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electrocomponents limited

REPORT AND ACCOUNTS

Year ended 31st March 1978

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Directors:

R. A. MARLER A.C.I.S. A.C.M.A. *(Chairman)*
R. S. GIBBONS, B.Sc.
D. R. HALL
N. F. W. KING, M.I.E.E., M.I.E.R.E., F.Inst.M.

Secretary and Registered Office:

W. A. CARE, A.C.I.S.
Maple House,
37-45, City Road, London EC1P 1HX

Registrars and Transfer Office:

COOPERS & LYBRAND,
Bourne House, 34, Beckenham Road,
Beckenham, Kent, BR3 4TU

Auditors:

JOHN DIAMOND & CO.
Battlebridge House,
87/95, Tooley Street,
London, SE1 2SN

Solicitors:

SLAUGHTER AND MAY,
35, Basinghall Street,
London, EC2V 5DB

Bankers:

MIDLAND BANK LIMITED,
93, Great Eastern Street,
London, EC2A 3JA

NOTICE OF MEETING

Notice is hereby given that the Eighteenth Annual General Meeting of the Company will be held at The Great Eastern Hotel (Room 100), Liverpool Street, London, E.C.2, on Friday, the 29th day of September, 1978 at 12.00 noon to conduct the following business:—

ORDINARY BUSINESS

(1) To receive, consider and adopt the Accounts and the Reports of the Directors and Auditors for the year ended 31st March, 1978.

(2) To declare a final dividend on the Ordinary Shares.

(3) To re-elect Mr. N. F. W. King as a Director.

(4) To re-appoint Auditors for the ensuing year and to resolve that their remuneration be agreed by the Directors.

(5) To transact any other ordinary business of the Company.

SPECIAL BUSINESS

(6) To consider and, if thought fit, to pass the following Resolution which will be proposed as an Ordinary Resolution:—

"THAT

(i) the authorised share capital of the Company be increased from £1,500,000 to £2,500,000 by the creation of 10,000,000 Ordinary Shares of 10p each, and

(ii) the sum of £1,000,000 being part of the amount standing to the credit of the Profit and Loss Account of the Company, be capitalised, and accordingly such sum be set free for distribution among the members on the Register of Members at the close of business on 1st September 1978 in the proportion of 10p for every Ordinary Share of 10p then held, on the footing that the same be not paid in cash, but be applied in paying up in full 10,000,000 unissued Ordinary Shares of 10p each in the capital of the Company, to be allotted and distributed credited as fully paid to the said holders in the proportion of one new share for every share then held. Such new shares do not rank for dividend in respect of the year ended 31st March, 1978 but in all other respects rank *pari passu* with the Ordinary Shares already in issue."

Registered Office:
Maple House,
37-45, City Road,
London EC1P 1HX.

By Order of the Board,
W. A. CARE,
Secretary.
30th August, 1978

Inspection of Documents

Details of Directors' share transactions, copies of Directors' service agreements, and the Memorandum and Articles of Association of the Company may be inspected at the Registered Office of the Company during business hours Monday to Friday until 28th September, 1978 and at The Great Eastern Hotel, Liverpool Street, London, E.C.2, on 29th September, 1978 from 11.45 a.m. until conclusion of the meeting.

Forms of Proxy:

Any member of the Company who is entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed.

An instrument of proxy to be valid must be lodged with the Registrars of the Company at the address shown on page 2 not less than 48 hours before the time fixed for the meeting.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report, together with the audited Accounts for the year ended 31st March 1978.

	£000	£000
Profit and Dividends		
The Group trading profit for the year to 31st March 1978, before tax, was		7,596
Corporation Tax absorbs		3,256
leaving net profit for the year of		4,340
to which is added the retained profit brought forward at 1st April 1977		6,240
making available a balance of		10,580
Dividends, viz:		
Interim (2.40p per share) paid on 6th January 1978	240	
Final (2.65158p per share) to be paid on 2nd October 1978	265	
absorb a total of		505
leaving available for carry forward		10,075

Activities

The Group's business is exclusively concerned with the manufacture and distribution of electrical and electronic components, instruments and accessories.

Incorporations and Acquisitions

There was no change in the constitution of the Group within the year save that a hitherto non-trading subsidiary, Electrospares Limited, commenced trading in August 1977.

