ELECTROCOMPONENTS plc

647788

29/9

REPORT AND ACCOUNTS 1990

## OFFICERS AND ADVISERS

**Directors**
A G T Chubb, FCA
*Chairman*

J L Robinson, FCA
*Managing Director*

Sir Keith Bright, BSc, PhD, FRSC, FCIT
*Non-executive Director. Chairman and Chief Executive, London Regional Transport*

R M Denny, CEng, FIERE
*Non-executive Director. Chairman and Chief Executive, Rediffusion plc*

R Horrocks, CBE, CBIM, FIMI, FRSA
*Non-executive Director. Chairman, Owenbell Ltd*

N F W King, OBE, MIEE, MIEEE, FInstM
*Executive Director*

R C Tomkinson, MA, FCA
*Finance Director*

**Secretary**
R J Glennie, FCIS

**Registered office**
21 Knightsbridge, London SW1X 7LY

**Registrars and transfer office**
Ravensbourne Registration Services Limited
Bourne House, 34 Beckenham Road,
Beckenham, Kent BR3 4TU

**Auditors**
Peat Marwick McLintock
1 Puddle Dock, Blackfriars, London EC4V 3PD

**Solicitors**
Slaughter and May,
35 Basinghall Street, London EC2V 5DB

**Bankers**
Midland Bank plc
London EC4M 5SQ

Deutsche Bank AG
London EC2P 2AT

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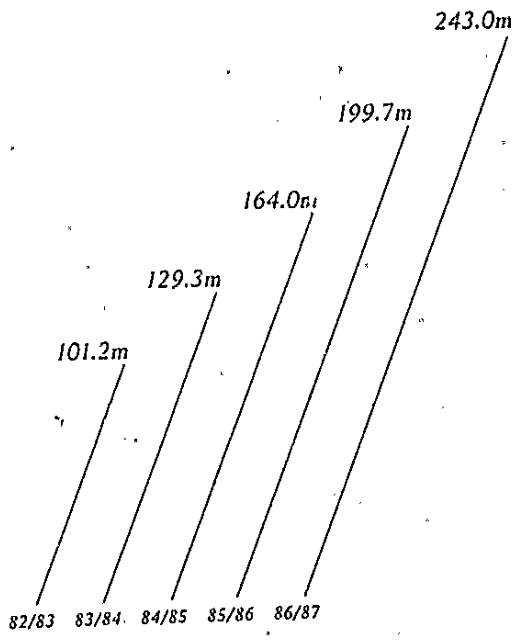
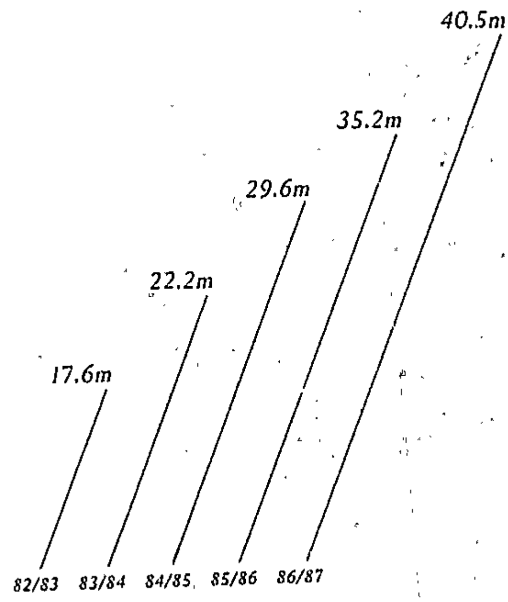
# FINANCIAL HIGHLIGHTS

- Sales up 22% to £243m
- Profit before tax up 15% to £40.5m
- Earnings per share increased 24% to 25.5p
- Proposed dividend increase of 18% to 7.4p per share
- Proposed scrip issue of one share for every share held
- Net cash balances of £7m
- Acquisition of WM Lighting Limited for £4.5m

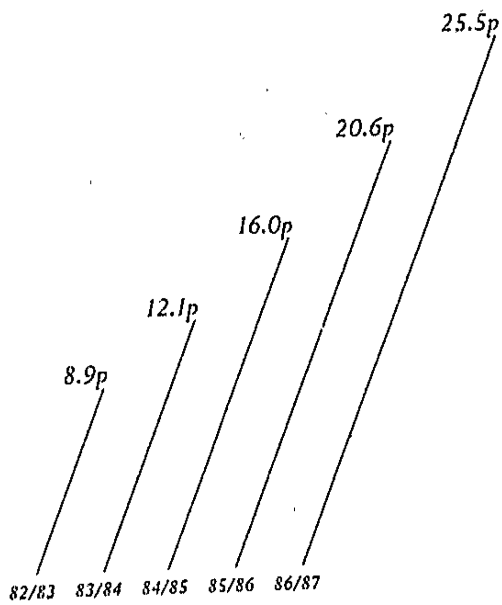
**Group sales**




**Pre-tax profits**




**Earnings per share**



Results for the year ended 31st March 1987 have once again set new records for your Company in terms of sales, profits and earnings per share. Group sales increased by 22% to £243m and pretax profits increased by 15% to £40.5m. Earnings per share were 25.5p compared with 20.6p in 1985/86, an increase of 24%. The Group had a positive cash flow of £8.5m and ended the year with net cash balances of £7.0m.

The Directors have recommended a final dividend of 5.2p per share making a total of 7.4p net per share (1985/86: 6.25p per share). In an effort to encourage wider ownership of our shares, the Directors propose a scrip issue of one new ordinary share for each ordinary share held.

In the UK, the difficult trading conditions in the electronic component market have continued unabated although general business levels have shown some improvement, particularly in our operations that serve the retail sector.

RS Components continued to advance as a result of its widening product range and broad customer address and, despite increased competitive pressures, achieved satisfactory growth in sales and profits. This year sees the 50th anniversary of the founding of RS Components then known as Radiospares. The dedication to customer satisfaction coupled with entrepreneurial spirit remains as strong now as it undoubtedly was in those early days.

Pact International, in its tenth anniversary year, recorded a much improved performance and our interests serving the retail sector were substantially increased by the acquisition of WM Lighting Limited in January 1987 at a cost of £4.5m. We believe that this acquisition offers us an exciting opportunity in a growth market and plans are in hand to expand the existing facilities.

RR Electronics and Online, operating throughout the year in a particularly unhelpful trading environment, improved on their previous year's profit performance.

Despite increased sales in the computer and peripherals product group, the performance of Electroplan was adversely affected by the continuing erosion of business in the test and measurement area which, historically, has been the traditional strength of this business. Plans are in hand to restructure the company and position it for the changed market conditions.

In the United States, a satisfactory performance from S & S Electronics did not prevent the overall result from being a disappointment. Following a detailed appraisal of its performance and future prospects, the decision was taken to withdraw from the bar-coding market and the costs of closure of Lowell Systems Inc, the dedicated subsidiary in this area, are included as an extraordinary item. It was considered that a disproportionate amount of management time would be required to develop this activity into a meaningful profit contributor in Group terms.

With the re-structuring of Mesa Technology Corporation and its move to new premises, we have completed the reorganisation of our US operations which now report to the newly appointed President of Electrocomponents Inc based in Reston, Virginia.

