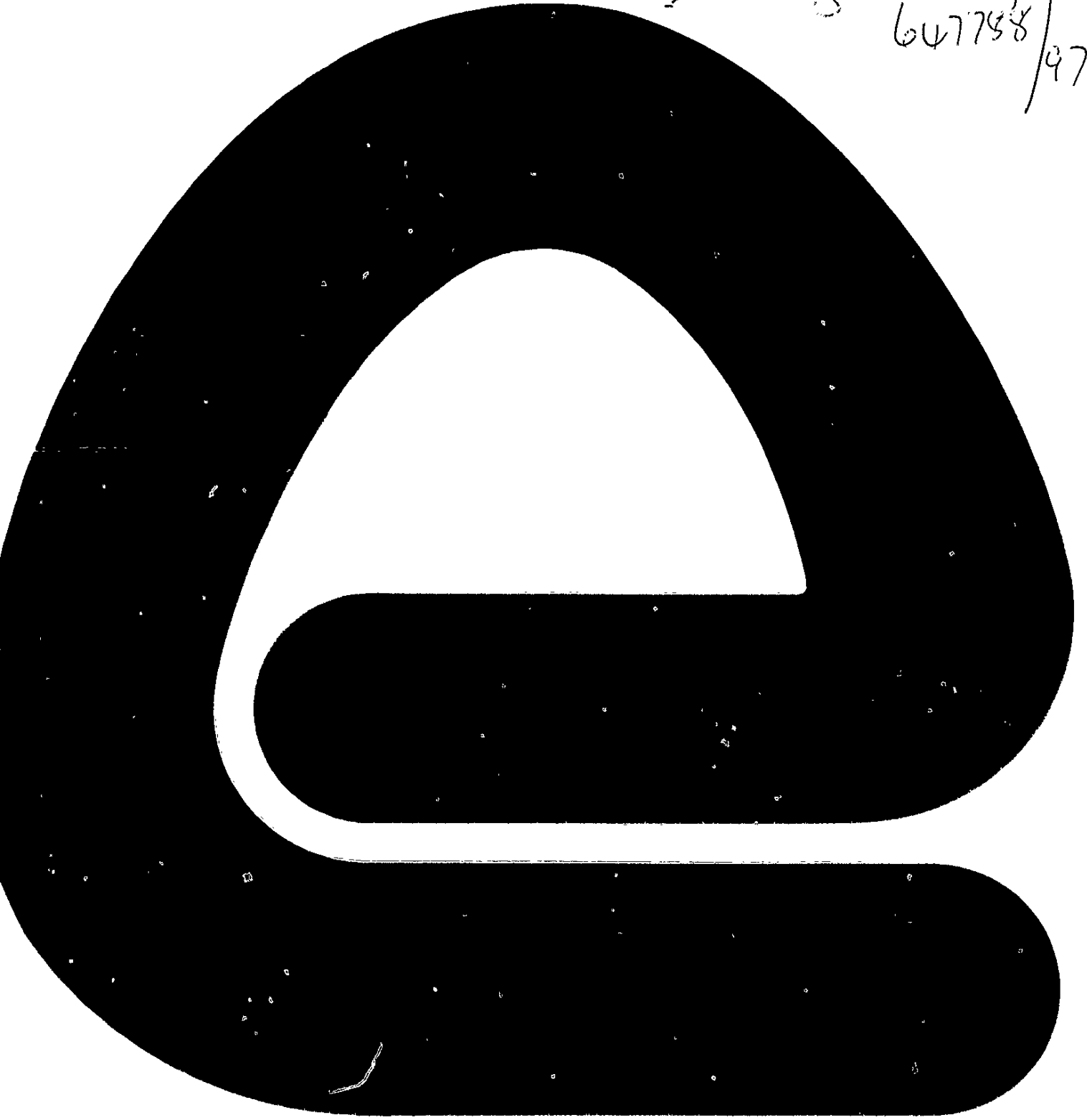


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Electrocomponents Limited

Report and Accounts

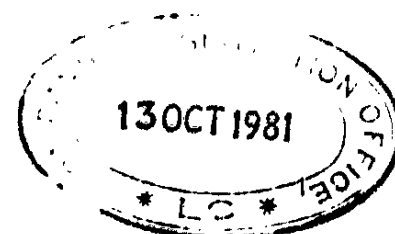
31st March 1981



Report and Accounts

for the year ended 31st March 1981

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Notice of Meeting

Notice is hereby given that the Twenty First 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 4th day of September, 1981 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, 1981.
- (2) To declare a final dividend on the Ordinary Shares.
- (3) To re-appoint Auditors for the ensuing year and to resolve that their remuneration be agreed by the Directors.
- (4) To transact any other ordinary business of the Company.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions which will be proposed as Ordinary Resolutions:—