Turnover

The aggregate net sales of the Group (excluding inter-company sales) for the year ended 31st March, 1978 amounted to £33,556,000 (1976/77—£22,849,000) including net export sales of £1,618,000 (1976/77—£1,166,000).

Employees

The average number of employees during the year was 1,063 (1976/77—1,001).
Their aggregate remuneration amounted to £4,001,000 (1976/77—£3,207,000).

Health and Safety at Work Act 1974

The committees comprising management and staff of each company within the Group continue to function and supervise the matters indicated in the above Act as relevant to those Committees.

Donations

The Group made no political contributions. Charitable contributions amounted to £1,050.

REPORT OF THE DIRECTORS *(Continued)*

Fixed Assets

Changes in fixed assets during the year are shown in Note 2 to the Accounts.

Directors

Messrs. R. A. Marler, R. S. Gibbons and D. R. Hall served throughout the year.

Mr. D. I. Turner retired on 18th August, 1977.

Mr. N. F. W. King was appointed an additional director on 3rd April, 1978 under Article 104 and in accordance therewith retires at the Annual General Meeting. Being eligible, he offers himself for re-election.

Directors' Interests

Directors' and family beneficial interests in the shares of the Company, as shown by the register kept in accordance with the Companies Act 1967, were:

	No. of shares	
	At 1.4.1977	At 31.3.1978
Mr. R. A. Marler	12,990	12,990
Mr. R. S. Gibbons and wife	3,700	3,700

There have been no changes to the above between 31st March, 1978 and 30th August, 1978.
Mr. D. I. Turner's holding of 1,150 shares at 1st April, 1977 had reduced to 650 shares at the time of his retirement on 18th August, 1977.
At no time during the year did any Director have a material interest in any contract that was substantial in relation to the Group's business.

Substantial Shareholdings

At 31st March, 1978 the Directors had been notified of one shareholding comprising 5% or more of the Company's issued Ordinary share capital, viz:—

The Scottish Investment Trust Company Limited—500,000 shares.

This shareholding has since been reduced to less than 5%.

Scrip Issue

The Directors are recommending the capitalisation of £1,000,000 of the Company's reserves and the issue of 10,000,000 additional Ordinary Shares of 10p each credited as fully paid on a one-for-one basis to ordinary shareholders on the register at close of business on 1st September, 1978. The new Ordinary Shares will not rank for dividend in respect of the year ended 31st March, 1978 but will in all other respects rank *pari passu* with the Ordinary Shares already in issue. At present the authorised share capital of the Company is £1,500,000 of which £1,000,000 has been issued. In connection with the scrip issue it is proposed to increase the authorised share capital to £2,500,000 of which after the issue £500,000, as at present, will remain unissued. The Directors would not issue any of this unissued capital in such a manner as to result in a material change in the nature of the business or in the control of the Company except with the prior approval of the Company in general meeting. A resolution to increase the authorised capital and to approve the scrip issue will be proposed at the forthcoming Annual General Meeting. It is intended that, if the resolutions are passed, renounceable share certificates for the new Ordinary Shares will be posted on Friday, 29th September, 1978. Application will be made to the Council of The Stock Exchange for admission of the new Ordinary Shares to the Official List, and subject to its approval dealings in the new Ordinary Shares will commence on Monday, 2nd October, 1978.

Auditors

The auditors, John Diamond & Co., are willing to continue in office and their re-appointment at a remuneration to be agreed by the Directors will be proposed at the Annual General Meeting.

Income and Corporation Taxes Act 1970

The close company provisions of this Act do not apply to the Company.

By Order of the Board,
W. A. CARE
Secretary.

30th August, 1978.

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31st March 1978

	Note			*1976/77*	
		£000	£000	*£000*	*£000*
GROUP TRADING PROFIT	8		7,596		*4,537*
TAXATION	3		3,256		*1,916*
PROFIT AFTER TAXATION			4,340		*2,621*
PROFIT BROUGHT FORWARD FROM PREVIOUS YEAR			6,243		*3,579*
PRIOR YEAR ADJUSTMENTS	9		(3)		*496*
			10,580		*6,696*
DIVIDENDS	11				
Interim		240		*200*	
Final		265		*253*	
			505		*453*
BALANCE CARRIED FORWARD	6				
Parent Company		250		*292*	
Subsidiaries		9,825		*5,951*	
			10,075		*6,243*
EARNINGS PER SHARE	12		43.40p		*26.21p*

To be read in conjunction with the notes on pages 9 to 12.

