date**”) except that the first payment of interest, to be made on 15 March 2013, will be in respect of the period from and including 19 September 2012 to but excluding 15 March 2013 and will amount to £42.43 per principal amount of £1,000 per Note. Each Note will cease to bear interest from, and including, its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment in which event interest shall continue to accrue as provided in the Trust Deed.
- (b) Where interest is to be calculated in respect of a period which is shorter than an Interest Period, the day-count fraction used will be the number of days in the relevant period from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

5 Redemption and Purchase

- (a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date.

- (b) Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable) at their principal amount (together with interest accrued to the date fixed for redemption) if the Issuer satisfies the Trustee immediately before the giving of the notice referred to above that the Issuer (or, if the Guarantee is called, DSG Retail Limited, as the case may be) has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision thereof or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 19 September 2012, and such obligation cannot be avoided by the Issuer (or DSG Retail Limited, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or DSG Retail Limited, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two directors or one director and the company secretary of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and an opinion of independent legal advisers of recognised standing approved by the Trustee to the effect that the Issuer (or DSG Retail Limited, as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept the certificate referred to above as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding

on the Noteholders and Couponholders. All Notes in respect of which any notice of redemption is given under this Condition 5(b) (*Redemption for Taxation Reasons*) shall be redeemed on the date specified in such notice in accordance with this Condition 5(b) (*Redemption for Taxation Reasons*).

(c) Redemption of Notes upon a Change of Control

If, at any time while any of the Notes remains outstanding, there occurs:

- (i) a Change of Control (as defined below); and
- (ii) either:
 - (A) the Notes do not have an Investment Grade rating from at least two of the Rating Agencies at the time the Change of Control occurs; or
 - (B) the Notes do have an Investment Grade rating from at least two of the Rating Agencies (and if there are more than two such ratings, the Issuer shall be entitled to determine which two Rating Agencies shall be relevant for the purposes of this provision) at the time the Change of Control occurs but at any time during the Change of Control Period either (x) such Rating Agency rates the Notes as non-Investment Grade and such rating is not within the Change of Control Period restored to an Investment Grade rating by such Rating Agency or replaced by an Investment Grade rating of another Rating Agency, or (y) any such Rating Agency withdraws its rating of the Notes and the rating of such Rating Agency is not within the Change of Control Period replaced by an Investment Grade rating of another Rating Agency; and in each case such Rating Agency announces or publicly confirms or informs the Issuer or the Trustee in writing that such non-Investment Grade rating or withdrawal of rating was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control (whether or not the Change of Control shall have occurred at the time such rating is given or such rating is withdrawn) (a “**Rating Downgrade**”),

(that Change of Control alone for the purposes of (A) above and that Change of Control, together with the relevant Rating Downgrade for the purposes of (B) above, each called a “**Put Event**”), each Noteholder will have the option (unless, prior to the earlier of the giving of the Put Event Notice and the Put Notice (each as defined below), the Issuer gives notice under Condition 5(b) (*Redemption for Taxation Reasons*)) to require the Issuer to redeem or, at the option of the Issuer, purchase (or procure the purchase of) any of the Notes held by such Noteholder on the Put Date (as defined below) at a cash price equal to 101 per cent. of their principal amount together with interest accrued to, but excluding, the date of redemption or purchase (the “**Put Event Price**”).

A “**Change of Control**” shall be deemed to have occurred at each time (whether or not approved by the Board of Directors (or any other relevant body) of the Issuer, the Guarantors, or any of their respective Subsidiaries) that:

- (i) any Person or any Persons acting in concert (as defined in the City Code on Takeovers and Mergers), or any Person or any Persons acting on behalf of any such Person(s), at any time is/are or become(s) interested (within the meaning of Part 22 of the Companies Act) in (A) more than 50 per cent. of the issued ordinary share capital of the Issuer or (B) shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer; or
- (ii) there is a direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Subsidiaries taken as a whole, to any Person.

Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall and at any time upon the Trustee becoming similarly so aware the Trustee may, and if requested by the holders of at least one-quarter in principal amount of the Notes then outstanding shall, give notice (a “**Put Event Notice**”) to the Noteholders in accordance with Condition 16 (*Notices*) specifying the nature of the Put Event and the procedure for exercising the option contained in this Condition 5(c) (*Redemption and Purchase*).

The Issuer shall make available to any Noteholder on request by such Noteholder such information and documents as such Noteholder may reasonably require in order to determine whether a Change of Control or Put Event has occurred.

To exercise the option to require redemption of a Note under this Condition 5(c) (*Redemption of Notes upon a Change of Control*), the Noteholder must deliver such Note, on any business day in the place of delivery falling within the period (the “**Put Period**”) of either (i) 60 days after the occurrence of the Put Event or, if such period would expire later, (ii) 45 days after a Put Event Notice is given, at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a “**Put Notice**”) and in which the holder may specify a bank account complying with the requirements of Condition 6 (*Payments*) to which payment is to be made under this Condition 5(c) (*Redemption of Notes upon a Change of Control*). Notes should be delivered together with all Coupons appertaining thereto maturing after the date (the “**Put Date**”) which is seven days after the expiration of the Put Period failing which deduction in respect of such missing unmatured Coupons shall be made in accordance with Condition 6 (*Payments*) and any amount so deducted will be reimbursed in the manner specified in Condition 6 (*Payments*). The Paying Agent to which such Note and Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. If the Put Date is an Interest Payment Date, payment of the accrued interest in respect of any Note so delivered will be made in the manner provided in Condition 6 (*Payments*) against presentation and surrender of the relevant Coupon. If the Put Date is not an Interest Payment Date, payment of the accrued interest, and in all cases, payment of principal in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Put Notice to which payment is to be made, on the Put Date by transfer to that bank account and in every other case on or after the Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent in accordance with Condition 6 (*Payments*). A Put Notice, once given, shall be irrevocable. For all relevant purposes of these Conditions, receipts issued pursuant to this Condition 5(c) (*Redemption of Notes upon a Change of Control*) shall be treated as if they were Notes. The Issuer shall redeem or, at the option of the Issuer, purchase (or procure the purchase of) the relevant Notes on the Put Date unless previously redeemed or purchased and cancelled.

The Trustee is not bound to take any steps to ascertain whether a Put Event or any event which could lead to the occurrence of, or together with other events constitute, a Put Event has occurred and until it shall have express notice to the contrary, the Trustee shall be entitled to assume that no Put Event has occurred.

(d) Redemption at the Option of the Issuer

Notes may be redeemed at the option of the Issuer in whole or in part at a price equal to (i) 100 per cent. of the principal amount of the Notes redeemed, plus (ii) accrued and unpaid interest to the date of redemption (the “**Redemption Date**”), plus (iii) the Applicable Premium, on the Issuer giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes specified in such notice on the Redemption Date at such price, provided that any such redemption may, at the Issuer’s discretion, be subject to the satisfaction of one or more conditions precedent which conditions precedent shall be set out in such notice and to the extent such conditions precedent are not satisfied, on or prior to the Redemption Date, the Issuer shall send a further notice to Noteholders informing them that the Notes shall not be so redeemed).

If Notes are to be redeemed in part only on any date in accordance with this Condition 5(d), each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the Redemption Date bears to the aggregate principal amount of the outstanding Notes on such date. No Notes of a principal amount of £100,000 or less shall be redeemed in part.

- (e) The Issuer and any of its Subsidiaries may at any time purchase Notes in the open market or otherwise at any price (provided that they are purchased together with all unmatured Coupons relating to them). Any purchase by tender shall be made available to all Noteholders alike.
- (f) All Notes so redeemed or purchased and any unmatured Coupons attached to or surrendered with them may, but need not, be cancelled at the election of the Issuer. Any Notes or Coupons so cancelled will not be re-issued or resold.

6 Payments

- (a) Payments of principal and premium (if any) and payments of interest due on each Interest Payment Date will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Notes or the appropriate Coupons (as the case may be) at the specified office of the Paying Agent in London by sterling cheque drawn on, or by transfer to a sterling account maintained by the payee with, a bank in London. Payments of interest due in respect of any Note other than on an Interest Payment Date shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Note.
- (b) All payments are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (c) Each Note should be presented for payment together with all unmatured Coupons relating to it, failing which the full amount of any such missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of such missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of such missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 9 (*Prescription*)) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.
- (d) A Note or Coupon may only be presented for payment on a day which is a business day in the place of presentation (and, in the case of payment by transfer to a sterling account, in London). No further interest or other payment will be made as a consequence of the day on which the relevant Note or Coupon may be presented for payment under this paragraph falling after the due date.
- (e) The initial Paying Agents and their initial specified offices are listed below. The Issuer and the Guarantors reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that they will at all times maintain:
 - (i) a Principal Paying Agent; and
 - (ii) a Paying Agent with a specified office in a European Union member state (a “**Member State**”) that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

Notice of any change in the Paying Agents or their specified offices will promptly be given to the Noteholders by the Issuer in accordance with Condition 16 (*Notices*).

7 Taxation

All payments of principal, premium (if any) and interest in respect of the Notes and the Coupons or under the Guarantee (including, without limitation, any Put Event Price and any Applicable Premium) shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed, levied, collected, withheld or assessed by or within the United Kingdom or Ireland or any political sub-division thereof or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event the Issuer or, as the case may be, the Guarantors shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

- (i) presented for payment by or on behalf of a holder who is liable to such Taxes in respect of such Note or Coupon by reason of his having some connection with the United Kingdom or Ireland other than the mere holding of the Note or Coupon; or
- (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the

conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- (iii) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
- (iv) presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

“**Relevant Date**” means the date on which such payment first becomes due but, if the full amount payable has not been received in London by the Principal Paying Agent or the Trustee on or prior to such due date, it means the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders in accordance with Condition 16 (*Notices*). Any reference in these Conditions to principal, premium and/or interest (including, without limitation, the Put Event Price and the Applicable Premium) shall be deemed to include any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

If the Issuer or any of the Guarantors become subject at any time to any taxing jurisdiction other than the United Kingdom or Ireland, references in these Conditions, in respect of payments by the Issuer or such Guarantor (as the case may be), to the United Kingdom or Ireland shall be construed as references to the United Kingdom or (as the case may be) the Ireland and/or such other jurisdiction.