- (5) That the authorised share capital of the Company be increased from £2,500,000 to £10,500,000 by the creation of 80,000,000 Ordinary Shares of 10p each.
- (6) That the sum of £8,000,000, 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 21st August, 1981 in the proportion of 40p 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 80,000,000 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 four new shares for every share then held, such new shares not to rank for dividend in respect of the year ended 31st March, 1981, but in all other respects to rank *pari passu* with the Ordinary Shares already in issue.
- (7) That until the conclusion of the next Annual General Meeting the Directors be and they are hereby authorised to exercise the power of the Company to allot Ordinary Shares at such times and upon such terms and conditions as they shall determine provided that the nominal value of the Ordinary Shares so allotted shall not exceed five per centum of the nominal value of the Ordinary Shares in issue after the issue of shares referred to in the foregoing resolution.

By Order of the Board,
R. J. GLENNIE,
Secretary,
12th August, 1981.

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

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 3rd September, 1981 and at The Great Eastern Hotel, Liverpool Street, London, E.C.2 on 4th September, 1981 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 3 not less than 48 hours before the time fixed for the meeting.



Officers and Advisers

Directors:

R. A. MARLER, A.C.I.S., A.C.M.A. (*Chairman*)
A. G. T. CHUBB, F.C.A.
D. R. HALL
N. F. W. KING, M.I.E.E., M.I.E.R.E., F.Inst.M.

Secretary:

R. J. GLENNIE, A.C.I.S.

Registered Office:

Maple House,
37-45, City Road,
London, EC1P 1HX

Registrars and Transfer Office:

RAVENSBORNE REGISTRATION SERVICES LIMITED
Bourne House, 34, Beckenham Road,
Beckenham, Kent, BR3 4TU

Auditors:

WILKINS, KENNEDY & CO.,
Bridge House, London Bridge,
London, SE1 9QR

Solicitors:

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

Bankers:

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

13 OCT 1981



Report of the Directors

The Directors have pleasure in submitting their Report, together with the audited Accounts for the year ended 31st March, 1981.

	£000	£000
Profit and Dividends		
The Group trading profit for the year to 31st March, 1981 before tax, was		14,562
Corporation tax absorbs		<u>6,860</u>
leaving net profit for the year of		7,702
to which is added the retained profit brought forward at 1st April, 1980		18,551
		<u>26,253</u>
making available a balance of		
Dividends paid and proposed:		
Interim (4.25p per share) paid on 5th January, 1981	850	
Final (5.5p per share) to be paid on 1st October, 1981	<u>1,100</u>	
absorb a total of		<u>1,950</u>
leaving retained profit carried forward of		<u>24,303</u>

Activities

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

Group Structure

The business carried on by the Reading Windings Limited subsidiary was closed down by the end of the financial year.

Exports

The value of Group exports within the financial year was £3,521,000 (1980 £2,736,000).

Employees

The average number of employees during the year was 1,388 (1980—1,345). Their aggregate remuneration amounted to £7,472,484 (1980—£6,191,876).

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 £538.

Fixed Assets

Changes in fixed assets during the year are shown in Note 1 to the Accounts.

Directors

Executive: Messrs. R. A. Marler, D. R. Hall and N. F. W. King served throughout the year.

Non-executive: Mr. A. G. T. Chubb was appointed a Director on 31st July, 1980 and in accordance with Article 104 retired at the Annual General Meeting held in September 1980 and was re-elected.



Report of the Directors

continued

Directors' Interests

Directors' 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 31.3.1981	At 1.4.1980
R. A. Marler	26,500	26,500
N. F. W. King	500	500

Between 31st March and 12th August, 1981 Mr. R. A. Marler disposed of 12,000 shares.

At no time during the year did any Director have a material interest in any contract that was significant in relation to the Group's business.

Shareholdings

At 12th July, 1981 the Company had not received notification by any person of any interest amounting to 5% or more of the issued ordinary share capital.