CONSOLIDATED BALANCE SHEET at 31st March 1978

	Note	£000	£000	At 31.3.77 £000	At 31.3.77 £000
EMPLOYMENT OF CAPITAL					
FIXED ASSETS	1 & 2				
Freehold and leasehold premises		175		121	
Equipment and vehicles		1,118	1,293	675	796
SUBSIDIARY COMPANY (not consolidated)			—		49
CURRENT ASSETS					
Stocks	1 & 7	6,013		3,674	
Debtors and prepayments		8,558		5,880	
Cash at bank and in hand		1,417		1,405	
Local Authority Stocks (m.v. £25)		25		—	
		16,013		10,959	
CURRENT LIABILITIES					
Trade creditors and accruals		2,814		2,595	
Corporation Tax	3	3,262		1,822	
Proposed dividend		265		253	
		6,341		4,670	
NET CURRENT ASSETS			9,672		6,289
			10,965		7,134
DEFERRED ASSET	3		131		130
			11,096		7,264
CAPITAL EMPLOYED					
SHARE CAPITAL	5		1,000		1,000
RESERVES	6		10,096		6,264
			11,096		7,264

R. A. MARLER } *Directors*
R. S. GIBBONS }

R A Marler
Roy S. Gibbons

To be read in conjunction with the notes on pages 9 to 12.

BALANCE SHEET at 31st March 1978

	Note	£000	£000	At 31.3.77 £000	At 31.3.77 £000
EMPLOYMENT OF CAPITAL					
FIXED ASSETS	1 & 2				
Leasehold premises		31		*14*	
Equipment and vehicles		6		*10*	
			37		*24*
SUBSIDIARY COMPANIES					
Shares, at cost		442		*442*	
Advances		1,066		*1,102*	
			1,508		*1,544*
			1,545		*1,568*
CURRENT ASSETS					
Local Authority Stocks (m.v. £25)		25		—	
Debtors, less creditors		—		*3*	
Cash at bank		87		*2*	
		112		*5*	
CURRENT LIABILITIES					
Creditors, less debtors		2		—	
Corporation tax	3	271		*158*	
Proposed dividend		265		*253*	
		538		*411*	
NET CURRENT LIABILITIES			426		*406*
			1,119		*1,162*
DEFERRED ASSET	3		131		*130*
			1,250		*1,292*
CAPITAL EMPLOYED					
SHARE CAPITAL	5		1,000		*1,000*
RESERVES	6		250		*292*
			1,250		*1,292*

R. A. MARLER
R S. GIBBONS } *Directors*

To be read in conjunction with the notes on pages 9 to 12.

1. Accounting Policies

Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include the revaluation of freehold property as shown in Note 2 and, save as mentioned herein, on a basis consistent with the previous year.

Basis of consolidation

All subsidiary company accounts are made up to 31st March and are included in the consolidation.

Depreciation

No depreciation has been charged on freehold land, but the buildings have been depreciated for the first time since 1971/72.

Depreciation has been provided on the straight line basis, at the following rates:—

Freehold buildings	—	2% p.a.
Warehouse and office equipment	—	15% p.a.
Plant	—	15% p.a.
Computer equipment	—	20% p.a.
Vehicles	—	20% p.a.

Leasehold premises are depreciated over the terms of the leases.

Stocks

Stocks have been valued at the lower of net realisable value and current replacement cost (as represented by the unit price of the most recent delivery prior to stocktaking). By reason of the frequency of deliveries and the rapidity of stock turnover in most of the Group's lines, the value so ascertained is not materially higher than would emerge on a historical cost calculation. Valuation on this basis has been Group policy for some time, and whilst representing a degree of departure from S.S.A.P. 9 the effect on the Group's results for the year is insignificant.

Deferred Taxation

The Directors see no likelihood of tax liability in the foreseeable future in respect of either recovery of stock relief or accelerated capital allowances. Provision for deferred taxation has accordingly been discontinued and the provisions made up to 31st March 1977 have been written back.