Our West German operations, comprising Retron GmbH and its associate companies, recorded a satisfactory performance despite the difficult market conditions. The management team was strengthened during the year and further recruitment will be undertaken in the current year.

During the year under review, Sir Keith Bright and Mr Ray Horrocks, CBE, joined the board as Non-executive Directors and, together with Mr Ronald Denny, bring to us a wide range of experience. We are grateful to them for their guidance and counsel.

Following the publication of the New Year's Honours List, your Board joined with me in congratulating Dr Keith Bright on receiving a Knighthood and Mr Norman King, who in addition to being a Director, is also Managing Director of RS Components, on being awarded an OBE for services to industry.

David Hall retired from the Board in October 1986 after eleven years service with the Group including nine years as a Director. We thank him for his contribution and extend to him our best wishes for the future.

I am conscious that successful results flow directly from the enthusiasm and effort of our employees and I take this opportunity of thanking them all for their loyalty and dedication throughout the past year.

We continue to explore many opportunities for expanding our business both in the UK and overseas and we anticipate some will come to fruition during the year ahead. We remain optimistic of further progress during the current year although we do not foresee a marked demand improvement in most of the markets that we serve nor any lessening of competitive pressures.

Tony

Chairman

The Group distributes electronic and electrical products in four market sectors, and from within three geographic areas.

| Market sector | UK and Eire | USA | West Germany |
|---|---|---|---|
| Own Brand: Distribution to Industry | RS Components<br>Electromail<br>Radionics | | |
| Distribution to Retail | Pact International<br>WM Lighting | | |
| Franchised Component Distribution | RR Electronics<br>Online Distribution | | Retron Group |
| Computer and Peripheral Distribution | Electroplan | Mesa Technology<br><br>S & S Electronics | |

## Own brand – industrial

RS Components is the largest distributor of electronic, electrical and related products in the United Kingdom. It supplies, under the RS label, active, passive and electro-mechanical devices together with a wide range of products required by engineers and technical users.

Electromail is a mail order business supplying RS products to customers with infrequent requirements.

Radionics is the exclusive RS distributor in Eire.

## Distribution to retail

Pact International distributes electrical accessories, appliances and audio products to multiple and independent retailers throughout the UK, primarily using the PANDA brand.

WM Lighting distributes lighting products to multiple and DIY retailers throughout the UK.

## Franchised components

RR Electronics holds franchises for a number of major semiconductor manufacturers and for a broad range of passive and electromechanical products. It supplies to a wide base of original equipment manufacturers.

Online's franchises are for a selected number of suppliers and the company focuses on the distribution of higher technology components.

The Retron Group has a broad-line franchise structure, similar to RR Electronics.

## Computer and peripherals

Mesa Technology and S & S Electronics sell a range of printers, printer systems, storage products and computers under distribution agreements with a select number of manufacturers, and provide after-sales support and service. Mesa also supplies Tempested products to US Government agencies.

Electroplan sells and rents test and measurement equipment, microcomputers and peripherals.

The Group continues to re-invest strongly in all of its activities and control of asset utilisation has provided the necessary resources from internally generated funds.

New data processing systems have recently been, or are being, installed in virtually every company. Materials handling systems are being enhanced in many of our operations and new facilities are provided where growth requirements so demand.

We continue the extension of the services and products we offer to our customers and to build market position. The results of recent efforts are now starting to flow through in some activities. However, there is much more work to be done in all areas and many opportunities to be grasped. In particular, a market research study has been commissioned to investigate the potential in West Germany for a service similar to the one provided by RS Components in the UK.

The human resources necessary to effect these plans receive our close attention, so that skills equate to investment. Our efforts to improve communications throughout the organisation are on-going.

John Robinson

Managing Director

John Robinson.

| **Own brand distribution to industry** | | FY 87 £m | FY 86 £m |
|---|---|---|---|
| RS Components, Electromail, Radionics (Eire) | Sales | 152.1 | 137.5 |
| | Operating Profit | 35.2 | 31.5 |

RS Components, the market leader in its field, had another successful year, increasing sales and operating profits whilst maintaining margins. Export sales grew less than home sales due to currency and economic factors in the overseas markets. These results were achieved despite highly competitive conditions in the UK market during the year under review.

Over 1,800 new products were introduced into the catalogue, the presentation of which was further improved. Particular success was achieved with telecommunications products, test and measurement instruments and in the supply of industrial electrical components. RS continues to research new product and market opportunities, and in April 1987 was approved by the British Standards Institution as a "Registered Stockist of Assessed Capability".

The data processing project is well under way and significant conversion costs have been and will continue to be incurred. However, these new facilities will enable RS to extend its service to its customer base and new features will be offered to the market during 1988.

Electromail was successfully launched during the year, offering the RS product range on a mail order basis to small customers and those with infrequent needs. Electromail utilizes the facilities and resources of RS.

Radionics, with the benefit of currency gains, had a satisfactory year, despite the weakness in the Irish economy.

We look to continued growth and development in these activities during the year ahead, hopefully assisted by some modest improvement in market conditions.

| **Distribution to retail** | | FY 87 £m | FY 86 £m |
|---|---|---|---|
| Pact International, WM Lighting | Sales | 25.4 | 15.6 |
| | Operating Profit | 1.9 | 1.1 |

*(WM figures are included for the 4th quarter FY 87 only)*

The Group's activities serving the retail market were considerably extended by the acquisition of WM Lighting in January 1987. Pact and WM are UK market leaders in the distribution of electrical accessories and domestic lighting products respectively.

Pact produced encouraging results, capitalizing on the investment in resources made in the previous year. Its offering of small electrical appliances was extended and a wider range of audio products was introduced to the independent retail market. Pact continued to benefit from the growth of the DIY market and maintained the high service levels required. A second automated packaging line has been commissioned and the materials handling facilities in its warehouse will be enhanced during FY 88.

WM has been smoothly integrated into the Group under the effective leadership of its continuing management. It has upgraded its service levels to match those of Pact, with some consequent increase in operating costs. Additional warehouse space has been obtained to accommodate growth and a new data processing system is to be installed shortly.

Both companies are forecasting significant growth during the coming year.

| Franchised component distribution | | FY 87 £m | FY 86 £m |
|---|---|---|---|
| RR Electronics<br>Online Distribution<br>Retron Group (West Germany) | Sales<br>Operating Profit | **34.8**<br>**1.9** | 19.5<br>0.6 |

*(Retron figures included in FY 86 are for a partial year)*

RR Electronics experienced a significant recovery in profit in the year under review and Online made further progress, achieving a major increase in sales and improving on its contribution to the central operating costs it shares with RR. Market conditions remained weak, particularly in semi-conductors, although an improvement in enquiry levels was experienced in the second half of the year and both companies increased market share.

Online is increasing its application engineering resources to take higher technology products to market and the early response is encouraging. This initiative will be further developed to position our businesses to take advantage of the changing requirements in the market.

