Electrocomponents plc Annual Report and Accounts 2002

fulfilment.

Ian Bell Site Controller, RS Nuneaton, UK

Fulfilling our commitment

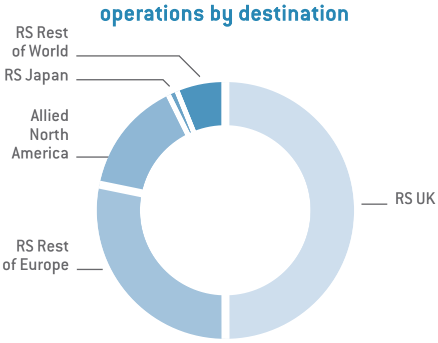
to our customers >>>
we provide the highest levels of service available in our markets, with a very wide range of products to meet customers' needs: we continually search for new ways to delight our customers and ensure that the best way for them to buy small order industrial products is to use us.

to our employees >>>
we know that the quality of our people will always be our competitive advantage; we employ policies of regular communication and planned development; we demand performance, not hours, and recognise the real value of balancing work and leisure.

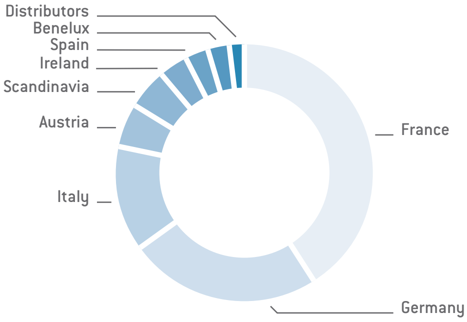
to our shareholders >>>
we have a well-understood and proven strategy which is on track to deliver excellent long term growth and we remain focused and determined to achieve it: in the current downturn we are not jeopardising our future prospects by excessive cost-cutting.

Electrocomponents distributes products to industry and technical people around the world. We offer our customers unrivalled choice, support and reliability underpinned by a commitment to service that lives across our business and is reflected in our continued financial success. As well as our results this report features just a few of our people talking about what that commitment means to them >>>

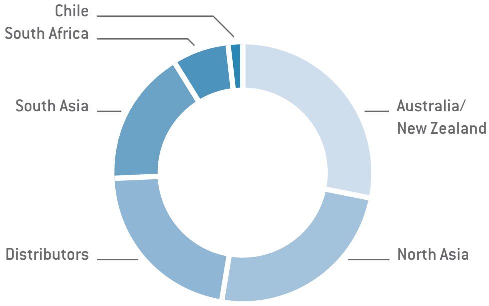
Turnover of continuing operations by destination



RS Rest of Europe



RS Rest of World

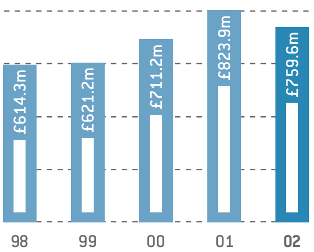


Financial highlights

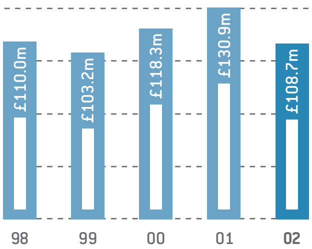
	2002	2001	%
Turnover of continuing operations	£759.6m	£823.9m	–7.8%
Operating profit of continuing operations*	£108.7m	£130.9m	–17.0%
Profit before tax*†	£105.5m	£124.1m	–15.0%
Earnings per share*†‡	17.3p	20.2p	–14.4%
Dividends per share	15.9p	13.8p	+15.2%

*Before amortisation of goodwill
†2001: Before exceptional loss on closure of Pact
‡Prior years: Restated for implementation of FRS19

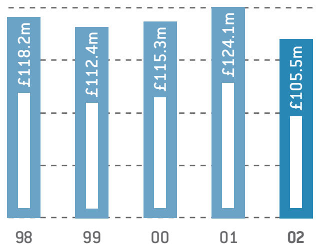
Turnover of continuing operations



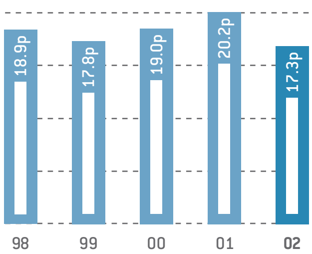
Operating profit of continuing operations*



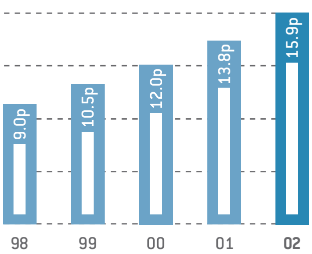
Profit before tax*†



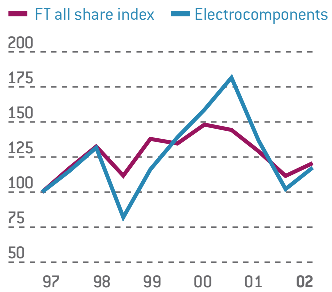
Earnings per share *†‡



Dividends per share



Total shareholder returns



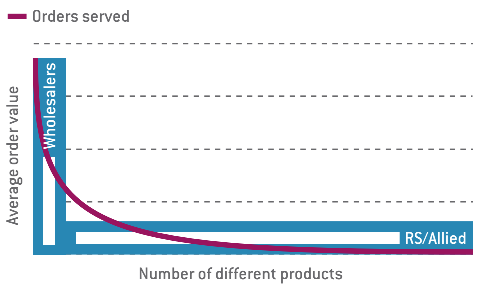
Our business and how we operate

Electrocomponents distributes a wide range of products, including electrical, electronic, industrial, health and safety and information technology components and equipment to over 1.5 million customers worldwide, operating through its RS and Allied subsidiaries. RS operates in 24 countries and exports to a further 160 worldwide, while Allied covers the North American market. The principal sales methods are a paper catalogue, CD-Rom, and Internet trading in all markets >>>

High service – the Electrocomponents difference

Our high level of service distinguishes us from other distributors and wholesalers. The orders we serve have a low average value of about £80 across the RS businesses. Speed, immediate availability, convenience and reliability are the determining factors in their choice of supplier, not price. Due to our exceptional service we are able to achieve gross margins of about 50% which in turn provides finance for additional services and for our development. This is in contrast to the large order values and lower gross margins of high-volume distributors, who do not offer our level of service.

The Electrocomponents competitive position



All of our services are designed to save businesses money on their small order buying. These include off-site stock management; free software which makes internet buying safe and easy for managers and end-users; and extensive technical support.

Barriers to entry

Because we serve users whose orders are small, we have a large number of customers as well as a wide range of products, all of which must be available immediately.

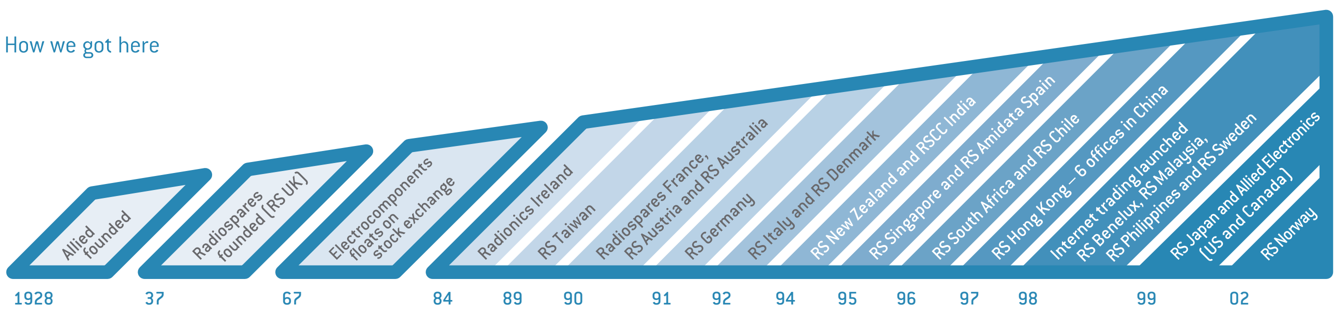
Our business must support tens of thousands of orders per day with hundreds of thousands of items in stock. To do this we have established excellent, responsive information systems, comprehensive catalogue management techniques, and have in-depth fulfilment know-how.

Over many years we have grown an extensive network of close supplier relationships. Moreover, our RS and Allied brands are trusted by customers because of their excellent service, proven over many decades.

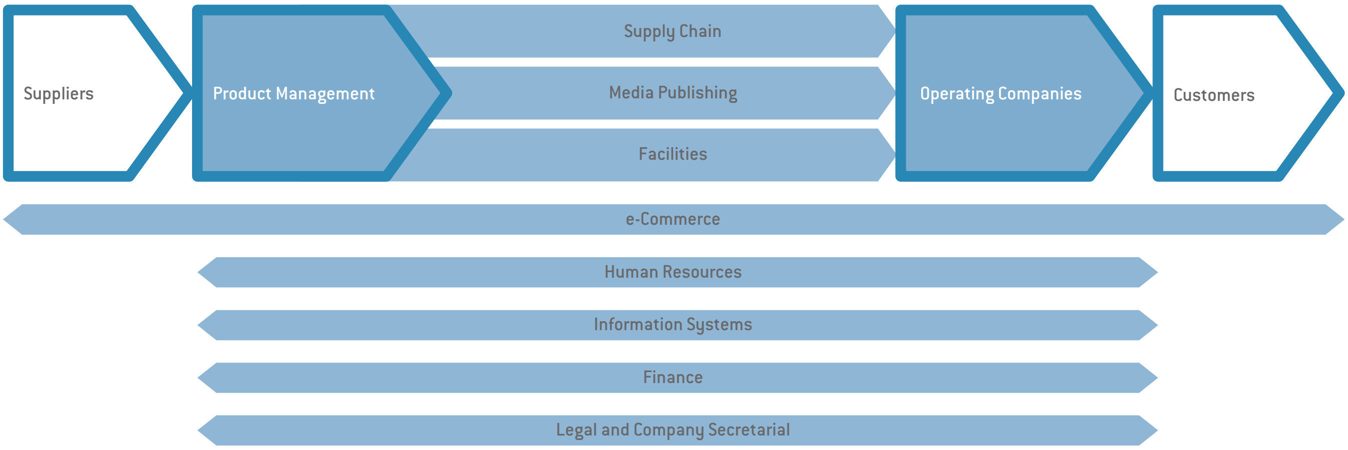
All this has required considerable investment which we have made consistently throughout our 65 year history. Would-be new entrants face considerable barriers because of the front-end investment needed to meet service level requirements

Barriers to entry are firmly established in the UK, and we are building them rapidly in all our markets.

How we got here



How we do it



Local fulfilment, global support

The Group operates a matrix structure.

Local Operating Companies:
Customers are served from local companies based in their own market. Most companies have their own warehouse for fast, reliable fulfilment of the most popular products. They all draw on the Group Processes for product buying and selection, catalogue management, information services and supply chain support.

Where we are

RS companies

Australia	Japan
Austria	Malaysia
Belgium	The Netherlands
Chile	New Zealand
China	Norway
Denmark	Philippines
France	Singapore
Germany	South Africa
Hong Kong	Spain
India	Sweden
Republic of Ireland	Taiwan
Italy	United Kingdom

Allied Electronics
Canada
United States of America

Additionally, we export to distributors and directly to over 160 countries.

Group Processes

Product Management: identifies and selects products to be sold by the Group and purchases them in the most effective manner.

Supply Chain: is responsible for the logistics of product supply, including management of all stocks. The team works to maximise stockholding efficiencies and the local Operating Companies' ability to meet customer order demand.

Media Publishing: provides the central expertise for design, production and effectiveness of all media.

e-Commerce: is responsible for developing and co-ordinating business-to-business e-Commerce across the Group.

Facilities: provides the expertise to develop our warehousing capacity and properties internationally. This team, together with the Supply Chain, provides the integrated logistics requirement for the Group.

Information Systems: is responsible for the integrity of our systems and for all hardware, software and systems development. An important responsibility is to monitor and develop the commonality of our databases and assess systems innovation.

Human Resources: is responsible for supporting the recruitment, development, motivation and retention of senior employees, in order to ensure the availability of skills to meet business needs. There is a central core team which works with local expertise.

Finance: provides guidance and support for forecasting and measuring business performance. Individuals form part of Operating Company and Process management teams, whilst a central resource manages external reporting, tax, treasury and operational audit.

Legal and Company Secretarial: provides expertise and control to ensure conformance to international and local laws and regulations.

Our aims and how we're achieving them

We have said that our goal is to lead the high service segment of every distribution market in which we operate. Over many years we have demonstrated this leadership in the UK and over the last decade in continental Europe, while more recently we have created similar positions throughout Asia and in Japan. With Allied we have a strong base to develop in North America. In this section we take a closer look at our strategy and market potential >>>

Group strategy

Our strategy is simple: to implement and grow our business model around the world, and we achieve this through meeting the service expectations of our customers everywhere, through sustained investment in products and services, and through the dedication of our people. This proven strategy is underpinned by our deep understanding of customers' needs, gained from over 65 years' experience in creating the UK's leading high-service distribution business.

The core RS business model is based on an average order value of about £80 and a gross margin of over 50%, which we have replicated everywhere we operate.

We focus on four key areas:

Developing new products and services

The experience gained from creating the high-service distribution business in the UK is embedded in our strategy. We continually develop and extend the range of services and products we offer. By diversifying into new product areas, most recently information technology, we add new customers and by deepening our knowledge of customer needs we are able to extend our services and increase customer loyalty.

Opportunities in electronic trading

We see e-Commerce as a means of offering customers ever higher service levels. Business-to-business internet trading is a major opportunity for us: our initiatives include providing trading websites in all our markets, e-Purchasing capabilities and establishing marketing agreements with recognised portals. PurchasingManager™ is a new internally-developed service, free to customers, which combines ease of purchasing for users with tight controls for managers. Because of their confidence in our brands, content and fulfilment record, customers are using this channel in rapidly growing numbers.

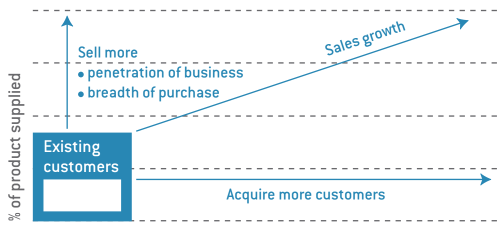
Developing our markets

The proven effectiveness of our business model has opened up many opportunities for high-service distribution in new geographical markets – specifically continental Europe, Asia, Japan and North America.

By sharing best practice and tailoring as necessary to local markets, we are confident that our businesses in all these regions can reach the same size, relative to their local economies, as RS has achieved in the UK. And in the UK itself, though the market is more developed, considerable opportunity remains.

UK: The RS UK business can experience growth in advance of the UK economy by furthering its penetration of both its customer and product bases. At present we estimate that this penetration is only 6% of our relevant market within UK manufacturing, and 1.5% in non-manufacturing. There is therefore plenty of room for growth, particularly from our market-leading e-Commerce services.

Our business opportunity



Continental Europe: The combined economies of Germany, France and Italy present us with an opportunity several times larger than the UK, so our strategy is to view Europe as a market with many common products and services. We are investing heavily in marketing and infrastructure on a local and regional basis to achieve our full potential.

North America: We gained a leading position in this well-developed market in 1999 through the acquisition of Allied Electronics, a high-service distribution company similar to RS. Electrocomponents has invested to improve the levels of service offered by Allied, while other initiatives are underway to share the benefits of Allied's experience across the RS businesses. In this market, where competition is stronger than in our other markets, we see opportunities for growth through market consolidation as we displace smaller competitors.

Japan: Before we rolled-out our RS model into Japan in 1999, the concept of small-order high-service distribution did not exist. Customers are proving very receptive, which confirms our view that this market has excellent growth potential. RS has no significant competitors in Japan.

Asia: We are creating the high-service distribution market across Asia. Singapore is our hub for the ASEAN countries. Our main thrust is in China, where our investment includes local order fulfilment and a very successful Chinese language catalogue and website. We continue to develop our businesses in the rest of the region.

Group processes

By leveraging off our infrastructure and centralised processes we have been able to expand globally and accelerate the development of all our businesses. We can enter new markets with unmatched levels of service and confidence and at much lower cost than our competitors.

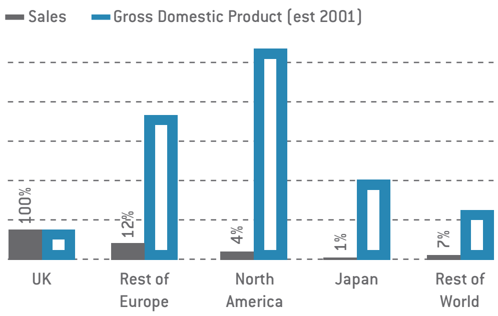
Our market potential

The opportunity to grow our business profitably is very large. We will generate considerable sales growth by realising the full potential of our markets, and increase our profitability by reducing costs through economies of scale. Our goal outside the UK is to grow each operating company to the same relative size and profitability as RS in the UK. Internally, we refer to this goal as "The Prize". In most of our major markets the customer base and competitive structure makes this goal entirely feasible.

Expanding within our markets

The chart below illustrates the scale of the opportunity in each of our geographic regions. Our potential market is proportionate to the Gross Domestic Product (GDP) in the countries in which we operate: we use GDP because our offer is taken up and valued, not just by the manufacturing sector, but by all sectors of an economy. This has been demonstrated in the UK, where about 50% of our customers are not in the manufacturing sector. We take RS UK's current sales compared to UK GDP as our benchmark.

Market penetration relative to UK

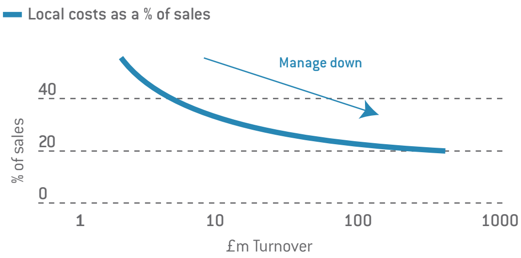


Scale benefits

As our businesses grow in their markets, economies of scale are realised and local costs reduce relative to sales. Marketing costs per customer, such as catalogue costs, decrease as the number of customers and their purchasing frequency grows.

The 'Scale curve' chart shows how local business costs as a percentage of sales fall as sales increase. With consistent gross margins across the business, this trend translates into higher contribution margins and hence profit growth ahead of sales over time.

Scale curve



The local costs of RS UK are about 20% of sales at the current sales level. All our other businesses have lower sales and so are higher on the curve. They are all managed down the scale curve.

Products and services growth

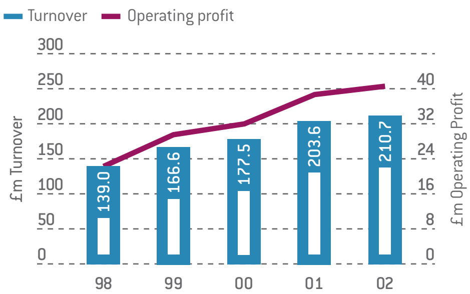
When we enter a new market, our offer is initially based on electronic and electrical products. When we have a deeper understanding of our customers' requirements we extend this range. In the UK for instance, we offer product areas ranging from health & safety to information technology, hydraulics, tools and technical books, all in response to customer demand.