Repairs and renewals

All such expenditure is written off in the accounting period in which it is incurred.

2 Fixed Assets (£000)

				PARENT COMPANY	GROUP
	£	£	£	£	£
Premises		Additions 1977/78	Depreciation to date		
Freehold	*79	—	10	—	69
Short leasehold	†56	63	13	31	106
	135	63	23	31	175

*Professional valuation at March 1967 with additions to 31st March 1977 at cost.
†Cost—1968/69 to 1976/77 inclusive.

	Cost to 31.3.77 (net)	Additions 1977/78 (net)	Depreciation to date		
Equipment and vehicles					
Plant	92	11	66	—	37
Warehouse and office equipment	976	644	667	1	953
Vehicles	102	75	49	5	128
	1,170	730	782	6	1,118

Capital expenditure commitments not provided for in the Accounts:

£000

	At 31st March 1978		*At 31st March 1977*	
	Contracted	Authorised but not contracted	*Contracted*	*Authorised but not contracted*
Parent Company	nil	nil	*nil*	*27*
Subsidiaries	179	107	*39*	*465*

3 Taxation

Profit and Loss Account

Corporation Tax has been provided at 52 per cent. on the profits for the year as adjusted and reduced by stock relief and capital allowances.

Balance Sheet	PARENT COMPANY	GROUP
	£000	
The Current Liability provision is in respect of Corporation Tax due for payment in January 1979	271	3,262
The Deferred Asset is the amount of Advance Corporation Tax recoverable	131	131

4 Deferred Taxation

	PARENT COMPANY	GROUP
	£000	
The total tax relief enjoyed up to 31st March, 1978 by reason of stock increase and capital allowance timing differences is—		
Stock relief	nil	1,102
Capital allowances	18	492

5 Share Capital

Authorised: 15,000,000 Ordinary Shares of 10p each.

Issued and fully paid: 10,000,000 Ordinary Shares of 10p each.

6 Reserves

Capital Reserve		
Surplus arising on consolidation, being the excess of the book value of net assets over the consideration given on the acquisition of subsidiary companies		20
Profit on sale of lease (1969/70)		1
		21
Retained profits	250	10,075
	250	10,096

7 Stocks

	31st March 1978	*31st March 1977*
The main categories are:	£000	
Finished goods for re-sale	5,814	*3,488*
Raw materials and work in progress	93	*99*
Other stocks	106	*87*
	6,013	*3,674*

8 Group Trading Profit

		1977/78	*1976/77*
		£000	
The profit for the year emerges after—			
Crediting:	Interest earnings of	182	*259*
Charging:	Directors' emoluments and pension contributions	97	*51*
	Depreciation	307	*171*
	Auditors' remuneration	18	*17*
	Equipment leasing costs	24	*20*

NOTES TO THE ACCOUNTS *(Continued)*

9 Prior Year Adjustments

These arise out of changes in accounting policy.

The 1976/77 credit of £496,000 arises out of the discontinuance of deferred tax provisions and is the total of such provisions up to 31st March, 1976.

The 1977/78 debit of £3,000 arises out of the decision to provide for depreciation on freehold buildings with retrospective effect and is the accumulated under-provision to 31st March, 1977.

10 Directors' Emoluments (excluding pension contributions)

	1977/78	*1976/77*
Chairman	£17,208	*£15,139*
Other directors:		
Salary range up to — £7,500	none	*none*
£7,501—£10,000	one	*none*
£10,001—£12,500	none	*none*
£12,501—£15,000	two	*two*

The amount charged for 1977/78 includes a payment of £34,000 to a director following his retirement, which payment was approved at the Annual General Meeting held on 30th September, 1977.

11 Dividends

The total of the dividends for the year with their respective tax credits amounts to 7.59395p per share (1976/77—6.90358p per share).

12 Earnings per Share

The calculation of earnings per share is based on earnings of £4,340,000 (1976/77—£2,621,000) and 10,000,000 Ordinary Shares in issue at the end of each year.

REPORT OF THE AUDITORS

To the members of Electrocomponents Limited

We have examined the accounts set out on pages 6 to 13 which have been prepared on the basis of the accounting policies set out on page 9.