8 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), (but, in the case of the happening of any of the events mentioned in sub-paragraphs (iv), (v), (vi), (vii), (viii), (x) or (xi) (in the case of sub-paragraph (xi), only insofar as it relates to sub-paragraphs (iv), (v), (vi), (vii) or (viii)) below (other than the winding-up, the appointment of an administrative or other receiver of the whole of the undertaking or assets, or the appointment of an administrator, of the Issuer, a Guarantor or a Principal Subsidiary), only if the Trustee shall have certified in writing to the Issuer and the Guarantors that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest (as provided in the Trust Deed), if any of the following events (“**Events of Default**”) shall occur and be continuing:

- (i) default is made for a period of seven days or more in the payment of any principal or premium (if any) or for a period of 14 days or more in the payment of interest on the Notes or any of them, or the Issuer has become obliged to redeem, purchase or procure the purchase of any Notes pursuant to Condition 5(c) (*Redemption of Notes upon a Change of Control*) and fails to do so within a period of seven days of having become so obliged; or
- (ii) subject to Condition 3.8 (*Suspension of Covenants*), default is made in the performance or observance of Condition 3.1 (*Negative Pledge*), Condition 3.2 (*Limitation on Debt*), Condition 3.4 (*Limitation on Restricted Payments*) or Condition 3.5 (*Limitation on Sales of Assets and Subsidiary Stock*) or the Issuer or the Guarantor fails to deliver a Put Event Notice pursuant to Condition 5(c) (*Redemption of Notes upon a Change of Control*) and such default continues for thirty days after written notice has been given by the Trustee to the Issuer requiring such event to be remedied or (b) default is made in the performance or observance of Condition 3.3 (*Merger, Consolidation and Sale of Substantially All Assets*); or
- (iii) an order is made or an effective resolution passed for winding-up the Issuer, a Guarantor or any Principal Subsidiary (except (i) in connection with any consolidation, merger, amalgamation, sale, assignment, conveyance, transfer, lease or other disposal effected in compliance with Condition 3.3 (*Merger, Consolidation and Sale of Substantially All Assets*) or (ii) in the case of a Principal Subsidiary, (x) a winding-up for the purposes of a reorganisation, reconstruction or amalgamation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders or

- (y) a voluntary solvent winding-up in connection with the transfer of all or substantially all of the business, undertaking and assets of such Principal Subsidiary to the Issuer, a Guarantor or another Subsidiary of the Issuer or a Guarantor or to a third party on an arm's length basis); or
- (iv) the Issuer, a Guarantor or any Principal Subsidiary stops or suspends or threatens to stop or suspend payments (whether of principal, premium (if any) or interest) with respect to all or any class of its debts or announces an intention to do so or ceases or threatens to cease to carry on all or substantially all of its business (except (i) in connection with any consolidation, merger, amalgamation, sale, assignment, conveyance, transfer, lease or other disposal effected in compliance with Condition 3.3 (*Merger, Consolidation and Sale of Substantially All Assets*) or (ii) in the case of a Principal Subsidiary, a cessation or threatened cessation for the purpose of a reorganisation, reconstruction or amalgamation, the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders). For these purposes, (x) a transfer of all or substantially all of the business, undertaking and assets of a Principal Subsidiary to the Issuer, a Guarantor or another Subsidiary of the Issuer or a Guarantor or to a third party on an arm's length basis and (y) the cessation of a business by a Principal Subsidiary in circumstances where all or substantially all of the business previously carried on by that Principal Subsidiary is carried on by another Subsidiary of the Issuer or a Guarantor shall not constitute a cessation or threatened cessation; or
- (v) an encumbrancer takes possession of, or an administrative or other receiver or manager is appointed in respect of, the whole or substantially the whole of the undertaking, revenues or assets of the Issuer, a Guarantor or any Principal Subsidiary (except (i) in connection with any consolidation, merger, amalgamation, sale, assignment, conveyance, transfer, lease or other disposal effected in compliance with Condition 3.3 (*Merger, Consolidation and Sale of Substantially All Assets*) or (ii) in the case of a Principal Subsidiary, the appointment of such a Person in connection with a reorganisation, reconstruction or amalgamation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders) or if a distress, execution or any similar proceeding is levied or enforced upon or sued out against any of the chattels, revenues or property of the Issuer, a Guarantor or any Principal Subsidiary having an aggregate value of £10,000,000 (or its equivalent in any other currency or currencies at the time of such levy, enforcement or proceeding) and is not discharged within thirty days or is returned unsatisfied in whole or in part before that time or (except in the case of such an appointment over the whole of the undertaking, revenues or assets of the Issuer, a Guarantor or any Principal Subsidiary) is not being contested in good faith by the Issuer, a Guarantor or such Principal Subsidiary in appropriate manner; or
- (vi) the Issuer, a Guarantor or any Principal Subsidiary is deemed unable to pay its debts within the meaning of section 123(1)(b) or (e) or (2) of the Insolvency Act 1986, or the Issuer, a Guarantor or any Principal Subsidiary becomes unable to pay its debts as they fall due or the Issuer, a Guarantor or any Principal Subsidiary otherwise becomes insolvent; or
- (vii) a decree or order by a court having jurisdiction shall have been entered adjudging the Issuer, a Guarantor or any Principal Subsidiary bankrupt or insolvent, or approving a petition seeking reorganisation of the Issuer, a Guarantor or any Principal Subsidiary under any applicable bankruptcy, insolvency or reorganisation law or an administrator or similar officer is appointed or an administration order made with respect to the Issuer, a Guarantor or any Principal Subsidiary or the whole or substantially the whole of the undertaking, revenues or assets thereof or a petition for the appointment of an administrator is presented to the court (except (i) in connection with any consolidation, merger, amalgamation, sale, assignment, conveyance, transfer, lease or other disposal effected in compliance with Condition 3.3 (*Merger, Consolidation and Sale of Substantially All Assets*) or (ii) in the case of a Principal Subsidiary, the making of such a decree or order or approving such a petition or appointing such a Person in connection with a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders); or
- (viii) the Issuer, a Guarantor or any Principal Subsidiary shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, reorganisation or insolvency law or make a conveyance or assignment for the benefit of or enter into or propose any composition or similar arrangement with its creditors generally (except (i) in connection with any consolidation, merger, amalgamation, sale, assignment, conveyance, transfer, lease or other disposal effected in compliance with Condition 3.3 (*Merger, Consolidation and Sale of Substantially All Assets*) or (ii) in the case of a Principal Subsidiary, the initiation of or consent to such proceedings or such conveyance or assignment, such composition

or similar arrangement in connection with a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders); or

- (ix) any Indebtedness for Moneys Borrowed of the Issuer or any of its Subsidiaries shall be or become due and payable prior to the date on which the same would otherwise become due and payable by reason of the occurrence of an event of default on the part of the Issuer or any of its Subsidiaries in relation thereto or the Issuer or any of its Subsidiaries defaults in the repayment when due or, if later, at the end of any applicable grace period (as originally provided) of any Indebtedness for Moneys Borrowed or any guarantee of or indemnity in respect of any Indebtedness for Moneys Borrowed of any Person given by the Issuer or any of its Subsidiaries shall not be honoured when due and called upon, unless the aggregate principal amount of such Indebtedness for Moneys Borrowed either alone or when aggregated with the aggregate principal amount of other Indebtedness for Moneys Borrowed in relation to all (if any) other such events which shall have occurred and are continuing shall amount to less than £20,000,000 (or its equivalent in any other currency or currencies at the date it becomes due, called upon or, as the case may be, the maturity date thereof); or
- (x) default is made by the Issuer or a Guarantor or a Principal Subsidiary in the performance or observance of any obligation, condition or provision binding on it under the Notes or the Trust Deed (other than any obligation for the payment of any principal, premium or interest in respect of the Notes and other than a default as specified in sub-paragraph (ii) above) and, except where, in the opinion of the Trustee, such default is not capable of remedy (in which case the Notes will become due and repayable subject to, and immediately upon, the Trustee certifying as aforesaid), such default continues for thirty days after written notice by the Trustee to the Issuer and/or the relevant Principal Subsidiary and/or the relevant Guarantor requiring the same to be remedied; or
- (xi) if any event occurs which, under the laws of the relevant jurisdiction, has or may have, in the Trustee's written opinion, an analogous effect to any of the events referred to in paragraphs (iii) to (viii) above; or
- (xii) the Guarantee ceases to be or is claimed by the Issuer or any Guarantor not to be in full force and effect.

9 Prescription

Claims in respect of principal, premium and interest will become void unless presentation of Notes or, as the case may be, Coupons for payment is made as required by Condition 6 (*Payments*) within a period of 10 years in the case of principal and premium, and five years in the case of interest, from the appropriate Relevant Date.