At 12th July, 1981 there were 2,365 shareholders, analysed as follows:

Share Range	No. of Shareholders	Total Shares	Percentage of Capital
1— 5,000	2,085	1,846,775	9.24
5,001— 25,000	165	2,072,128	10.36
25,001—100,000	91	4,938,258	24.69
100,001—200,000	24	3,384,475	16.92
200,001—500,000	15	4,695,564	23.48
500,001—999,999	5	3,062,800	15.31
	<u>2,365</u>	<u>20,000,000</u>	<u>100.00</u>

Scrp Issue

The Directors are recommending the capitalisation of £8,000,000 of the Company's reserves and the issue of 80,000,000 additional Ordinary Shares of 10p each credited as fully paid on a four-for-one basis to ordinary shareholders on the register at close of business on 21st August, 1981. The new Ordinary Shares will not rank for dividend in respect of the year ended 31st March, 1981 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 £2,500,000 of which £2,000,000 has been issued. In connection with the scrip issue it is proposed to increase the authorised share capital to £10,500,000 of which £500,000, as at present, will remain unissued. Resolutions 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 11th September, 1981. 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 such admission, dealings in the new Ordinary Shares will commence on 14th September, 1981.

Unissued Shares

In connection with possible future business acquisitions or for any other purpose the Directors consider that they should be authorised to exercise the power of the Company to allot shares upon such terms and conditions as they consider appropriate. Such authority will be sought in the form of the proposed resolution number 7 included in the Notice of Meeting.

Auditors

In accordance with the Companies Act 1976 a resolution proposing the re-appointment of Messrs. Wilkins, Kennedy & Co. at a remuneration to be agreed by the Directors will be put to the Annual General Meeting.

Income and Corporation Taxes Act 1970 (as amended)

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

By Order of the Board,

R. J. GLENNIE, Secretary
12th August, 1981



Accounting Policies

for the year ended 31st March 1981

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 1 and save as mentioned below, 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.

Turnover

Turnover represents the sales of goods to external customers and is stated exclusive of value added tax.

Depreciation

No depreciation has been charged on buildings under construction or freehold property awaiting disposal.

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

Warehouse and office equipment	—	15% p.a.
Plant	—	15% p.a.
Computer equipment	—	20% p.a.
Vehicles	—	25% p.a. (previously 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 an 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

No provision has been made since the Directors see no likelihood of tax liability in the foreseeable future in respect of recovery of either stock relief or accelerated capital allowances.

Repairs and renewals

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



Consolidated Profit and Loss Account

for the year ended 31st March 1981

	Note	1979/80	
		£000	£000
TURNOVER			<u>57,348</u>
GROUP TRADING PROFIT	8	65,872	13,067
TAXATION	3	6,860	5,913
PROFIT AFTER TAXATION		7,702	7,139
RETAINED PROFIT BROUGHT FORWARD		18,551	13,147
PRIOR YEAR ADJUSTMENT	10	<u>—</u>	<u>15</u>
		18,551	13,162
		26,253	20,301
DIVIDENDS	12		
Interim		850	700
Final		<u>1,100</u>	<u>1,050</u>
		1,950	1,750
RETAINED PROFIT CARRIED FORWARD	5		
Parent Company		8,663	538
Subsidiaries		<u>15,640</u>	<u>18,013</u>
		24,303	18,551
EARNINGS PER SHARE	13	38.51p	35.69p

To be read in conjunction with the notes on pages 10 to 13.



Consolidated Balance Sheet

at 31st March 1981

	Note			at 31.3.80	
		£000	£000	£000	£000
EMPLOYMENT OF CAPITAL					
FIXED ASSETS	1		3,959		1,650
CURRENT ASSETS					
Stocks	7	12,529		12,020	
Debtors and prepayments		13,620		13,386	
Cash		9,444		5,538	
Local Authority Stocks (market value £23,572)		25		25	
		<u>35,618</u>		<u>30,969</u>	
CURRENT LIABILITIES					
Trade creditors and accruals		5,857		5,518	
Taxation	2	6,967		5,844	
Proposed dividend		1,100		1,050	
		<u>13,724</u>		<u>12,412</u>	
NET CURRENT ASSETS			<u>21,894</u>		<u>18,557</u>
DEFERRED ASSET			<u>25,853</u>		<u>20,207</u>
	2		471		368
			<u>26,324</u>		<u>20,572</u>
CAPITAL EMPLOYED					
SHARE CAPITAL	4		2,000		2,000
RESERVES	5		24,324		18,572
			<u>26,324</u>		<u>20,572</u>

R. A. Marler
R. A. MARLER

N. P. W. King
N. P. W. KING

} Directors

To be read in conjunction with the notes on pages 10 to 13.