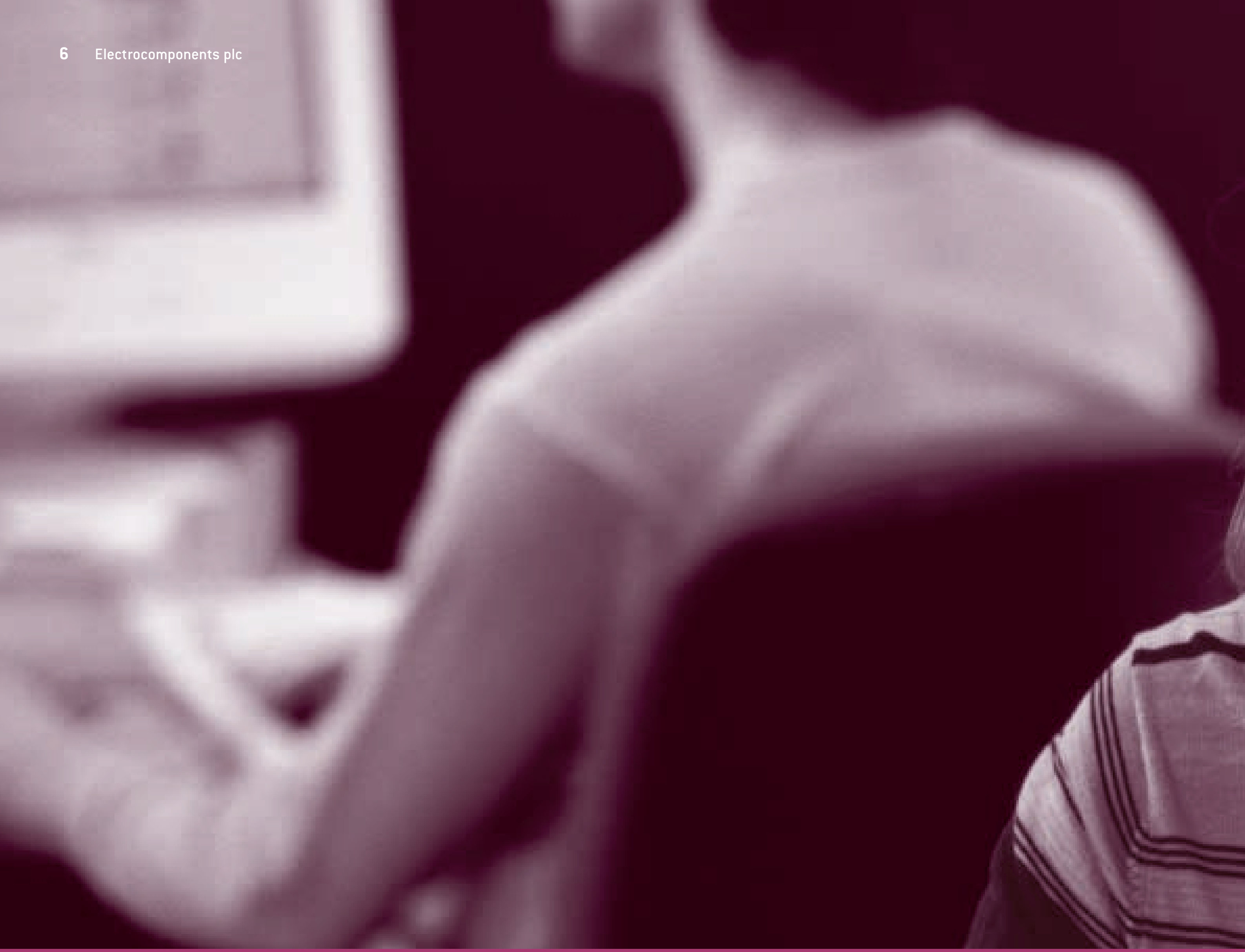
The loyalty of our customers is built on the quality, breadth and reliability of our services. Loyalty is measured by the frequency with which customers buy from us, and it increases as the business grows and we are able to offer new services. For instance, RS in the UK offers same-day despatch for orders received by 8pm; following acquisition, Allied extended its cut-off time to 9pm. Internet trading is available in every market, with more advanced features having been rolled out from the UK to Europe and Japan.

Strategy in action

The chart below shows how, over the four years since 1998, our continental European businesses have increased profits ahead of sales: 52% sales growth has given us 98% profit growth. Our annual sales growth, when not affected by weakness in the major economies, has been c.20%.

RS Rest of Europe – Five year reported results





Our upgraded e-Commerce capability means that RS websites in Europe and Japan now have advanced usability and functionality, and greater adaptability. Besides offering customers a low-cost, low-risk entry into internet trading, we deliver real benefits such as significant savings on small order buying. We are constantly exploring and strengthening this important link to customers to enhance our best-in-sector service offer. And the sector has been quick to respond. Our customer base comprises a healthy balance of longstanding customers, new customers from existing client companies, and completely new customers – with numbers in all categories rising rapidly. There are many exciting possibilities in e-Commerce; we aim to maintain our leadership position by continuing to develop this channel with practical usage and value to customers in mind.

Building relationships online

"Based on the highly successful UK model, our new European Internet Trading Channel (EITC) gives us a common European platform of proven capability."
Sue Milne, e-Commerce manager

When it comes to shipping, you really can't afford to miss the boat. Whether it's a regular delivery of technical parts for a journey or a last-minute emergency, Electrocomponents delivers. In the UK we can provide 98% availability at any moment for each of our 130,000+ products, together with a range of delivery options to suit the customer.

And when this ship reaches its destination, whether it's Yokohama or Sydney, San Francisco or Singapore, we'll be ready to supply it again.

Our stock availability increased over the last year, even though Group stock holding has been reduced by nearly 20%. That's what we mean by world-class logistics!

Customers around the world are attracted by our product range, availability, speed, reliability and expertise.

Around the world, around the clock

So what drives our success?

Firstly, world-class logistics. Our Supply Chain process, introduced five years ago, enables us to forecast demand, co-ordinate stock levels and optimise operations across the Group, and make sure that customers have what they need where they need it, when they need it.

Secondly, we have a proven business model. It works consistently across countries and technologies. Wherever we've gone, in Europe, Asia and North America, local business has responded enthusiastically. Nevertheless, there is huge untapped potential in these markets. We aim to fulfil that potential, and by doing so lead the high service segment in every one of our overseas markets.

We run a Managed Stock Replenishment service for The North British Distillery Company Ltd., a subsidiary of Diageo. Having previously relied on internal labour to assess stock levels and manually record orders for long lists of small-quantity items, the company now has an easily managed system that has freed up labour and reduced costs.

The right products, right here, right now

It may not be the most glamorous aspect of business, but stock management is critical to commercial success – too much stock, and the business pays heavily in terms of overheads. Too little, and customers are let down and sales and reputation are lost.

RS is the best way for customers to buy their smaller volume industrial products: our customers can rely on us to deliver just the items they need, just when they need them – saving time and money and giving peace of mind. This is the RS Value Proposition.

Our services are designed to fit the needs of any business, large or small. They include:

- providing the most advanced technologies in e-Commerce and e-Purchasing – free of charge
- purchasing management services, tailored to individual businesses' needs
- technical helplines and data that help customers get the most out of the products they buy
- a range of delivery options, from regular supply to overnight delivery to courier despatch.

We have wide experience and expertise in stock management. Sharing that expertise builds success for our customers and ourselves.

Chairman's statement

Our confidence in taking the opportunities available to the Group is undiminished >>>

Results

This report is prepared against a background of exceptionally tough conditions in all geographic markets, particularly in the electronic and telecommunications manufacturing sectors.

Group sales declined by 7.8% to £759.6m and profit before tax and amortisation of goodwill by 15.0% to £105.5m. The return on sales declined to 13.9% from 15.1% as costs important to the Group's future growth were sustained, and strategic investments, particularly in e-Commerce, were increased. Sales were reduced as rationalisation programmes that constrained our customers' buying were actioned across many sectors of industry. Whilst the absolute performance is a significant decline on prior year, the Group's overall performance has been robust and this provides confidence for our future prospects.

In spite of the tough conditions, it is important to emphasise that management has continued the strategic development of the Group, the detail of which is contained in Ian Mason's report. This continued strengthening and enhancement of the Group's capability is critical to creating the platform to generate a superior and sustainable earnings stream. This enduring characteristic of Electrocomponents is the foundation block upon which future value is built. The growth potential of our businesses remains unchanged and will continue to be realised as economic conditions improve.

The Board recommends that the final dividend is increased by 15.2% to 11.0p to give a full year dividend increase of 15.2% to 15.9p. The dividend growth is underpinned by the exceptional ability of the business model to generate cash. The net debt reduced from £75.5m to £53.0m, even after a considerable increase in capital expenditure including: investment in systems; e-Commerce development for all European markets and Japan; and the new warehouses for the Italian and German operations.

Management

The year under review has seen significant change in the management of the Group. Roy Cotterill retired after six years as Chairman. Roy led the business during a period of great change as the major strategic thrust to create the required global infrastructure was delivered. He retired having witnessed Electrocomponents establish a position in every major economy of the world. We do wish Roy a very happy and well-earned retirement.

The executive teams under Ian Mason's leadership have settled well. This team, which was instrumental in developing the Electrocomponents strategy, provides continuity of direction combined with the knowledge and experience to drive development aggressively. An example of the continued evolution of the Group has been the establishment of regional management structures in the UK, Continental Europe, Asia, USA and Japan. This provides the local focus to drive market development whilst creating the infrastructure to share best practice on a regional and global basis. The Group has a clear direction and is in good hands for its future.

Our staff have experienced a tough year with customer demand weakening. In addition, they have had to cope with the frustrations and complexities of major customers undertaking

It's about having the opportunity to develop yourself in different parts of the Group as part of an international business.

Anders Friis
Finance, RS Scandinavia

restructuring or major reorganisation. In such circumstances, it has been very difficult for them to develop relationships and to maintain previous revenue levels. Faced with these conditions and uncertainties, they have worked diligently to maintain and enhance our service to customers, and it is this standard of service that creates the differentiation for the Group in all our markets. On behalf of the Board and the shareholders, I am delighted to offer them a sincere vote of thanks.

Accompanying this Report and Accounts there is a Circular containing a proposal for a new and more effective Long Term Incentive Share Option Plan for the Group's Executive Directors and senior management. It is designed to link success in delivering the strategy to rewards for management. The Plan does ensure that shareholders benefit ahead of management but also rewards management for superior performance. The Board will recommend the Plan for approval at the Annual General Meeting.

Current Trading

Since the year end, the sales per day of the Group have been similar to that of the preceding quarter. This is a welcome sign of improving month-on-month stability, though trading remains volatile. Since January, sales per day have increased modestly in Allied and our Asian businesses, have been stable in continental Europe and have declined slightly in the United Kingdom.

Leading indicators, such as the Purchasing Managers Indices, are now more positive on the prospects for recovery in our major markets, however current manufacturing activity remains low. Based on our experience of previous cycles we anticipate that it will take some months before the positive moves in the indicators are reflected in our customers' buying. We are focusing our sales and marketing activities on those customers best placed to benefit from recovery, including making full use of our newly extended internet capabilities. It is noteworthy that our sales over the internet amounted to over £51m as a whole and grew by over 50%.

We are continuing to manage our gross margin, cost base and working capital effectively and consistent with a difficult trading environment. Our investments in initiatives critical to the longer term strategy of the Group have been sustained and a major systems programme developed. We anticipate such investments continuing in the current year. Our financial robustness has been demonstrated by our ability to fund major investments and increase dividends whilst reducing net debt significantly.

We have managed our businesses through this challenging year so that they remain well positioned to benefit from an upturn in our markets. Our confidence in being able to capitalise on the opportunities available to the Group is undiminished.

Bob Lawson

Bob Lawson, Non-Executive Chairman

Chief Executive's report

Continued progress has been demonstrated – we are committed and confident about our future >>>

Overview

Economic conditions in almost all the markets in which we operate have been depressed, making for a difficult year as a whole, with the second half being more difficult than the first. The reasons for this global downturn are well known, however, a specific impact in our case has been the very dramatic fall in the electronics sector which particularly affects our US business.

Our businesses are resilient but not immune to the prevailing economic conditions. Sales growth rates in all of our markets have been impacted. On a full year basis: reasonable growth was achieved in Europe and Japan; Asia was relatively flat; the UK experienced a moderate, and the US a significant, decline in sales. e-Commerce sales increased strongly in all our markets.

Our management strategy in these difficult times is very clear. We will not be deflected by short term economic pressures from doing what is right for the long term growth of the Group. Our businesses have enormous growth potential and we have maintained our strategic investments in them. In parallel, we have continued to manage our gross margins and the cost base to offset in part the impact of sales shortfalls. Stock has been reduced significantly whilst maintaining our exceptional service levels, and the already strong cash generation of our business was improved. Net debt was reduced by £22.5m even after a substantial increase in capital expenditure.

These external trends are cyclical, economic conditions will improve, and our views on the long term growth potential of our business model worldwide remain unchanged.

During the year, the senior management structure beneath Board level, which manages and controls the day-to-day operations of the business, was realigned to reflect the increasingly global nature of the business. The Group Executive Management Team (GEMT) was formed, whose membership consists of the Executive Directors and the Regional and Process heads. This team meets regularly to develop strategy and drive the sharing and implementation of best practice around the Group.

I will now summarise the performance of our businesses by geographic region.

UK

RS UK	2002	2001
Sales (in UK)	£379.7m	£412.4m
Adjusted sales (decline) growth	(7.6)%	2.7%
Sales (by origin)	£393.0m	£426.0m
Adjusted sales (decline) growth	(7.4)%	3.3%
Contribution	£126.2m	£136.2m
Contribution %	32.1%	32.0%

The growth demonstrated by the RS UK business in 2001 was short lived in the face of general economic difficulties and the continued pressure on the manufacturing sector. In 2002, overall sales declined by 7.4% (adjusted for trading days) to £393.0m. Growth among customers in some sectors of the economy (transport, services, etc) was insufficient to offset declines, particularly in manufacturing and telecommunications. Due to these factors and the impact of rationalisation within our customer base, the total active customer numbers also declined by 7%. UK sales in the second half declined by 10.7% (adjusted), but exited the financial year at a slightly lower rate of decline.

Despite lower sales, the UK contribution margin improved to 32.1% from 32.0% through good control of gross margin and local costs, which demonstrates effective management in difficult times. RS UK remains a highly profitable business and extremely cash generative.

We strongly believe in the growth still available to our UK business. All types of business value our services and we have customers in all Standard Industry Classification codes. Many businesses, however, have not yet become our customers. Even within the manufacturing sector, we estimate that our penetration is only 6% of our relevant market, and this declines to 1.5% in non-manufacturing. Although half our customers by number are now in non-manufacturing businesses, they generate only approximately 40% of our sales. There are also many other potential users within our current customer accounts who do not yet buy from RS. Our task is to reach more businesses and more individuals within them and convince them of the value of the RS service. Currently we are generating one thousand new customers each month.

We also aim to increase the frequency and breadth of purchase (the number of different products purchased) of our customers. Many of our customers currently purchase within a narrow range of products: they can be encouraged to broaden their use of our very wide product offer and come to rely on RS for more of their small order needs. At the end of the year the catalogue contained 132,000 products, but many customers bought only a small number of these products compared to their potential requirements from our range.

To realise our customer potential the UK business invested during the year in increasing its field sales force and undertook a major sales force development programme. Our telesales activities were increased and we have successfully introduced a new customer acquisition programme. This reduces the time it takes for new customers to increase their frequency of purchase.

Sales coverage has been intensified around each of our 13 trade counters, to increase our penetration of customers in each area. We continue to see considerable success with our Managed Stock Replenishment service from our trade counters to large customers: in this service we monitor our customers' stores for them and ensure that they have what they need when they need it. We have seen increases of around 40% in sales to participating companies. We have made the task of running their businesses easier and saved them substantial amounts of money, proving the value of using RS.

We have increased the focus of our marketing programmes on growing sectors, such as health, defence and transport. Direct mailing programmes have been very successful in stimulating customer

It's about making sure that customers have what they need when they need it, and know they can rely on us to get it for them quickly and accurately.

Debbie Moore
Nuneaton operations, RS UK

activity, and we continue to use specialogues (small catalogues) to improve the relevance of our offer to customers.

I discuss our e-Commerce activities for the Group as a whole later in this statement. Within the UK, trading over the internet at the end of the year represented over 10% of sales, up from 7% at the end of last year.

Exports from the UK to distributors and direct to overseas customers declined by 4.8% as the global economy suffered and Sterling remained strong.

Rest of Europe

RS Rest of Europe	2002	2001
Sales	**£210.7m**	£203.6m
Adjusted sales growth	**4.1%**	21.8%
Contribution	**£40.4m**	£38.5m
Contribution %	**19.2%**	18.9%

Sales in Europe grew by 4.1% (adjusted for trading days and at constant exchange rates) from £203.6m to £210.7m, which is now 28% of Group sales. Trading in the second half was more difficult than the first half and there was a small sales decline (adjusted) which persisted at the year end. Even at these more modest growth levels the success of the RS strategy (sales growth with improving contribution margins) was demonstrated and contribution margins improved by 0.3 percentage points to 19.2%. Managing the scale curve, tight cost management and improving gross margins all led to the improved contribution margin. "The Prize" potential in the Rest of Europe remains enormous when compared in relative size terms to the UK and we are following our well established strategy towards achieving this "Prize".

We are managing these markets on a more common basis and during the year a Regional General Manager was appointed for the Rest of Europe, covering businesses in France, Germany, Italy, Austria, Scandinavia, Ireland, Spain and Benelux.

The transfer of best practice between these businesses has continued with encouraging results. For example, RS Italy successfully piloted a scheme which promotes relevant or interesting products to customers as they order other products. This was successful and we were able to roll it out swiftly and efficiently to other markets. Similarly, another Italian initiative increased orderfill (the percentage of orders we can fulfil immediately from stock) by ensuring that good alternative products are offered if a product being sought is temporarily unavailable: consequently orderfill increased by about one percentage point. Again this experience has been rolled out.

We continue to exploit our very strong position in continental Europe. Our approach combines local nationals managing each business to drive growth through implementing the RS Core Business Model, together with Processes providing world-class support to drive effectiveness.

Through the year service levels in all markets improved, even though the level of stock was reduced.

Our more advanced e-Commerce capabilities developed in the UK, discussed later in this report, have now been rolled out across the Rest of Europe at a cost of over £5m.

RS Rest of Europe – sales, customers and products

	Adjusted sales growth	% Increase in active customers	Number of products
France	3.3%	3%	95,000
Germany	6.7%	1%	82,000
Italy	1.1%	4%	80,000
Smaller businesses	4.7%	1%	55,000

The modest increases in customers reflected the more difficult economic conditions within these markets as the year progressed. The product offer reflects the different stages of development in each of our markets.

For much of the year Radiospares in **France** has been preparing for the first implementation of our significant systems development (as discussed in Richard Butler's report) which should go live in the second half of this year. This will subsequently be extended to all companies in Europe (including the UK). Radiospares should be the first business to generate the substantial efficiency benefits and rewards from better customer service that the improved processes and systems will support.

Growth of our businesses in **Italy** and **Germany** has driven investment in new warehouse facilities in these countries. The move to the Italian warehouse has been completed without problem, and the fit-out of the new German facility is progressing to plan. This is a major new investment situated in Bad Hersfeld, about 140km north of Frankfurt, where our current facility is located. The new building and systems in this more central location will enable us to increase our service levels and to take orders for same day despatch until later in the day than we can in our current facility.

The **smaller businesses in Europe** had differing results. Radionics in Ireland was significantly affected by a steep decline in the technology sector while Spain showed good growth throughout the year. Austria and Benelux were broadly flat for the year. Scandinavia showed growth in the year, even without the contribution of our distributor in Norway since its acquisition in September 2001. This Norwegian business has now been integrated into our Scandinavian operations. With the creation of a regional management structure for continental Europe, we will increasingly see the smaller businesses leveraging off their larger neighbours.