In West Germany the Retron Group, in common with other distributors, experienced a weaker second half but overall achieved acceptable results given these conditions. A new data processing system is currently being installed at the Göttingen head office and management is being strengthened for the future. The year ahead will be one of investment in both people and systems at a time when the market is likely to continue to be weak.

| **Computer and peripherals distribution** | | **FY 87 £m** | FY 86 £m |
|---|---|---|---|
| Mesa Technology Corporation (Washington D.C.)<br>S & S Electronics (Lowell, Massachusetts)<br>Electroplan | Sales<br>Operating Profit | **30.1**<br>**0.4** | 27.1<br>1.2 |

*(Continuing operations only. FY 86, S & S and Lowell included for partial year)*

During the year under review, a substantial re-organisation took place in the Group's US operations and in April 1987 Robert McKeon was appointed President of Electrocomponents Inc in addition to his responsibilities as President of Mesa. In October 1986, the decision was taken to close Lowell Systems and this programme was completed by the year end.

At Mesa, there were a number of senior management changes, staffing was reduced and the company moved into new facilities. Peripheral sales moved modestly ahead and service income showed a reasonable increase. Towards the end of the year, a new 320T computer received Tempest Test approval and, although some shipments were made, sales of computers were well below the prior year.

S & S performed satisfactorily in soft market conditions. Peripheral sales to the original equipment manufacturing sector of its market were down but the company increased its end-user business. Computer sales grew encouragingly and service sales showed significant gains. The depot repair facilities in Boston are being extended and we look for further growth in the year ahead.

Electroplan experienced a year of change and poor performance in soft markets. During the early part of the present financial year, the test and measurement business will be transferred to RS Components and Electroplan will concentrate its efforts in distributing computer and peripheral products.

We expect improved results from these activities during the year ahead, particularly from the USA.

The Directors have pleasure in presenting their annual report and the audited accounts for the year ended 31 March 1987.

### Principal activities

The principal activities of the Group are the distribution and service of electronic and electrical products, instruments and accessories, and the sale of computers and peripherals. There have been no significant changes to these activities during the year.

| Business review | 1987 £m | 1986 £m |
|---|---|---|
| Turnover | **243.0** | 199.7 |
| Profit on ordinary activities before taxation | **40.5** | 35.2 |
| Taxation | **(14.5)** | (14.2) |
| Profit on ordinary activities after taxation and before extraordinary items | **26.0** | 21.0 |
| Extraordinary items | **(0.5)** | — |
| Profit for the financial year | **25.5** | 21.0 |
| Dividends paid and proposed | **(7.5)** | (6.4) |
| Retained profit taken to reserves | **18.0** | 14.6 |

*An analysis of turnover and profit by activity is in the Review of Group Activities on pages 6 to 10 and by geographical segment in note 2 to the accounts.*

### Business acquisition and closure

In January 1987, the Group acquired, for a consideration of £4.5m, WM Lighting Limited, a major distributor of lighting to the retail trade. Lowell Systems Inc located in Massachusetts, USA, was closed during the year. The closure costs have been dealt with as an extraordinary item to the accounts.

### Future developments

Plans for the future development of the Group are referred to in both the Chairman's statement and in the Review of Group activities.

### Proposed dividend

The Directors are proposing a final dividend of 5.2p per share, which is to be paid on 1 September 1987. Added to the interim dividend, this amounts to 7.4p for the year (1986: 6.25p).

### Directors and Directors' interests

Mr R C Tomkinson joined the Board on 1 July 1986

Sir Keith Bright and Mr Ray Horrocks were appointed as non-executive Directors on 15 December 1986. In accordance with Article 103, they will retire at the Annual General Meeting. Being eligible, they offer themselves for re-election.

Mr D R Hall resigned on 31 October 1986.

All other Directors listed on page 1 served throughout the year.

In accordance with Article 96, Mr A G T Chubb is due to retire at the Annual General Meeting. Being eligible, he offers himself for re-election. His service contract is renewable in March 1989, giving two years currently unexpired.

Directors' beneficial and family interests in the shares of the Company, as shown by the register kept in accordance with the Companies Act 1985, were:

| | At 31 March 1987 | | At 31 March 1986 (or upon appointment) | |
|---|---|---|---|---|
| | Shares | Options | Shares | Options |
| Sir Keith Bright | — | — | — | — |
| A G T Chubb | 1,000 | — | 1,000 | — |
| R M Denny | 1,000 | — | 1,000 | — |
| R Horrocks | 1,250 | — | 1,250 | — |
| N F W King | 3,500 | 63,167 | 3,500 | 63,167 |
| J L Robinson | 3,500 | 109,389 | 3,500 | 109,389 |
| R C Tomkinson | 882 | 61,455 | 882 | — |

*No changes in these interests were notified in the period up to 4 June 1987.*
*At no time during the year did any Director have a material interest in any contract that was significant to the Group's business.*
*The fees payable to non-executive Directors are paid to companies in which they have an interest.*

## Scrip issue

The Directors are recommending the capitalisation of £10,194,397 of the Company's reserves and the issue of 101,943,974 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 17 July 1987. This issue should have the effect of increasing the marketability of the Company's shares. The new Ordinary Shares will not rank for dividend in respect of the year ended 31 March 1987 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 £12,500,000 of which £10,194,397 has been issued. In connection with the scrip issue, it is proposed to increase the authorised share capital to £25,000,000 of which £4,611,206 will remain unissued. Other than in respect of the scrip issue, no issue of Ordinary Shares is presently intended, nor will any issue of shares be made which would effectively alter the control of the Company without the prior approval of the Company in general meeting.
Resolutions to increase the authorised capital and to approve the scrip issue will be proposed at the forthcoming Annual General Meeting. Please see resolutions 7 and 8 in the Notice of Meeting on page 30.
It is intended that, if the resolutions are passed, definitive share certificates for the new Ordinary Shares will be posted on 27 July 1987. 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 28 July 1987.

## Special business

Resolutions 9 and 10 in the Notice of Meeting are the annual resolutions giving power to the Directors to issue up to 22.6% of the value of the issued share capital and to disapply the Companies Act pre-emption provisions in respect of rights issues and issues for cash of up to 2½% of the value of the issued share capital in both cases as enlarged by the proposed scrip issue. Shareholders should be aware that The Stock Exchange no longer requires, as hitherto, the consent of shareholders to each specific issue by the Company of equity capital for cash made otherwise than to existing equity shareholders in proportion to their existing holdings.

**Directors' fees**

The Articles of Association require the shareholders in general meeting to approve the fees to Directors on an annual basis and resolution 11 gives the approval for the last financial year. Resolution 12 is designed to avoid having such a resolution each year, until such a time as there is a need to review the proposed upper limit of £60,000.

**Tax status**

In the opinion of the Directors, the close company provisions of the Income and Corporation Taxes Act 1970 do not apply to the Company.

**Group employment policies**

The Group values highly the commitment of its employees, and has maintained its practice of communicating business developments to them wherever practical.

Regular staff appraisals and consultations take place with individuals and their representatives in order to meet the requirements of Section 1 of the 1982 Employment Act.

The Group remains supportive of the employment and advancement of disabled persons.

**Political and charitable contributions**

The Group made no political contributions during the year. Charitable contributions amounted to £9,600.

**Auditors**

At the Company's last Annual General Meeting Peat, Marwick, Mitchell & Co. were reappointed as auditors of the Company. They are now practising under the name of Peat Marwick McLintock and accordingly they have signed the audit report in their new name. A resolution concerning their reappointment as auditors will be proposed at the forthcoming Annual General Meeting.