In our opinion the accounts so prepared give a true and fair view of the state of affairs of the Company and the Group at 31st March, 1978 and of the profit and source and application of funds for the year ended on that date, and comply with the Companies Acts 1948 and 1967.

We have also examined the current cost statement for the year ended 31st March, 1978 set out on page 14. In our opinion the statement has been properly prepared on the basis of the notes thereto.

JOHN DIAMOND & CO.

Chartered Accountants

Battlebridge House, 87/95 Tooley Street, London SE1 2SN

15th August, 1978.

SOURCE AND APPLICATION OF GROUP FUNDS

		Year ended 31st March, 1978		*Year ended 31st March 1977*
		£000		*£000*
SOURCE OF FUNDS				
Profit before taxation		7,596		*4,537*
Depreciation—requiring no movement of funds		307		*171*
GENERATED FROM OPERATIONS		7,903		*4,708*
APPLICATION OF FUNDS				
Dividends paid	493		*426*	
Tax paid	1,816		*1,347*	
Capital expenditure	807		*274*	
Subsidiary company not consolidated	(49)		*49*	
		3,067		*2,096*
		4,836		*2,612*

VARIATIONS IN WORKING CAPITAL				
Stocks	increase	2,339	*increase*	*1,426*
Debtors	increase	2,678	*increase*	*1,906*
Creditors	increase	(218)	*increase*	*(751)*
Cash resources	increase	37	*increase*	*31*
		4,836		*2,612*

CURRENT COST STATEMENT

for the year ended 31st March 1978.

		£000
Turnover		33,556
Trading profit—historical cost bas.		7,596
Less adjustments for:		
Depreciation	85	
Cost of sales	248	333
Trading profit,—current cost basis		7,263
Less adjustment for net monetary assets		285
Adjusted profit before taxation		6,978
Taxation		3,256
Adjusted profit for shareholders		3,722
Dividends		505
Adjusted profit retained		3,217

NOTES

1. This statement is based on the interim recommendation published in November 1977 by the Accounting Standards Committee (The Hyde Guidelines).
2. All calculations are made on a group basis.
3. The depreciation adjustment represents the additional depreciation that would be required if the assets were depreciated on their current replacement cost.
4. The cost of sales adjustment represents the difference between the historical cost of goods sold and the replacement cost of those goods at the time of sale.
5. The net monetary assets adjustment reflects the additional resources required (by reason of the loss in purchasing power of the Group's net monetary assets) to maintain the scale of operations.
6. The cost of sales adjustment derives from cost index records maintained within the Group, using the averaging method.
7. The other adjustments are based on the appropriate indices published by the Central Statistical Office.

FIVE YEAR RECORD

	1977/78	1976/77	1975/76	1974/75	1973/74
CAPITAL EMPLOYED			£000's		
Ordinary Share Capital	1,000	1,000	1,000	1,000	1,000
Reserves	10,096	6,264	3,755	3,023	1,892
Total shareholders' funds	11,096	7,264	4,755	4,023	2,892
NET ASSETS EMPLOYED					
Fixed assets	1,293	796	693	403	314
Net current assets	9,803	6,468	4,062	3,620	2,578
	11,096	7,264	4,755	4,023	2,892
TURNOVER	33,556	22,849	15,852	12,772	9,566
PROFITS, DIVIDENDS AND RETENTIONS					
Profit before taxation	7,596	4,537	2,849	2,503	2,085
Taxation	3,256	1,916	1,331	963	899
Profit after taxation	4,340	2,621	1,518	1,540	1,186
Dividends (cost to Company)	505	453	408	376	346
Retained profit	3,835	2,168	1,110	1,164	840
EARNINGS PER SHARE	43.40p	26.21p	15.18p	15.40p	11.86p
DIVIDENDS PER SHARE					
Cost to company	5.05p	4.53p	4.08p	3.76p	3.46p
Gross equivalent	7.59p	6.90p	6.28p	5.71p	5.07p
AVERAGE NUMBER OF EMPLOYEES	1,063	1,001	906	830	762

Certain figures in this statement have been adjusted retrospectively to reflect the change in accounting policy on deferred taxation.

SUBSIDIARY COMPANIES

Trading

DORAM ELECTRONICS LIMITED
Wellington Road Industrial Estate,
Wellington Bridge,
Leeds,
Yorkshire LS12 2UF.

