Chief Executive's review

Group turnover for the 52 weeks ended 27 April 2002 increased by 5 per cent to £4,888 million (2000/01 £4,643 million excluding Freeserve). Like for like sales were unchanged across the Group in challenging markets.

Group profit before tax and exceptional items increased by 7 per cent to £297.2 million (2000/01 £277.8 million before taxation, exceptional items and Freeserve).

UK Retail

UK Retail division operating profit before exceptional items was £253.6 million (£244.8 million), an increase of 4 per cent. Total UK Retail sales were £4,122 million (£3,979 million), a 4 per cent increase year on year and unchanged like for like.

Although Currys and PC World made strong contributions to the divisional performance, these were largely offset by a £25 million reduction in the contribution from The Link, arising both from lower consumer sales and the decline in acquisition subsidies received from the mobile phone networks.

The performance of the markets in which the Group operates was mixed. The brown goods market grew by 6 per cent, with strong growth in games, large screen televisions and DVD players. The white goods market, which also grew by 6 per cent, was helped by the continued strength of the consumer economy and new product designs raising average ticket values. The personal computer market fell by 21 per cent. The mobile phone market fell by 33 per cent in units compared with an exceptional performance in the previous year.

The Group continued to grow market share, showing particularly strong gains in widescreen televisions, large domestic appliances, games, personal computers and PC related products.

The product cycle is a major determinant of sales growth. New products have driven sales even during the recessions of the early 1980s and 1990s. Looking ahead, the product outlook appears positive with new technologies coming onto the market, from large flat screen televisions to wireless home networks, and the potential for a recovery in the personal computer market.

Gross margins were in line with the previous financial year. Margin improvements in most product categories were offset by the increased volume of lower margin products in the sales mix. Level like for like sales, set against a background of general cost inflation, also held back improvements in the division's cost to sales ratio. Operating profit as a percentage of sales was in line with the previous year.

Shortly after the year end the Group acquired Genesis Communications, a leading business to business mobile phone service provider, for an initial consideration of £28 million. This acquisition is a significant step towards our goal of creating a leading IT and telecoms solutions provider for the business to business market.

International

The International Retail division achieved an operating profit of £15.2 million (£22.3 million) on sales ahead 14 per cent at £688 million (£602 million).

Our expansion into Continental Europe continued, with investments in eight markets. The Group now has retail operations in 11 countries. As anticipated, start-up losses were incurred in new businesses in France, Spain and Hungary. Our established businesses in the Nordic region and Ireland again increased their profits.

In the Nordic region, Elkjøp continued to consolidate its market leadership opening 15 new stores, including nine in Sweden and Finland. Despite a downturn in a number of Scandinavian countries, Elkjøp gained share in all of its markets and increased profits.

In July, the Group acquired the Danish superstore chain SuperRadio. The acquisition made Elkjøp Denmark's market leading out of town electricals retailer. The new stores have been rebranded El Giganten, strengthening Elkjøp's leadership position across the Nordic region.

Our growing business in Ireland continues to show good returns. We further consolidated our strong base, adding two further stores in the year.

In November and December we opened two PC City stores on the outskirts of Paris. Both stores attracted considerable enthusiasm and are trading well. We intend to open further stores in this market.

In Spain, PC City opened its first superstore in Zaragoza and another in Madrid.

We are encouraged by the initial reaction to the PC City proposition in both countries. While there is an ongoing investment cost in establishing these businesses, the potential to create shareholder value is substantial.

In February, the Group opened Electro World, our first store in Hungary. The 43,000 square feet store combines the best of the Group's formats. The opening attracted such vast crowds that police closed parts of the Budapest motorway system and it gained media coverage around the world. More importantly, the store has quickly established a strong market presence and is meeting its initial targets.

In November, the Group purchased a 24.3 per cent stake in UniEuro, one of Italy's leading electrical retailers, for €103 million (£64 million). The purchase also conferred the right to acquire the majority of the shares at any time before July 2003. UniEuro is the fastest growing and most profitable electrical retailer in Italy. The acquisition gives the Group a leading position in one of Europe's largest markets.

Our European Property division maintained its strong profitability in Belgium, Luxembourg and France.

Increasingly the Group's growth has two major drivers. Large scale mixed electrical stores and specialist PC retailing are seen as the category killers in their sectors. The first is represented by the largest and most recent Currys, El Giganten, Gigantti, Electro World and UniEuro stores; the latter by PC World and PC City. We believe that there is considerable potential to build on the strengths of these formats in existing and new markets.

Employees

I am pleased that we have again been able to welcome many new employees to the Group, in the UK and across Europe. I thank them and their colleagues for their hard work over the year and their continued commitment to the achievement of our corporate objectives.

John Clare
Chief Executive