**Major shareholders**

As at 4 June 1987, the Clerical Medical and General Life Assurance Society had notified an interest in 5,475,500 ordinary shares of the Company (5.37%).

As at 4 June 1987, the Standard Life Assurance Company had notified an interest in 5,259,100 ordinary shares of the Company (5.16%).

No other interests amounting to 5% or more have been notified to the Company. As at the date of this report, there were 2,775 shareholders in total with ranges as shown on page 29.

By order of the Board
**R J Glennie**
Secretary
4 June 1987

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

| Note | For the year ended 31 March 1987 | 1987 £m | 1986 £m |
|---|---|---|---|
| 1 | **Turnover** | 243.0 | 199.7 |
| | **Cost of sales** | (154.9) | (125.7) |
| | **Gross profit** | 88.1 | 74.0 |
| | Distribution costs | (17.1) | (11.6) |
| | Administrative expenses | (31.6) | (28.0) |
| | **Operating profit on continuing activities** | 39.4 | 34.4 |
| 4 | Interest receivable (net) | 1.5 | 0.8 |
| | Operating losses of discontinued activities | (0.4) | — |
| 5 | **Profit on ordinary activities before taxation** | 40.5 | 35.2 |
| 7 | Tax on profit on ordinary activities | (14.5) | (14.2) |
| | **Profit on ordinary activities after taxation** | 26.0 | 21.0 |
| 8 | Extraordinary items | (0.5) | — |
| 9 | **Profit for the financial year** | 25.5 | 21.0 |
| | Dividends paid and proposed | (7.5) | (6.4) |
| | **Retained profit for the financial year** | 18.0 | 14.6 |
| 10 | **Earnings per share** | 25.5p | 20.6p |

*The notes on pages 18 to 27 form part of these accounts.*

| Note | At 31 March 1987 | £m | 1987 £m | £m | 1986 £m |
|---|---|---|---|---|---|
| | **Fixed assets** | | | | |
| 11 | Tangible fixed assets | | 23.9 | | 22.0 |
| | **Current assets** | | | | |
| 13 | Stocks | 45.2 | | 43.9 | |
| 14 | Debtors | 52.6 | | 46.2 | |
| | Cash at bank and in hand | 37.8 | | 16.1 | |
| | | 135.6 | | 106.2 | |
| 15 | Creditors: amounts falling due within one year | (58.0) | | (44.8) | |
| | **Net current assets** | | 77.6 | | 61.4 |
| | **Total assets less current liabilities** | | 101.5 | | 83.4 |
| 16 | Creditors: amounts falling due after more than one year | | (21.7) | | (15.6) |
| 17 | Provisions for liabilities and charges | | (3.1) | | (3.4) |
| | **Net assets** | | 76.7 | | 64.4 |
| | **Capital and reserves** | | | | |
| 18 | Called up share capital | | 10.2 | | 10.2 |
| | Share premium | | 3.0 | | 3.0 |
| 19 | Profit and loss account | | 63.2 | | 51.0 |
| | **Shareholders' funds** | | 76.4 | | 64.2 |
| 20 | Minority interests | | 0.3 | | 0.2 |
| | | | 76.7 | | 64.4 |

*The notes on pages 18 to 27 form part of these accounts.*

These accounts were approved by
the Board of Directors on 4 June 1987

**A G T Chubb**
**R C Tomkinson**
Directors

| For the year ended 31 March 1987 | £m | 1987 £m | £m | 1986 £m |
|---|---|---|---|---|
| **Source of funds** | | | | |
| Profit on ordinary activities before taxation | | 40.5 | | 35.2 |
| Extraordinary items | | (0.5) | | – |
| Adjustments for items not involving the movement of funds: | | | | |
| Depreciation | 2.6 | | 2.0 | |
| Others | (1.1) | 1.5 | 0.1 | 2.1 |
| | | 41.5 | | 37.3 |
| **Increase in working capital** | | | | |
| *Stocks | (1.3) | | (7.2) | |
| *Debtors | (6.4) | | (7.2) | |
| *Creditors falling due within one year | 5.3 | (2.4) | 4.8 | (9.6) |
| **Funds generated from operations** | | 39.1 | | 27.7 |
| **Funds from other sources** | | | | |
| Proceeds of sale of tangible fixed assets | | — | | 0.2 |
| Loan notes issued | | 2.3 | | — |
| | | 41.4 | | 27.9 |
| **Application of funds** | | | | |
| *Purchase of fixed assets | 4.6 | | 6.6 | |
| *Purchase of goodwill on acquisitions | 4.9 | | 9.0 | |
| Purchase of minority interest | — | | 0.3 | |
| Tax paid | 16.8 | | 10.3 | |
| Dividends paid | 6.6 | (32.9) | 5.7 | (31.9) |
| **Net increase/(decrease) in bank balances** | | 8.5 | | (4.0) |
| Represented by movement in net liquid funds: | | | | |
| Increase in cash at bank and in hand | 21.7 | | 10.5 | |
| (Increase)/decrease in bank overdraft | (9.4) | 12.3 | 1.0 | 11.5 |
| (Increase) in borrowings falling due after more than one year | | (3.8) | | (15.5) |
| | | 8.5 | | (4.0) |

*=Summary of the effects of business acquisition

| **Net assets acquired:** | £m | **Discharged by:** | £m |
|---|---|---|---|
| Fixed assets | 0.7 | Cash paid | 2.1 |
| Goodwill | 4.9 | Cash due | 0.1 |
| Stocks | 3.0 | Loan notes issued | 2.3 |
| Debtors | 2.7 | | |
| Creditors: within one year | (6.2) | | |
| over one year | (0.6) | | |
| | 4.5 | | 4.5 |

# BALANCE SHEET
# ELECTROCOMPONENTS plc

| Note | At 31 March 1987 | £m | 1987 £m | £m | 1986 £m |
|---|---|---|---|---|---|
| | **Fixed assets** | | | | |
| 11 | Tangible fixed assets | 4.5 | | 3.7 | |
| 12 | Investments in Group companies | 11.7 | | 8.3 | |
| | | | 16.2 | | 12.0 |
| | **Current assets** | | | | |
| 14 | Debtors | 15.8 | | 19.0 | |
| | Cash at bank and in hand | 32.9 | | 14.6 | |
| | | 48.7 | | 33.6 | |
| 15 | Creditors: amounts falling due within one year | (19.8) | | (8.3) | |
| | **Net current assets** | | 28.9 | | 25.3 |
| | **Total assets less current liabilities** | | 45.1 | | 37.3 |
| 16 | Creditors: amounts falling due after more than one year | | (13.0) | | (7.9) |
| 17 | Provisions for liabilities and charges | | 1.1 | | 1.0 |
| | **Net assets** | | 33.2 | | 30.4 |
| | **Capital and reserves** | | | | |
| 18 | Called up share capital | | 10.2 | | 10.2 |
| | Share premium | | 3.0 | | 3.0 |
| 19 | Profit and loss account | | 20.0 | | 17.2 |
| | | | 33.2 | | 30.4 |

*The notes on pages 18 to 27 form part of these accounts.*

These accounts were approved by the
Board of Directors on 4 June 1987

**A G T Chubb**
**R C Tomkinson**
Directors

# PRINCIPAL ACCOUNTING POLICIES

**(a) Basis of preparation**
The accounts have been prepared under the historical cost convention except, as stated in note 11, for long leasehold land and buildings and certain movable plant and fixtures which are stated at revalued amounts. The Group accounts comprise the consolidated accounts of the Company and its subsidiaries. A separate profit and loss account is not presented in respect of the Company, as provided by section 228(7) of the Companies Act 1985.