Balance Sheet

at 31st March 1981

	Note			at 31.3.80	
		£000	£000	£000	£000
EMPLOYMENT OF CAPITAL					
FIXED ASSETS	1		1,737		10
INTEREST IN SUBSIDIARIES	6		10,613		4,017
			<u>12,350</u>		<u>4,027</u>
CURRENT ASSETS					
Debtors and prepayments		53		31	
Local Authority Stocks (market value £23,572)		25		25	
Cash		1		20	
		<u>79</u>		<u>76</u>	
CURRENT LIABILITIES					
Creditors		42		24	
Taxation	2	1,095		941	
Proposed dividend		1,100		1,050	
		<u>2,237</u>		<u>2,015</u>	
NET CURRENT LIABILITIES			(2,159)		(1,939)
DEFERRED ASSET	2		10,192		2,068
			471		450
			<u>10,663</u>		<u>2,538</u>
CAPITAL EMPLOYED					
SHARE CAPITAL	4		2,000		2,000
RESERVES	5		8,663		538
			<u>10,663</u>		<u>2,538</u>

R. A. MARLER

N. F. W. KING

Directors

To be read in conjunction with the notes on pages 10 to 13.



Notes to the Accounts

31st March, 1981

1. Fixed Assets (£000)

	GROUP			PARENT COMPANY	
	Land and buildings Freehold	Land and buildings Short leasehold	Equipment and vehicles	Land and buildings Freehold	Equipment and vehicles
Cost or valuation					
At start of year	* 79	335	2,783	—	22
Additions	†1,652	110	1,165	1,652	16
Disposals	—	—	(347)	—	(16)
Transfer within Group	—	—	—	79	—
At end of year	<u>1,731</u>	<u>445</u>	<u>3,601</u>	<u>1,731</u>	<u>22</u>
Depreciation					
At start of year	12	32	1,503	—	12
Charge for year	—	17	473	—	4
Disposals	—	—	(218)	—	(12)
Transfer within Group	—	—	—	12	—
At end of year	<u>12</u>	<u>49</u>	<u>1,757</u>	<u>12</u>	<u>4</u>
Net book amount at end of year	<u>1,719</u>	<u>396</u>	<u>1,844</u>	<u>1,719</u>	<u>18</u>
	3,959			1,737	

*Professional valuation at March 1967 with additions since at cost.

†Cost to date of buildings under construction.

The net book amount of equipment and vehicles at the end of the year comprised:—

Computer equipment	876	—
Warehouse and office equipment	759	1
Vehicles	209	17
	<u>1,844</u>	<u>18</u>

Capital expenditure commitments not provided for in the Accounts:—

	£000			
	At 31st March, 1981		At 31st March, 1980	
	Contracted	Authorised but not contracted	Contracted	Authorised but not contracted
Parent Company	990	nil	nil	2,642
Subsidiaries	558	90	800	102



Notes to the Accounts

continued

	31st March 1981 £000	31st March 1980 £000
6. Interest in Subsidiaries		
Amounts owed to parent company	10,419	3,672
Amounts owed by parent company	248	97
	<u>10,171</u>	<u>3,575</u>
Shares at cost	442	442
	<u>10,613</u>	<u>4,017</u>

The subsidiary companies are listed on page 18.

7. Stocks		
These comprise:		
Finished goods for re-sale	12,241	11,514
Raw materials and work in progress	—	240
Other stocks	288	266
	<u>12,529</u>	<u>12,020</u>

	1980/81 £000	1979/80 £000
8. Group Trading Profit		
The profit emerges after—		
Crediting: Interest earnings	1,493	1,038
Charging: Directors' emoluments and pension contributions	100	85
Director's severance payment	—	7
Depreciation	489	451
Auditors' remuneration	40	30
Equipment leasing costs	137	170

9. Post Balance Sheet Event

Since 31st March 1981 the premises formerly occupied by Reading Windings Limited have been disposed of for £348,450. These premises are included in the Balance Sheet at their written down value of £67,000. The net gain, after tax and expenses, will be dealt with in the Accounts for the year ended 31st March 1982.

10. Prior Year Adjustment—1980

This was in respect of the writing back of a prior year over provision against loss in a subsidiary company.

11. Emoluments (excluding pension contributions)

(a) Parent company directors:

	1980/81	1979/80
Chairman	£30,917	£26,250
Other directors:		
Salary range up to £5,000	1	1
£15,001 — £20,000	—	1
£20,001 — £25,000	1	1
£25,001 — £30,000	1	1

In addition, fees of £1,250 were paid within the year to a company owned by a former director.

(b) Other group employees:

There were no employees with emoluments in excess of £20,000.



Notes to the Accounts

continued

12. Dividends

The total of the dividends for the year with their respective tax credits amounts to 13.92857p per share (1980—12.5p per share).