ELECTROPLAN LIMITED
Orchard Road,
Royston,
Hertfordshire SG8 5HH.

ELECTROSPARES LIMITED
30/31 Maxwell Road,
Peterborough PE2 0JF.

R.S. COMPONENTS LIMITED
13-17, Epworth Street,
London, EC2P 2HA.

THE RADIO RESISTOR COMPANY LIMITED
4 Trust Industrial Estate,
Wilbury Way,
Hitchin,
Hertfordshire SG4 0TN.

READING WINDINGS LIMITED
169, Basingstoke Road,
Reading,
Berkshire RG2 0HG.

Not trading

R.S. ELECTRONIC COMPONENTS (LONDON) LIMITED
(previously Electrocomponents (R-S) Limited)

PACT INTERNATIONAL ELECTRONICS LIMITED

RADIOSPARES LIMITED

All the above are wholly-owned U.K. Companies.

CHAIRMAN'S STATEMENT

It is my pleasure to report another busy year of substantial progress in terms of both increased sales and higher profitability. During the 12 months under review, the overall economic scene in the U.K. has not been exciting; inflation, whilst showing signs of reducing, continues to reflect in the cost of materials and overheads. Unemployment remains a matter of great concern and many businesses throughout the country view the future in terms of caution if not pessimism. Nevertheless, the increasing use of electronics in industry has enabled your company to respond to ever greater demands for the types of product it sells. Undoubtedly, our continuing programme of widening product ranges has borne an excellent harvest reflected in our sales increase for the year of 47%.

It is appropriate at the commencement of this statement, to acknowledge the great contribution made to this year's success by our staff and management. We are fortunate to employ a superb blend of high technical ability and good old fashioned willingness to work, without wh n combination our results would have been far less dynamic. On your behalf, I express my sincere thanks to all staff and management throughout the Group for their sustained effort and loyalty during the year. They have done a great job!

Doram Electronics Limited

Regrettably, sales during the year have been disappointing despite a wider range of kits and ready-made items being offered to the amateur constructor. During the year, market research into the wider hobby and leisure markets through mail order has been carried out and under new management, some changes in our approach are being effected. Your Board is hopeful that Doram can now move towards a more successful era, and I look forward to making a more encouraging report next year.

Electroplan Limited

Electroplan's reputation as a source from stock of first class test and measuring instruments continues to grow and the year has seen a substantial increase in both sales and profits. It is also a pleasure to report that whilst still a relatively small part of sales, export turnover increased more than threefold compared with the previous year. Since my last statement, Electroplan has further refined its range of products to achieve even greater strength in depth within those key instrument areas yielding the highest return of both revenue and profit. There has been a corresponding increase in new customer accounts from an ever-widening applications spectrum in both well-established and new industries.

Electroplan's growth rate indeed has been so rapid that larger premises are now needed in order that the company may continue to operate at its present high level of efficiency. Construction of a new building in Royston commenced early in 1978 and occupation is anticipated early in 1979.

Your Board sees ample scope for further development in this company over the next few years.

R.S. Components Limited

R.S. remains the largest subsidiary in the Group and made over 1½ million despatches during the year. Although the product range continues to expand and be updated, the company has retained its reputation for second-to-none stock availability and by-return service. The impact of R.S. in recent years is reflected by the company's catalogue becoming a standard book of reference for electronic and electrical engineers throughout industry, educational establishments, Government departments and hospitals. It is currently distributed to 110,000 customer contacts.

The Distribution Centres in Birmingham and Manchester continue to play an important part in the processing of orders in the Midlands and North West respectively.

A Univac computer was installed in the Accounts Department during the year and transfer of the extensive Sales Ledger was completed by July 1978.

The acquisition of a further 57,000 sq. ft. in London in July 1977 provided much needed extra warehouse space but in anticipation of even further growth in the coming years, the Board of R.S. is already investigating additional warehouse accommodation outside London.