**(b) Basis of consolidation**
All subsidiary company accounts are made up to 31 March and are included in the consolidated accounts. The trading losses of Lowell Systems Inc up to the date of decision of closure in October 1986 have been treated as an exceptional item. The accounts of WM Lighting Limited are for the period from 1 January 1987. Goodwill arising on acquisitions is written off against reserves.

**(c) Depreciation**
No depreciation has been charged on freehold land.
Depreciation has been provided on other assets, on a straight line basis, at the following rates:

| | % pa |
|---|---|
| Freehold buildings | 2 |
| Plant and machinery, fixtures, fittings and motor vehicles | 10-25 |

Leasehold premises are depreciated over the term of the leases.

**(d) Stocks and work in progress**
Stocks and work in progress are valued at the lower of cost and net realisable value. In respect of work in progress and goods for resale, cost includes, where appropriate, packaging and attributable overheads.

**(e) Translation of foreign currencies**
Overseas companies' profit and loss items are translated at the appropriate average rate for the year, assets and liabilities at rates at the balance sheet dates, the resulting currency exchange gains or losses being taken direct to reserves.
Exchange differences resulting from transactions arising in the normal course of trading are taken into the profit and loss account.

**(f) Deferred taxation**
Deferred taxation is provided, using the liability method, at the appropriate rates of taxation on all timing differences to the extent it is considered that such tax liabilities may crystallise in the foreseeable future.

**(g) Computer software costs**
The cost of major computer software is written off over a three year period from the date of implementation of the software, the balance being carried forward as a current asset.
Other computer software expenditure is written off as incurred.

### 1 Turnover

Turnover represents the sales of goods to external customers and is stated net of sales taxes.
The analysis of turnover between continuing and discontinued activities is as follows:

| | 1987 £m | 1986 £m |
|---|---|---|
| Turnover of continuing activities | 242.4 | 199.7 |
| Turnover of discontinued activities | 0.6 | — |
| Total turnover | 243.0 | 199.7 |

### 2 Geographical analysis

The geographical analysis of turnover and operating profit on continuing activities is as follows:

| Sales | 1987 £m | 1986 £m |
|---|---|---|
| United Kingdom | 189.6 | 161.7 |
| Rest of Europe | 23.3 | 10.4 |
| United States of America | 23.5 | 20.2 |
| Australia and Pacific Basin | 3.0 | 3.3 |
| Asia and Middle East | 2.2 | 2.6 |
| Other | 1.4 | 1.5 |
| | 243.0 | 199.7 |

| Operating profit | 1987 £m | 1986 £m |
|---|---|---|
| United Kingdom | 37.7 | 33.3 |
| West Germany | 1.3 | 0.3 |
| United States of America | 0.4 | 0.8 |
| | 39.4 | 34.4 |

### 3 Staff numbers and costs

The average weekly number of employees (including directors) during the year was:

| | 1987 | 1986 |
|---|---|---|
| Management | 55 | 54 |
| Administration | 1,502 | 1,321 |
| Distribution | 906 | 782 |
| | 2,463 | 2,157 |

2,172 of these staff are employed in the United Kingdom (1986: 1,936).
Aggregate payroll costs were:

| | 1987 £m | 1986 £m |
|---|---|---|
| Wages and salaries | 24.3 | 19.9 |
| Social security costs | 2.0 | 1.5 |
| Other pension costs | 1.7 | 1.5 |
| | 28.0 | 22.9 |

## 4 Interest receivable (net)

| | 1987 £m | 1986 £m |
|---|---|---|
| Interest receivable | 3.0 | 1.6 |
| Less interest payable on bank loans and overdrafts: | | |
| repayable within five years | 1.2 | 0.8 |
| repayable after five years | 0.3 | — |
| | 1.5 | 0.8 |

## 5 Profit on ordinary activities before taxation

Profit before taxation is stated after charging the following:

| | 1987 £m | 1986 £m |
|---|---|---|
| Auditors' remuneration and expenses | 0.2 | 0.2 |
| Depreciation | 2.6 | 2.0 |
| Directors' emoluments (see note 6): | | |
| remuneration as executives | 0.4 | 0.3 |
| compensation for loss of office | 0.1 | — |
| Hire of plant and machinery | 0.9 | 0.4 |
| Relocation expenses | — | 0.1 |

## 6 Emoluments

Excluding pension contributions, the emoluments of the Chairman were £40,000 (1986: £390 from appointment on 17 March 1986). The emoluments of the highest paid Director were £100,204 (1986: £85,394). The ranges of the emoluments of other Directors were:

| | 1987 | 1986 |
|---|---|---|
| Up to £5,000 | 2 | — |
| £ 5,001–£10,000 | 1 | 1 |
| £10,001–£15,000 | — | 1 |
| £25,001–£30,000 | 1 | — |
| £45,001–£50,000 | — | 1 |
| £55,001–£60,000 | 1 | 1 |
| £75,001–£80,000 | 1 | — |

The number of employees of the Company whose emoluments exceeded £30,000 were:

| | 1987 | 1986 |
|---|---|---|
| £30,001–£35,000 | 1 | — |
| £35,001–£40,000 | 1 | — |

## 7 Taxation on profit on ordinary activities

Taxation based on the profit for the year of the group:

| | | 1987 | | 1986 |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| United Kingdom: | | | | |
| corporation tax at 35% (1986: 40%) | | 14.4 | | 13.9 |
| deferred taxation | | (0.1) | | 0.1 |
| | | 14.3 | | 14.0 |
| Overseas taxation: | | | | |
| current | 0.2 | | 0.1 | |
| deferred | — | | 0.1 | |
| | | 0.2 | | 0.2 |
| | | 14.5 | | 14.2 |

## 8 Extraordinary items

The extraordinary items represent the losses incurred in Lowell Systems Inc, from the date of decision to close at the end of October 1986, together with losses on realisation of the assets of the company, excluding tax relief which will be available in future years for offsetting against the operating profits of the US companies.

## 9 Profit for the financial year

| | 1987 | 1986 |
|---|---|---|
| | £m | £m |
| Dealt with in the accounts of the company | 15.1 | 12.3 |
| Retained by subsidiaries | 10.4 | 8.7 |
| | 25.5 | 21.0 |

## 10 Earnings per share

Earnings per share are calculated on earnings of £26.0m on 101,940,925 shares in issue during the year (1986: earnings £21.0m on 101,922,984 shares). There is no material dilution in earnings per share in respect of the potential issue of shares on the exercise of outstanding options under the Group share option scheme (see Note 18).