10 Enforcement

- (a) The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or the Guarantors as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding, and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.
- (b) No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantors unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

11 Substitution

The Trustee may, without the consent of the Noteholders or Couponholders, agree with the Issuer and the Guarantors to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed, of a Guarantor or any other Subsidiary of the Issuer, any successor in business (as defined in the Trust Deed) or any Holding Company (as defined in the Trust Deed) of the Issuer, subject to (i) the Notes being unconditionally and irrevocably guaranteed by the Issuer (except where the successor in business of the Issuer is the new principal debtor) and the Guarantors (save that where a Guarantor is the new principal debtor, such Guarantor will no

longer guarantee the Notes), (ii) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution, and (iii) certain other conditions set out in the Trust Deed being complied with.

12 Replacement of Notes and Coupons

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent in London subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses Incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Guarantors may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

13 Meetings of Noteholders, Modification, Waiver and Authorisation

(a) The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be one or more Persons present holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more Persons present whatever the principal amount of the Notes held or represented by him or them, except that at any meeting, the business of which includes the modification of certain of these Conditions and certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more Persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. The matters that require such a quorum are:

- (i) changing any date fixed for payment of principal, premium (if any) or interest in respect of the Notes, reducing or cancelling the amount of principal, premium (if any) or interest payable on any date in respect of the Notes, altering the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or following the occurrence of a Put Event (except where such alteration will in the opinion of the Trustee result in an increase in the amount payable) or altering the method of calculating the date for any such payment;
- (ii) alteration of the currency in which payments under the Notes and Coupons are to be made;
- (iii) alteration of the majority required to pass an Extraordinary Resolution; and
- (iv) alteration of this list of items or the quorum requirements for any meeting convened to vote on any matter described in this list.

An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement (save to the extent such modification, waiver or authorisation relates to any of the matters described in sub-paragraphs (a)(i) to (a)(iv) of this Condition 13) which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or to any modification which is of a formal, minor or technical nature or to correct a manifest error or (ii) to determine that any Event of Default or Potential Event of Default shall not be treated as such, subject to instructions to the contrary from the Noteholders in the form of a resolution in writing (as further provided in the Trust Deed) or an Extraordinary Resolution.
- (c) In connection with the exercise by it of any of its trusts, powers or discretions (including, without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the

general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers or discretions for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or the Guarantors or any other Person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

- (d) Any modification, waiver or authorisation shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 16 (*Notices*).

14 The Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

The Trustee may rely on any certificate or report of the Auditors or any other Person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of the Trust Deed notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the Auditors or such other Person in respect thereof.

15 Further Issues

The Issuer is at liberty from time to time without the consent of the Noteholders or Couponholders (but subject to compliance with the provisions of Condition 3.2 (*Limitation on Debt*), which is subject to Condition 3.8 (*Suspension of Covenants*)) to create and issue further notes or notes in bearer form either (i) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or notes in bearer form of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (ii) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes or notes in bearer form which are to form a single series with the outstanding notes or notes in bearer form of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or notes in bearer form may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or notes in bearer form of other series in certain circumstances where the Trustee so decides.

16 Notices

Notices to Noteholders will be valid if published in a leading English daily newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if such publication shall not be practicable, in an English language daily newspaper of general circulation in Europe approved by the Trustee. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

17 Definitions

For the purposes of these Conditions:

“**2012 Notes**” means the £300,000,000 6.125 per cent. guaranteed bonds due 15 November 2012 issued by the Issuer and unconditionally and irrevocably guaranteed by DSG Retail Limited;

“**2015 Notes**” means the £150,000,000 8.75 per cent. guaranteed notes due 3 August 2015 issued by the Issuer and unconditionally and irrevocably guaranteed by DSG International Holdings Limited, DSG Retail

Limited, DSG Card Handling Services Limited, Coverplan Insurance Services Limited, DSG International Treasury Management Limited, DSG Overseas Investments Limited, DSG European Investments Limited, DSG Ireland Limited and DSG Retail Ireland Limited, DSG Boxmoor Limited, DISL UK Limited and Mastercard Service and Distribution Limited;

“**Acquired Debt**” means Debt of any Person existing at the time such Person is merged with or into, or became a Subsidiary of, the Issuer, whether or not such Debt is Incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Subsidiary of, the Issuer;

“**Acquiring Subsidiary**” means any Subsidiary of the Issuer that acquires a Person (who is not at the time of the acquisition a member of the Group) who has Debt Incurred and outstanding on or prior to the time of such acquisition;

“**Additional Assets**” means:

- (a) any property, plant, equipment or other assets (other than Capital Stock) used in a Related Business or otherwise useful in a Related Business;
- (b) any property or assets that replace and have a similar use as property or assets that are the subject of an Asset Disposition;
- (c) the Capital Stock of a Person that becomes a Subsidiary of the Issuer as a result of the acquisition of such Capital Stock by the Issuer or another Subsidiary of the Issuer; or
- (d) Capital Stock of any Person that at such time is a Subsidiary of the Issuer;

“**Additional Guarantor**” shall have the meaning attributed to it in Condition 2(d) (*Additional Guarantors*);

“**Applicable Premium**” means the excess, if any, of:

- (a) the present value on the relevant Redemption Date of:
 - (i) the principal amount of the Note to be redeemed, plus
 - (ii) all required interest payments due on such Note from the Redemption Date to and including the Maturity Date,computed using a discount rate equal to the Gilt Rate as of such Redemption Date plus 0.5 per cent., over
- (b) the principal amount of such Note on such Redemption Date;

“**Asset Disposition**” means any sale, lease (other than an IFRS Operating Lease), transfer or other disposition (or series of related sales, leases (other than an IFRS Operating Lease), transfers or dispositions) of assets by the Issuer or any Subsidiary of the Issuer, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a “disposition”), of:

- (1) any Capital Stock of a Subsidiary of the Issuer (other than directors’ qualifying shares or shares required by applicable law to be held by a Person other than the Issuer or a Subsidiary of the Issuer); or
- (2) any other assets of the Issuer or any Subsidiary of the Issuer outside of the ordinary course of business of the Issuer or such Subsidiary,

other than, in the case of clauses (1) and (2) above:

- (a) a disposition to the Issuer or a Subsidiary of the Issuer or an issuance of Equity Interests by a Subsidiary of the Issuer to the Issuer or to another Subsidiary of the Issuer;
- (b) a disposition of an asset with a Fair Market Value of less than £10,000,000;
- (c) a disposition or abandonment of obsolete, damaged, surplus or worn-out assets and assets that are no longer useful to the business of the Issuer or its Subsidiaries;
- (d) the grant of licences or sub-licences to intellectual property rights or software or similar assets;
- (e) the creation of a Security or encumbrance or the transfer or disposition of any asset deemed to occur upon the creation or perfection of any Security or encumbrance granted by the Issuer or any Subsidiary of the Issuer, the creation of which is not prohibited by Condition 3.1 (*Negative Pledge*);

- (f) a disposition of cash or Cash Equivalents;
- (g) a disposition of Receivables in connection with the compromise, settlement or collection thereof or in bankruptcy or similar proceedings;
- (h) the disposition of property or assets or the creation of any Security or encumbrance over property or assets by the Issuer or any of its Subsidiaries in connection with a financing of Receivables, sale-and-leaseback transaction, Finance Lease or similar financing transaction, including transactions referred to in sub-paragraph (o) of Condition 3.2 (*Limitation on Debt*), in each case which is not prohibited by Condition 3.2 (*Limitation on Debt*);
- (i) the foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind or exercise of termination rights under any lease, licence, concession or other agreement or pursuant to buy/sell arrangements under any joint venture or similar agreement or arrangement;
- (j) (x) a disposition that constitutes a Restricted Payment (or would constitute a Restricted Payment but for the exclusions from the definition thereof or the definition of Investments) and that is not prohibited by Condition 3.4 (*Limitation on Restricted Payments*) or any Permitted Investment and (y) a disposition of all or substantially all the assets of the Issuer in accordance with Condition 3.3 (*Merger, Consolidation and Sale of Substantially All Assets*);
- (k) any disposition of Capital Stock, Debt or other securities of a Person who is not a Subsidiary of the Issuer;
- (l) a disposition of any asset pursuant to a contractual arrangement existing at the Issue Date; provided that any cash or Cash Equivalents received must be applied in accordance with Condition 3.5 (*Limitation on Sales of Assets and Subsidiary Stock*);
- (m) a disposition of Capital Stock of a Subsidiary of the Issuer pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Subsidiary of the Issuer) from whom such Subsidiary was acquired, or from whom such Subsidiary acquired its business and assets (including any Capital Stock), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition; and
- (n) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Issuer or any Subsidiary of the Issuer to such Person) related to such assets;

“**Auditors**” means the auditors for the time being of the Issuer or, as the context may require, a Guarantor, or, in the event of any of them being unable or unwilling to carry out any action requested of them pursuant to these Conditions, means such other firm of chartered accountants in England or (as may be appropriate) Ireland as may be nominated in writing by the Trustee for the purpose;

“**Average Life**” means, as of the date of determination, with respect to any Debt, the quotient obtained by dividing (x) the sum of the products of (a) the numbers of years from the date of determination to the date of each successive scheduled principal payment of such Debt or scheduled redemption, multiplied by (b) the amount of such payment, by (y) the sum of all such payments;

“**Bond Refinancing Debt**” means Debt Incurred by the Issuer or any of its Subsidiaries where the Issuer certifies by two directors or a director and the company secretary of the Issuer to the Trustee not later than 15 days after the Incurrence of such Debt that such Debt is intended to be utilised to refinance (as defined in the definition of Refinancing Debt) any Relevant Debt outstanding on the date of that Incurrence, provided that:

- (i) the certificate delivered to the Trustee shall specify the Relevant Debt which is intended to be so refinanced (the “**Designated Debt**”);
- (ii) the Bond Refinancing Debt has a Stated Maturity no earlier than the Stated Maturity of the Designated Debt (or, if shorter, the Notes);
- (iii) the Bond Refinancing Debt is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of:
 - (a) the aggregate principal amount (or, if issued with original issue discount, the aggregate accreted value) of the Designated Debt; plus

- (b) unpaid interest, prepayment penalties, redemption or repurchase premiums, defeasance costs, fees, expenses and other amounts owing with respect thereto, plus reasonable financing fees and other reasonable out-of-pocket expenses incurred in connection therewith;

(for the avoidance of doubt, the Bond Refinancing Debt may be part of a larger Incurrence of Debt provided that there is compliance with the provisions of Condition 3.2 (*Limitation on Debt*));

provided further, however, that the Trustee shall be entitled to rely conclusively without further investigation on any certificate provided to it pursuant to sub-paragraph (i) and shall not monitor the incurrence of any Debt including, without limitation, Bond Refinancing Debt or the application thereof;

“**business day**” means a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets are open in the relevant place;

“**Capital Stock**” of any Person means any and all shares, interests, participations or other equivalents of or interests (including partnership interests) in (however designated) equity of such Person, including any Preferred Stock, and all rights to purchase, warrants, options or other equivalents with respect to any of the foregoing, but excluding any debt securities convertible into or exchangeable for such equity;

“**Cash Equivalents**” means:

- (a) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the European Union as of 1 January 2004, Norway, the United States of America, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union as of 1 January 2004 or Norway, the United States of America, Switzerland or Canada, as the case may be, and which are not callable or redeemable at the Issuer’s option;
- (b) time deposits, certificates of deposit, banker’s acceptances and money market deposits (and similar instruments) with maturities of 12 months or less from the date of acquisition, current accounts or deposit accounts, in each case, at or issued by a bank or trust company;
- (c) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in paragraphs (a) and (b) above;
- (d) money market instruments, commercial paper or other short term obligations which are, at the time of acquisition, rated at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody’s (or, if at such time neither is issuing ratings, then a comparable rating of another nationally recognised rating agency), in each case, maturing within one year after the date of acquisition;
- (e) money market funds rated at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody’s or the equivalent long-term ratings (or, if at such time neither is issuing ratings, then a comparable rating of another nationally recognised rating agency); and
- (f) investments correlative in type, maturity and rating to any of the foregoing denominated in foreign currencies or at foreign institutions;

“**Change of Control Period**” means the period:

- (a) commencing on the date that is one business day in London before the date of the relevant Change of Control; and
- (b) ending 90 days after the date of the Change of Control or such longer period for which the Notes are under consideration by a Rating Agency for rating or rating review (such consideration having been announced publicly within the period ending 90 days after the date of the Change of Control and such period not to exceed 60 days after the public announcement of such consideration);

“**Companies Act**” means the Companies Act 2006 (as amended, restated or re-enacted from time to time);

“**Consolidated EBITDA**” means, in respect of any period, the Consolidated Net Income of the Group for such period, adjusted by:

- (a) adding back all income tax expense or credit, to the extent deducted in calculating Consolidated Net Income of the Group;
- (b) adding back Consolidated Interest Expense, to the extent deducted in calculating Consolidated Net Income of the Group;
- (c) adding back depreciation of property, plant and equipment and amortisation of other intangible assets and net book value asset write downs during that period to the extent deducted, and deducting net book value asset write-ups during that period to the extent added, in calculating Consolidated Net Income of the Group;
- (d) adding back all other non-cash charges, to the extent deducted in calculating Consolidated Net Income of the Group; and
- (e) excluding charges in respect of share based compensation of employees;

“**Consolidated Fixed Charge Coverage Ratio**” as of any date of determination, means the ratio of (x) the aggregate amount of Consolidated EBITDA of the Issuer and its Subsidiaries for the most recent Measurement Period to (y) Consolidated Interest Expense of the Issuer and its Subsidiaries for such Measurement Period. In the event that the Issuer or any of its Subsidiaries Incurs, repays, repurchases, redeems, or otherwise discharges any Debt subsequent to the commencement of the period for which the calculation of the Consolidated Fixed Charge Coverage Ratio is made (the “**Calculation Date**”), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) to such Incurrence, repayment, repurchase, redemption or other discharge of Debt, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable Measurement Period.

In addition, for the purposes of calculating the Consolidated Fixed Charge Coverage Ratio:

- (a) acquisitions that have been made by the Issuer or any of its Subsidiaries, including through mergers or consolidations, including all related financing transactions and including increases in ownership of Subsidiaries of the Issuer, during the Measurement Period or subsequent to such Measurement Period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given pro forma effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of such Measurement Period;
- (b) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;
- (c) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the Issuer or any of its Subsidiaries following the Calculation Date;
- (d) any Person that is a Subsidiary of the Issuer on the Calculation Date will be deemed to have been a Subsidiary of the Issuer at all times during such Measurement Period;
- (e) any Person that is not a Subsidiary of the Issuer on the Calculation Date will be deemed not to have been a Subsidiary of the Issuer at any time during such Measurement Period;
- (f) if any Debt bears a floating rate of interest, the interest expense on such Debt will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Debt if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Debt);
- (g) if any Debt is incurred under a revolving credit facility and is being given pro forma effect, the interest on such Debt shall be calculated based on the average daily balance of such Debt for the

Measurement Period subject to the pro forma calculation to the extent that such Debt was incurred solely for working capital purposes; and

- (h) interest on a capitalised lease obligation shall be deemed to accrue at an interest rate determined in good faith by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such capitalised lease obligation in accordance with IFRS.

“**Consolidated Interest Expense**” means, in respect of any period, all Underlying finance costs of the Group for such period (including, for the avoidance of doubt, capitalised and accrued interest) determined on a consolidated basis in accordance with IFRS provided that the following items shall be excluded in computing Consolidated Interest Expense:

- (a) loss on sale of investments (to the extent included in Underlying finance costs);
- (b) finance costs relating to interest expense and income on pension scheme liabilities and assets, respectively;
- (c) foreign exchange gains, losses and revaluations arising on monetary assets and liabilities denominated in foreign currencies and derivatives entered into in connection with currency exchange rates;
- (d) net fair value remeasurement losses on financial instruments; and
- (e) debt issuance costs, commissions, fees and expenses

provided that the following item shall be included in computing Consolidated Interest Expense:

- (f) the payment of dividends on Disqualified Stock whether in the form of cash or otherwise; and

provided further that, Underlying finance costs shall include remeasurement gains and losses of financial instruments on an accruals basis.

Notwithstanding the above, following any Debt Raising, the amount included in Consolidated Interest Expense in respect of the 2012 Notes and the 2015 Notes and the loans or bonds constituting Debt Raising shall be adjusted and calculated so as to (i) include finance expense in respect of the Debt Raising in respect of each day in that relevant period on which such loans or bonds are outstanding, (ii) include finance expense in respect of the outstanding principal amount of the 2012 Notes and the 2015 Notes that is in excess of the principal amount of Debt Raising that remains outstanding and has not yet been applied at such time to repurchase the 2012 Notes and the 2015 Notes and (iii) exclude finance expense in respect of the outstanding principal amount of the 2012 Notes and the 2015 Notes not included in (ii) above;

“**Consolidated Net Income**” means in relation to any specified Person for any period, the Underlying profit after tax from continuing operations of such Person for such period on a consolidated basis, determined in accordance with IFRS; provided, however, that there shall not be included in such Consolidated Net Income:

- (a) any goodwill or other intangible asset impairment charges or write-ups;
- (b) any income/(loss) attributable to minority interests; and
- (c) any foreign exchange gains, losses and revaluations arising on monetary assets and liabilities denominated in foreign currencies and derivatives entered into in connection with currency exchange rates;

“**Credit Facilities**” means one or more debt facilities or other financing arrangements (including, without limitation, commercial paper facilities or indentures) providing for revolving credit loans, term loans or letters of credit together with any related documents thereto (including, without limitation, any guarantee agreements and security documents), in each case as such agreement may be amended (including any amendment and restatement thereof), supplemented or otherwise modified from time to time, including any agreements extending the maturity of, refinancing, replacing (whether or not contemporaneously) or otherwise restructuring (including increasing the amount of available borrowings thereunder provided that, for the avoidance of doubt, such increase in borrowings is permitted by the covenant described under Condition 3.2 (*Limitation on Debt*)) all or any portion of the debt under such agreement or any successor or replacement agreements and whether by the same or any other agent, lender or group of lenders or investors and whether such refinancing or replacement is under one or more debt facilities or commercial paper facilities, indentures or other agreements or deeds, in each case with banks or other institutional lenders or trustees or investors providing for revolving credit loans, term loans, notes or letters of credit,

which shall in any case include the Revolving Credit Facility or any successor facility to that facility upon its refinancing whether at or prior to its termination date;

“**Debt**” means, with respect to any Person (without duplication):

- (a) indebtedness for moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of notes, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a Finance Lease;
- (e) Receivables sold or discounted (other than any Receivables to the extent they are sold or discounted on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing (excluding, for the avoidance of doubt, Trade Payables and other trade credit);
- (g) any Hedging Obligation (and, when calculating the value of any Hedging Obligation, only the marked to market value shall be taken into account);
- (h) any counter indemnity obligation in respect of a guarantee, indemnity, note, standby or documentary letter of credit or any other instrument issued by a bank or financial institution (excluding in each case where the relevant guarantee or counter indemnity has been given by a Person in the ordinary course of business in relation to a rental or other obligation arising in the ordinary course of business of that Person or any other Person which is not itself Debt);
- (i) any Disqualified Stock; and
- (j) the amount (without duplication) of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above if such items (other than letters of credit, obligations attributable to a Finance Lease and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS,

if and to the extent any of the preceding items (other than letters of credit, obligations attributable to a Finance Lease, Hedging Obligations and guarantees and indemnities pursuant to clause (j) above) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS; provided that, for the avoidance of doubt, the term “Debt” does not include (a) advances or extended payment terms in the ordinary course of business, including Trade Payables or current liabilities (other than short-term debt and the current portion of long-term debt), (b) retirement and other post employment benefit obligations, (c) obligations in respect of any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business, and (d) IFRS Operating Leases;

