

## Directors' report

The directors present their report and the audited consolidated financial statements of Dixons Group plc ("the Company") and its subsidiary and associated undertakings ("the Group") for the 52 weeks ended 27 April 2002. Comparative figures are for the 52 weeks ended 28 April 2001.

Details of the Group's results, operations and future prospects are set out in the Chief Executive's review, operating review and financial review which form part of this report.

### Principal activities

The Company is the holding company of a group specialising in the retail sale of high technology consumer electronics, personal computers, domestic appliances, photographic equipment, communication products and related financial and after sales services. Its subsidiaries operate in the UK, Ireland, the Nordic region, France, Spain and Hungary. The Group also has retail interests in Greece and Italy and undertakes property development in Belgium, Luxembourg, France and Germany.

On 26 November 2001 the Group purchased 24.3 per cent of the issued share capital of UniEuro S.p.A., one of Italy's leading electrical retailers, for cash consideration of €103 million (£64 million). The Group has an option, exercisable before 2 July 2003, to acquire the balance of the issued share capital for €425 million of which €25 million would not be payable until July 2004.

### Post balance sheet event

On 7 May 2002 the Group acquired Direct Telephone Services Limited (trading as Genesis Communications) for consideration of up to £31 million. The initial consideration was satisfied by £27 million in loan notes and £1 million in cash. Additional consideration of up to £1 million is payable in cash and up to £2 million in loan notes is to be paid dependent on the achievement of earnings targets.

### Dividends

An interim dividend of 1.375 pence per share was paid on 4 March 2002 to shareholders on the register at the close of business on 1 February 2002. The directors recommend the payment of a final dividend of 4.675 pence per share, making total dividends of 6.05 pence per share for the period (5.50 pence per share). Subject to shareholders' approval at the annual general meeting, the final dividend will be paid on 7 October 2002 to shareholders on the register at the close of business on 16 August 2002.

Information on the Company's Dividend Reinvestment Plan is available from the Registrars whose details are on page 74.

### Share capital

Details of the changes in share capital during the period are given in note 23 on page 66.

Details of share options granted and exercised in the period and consideration received are shown in note 24 on page 67.

At the annual general meeting held on 5 September 2001 shareholders authorised the directors to make market purchases of the Company's ordinary shares to a maximum of 192 million shares for a period expiring on the date of the next annual general meeting. No such purchases had been made as at 27 April 2002.

### Substantial share interests

At 26 June 2002 the following interests of more than 3 per cent in the issued share capital had been notified to the Company pursuant to sections 198 to 210 of the Companies Act 1985 (as amended):

	Number of shares	% of issued share capital
Putnam Investment Management LLC and The Putnam Advisory Company LLC	107,733,579	5.53
The Capital Group Companies, Inc.	78,068,618	4.01
Prudential plc	75,836,542	3.89

### Directors

Biographical details of the directors are shown on page 33. The following changes occurred during the year:

	Date	Appointment/ resignation
<b>Non-executive</b>		
Sir John Collins	04.09.2001	Appointment
John Curry CBE	07.09.2001	Resignation
Count Emmanuel d'André	01.02.2002	Appointment
Sir Tim Chessells	01.02.2002	Resignation
<b>Executive</b>		
Jeremy Darroch	05.03.2002	Appointment
Ian Livingston	05.03.2002	Resignation

John Curry and Sir Tim Chessells resigned upon the expiry of their terms of appointment.

The other directors served throughout the period.

The interests of the directors in the share capital of the Company are shown in the Remuneration Report on pages 42 to 46. No director had any beneficial interests in the shares of any subsidiary undertaking or in any contract or arrangement (apart from contracts of service) to which the Company or any subsidiary was a party during or at the end of the financial period.

Following their appointment to the Board during the year, Count Emmanuel d'André and Jeremy Darroch will retire at the annual general meeting and, being eligible, will offer themselves for reappointment. Subject to reappointment, Count Emmanuel d'André's appointment is for a term expiring on 1 September 2005. Jeremy Darroch has a service agreement with DSG Retail Limited which can be terminated by one year's notice.