## 11 Tangible fixed assets

| Group | Land and Buildings £m | Plant and Machinery £m | Total £m |
|---|---|---|---|
| Cost or valuation: | | | |
| at 1 April 1986 | 15.0 | 11.3 | 26.3 |
| reclassification | (0.1) | 0.1 | — |
| additions | 1.0 | 2.9 | 3.9 |
| disposals | — | (0.6) | (0.6) |
| exchange adjustment | 0.3 | 0.1 | 0.4 |
| subsidiaries joining the Group | 0.1 | 0.6 | 0.7 |
| At 31 March 1987 | 16.3 | 14.4 | 30.7 |
| Depreciation: | | | |
| at 1 April 1986 | 1.0 | 3.3 | 4.3 |
| reclassification | (0.1) | 0.1 | — |
| charged in year | 0.3 | 2.3 | 2.6 |
| disposals | — | (0.4) | (0.4) |
| Exchange adjustment | 0.1 | — | 0.1 |
| Subsidiaries joining the Group | — | 0.2 | 0.2 |
| At 31 March 1987 | 1.3 | 5.5 | 6.8 |
| Net book value: | | | |
| at 31 March 1987 | 15.0 | 8.9 | 23.9 |
| at 31 March 1986 | 14.0 | 8.0 | 22.0 |

| | 1987 £m | 1986 £m |
|---|---|---|
| The net book value of land and buildings comprises: | | |
| freehold land and buildings | 13.1 | 13.0 |
| long leasehold | 1.0 | 0.8 |
| short leasehold | 0.9 | 0.2 |
| | 15.0 | 14.0 |

*Of the land and buildings brought forward, long leasehold land of £0.2m was valued in 1984 on an open market basis at the amount shown below. The amount of plant and machinery included above at valuation and the amount determined according to the historical cost accounting rules is as follows:*

| *Group* | Land and Buildings £m | Plant and Machinery £m | Total £m |
|---|---|---|---|
| Included at valuation | 0.2 | 2.2 | 2.4 |
| Cost | 0.3 | 6.1 | 6.4 |
| Depreciation | 0.1 | 5.5 | 5.6 |
| Net | 0.2 | 0.6 | 0.8 |

## 11 Tangible fixed assets *continued*

| *Company* | Land and Buildings £m | Plant and Machinery £m | Total £m |
|---|---|---|---|
| Cost or valuation: | | | |
| at 1 April 1986 | 3.8 | 0.1 | 3.9 |
| additions | 0.7 | 0.3 | 1.0 |
| disposals | — | — | — |
| At 31 March 1987 | 4.5 | 0.4 | 4.9 |
| Depreciation: | | | |
| at 1 April 1986 | 0.2 | — | 0.2 |
| charged in year | 0.1 | 0.1 | 0.2 |
| At 31 March 1987 | 0.3 | 0.1 | 0.4 |
| Net book value: | | | |
| at 31 March 1987 | 4.2 | 0.3 | 4.5 |
| at 31 March 1986 | 3.6 | 0.1 | 3.7 |

| | 1987 £m | 1986 £m |
|---|---|---|
| The net book value of land and buildings comprises: | | |
| freehold land and buildings | 3.5 | 3.6 |
| short leasehold | 0.7 | — |
| | 4.2 | 3.6 |

## 12 Investments held as fixed assets

| *Company* | 1987 £m | 1986 £m |
|---|---|---|
| Shares in Group companies at cost | 1.0 | 0.3 |
| Loans to Group companies | 10.7 | 8.0 |
| | 11.7 | 8.3 |

*Group companies are listed in note 24.*

## 13 Stocks and work in progress

| *Group* | 1987 £m | 1986 £m |
|---|---|---|
| Raw materials and consumables | 1.5 | 1.7 |
| Work in progress | 4.5 | 3.4 |
| Finished goods and goods for resale | 39.2 | 38.8 |
| | 45.2 | 43.9 |

## 14 Debtors

| | Group 1987 £m | Group 1986 £m | Company 1987 £m | Company 1986 £m |
|---|---|---|---|---|
| Trade debtors | 47.5 | 43.0 | — | — |
| Amounts owed by Group companies | — | — | 15.4 | 19.0 |
| Other debtors | 1.9 | 1.2 | 0.4 | — |
| Prepayments and accrued income | 3.2 | 2.0 | — | — |
| | 52.6 | 46.2 | 15.8 | 19.0 |

## 15 Creditors: amounts falling due within one year

| | Group 1987 £m | Group 1986 £m | Company 1987 £m | Company 1986 £m |
|---|---|---|---|---|
| Bank loans and overdrafts | 11.4 | 2.0 | 6.9 | 0.1 |
| Trade creditors | 16.5 | 12.4 | — | — |
| Amounts owed to Group companies | — | — | 2.4 | 0.4 |
| Other creditors including taxation and social security | 18.7 | 21.0 | 3.0 | 3.1 |
| Accruals and deferred income | 6.1 | 5.0 | 2.2 | 0.3 |
| Proposed dividend | 5.3 | 4.4 | 5.3 | 4.4 |
| | 58.0 | 44.8 | 19.8 | 8.3 |
| Other creditors including taxation and social security comprises: | | | | |
| corporation tax | 14.5 | 17.5 | 3.0 | 3.1 |
| other taxes | 3.6 | 3.0 | — | — |
| social security | 0.3 | 0.3 | — | — |
| | 18.4 | 20.8 | 3.0 | 3.1 |
| Other creditors | 0.3 | 0.2 | — | — |
| | 18.7 | 21.0 | 3.0 | 3.1 |

## 16 Creditors: amounts falling due after more than one year

| | Group 1987 £m | Group 1986 £m | Company 1987 £m | Company 1986 £m |
|---|---|---|---|---|
| Bank loans repayable: | | | | |
| between one and two years | 3.9 | 0.1 | — | — |
| between two and five years | 10.1 | 8.8 | 5.3 | 6.0 |
| over five years | 5.4 | 6.7 | 5.4 | 1.9 |
| | 19.4 | 15.6 | 10.7 | 7.9 |
| Loan notes between one and five years | 2.3 | — | 2.3 | — |

Details of loans not wholly repayable within five years are as follows:

| | Rate of Interest % | Group 1987 £m | Group 1986 £m | Company 1987 £m | Company 1986 £m |
|---|---|---|---|---|---|
| Bank loan repayable in biannual instalments | variable | — | 2.0 | — | 2.0 |
| Bank loan repayable in biannual instalments | variable | — | 2.7 | — | — |
| Bank term loan | variable | 5.4 | 2.0 | 5.4 | — |
| | | 5.4 | 6.7 | 5.4 | 2.0 |

*£0.2m of the bank loans repayable within five years represents amounts secured by an equitable deposit of title deeds to leasehold property located in Dublin.*

## 17 Provisions for liabilities and charges

| | Group Deferred taxation £m | Company Deferred taxation £m |
|---|---|---|
| Balance at 1 April 1986 | 3.4 | (1.0) |
| Charge for the year in the profit and loss account | (0.1) | 0.1 |
| Increase in advance corporation tax recoverable | (0.2) | (0.2) |
| Balance at 31 March 1987 | 3.1 | (1.1) |

The amount provided for deferred taxation, which represents the full potential liability, calculated under the liability method, is set out below.

| | Group 1987 £m | Group 1986 £m | Company 1987 £m | Company 1986 £m |
|---|---|---|---|---|
| Accelerated capital allowances | 5.1 | 5.2 | 0.9 | 0.8 |
| Advance corporation tax recoverable | (2.0) | (1.8) | (2.0) | (1.8) |
| | 3.1 | 3.4 | (1.1) | (1.0) |