“**Debt Raising**” means any raising of Debt, including the Notes, in any public or private loan or debt capital markets (including any equity linked instrument or other hybrid product) and including by way of private placement that is intended to provide the Issuer with additional funds to enable the Issuer to pay, or otherwise finance, amounts required to repurchase, or make payments in respect of, the 2012 Notes and the 2015 Notes;

“**Disqualified Stock**” means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder) or upon the happening of any event:

- (a) matures or is mandatorily redeemable (other than redeemable only for Capital Stock of such Person which is not itself Disqualified Stock) pursuant to a sinking fund obligation or otherwise;
- (b) is convertible or exchangeable at the option of the holder for Debt or Disqualified Stock; or
- (c) is mandatorily redeemable or must be purchased upon the occurrence of certain events or otherwise, in whole or in part;

in each case on or prior to the first anniversary of the Stated Maturity of the Notes; provided, however, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of a Change of Control occurring prior to the first anniversary of the Stated Maturity of the Notes shall not constitute Disqualified Stock if (i) the “change of control” provisions applicable to such Capital Stock are not more favourable to the holders of such Capital Stock than the terms applicable to the Notes and set forth in Condition 5(c) (*Redemption of Notes upon a Change of Control*) and (ii) any such requirement only becomes operative after compliance with such terms applicable to the Notes.

The amount of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Stock is to be determined pursuant to the Trust Deed; provided, however, that if such Disqualified Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person;

“**EBITDA**” means consolidated Underlying operating profit of the Group as presented in the consolidated income statement of the Group after adding back depreciation of property, plant and equipment and amortisation of other intangible assets, to the extent deducted in consolidated Underlying operating profit;

“**Electro World Turkey**” means Electro World İç ve Dış Ticaret A.Ş and its Subsidiaries, collectively a Subsidiary of the Issuer representing the Issuer group’s interests in Turkey;

“**Equity Interests**” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock);

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934;

“**Fair Market Value**” means, with respect to any asset or property, the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by a director or another responsible accounting or financial officer of the Issuer;

“**Finance Lease**” means any lease or hire purchase contract, which would, in accordance with IFRS as of the Issue Date, be treated as a finance or capital lease (and, for the avoidance of doubt, does not include an IFRS Operating Lease) and the amount of Debt represented by any such obligation shall be the capitalised amount of such obligation determined in accordance with IFRS, less any principal payment made to date as of the Issue Date;

“**Gilt Rate**” means, with respect to any Redemption Date, the yield to maturity as of such Redemption Date of United Kingdom Treasury Stock denominated in sterling with a fixed maturity (as compiled by the Office for National Statistics and published in the most recent Financial Statistics that have become publicly available at least two business days in London prior to such Redemption Date (or, if such Financial Statistics are no longer published, any publicly available source of similar market data)) falling on, or as close as possible to, the Maturity Date; provided, however, that if the period from such Redemption Date to the Maturity Date is less than one year, the weekly average yield on actually traded United Kingdom Treasury Stock denominated in sterling adjusted to a fixed maturity of one year shall be used;

“**Group**” means the Issuer and its Subsidiaries taken as a whole;

“**guarantee**” means, in relation to any Debt of any Person, any obligation of another Person to pay such debt including (without limitation):

- (a) any obligation to purchase such Debt; and
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services with the specific intention of providing funds for the payment of such Debt;

“**Guarantors**” means the Original Guarantors together with any Additional Guarantor (as defined above), in each case for so long as any such Guarantor has not been released from its obligation as a Guarantor in accordance with Condition 2(c) (*Release of a Guarantor*);

“**Hedging Obligation**” means any derivative transaction entered into for the hedging of actual or projected real exposures of the Group to currency rates, commodity rates or interest rates and not for speculative purposes;

“**IFRS**” means international financial reporting standards within the meaning of the IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements;

“**IFRS Operating Lease**” means any lease of property (real or otherwise) by the Issuer or any Subsidiary of the Issuer (or a guarantee of any such lease) which would be considered an operating lease under IFRS as of the Issue Date;

“**Incur**” or “incur” means issue, assume, enter into a guarantee of, incur or otherwise become liable for; provided, however, that any Debt of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time it becomes a Subsidiary. The term “Incurrence” when used as a noun shall have a correlative meaning;

“**Indebtedness for Moneys Borrowed**” means (a) borrowed moneys and (b) liabilities under any note, note, bill, debenture, loan stock or other security issued in respect of acceptance credit facilities or as consideration for assets or services but excluding Trade Payables and other liabilities Incurred in relation to the acquisition of goods or services in the ordinary course of business;

“**Interest Period**” means the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date, and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date;

“**Investment**” means, with respect to any Person, all investments by such Person in other Persons (including Subsidiaries) in the forms of loans (including guarantees), advances (excluding commission, payroll, travel, entertainment, moving, relocation and similar advances to officers, directors and employees made in the ordinary course of business) or capital contributions, purchases or other acquisitions for consideration of Debt, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS (other than, in each case, investments in the ordinary course of business in or in respect of directors, employees, customers, suppliers, manufacturers, assemblers, franchisees and landlords of any Person, including any Person that is a Subsidiary, franchisee or associate of the Issuer or any Subsidiary of the Issuer). Guarantees of the Notes shall not be deemed Investments. The amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value or circumstances;

“**Investment Grade**” means, with respect to a rating given by a Rating Agency, an investment grade credit rating (Baa3 or BBB-, as the case may be, or equivalent, or better) from such Rating Agency;

“**Issue Date**” means 19 September 2012;

“**Listing Rules**” means the Disclosure Rules and Transparency Rules and the Listing Rules of the UK Listing Authority, as amended from time to time, as they apply to a company incorporated in England and Wales, the ordinary shares of which are admitted to the Official List of the UK Listing Authority and to trading on the Regulated Market of the London Stock Exchange;

“**Maturity Date**” means 15 September 2017;

“**Measurement Period**” means the most recently ended two fiscal semi-annual periods for which consolidated financial statements or management accounts of the Issuer are available;

“**Moody’s**” means Moody’s Investors Service, Inc., and its successors;

“**Net Available Cash**” from an Asset Disposition means cash payments received therefrom (including any cash payments received by way of deferred payment of principal pursuant to a note or instalment receivable or otherwise and proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Debt or other obligations relating to such properties or assets or received in any other non-cash form), in each case net of:

- (1) all legal, title and recording tax expenses, commissions and other fees and expenses incurred, and all federal, state, provincial, foreign and local taxes required to be accrued as a liability under IFRS, as a consequence of such Asset Disposition;
- (2) all payments made on any Debt which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any security upon or other security agreement of any kind with respect to such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

- (3) all distributions and other payments required to be made to minority interests in Subsidiaries of the Issuer as a result of such Asset Disposition;
- (4) the deduction of appropriate amounts provided by the seller as a reserve or contingent liability, in accordance with IFRS, against any liabilities associated with the property or other assets disposed in such Asset Disposition and retained by the Issuer or any Subsidiary of the Issuer after such Asset Disposition;
- (5) any portion of the purchase price from an Asset Disposition placed in escrow, whether as a reserve for adjustment of the purchase price, for satisfaction of warranties, indemnities or similar obligations in respect of such Asset Disposition or otherwise in connection with that Asset Disposition; provided however, that upon the termination of that escrow, Net Available Cash will be increased by any portion of funds in the escrow that are released to the Issuer or any Subsidiary of the Issuer; and
- (6) any portion of the total consideration received from an Asset Disposition by a Subsidiary of the Issuer the disposition or other distribution of which is limited under applicable law (including financial assistance, corporate benefit restrictions on upstreaming cash and the fiduciary and statutory duties of the directors of the relevant Subsidiary of the Issuer). The Issuer and its Subsidiaries shall use all reasonable endeavours to overcome any such restrictions and if at any time such restrictions are removed, Net Available Cash will be increased by the amount previously excluded under this paragraph (6) in respect of such consideration.

