

The Directors have pleasure in submitting their Annual Report for the year ended 31 March 2009.

## Principal Group Activities and Review of Operations

The Chairman's Statement on pages 3 to 6 and the Business Review on pages 7 to 12 describe the principal activities and operations of the Group. The Business Review also describes the principal risks and uncertainties facing the Group and the likely future developments in the business of the Group. The principal subsidiaries are listed in Note 14 on page 54.

## Results and Dividends

The results of the Group are set out in the Consolidated Income Statement on page 31. The transfers to reserves are shown in Note 22 on page 63.

The Directors do not recommend a final dividend in view of the Group's performance over the past year and the modest outcome expected for 2009/10.

## Directors

The Directors of the Company at the date of this Report are shown on page 2 and their biographical details are set out below.

In accordance with the Articles of Association of the Company, Ms B P Blow and Mr D B Harris retire by rotation at this year's Annual General Meeting and, being eligible, offer themselves for re-election. Mr P E Selway-Swift has been a Director of the Company for more than nine years and he will therefore retire and seek re-appointment in accordance with the Combined Code on Corporate Governance.

Mr P J Cannon retired from the Board at the conclusion of the Annual General Meeting held on 23 September 2008.

## Directors' Biographies

### Ms B P Blow, Non-Executive Chairman

Bridget Blow, 60, joined the Board on 1 July 2005, at which time she became a member of the Audit and Remuneration Committees. On 20 September 2006, Bridget also became a member of the Nomination Committee and at the conclusion of the Company's Annual General Meeting held on 4 October 2007, she was appointed Non-Executive Chairman. She is also Non-Executive Chairman of Trustmarque Solutions Limited and a Non-Executive Director of the Coventry Building Society. Bridget was Chief Executive of ITNET plc from 1994 to 2005, leading a buyout from Cadbury Schweppes in 1995 and a full listing on the London Stock Exchange in 1998. She has received numerous business awards and was a Non-Executive Director of the Bank of England from 2000 to 2005. She is President of the Birmingham Chamber of Commerce and Industry and a member of the Council of Birmingham University.

### D B Harris B.Sc (Econ), Chief Executive Officer

Daniel Harris, 49, read Economics at the London School of Economics and joined the Group as Marketing Manager in 1981. He became Marketing Director of Harvard International Ltd in 1983 and joined the Board when the Company floated in 1987. He was appointed Group Chief Executive Officer in 1992 and he develops and leads business strategies and processes for the furtherance of the Group.

### A D Rose B.Sc, ACA, Group Finance Director

Andrew Rose, 50, joined the Group in August 1987 from accountants Stoy Hayward and was appointed to the Board in December of that year. Since this time, Andrew has been the financial architect of the Group's business strategy and numerous corporate developments. An expert in mergers, acquisitions and disposals he has played a vital part in the development of the Group. Andrew has given notice of his intention to resign as a director and an employee of the Company. In the meantime, Andrew will remain with the Company in his current role until 30

# Directors' Report

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September 2009. The Company is initiating a search process for a replacement Finance Director.

## M Ashley, Director

Mike Ashley, 41, joined the Group in October 2004, as Managing Director of Harvard Telecommunications. The following year he was appointed Managing Director of Bush Radio plc and in October 2006, he was promoted to Managing Director of the UK Consumer Electronics Division. He was appointed to the Board in October 2007. Prior to joining the Group Mike held senior Trading and Marketing positions with Boots the Chemist, Argos Ltd and Dixons Store Group and has considerable knowledge of the requirements of our retail customers.

## P E Selway-Swift, Non-Executive Director

Paul Selway-Swift, 65, spent his entire working life in international banking. He spent 20 years in Hong Kong with the Hongkong and Shanghai Banking Corporation and was Head of HSBC in Hong Kong for several years until 1996. After returning to the UK, he was Deputy Chairman of HSBC Investment Bank in London from 1996 until 1998. He is currently Chairman of Pure Circle Ltd and of Atlantis Investment Management (Ireland) Ltd. He is a Non-Executive Director of Li and Fung Ltd, a Hong Kong based global trading group and of several other companies. He joined the Board in 1998 and brings to the Group banking and commercial expertise coupled with a wide knowledge of conducting business in Hong Kong and China. On 1 July 2005 he was appointed as Senior Non-Executive Director and Chairman of the Audit and Remuneration Committees and on 4 October 2007, he was appointed as Chairman of the Nomination Committee. On 5 March 2009, Paul retired as Chairman of the Audit Committee but continues to serve as a member of the Committee.

As Paul has served on the Board for more than nine years, the Board, having evaluated the level of this independence, has concluded that he remains fully independent. This is demonstrated by the independent judgement he displays in his roll as Senior Non-Executive Director and Chairman of the Remuneration and Nomination Committees and his questioning of the Executive Directors during Board meetings.

## A P Shearer FCA, Non-Executive Director

Tony Shearer, 60, joined the Board on 6 March 2008, at which time he became a member of the Audit and Remuneration Committees. He was appointed Chairman of the Audit Committee on 5 March 2009. Formerly the Chief Executive of Singer & Friedlander, he is Non-Executive Chairman of a number of companies including the AIM listed Abbey Protection plc and Uruguay Mineral Exploration Inc and is a Non-Executive Director of Wogen Group plc. He is also Non-Executive Chairman of Caxton FX Ltd, Gess Haulage Ltd, UK Wealth Management and Udata plc. Tony brings to the Group a wealth of knowledge and experience in banking and commerce.

## Directors' Interests

The interests of the Directors in the ordinary share capital of the Company and in the Company's share option schemes and the Long-Term Incentive Plan are shown in the Remuneration Report on pages 17 to 22 together with details of their service contracts and remuneration.

## Share Capital and Control

The following information is given pursuant to Section 992 of the Companies Act 2006.

There are no restrictions on the voting rights attaching to the Company's Ordinary Shares or the transfer of securities in the Company. No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or voting rights. Further details on the rights, restrictions and obligations attaching to the share capital of the Company, including voting rights, are contained in the Company's Articles of Association. The Articles of Association may only be changed with the agreement of shareholders. Shares acquired through the Company's employee share schemes rank *pari passu* with shares in issue and have no special rights.

On a takeover, options and awards granted to employees under the Company's share schemes may vest. The Company is not party to any significant agreements that