## 18 Share capital

| | 1987 £m | 1986 £m |
|---|---|---|
| Ordinary shares of 10p each: | | |
| authorised | 12.5 | 12.5 |
| allotted, called up and fully paid | 10.2 | 10.2 |

*Under the terms of the Group share option scheme, as approved at the extraordinary general meeting held on 7 September 1984, options, exercisable between three years and ten years from the date of grant, have been granted to certain Group executives to subscribe for 10p ordinary shares at prices between £2.75 and £3.71 per share. At 31 March 1987, options were outstanding to subscribe for a total of 1,094,114 shares (1986: 1,031,154 shares).*

## 19 Reserves

Movements on reserves are as follows:

| | Profit and Loss Account Group £m | Profit and Loss Account Company £m |
|---|---|---|
| Balance at 1 April 1986 | 51.0 | 17.2 |
| Retained profit for the year | 18.0 | 7.5 |
| Goodwill arising on acquisition of subsidiaries | (4.9) | (4.7) |
| Exchange differences on consolidation | (0.9) | — |
| Balance at 31 March 1987 | 63.2 | 20.0 |

## 20 Minority interests

| | 1987 £m | 1986 £m |
|---|---|---|
| Balance at 1 April | 0.2 | 0.4 |
| Share of retained profit for the year | 0.1 | 0.1 |
| Minority interest purchased in year | — | (0.3) |
| Balance at 31 March | 0.3 | 0.2 |

## 21 Capital commitments

Capital commitments at 31 March 1987, for which no provision has been made in these accounts, were as follows:

| | Group 1987 £m | Group 1986 £m | Company 1987 £m | Company 1986 £m |
|---|---|---|---|---|
| Contracted | 0.1 | 2.6 | — | — |
| Authorised | 4.7 | 0.2 | — | — |

## 22 Contingencies

Under the terms of a Job Creation Grant, RS Components Limited is liable to repay a proportional amount for non-performance of any of the conditions until 1 April 1988. The Directors consider that repayment is most unlikely.

The Retron Group had contingent liabilities at 31 March 1987 in respect of bills discounted amounting to £0.1m (1986: £0.2m).

## 23 UK pension scheme

The Company operates a contributory scheme in the United Kingdom, the assets of which are independent of the Group's finances. The scheme is fully funded.

## 24 Principal subsidiary companies

| UK Distribution Companies | Activities | Location |
|---|---|---|
| *All wholly owned and incorporated in England unless otherwise stated. The companies operate mainly within the United Kingdom.* | | |
| Electroplan Limited | Industrial measurement/ computers and peripherals | Royston, Hertfordshire |
| Electromail Limited* | Mail order electronic and electrical components | Weldon, Northamptonshire |
| Pact International Limited | Electrical products to retailers | Peterborough, Cambridgeshire |
| RR Electronics Limited<br>Online Distribution Limited* | Passive, active and electromechanical components | Bedford, Bedfordshire |
| RS Components Limited | Electronic and electrical components | Weldon, Northamptonshire |
| WM Lighting Limited | Lighting products to retailers | Northampton, Northamptonshire |
| Electrocomponents UK Limited | Overseas investment holding company | 21 Knightsbridge, London |

******indirectly held subsidiary*

**24 Principal subsidiary companies** *continued*

| **Overseas distribution companies** | **Activities** | **Location** |
|---|---|---|
| *All held by Electrocomponents UK Limited, unless otherwise stated. The companies operate mainly within their respective countries of incorporation.* | | |
| Electrocomponents Inc | US holding company | Reston, Virginia (incorporated in the USA) |
| Mesa Technology Corporation* | Computers and peripherals | Columbia, Maryland (incorporated in the USA) |
| S & S Electronics Inc* | | Lowell, Massachusetts (incorporated in the USA) |
| Radionics Limited (60% owned subsidiary) | Electronic and electrical components | Dublin (incorporated in the Republic of Ireland) |
| Electrocomponents GmbH | German holding company | Dusseldorf (incorporated in West Germany) |
| Retron GmbH* | | Göttingen (incorporated in West Germany) |
| Eldi GmbH* | Passive, active and electromechanical components | Göttingen (incorporated in West Germany) |
| Manger Electronik GmbH* | | Stuttgart (incorporated in West Germany) |

**indirectly held subsidiary*

## REPORT OF THE AUDITORS

**To the members of Electrocomponents plc**

We have audited the accounts on pages 14 to 27 in accordance with approved Auditing Standards.

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 March 1987 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Peat Marwick McLintock** Peat Marwick McLintock
Chartered Accountants
London
4 June 1987

| | 1986/87 £m | 1985/86 £m | 1984/85 £m | 1983/84 £m | 1982/83 £m |
|---|---|---|---|---|---|
| **Turnover** | 243.0 | 199.7 | 164.0 | 129.3 | 101.2 |
| **Profits, dividends and retentions** | | | | | |
| Profit before taxation and extraordinary items | 40.5 | 35.2 | 29.6 | 22.2 | 17.6 |
| Taxation | (14.5) | (14.2) | (13.1) | (9.9) | (8.6) |
| Profit after taxation | 26.0 | 21.0 | 16.5 | 12.3 | 9.0 |
| Extraordinary items | (0.5) | — | — | (0.5) | — |
| Attributable to outside shareholders | — | — | (0.2) | — | — |
| Group trading profit | 25.5 | 21.0 | 16.3 | 11.8 | 9.0 |
| Dividends | 7.5 | 6.4 | 5.3 | 4.1 | 3.0 |
| Retained profit | 18.0 | 14.6 | 11.0 | 7.7 | 6.0 |
| **Assets employed** | | | | | |
| Fixed assets | 23.9 | 22.0 | 18.0 | 15.0 | 10.3 |
| Current assets, less current liabilities | 74.5 | 58.0 | 41.6 | 33.3 | 30.2 |
| Liabilities in excess of one year | (21.7) | (15.6) | (0.2) | (0.2) | — |
| Net assets | 76.7 | 64.4 | 59.4 | 48.1 | 40.5 |
| **Capital employed** | | | | | |
| Ordinary share capital | 10.2 | 10.2 | 10.2 | 10.2 | 10.2 |
| Share premium | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Reserves | 63.2 | 51.0 | 45.8 | 34.7 | 27.0 |
| Minority interests | 0.3 | 0.2 | 0.4 | 0.2 | 0.3 |
| | 76.7 | 64.4 | 59.4 | 48.1 | 40.5 |
| **Earnings per share** | 25.5p | 20.6p | 16.0p | 12.1p | 8.9p |
| **Dividends per share** | | | | | |
| Cost to company | 7.40p | 6.25p | 5.25p | 4.00p | 3.00p |
| Gross equivalent | 10.14p | 8.84p | 7.50p | 5.71p | 4.28p |
| **Pre-tax return on capital employed** | 53.0% | 54.8% | 50.2% | 46.3% | 43.8% |
| **Year end net cash balances/(borrowings)** | 7.0 | (1.5) | 2.5 | 2.2 | 7.5 |
| **Average number of employees (000's)** | 2.5 | 2.2 | 1.9 | 1.8 | 1.6 |

## FINANCIAL CALENDAR

### Announcement of results

The results of the Group are normally published at the following times:

| | |
|---|---|
| Interim report for the six months to 30 September | early November |
| Preliminary announcement for the year to 31 March | early June |
| Report and Accounts for the year to 31 March | late June |