North America

Allied North America	2002	2001
Sales	**£110.5m**	£148.7m
Adjusted sales (decline) growth	**(27.6)%**	24.6%
Contribution	**£15.9m**	£26.4m
Contribution %	**14.4%**	17.8%

Chief Executive's report *continued*

Sales of our Allied business in the US declined by 27.6% (adjusted) to £110.5m. Allied experienced the combined effects of sharp economic slowdown and what was the worst slowdown in electronics demand since 1959 according to the Semiconductor Industry Association. The National Electronic Distributors Association reported that US distributors suffered an average year-on-year sales decline of 40% in the fourth quarter of calendar year 2001. Allied is an electronics rather than a broad range industrial distributor like the RS businesses and so was particularly impacted. Allied's customer base was much more stable, however, declining only 3%. The downturn is cyclical, as was the previous year's upturn, and we are confident that as market conditions improve Allied will return to its long term trend growth.

Allied's decline in sales was steepest around the half year. Since then the rate of decline has more than halved.

Allied's profit contribution on sales declined by 3.4 percentage points to 14.4%, despite actions on gross margins and costs. The decline in sales was almost entirely due to a fall in average order value, which also resulted in lower discounts. This, together with selective pricing adjustments, increased gross margin by over 2 percentage points.

Cost management has resulted in labour headcount being reduced by 16%, substantially all of which was part-time and contract labour. However, the extensive sales branch network and sales force have been sustained, as we believe that these provide competitive advantage. The branches give customers the personal contacts they value and ensure that we meet their service requirements better than less capable competitors. Management has not reacted to the downturn in any way which will prejudice the future long term growth potential of the business.

Different parts of the US economy had different experiences and resources have been targeted on growing segments, for example, defence, health and utilities. Over a million new potential customers have been identified who are now being targeted using various tools including direct mail and personal follow-up from the local sales offices. A number of incentive programmes were introduced to increase our penetration of growing customers, and these campaigns have produced good returns.

Allied's stock was reduced by 27.5% whilst maintaining superior customer service levels. Allied was rated number one in product availability in North America in customer surveys conducted by Electronic Buyers News, a major US trade magazine. The product offer was 125,000 at the end of the year.

e-Commerce sales have increased by 45.0% and are now 6% of total sales. "Punch-out" technology, which enables customers to build orders by "punching" through their own firewall to our website before returning to have their purchases authorised, is being used with several large national accounts who have e-Procurement software for order processing.

Japan

RS Japan	2002	2001
Sales	**£9.0m**	£8.6m
Adjusted sales growth	**15.3%**	184.8%
Contribution	**(£4.7m)**	(£6.3m)

Sales in Japan have grown by 15.3% (adjusted) to £9.0m. Losses of £4.7m were down from £6.3m last year. The low growth compared to the previous year is attributable to a rapid downturn in the Japanese economy, particularly in the electronics and manufacturing sectors. We have seen sales to some of our more established electronics customers decline because they have made a number of their engineers redundant, some of whom were our customers. However, the total number of customers served by RS Japan has grown by 15% and the average order frequency of these customers has also grown. This demonstrates that the Japanese engineer continues to value the RS service. This experience reinforces our view that the market potential remains huge.

The second half growth of 8.1% was lower than the first half, and this rate persisted to the year end.

Marketing activities have been implemented to accelerate the rate of customer acquisition and to increase the breadth of purchase of existing customers. The sales force has successfully targeted "recession proof" customers, for example, universities and government institutes.

We continue to follow our well-proven strategy of implementing the RS Core Business Model in Japan: increasing the product range through adding new technologies and increasing the number of customers and the breadth of purchase of those customers. The number of products has grown to 43,000, which is an increase of 70% since launch. The range of products has started to widen to cover electrical and mechanical products in addition to electronics, as we build up to our typical broad range industrial offer which can satisfy our customers' needs.

e-Commerce business in Japan has grown to 19% of total sales. Our more advanced internet capability, entirely in the Japanese language, was successfully launched in April 2002. A dedicated team has been created to drive sales through this exciting new e-Commerce opportunity.

To meet the potential in this market we have decided to relocate the business to a larger warehouse in a better location for serving customers. This will happen in the summer of 2002.

Given the trading backdrop and additional investments, the business is now planned to break even at the end of the 2004 financial year.

Rest of World

RS Rest of World	2002	2001
Sales	**£36.4m**	£37.0m
Adjusted sales growth	**1.0%**	17.1%
Contribution	**£0.2m**	£1.8m
Contribution %	**0.5%**	4.9%

It's about successfully replicating the Group's business model around the world; offering Japanese engineers the best way to buy their small-volume industrial product.

Jay Yamaguchi
General Manager, RS Japan

Sales in the rest of the world grew by 1.0% (adjusted) to £36.4m. The second half declined by 1.2%, but the businesses were growing again by the end of the year. Asia accounts for most of this segment.
Asia: Asia sales declined by 2.3% (adjusted) as these markets are closely linked to the US and have therefore seen very difficult economic conditions.

The Asia region is being managed on an integrated basis by a Regional General Manager. The primary focus has been to improve the sales effectiveness across the region and to transfer best practice.

Sales for the whole of **North Asia** were level (on an adjusted basis) with last year. This reflects growth in China and declines elsewhere.

Sales in China grew by 10.8% (adjusted). China held up longer in the global economic downturn, with the first signs of this downturn seen during the second half in the manufacturing centres of Southern China. Strategic investment in catalogues and fulfilment during the year amounted to £1.4m (2001: £2.5m).

Over 5,000 new customers were acquired in the year. Our Shanghai warehouse gained approval for same day despatch from the warehouse with retrospective customs clearance, so allowing us to improve considerably the service level offered in the Shanghai region. Following its entry into the World Trade Organisation, however, China has begun to place more controls on imports. Although these restrictions are not fully operational, they have caused us some disruption that we expect to continue until the new procedures are implemented consistently.

In some months, up to 30% of Chinese sales came via the internet. This was driven by particular incentive programmes, and shows the relevance of e-Commerce to all of our markets.

Hong Kong and Taiwan faced difficult trading because of the dependence of their markets on world trade levels and electronics. Our sales declined in the year.

Sales in **South Asia** declined by 7.1% (adjusted) with Singapore being particularly badly affected because of its strong links to the US economy, and the importance of electronics. In spite of this, our marketing and sales actions grew the customer base by 9% to provide a sound platform for recovery. During the year significant investment was made in systems to support future growth.

Sales in **Australasia** declined by 1.2% (adjusted). The Australian economy grew in the year, but not in the sectors where our customers are concentrated. Our efforts have been to broaden the customer base. Our smaller business in New Zealand continued to grow. The Australasian business again generated good profits.
Other Markets: Sales in our other smaller markets grew by 38.5% (adjusted), driven by particularly strong growth in South Africa.

e-Commerce

e-Commerce is a powerful way to market for the Group where we have developed clear leadership. This channel builds on existing strengths in fulfilment, content management and our relationship with customers. As well as serving existing customers we are attracting new ones and providing services not possible through other channels.

Sales over the internet represented over 8% of total Group sales at the year end. They amounted to £51.1m for the year as a whole, and grew by over 50%.

The roll-out of the Euro Internet Trading Channel (EITC) was completed during the year. Capital expenditure was £1.5m (2001: £3.6m) with development and launch costs expensed of £7.7m (2001: £4.0m). The roll-out has taken our most advanced and proven functionality (developed in the UK) to 11 European countries and all on a single platform. Each country site is in its own local language and is integrated into the local business systems so that all existing customer information remains available.

This roll-out has resulted in record levels of internet sales being achieved in all markets in which the EITC has been launched. Sales have grown by over 100% in some markets compared to the previous internet trading site, which demonstrates the value that our customers place on this new functionality. Our understanding of customer purchasing patterns is being enhanced, which will be the foundation for future marketing programmes. The power of this platform is that as new techniques are trialled and proven in one of the markets, they can then be deployed quickly to all the others.

The launch of our new PurchasingManager™ functionality in February 2002 has also been enthusiastically welcomed by customers. This is a simple to use but powerful e-Procurement package which manages customers' transactions with RS. The benefits are demonstrable control of purchasing by the purchasing professional (through setting limits for spend, approval, etc) combined with empowerment of the end-users to purchase what they need without a cumbersome paper-based approval process. The net result is a significant reduction in transaction costs and happier end-users and purchasing professionals. We expect PurchasingManager™ to be a significant revenue driver in the future.

As mentioned previously, we successfully launched the equivalent functionality of the EITC in Japan in April 2002. e-Commerce revenues in Japan were already 19% of sales in the year and so we are particularly excited about the likely impact of the new functionality. Early results are encouraging.

Summary

Our strategy remains unchanged. As a Group we have huge growth potential in the markets we serve. Even during the current economic difficulties, continued progress has been demonstrated, as has our capability for good gross margin and cost management. The very strong cash generation capability of our Group has again been demonstrated. Despite the current cyclical downturn, which we will successfully manage through, we are committed and confident about our future.

Ian Mason

Ian Mason, Group Chief Executive

Chief Process Officer's report

It is our remarkable level of service that differentiates us from our competition >>>

The Group Processes provide the global platforms that enable all our businesses to provide our customers with outstanding service. This structure allows the Group to benefit from shared best practice and cost effectiveness through economies of scale. It is the investment that we have made in these platforms and, critically, the knowledge of how to make them really work that creates many of the significant barriers to entry.

The total cost of the Processes in the year was £69.3m, up 5.5% from £65.7m last year. Most of the increase is due to increased investment in Information Systems and internet development.

Supply Chain

Supply Chain has delivered improved customer service and greater stock holding efficiency. The ability to satisfy every customer order, in full and immediately, is the key measure of Supply Chain performance – we call it "orderfill". Throughout the year there has been a consistent improvement in performance. It is this remarkable level of service, significantly over 90% in our major RS markets, that differentiates us from our competition. This level of orderfill requires approaching 98% availability for each product ordered. Nine of our businesses achieved monthly orderfill records in the year, and the overwhelming majority of RS customers are now served by businesses with over 90% orderfill levels.

Supply Chain is responsible for delivering orderfill whilst managing the Group's total stock. As a consequence of further investment in stock management systems, and leveraging expertise across the whole Group, stocks have been managed tightly. This has resulted in an increase in stock turn from 2.5 times to 2.7 times and an 18.0% reduction in stock from £164.8m (in continuing operations) at the start of the year to £135.1m.

Facilities

This central team takes responsibility for maximising the efficiency of our Distribution Centres and project managing new developments. In Italy, the move into larger leasehold premises was successfully completed in December 2001, and the move to new offices took place in April 2002. In Germany, development of an 82,000 square metre greenfield site at Bad Hersfeld is well advanced and the facility will be ready for occupation in December 2002. In the year, capital expenditure on these projects was approximately £17m.

Product Management

Our total product offer is approximately 300,000 products. Product Management works closely with customers and suppliers to ensure that key new products are introduced to appropriate markets and that the range is refreshed as existing products are further developed.

Because of our unique global presence, large number of customers and detailed customer knowledge, our suppliers are very keen to work closely with us. They recognise our wide customer reach in, for example, the important research and development arena, and value highly the opportunity to enhance their market understanding by selling through us.

Another good example of this is the strategic alliance with Avnet, now entering its third year. Both revenue and logistics benefits have been delivered, and pilots are currently underway testing how we can work more closely together, by leveraging RS's ability to service some elements of the small order requirements of Avnet's customer base.

Media Publishing

Last year's catalogue production led to the printing of over 5.5 billion pages, with all the paper sourced from renewable forests. Each catalogue, and supporting CD and website, is published by the Media Publishing Process in local language, including Japanese and Chinese versions. Further rationalisation of paper and print contracts has delivered lower unit costs for media production. Investment in the latest desktop publishing technology has also enabled the internal production of more marketing material, such as the "RS@Work" specialogue, reducing both costs and production time.

It's about growing a business with sales approaching £100m in France in just over ten years; and fulfilling the very large remaining potential in the future.

Thierry Benoliel
Sales, Radiospares France

This year has seen the establishment of a Content Management organisation specifically focused upon the creation, maintenance and control of all product-related data including technical support data. Demand for technical data is as strong as ever, and during the last year our technical data on the internet was accessed 1.3 million times worldwide.

Human Resources

Across the Group the recruitment, development and retention of our management teams is a top priority. The Group team facilitates the detailed management resource planning that takes place. This gives us a view of the management needs of the future, thereby enabling effective and focused development and recruitment activity.

Subject to shareholder approval at the Annual General Meeting in July, the new Long Term Incentive Share Option Plan will then be launched. Plans are well advanced for an effective communication programme to ensure the Plan is well understood and to maximise its impact, as both an incentive for the key management population and to aid their retention.

Information Systems

Though responsibility for our Information Systems process falls within Jeff Hewitt's area, for the completeness of this Process Review, I will comment on this important area.

Information Systems accounted for some 40% of total Process costs, or £28.3m, an 18.9% increase on last year. Included in this cost are all the labour and depreciation expenses of the development activities and support infrastructure for the Group's operations, including e-Commerce.

During the year capital expenditure in information systems increased substantially to £26.7m with the development of the major enterprise systems programmes in Europe and Asia that we have previously indicated. These will amount in total to c.£50m over three years (and over £40m in Europe). Within the programmes: the infrastructure investment to enable more effective and secure communications and data sharing across Europe and Asia has already been completed; common approaches to our customer, product and supplier databases are increasingly in place; robust networks for our e-Commerce expansion have been established; and work on implementing more standardised operating procedures and system environments is in progress. Initial implementation of these new procedures is planned for this year in France and Singapore, and full roll-out across Europe and Asia should be completed by the middle of 2004. Within the Asia programme the upgrading of systems in China represents an important further investment in that market.

The impact on our costs of the enterprise system projects was £1.8m in the year. This impact will increase significantly in future years through higher depreciation resulting from the capital expenditure. Meanwhile the costs of our existing systems are being reduced. Though the changes required in our businesses by this investment programme will incur cost, we believe that substantial efficiency benefits and rewards from enhanced customer service will be achieved. The internal and customer facing platforms now being established are critical enablers to meeting our strategic goals.

The Euro conversion programmes were also completed during the year to enable full Euro trading and to convert the accounting bases of relevant companies to Euros. These transitions required considerable management effort and cost about £0.8m.

Summary

In summary, this has been a year of real progress for the Group Processes. Even in difficult trading conditions the level of service to our customers has been maintained and in many areas enhanced. At the same time, each Process has contributed to the overall effectiveness of the Group's performance and development.

Richard Butler, Chief Process Officer

Financial review

Our returns remain substantially higher than the Group's cost of capital >>>

Turnover, profits and earnings of continuing operations

Key figures	2002	2001
Turnover	**£759.6m**	£823.9m
Operating profit*	**£108.7m**	£130.9m
Interest	**(£3.2m)**	(£6.8m)
Profit before tax*†	**£105.5m**	£124.1m
Earnings per share*†‡	**17.3p**	20.2p
Dividend per share	**15.9p**	13.8p

Key statistics	2002	2001
Gross margin %	**51.0%**	49.1%
Operating margin %*	**14.3%**	15.9%
Return on sales %	**13.9%**	15.1%
Effective tax rate %*†‡	**29.0%**	29.3%
PBT on net assets†‡	**22.7%**	27.1%

Growth %	2002	2001
Turnover	**(7.8%)**	15.8%
Turnover – adjusted	**(7.7%)**	12.3%
Operating profit*	**(17.0%)**	10.7%
Profit before tax*†	**(15.0%)**	7.6%
Earnings per share*†‡	**(14.4%)**	6.3%
Dividend per share	**15.2%**	15.0%

*Before amortisation of goodwill
†2001: before exceptional loss on closure of Pact
‡2001: restated for the implementation of FRS19

Group turnover of continuing operations declined by 7.8% to £759.6m. Before goodwill amortisation (and exceptional charges last year) operating profit fell 17.0% to £108.7m, profit before tax fell 15.0% to £105.5m and earnings per share fell 14.4% to 17.3p. The prior year also included the Pact business for nine months before it was discontinued on 1 January 2001 and subsequently closed at an exceptional cost of £6.9m.

Exchange rate movements had a positive translation effect on our reported operating profit. At constant exchange rates, sales would have been £1.7m lower and operating profit would have been £1.0m lower, a decline of 17.7% over the prior year compared with the reported 17.0%. Adjusting sales for the number of trading days in the year and to constant exchange rates gives an underlying sales decline of the continuing operations of 7.7%.

For the continuing operations, the gross margin was 51.0%, which was up on last year. This partly reflects the lower contribution of Allied to the overall sales mix, as Allied has a lower gross margin than the RS businesses, and partly more positive management across the whole Group of all the factors that determine the gross margin.

Operating margins (before amortisation of goodwill) declined from 15.9% to 14.3% for a number of reasons. A significant factor was the lower gross profit resulting from the lower sales notwithstanding the higher gross margin percentage. The lower gross profit was not then fully offset by reductions in the cost base of the Group. Though costs have been managed down in light of the difficult trading of the past year, care has been taken not to prejudice the growth potential of the businesses when trading recovers and so costs were not driven down to the same degree as the fall in sales. The second factor, as last year, is that our higher growth businesses are our smaller businesses which have higher costs relative to sales than our larger businesses, due to scale effects. Hence, the margin decline partly reflects this change in mix of cost bases within the Group. Thirdly, our strategic investments are higher at £13.8m versus £12.8m last year: e-Commerce costs were up to £7.7m from £4.0m whilst Japan losses declined to £4.7m from £6.3m and China investment to £1.4m from £2.5m.

Overall Process costs were £69.3m, or 9.1% of sales, compared to 8.0% of sales of continuing operations last year. Before the impact of any particular project activities, these costs are anticipated to flatten and then decline as a percentage of sales over time. The largest component of these costs remained information systems, accounting for about 40% of the total, and this component is likely to increase over the next few years as the project to upgrade the Group's systems infrastructure, communications and databases incurs depreciation and costs ahead of benefits. The enterprise business systems projects cost £1.8m in the year, up from £0.1m. The development costs of e-Commerce within Processes were £5.0m, up from £1.7m last year. Conversely, given our share price development relative to the peer group, the funding of the Long Term Incentive Plan required a charge of £0.1m in the year compared to £2.5m last year and this has benefited the Process costs. After adjusting for the project costs and the LTIP, the Process costs grew by 1.6%.

The interest charge was £3.2m compared to £6.8m last year, mainly due to lower interest rates and the reduction in net debt over the year. The tax rate of 29.0%, based on profit before tax and goodwill amortisation was marginally lower than the (restated) prior year rate of 29.3%. FRS19 (Deferred Tax) has been applied in arriving at this rate. In accordance with FRS10, the £214.8m of goodwill that arose on the acquisition of Allied is being written off over 20 years and the amortisation in the year was £11.9m. The acquisition of the business activities in Norway also led to an increase in goodwill amortisation of £0.1m during the year.

Profit before tax and after goodwill amortisation was £93.5m and the effective tax rate on this profit was 32.7%. After tax, the profit for the year amounted to £62.9m, down 11.4%.

Earnings per share before goodwill amortisation (and before exceptional items in the prior year) declined 14.4% to 17.3p from 20.2p. After goodwill amortisation (but before exceptional items in the prior year), the decline was 17.6% to 14.5p. Including the exceptional charge in the prior year the decline was 11.6%.

With the recommended final dividend of 11.0p per share, dividends rose 15.2% to 15.9p, which were covered 1.1 times by earnings before goodwill amortisation. Cash generation and the impact of strategic investments that have been expensed are also factors in considering cover. Taking the cash earnings per share (earnings per share plus depreciation) as adjusted for the after tax cost (at a rate of 29%) of the strategic investments gives a dividend cover of 1.5 times.

Cash flow and balance sheet of continuing operations

Cash flow	2002	2001
Stocks	**£29.0m**	(£8.6m)
Debtors	**£18.5m**	(£4.5m)
Creditors	**(£19.0m)**	(£1.2m)
Working capital	**£28.5m**	(£14.3m)
Capital expenditure on fixed asset additions	**(£47.2m)**	(£25.6m)
Free cash flow	**£76.3m**	£74.4m
Net debt	**(£53.0m)**	(£75.5m)

Key statistics	2002	2001
Stock turn	**2.7**	2.5
Debtors days	**50.8**	53.8
Creditors days	**33.7**	40.1

Operating cash flow of continuing operations was again healthy at £156.7m, up from £138.0m last year and representing 144.2% of operating profit (before amortisation of goodwill). Free cash flow of continuing operations for the year was £76.3m (£74.4m last year), and total free cash flow was £81.6m (£78.6m), including the cash flows from Pact.