13. Earnings per Share

The calculation of earnings per share is based on earnings of £7,702,000 for the year and 20,000,000 Ordinary Shares in issue at 31st March, 1981.

REPORT OF THE AUDITORS

To the members of Electrocomponents Limited

We have audited the financial statements on pages 7 to 14 in accordance with approved auditing standards.

In our opinion the financial statements on pages 7 to 14, which have been prepared under the historical cost convention, give under that convention a true and fair view of the state of affairs of the company and the group at 31st March, 1981 and of the profit and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1980.

In our opinion the supplementary current cost accounts for the year ended 31st March, 1981 on pages 15 and 16 have been properly prepared, in accordance with the policies and methods described in the notes, to give the information required by the Statement of Standard Accounting Practice No. 16.

WILKINS, KENNEDY & CO.

Chartered Accountants

Bridge House, London Bridge, London, SE1 9QR.

31st July, 1981



Source and Application of Group Funds

for the year ended 31st March 1981

	£000	£000	1979/80	
			£000	£000
SOURCE OF FUNDS				
Profit before taxation		14,562		13,052
Depreciation—requiring no movement of funds		<u>489</u>		<u>451</u>
GENERATED FROM OPERATIONS		15,051		13,503
FUNDS FROM OTHER SOURCES				
Disposal of subsidiary company		<u>—</u>		<u>13</u>
		15,051		13,516
APPLICATION OF FUNDS				
Dividends paid	1,900		1,700	
Tax paid	5,843		4,867	
Capital expenditure (net)	<u>2,798</u>		<u>635</u>	
		10,541		7,202
ADDITIONAL WORKING CAPITAL		<u>4,510</u>		<u>6,314</u>
VARIATIONS IN WORKING CAPITAL				
Stocks	increase	509	increase	3,722
Debtors	increase	234	increase	3,490
Creditors	increase	(139)	increase	(1,417)
Cash resources	increase	<u>3,906</u>	increase	<u>519</u>
		<u>4,510</u>		<u>6,314</u>

To be read in conjunction with the notes on pages 10 to 13.



Current Cost Accounts

GROUP CURRENT COST PROFIT AND LOSS ACCOUNT for the year ended 31st March, 1981

	£000	1979/80 £000
Turnover	65,872	57,348
Historical cost trading profit (before interest earnings)	13,069	12,014
Current cost adjustments (Note 2 on page 16)	2,017	1,761
Current cost operating profit	11,052	10,253
Interest earnings	1,493	1,038
Current cost profit before tax	12,545	11,291
Taxation	6,860	5,913
Current cost profit attributable to shareholders	5,685	5,378
Dividends	1,950	1,750
Current cost profit retained	3,735	3,628
Retained profits at beginning of the year	16,790	13,162
Retained profits at end of the year	20,525	16,790
Current cost earnings per share	28.43p	26.89p

GROUP CURRENT COST BALANCE SHEET at 31st March, 1981

	£000	£000	31st March 1980	
			£000	£000
ASSETS EMPLOYED:				
Fixed assets (Note 4 (a) on page 16)		4,749		2,300
Net current assets				
Stock	12,529		12,020	
Monetary working capital	7,963		7,868	
Total working capital	20,492		19,888	
Cash and investments	9,469		5,563	
Proposed dividend	(1,100)		(1,080)	
Taxation	(6,495)		(6,479)	
		22,366		18,922
		27,115		21,222
FINANCED BY:				
Share capital and reserves				
Share capital		2,000		2,000
Current cost reserve (Note 4 (b) on page 16)		4,569		2,411
Retained profit		20,525		16,790
Capital reserve		21		21
		27,115		21,222



Notes to the Current Cost Accounts

1. The current cost accounts are prepared in accordance with the Statement of Standard Accounting Practice No. 16 and the terms used are as defined in that Statement.

2. Profit and Loss Account:		1980/81	1979/80
		£000	£000
(a) Current cost adjustments			
Cost of sales (COSA)	692		662
Monetary working capital (MWCA)	<u>1,034</u>		870
Depreciation		1,726	
		291	229
		<u>2,017</u>	<u>1,761</u>

(b) The COSA and MWCA are calculated from index records maintained within the Group, using the averaging method.

(c) The depreciation adjustment is calculated from the appropriate indices published by the Central Statistical Office.

(d) All calculations are made on a group basis.

3. Except as set out above, the accounting policies applicable to the current cost accounts are the same as those applied in the historical cost accounts.