“**Net Cash Proceeds**”, with respect to any issuance or sale of Capital Stock or Debt, means the cash proceeds of such issuance or sale net of legal fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof;

“**Obligations**” means, with respect to any Debt, all obligations for principal, premium, interest, penalties, fees, indemnifications, reimbursements and other amounts payable pursuant to the documentation governing such Debt;

“**Outstanding Bond Refinancing Debt**” means, at any time:

- (a) an amount equal to the sum of the aggregate principal amount of each outstanding Bond Refinancing Debt less
- (b) an amount equal to the sum of the aggregate principal amount of each Designated Debt specified in the relevant notice to the Trustee relating to the relevant outstanding Bond Refinancing Debt which has been refinanced (as defined in the definition of Refinancing Debt) since the date of that notice;

“**Pari Passu Debt**” means with respect to any Person:

- (1) Debt of such Person, whether outstanding on the Issue Date or thereafter Incurred; and
- (2) all other Obligations of such Person (including interest accruing on or after the filing of any petition in bankruptcy or for reorganisation relating to such Person whether or not post-filing interest is allowed in such proceeding) in respect of Debt described in clause (1) above

unless, in the case of clauses (1) and (2), in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is expressly provided that such Debt or other Obligations are subordinate in right of payment to the Notes or the Guarantee;

“**Permitted Investment**” means an Investment by the Issuer or any of its Subsidiaries in:

- (a) the Issuer, any Subsidiary of the Issuer or any Person if, as a result of such Investment, such Person becomes a Subsidiary of the Issuer (and any Investment held by such Person that was not acquired by such Person in contemplation of so becoming a Subsidiary) or is merged, consolidated, amalgamated or otherwise combined with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Subsidiary of the Issuer (and, in any case, any Investment held by such other Person that was not acquired by such Person in contemplation of such merger, consolidation, amalgamation, combination or transfer);
- (b) (i) cash and Cash Equivalents and (ii) securities, marketable obligations, deposits, bankers acceptances, repurchase obligations, commercial paper, Hedging Obligations and any other Investments which are permitted to be owned, held or made by any regulated insurance company that is a Subsidiary of the Issuer, or any Subsidiary of such regulated insurance company;

- (c) any Person where such Investment exists on, or is made pursuant to binding commitments existing on, the Issue Date (including, if applicable, (i) any amendment or modification of their terms or (ii) any renewal, extension, refinancing or replacement of any such Investment, provided that the amount of any such Investment may not be increased except (A) as required by the terms of such Investment as in existence on the Issue Date or (B) as otherwise permitted under the Trust Deed);
- (d) any Person to the extent made using Capital Stock of the Issuer (other than Disqualified Stock) as consideration or Capital Stock or assets of a Person who is not the Issuer or a Subsidiary of the Issuer;
- (e) any Person in compromise, resolution or settlement of debts, Receivables or other obligations created in the ordinary course of business and owing to, or of other claims asserted by, the Issuer or any Subsidiary of the Issuer or as a result of foreclosure, perfection or enforcement of any Security or encumbrance, secured Investment or other transfer of title or in satisfaction of judgments, including in connection with any administration or bankruptcy proceeding, workout, recapitalisation or other reorganisation of another Person;
- (f) any Person to the extent such Investment consists of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, surety, judgement, appeal, performance, regulatory, tax and other similar pledges or deposits made in the ordinary course of business by the Issuer or any of its Subsidiaries or pledges or deposits otherwise described in the definition of "Permitted Security", or made in connection with any Security or encumbrance of any kind not prohibited under Condition 3.1 (*Negative Pledge*);
- (g) any Person to the extent such Investment consists of a Hedging Obligation, guarantee, indemnity or factoring or sale of Receivables that is not prohibited under Condition 3.2 (*Limitation on Debt*);
- (h) any Person to the extent such Investment represents consideration received for, or retained in connection with, sales or other dispositions of property or assets, including without limitation an Asset Disposition, that is not prohibited under Condition 3.5 (*Limitation on Sales of Assets and Subsidiary Stock*);
- (i) (i) any trust established by the Issuer or a Subsidiary of the Issuer in respect of (A) obligations to customers and obligations to insurers in respect of obligations to customers, including obligations in respect of warranties, service agreements and customer insurance obligations, (B) or for the benefit of current or former employees in connection with employee incentive or compensation plans, agreements or arrangements, and (C) retirement and other post employment benefit obligations and (ii) Club Fotovista SA or a similar entity which is established to hold Capital Stock of a Subsidiary of the Issuer in connection with employee incentive or compensation plans, agreements or arrangements;
- (j) any (i) Person that is not a Subsidiary of the Issuer and is engaged in a Related Business in which the Issuer or any of its Subsidiaries hold, or as a result of such Investment will hold, a minority interest in such Person's Capital Stock and (ii) joint venture or similar entity or arrangement that conducts a Related Business; provided that, in each case, either (A) after giving pro forma effect to any such Investment, the Consolidated Fixed Charge Coverage Ratio for the Issuer and its Subsidiaries would be equal to or greater than 4.0 to 1.0, or (B) such Investments will be included in the calculation of the amount of Restricted Payments under Condition 3.4 (*Limitation on Restricted Payments*);
- (k) Persons to the extent such Investments have an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Permitted Investments made pursuant to this sub-paragraph (k) that are at the time outstanding, not exceeding £50,000,000;

provided that if an Investment is made pursuant to sub-paragraph (j) or (k) above to a Person that subsequently becomes a Subsidiary of the Issuer, such Investment shall thereafter be deemed to have been made pursuant to sub-paragraph (a) of this definition of "Permitted Investment" and not to sub-paragraph (j) or (k);

"Permitted Security" means:

- (a) any Security existing at the Issue Date;
- (b) any Security on property or shares of Capital Stock of another Person at the time such other Person becomes a member of the Group; provided, however, that such Security was not Incurred in contemplation of such Person becoming a member of the Group and the Security may not extend to

any other property owned by such Person or any of its Subsidiaries (other than assets and property affixed or appurtenant thereto);

- (c) any Security on property at the time such Person or any of its Subsidiaries acquires the property, including any acquisition by means of a merger or consolidation with or into such Person or a Subsidiary of such Person; provided, however, that such Security was not Incurred in contemplation of such acquisition and the Security may not extend to any other property owned by such Person or any of its Subsidiaries (other than assets and property affixed or appurtenant thereto);
- (d) any Security created after the Issue Date as additional security for the amount secured by any Security falling within (a), (b) or (c) above, the agreement for which contains an obligation to create such additional security;
- (e) any and all Security granted by Electro World Turkey to secure Debt of Electro World Turkey;
- (f) any Security created for the purpose of securing a counter indemnity or other obligation in respect of a guarantee, indemnity, bond, bankers' acceptance, standby or documentary letter of credit including Security over goods and documents of title to goods arising in the ordinary course of letter of credit transactions or any other instrument issued by a bank or financial institution in the ordinary course of business;
- (g) any Security securing up to £50,000,000 of Debt under overdraft arrangements and other short-term lines of credit which are repayable within 90 days and which are obtained in the ordinary course of business;
- (h) any Security to secure Debt Incurred in relation to the sale or factoring of Receivables;
- (i) Security securing Debt incurred to finance the construction, purchase or lease of, or repairs, improvements or additions to, property, plant or equipment of such Person; provided, however, that the Security may not extend to any other property owned by such Person or any of its Subsidiaries at the time the Security is incurred (other than assets and property affixed or appurtenant thereto), and the Debt (other than any interest thereon) secured by the Security may not be Incurred more than 180 days after the later of the acquisition, completion of construction, repair, improvement, addition or commencement of full operation of the property subject to the Security;
- (j) Security securing Debt owing by a member of the Group to the Issuer or a Guarantor;
- (k) Security securing Hedging Obligations so long as such Hedging Obligations are permitted to be Incurred pursuant to these Conditions;
- (l) Security for the purpose of securing a Finance Lease or mortgage financing so long as the Debt secured by such Security is permitted to be Incurred under paragraph (k) of Condition 3.2 (*Limitation on Debt*);
- (m) Security in respect of sale-and-leaseback transactions permitted to be Incurred under paragraph (o) of Condition 3.2 (*Limitation on Debt*);
- (n) any Security for taxes, assessments or governmental charges or claims that (i) are not yet due and payable or (ii) are being contested in good faith by appropriate proceedings;
- (o) Security securing Refinancing Debt Incurred in respect of any Debt secured by, or securing any refinancing, refunding, extension, renewal or replacement (in whole or in part) of any other obligation secured by, any other Permitted Security, provided that any such new Security is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Security arose, could secure) the obligations to which such Security relates;
- (p) Security over funds of the Issuer or a Subsidiary of the Issuer, or an account holding such funds, which funds are held in the ordinary course of business by a Person providing financing to customers through loans, credit cards, debit cards or similar arrangements, including any Security in respect of Debt Incurred under paragraph (q) of Condition 3.2 (*Limitation on Debt*); and
- (q) any Security created over any asset over any member of the Group (other than security permitted under (a) to (p) above), provided that the maximum aggregate principal amount of the Debt secured by such Security does not, on the date of creation of the latest such Security or, as the case may be, the assumption of any such additional Debt, exceed £55,000,000;

“**Person**” means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, organisation, government or any agency or political subdivision thereof or any other entity;

“**Potential Event of Default**” means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Event of Default;

“**Preferred Stock**”, as applied to the Capital Stock of any corporation, means Capital Stock of any series (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other series of such corporation;

“**Principal Debt**” means the Debt Incurred under or in connection with the Issuer’s principal banking facility from time to time, being on the Issue Date the Revolving Credit Facility;

“**Principal Subsidiary**” means, at any time, a Subsidiary of the Issuer:

- (a) whose Underlying EBITDA represents 10 per cent. or more of the consolidated Underlying EBITDA of the Issuer, all as calculated by reference to the latest unconsolidated accounts of such Subsidiary and the latest published audited consolidated financial statements of the Issuer, or whose total gross assets (excluding amounts owed to it by the Issuer or any of the Issuer’s other Subsidiaries and after excluding investments in Subsidiaries of the Issuer) are equal to or greater than 10 per cent. of total gross assets of the Issuer, all as calculated by reference to the latest unconsolidated accounts of that Subsidiary; or
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately before the transfer is a Principal Subsidiary of the Issuer,

provided that, in the case of a Subsidiary of the Issuer acquired after the end of the last financial year of the Issuer for which audited consolidated financial statements have been published, the reference to the latest audited consolidated financial statements of the Issuer for the purposes of the calculation above in this definition shall, until audited consolidated financial statements of the Issuer for the financial year in which the acquisition is made are published, be deemed to be a reference to such latest published audited consolidated financial statements amended on a pro forma basis as if such Subsidiary had been a Subsidiary of the Issuer throughout the period to which such latest published audited consolidated financial statements relate.