Working capital cash inflows amounted to £28.5m compared to a £14.3m outflow last year. Cash inflow on stocks was £29.0m compared to an outflow of £8.6m last year. Whilst maintaining high service levels for customers, stock levels were tightly and effectively managed throughout the year and stock turn improved to 2.7 times from 2.5 times. Debtors recorded an inflow of £18.5m, compared with an outflow of £4.5m last year. Debtor days were 50.8, down from 53.8 last year. There was a cash outflow on creditors of £19.0m, compared to an outflow of £1.2m last year. Creditor days were 33.7, a decrease from 40.1 last year. The incidence of the Easter holidays at the year end benefited the debtors and creditors cash flows.

Capital expenditure on fixed assets additions was £47.2m, significantly higher than last year (£25.6m for continuing operations) though slightly lower than we expected earlier in the year due to rephasing. The largest expenditure in this year has been £25.2m on systems, of which £20.2m was part of the £50m enterprise business systems. This three-year investment programme will substantially improve the systems structure, data management and process design across Europe and Asia. £1.5m was also spent on e-Commerce infrastructure. Other major investments have been in the new warehouse facilities in Germany (£13.7m) and Italy (£2.8m). The combination of expenditures in the year represents a peak and the overall level is expected to be significantly lower in this year.

The closure of Pact provided a £5.3m inflow of cash during the year (2001: £4.2m). The freehold property previously occupied by Pact is subject to an offer.

Financial review *continued*

The relevant assets of our distributor in Norway were acquired on 28 September 2001 and our wholly owned business commenced trade from 1 October 2001. The acquisition cost £0.8m, all of which represented goodwill. The trading results of the new business were immaterial to the Group as a whole.

After higher tax and dividend payments of £32.9m (including Pact) and £62.7m respectively, the decrease in net debt was £22.5m or 30%, giving year end net debt of £53.0m.

Pensions

Note 7 to the Accounts indicates the effect FRS17 would have had if it had been adopted. Full adoption is required for the year ended 31 March 2004. The Group has a well-funded defined benefit scheme in the UK with much smaller defined benefit schemes in Ireland and Germany. Elsewhere the schemes are defined contribution. Under the FRS17 rules we are pleased that the defined benefit schemes showed a combined surplus of £17.6m. The last full valuation of the UK scheme was carried out as at 31 March 2001 and showed a surplus of £22.1m.

The Group has been evaluating its long term pension arrangements in the UK and is considering the introduction of a new defined contribution scheme for new employees.

Treasury

Treasury continued to operate as a centralised service centre. Its ethos remained the managed reduction of the Group's financial risks. The Treasury Committee continued to oversee any policy or procedural changes.

Treasury manages the Group's foreign currency transaction risks. These typically arise because the Group's purchases in currencies other than Sterling are much less than its receivables from catalogues with fixed prices in those currencies. Substantial hedging of net currency exposures over the catalogue lives was once again implemented in order to "shelter" forecast gross profits through the catalogue lives. In this way the impact of currency fluctuations is smoothed until selling or cost prices can be changed in light of the changed exchange rates. The hedges are enacted through forward currency contracts entered into by Group Treasury on the trading projections provided by local businesses. Note 26 to the Accounts gives a summary of the Group's hedging positions at the year end. In addition, supplier negotiations continued such that more product purchases will be made in the underlying currencies of the source, as against Sterling. This then allows increased netting of currency flows internally.

Over the course of the year, the Euro remained weak and the US Dollar strengthened. In itself this reduced our gross margins because a large part of our product supply is directly or indirectly sourced in US Dollars whilst a large part of our currency receipts are from sales in Sterling or Euros. As noted above, however, other management actions overcame this negative influence and our gross margins increased over the year.

Cash flows relating to material transactions in currencies other than the functional currency of the local business are hedged when the commitment is made.

Foreign currency translation exposures are not explicitly hedged, but local currency debt is used where economic and fiscally efficient in the financing of subsidiaries and this provides a partial hedge. Treasury guidelines are in place for reviewing the impact of translation exposures should there be any material changes. Note 26 to the Accounts summarises the financial assets and liabilities by major currencies at the year end.

The Allied acquisition in July 1999 was financed by term loans from our relationship banks and these are being paid down from trading cash flows. The financing structures of other subsidiaries continue to be reviewed for overall financial and fiscal effectiveness. Multi-country cash pooling has been successfully implemented across the Group with our banks to ensure daily netting of almost all the Group's cash flows in Sterling, US Dollar, Euro, Yen, Singapore Dollar and Hong Kong Dollar with consequent improvements in liquidity and lower interest costs.

At the year end the Group had net debt of £53.0m to give gearing of 12.9% and interest cover (before amortisation of goodwill and exceptional charges) of 33 times. The Group remains robustly financed.

It's about making sure that all our businesses use their information in the best way, to optimise our services to customers and our performance as a business.

Danny Cardew
Enterprise Business Systems,
RS Singapore

Within net debt, total debt was £74.4m, of which £39.0m was denominated in US Dollars and £24.2m in Yen, whilst cash of £5.1m and short term investments of £16.3m were largely in Euro deposits. Group policy on investment management is to maximise the return on net funds subject always to the security of the principal and the liquidity of the Group. The Group has established policies to identify counterparties of suitable credit worthiness and has procedures to ensure that only these parties are used, that exposure limits are set and that these limits are not exceeded. During the year and at the year end the Group did not make use of any financial instrument for the purpose of hedging changes in interest rates. Note 26 to the Accounts provides a summary of the deposit structure of the Group at the year end.

Financial and shareholder returns

Profit before tax (and after goodwill amortisation) on net assets was 22.7%, down from 27.1% (before exceptional loss on Pact) last year. These returns remain substantially higher than the Group's cost of capital. Trading performance and the investments made to implement the Group's strategy have depressed the reported returns.

Our reduction in total shareholder return over the year was 10.3% reflecting the share price decrease between the year ends, which compared to the negative 3.2% in the Allshare index.

On 1 January 2002 Electrocomponents was reclassified from Distributors into the Business Support Services sector of the stock market, a move that we regard as beneficial to shareholders. All shareholders should benefit from the increased coverage of the Group by analysts and others that focus on this much larger sector.

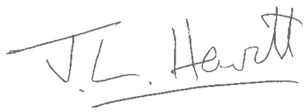
Our move into the Support Services sector has meant that a significant number of investors and analysts that have not previously known the Group wish to build their understanding. This will help in broadening the market for Electrocomponents' shares. Hence, in January 2002, Electrocomponents hosted a site visit to our Nuneaton (United Kingdom) facility for investors and analysts to provide a first hand view of this major part of our fulfilment infrastructure and to learn more of our strategy. Managers of some of our major operations took part in the day and their full presentations are available on our corporate website.

Summary

Providing attractive returns for our shareholders relative to the market over the long term remains the primary goal of our strategy. In our selected markets the growth potential for our businesses is large and we believe that superior returns are available to the Group over the long term. The sales and profit performance of our main European businesses are important pointers, as is our progress in Japan and in the major Asian markets. Though Allied has had a very difficult year as a result of the electronics cycle, our experience of this business gives us confidence in its quality and in the opportunities for the Group in the North American market.

We are not distracted from pursuing our strategy by the short term trading difficulties encountered over the past year. The global economic backdrop influences the timing of the realisation of the Group's potential ("The Prize"), but does not alter our belief in its ultimate attainability. We are convinced that as our businesses realise the considerable sales potential of their markets over time, and consequently achieve the economies of scale, their profitability, absolute profits and cash generation will increase. In the larger economies our opportunities should be substantially larger than those reflected by our UK business.

We will continue to strive to make real these very attractive investment prospects.



Jeff Hewitt, Deputy Chairman and Group Finance Director

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The Board

1 R A Lawson MA MBA, Non-Executive Chairman
Bob Lawson, 57, joined as Group Managing Director in April 1991 and was the Group Chief Executive from April 1992 until his retirement in July 2001 when he was appointed Chairman Designate. He held this position until his appointment as Non-Executive Chairman in November 2001. He is a qualified engineer with a business degree and has worked in several United Kingdom and continental groups. He was Sales Director of RS Components Limited from 1979 to 1987 and then spent five years as Managing Director of Vitec Group plc. He is Non-Executive Chairman of Hays plc.
(Chairman of the Nomination Committee)(a)

2 I Mason MBA, Group Chief Executive
Ian Mason, 40, joined the Group in February 1995 as Director of Business Development, and was responsible for the establishment of RS Japan and e-Commerce. He was appointed to the Board of Directors in July 2000 as Chief Operating Officer and had responsibility for all RS trading activities and e-Commerce. He was appointed Group Chief Executive in July 2001. Previously he worked as a Management Consultant for The Boston Consulting Group.
(Chairman of the Group Executive Directors Committee)(b)(c)

3 J L Hewitt MA FCA MBA, Deputy Chairman and Group Finance Director
Jeff Hewitt, 54, joined as Group Finance Director in November 1996 from Unitech plc where he was Finance Director. He joined Unitech in 1991 from Coats Viyella plc where he was Group Strategy Director and a Divisional Chairman. He has worked for The Boston Consulting Group and Arthur Andersen & Co. He is also a Non-Executive Director of The Roxboro Group plc.
(Chairman of the Treasury Committee)(b)(c)

4 R B Butler FCIS, Chief Process Officer
Richard Butler, 42, joined the Group as Company Secretary in August 1987 from Bowthorp Holdings plc, now Spirent plc. He was appointed to the Board in July 2000 and is responsible for the Group operational processes. (c)

5 F D Lennertz Dr.-Ing, Non-Executive Director
Dieter Lennertz, 65, joined as a Non-Executive Director in August 1995. He is a telecommunications engineer who spent three years in the Netherlands and fourteen in France working for the European Space Agency. He joined Telenorma GmbH (Bosch Group) in 1983 and until 1995 was Chief Executive of this telecom company. He is currently Chairman or member of various supervisory or advisory boards. He is a lecturer at the European Business School in Germany. (a)(d)

The operational management of the Group is delegated by the Board to the Group Executive Directors' Committee. The day-to-day operations of the Group are managed by the Group Executive Management Team which consists of the Executive Directors and the Regional and Process heads. It meets each month and in full quarter.

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6 D S Winterbottom FCA FCT FRSA, Senior Non-Executive Director
David Winterbottom, 65, joined as a Non-Executive Director in November 1990. He was Chief Executive of Evode Group plc and is Chairman of Hill & Smith Holdings plc, CPL Industries Ltd and Wightlink Shipping Ltd.
(Chairman of the Audit Committee) (a)(d)(e)

7 K Hamill BA FCA, Non-Executive Director
Keith Hamill, 49, joined as a Non-Executive Director in July 1999. He has held several senior finance positions, including Finance Director of WH Smith, Forte, and United Distillers. He was also a partner in PricewaterhouseCoopers. He is Chairman of Luminar plc, Collins Stewart PLC and Go Limited and is a Non-Executive Director of TDG plc and Cadmus Communications Corporation. He is also Treasurer of Nottingham University. (a)(d)(e)

8 N J Temple Non-Executive Director
Nick Temple, 54, joined as a Non-Executive Director in September 1996. He is a Non-Executive Director of Fox IT Ltd and Auxinet Group plc and is Chairman of Blick plc, Tax Computer Systems Ltd and Retail Business Solutions Ltd. He was Chairman and CEO of IBM UK Ltd and Vice-President of Sales and Marketing in IBM Europe, Middle East and Africa. (a)(d)(e)

9 L Atkinson Non-Executive Director
Dr Leslie Atkinson, 58, joined as a Non-Executive Director in July 2000, having spent most of his career with BP where he became Chairman of BP Asia Pacific. He has also been a member of the UK Government's Central Policy Review Staff, Vice President of the Chamber of Shipping and served on the Board of the Securities and Futures Authority. His other Non-Executive Directorships include AEA Technology plc and Foreign and Colonial Pacific Investment Trust plc.
(Chairman of the Remuneration Committee) (a)(d)(e)

10 T G Barker Non-Executive Director
Timothy Barker, 62, joined as a Non-Executive Director in July 2000. From 1998 until his retirement in 2000, he was a Vice-Chairman of Dresdner Kleinwort Benson and from 1993 of Kleinwort Benson Group plc. In the mid-1980s he was Director General of the City Panel on Takeovers and Mergers. Currently he is Chairman of Kleinwort Benson Private Bank and Robert Walters plc. (a)(d)(e)

11 C Carfora FCIS, Company Secretary
Carmelina Carfora, 38, joined the Company in 1989 from BTR plc. She was appointed Company Secretary in September 1996. (b)

a = member of the Nomination Committee
b = member of the Treasury Committee
c = member of the Group Executive Directors' Committee
d = member of the Remuneration Committee
e = member of the Audit Committee

Report of the Directors

The Directors present their report on the affairs of the Group together with the audited accounts for the year ended 31 March 2002.

Principal activity

The principal activity of the Group is the distribution of electronic, electrical and industrial supplies and services to industrial and commercial customers, through its 27 Operations and Distribution channels. Significant events during the year are detailed in the reports of the Chairman, the Group Chief Executive, the Chief Process Officer and the Financial Review on pages 12 to 23.

Results and dividends

Results for the year are set out in the profit and loss account on page 34. An analysis of turnover, profit and net assets by activity is shown in note 2 on pages 39 and 40. The Directors recommend a final dividend of 11.0p per ordinary share, to be paid, if approved, on 24 July 2002 which, together with the interim dividend of 4.90p per share paid in January, amounts to 15.9p for the year (2001: 13.8p).

Corporate governance

The Company applies the Principles of Good Governance and Code of Best Practice as appended to the Listing Rules of the UK Listing Authority (the Combined Code). Section 1 of the Combined Code establishes fourteen principles of good governance in four areas: Directors; Remuneration of Directors; Relations with Shareholders; and Accountability and Audit. The following four sections explain how these principles have been applied.

Directors

The Board comprises the Non-Executive Chairman, who is part-time, three Executive Directors and six independent Non-Executive Directors. Biographical details of the Directors at the date of this report are set out on pages 24 and 25 together with details of their membership of Board Committees.

Directors' interests in the shares of the Company are shown on pages 29 and 30.

In the opinion of the Board, all the Non-Executive Directors, other than Mr Lawson, are independent of management and free from any business or other relationships which could interfere with the exercise of their judgement.

Board meetings are held monthly except in January and August and the Board is responsible for overall Group strategy, acquisition and disposal policies and the approval of major investment proposals. The Board discusses and agrees strategic plans, reviews forecasts and evaluates Group and subsidiary performance. Comprehensive and relevant Board papers are provided to Directors well in advance of meetings. On a regular basis the Board visits operating units both in the UK and overseas and receives presentations from senior staff.

Retirement by rotation: Mr Hamill, Mr Lawson and Dr Lennertz retire by rotation at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election. Mr Lawson has a one year rolling contract but neither Mr Hamill nor Dr Lennertz has a service contract.

Mr Cotterill retired as Chairman on 7 November 2001.

Mr Lawson, who was appointed Chairman Designate on 20 July 2001 after retiring as Group Chief Executive, succeeded Mr Cotterill as Chairman on 7 November 2001.

Mr Mason was appointed Group Chief Executive on 20 July 2001.

Board committees: The Board has a number of standing committees consisting of certain Directors, and in the case of the Treasury Committee, certain senior managers, to which specific responsibilities have been delegated and for which written terms of reference have been agreed. Membership of the various Committees is shown on pages 24 and 25.

THE EXECUTIVE DIRECTORS' COMMITTEE consists of the Executive Directors. The Committee meets at least monthly and manages the day-to-day activities of the Group.

THE AUDIT COMMITTEE consists of five Non-Executive Directors. It meets three times a year and more frequently if required. The Committee assists the Board in its duties regarding financial statements and reviews the operation of internal financial controls with the internal and, where applicable, external auditors. It also reviews the scope and results of the audit with the external auditors and the results of the work of the internal operational auditors.

THE TREASURY COMMITTEE consists of the Group Chief Executive, the Group Finance Director, the Group Treasurer, the Group Controller and the Company Secretary and sets detailed treasury policy for the Group within guidelines established by the Board. The Committee meets as required.

THE REMUNERATION COMMITTEE consists of all the Non-Executive Directors other than the Chairman. It meets as required and is responsible for all aspects of the remuneration of Executive Directors. Details of the remuneration policy and of the remuneration of each Director are set out on pages 26 to 30.

THE NOMINATION COMMITTEE consists of the Chairman, who chairs the Committee, and all the Non-Executive Directors. The Committee meets as required and recommends to the Board candidates for appointment as Executive and Non-Executive Directors of the Company.

Remuneration of Directors

The determination of the remuneration, benefits and employment conditions of the Executive Directors has been delegated to the Remuneration Committee. The Board as a whole determines the remuneration of the Chairman and other Non-Executive Directors. The Committee adheres to the principles and provisions of the Combined Code and, in preparing this Report, the Board has followed the provisions of Schedule B of the Combined Code. The Committee utilises the services of a leading firm of compensation and benefit consultants to ensure that its aims are met.

Remuneration policy: The objectives of the remuneration policy are to provide a remuneration package which is competitive and performance-linked, to ensure that the Group is managed by executives who have the experience, skills and talents to operate and develop its businesses to their maximum potential, thereby delivering the highest level of return for shareholders.

The components of the remuneration package for Executive Directors are:

- Basic Salary
- Annual Bonus
- Long Term Incentive
- Other Benefits and Conditions.

The Company strives to ensure that Shareholders' interests are best served by maintaining an appropriate balance between basic pay and the performance-linked components of the remuneration package. The new annual bonus plan and the new Long Term Incentive Share Option Plan, which are referred to below, are designed to maintain that balance in the future.

Basic Salary

In determining salary levels, the Committee takes into account comparable information for similar job functions in industrial service companies and other companies of a similar size. Allowance is made for the international spread and competitive nature of the Group's businesses and for the individual's experience, performance and contribution in the areas for which responsibility is held. Regard is also taken of salary levels throughout the Group.

Annual Bonus

For year ended 31 March 2002

The annual bonus is paid in cash and does not exceed 50% of salary. The Remuneration Committee has discretion to increase the bonus payable to any participant if it considers an increase is merited, but not beyond the 50% ceiling.

The annual bonus plan for the year ended 31 March 2002 was based upon growth in profit and return on net assets achieved by the Group.

New Bonus Plan

A new annual bonus plan has been designed and implemented in respect of the year ending 31 March 2003 with the aim of ensuring that the incentives for senior managers and Executive Directors are aligned. The same target setting principles will be used for all participants in the plan, with both financial and operational measures applied to assess progress towards the Group's long term objectives.

The specific targets and parameters of the plan will be reviewed and set by the Remuneration Committee each year.

Annual bonus payments are not pensionable.

Long Term Incentives

For year ended 31 March 2002

Long Term Incentive Plan (LTIP)

Under the LTIP, Executive Directors have been granted an annual award and deferred right to receive a number of ordinary shares in the Company each year since 1995. It is anticipated that no further awards will be made under the LTIP, subject to shareholders approving the Long Term Incentive Share Option Plan.

Each LTIP award is subject to a performance condition, set when the award was granted, which determines whether and to what extent the participant will receive shares at the end of a period of three years. The Company's performance in terms of total shareholder return (TSR) is measured against that of a comparator group, comprising companies with a similar market capitalisation. No shares are released unless performance is above median performance within the comparator group.