The Radio Resistor Company Limited

Radio Resistor has again recorded a year of substantial sales expansion in its chosen field of passive components. New franchises have been successfully added and many existing product ranges showed exceptional growth. This overall increase is against a background of low industrial growth in

CHAIRMAN'S STATEMENT *(Continued)*

most of U.K. industry and it appears therefore that Radio Resistor is taking a larger share of the slowly increasing market. Indeed, the company's growth rate necessitated its taking additional premises in Hitchin early in the year thus doubling the available floor space.

A computerised invoicing system began operation in April 1978 providing a greatly enhanced order processing capability.

Franchised distribution of passive components is now being handled by fewer but bigger organisations compared with a few years ago. This is particularly due to the fact that customers are requiring a higher standard of service with greater technical back-up and an assurance of on-going supplies. Radio Resistor meets all of these requirements and is therefore in a good position to continue expanding rapidly over the next few years.

Electrospares Limited

In last year's report I mentioned briefly this newly formed subsidiary which was being set up to market a range of point-of-sale products distributed through U.K. retailers in the electrical and hardware sectors. It commenced a low key operation in August 1977 but rapidly gathered momentum when it extended its range of products in October 1977 and again earlier this year.

Not unexpectedly there was a loss in the period under review. Nevertheless, the company in the first few months of its active life has succeeded in making itself known through its distinctive 'Panda' trade mark in retailers all over the country. It already has over 5,000 active accounts which, considering the highly competitive nature of the market, is an indication of the good marketing strategy and the effectiveness of the sales effort employed.

Prospects for this subsidiary are most exciting. Its development is indicative of the diversification from your Group's traditional electronics and electrical distribution areas of activity which your Board feels it wise to develop in the future.

Reading Windings Limited

I am happy to report that the loss situation of the previous two years has ended and the company has made a small profit. The fact that the amount is small is perhaps less important than the signs indicating that the corner has been turned. The Reading Windings Board has had to make tough decisions to achieve objectives but it has succeeded. The outlook for the present year is good and though sales turnover is increasing very slowly, it is generating profit for the Group.

Dividend

With the rate of Advanced Corporation Tax for the current year now fixed at 33%, the amount of the final dividend in accordance with the present permitted maximum, works out at 2.65158p per share making a total of 5.05158p per share for the year. Together with related tax credits, this is equivalent to 7.59395p per share against 6.90358p per share last year,

Again, due to current restrictions, your Board is compelled to recommend a dividend less than justified by the excellent year's results.

Scrip Issue

The present high price of your Company's shares, whilst reflecting the value that the stock market puts on them, is, nevertheless, at a level which perhaps discourages the private investor, including possibly members of the Group staff.

Consequently, your Board is recommending a one for one capitalisation issue to holders on the Register at 1st September, 1978 and it is hoped that this issue will take the share price to a figure more attractive to the small investor.

The new Ordinary Shares will not rank for dividend in respect of the year ended 31st March, 1978 but will, in all other respects, rank *pari passu* with the Ordinary Shares already in issue.

The necessary resolution to increase the authorised share capital and approve the Scrip Issue will be proposed at the Annual General Meeting.

Inflation Accounting

In accordance with the interim recommendations of the Accounting Standards Committee we are publishing a Current Cost Statement for the year which I hope shareholders will find informative.

Staff

I was pleased in April of this year to welcome Norman King to the Group Board. Having joined R.S. Components in 1972, he became Marketing Director for that company in 1973. During 1977, Mr. King accepted the specific additional task of getting Electrospares off the ground which he has carried out most successfully. His experience covers both components and instruments thereby equipping him to make a contribution to all areas in which the Electrocomponents Group is currently active. He retires at the Annual General Meeting and it will be my pleasure to propose to you that he be re-elected.

CHAIRMAN'S STATEMENT *(Continued)*

Future Prospects

Growth during recent years has been substantial and your Board currently sees this growth continuing. As said earlier, the development of Electrospares begins to take your group into new areas of distribution, and your Board's investigation into other distribution fields will continue. All subsidiaries have local Boards eager to develop and expand product ranges and their initiative in such expansion is being encouraged. The future is therefore very exciting.

I have no doubt that the current year, which has started very well, will end with still further profitable development. U.K. industry has still to shake off its current lethargy; resolve its labour relations problems, and regain confidence in investment. When that happens, and it must if our industries are to survive, your Group is equipped to play its part in profitable and efficient expansion which is to everybody's benefit.

R. A. MARLER
Chairman