References in this definition to “accounts” shall, in the case of a Subsidiary of the Issuer, be construed as a reference to accounts which shall be prepared in accordance with IFRS as applied in the preparation of the audited consolidated financial statements of the Issuer in respect of an accounting period corresponding to the relevant financial year of the Issuer.

A certificate by two directors or one director and the company secretary of the Issuer that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or during any particular period a Principal Subsidiary may be relied on by the Trustee without further enquiry or evidence and, if relied on by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties;

“**Rating Agency**” means Moody’s, S&P or Fitch Ratings Ltd, and its successors;

“**Receivables**” means accounts receivable and related contract rights customarily transferred in a receivables securitisation or otherwise used to raise financing by the creditor of such receivables;

“**Redemption Date**” has the meaning provided in Condition 5(d) (*Redemption at the Option of the Issuer*);

“**Refinancing Debt**” means Debt that refunds, refinances, replaces, renews, repays or extends (including pursuant to any defeasance or discharge mechanism) (collectively, “refinances” and “refinance” and “refinanced” shall each have a correlative meaning) already existing Debt; provided that, except in the case of Debt that refinances all of the outstanding Notes (including upon redemption or purchase pursuant to Condition 5 (*Redemption and Purchase*)):

- (a) the Refinancing Debt has a Stated Maturity no earlier than any Stated Maturity of the Debt being refinanced (or, if shorter, the Notes);

- (b) the Refinancing Debt has an Average Life at the time such Refinancing Debt is Incurred that is equal to or greater than the Average Life of the Debt being refinanced; and
- (c) such Refinancing Debt is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of:
 - (i) the aggregate principal amount (or, if issued with original issue discount, the aggregate accreted value) of the Debt being refinanced (including, with respect to both the Refinancing Debt and the Debt being refinanced, amounts then outstanding and amounts available thereunder); plus
 - (ii) unpaid interest, prepayment penalties, redemption or repurchase premiums, defeasance costs, fees, expenses and other amounts owing with respect thereto, plus reasonable financing fees and other reasonable out-of-pocket expenses Incurred in connection therewith;

“**Related Business**” means any business which is the same as or related, ancillary, complementary, incidental, or similar to any of the businesses of the Issuer and its Subsidiaries or are extensions or developments thereof;

“**Relevant Debt**” means any Debt of the Issuer, any Guarantor or any other Subsidiary of the Issuer (but in the case of such a Subsidiary, only if such Debt has been issued with or otherwise benefits from a guarantee of the Issuer or any one or more of the Guarantors) which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended (with the consent of the issuer thereof) to be, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market (whether or not publicly offered), other than such Debt which by its terms will mature within a period of one year from its date of issue;

“**Restricted Investment**” means any Investment which is not a Permitted Investment;

“**Restricted Payment**” with respect to any Person means:

- (a) the declaration or payment of any dividends or any other distributions of any sort in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving such Person) or similar payment to the direct or indirect holders of its Capital Stock (other than (A) dividends or distributions or similar payments payable solely in its Capital Stock (other than Disqualified Stock) or in options, warrants or other rights to purchase such stock, (B) dividends or distributions or similar payments payable solely to the Issuer or a Subsidiary of the Issuer and (C) pro rata dividends or other distributions or similar payments made by a Subsidiary of the Issuer that is not a wholly owned Subsidiary to minority stockholders (or owners of an equivalent interest in the case of a Subsidiary of the Issuer that is an entity other than a corporation));
- (b) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Capital Stock of the Issuer held by any Person (other than by a Subsidiary of the Issuer), including in connection with any merger or consolidation and including the exercise of any option to exchange any Capital Stock (other than into Capital Stock of the Issuer that is not Disqualified Stock);
- (c) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment of any Subordinated Obligations of the Issuer or any Guarantor (other than (A) from the Issuer or any of its Subsidiaries or (B) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations purchased in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition or retirement); or
- (d) the making of any Restricted Investment in any Person;

“**Revolving Credit Facility**” means the £300,000,000 multicurrency revolving credit facility made available under the facility agreement dated 12 May 2010 which was amended and extended by an amendment and restatement agreement on 24 May 2012 between the Issuer and the other parties specified therein;

“**S&P**” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc., and its successors;

“**Security**” means a mortgage, charge, pledge, lien or other security interest securing any obligation of any Person or any other agreement or arrangement having a similar effect, other than any security interest arising solely by operation of law (and, for the avoidance of doubt, any contractual rights of set-off of accounts or combination of accounts shall not be or be deemed to be Security);

“**semi-annual period**” means either the period commencing on the first day of the financial year and ending on the last day of the first semi annual interim period; or the period commencing on the first day after the end of the preceding semi annual interim period and ending on the last day of the financial year;

“**Stated Maturity**” means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the redemption or repurchase of such security upon the happening of any contingency);

“**Sterling Equivalent**” means, with respect to any monetary amount in a currency other than sterling, at any time of determination thereof, the amount of sterling obtained by converting such currency other than sterling involved in such computation into sterling at the spot rate for the purchase of sterling with the applicable currency other than sterling as published in the *Financial Times* in the “Currency Rates” section (or, if the *Financial Times* is no longer published, or if such information is no longer available in the *Financial Times*, such source as may be selected in good faith by the Issuer) on the date of such determination;

“**Subordinated Obligation**” means, with respect to a Person, any Debt of such Person (whether outstanding on the Issue Date or thereafter Incurred) which is subordinate or junior in right of payment to the Notes or the Guarantee, pursuant to a written agreement to that effect;

“**Subsidiary**” means a subsidiary within the meaning of Section 1159 of the Companies Act;

“**Trade Payables**” means, with respect to any Person, any accounts payable or any indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person arising in the ordinary course of business in connection with the acquisition of goods or services;

“**UK Listing Authority**” means the United Kingdom Financial Services Authority (or any successor authority) in its capacity as competent authority under the Financial Services and Markets Act 2000 (as amended, restated or re-enacted from time to time);

“**Underlying**”, with respect to financial performance measures, means those financial performance measures that exclude trading results from closed businesses, the amortisation of acquired intangibles, net restructuring and business impairment charges and other one-off non-recurring items, profit on sale of investments, net fair value remeasurements of financial instruments and, where applicable, discontinued operations; and

“**Voting Stock**” of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

18 Governing Law

The Trust Deed, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and the Coupons are governed by, and shall be construed in accordance with, English law.

19 Rights of Third Parties

No rights are conferred on any Person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes but this does not affect any right or remedy of any Person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY GLOBAL NOTES

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg. References in this section to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system.

The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note (together with the Temporary Global Note, the “Global Notes” and each a “Global Note”) not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form (“Definitive Notes”) in the denomination of £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000 each at the request of the bearer of the Permanent Global Note against presentation and surrender of the Permanent Global Note to the Principal Paying Agent if the following event (“Exchange Event”) occurs: Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available.

So long as the Notes are represented by a Temporary Global Note or a Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradable only in the minimum authorised denomination of £100,000 and integral multiples of £1,000 in excess thereof, notwithstanding that no Definitive Notes will be issued with a denomination above £199,000.

On or after the Exchange Date (as defined below), the holder of the Permanent Global Note may surrender the Permanent Global Note to or to the order of the Principal Paying Agent. In exchange for the whole of the Permanent Global Note, the Issuer shall deliver, or procure the delivery (free of charge to the bearer) of Definitive Notes, duly authenticated and with interest coupons attached on issue in respect of interest which has not already been paid on the Permanent Global Note.

“Exchange Date” means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and in the city in which the relevant clearing system is located.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions.

Payments

All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation for endorsement and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. All payments of any amounts payable and paid to the bearer of the Temporary Global Note or (as the case may be) the Permanent Global Note will be effective to satisfy and discharge the liability for the moneys payable thereon and on the relevant Definitive Notes and interest coupons. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the payment is noted in a schedule thereto.

Accountholders

For so long as all of the Notes are represented by one or both of the Temporary Global Note or the Permanent Global Note and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg having a particular principal amount of such Notes credited to his securities account (each an

“Accountholder”) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders) other than with respect to the payment of principal and interest on such Notes, the right to which shall be vested, as against the Issuer, the Guarantors and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

Notices

For so long as all of the Notes are represented by one or both of the Temporary Global Note and the Permanent Global Note and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 16 (*Notices*) provided that, so long as the Notes are admitted to the Official List and admitted to trading on the Regulated Market of the London Stock Exchange, all requirements of the UKLA have been complied with. Any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such a manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

Prescription

Claims against the Issuer and the Guarantors in respect of principal and interest on the Notes represented by the Temporary Global Note or the Permanent Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 7 (*Taxation*)).

Exercise of Put Option

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Noteholders provided for in Condition 5(c) (*Redemption of Notes upon a Change of Control*) may be exercised by an Accountholder giving notice to the Principal Paying Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instructions by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) of the principal amount of the Notes in respect of which such option is exercised and at the same time presenting or procuring the presentation of the relevant Global Note to the Principal Paying Agent for notation within the time limits set forth in that Condition.

TAXATION

United Kingdom Taxation

The comments below are of a general nature based on current United Kingdom law and HM Revenue & Customs practice and are not intended to be exhaustive. They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their Notes and Coupons and may not apply to certain classes of persons such as dealers, certain professional investors or persons connected with the Issuer. They do not consider the United Kingdom tax consequences of any payment under the Guarantee (except with regard to withholding tax on payments by the Guarantors). Any Noteholders who are in doubt as to their own tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, should consult their professional advisers.