For awards granted in June 2001, the performance target was based on a three year comparison of the Company's total shareholder return (share price growth plus reinvested dividends) with that of the companies listed between 76th and 125th by market capitalisation on the London Stock Exchange prior to the date of the award. An award may be released in full if the Company is ranked in the top 20% of the comparator group. A ranking at one place above the median level will allow 35% of the award to be released with pro-rata vesting between those points. No award will be released if the Company is ranked on or below the median. In addition, no part of the award will be released unless the Company's increase in earnings per share exceeds the rate of inflation over the same period.

The Remuneration Committee has considered the position on the vesting of the 1999 LTIP award and in July 2002 it is anticipated there will be a vesting against the TSR criterion. However, in light of the Remuneration Committee's view on underlying performance relative to earnings per share and trading, certain additional conditions relating to ongoing service will be imposed upon the participants and they will be required to remain with the Group for three years to receive the shares.

1988 Executive Share Option Scheme

Mr Butler, Mr Lawson and Mr Mason hold outstanding options under the Company's 1988 Executive Share Option Scheme but the Committee has determined that in any one year an executive should not receive an award under both that scheme and the LTIP.

New Long Term Incentive

Long Term Incentive Share Option Plan (LTIOP)

The LTIOP, for which shareholders' approval is sought at the Annual General Meeting, is designed to align long term incentives with the interests of shareholders. Options will be granted under this plan to Executive Directors and all managers in the Group. Executive Directors will receive options under this plan in place of the awards currently made under the LTIP.

Report of the Directors continued

The principal features of the LTIOP are as follows:

- grants will be made annually;
- the levels of grant will be expressed as a percentage of basic salary;
- options will be subject to stretching performance conditions based on total shareholder return (share price growth plus reinvested dividends), with no options vesting unless performance is above the median for the selected comparator group.

Full details of the LTIOP are set out in the circular to shareholders dated 18 June 2002.

Savings Related Share Option Scheme

Executive Directors can participate in the Savings Related Share Option Scheme which is open to all UK employees or, if appropriate, the International Savings Related Share Option Scheme.

Other Benefits and Conditions

Pension

Executive Directors participate in the Electrocomponents Group Pension Scheme, which provides defined benefits on retirement. Pensionable salary is limited to basic salary, excluding all bonuses and other benefits. The pension accrual rate for Executive Directors is 1/30.

All scheme benefits are subject to Inland Revenue limits. Where such limitation is due to the "earnings cap", arrangements may be agreed with individuals to compensate them for the reduction in benefits, either by salary supplement or through a funded unapproved retirement benefits scheme.

Service Contract

On appointment, Executive Directors normally receive a one year rolling contract.

In the event of the early termination of a Director's service contract, when determining the compensation for such termination the committee will aim to minimise the level of payments to that Director having regard to all circumstances, including the Company's contractual obligations to the Director, the reason for the departure, and the Company's policy to apply mitigation in the case of severance.

Other Benefits

Executive Directors are provided with other benefits in line with market practice. Such benefits include the provision of a car, private medical insurance and permanent health insurance.

External Appointments

Executive Directors are encouraged to take up Non-Executive positions on the boards of other companies. Each individual is allowed one such appointment on the condition that any fees are remitted to the Company.

Directors' Remuneration for the year ended 31 March 2002

Salary, Annual Bonus and Other Benefits

Directors' remuneration	SALARY 2002 £	SALARY 2001 £	BENEFITS 2002 £	BENEFITS 2001 £	BONUS 2002 £	BONUS 2001 £	TOTAL 2002 £	TOTAL 2001 £
Emoluments of the Chairmen								
R A Lawson[a c]	**245,909**	434,167	**22,252**	15,812	–	47,608	**268,161**	497,587
– pension[a]			**325,000**				**325,000**	
R C G Cotterill[b]	**116,667**	120,000	**20,771**	15,328	–	–	**137,438**	135,328
Emoluments of Executive Directors								
R B Butler[c d]	**256,667**	152,581	**17,628**	9,554	–	23,804	**274,295**	185,939
J L Hewitt[c]	**372,098**	329,077	**15,629**	15,735	–	32,460	**387,727**	377,272
I Mason[c d]	**390,367**	176,704	**23,374**	13,821	–	25,968	**413,741**	216,493
Totals	**1,381,708**	1,212,529	**424,654**	70,250	–	129,840	**1,806,362**	1,412,619

Fees of Non-Executive Directors	TOTAL 2002 £	TOTAL 2001 £
L Atkinson[e]	**34,417**	19,700
T G Barker	**31,667**	19,500
K Hamill	**31,667**	28,000
F D Lennertz	**39,667**	36,000
N J Temple	**31,667**	28,000
D S Winterbottom[e]	**34,667**	31,000
Totals	**2,010,114**	1,574,819

Notes: **a** The salary figure comprises £135,000 paid to Mr Lawson for the period 1 April 2001 to 20 July 2001 in his capacity as Group Chief Executive and £110,909 paid to him for the period from 21 July 2001 to 31 March 2002 in his capacity as, initially, Chairman Designate and thereafter as Non-Executive Chairman. In accordance with the terms of Mr Lawson's unfunded pension arrangement (and similar to the provisions of the Electrocomponents Group Pension Scheme) no actuarial reduction is applied to pension benefits following retirement after age 55. The benefit of this arrangement to Mr Lawson following his retirement as Group Chief Executive amounted to £325,000. **b** Mr Cotterill retired as Chairman on 7 November 2001. **c** No bonus was paid for the period 1 April 2001 to 31 March 2002. **d** Mr Butler and Mr Mason were appointed to the Board on 21 July 2000. Their salary and benefits for the 2001 accounting period were for the period from 21 July 2000 to 31 March 2001 whilst their bonus was for the year ended 31 March 2001. **e** Dr Atkinson, as Chairman of the Remuneration Committee and Mr Winterbottom as Chairman of the Audit Committee, each receive an additional fee of £3,000 per annum.

Directors' interests in the Long Term Incentive Plan

	DATE OF GRANT	SHARES
R B Butler	30 June 1999	35,641
	30 June 2000	30,835
	30 June 2001	47,767
J L Hewitt	30 June 1999	50,916
	30 June 2000	43,169
	30 June 2001	60,628
R A Lawson	30 June 1999	75,356
	30 June 2000	67,838
	30 June 2001	80,837
I Mason	30 June 1999	30,549
	30 June 2000	29,293
	30 June 2001	58,791

The number of shares shown in the above table of outstanding awards was established using mid-market prices for the relevant dates of grant namely 491.0p (1999 grant), 648.6p (2000 grant) and 544.3p (2001 grant).

Awards granted to Mr Butler, Mr Hewitt, Mr Lawson and Mr Mason on 30 June 1998 vested on 5 July 2001 as follows:

	ORIGINAL AWARD	SHARES ACQUIRED	SHARES SOLD (IN JULY 2001)	SHARES LAPSED
R B Butler	31,806	23,313	9,325	8,493
J L Hewitt	45,144	33,090	13,236	12,054
R A Lawson	71,821	52,644	21,057	19,177
I Mason	24,624	18,049	7,219	6,575

The shares were acquired for nil consideration. The sales of shares on 5 July 2001 were at a price of 525p and the proceeds of the sales were used to meet the income tax liabilities.

Directors' interests in Share Options

	SCHEME	DATE OF GRANT	SHARES	OPTION PRICE
R B Butler	1988 Executive Share Option Scheme	28 July 1995	49,500	306.1p
	Savings Related Share Option Scheme	15 Jan 2002	2,245	423.0p
J L Hewitt	Savings Related Share Option Scheme	25 July 1997	5,029	343.0p
R A Lawson	1988 Executive Share Option Scheme	1 Dec 1992	22,200	165.6p
		28 July 1995	67,600	306.1p
	Savings Related Share Option Scheme	25 July 1997	5,029	343.0p
I Mason	1988 Executive Share Option Scheme	28 July 1995	50,500	306.1p
	Savings Related Share Option Scheme	15 Jan 2002	3,912	423.0p

In respect of Directors no options under the 1988 Executive Share Option Scheme were granted, exercised or lapsed during the period.

On 6 September 2001, Mr Butler exercised options under the Savings Related Share Option Scheme over 1,300 shares at an option price of 450.0p. The closing mid market price of shares on 6 September 2001 was 524.5p.

Due to a technical breach of the Inland Revenue rules, the 2000 and 2001 grants of option under the Savings Related Share Option Scheme became unapproved.

As a consequence Messrs Butler and Mason elected to allow the following share option grants to lapse on 31 December 2001:

- Mr Butler – Options over 732 shares granted on 7 July 2000 at an option price of 529.0p and over 1,146 shares granted on 4 July 2001 at an option price of 507.0p.
- Mr Mason – Options over 3,189 shares granted on 7 July 2000 at an option price of 529.0p.

However, both Messrs Butler and Mason used the proceeds of the savings contract to acquire shares in the Company. Details of these purchases are shown on page 30.

Further details of the period during which Executive Share Options are normally exercisable can be found on page 50 of the accounts.

The closing mid-market price of the shares on 31 March 2002 was 478.0p and the range during the year ended 31 March 2002 was 378.0p to 658.0p.

Pension: Executive Directors are members of the Electrocomponents Group Pension Scheme, which provides defined benefits on retirement. All scheme benefits are subject to Inland Revenue limits. Where such limitation is due to the "earnings cap", arrangements may be agreed with individuals to compensate them for the reduction in benefits. Such an arrangement was established for Mr Lawson on an unfunded basis. The commuted cash value of this arrangement including the augmentation required following Mr Lawson's early retirement, further details of which are set out on page 28, was paid to him on his retirement as Group Chief Executive on 20 July 2001. Mr Lawson is a deferred member of the Electrocomponents Group Pension Scheme and continues to receive life insurance cover. The amount of the life insurance benefit for Mr Lawson is included in the amount shown on page 28. The Committee has decided that, in future, only funded benefits should be provided in these circumstances. Consequently, a funded arrangement has been established for Mr Hewitt.

Report of the Directors continued

Mr Hewitt has also elected to receive a salary supplement in lieu of part of his unapproved pension entitlement. Mr Mason has elected to receive a salary supplement in lieu of all of his unapproved pension entitlement. Salary supplements for both Messrs Hewitt and Mason are included in the table shown on page 28. Mr Butler's pension entitlement is met from the Electrocomponents Group Pension Scheme in full.

Normal retirement age for Executive Directors is 60. The Electrocomponents Group Pension Scheme is a funded pension arrangement providing a pension on retirement of up to two-thirds of pensionable earnings, or the "earnings cap" if lower. No actuarial reduction will be applied to pension benefits accrued to date if retirement is from age 55 or later. For death before retirement, a capital sum equal to four times basic salary is payable together with a spouse's pension of two-thirds of the member's prospective pension at age 60. For death in retirement, a spouse's pension of two-thirds of the member's pre-commutation pension is payable. Pensions in payment or in deferment are guaranteed to increase annually in February by the lesser of 5% or the increase in the RPI. Additional increases are payable at the discretion of the Company and the Trustee.

Directors' pension benefits

Increases in the accrued pension to which Executive Directors have become entitled during the year:

	AGE	YEARS OF PENSIONABLE SERVICE	ADDITIONAL PENSION ACCRUED IN YEAR[b] £PA	ACCRUED PENSION AT 31 MARCH 2002[b] £PA	CONTRIBUTIONS BY DIRECTORS TO 31 MARCH 2002 £
R B Butler	42	14.6	23,040	97,438	15,400
J L Hewitt[c, e]	54	5.3	1,737	8,480	4,768
R A Lawson[a, d]	57	13.8	8,335	201,667	4,345
I Mason	40	7.1	2,264	14,191	4,768

Notes: **a** Pensionable Service for Mr Lawson includes credit for transfers received. Mr Lawson ceased to be an Executive Director on 20 July 2001 and ceased to accrue further pensionable service from that date. The amount included for accrued pensions (£201,667) covers his entitlement under both the Group Pension Scheme and his unfunded arrangement. **b** Pensions are payable from age 60 (or on earlier retirement). The increase in accrued pension is after removing the effects of inflation. **c** Additional contributions of £66,903 were paid into a funded unapproved arrangement for Mr Hewitt (2001: £57,371). **d** Accrued pension for Mr Lawson for the year ended 31 March 2001 was £190,100. **e** Accrued pension for Mr Hewitt for the year ended 31 March 2001 was £6,630.

Service contracts: Mr Lawson joined the Company on a three year rolling contract which was subsequently reduced to a two year rolling contract. In light of past performance, length of service and the Group's policy and practice to apply mitigation in the case of severance, two years' notice was deemed appropriate for Mr Lawson. Mr Lawson retired as Group Chief Executive on 20 July 2001. As Non-Executive Chairman Mr Lawson now has a one year rolling contract. Mr Butler, Mr Hewitt and Mr Mason each have one year rolling contracts.

Directors' interests in shares

The beneficial interests of the Directors in the shares of the Company are set out in the table below. The Directors have no non-beneficial interests.

	31 MARCH 2002	1 APRIL 2001
L Atkinson	**2,260**	2,260
T G Barker	**7,000**	7,000
R B Butler[a]	**16,928**	1,137
R C G Cotterill[b]	**N/A**	22,426
K Hamill	**1,883**	1,883
J L Hewitt[c]	**39,780**	19,926
R A Lawson[d]	**338,447**	306,860
F D Lennertz	**6,530**	6,530
I Mason[e]	**18,815**	7,157
N J Temple	**7,040**	7,040
D S Winterbottom	**3,108**	3,108

Notes: As at 31 March 2002 the Electrocomponents Qualifying Employee Share Ownership Trust (the "Quest") and the Electrocomponents Employee Trust (the "EET") (together the "Trusts") held 91,999 and 417,542 shares respectively. Because Executive Directors are potential beneficiaries of the Trusts they are treated for Company Law purposes as being interested in the shares held in the Trusts. **a** On 5 July 2001, Mr Butler received 23,313 shares under the terms of the Long Term Incentive Plan of which 9,325 shares were sold to meet the income tax liability. On 6 September 2001, Mr Butler exercised options under the Savings Related Share Option Scheme to acquire 1,300 shares. On 25 January 2002, Mr Butler bought 503 shares. **b** At 7 November 2001, the date on which Mr Cotterill retired as Chairman, Mr Cotterill had interests in 22,426 shares of the Company. **c** On 5 July 2001, Mr Hewitt received 33,090 shares under the terms of the Long Term Incentive Plan of which 13,236 shares were sold to meet the income tax liability. **d** On 5 July 2001, Mr Lawson received 52,644 shares under the terms of the Long Term Incentive Plan of which 21,057 shares were sold to meet the income tax liability. **e** On 5 July 2001, Mr Mason received 18,049 shares under the terms of the Long Term Incentive Plan of which 7,219 shares were sold to meet the income tax liability. On 25 January 2002, Mr Mason bought 828 shares.

Up to 20 May 2002 there have been no changes in the Directors' interests.

Relations with shareholders

Executive Directors and senior executives have frequent discussions with institutional shareholders on a range of issues affecting the Group's performance which include meetings following the announcement of the annual and interim results. The Company also has a website (www.electrocomponents.com) which contains up-to-date information on Group activities.

All shareholders, including private investors, have an opportunity at the Annual General Meeting to participate in discussions with the Board on matters relating to the Group's operation and performance. The Company seeks to ensure that the Directors and Chairmen of the relevant Board Committees are available to answer questions at the Annual General Meeting.

Accountability and audit

In its financial reporting to shareholders and other interested parties, by means of annual and interim results and periodic statements, the Board aims to present a balanced and easily understandable assessment of the Group's position and prospects.

Internal control: The Combined Code places a requirement on Directors to review at least annually the effectiveness of the Group's system of internal control and to report to shareholders that they have done so.

With effect from 1 April 2000, an ongoing process of risk management and internal control in accordance with the Turnbull Committee Guidance on internal control has been established across the Group. This process includes a formal report to the Board twice per annum.

The Board is responsible for the effectiveness of the Group's system of internal control. The system of internal control has been designed and implemented to meet the particular requirements of the Group and the risks to which it is exposed. The internal control system can provide reasonable but not absolute assurance against material misstatement or loss.

The processes to identify, assess and manage the risks to the Group's continued success are an integral part of the system of internal control. These processes include systems to assess operational risks, the monthly forecasting procedure, the management of the key projects and the appointment of senior managers and controls over capital expenditure. The on-going process of enhancing and improving these processes ensures that business risks and opportunities are effectively identified, managed and controlled.

Internal financial controls: Internal financial controls represent the systems employed by the Directors to enable them to discharge their responsibility for financial matters. Those responsibilities are noted on page 32. The main financial control elements are described below.

Clear terms of reference set out the duties of the Board and its committees, with delegation of operating responsibility through the Executive Director Committee to management in all locations. Operating company controls are detailed in Group Finance and Group Treasury manuals that specify the controls necessary in identified areas of key financial risk. Smaller Group companies are supported by Group and divisional specialists in key areas.

Financial reporting systems are comprehensive and include weekly, monthly and annual reporting cycles. Monthly management accounts together with updated forecasts are prepared by all operating companies and Groupwide processes. These are compared against previous month forecasts and last year actuals and variances are reviewed by the Executive Directors' Committee and by the Board. Specific reporting systems cover treasury operations, major investment projects and legal and insurance activities, which are reviewed by the Board and its committees on a regular basis.

The Group has a team of internal operational auditors which has an annually agreed audit programme approved by the Audit Committee. The team reports regularly to the Audit Committee on the results of audits performed and reviews self-certification internal control questionnaires completed by operating management.

The Board and the Audit Committee have reviewed the effectiveness of the Group's system of internal control and internal financial control during the period covered by this report.

Audit Independence: The Audit Committee and Board put great emphasis on the objectivity of our auditors KPMG Audit Plc in their reporting to shareholders.

The Audit Committee meets three times a year and senior representation from KPMG is present at these meetings to ensure full communication.

The overall performance of the auditors is reviewed annually by the Audit Committee, taking into account the views of management, and feedback is provided to senior members of the audit team. This feedback forms part of KPMG's own system of quality control. The Audit Committee also has discussions with the auditors, without management being present, on the adequacy of controls and on any judgemental areas.

The scope of the year's audit is discussed in advance by the Audit Committee. Audit fees are reviewed by the Audit Committee after discussions between the businesses and the local KPMG offices and a review by Group management and are then recommended to the Board for approval. Professional rules require rotation of the Group Engagement Director every seven years; rotation of other individuals within the audit teams is actively encouraged and has taken place. The current Director has held his role for three years following the last rotation.

The annual appointment of our auditors by the shareholders at the Annual General Meeting is a fundamental safeguard, but beyond this, controls have been in place for some years to ensure additional work performed by the auditors is appropriate and subject to proper review.

Non-audit assignments undertaken by KPMG and its affiliates have been and are subject to controls by management that have been agreed by the Audit Committee in order to provide additional assurance that auditor independence is not compromised.

The procedures are:

- Audit related services: As auditors this is the main area of work of KPMG. If any additional accounting support is required then this is considered subject to a competitive proposal.
- Tax consulting: In cases where they are best suited we use KPMG, but the Group also uses other tax consultancies. Significant pieces of tax work are put out to competitive bid.
- General and Systems consulting: All significant consulting projects are put out to competitive bids. Of the consulting work that has taken place in the Group in recent years, KPMG has had only a small part.

The Group Finance Director is made aware of KPMG work anywhere in the Group in excess of a pre-determined low level. As part of his review he ensures that other potential providers of the services have been adequately considered. The level of audit and non-audit fees charged by KPMG and its affiliates is set out in note 4 to the accounts.

Going concern: After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Non-compliance with the Combined Code

Until Mr Lawson stepped down as Group Chief Executive on 20 July 2001 he had a two year rolling contract. With that exception during the year ended 31 March 2002, the Company complied with the provisions set out in Section 1 of the Combined Code.

Health and safety

The Group supports the promotion of health and safety best practice as an integral part of our business activities. Good health and safety management safeguards our employees, those who may be affected by our activities and supports the Group in achieving its business objectives.