### Dividend payments

Current policy is to make dividend payments at the following times:

| | |
|---|---|
| Interim dividend | early January |
| Final dividend | early September |

### 1987 dates

| | |
|---|---|
| Interim dividend – 1986/87 | 2 January |
| Annual General Meeting | 27 July |
| Final dividend – 1986/87 | 1 September |

## ANALYSIS OF SHAREHOLDINGS

As at 4 June 1987

| Share range | No of holders | Total shares | Percentage of holders | Percentage of issued capital |
|---|---|---|---|---|
| 1 – 10,000 | 2,285 | 4,761,184 | 82.34 | 4.67 |
| 10,001 – 50,000 | 246 | 6,388,884 | 8.87 | 6.27 |
| 50,001 – 200,000 | 153 | 16,034,795 | 5.51 | 15.73 |
| 200,001 – 400,000 | 41 | 12,135,358 | 1.48 | 11.90 |
| 400,001 – 1,000,000 | 28 | 18,498,951 | 1.01 | 18.15 |
| 1,000,001 – and over | 22 | 44,124,802 | 0.79 | 43.28 |
| | 2,775 | 101,943,974 | 100.00 | 100.00 |

A brochure outlining the Group's activities is available by writing to the Secretary at 21 Knightsbridge, London SW1X 7LY.

Notice is hereby given that the twenty-seventh Annual General Meeting of the Company will be held at the Barber-Surgeons' Hall, Monkwell Square, London EC2 on Monday, 27 July 1987 at 12 noon to conduct the following business:

1 To receive the accounts and the reports of the directors and auditors for the year ended 31 March 1987.

2 To declare a final dividend on the ordinary shares.

3 To appoint Peat Marwick McLintock as auditors for the ensuing year and to resolve that their remuneration be agreed by the directors.

4 To re-elect Mr A G T Chubb as a director.

5 To re-elect Sir Keith Bright as a director.

6 To re-elect Mr R Horrocks as a director.

### Special business

To consider the following resolutions, which will be proposed as ordinary resolutions:

7 "That the authorised share capital of the Company be increased from £12,500,000 to £25,000,000 by the creation of 125,000,000 Ordinary Shares of 10p each."

8 "That the sum of £3,026,319 standing to the credit of the share premium account and that the sum of £7,168,078.40 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 17 July 1987 on the footing that the same be not paid in cash but be applied in paying up in full 101,943,974 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 not to rank for dividend in respect of the year ended 31 March 1987, but in all other respects to rank pari passu with the Ordinary Shares already in issue, and this authority shall expire on the date which is six months from the date of this resolution."

9 "That the Board be generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate

amount of £4,611,205 during the period from the date of the passing of this resolution until the conclusion of the next Annual General Meeting of the Company, whereupon such authority will expire, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired."

10 To consider the following resolution, which will be proposed as a special resolution:

"That, subject to the passing of the resolution to be proposed at this meeting relating to the allotment of relevant securities (within the meaning of Section 80 of the Companies Act 1985), the Board be hereby empowered, pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the Companies Act 1985), pursuant to the authority conferred by the said resolution as if sub-section (1) of Section 89 of such Act did not apply to any such allotment, provided that this power shall be limited:

(a) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders, where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective amount of ordinary shares held by them (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory); and

(b) to the allotment (otherwise than pursuant to paragraph (a) above) of the equity securities up to an aggregate nominal value of £509,720,

and shall expire at the conclusion of the next Annual General Meeting of the Company provided that, if the Company before such expiry makes an offer or agreement which would or might require equity securities to be allotted after such expiry, the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired."

11 To approve the payment of fees to the non-executive directors in respect of the year ended 31 March 1987 of an aggregate of £13,083 such fees to be divided among those directors as the Board shall determine.

12 To consider the following resolution, which will be proposed as a special resolution:

"That the Articles of Association of the Company be and are hereby altered by the deletion of Article 78 and the substitution therefor of the following new Article:
78. Each of the directors may be paid a fee at such rate as may from time to time be determined by the Board provided that the aggregate of all fees so paid to such directors (excluding amounts payable under any other provision of these Articles) shall not exceed £60,000 per annum or such higher amount as may from time to time be decided by ordinary resolution of the Company."

13 To transact any other ordinary business of the Company.

By order of the Board
**R J Glennie**
Secretary
29 June 1987

21 Knightsbridge
London
SW1X 7LY

### 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 24 July 1987, and at the Barber-Surgeons' Hall, Monkwell Square, London EC2, on 27 July 1987 from 11.45am until the 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 1 not less than 48 hours before the time fixed for the meeting.

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# Electrocomponents plc

# FORM OF PROXY

**Please note: This form must be signed and dated to be valid for the relevant meeting.**

For use at the ANNUAL GENERAL MEETING of the Company to be held at The Barber Surgeons' Hall, Monkwell Square, London EC2 on Monday 27th July, 1987 at 12 noon.

Please insert full names and addresses in block letters

I/We ____________________

of ____________________

being (a) member(s) of the above Company, hereby appoint (see note 2) Mr. A. G. T. CHUBB or, failing him, Mr. J. L. ROBINSON, both of whom are Directors of the Company, or ____________________ as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Monday 27th July, 1987 and at any adjournment thereof.

| | For | Against |
|---|---|---|
| **Resolution 1** To adopt the accounts and reports of the Directors and auditors | | |
| **Resolution 2** To declare a final dividend. | | |
| **Resolution 3** To appoint Peat Marwick McLintock as auditors and authorise the Directors to fix their remuneration. | | |
| **Resolution 4** To re-elect Mr A G T Chubb as a Director. | | |
| **Resolution 5** To re-elect Sir Keith Bright as a Director. | | |
| **Resolution 6** To re-elect Mr R Horrocks as a Director. | | |
| **Resolution 7** To increase the authorised share capital to £25 million. | | |
| **Resolution 8** To issue one fully paid share for each Ordinary Share held as at 17 July 1987. | | |
| **Resolution 9** To empower the Directors to issue additional shares (Section 80 approval, Companies Act 1985). | | |
| **Resolution 10** To empower the Directors to allot equity securities (Section 89 dis-application, Companies Act 1985) | | |
| **Resolution 11** To approve the payment of fees to the non-executive Directors for the year to 31 March 1987. | | |
| **Resolution 12** To approve the proposed change to Article 78 limiting future fee payments to £60,000. | | |

Please indicate how the proxy should vote by ticking the appropriate spaces shown above. If no indication is given, the proxy will vote or abstain from voting as he thinks fit.

Date ______________ 1987 Signature ____________________

**Note 1** To be valid this proxy must be lodged with the Registrars of the Company not less than 48 hours before the time fixed for the meeting to which it relates.

**Note 2** If it is desired to appoint another person as proxy, these names should be deleted and the name of the proxy inserted.

**Note 3** If the appointor is a Corporation, each instrument of proxy must be under its Common Seal, or under the hand of an officer or attorney duly authorised in writing.

**Note 4** In the case of joint holders, the vote of the senior who tenders a vote will be accepted to the exclusion of the others, and for this purpose seniority will be determined by the order of the names of the joint holders on the register.

## If you intend to come to the Annual General Meeting the map detailed below may be helpful.