Interest on the Notes

Withholding Tax on Interest Payments by the Issuer

While the Notes continue to be listed on a recognised stock exchange within the meaning of Section 1005 Income Tax Act 2007, payments of interest by the Issuer may be made without withholding or deduction for or on account of United Kingdom income tax. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List by the United Kingdom Listing Authority and are admitted to trading on the London Stock Exchange.

If the Notes cease to be so listed, interest will generally be paid by the Issuer under deduction of income tax at the basic rate unless (i) another relief applies; or (ii) the Issuer has received a direction to the contrary from HM Revenue & Customs (“HMRC”) in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

Persons in the United Kingdom paying interest to or receiving interest on behalf of another person who is an individual may be required to provide certain information to HMRC regarding the identity of the payee or person entitled to the interest and, in certain circumstances, such information may be exchanged with tax authorities in other countries.

Withholding Tax on Payments by the Guarantors

If a Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes), such payments may be subject to UK withholding tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction by HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply. Such payments by the Guarantor may not be eligible for any of the exemptions described in the section entitled “*Withholding Tax on Interest Payments by the Issuer*” above.

Further UK Income Tax Issues

The interest paid by the Issuer has a United Kingdom source and any payments by the Guarantors incorporated in England and Wales should have a United Kingdom source and accordingly may be chargeable to United Kingdom tax by direct assessment. However, where the interest is paid without withholding or deduction, the interest will not be assessed to United Kingdom tax in the hands of holders of the Notes who are not resident in the United Kingdom, except where the Noteholder carries on a trade, profession or vocation through a branch or agency, or in the case of a corporate holder, carries on a trade through a permanent establishment in the United Kingdom, in connection with which the interest is received or to which the Notes are attributable, in which case (subject to exemptions for interest received by certain categories of agent) tax may be levied on the United Kingdom branch or agency, or permanent establishment.

If interest were paid under deduction of United Kingdom income tax (e.g. if the Notes lost their listing), Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

Noteholders should note that the provisions relating to additional amounts referred to in Condition 7 (*Taxation*) of the Notes would not apply if HMRC sought to assess directly the person entitled to the relevant interest to United Kingdom tax. However, exemption from, or reduction of, such United Kingdom tax liability might be available under an applicable double taxation treaty.

Where Notes are to be, or may fall to be, redeemed at a premium as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to UK withholding tax and reporting requirements as outlined above.

EU Directive on the Taxation of Savings Income

The EU has adopted a Directive regarding the taxation of savings income (the “EU Savings Directive”). The EU Savings Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual or to certain other persons in another Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. A number of third countries and territories have adopted similar measures to the EU Savings Directive.

Taxation of Disposal (including Redemption) and Return

Corporate Noteholders

Noteholders within the charge to United Kingdom corporation tax (including non-resident Noteholders whose Notes are used, held or acquired for the purposes of a trade carried on in the United Kingdom through a permanent establishment) will be subject to tax as income on all profits and gains from the Notes broadly in accordance with their statutory accounting treatment. Such Noteholders will generally be charged in each accounting period by reference to interest and other amounts which, in accordance with generally accepted accounting practice, are recognised in determining the Noteholder’s profit or loss for that period. Fluctuations in value relating to foreign exchange gains and losses in respect of the Notes will be brought into account as income.

Other Noteholders

The Notes are “qualifying corporate notes” with the result that on a disposal of the Notes neither chargeable gains nor allowable losses will arise for the purposes of taxation of capital gains.

HMRC’s practice is not to treat debt securities such as the Notes as deeply discounted securities for the purposes of Chapter 8 of Part 4 Income Tax (Trading and Other Income) Act 2005. Accordingly, no charge to income should arise on a disposal of the Notes, except as described in the next paragraph.

A transfer of a Note by a Noteholder resident or ordinarily resident for tax purposes in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Note is attributable may give rise to a charge to tax on income in respect of an amount representing interest on the Note which has accrued since the preceding interest payment date.

United Kingdom Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom Stamp Duty or Stamp Duty Reserve Tax is payable on the issue or transfer by delivery of a Note or on its redemption.

Irish Taxation-Withholding Tax on Payments by the Guarantors

The comments below are of a general nature based on current Irish law and practice of the Revenue Commissioner of Ireland. They only consider the Irish withholding tax consequences of payments by the Guarantors under the Guarantee and are not intended to be exhaustive. Noteholders who are in doubt as to their own tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom and Ireland, should consult their professional advisers.

If a Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes), such payments may be subject to Irish withholding tax at the basic rate (currently 20 per cent.) subject to such relief as may be available pursuant to (i) the provisions of any applicable double taxation treaty or (ii) any other exemption which may apply.

SUBSCRIPTION AND SALE

The Royal Bank of Scotland plc, HSBC Bank plc, DNB Markets, a part of DNB Bank ASA, Citigroup Global Markets Limited, BNP Paribas and Barclays Bank PLC (together the “Joint Lead Managers”) have, in a subscription agreement dated 17 September 2012 (the “Subscription Agreement”) and made between the Issuer, the Guarantors and the Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes at their issue price of 99.015 per cent. of their principal amount and less a combined management fee and underwriting and selling commission. The Issuer has also agreed to reimburse the Managers for certain of their expenses incurred in connection with the management of the issue of the Notes. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

The Joint Lead Managers are also lenders under the Revolving Credit Facility and, as a result of the issue of the Notes, the Joint Lead Managers’ exposure under the Revolving Credit Facility will be reduced by up to a maximum amount of £75,000,000.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Manager has represented, warranted and agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Each Manager has also undertaken to the Issuer and the Guarantors, that, at or prior to confirmation of sale of the Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases the Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the “Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act.”

United Kingdom

Each Manager has further represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Ireland

Each Manager has represented, warranted and agreed that:

- (a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulation 2007 (Nos. 1 to 3), including, without limitation, Regulations 7 and 152 thereof and any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;
- (b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Central Bank Acts 1942 - 2011 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;
- (c) it will not underwrite the issue of, or place, or do anything in Ireland with respect to the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank of Ireland; and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland with respect to the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank of Ireland.

General

Each Manager has represented, warranted and agreed that, to the best of its knowledge and belief, it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any other offering material relating to the Notes. Persons into whose hands this Prospectus comes are required by the Issuer, the Guarantors and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

Authorisation

Each of the Issuer and the Guarantors has obtained all necessary consents, approvals and authorisations in connection with, as applicable, the issue and performance of the Notes and the giving of the Guarantee. The creation and issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer passed on 19 June 2012 and by a resolution of a committee of the Board of the Directors of the Issuer passed on 6 September 2012. The giving of the Guarantee by the Guarantors has been authorised by a resolution of the Board of Directors of each Guarantor passed on 6 September 2012 and by a resolution in writing of each Guarantor's shareholder(s) passed on 6 September 2012.

Listing and Admission to Trading

It is expected that official listing will be granted on or about 20 September 2012 subject only to the issue of the Temporary Global Note. Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. It is expected that such admission will become effective, and that dealings in the Notes on the London Stock Exchange may commence, on or about 20 September 2012.

The Issuer estimates that the amount of expenses related to the admission to trading of the Notes will be approximately £5,000.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS0804232337 and the Common Code is 080423233. The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

No Significant/Material Adverse Change

There has been no material adverse change in the prospects of the Issuer, the Guarantors or the Group since 28 April 2012.

There has been no significant change in the financial or trading position of the Issuer, the Guarantors or the Group since 28 April 2012.

Litigation

Neither the Issuer nor any member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantors are aware) during the 12 months immediately preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the Guarantors or the Group.

Auditors of the Issuer and the Guarantors

The auditors of the Issuer and of each Guarantor (other than DSG Retail Ireland Limited) for each of the 2011/2012 and 2010/2011 Financial Years was Deloitte LLP, of 2 New Street Square, London, EC4A 3BZ, United Kingdom, which is registered to carry out audit work by the Institute of Chartered Accountants of England and Wales.

The auditors of DSG Retail Ireland Limited for each of the 2011/2012 and 2010/2011 Financial Years was Deloitte & Touche, of 29 Earlsfort Terrace, Dublin 2, Dublin, Ireland, which is registered to carry out audit work by the Institute of Chartered Accountants in Ireland.

The report of the auditors on the consolidated financial statements of the Issuer for the 2011/2012 and 2010/2011 Financial Years included the following wording:

“This report is made solely to the [Issuer's] members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the [Issuer'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

[Issuer] and the [Issuer's] members as a body, for our audit work, for this report, or for the opinions we have formed.”

US Tax

Each Note and Coupon will bear the following legend:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

Documents Available for Inspection

Copies of the documents set out below are available for inspection during usual business hours on any weekday (public holidays excepted) for a period of 12 months from the date of this Prospectus at the registered office of the Issuer at Marylands Avenue, Hemel Hempstead, Hertfordshire HP2 7TG and at the offices of the Principal Paying Agent:

- (A) the Memorandum of Association (if any) and the Articles of Association of the Issuer;
- (B) the Memorandum of Association (if any) and Articles of Association of each Guarantor;
- (C) a copy of this Prospectus, together with any supplement to this Prospectus or further prospectus;
- (D) the audited consolidated financial statements of the Group for the 2011/2012 Financial Year and the 2010/2011 Financial Year;
- (E) the audited unconsolidated financial statements of DSG Retail Limited for the 2011/2012 Financial Year and the 2010/2011 Financial Year;
- (F) the Issuer's first quarter trading statement for the 12 weeks ended 21 July 2012; and
- (G) the Agency Agreement and the Trust Deed.

In addition, this Prospectus is also available at the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/prices-and-news/prices-news/home.htm>.

Yield

The yield of the Notes is 9.00 per cent. per annum calculated on the basis of the Issue Price and as at the date of this Prospectus.

**REGISTERED OFFICE OF THE ISSUER AND THE GUARANTORS
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