



Chairman's statement

I am pleased to report on another year of considerable progress and achievement for the Group. We again recorded double-digit growth in earnings per share, despite intense pressure in the mobile phone and PC markets. The Board has recommended payment of a final dividend of 4.675 pence per share, making total dividends for the period of 6.05 pence per share (5.5 pence), an increase of 10 per cent.

Many factors underpin our success, most recently the Group's expansion into large-scale mixed electrical retailing and PC superstores across a number of European markets.

Our success in launching new brands and in maintaining the vigour of our established names reflects the Group's unfailing focus on its markets, on keeping close to its customers, on anticipating their needs and desires and moving swiftly to meet them. That focus is as vital in our newest stores from Ayr, to Budapest and Zaragoza as it was in our first Dixons in Edgware.

We maintain that focus despite the distraction of mounting external interference. I remain deeply concerned at the tide of superfluous and impractical regulation which increasingly impacts on every business. The notorious "fridge mountain" is a prime example of the consequences of ill-considered regulation. The so-called Enterprise Bill will vest enforcers with draconian powers, just two years after competition law was dramatically overhauled. It is in effect an anti-enterprise measure.

Both examples indicate that business has insufficiently impressed on Whitehall and Brussels how debilitating to our entrepreneurial base is the relentless urge to interfere with the value creation process.

Yet, where political action is patently necessary, its impact is less visible. The rising level of crime is now among our most serious problems. Losses rise inexorably with little discernible reaction from the authorities. We have no alternative but to invest substantially in prevention. The issue is now little short of a crisis and demands a commensurate focus from Government.

And there is a further political threat to our national success. That is the extraordinary proposal to substitute the euro for the pound. Despite any short-term convenience for holidaymakers, I am confident that a majority of citizens believe such a change would be economically and politically disastrous. Fortunately the choice will be ours when a referendum is announced.

Business has an integral responsibility to the communities around it. I am pleased that the active role we play is delivering several satisfying outcomes. Our funding of King's College Human Islet Project shows promising prospects and the Dixons City Technology College in Bradford goes from strength to strength in its mission to "Create Talented Citizens". We have established University Chairs in the fields of New Media, Entrepreneurialism and Business Ethics. I am proud of the time and commitment

which so many of our staff devote to raising funds for numerous charities.

This year has seen some changes to the Board. We welcomed a new finance director, Jeremy Darroch, as well as a new non-executive director, Count Emmanuel d'André, who complements our team with his wide and valuable international retail experience. Our former finance director, Ian Livingston, left to join BT where we wish him continued success.

Optimism, a measure of skill and responsible opinions are among the many requisites of a company chairman. Obstacles and ill-considered Government policies are problems to overcome. My optimism in the Group's prospects has been constant since I joined my father's photography shop in Edgware in 1948. Although not given to self-satisfaction, I am reasonably content with the outcome.

Today, 40 years since Dixons became a public company, I sign my final Chairman's statement. Sir John Collins, my successor, and I share many of the same values and the transfer of authority has been seamless.

John Clare, the Group Chief Executive, and I have worked in harmony for 17 years. We have agreed the Group's strategies and plans and taken pleasure in their successes. I have worked as closely with the senior management of the Group over the years. We have won a reputation for developing first-class managers and I am pleased to pass the baton to a talented team, each member of which shares a determination to continue to grow the Company in the interests of our customers, our employees and our shareholders.

The Dixons Group trades in a key industry. Once the products we sold were considered luxuries. Today most are core necessities for the twenty-first century consumer. Our manufacturers, many of the world's leading industrial companies, invest massively in their products. The professionalism with which we bring them to the customer is our hallmark. It is a robust formula, sustained by every member of our worldwide staff.

The foundations of this business – integrity and value – are ingrained as strongly as ever in the Group. I leave the arena of battle full of confidence in its future.



Sir Stanley Kalms
Chairman
26 June 2002

Left: Sir Stanley Kalms with Sir John Collins.