Report of the Directors continued

The Group's health and safety approach is supported by training programmes at operating companies, by Group Health and Safety Rules and by monitoring and auditing to promote a high level of awareness and commitment.

Environmental policy

The Group's environmental management plan provides a focus for implementing a systematic approach to environmental management.

The primary objectives of the Group's environmental policy are to reduce any detrimental environmental impacts of the Group's activities and to participate in the international commitment to achieving sustainable development. The Group is committed to minimising any adverse effects of its activities on the environment and continuing to improve its performance in these areas.

Employment policies

The Group values highly the commitment of its employees and has maintained its practice of communicating business developments to them wherever practicable. Regular staff appraisals and consultations take place with individuals and the employees' representatives. The Group remains supportive of the employment and advancement of disabled persons.

Payment to suppliers

The Group agrees terms and conditions for its business transactions with suppliers. Payment is then made according to these terms, subject to the supplier fulfilling its obligations. The Company has no trade creditors. Supplier payment days for the continuing operations of the Group outstanding at 31 March 2002 represent 34 days (2001: 40 days) of average purchases.

Capital Gains Tax

For Capital Gains Tax purposes the valuation of the Company's 10p ordinary shares at 5 April 1982 was 40p.

Substantial shareholders

As at 20 May 2002 the following substantial shareholdings had been notified to the Company:

	NUMBER OF SHARES	PERCENTAGE HELD
Schroder Investment Management Limited	40,315,973	9.27%
Prudential plc	20,945,008	4.81%
Henderson Global Investors Limited	18,342,355	4.22%
Friends Ivory and Sime plc	15,543,422	3.57%
Legal & General Investment Management Limited	14,847,621	3.41%
Co-operative Insurance Society Limited	13,941,678	3.20%

As far as the Directors are aware there were no other notifiable interests.

Share capital

Full details of share options and shares issued under the terms of the Company's share schemes can be found in notes 30 and 31 to the accounts on page 50.

During the year Electrocomponents Employee Trust ("EET") purchased 250,000 shares as referred to in note 17.

Political and charitable contributions

The Group made no political contributions during the year. Charitable contributions within the UK amounted to £22,882 (2001: £16,512) and outside the UK amounted to £39,413.

Annual General Meeting

The Annual General Meeting will be held at 12 noon on Friday 19 July 2002 at the International Management Centre, 5000 Oxford Business Park South, Oxford OX4 2BH. The notice of the Annual General Meeting and details of the business to be conducted thereat is being sent to shareholders in a separate circular dated 18 June 2002 enclosed with this Report and Accounts. A brief summary of the matters to be dealt with is set out on page 54.

By order of the Board
Carmelina Carfora, Secretary, 29 May 2002

Directors' responsibility for the financial statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report of the Auditors

For the year ended 31 March 2002

Independent auditors' report to the members of Electrocomponents plc

We have audited the financial statements of Electrocomponents plc which comprise the Consolidated profit and loss account, the Company and Group balance sheets, the Consolidated cash flow statement, the Consolidated statement of total recognised gains and losses, the Principal accounting policies and notes 1 to 37.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described in the statement of Directors' responsibilities, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the corporate governance statement, within the Report of the Directors, reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's statement, the Chief Executive's statement, the Chief Process Officer's statement, the Financial review, the Report of the Directors, the Corporate governance statement, the Financial and Five year highlights and the Five year record. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2002 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

29 May 2002

Consolidated profit and loss account

For the year ended 31 March 2002

	NOTE	2002 TOTAL £M	2001 CONTINUING OPERATIONS £M	DISCONTINUED OPERATIONS £M	TOTAL (AS RESTATED) £M
Turnover	2	**759.6**	823.9	31.2	855.1
Cost of sales		**(372.4)**	(419.5)	(24.7)	(444.2)
Gross profit		**387.2**	404.4	6.5	410.9
Distribution and marketing expenses		**(265.9)**	(260.3)	(6.5)	(266.8)
Administration expenses					
– before amortisation of goodwill		**(12.6)**	(13.2)	–	(13.2)
– amortisation of goodwill		**(12.0)**	(11.6)	–	(11.6)
		(24.6)	(24.8)	–	(24.8)
Operating profit	2				
– before amortisation of goodwill		**108.7**	130.9	–	130.9
– amortisation of goodwill		**(12.0)**	(11.6)	–	(11.6)
		96.7	119.3	–	119.3
Exceptional loss on closure	5	**–**	–	(6.9)	(6.9)
Net interest payable	3	**(3.2)**	(6.8)	–	(6.8)
Profit on ordinary activities before taxation	4	**93.5**	112.5	(6.9)	105.6
Profit before taxation, amortisation of goodwill and exceptional loss		**105.5**			124.1
Taxation on profit on ordinary activities	8	**(30.6)**			(34.6)
Profit on ordinary activities after taxation	9	**62.9**			71.0
Dividend	10	**(69.2)**			(59.8)
Retained (loss) profit for the financial year		**(6.3)**			11.2
Earnings per share					
Basic	11				
Before amortisation of goodwill and exceptional loss		**17.3p**			20.2p
After amortisation of goodwill and exceptional loss		**14.5p**			16.4p
Diluted	11				
Before amortisation of goodwill and exceptional loss		**17.2p**			20.1p
After amortisation of goodwill and exceptional loss		**14.5p**			16.3p

Consolidated statement of total recognised gains and losses

For the year ended 31 March 2002

	NOTE	2002 £M	2001 (AS RESTATED) £M
Profit for the financial year		**62.9**	71.0
Translation differences		**0.5**	24.4
Total recognised gains and losses relating to the year		**63.4**	95.4
Prior year adjustment: implementation of FRS19	34	**(1.6)**	
Total gains and losses recognised since last annual report		**61.8**	

All profits and losses shown are stated at historical cost, and for the current year relate to continuing operations.
The statement of movements on Group reserves is at note 32.

The notes on pages 39 to 52 form part of these accounts.

Balance sheets

As at 31 March 2002

	NOTE	GROUP 2002 £M	2001 (AS RESTATED) £M	COMPANY 2002 £M	2001 £M
Fixed assets					
Intangible fixed assets	12	**208.5**	219.7	**–**	–
Tangible fixed assets	13	**155.9**	133.3	**40.7**	43.9
Investments	15	**1.3**	0.3	**389.2**	417.5
		365.7	353.3	**429.9**	461.4
Current assets					
Stocks	20	**135.1**	165.3	**–**	–
Debtors	21	**145.4**	168.9	**16.5**	17.1
Investments	22	**16.3**	6.7	**16.3**	0.5
Cash at bank and in hand		**5.1**	10.6	**20.1**	–
		301.9	351.5	**52.9**	17.6
Creditors: amounts falling due within one year	23	**(184.5)**	(202.1)	**(132.7)**	(174.0)
Net current assets		**117.4**	149.4	**(79.8)**	(156.4)
Total assets less current liabilities		**483.1**	502.7	**350.1**	305.0
Creditors: amounts falling due after more than one year	24	**(60.8)**	(76.6)	**(48.4)**	(70.6)
Provisions for liabilities and charges	27	**(10.2)**	(11.2)	**(2.5)**	(1.6)
		412.1	414.9	**299.2**	232.8
Capital and reserves					
Called-up share capital	30	**43.5**	43.4	**43.5**	43.4
Share premium account	32	**37.8**	34.9	**37.8**	34.9
Profit and loss account	32	**330.8**	336.6	**217.9**	154.5
Equity shareholders' funds		**412.1**	414.9	**299.2**	232.8

These accounts were approved by the Board of Directors on 29 May 2002 and signed on its behalf by:
JL Hewitt
Deputy Chairman and Group Finance Director

The notes on pages 39 to 52 form part of these accounts.

Consolidated cash flow statement

For the year ended 31 March 2002

	Note	2002 Continuing operations £m	2002 Discontinued operations £m	2002 Total £m	2001 Continuing operations £m	2001 Discontinued operations £m	2001 Total £m
Reconciliation of operating profit to net cash inflow from operating activities							
Operating profit		96.7	–	96.7	119.3	–	119.3
Amortisation of goodwill		12.0	–	12.0	11.6	–	11.6
Depreciation and other amortisation		19.5	–	19.5	21.4	0.4	21.8
Decrease (increase) in stocks		29.0	0.5	29.5	(8.6)	9.2	0.6
Decrease (increase) in debtors		18.5	4.4	22.9	(4.5)	3.1	(1.4)
Decrease in creditors		(19.0)	(2.3)	(21.3)	(1.2)	(7.8)	(9.0)
		156.7	2.6	159.3	138.0	4.9	142.9
Cash flow in respect of prior year closures		–	–	–	–	(0.7)	(0.7)
Net cash inflow from operating activities		156.7	2.6	159.3	138.0	4.2	142.2
Cash flow statement							
Net cash inflow from operating activities		156.7	2.6	159.3	138.0	4.2	142.2
Returns on investments and servicing of finance	35	(3.7)	–	(3.7)	(6.7)	–	(6.7)
Taxation		(35.2)	2.3	(32.9)	(32.6)	–	(32.6)
Capital expenditure and financial investment	35	(41.5)	0.4	(41.1)	(24.3)	–	(24.3)
Free cash flow		76.3	5.3	81.6	74.4	4.2	78.6
Acquisitions	19			(0.8)			–
Equity dividends paid	10			(62.7)			(54.3)
Cash inflow before use of liquid resources and financing				18.1			24.3
Management of liquid resources	35			(9.6)			18.2
Financing							
Shares	35			3.0			3.8
Loans	35			(18.4)			(46.6)
Decrease in cash in the year				(6.9)			(0.3)
Reconciliation of net cash flow to movement in net debt							
Decrease in cash				(6.9)			(0.3)
Management of liquid resources				9.6			(18.2)
Financing – loans				18.4			46.6
Change in net debt relating to cash flows				21.1			28.1
Translation differences				1.4			(7.8)
Decrease in net debt for the year				22.5			20.3
Net debt at the beginning of the year				(75.5)			(95.8)
Net debt at the end of the year	36			(53.0)			(75.5)

The notes on pages 39 to 52 form part of these accounts.

Principal accounting policies

Basis of preparation
The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Changes in accounting policies
The accounts reflect the adoption in the year of two new accounting standards: FRS18 Accounting policies and FRS19 Deferred tax. The adoption of FRS18 did not require any change in accounting policies. The adoption of FRS19 required a change in accounting policy and subsequent restatement of prior year figures, as detailed in note 34 on page 51.

FRS17 Retirement benefits has not been adopted in this accounting period, but the disclosures required under the transitional arrangements can be found in note 7 on page 42.

Basis of consolidation
All subsidiary accounts are made up to 31 March and are included in the consolidated accounts. 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 230 of the Companies Act 1985.

Goodwill
Goodwill arising on acquisitions prior to 31 March 1998 has been written off against reserves. On disposal of a business, the gain or loss on disposal includes that goodwill previously written off on acquisition. Following the introduction of FRS10 in the year ended 31 March 1999, the Group chose not to restate goodwill that had been eliminated against reserves.

Goodwill arising on acquisitions after 1 April 1998 is capitalised and amortised on a straight line basis over its estimated useful life, with a maximum of 20 years.

Investments in subsidiary undertakings
Investments in subsidiary undertakings including long term loans are included in the balance sheet of the Company at the lower of cost and the expected recoverable amount. Any impairment is recognised in the profit and loss account.

Investments in associated undertakings
Investments in undertakings, other than subsidiary undertakings, in which the Group has a substantial interest (20% or more) and over which it exerts significant influence are treated as associated undertakings.

Translation of foreign currencies
Overseas companies' profits, losses and cash flows are translated at average exchange rates for the year, and assets and liabilities at rates ruling at the balance sheet date. Exchange differences arising on foreign currency net investments are taken to reserves. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Financial instruments
Gains and losses on hedging instruments are not recognised in the performance statements until the exchange movement on the item being hedged is recognised.

Turnover
Turnover represents the sale of goods and services and is stated net of sales taxes.

Operating expense classification
Cost of sales comprises the cost of goods delivered to customers.

Distribution and marketing expenses include all operating company expenses, together with Supply Chain, Product Management, Media Publishing, Facilities, Information Systems and e-Commerce process expenses.

Administration expenses comprise Business Development, Strategic Planning, Finance, Legal and Human Resources process expenses, together with the expenses of the Group Board and the former Group Executive Committee.

Pension costs
The Group operates a pension scheme providing benefits based on final pensionable pay for all eligible employees in the United Kingdom. The scheme is administered by a corporate trustee and the funds are independent of the Group's finances. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the working lives with the Group of those employees who are in the scheme. There are no significant prepayments or provisions included in the balance sheet. In addition to the UK scheme, pension benefits are provided elsewhere in the Group through defined contribution, defined benefit and government schemes. Transitional disclosures under FRS17 can be found in note 7.

Principal accounting policies continued

Long Term Incentive Plan
The consolidated profit and loss account includes the income and administration expenses of the Long Term Incentive Plan, and the consolidated and Company balance sheets include the assets and liabilities of the Plan. Shares in the Company, held by the trust established to administer the Plan, are shown as fixed asset investments. Where options over shares are awarded to executives the value of the expected award is amortised on a straight line basis over the period of service of the executives in respect of which the awards are made.

Government grants
Government grants related to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the asset to which the grants relate. The amortised balance of capital grants is included within creditors.

Depreciation
No depreciation has been charged on freehold land. Other assets have been depreciated to residual value, on a straight line basis at the following annual rates:

Freehold buildings	2%
Leasehold premises	term of lease, not exceeding 50 years
Warehouse systems	10-20%
Motor vehicles	25%
Mainframe computer equipment	20%
Network computer equipment	33%
Portable computers	50%
Computer software costs	20-33%
Other office equipment	20%

Stocks
Stocks are valued at the lower of cost and net realisable value. Work in progress and goods for resale include attributable overheads.

Catalogue costs
Prior to the issue of a catalogue, all related costs incurred are accrued and carried as a prepayment. On the issue of a catalogue, these costs are written off over the life of the catalogue, which mainly varies between 6 and 12 months. Major investments in new catalogue production systems are written off over the period during which the benefits of those investments are anticipated, such period not to exceed three years.

Net debt
Net debt comprises net cash and liquid resources less borrowings. Net cash comprises cash in hand and held with qualifying financial institutions in current accounts or overnight deposits net of overdrafts with qualifying financial institutions. Liquid resources include government securities and term deposits with qualifying financial institutions and are classified as investments under current assets. Borrowings represent term loans from qualifying financial institutions together with capital instruments classified as liabilities under FRS4.

Deferred taxation
Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19 (see note 27).

Leases
The Group has no material assets held under finance leases.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the course of the lease period. The benefits of rent free periods and similar incentives are credited to the profit and loss account on a straight line basis over the period up to the date on which the lease rentals are adjusted to the prevailing market rate.

Employee Share Trust
Where shares are issued to the Electrocomponents Qualifying Employee Share Ownership Trust ("QUEST") an amount representing the difference between market value and the option price is transferred from the profit and loss account to the share premium account.

Notes to the consolidated accounts

For the year ended 31 March 2002

1 Analysis of income and expenditure

This analysis reconciles the Companies Act analysis shown in the profit and loss account to the segmental analysis shown in note 2.

	2002 £M	2001 £M
Turnover	**759.6**	855.1
Cost of sales	**(372.4)**	(444.2)
Distribution and marketing expenses	**(209.2)**	(214.3)
Contribution – before amortisation of goodwill	**178.0**	196.6
Distribution and marketing expenses	**(56.7)**	(52.5)
Administration expenses – before amortisation of goodwill	**(12.6)**	(13.2)
Groupwide process costs	**(69.3)**	(65.7)
Administration expenses – amortisation of goodwill on the acquisition of Allied Electronics Inc	**(11.9)**	(11.6)
Administration expenses – amortisation of goodwill on the acquisition of RS Components AS (Norway)	**(0.1)**	–
Operating profit	**96.7**	119.3

2 Segmental analysis

By class of business

		2002 £M	2001 (AS RESTATED) £M
Turnover:	RS/Allied – continuing operations	**759.6**	823.9
	Pact – discontinued operations	**–**	31.2
		759.6	855.1
Operating profit:	RS/Allied – continuing operations	**178.0**	196.6
	Pact – discontinued operations	**–**	–
	Contribution – before amortisation of goodwill	**178.0**	196.6
	Groupwide process costs	**(69.3)**	(65.7)
	Amortisation of goodwill – Allied	**(11.9)**	(11.6)
	Amortisation of goodwill – RS Norway	**(0.1)**	–
		96.7	119.3
Net assets:	RS/Allied – continuing operations	**337.7**	341.5
	Pact – discontinued operations	**–**	5.9
	Net operating assets (excluding goodwill)	**337.7**	347.4
	Net debt	**(53.0)**	(75.5)
	Unallocated net assets	**127.4**	143.0
		412.1	414.9
Unallocated net assets comprise:			
	Intangible fixed assets:		
	Goodwill – Allied (North America)	**207.7**	219.7
	Goodwill – RS Norway (Rest of Europe)	**0.8**	–
	Corporate tax	**(23.0)**	(24.1)
	Proposed dividend	**(47.9)**	(41.4)
	Provisions for liabilities and charges	**(10.2)**	(11.2)
		127.4	143.0

By geographical destination

		2002 £M	2001 £M
Turnover:	United Kingdom – continuing operations	**379.7**	412.4
	United Kingdom – discontinued operations	**–**	31.2
	Rest of Europe	**214.4**	209.8
	North America	**110.0**	147.9
	Japan	**9.0**	8.6
	Rest of World	**46.5**	45.2
		759.6	855.1

Notes to the consolidated accounts continued

For the year ended 31 March 2002

2 Segmental analysis continued

By geographical origin

		TOTAL SALES 2002 £M	INTER-SEGMENT SALES 2002 £M	TURNOVER 2002 £M	TOTAL SALES 2001 £M	INTER-SEGMENT SALES 2001 £M	TURNOVER 2001 £M
Turnover:	United Kingdom – continuing operations	**462.3**	**(69.3)**	**393.0**	502.2	(76.2)	426.0
	United Kingdom – discontinued operations	**–**	**–**	**–**	31.2	–	31.2
	Rest of Europe	**212.1**	**(1.4)**	**210.7**	205.0	(1.4)	203.6
	North America	**110.5**	**–**	**110.5**	148.7	–	148.7
	Japan	**9.0**	**–**	**9.0**	8.6	–	8.6
	Rest of World	**36.7**	**(0.3)**	**36.4**	37.0	–	37.0
		830.6	**(71.0)**	**759.6**	932.7	(77.6)	855.1

		2002 £M	2001 £M
Operating profit:	United Kingdom – continuing operations	**126.2**	136.2
	United Kingdom – discontinued operations	**–**	–
	Rest of Europe	**40.4**	38.5
	North America	**15.9**	26.4
	Japan	**(4.7)**	(6.3)
	Rest of World	**0.2**	1.8
	Contribution – before amortisation of goodwill	**178.0**	196.6
	Groupwide process costs	**(69.3)**	(65.7)
	Amortisation of goodwill – Allied (North America)	**(11.9)**	(11.6)
	Amortisation of goodwill – RS Norway (Rest of Europe)	**(0.1)**	–
		96.7	119.3

By geographical location

		2002 £M	2001 (AS RESTATED) £M
Net assets:	United Kingdom – continuing operations	**210.6**	220.1
	United Kingdom – discontinued operations	**–**	5.9
	Rest of Europe	**67.0**	54.4
	North America	**29.5**	38.1
	Japan	**3.5**	3.1
	Rest of World	**27.1**	25.8
	Net operating assets (excluding goodwill)	**337.7**	347.4
	Net debt	**(53.0)**	(75.5)
	Unallocated net assets	**127.4**	143.0
		412.1	414.9

3 Net interest payable

	2002 £M	2001 £M
Interest receivable	**0.4**	0.1
Interest payable on loans and overdrafts	**(3.6)**	(6.9)
	(3.2)	(6.8)

4 Profit on ordinary activities before taxation

Profit before taxation is stated after charging (crediting):

	2002 £M	2001 £M
Remuneration of the auditors and their associates:		
audit and expenses	**0.5**	0.5
taxation services and advice	**0.3**	0.6
other consultancy services worldwide*	**0.1**	0.1
Depreciation	**19.9**	20.4
Amortisation of goodwill	**12.0**	11.6
Amortisation of own shares	**0.1**	2.5
Amortisation of government grants	**(0.1)**	(0.1)
Operating profit on disposal of plant and machinery	**(0.4)**	(0.4)
Hire of plant and machinery	**2.2**	1.2

The fee in respect of the audit of the Company is £62,000 (2001: £62,000).