4. Balance Sheet:

(a) Fixed Assets	£000		
	Gross current replacement cost	Depreciation	Net current replacement cost
Land and buildings	2,792	85	2,707
Equipment and vehicles	<u>4,076</u>	<u>2,034</u>	<u>2,042</u>
	<u>6,868</u>	<u>2,119</u>	<u>4,749</u>
(b) Current cost reserve	£000		£000
Balance at 1st April, 1980			2,411
Fixed asset revaluation surplus	432		
Adjustments: Cost of sales	692		
Monetary working capital	<u>1,034</u>		
			<u>2,158</u>
Balance at 31st March, 1981			<u>4,569</u>
of which realised			3,778
unrealised			791
			<u>4,569</u>



Five Year Record

	1980/81	1979/80	1978/79	1977/78	1976/77
CAPITAL EMPLOYED					
Ordinary Share Capital	2,000	2,000	2,000	1,000	1,000
Reserves	24,324	18,572	13,168	10,096	6,264
Total shareholders' funds	<u>26,324</u>	<u>20,572</u>	<u>15,168</u>	<u>11,096</u>	<u>7,264</u>
			£000's		
ASSETS EMPLOYED					
Fixed assets	3,959	1,650	1,466	1,293	796
Net current assets	22,365	18,922	13,702	9,803	6,468
	<u>26,324</u>	<u>20,572</u>	<u>15,168</u>	<u>11,096</u>	<u>7,264</u>
TURNOVER	<u>65,872</u>	<u>57,348</u>	<u>44,405</u>	<u>33,556</u>	<u>22,849</u>
PROFITS, DIVIDENDS AND RETENTIONS					
Profit before taxation	14,562	13,052	10,004	7,596	4,537
Taxation	6,860	5,913	4,632	3,256	1,916
Profit after taxation	7,702	7,139	5,372	4,340	2,621
Dividends	1,950	1,750	1,300	505	453
Retained profit	<u>5,752</u>	<u>5,389</u>	<u>4,072</u>	<u>3,835</u>	<u>2,168</u>
EARNINGS PER SHARE	38.51p	35.69p	26.86p	21.70p	13.10p
DIVIDENDS PER SHARE					
Cost to company	9.75p	8.75p	6.50p	2.52p	2.26p
Gross equivalent	13.93p	12.50p	9.38p	3.80p	3.45p
AVERAGE NUMBER OF EMPLOYEES	1,388	1,345	1,194	1,063	1,001

Certain figures in this statement have been adjusted retrospectively to reflect the change in accounting policy on deferred taxation and also the one-for-one scrip issue in September 1978.



Subsidiary Companies

(all wholly owned and incorporated in England unless otherwise stated)

Trading

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

PACT INTERNATIONAL LIMITED (formerly ELECTROSPARES LIMITED)
Shrewsbury Avenue,
Woodston,
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.

Not trading

READING WINDINGS LIMITED (ceased trading during 1980/81)

R. S. ELECTRONIC COMPONENTS (LONDON) LIMITED

ELECTROSPARES LIMITED (formerly PACT INTERNATIONAL LIMITED)

RADIO SPARES LIMITED

R. S. COMPONENTS LIMITED (Incorporated in Republic of Ireland)



Chairman's Statement

The Accounts for the year under review show the effect on your Group of the deepening UK recession. Nevertheless, by expanding product ranges in all subsidiary companies, an overall sales growth was achieved and pre-tax profits increased by 11.6%.

The economic climate in the UK which has prevailed from early 1980 has resulted in an increasingly tight control on expenditure in Government controlled organisations as well as in most of British industry. A run down of stocks has been apparent, and our customers reached the point last year when they were generally placing orders for immediate requirements only. This inevitably led to a reluctance on their part to accept price increases and the Group subsidiaries have been no less reluctant to accept such increases from their own suppliers, which is in marked contrast to the continuing and substantial increase in the cost of services provided by Central and Local Government.

Your Board has always been cost conscious and has effected savings wherever possible. The success of this policy is shown by the traditional achievement of a healthy profit margin. The situation prevailing during the year under review has warranted even tighter cost control, as evidenced by an increase in staff of just over 40 during a year when turnover went up by £8 ½ million.

Reference to the balance sheet will show that, despite the slow-down in sales growth and all that entails, year end stock and debtor balances remained firmly under control.

Electroplan Limited

	Sales £000	Pre-tax profit £000
1979-80	3,149.6	202.8
1980-81	3,071.0	202.7

Regrettably, the budgetted expansion over the previous year was not achieved. Cash restraint has been even more evident in the area of semi-capital equipment served by this company than that of components. Electroplan has for some years been recognised in the market as a source of good quality products backed by a first-class engineering capability. Development of technology in test and measuring equipment can provide an increasing amount of automation, greater accuracy and saving in time, factors much needed in many UK industries – but the desire to utilise new generations of instruments has in many cases during the year not been matched by availability of resources to purchase them.