In accordance with the Articles of Association, Karen Cook and David Gilbert will retire by rotation at the annual general meeting and, being eligible, will offer themselves for reappointment. Subject to her reappointment at the annual general meeting, Karen Cook's current term of appointment will continue until 2 September 2003. David Gilbert has a service agreement with DSG Retail Limited which can be terminated by one year's notice.

Sir Stanley Kalms will retire as a director at the conclusion of the annual general meeting.

#### Policy and practice on payment of suppliers

The Group has adopted the CBI Prompt Payment Code, information about which may be obtained from the CBI. Payments to suppliers are made in accordance with the terms agreed, provided that the supplier has complied with all relevant terms and conditions. Trade creditors at 27 April 2002 represented 33 days of annual purchases (28 April 2001 33 days).

#### Political and charitable donations

The Group made charitable donations of £878,000. Further details of the Group's charitable activities are given on page 27.

At the annual general meeting held on 5 September 2001 shareholders gave authority to the directors to make donations to EU Political Organisations and to incur EU Political Expenditure as defined in the Political Parties, Elections and Referendums Act 2000.

During the year the Company made payments totalling £8,000, comprising participation in events organised by The Labour Party (£4,000) and The Conservative Party (£4,000) which the directors have been advised constitute European Political Expenditure.

#### Equal opportunities

It is the policy of the Group to provide equal opportunities to all its employees regardless of their age, sex, colour, race, religion or ethnic origin and that disabled persons should enjoy the same employment opportunities, training and career development as others where they possess the necessary skills, experience and qualifications. Special consideration is given to the continuity in employment of any existing employee who becomes disabled and to the provision of alternative employment. A disability working group monitors compliance with legal obligations under the Disability Discrimination Act 1995.

During the year the *Respect For People* programme was rolled out across the UK with a view to increasing awareness amongst all employees of the Company's codes and standards in relation to all forms of discrimination and ensuring compliance with their own legal obligations.

#### Employee involvement

The Group maintains a strong focus on effective performance management designed to identify and develop high performers and to make all employees more effective in their roles. Flexible working arrangements for all roles encourage the best people to apply, and remain, within the organisation. The Group seeks to engage all employees in both its short and long term goals. This is achieved through a variety of methods including senior management briefings, focus groups, videos, newsletters and, increasingly, through the use of the intranet.

The Chief Executive chairs the Dixons Group European Forum, a body of independently elected employee representatives. There are also local fora of elected representatives from within individual businesses. Their meetings provide the framework for the Group's consultative process; representatives provide invaluable input on a wide range of issues including customer service, business efficiency and performance improvement.

Further employee feedback is obtained through census surveys. Findings from these surveys are used to design bespoke reward and training programmes and to assist the development of employment policy.

The Group operates a number of share bonus, incentive and ownership schemes. These reinforce the philosophy of encouraging employees to contribute directly to the achievement of the Group's goals and of rewarding individual and collective success. Further details are contained in the Remuneration Report on page 42. Sharesave schemes in which there are approximately 5,000 participants are operated in the UK and Ireland. Over 10,000 employees throughout the Group currently participate in the Company's discretionary share option schemes.

Further information is given on pages 26 and 27.

#### Auditors

Deloitte & Touche are willing to continue in office as auditors to the Company. A resolution for their reappointment and to authorise the directors to agree their remuneration will be proposed at the annual general meeting.

#### Annual general meeting

The annual general meeting will be held on 11 September 2002 at Le Méridien Grosvenor House Hotel, Park Lane, London W1K 7TN at 11.30 a.m. Notice of the meeting, together with an explanation of the business to be considered, is given in a separate booklet accompanying this report.

By Order of the Board



**G D Budd**  
Secretary  
26 June 2002