*In addition, fees totalling £0.1m have been capitalised (2001: £0.1m).

5 Exceptional loss on closure

On 8 November 2000 the Group announced its intention to dispose of Pact International Ltd. As no suitable purchaser was found the business was wound down for closure from 1 January 2001 and formally ceased trading on 31 March 2001. For the purposes of disclosure the activities since 1 January 2001 have been classified as an exceptional charge and comprise:

Profit and loss	2001 £M
Write down of fixed assets	(0.7)
Write down of stocks	(2.3)
Write off of goodwill	(1.0)
Other closure costs	(2.9)
	(6.9)
Taxation on exceptional loss	1.8
Exceptional loss after taxation	(5.1)

Cash flow	9 MONTHS TO 31 DECEMBER 2000 £M	3 MONTHS TO 31 MARCH 2001 £M	TOTAL 12 MONTHS TO 31 MARCH 2001 £M
Depreciation	0.4	–	0.4
Stocks	4.2	5.0	9.2
Other working capital	(3.6)	(1.1)	(4.7)
	1.0	3.9	4.9

6 Employees

Numbers employed	2002	2001
The average number of employees during the year was:		
Management and administration	**395**	369
Distribution and marketing	**4,579**	4,672
	4,974	5,041

Of these staff 2,354 were employed in the United Kingdom (2001: 2,591).

Aggregate employment costs	£M	£M
Wages and salaries	**100.7**	102.1
Social security costs	**12.0**	12.0
Pension costs	**7.1**	5.9
	119.8	120.0

The remuneration of individual Directors is detailed on page 28.

7 Pension schemes

The funding of the United Kingdom defined benefit scheme is assessed in accordance with the advice of independent actuaries. The pension costs for the year ended 31 March 2002 amounted to £3.6m (2001: £3.2m).

The most recent valuation (carried out in 2001) adopted a market-related approach to funding and the projected unit credit method. The assumptions underlying the calculation of the liabilities were derived by reference to the gross redemption yield on long term gilts in conjunction with a pre-retirement equity enhancement, consistent with market conditions at the time of the valuation.

The principal assumptions applied in the 2001 valuation were therefore as follows:

	PAST SERVICE	FUTURE SERVICE
Investment return:		
before retirement	6.25%	6.5%
after retirement	5%	5.25%
Rate of future earnings inflation	4.25%	4.25%
Rate of increase in pensions payment	2.5%	2.5%

At the date of the 2001 valuation, the market value of the assets of the Scheme was £169.8m, and the actuarial valuation of the assets covered 115% of the benefits that had accrued to the members after allowing for expected future increases in earnings giving a surplus of £22.1m. The excess assets above the value of the liabilities are being eliminated by means of a reduction in the level of employer contributions to the Scheme. The next valuation will be carried out no later than 31 March 2004.

In addition to the UK scheme outlined above there are certain pension benefits provided on a defined contribution basis in Australia and North America amounting to £0.7m (2001: £0.7m), on a defined benefit basis in Germany and Ireland amounting to £0.4m (2001: £0.4m), and via government schemes in France, Italy, Denmark and North Asia amounting to £1.4m (2001: £1.1m).

Notes to the consolidated accounts continued

For the year ended 31 March 2002

7 Pension schemes continued

FRS17 Disclosure

A new pension accounting standard, FRS17, was issued in November 2000. Full adoption will not be mandatory for the Group until the year ending 31 March 2004.

The disclosures required by FRS17 in the first transitional year of adoption are set out below. These disclosures set out the difference between the market value of the pension scheme assets and the present value of the schemes' liabilities.

The Electrocomponents Group operates defined benefit schemes in the UK, Germany and the Republic of Ireland. The German scheme is unfunded, in line with local practice. The last actuarial valuation of the UK scheme was carried out as at 31 March 2001 and has been updated to 31 March 2002 by a qualified independent actuary in accordance with FRS17. The last actuarial valuations of the German and Irish schemes were carried out as at 31 March 2002 by the respective independent scheme actuaries in accordance with the requirements of FRS17.

The principal assumptions used in the valuations of the liabilities of the Group's schemes under FRS17 are:

	United Kingdom	Germany	Republic of Ireland
Discount rate	6%	6%	6%
Rate of increase in salaries	4.5%	3%	3.75%
Rate of increase of pensions in payment	2.75%	2%	2.5%
Rate of increase of deferred pensions	2.75%	n/a	2.5%
Inflation assumption	2.75%	2%	2.5%

The expected rates of return on the schemes' assets and the valuations of the schemes as at 31 March 2002 were:

	United Kingdom		Germany		Republic of Ireland		Total
	Expected long term rate of return	Valuation £M	Expected long term rate of return	Valuation £M	Expected long term rate of return	Valuation £M	Valuation £M
Equities	7.75%	127.3	n/a	–	8.5%	0.7	128.0
Bonds	5.25%	35.1	n/a	–	5.5%	0.2	35.3
Property	7.75%	1.4	n/a	–	n/a	–	1.4
Other	4%	5.0	n/a	–	6.5%	0.3	5.3
Total market value of assets		**168.8**		**–**		**1.2**	**170.0**
Present value of scheme liabilities		(149.3)		(2.0)		(1.1)	(152.4)
Surplus (deficit) in the scheme		**19.5**		**(2.0)**		**0.1**	**17.6**
Related deferred tax (liability) asset		(5.9)		0.8		–	(5.1)
Net pension asset (liability)		**13.6**		**(1.2)**		**0.1**	**12.5**

The deficit of £2.0m in the German scheme is financed through existing book reserves established within the German accounts.

If the above pension asset was recognised in the financial statements, the Group's net assets and profit and loss reserve at 31 March 2002 would be as follows:

	Profit and loss reserve £M	Net assets £M
As stated excluding pension asset	330.8	412.1
Net pension asset	12.5	12.5
Including net pension asset	**343.3**	**424.6**

8 Taxation

Taxation on the profit of the Group	2002 £M	2001 (as restated) £M
United Kingdom corporation tax at 30%	**23.5**	26.0
United Kingdom deferred taxation	**0.3**	(0.3)
	23.8	25.7
Overseas taxation – current	**8.1**	8.4
Overseas taxation – deferred	**(1.3)**	0.5
	30.6	34.6
Current tax is reconciled to a notional 30% of profit before taxation as follows:		
Expected tax charge	**28.0**	31.7
Overseas tax rates	**1.3**	4.3
Utilisation of tax losses	**(0.7)**	(4.4)
Creation of tax losses	**5.9**	1.0
Timing differences – capital allowances	**0.5**	(0.1)
Timing differences – goodwill deduction	**(1.6)**	(1.6)
Timing differences – other	**(1.1)**	0.3
Other	**(0.7)**	3.2
	31.6	34.4

9 Profit for the financial year

	2002 £M	2001 (AS RESTATED) £M
Dealt with in the accounts of the Company	**132.6**	70.8
Retained by subsidiaries	**(69.7)**	0.2
	62.9	71.0

10 Dividends

Profit and loss account

	2002 £M	2001 £M
Interim dividend paid – 4.90p (2001: 4.25p)	**21.3**	18.4
Final dividend proposed – 11.00p (2001: 9.55p)	**47.9**	41.4
	69.2	59.8
Cash flow statement		
Final dividend for the year ended 31 March 2001	**41.4**	35.9
Interim dividend for the year ended 31 March 2002	**21.3**	18.4
	62.7	54.3

11 Earnings per share

	2002 £M	2001 (AS RESTATED) £M
Profit on ordinary activities after taxation	**62.9**	71.0
Exceptional loss on closure	**–**	6.9
Tax on exceptional loss on closure	**–**	(1.8)
Amortisation of goodwill (excluding tax effect)	**12.0**	11.6
Profit on ordinary activities after taxation and before amortisation of goodwill and exceptional loss	**74.9**	87.7
Weighted average number of shares	**434,066,102**	433,142,861
Dilutive effect of share options	**793,194**	2,312,220
Diluted weighted average number of shares	**434,859,296**	435,455,081
	PENCE	PENCE
Basic earnings per share		
Before amortisation of goodwill and exceptional loss	**17.3**	20.2
After amortisation of goodwill and exceptional loss	**14.5**	16.4
Diluted earnings per share		
Before amortisation of goodwill and exceptional loss	**17.2**	20.1
After amortisation of goodwill and exceptional loss	**14.5**	16.3

12 Intangible fixed assets

Cost	GROUP GOODWILL £M
At 1 April 2001	240.8
Additions	0.8
Translation differences	0.1
At 31 March 2002	**241.7**
Amortisation	
At 1 April 2001	21.1
Charged in the year	12.0
Translation differences	0.1
At 31 March 2002	**33.2**
Net book value	
At 31 March 2002	**208.5**
At 31 March 2001	219.7

Notes to the consolidated accounts continued

For the year ended 31 March 2002

13 Tangible fixed assets

Cost	Group Land and buildings £M	Plant and machinery £M	Computer systems £M	Total £M	Company Land and buildings £M	Plant and machinery £M	Computer systems £M	Total £M
At 1 April 2001	85.3	92.0	55.6	232.9	37.3	9.6	3.9	50.8
Additions	12.3	8.2	26.7	47.2	0.1	0.5	2.0	2.6
Disposals	–	(11.0)	(3.5)	(14.5)	–	(1.0)	(3.3)	(4.3)
Translation differences	(0.3)	(0.3)	(0.1)	(0.7)	–	–	–	–
At 31 March 2002	**97.3**	**88.9**	**78.7**	**264.9**	**37.4**	**9.1**	**2.6**	**49.1**
Depreciation								
At 1 April 2001	15.5	53.4	30.7	99.6	2.6	4.0	0.3	6.9
Charged in the year	1.8	8.8	9.3	19.9	0.6	1.0	0.3	1.9
Disposals	–	(7.1)	(3.2)	(10.3)	–	(0.4)	–	(0.4)
Translation differences	–	(0.2)	–	(0.2)	–	–	–	–
At 31 March 2002	**17.3**	**54.9**	**36.8**	**109.0**	**3.2**	**4.6**	**0.6**	**8.4**
Net book value								
At 31 March 2002	**80.0**	**34.0**	**41.9**	**155.9**	**34.2**	**4.5**	**2.0**	**40.7**
At 31 March 2001	69.8	38.6	24.9	133.3	34.7	5.6	3.6	43.9

Net book value of land and buildings	Group 2002 £M	2001 (as restated) £M	Company 2002 £M	2001 (as restated) £M
Freehold land	**13.2**	11.6	**8.8**	8.8
Freehold buildings	**60.5**	51.6	**25.4**	25.9
Long leasehold	**0.7**	5.8	**–**	–
Short leasehold	**5.6**	0.8	**–**	–
	80.0	69.8	**34.2**	34.7
Net book value of plant and machinery				
Plant and machinery	**30.2**	28.5	**4.2**	4.9
Other office equipment	**2.8**	6.7	**0.3**	0.3
Motor vehicles	**1.0**	3.4	**–**	0.4
	34.0	38.6	**4.5**	5.6
Net book value of computer systems	**41.9**	24.9	**2.0**	3.6

Computer systems previously formed part of the plant and machinery class of assets.
All classes of tangible fixed assets are depreciated except for freehold land.

14 Capital commitments

	Group 2002 £M	2001 £M	Company 2002 £M	2001 £M
Contracted capital expenditure at 31 March, for which no provision has been made in these accounts	**1.0**	12.0	**–**	0.1

15 Investments

	Group 2002 £M	2001 £M	Company 2002 £M	2001 £M
Subsidiary undertakings	**–**	–	**388.1**	417.5
Associated undertakings	**0.2**	0.3	**–**	–
Investment in own shares	**1.1**	–	**1.1**	–
	1.3	0.3	**389.2**	417.5

16 Subsidiary undertakings

Cost	Shares £M	Loans £M	Total £M
At 1 April 2001	199.7	247.9	447.6
Additions	–	–	–
Disposals	(24.6)	(19.5)	(44.1)
At 31 March 2002	**175.1**	**228.4**	**403.5**

16 Subsidiary undertakings continued

Provisions	SHARES £M	LOANS £M	TOTAL £M
At 1 April 2001	14.7	15.4	30.1
Released in the year	(14.7)	–	(14.7)
At 31 March 2002	**–**	**15.4**	**15.4**
Net book value			
At 31 March 2002	**175.1**	**213.0**	**388.1**
At 31 March 2001	185.0	232.5	417.5

17 Own shares

	COST £M	ACCUMULATED AMORTISATION £M	NET £M
At 1 April 2001	2.7	(2.7)	–
Additions	1.2	–	1.2
Disposals	(1.5)	1.5	–
Charge for the year	–	(0.1)	(0.1)
At 31 March 2002	**2.4**	**(1.3)**	**1.1**

In June 1995 a discretionary employee benefit trust, the Electrocomponents Employee Trust ("EET") was established by the Company to facilitate the operation of the Long Term Incentive Plan. The beneficiaries are present employees of the Company and its subsidiaries.

Under the terms of the trust deed the trustees are permitted to acquire the Company's ordinary shares by way of market purchase and allocate them on a discretionary basis to individual beneficiaries. EET is funded by an interest free loan from the Company. During the year 250,000 ordinary shares in the Company were purchased by the trustees at a cost of £1,214,580.

On 5 July 2001 ordinary shares were transferred as follows:

Mr Butler	23,313
Mr Hewitt	33,090
Mr Lawson	52,644
Mr Mason	18,049

In addition, 67,233 ordinary shares were transferred to other beneficiaries.

At 31 March 2002, a total of 417,542 (2001: 388,022) ordinary shares in the Company were held by EET, all of which were under option to employees for a nominal consideration. The market value of the shares at 31 March 2002 was £1,995,851.

At 31 March 2002, a total of 91,999 (2001: 223,693) ordinary shares in the Company were also held by the QUEST, all of which were under option to employees as detailed in note 31. The market value of the shares at 31 March 2002 was £439,755.

18 Principal subsidiary undertakings and associated undertakings

	PRINCIPAL LOCATION	COUNTRY OF INCORPORATION
Mail order of electronic, electrical and mechanical products		
RS Components Pty Limited*	Sydney	Australia
RS Components GesmbH*	Gmünd	Austria
Allied Electronics (Canada) Inc.*	Ottawa	Canada
RS Componentes Electrónicos Limitada*	Santiago	Chile
RS Components A/S*	Copenhagen	Denmark
Radiospares Composants SNC*	Beauvais	France
RS Components GmbH*	Frankfurt	Germany
RS Components Limited*	Kowloon	Hong Kong
RS Components & Controls (India) Ltd◆	New Delhi	India
RS Components SpA*	Milan	Italy
RS Components KK*	Yokohama	Japan
RS Components Sdn Bhd*	Kuala Lumpur	Malaysia
RS Components BV*	Haarlem	Netherlands
RS Components Limited*	Auckland	New Zealand
RS Components AS*	Haugesund	Norway
RS Components (Shanghai) Company Ltd*	Shanghai	People's Republic of China
Radionics Limited*	Dublin	Republic of Ireland
RS Components Pte Limited*	Singapore	Singapore
Amidata SA*	Madrid	Spain
RS Components AB*	Vällingby	Sweden
RS Components Limited	Corby	United Kingdom
Allied Electronics Inc.*	Fort Worth, TX	United States of America

Notes to the consolidated accounts continued

For the year ended 31 March 2002

18 Principal subsidiary undertakings and associated undertakings continued

	PRINCIPAL LOCATION	COUNTRY OF INCORPORATION
Holding and Management Companies		
Electrocomponents France SARL*	Beauvais	France
Electrocomponents UK Limited	Oxford	United Kingdom
RS Components Holdings Ltd*	Oxford	United Kingdom
Electrocomponents North America, Inc.*	Laytonsville, MD	United States of America

Except as stated below all of the above are wholly owned. Those companies marked with an asterisk are indirectly owned.

The companies operate within their countries of incorporation. RS Components Limited (UK) exports to over 160 countries and operates branch offices in Japan, South Africa, Taiwan, and the Philippines.

RS Components Limited also operates under the names of Electromail, Electrospeed, RS Servicepoint, RS Mechanical and RS Health & Safety in the United Kingdom.

◆ RS Components & Controls (India) Ltd (RSCC) is a joint venture with Controls & Switchgear Company Ltd, a company registered in India. The authorised share capital of this company is Rs20m, of which Rs18m is issued and owned in equal shares by Electrocomponents UK Limited and its joint venture partner. RS Components Limited supplies product and catalogues to RSCC, while office space and distribution network are provided by Controls & Switchgear. During the year ended 31 March 2002 the Group made sales of £0.6m (2001: £0.5m) to RSCC and supplied catalogues at a cost to RSCC of £0.1m (2001: £0.1m). RSCC is treated in the accounts as an associated undertaking.

19 Acquisition

On 28 September 2001, the Group purchased part of the business and certain assets of Jacob Hatteland Supply AS, a company registered in Norway, for a cash consideration of £0.8m. Goodwill amounting to £0.8m has been capitalised and will be amortised on a straight line basis over its estimated useful life.

RS Components AS (Norway) commenced business with effect from 1 October 2001.

20 Stock

	GROUP 2002 £M	2001 £M	COMPANY 2002 £M	2001 £M
Raw materials and consumables	**3.1**	2.6	**–**	–
Work in progress	**2.8**	3.2	**–**	–
Finished goods and goods for resale	**129.2**	159.5	**–**	–
	135.1	165.3	**–**	–

21 Debtors

	GROUP 2002 £M	2001 £M	COMPANY 2002 £M	2001 £M
Trade debtors	**124.2**	147.3	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**14.7**	15.1
Amounts owed by associated undertakings	**0.8**	0.5	**–**	–
Other debtors	**5.2**	4.7	**0.4**	0.5
Corporate tax	**0.3**	0.1	**–**	–
Prepaid catalogue expenses	**9.1**	9.9	**–**	–
Other prepayments and accrued income	**3.9**	4.1	**0.1**	0.2
Amounts falling due within one year	**143.5**	166.6	**15.2**	15.8
Other debtors falling due after more than one year:				
Corporate tax	**–**	0.2	**–**	–
Prepaid pension costs	**1.3**	1.3	**1.3**	1.3
Other debtors	**0.6**	0.8	**–**	–
	145.4	168.9	**16.5**	17.1

22 Investments – current assets

	GROUP 2002 £M	2001 £M	COMPANY 2002 £M	2001 £M
Bank deposits	**16.3**	6.7	**16.3**	0.5

23 Creditors: amounts falling due within one year

	Group 2002 £M	2001 £M	Company 2002 £M	2001 £M
Bank overdrafts (unsecured)	**1.9**	0.4	**40.6**	107.6
Current instalments of loans (see note 25)	**19.7**	23.4	**14.3**	14.9
Trade creditors	**55.5**	71.8	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**28.3**	7.6
Corporate tax	**23.3**	24.4	**–**	–
Other taxation and social security	**8.1**	10.0	**0.1**	0.1
Other creditors	**7.2**	8.6	**–**	0.5
Government grants	**0.1**	0.1	**–**	–
Accruals and deferred income	**20.8**	22.0	**1.5**	1.9
Proposed dividend	**47.9**	41.4	**47.9**	41.4
	184.5	202.1	**132.7**	174.0

24 Creditors: amounts falling due after more than one year

	Group 2002 £M	2001 £M	Company 2002 £M	2001 £M
Loans repayable after more than one year (see note 25)	**52.8**	69.0	**48.4**	69.0
Other creditors	**3.4**	4.7	**–**	1.6
Government grants	**4.6**	2.9	**–**	–
	60.8	76.6	**48.4**	70.6

25 Loans

	Group 2002 £M	2001 £M	Company 2002 £M	2001 £M
Euro bank loans	**4.5**	5.7	**–**	5.6
Hong Kong Dollar bank loans	**1.4**	1.6	**1.4**	1.6
Japanese Yen bank loans	**24.2**	19.9	**18.9**	11.5
Singapore Dollar bank loans	**1.7**	4.4	**1.7**	4.4
Sterling bank loans	**1.8**	–	**1.8**	–
US Dollar bank loans	**38.9**	60.8	**38.9**	60.8
	72.5	92.4	**62.7**	83.9
Amounts falling due within one year or on demand	**(19.7)**	(23.4)	**(14.3)**	(14.9)
	52.8	69.0	**48.4**	69.0
Loans repayable in more than one but not more than two years	**–**	0.1	**–**	–
Loans repayable in more than two but not more than five years	**50.0**	68.9	**48.4**	69.0
Loans repayable in more than five years	**2.8**	–	**–**	–
	52.8	69.0	**48.4**	69.0

The bank loans are at variable rates of interest and are unsecured.