The digital multi-meter Fluke franchise was a significant addition during the year. Entry during 1980 into scientific microcomputing with the Hewlett Packard HP-85 system generated new sales in both hardware and software. Prospects in the current year for this product are excellent. Electroplan is presently investigating measurement systems employing a microcomputer in conjunction with compatible instruments to programme, control and perform data analysis on and off line.

Oscilloscopes represent an important part of Electroplan's product range. During the current year, the company has been given the sole franchise for a new series of 'scopes from Tektronix. The price/performance of these instruments makes them extremely competitive and offers Electroplan a new market opportunity.

Prospects for increased market penetration in the UK are excellent given a modest increase in customers' cash budgets for instrumentation.

Part International Limited (previously Electrospares Limited)

	Sales £000	Pre-tax profit £000
1979-80	3,085.4	184.9
1980-81	4,515.2	346.8



Chairman's Statement

continued

Pact, selling to the retail audio and electrical market under the trade name PANDA, achieved a positive step forward in both sales and profit. This progress stems from a combination of product range expansion and an increase in the company's share of the market.

Panda is now a well-established trade name in the eyes of customers and retailers have reacted enthusiastically to the professional service which the company offers.

The company moved into its new Peterborough warehouse over the 1981 Easter weekend and occupied the adjacent offices early this month. The new buildings total approximately 82,000 sq.ft. but adjacent land has been purchased thus providing space for extending the premises by a further 50-60,000 sq.ft. when needed. The purchase of the land and construction of the buildings costing £2 ½ million were financed from your Group's own cash resources.

Whilst the trade name Panda will continue to be used, the company changed its name to Pact International Limited in April of this year in anticipation of extending the Panda range to areas of D.I.Y. and hardware.

Your Board expects that the current year will see a continuation of the recent sales growth pattern.

The Radio Resistor Company Limited

	Sales £000	Pre-tax profit £000
1979-80	3,635.1	294.8
1980-81	3,606.7	88.1

Radio Resistor sells its products to customers requiring production quantities. There was a marked down-turn in its business in the second half of the year as production in many industries declined. Towards the end of the financial year however the down-turn had bottomed out and there were some signs that customers' orders reflected a slight improvement in demand.

The fixed cost element in the company's overheads is high and the budget set in 1980 for the year under review looked to a substantial increase in sales over 1979-80. The sharp fall in demand, combined with two non-recurring factors which arose during 1980, resulted in the disappointing fall in profit.

Under its new Managing Director, Tom Anderson, the management team of the company has now completed a comprehensive programme of re-organisation and consolidation. A modern computerised system has been developed to cover most aspects of the order processing systems.

In recent months the electro-mechanical and passive sections of the product range have been extended and a broader product base established. The company is currently negotiating with several suppliers with a view to adding further high sales potential in active as well as passive product areas.

Plans for the company to move into new leased premises of just over 50,000 sq.ft. in Bedford are on schedule and the move should be completed by November of this year.

The company is now equipped to move forward very rapidly given an upturn in demand, and expectation for the current year reflects confidence that the company's market share should increase.

Chairman's Statement

continued

R. S. Components Limited

	<i>Sales</i> £000	<i>Pre-tax profit</i> £000
1979-80	46,941.3	11,531.9
1980-81	54,271.0	12,900.2

There was a marked difference between the two halves of the year in terms of both profit and sales. Despite three large and exciting catalogue introductions, prevailing cash restraint resulted in customers ordering no more than their immediate needs, albeit sometimes more frequently than previously.

In March of this year the company departed from tradition and introduced a second and lower price for most products, provided the quantity ordered exceeds a stated minimum. It is too early to quantify the increased sales as a result of this policy since currently even a price benefit may not persuade customers to buy more than immediate requirements.

Price competition in the market has increased and customers are aware that distributors hold adequate stocks and most supplies are available for immediate delivery.

During the year under review the company extended its range to over 6,000 product lines and whilst a considerable number of new products are active devices, additions were also made in passives, tools and supporting products.

During the year protracted negotiations took place to lease an 85,000 sq.ft. warehouse within half a mile of the company's present London premises. Eventually these negotiations had to be terminated and since that time no possible London alternative has been found. It became apparent therefore that the company would have to seek an alternative outside London and investigations are presently at an advanced stage to move activities in London and Hertford to Milton Keynes; an ideal location for a company distributing nationally.

In Milton Keynes your Group has the opportunity to purchase land and construct a warehouse and offices with adjacent land for development, thereby ensuring adequate space for expansion over many years. Such a step will, allowing for inflation, involve capital expenditure of £13-14 million spread over the next 3-4 years. Additionally there would be substantial expenditure in the form of relocation and redundancy payments and duplicated overheads during the period up to the actual move. When completed, the new location will provide lower operating costs than would apply if the company continues to operate within the London area.

The potential for further growth in the company remains substantial, otherwise the cost of a probable move to Milton Keynes could not be justified by your Board. Sales growth in the next two years or so will not be inhibited by shortage of space, since a short term lease for 75,000 sq.ft. of warehouse space in Milton Keynes has been signed. This space will be used to receive, store and despatch part of the product range from about September of this year and until a permanent home is built and occupied.

Reading Windings Limited

	<i>External Sales</i> £000	<i>Pre-tax profit</i> £000
1979-80	566.8	(3.1)
1980-81	408.5	(156.7)

The company ceased trading soon after Christmas 1980. The loss for the year under review includes all redundancy and termination payments for just over 100 staff, the sale of assets and all the expenses of closure.

Whilst not reflected in the accounts for the year the freehold premises were sold in April last for £348,500, which compares with a written down book value at 31st March, 1981 of £67,000.

Some capital expenditure to automate production had been incurred in recent years, but at no time had your Board felt that the business could be profitably expanded. The growing shortage of orders suitable for a company of its size and ability prompted the decision to close the business down.



Chairman's Statement

continued

Staff

It has been a hard and in some ways frustrating year for management and staff and on your behalf I thank all in the Electrocomponents Group for their patient efforts and their ability to maintain continued enthusiasm despite the trading conditions prevailing.

Management

Norman King, who so successfully undertook the creation and development of Pact International, took over from me as Managing Director of R. S. Components in August this year.

Alan Cavanagh, who joined R. S. Components Limited in 1969 and went on the Board of that Company in 1973, took over as Managing Director of Pact International in August this year.

I am pleased to report that Tom Anderson, who joined Radio Resistor in the early part of 1981, is proving to be a very able Managing Director of that company.

Dividend and Scrip Issue

The increase in profit for the year enables your Board to recommend a final dividend of 5.5p per share making a total for the year of 9.75p per share – an increase over the previous year of 1.0p.

During 1981, the quoted price of your Group's Ordinary Shares reached 800p and at such a high figure had been identified as top-heavy. It is recommended to the shareholders therefore that a 4 for 1 Scrip Issue be made and this would bring the price to a more generally acceptable level.

Prospects

Group sales for the current financial year suggest that the recession has, for the moment, levelled out. The sharp fall in the value of sterling as related to many other currencies is bringing some concern to British industry, not the least of which is fear that the inflation rate will again rise. These problems are not confined to the United Kingdom but are shared by many West European countries. Whilst each subsidiary in your Group is being encouraged to expand product ranges thereby generating new sales, I would not expect that the overall market in which your Group operates will grow in the immediate future. The market for your Group's products has become very price conscious and price cutting amongst distributors is noticeable. Further increases in overhead costs in areas controlled by Local and Central Government are to be expected and the market climate will not permit all of these increases to be passed on in the form of higher sales prices. It is inevitable therefore that during the current year your Group's profit margin will be under some pressure.

Your Board is confident that more buoyant trading conditions will return though not in the immediate future. Nevertheless it is their opinion that the ongoing expansion of the Company requires investment in internal systems automation, larger premises and additional technicians in the fields of developing technology. Such investment is being implemented and will provide the base from which to expand your Group's business as demand rises.

All four trading subsidiaries are capable of widening their product ranges quite considerably. Marketing staffs in all the companies are monitoring developments in technology. Our investigation of possible acquisitions both in the United Kingdom and abroad will continue.

It would be unwise for me to make predictions for the future but I hope that the next Chairman's Statement will contain a more positive expression of expected progress.

Radionics Limited

As a late addition to this statement, I am pleased to report that your Board has successfully completed negotiations for the acquisition of 60% of the equity in Radionics Limited, an Irish distribution company based in Dublin. The amount invested, excluding costs, is IR £517,000.

Radionics has for many years been the sole sales outlet in the Republic for products from R. S. Components. More recently, sales of Panda products in Ireland have been effected exclusively through Radionics.

Your Board is confident that this new relationship between Radionics and the Electrocomponents Group will provide a sound base for increasing sales in Ireland.

R. A. Marler