26 Financial risk management

For the purpose of these disclosures the Group has excluded short term debtors and creditors where permitted by FRS13, the accounting standard on derivatives and other financial instruments.

Further information on Treasury and financial management is included in the Financial review on pages 22 and 23.

(a) Interest rate risk

The interest rate profile of the Group's financial assets and financial liabilities at 31 March is set out below:

Financial assets	2002 Floating rate financial assets £M	2002 Financial assets on which no interest is receivable £M	2002 Total £M	2001 Floating rate financial assets £M	2001 Financial assets on which no interest is receivable £M	2001 Total £M
Euro	**19.9**	**0.2**	**20.1**	11.0	0.1	11.1
Sterling	**–**	**1.3**	**1.3**	4.1	1.4	5.5
US Dollars	**0.2**	**–**	**0.2**	1.5	–	1.5
Other	**1.3**	**0.4**	**1.7**	0.7	0.6	1.3
Total financial assets	**21.4**	**1.9**	**23.3**	17.3	2.1	19.4

Notes to the consolidated accounts continued

For the year ended 31 March 2002

26 Financial risk management continued

At 31 March the financial assets of the Group comprised:	2002 £M	2001 £M
Debtors due after more than one year	**1.9**	2.1
Investments	**16.3**	6.7
Cash at bank and in hand	**5.1**	10.6
	23.3	19.4

Floating rate financial assets comprise bank deposits, bearing interest at rates fixed in advance for periods ranging from overnight to 12 months by reference to the relevant inter-bank rate, plus current account cash balances, typically bearing nominal rates of interest.

Financial liabilities	2002 Fixed rate financial liabilities £M	2002 Floating rate financial liabilities £M	2002 Total £M	2001 Fixed rate financial liabilities £M	2001 Floating rate financial liabilities £M	2001 Total £M
Euro	**4.5**	**0.1**	**4.6**	0.2	5.6	5.8
Hong Kong Dollars	**–**	**1.6**	**1.6**	–	1.6	1.6
Japanese Yen	**–**	**24.2**	**24.2**	–	19.9	19.9
Singapore Dollars	**–**	**1.8**	**1.8**	–	4.4	4.4
Sterling	**–**	**2.6**	**2.6**	–	–	–
US Dollars	**–**	**39.0**	**39.0**	–	60.8	60.8
Other	**–**	**0.6**	**0.6**	–	0.3	0.3
Total financial liabilities	**4.5**	**69.9**	**74.4**	0.2	92.6	92.8

As at the year end, the non-interest bearing financial liabilities were £3.4m (2001: £4.7m), which were predominantly denominated in Euros.

At 31 March the financial liabilities of the Group comprised:	2002 £M	2001 £M
Bank overdrafts repayable on demand (unsecured)	**1.9**	0.4
Current instalments of loans (see note 25)	**19.7**	23.4
Loans repayable between one and two years (see note 25)	**–**	0.1
Loans repayable between two and five years (see note 25)	**50.0**	68.9
Loans repayable in more than five years (see note 25)	**2.8**	–
	74.4	92.8

The weighted average interest rate of the fixed-rate financial liabilities was 3.85% (2001: 3.83%). The weighted average period to maturity for which the rates are fixed is 2,165 days (2001: 434 days). The floating rate financial liabilities comprise bank borrowings, bearing interest at rates fixed in advance for periods ranging from overnight to 12 months by reference to the relevant inter-bank rate, plus overdraft balances.

(b) Borrowing facilities

As at 31 March 2002 the Group had a £176.1m committed borrowing facility (2001: £193.7m) denominated in US Dollars, of which £127.6m was undrawn (2001: £124.8m). The undrawn amount will all expire in between two and five years.

(c) Fair values of financial assets and financial liabilities

It is considered that the fair value of all the Group's financial assets and liabilities approximates to their carrying value because of the short term nature of these amounts.

(d) Group hedging

The Group hedges a very high percentage of the foreign currency exposure arising from its trading activities over the course of the next 12 months, through the use of forward foreign exchange contracts.

The Company provides foreign currency inter-company loans to a number of its subsidiaries. The foreign currency asset in the parent company is hedged in full using currency swaps. This has the effect on a Group basis of converting an inter-company loan into a partial hedge against net foreign currency assets in the relevant currency.

The following table shows the nominal Sterling amount of the forward foreign exchange contracts in place at 31 March 2002 valued at the forward contracted rates and at the year end rates. The difference between the two is the unrecognised gain or loss. The hedges have no book value.

26 Financial risk management continued

Forward foreign exchange contracts	2002 HEDGING TRADING FLOWS £M	HEDGING INTER COMPANY DEBT £M	TOTAL £M	2001 HEDGING TRADING FLOWS £M	HEDGING INTER COMPANY DEBT £M	TOTAL £M
Notional principal amounts valued at the contracted rates:						
to sell Sterling and buy foreign currency	**(16.7)**	**–**	**(16.7)**	(9.5)	–	(9.5)
to buy Sterling and sell foreign currency	**56.4**	**5.0**	**61.4**	63.6	3.6	67.2
Total net amount:	**39.7**	**5.0**	**44.7**	54.1	3.6	57.7
Unrecognised gains and losses compared to year end rates:						
gains			**0.7**			1.0
losses			**(0.1)**			–
Total net unrecognised gains			**0.6**			1.0
Fair value at 31 March 2002*			**44.1**			56.7

*Fair value is calculated as the amount of Sterling that would be received if the net amount of foreign currency sold forward was revalued at year end rates.

Gains and losses on hedges	GAINS £M	LOSSES £M	TOTAL NET GAINS (LOSSES) £M
Unrecognised gains and losses at 1 April 2001	1.0	–	1.0
Gains and losses arising in previous years that were recognised in the year ended 31 March 2002	(1.0)	–	(1.0)
Gains and losses arising before 1 April 2001 that were not recognised in the year ended 31 March 2002	**–**	**–**	**–**
Gains and losses arising in the year ended 31 March 2002 that were not recognised in the year	0.7	(0.1)	0.6
Unrecognised gains and losses on hedges at 31 March 2002	**0.7**	**(0.1)**	**0.6**

(e) Currency exposures

At 31 March 2002 the Group had no forecast foreign currency exposures for the year ended 31 March 2003 which were not covered by forward foreign exchange contracts (2001: nil).

27 Provisions for liabilities and charges

	GROUP DEFERRED TAXATION (AS RESTATED) £M	COMPANY DEFERRED TAXATION £M
At 1 April 2001	11.2	1.6
Profit and loss account	(1.0)	0.9
Translation differences	–	–
At 31 March 2002	**10.2**	**2.5**

Deferred taxation	GROUP 2002 £M	GROUP 2001 (AS RESTATED) £M	COMPANY 2002 £M	COMPANY 2001 £M
Amounts provided:				
Accelerated capital allowances	**10.5**	11.0	**2.1**	1.9
Tax losses	**(5.7)**	(2.5)	**–**	–
Goodwill	**4.5**	2.9	**–**	–
Other short term timing differences	**0.9**	(0.2)	**0.4**	(0.3)
	10.2	11.2	**2.5**	1.6

Deferred taxation				
Amounts not provided:				
Rolled over capital gains	**0.5**	0.5	**–**	–
Tax losses	**(11.3)**	(9.3)	**–**	–
	(10.8)	(8.8)	**–**	–

The tax losses above have not been recognised as recoverability is uncertain.

Notes to the consolidated accounts continued

For the year ended 31 March 2002

28 Lease commitments

The Group has entered into non-cancellable leases in respect of plant and machinery, the payments for which extend over a period of up to five years. The total annual rental (including interest) for 2002 was £2.2m (2001: £1.2m). The lease agreements provide that the Group will pay all insurance, maintenance and repairs. In addition, the Group leases certain properties on short and long term leases. The annual rental on these leases was £9.9m (2001: £7.1m). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Group pays all insurance, maintenance and repairs of these properties. The minimum annual rentals under the foregoing leases are as follows:

	GROUP PROPERTIES 2002 £M	2001 £M	PLANT AND MACHINERY 2002 £M	2001 £M	COMPANY PROPERTIES 2002 £M	2001 £M
Operating leases which expire:						
within one year	**0.9**	2.9	**0.5**	0.3	**0.2**	0.4
within two to five years	**7.2**	7.0	**4.4**	0.9	**–**	0.2
after five years	**2.4**	1.9	**–**	–	**–**	–
	10.5	11.8	**4.9**	1.2	**0.2**	0.6

29 Contingent liabilities

At 31 March 2002 the following contingent liabilities existed:

COMPANY

Guarantees in respect of bank facilities available to certain subsidiaries up to a maximum of £44.0m (2001: £36.3m), of which £13.0m (2001: £13.6m) had been drawn down by the end of the year.

30 Share capital

	2002 NUMBER OF SHARES	2001 NUMBER OF SHARES	2002 £M	2001 £M
Ordinary shares of 10p each:				
Authorised	**500,000,000**	500,000,000	**50.0**	50.0
Called up and fully paid:				
At 1 April 2001	**434,242,103**	433,510,445	**43.4**	43.3
New share capital subscribed	**756,278**	731,658	**0.1**	0.1
At 31 March 2002	**434,998,381**	434,242,103	**43.5**	43.4

All of the new share capital subscribed in 2002 related to the exercise of share options (see note 31), and included 425,233 shares which were issued to the QUEST to satisfy options granted under the savings-related share option schemes. The shares were issued at market value of £2.1m at the dates of subscription. The QUEST was funded by contributions of £2.1m from employees in respect of the exercise of options over 556,927 shares. The QUEST is obliged to waive dividends in respect of all shares in the Company it holds.

31 Share option schemes

	EXECUTIVE OPTIONS 1988 SCHEME	SAYE SCHEMES	US S423 SCHEME	TOTAL
Movement in outstanding options:				
At 1 April 2001	3,025,185	3,039,016	–	6,064,201
Grants in the year	875,350	2,716,774	71,030	3,663,154
Options exercised	(272,570)	(603,917)	–	(876,487)
Options lapsed	(71,750)	(1,680,886)	–	(1,752,636)
At 31 March 2002	**3,556,215**	**3,470,987**	**71,030**	**7,098,232**
Consideration in respect of exercises	£0.7m	£2.3m	–	£3.0m
Options granted	1992 to 2001	1996 to 2001	2001	
Period of option	2002 to 2011	2002 to 2006	2002 to 2003	
Price per share				
Lowest	165.6p	314.0p	434.0p	
Highest	686.0p	529.0p	434.0p	
Weighted average	489.7p	434.1p	434.0p	

Executive Share Options are normally exercisable during the period between the third and tenth anniversaries of the date of grant. For options issued prior to 1999 not more than 50% of the option may be exercised prior to the fifth anniversary of the date of grant and not more than 80% prior to the seventh anniversary. For options issued in 1999 or later, exercise is subject to meeting a performance target. Options issued under the SAYE schemes are normally exercisable during the period of six months following either the third or fifth anniversary of the date of grant. Following shareholder approval at the 2001 AGM, the US Section 423 scheme was set up during the year. 20% of options issued under this scheme are exercisable on or after the first anniversary of the date of grant, with the balance exercisable after the second anniversary. Share options outstanding to the Directors of the Company are detailed in the Report of the Remuneration Committee commencing on page 26. The consideration received in respect of SAYE options includes £2.1m (2001: £2.7m) received from the QUEST.

32 Reserves

	NOTE	SHARE PREMIUM ACCOUNT £M	PROFIT AND LOSS ACCOUNT £M	TOTAL £M
GROUP				
At 1 April 2001 as previously stated		34.9	338.2	373.1
Prior year adjustment	34	–	(1.6)	(1.6)
At 1 April 2001 as restated		34.9	336.6	371.5
Retained loss for the year		–	(6.3)	(6.3)
Translation differences		–	0.5	0.5
Premium on new share capital subscribed		2.9	–	2.9
At 31 March 2002		**37.8**	**330.8**	**368.6**
COMPANY				
At 1 April 2001		34.9	154.5	189.4
Retained profit for the year		–	63.4	63.4
Premium on new share capital subscribed		2.9	–	2.9
At 31 March 2002		**37.8**	**217.9**	**255.7**

The cumulative amount of goodwill written off directly to consolidated profit and loss reserves in respect of subsidiaries that form part of the Group's continuing activities at 31 March 2002 is £42.8m (2001: £42.8m).

33 Reconciliations of movements in shareholders' funds

	NOTE	GROUP 2002 £M	2001 (AS RESTATED) £M	COMPANY 2002 £M	2001 £M
Profit for the year		**62.9**	71.0	**132.6**	70.8
Dividend		**(69.2)**	(59.8)	**(69.2)**	(59.8)
Retained (loss) profit for the year		**(6.3)**	11.2	**63.4**	11.0
Write back of goodwill on closure		**–**	1.0	**–**	1.0
Translation differences		**0.5**	24.4	**–**	0.1
New share capital subscribed		**3.0**	3.8	**3.0**	3.8
Net (reduction) addition to equity		**(2.8)**	40.4	**66.4**	15.9
Equity shareholders' funds at the beginning of the year as originally stated		**416.5**	374.5	**232.8**	216.9
Prior year adjustment: implementation of FRS19	34	**(1.6)**	–	**–**	–
Equity shareholders' funds at the beginning of the year		**414.9**	374.5	**232.8**	216.9
Equity shareholders' funds at the end of the year		**412.1**	414.9	**299.2**	232.8

34 Prior year adjustment – adoption of FRS19

The Group has adopted FRS19 Deferred tax in the current year. This standard requires companies to change from a policy of partial provision for deferred tax to full provision.

A prior year adjustment has been made to reflect this change in accounting policy and has been finalised from the original estimate included within the Interim Statement for the six months to 30 September 2001.

The effect of the change in accounting policy has been to increase the taxation charge in the current and prior periods as set out below:

	2002 £M	2001 £M
Taxation on profit on ordinary activities: overseas taxation	**(1.6)**	(1.6)
Profit for the period	**(1.6)**	(1.6)

The adjustments to the provisions for liabilities and charges at 31 March 2001 are as follows:	
Provision for deferred taxation	(1.6)
Equity shareholders' funds	(1.6)

Notes to the consolidated accounts continued

For the year ended 31 March 2002

35 Gross cash flows – Group

	2002 £M	2001 £M
Returns on investments and servicing of finance		
Interest received	**0.8**	0.4
Interest paid	**(4.5)**	(7.1)
Net cash outflow from returns on investments and servicing of finance	**(3.7)**	(6.7)
Capital expenditure and financial investment		
Purchase of tangible fixed assets*	**(46.4)**	(22.6)
Sales of tangible fixed assets	**4.7**	0.8
Receipt of capital grants	**1.8**	–
Purchase of own shares	**(1.2)**	(2.5)
Net cash outflow for capital expenditure and financial investment	**(41.1)**	(24.3)

*Including capital accruals the purchase of fixed assets figure would be: 2002 £47.2m (2001: £26.0m).

	2002 £M	2001 £M
Management of liquid resources		
Net (increase) decrease in bank deposits	**(9.6)**	18.2
Net cash (outflow) inflow from management of liquid resources	**(9.6)**	18.2
Financing		
Issue of ordinary share capital	**3.0**	3.8
New bank loans	**4.4**	–
Repayment of bank loans	**(22.8)**	(46.6)
Net cash outflow from financing	**(15.4)**	(42.8)

36 Analysis of changes in net debt – Group

	At 1 April 2001 £M	Cash flows £M	Other non-cash changes £M	Translation differences £M	**At 31 March 2002 £M**
Cash at bank and in hand	10.6	(5.3)		(0.2)	**5.1**
Overdrafts	(0.4)	(1.6)		0.1	**(1.9)**
		(6.9)			
Current instalments of loans	(23.4)	24.0	(20.6)	0.3	**(19.7)**
Loans repayable after more than one year	(69.0)	(5.6)	20.6	1.2	**(52.8)**
		18.4			
Current asset investments	6.7	9.6		–	**16.3**
	(75.5)	21.1	–	1.4	**(53.0)**

37 Principal exchange rates

	2002 Average	Closing	2001 Average	Closing
United States Dollar	**1.43**	**1.42**	1.48	1.42
Euro	**1.63**	**1.63**	1.63	1.61
Japanese Yen	**180**	**189**	164	178

Five year record

YEAR ENDED 31 MARCH	2002 £M	2001 £M	2000 £M	1999 £M	1998 £M
Turnover					
RS/Allied	**759.6**	823.9	711.2	621.2	614.3
Pact	**–**	31.2	50.2	55.9	48.1
Group	**759.6**	855.1	761.4	677.1	662.4
Operating profit					
RS/Allied (including Groupwide process costs)	**108.7**	130.9	118.3	103.2	110.0
Pact	**–**	–	0.5	2.8	2.4
Operating profit – before amortisation of goodwill	**108.7**	130.9	118.8	106.0	112.4
Amortisation of goodwill	**(12.0)**	(11.6)	(8.0)	–	–
Exceptional loss on closure	**–**	(6.9)	–	–	–
Net interest (payable) receivable	**(3.2)**	(6.8)	(3.5)	6.4	5.8
Profit before taxation	**93.5**	105.6	107.3	112.4	118.2
Profit before taxation and exceptional loss	**93.5**	112.5	107.3	112.4	118.2
Profit before taxation, exceptional loss and goodwill amortisation	**105.5**	124.1	115.3	112.4	118.2
Taxation	**(30.6)**	(34.6)	(33.4)	(36.0)	(37.3)
Profit after taxation	**62.9**	71.0	73.9	76.4	80.9
Minority equity interests	**–**	–	–	–	(0.3)
Group profit for the year	**62.9**	71.0	73.9	76.4	80.6
Dividends	**(69.2)**	(59.8)	(51.9)	(45.1)	(38.6)
Retained (loss) profit	**(6.3)**	11.2	22.0	31.3	42.0
Goodwill	**208.5**	219.7	205.7	–	–
Net (debt) funds	**(53.0)**	(75.5)	(95.8)	120.6	87.9
Other net assets	**256.6**	270.7	264.6	232.7	228.6
Net assets employed	**412.1**	414.9	374.5	353.3	316.5
Number of shares in issue (million)					
Weighted average	**434.1**	433.1	431.4	429.4	427.0
Year end	**435.0**	434.2	433.5	431.1	428.4
Dividends per share	**15.9p**	13.8p	12.0p	10.5p	9.0p
Earnings per share (before amortisation of goodwill and exceptional loss)	**17.3p**	20.2p	19.0p	17.8p	18.9p
Profit before taxation and exceptional loss on net assets	**22.7%**	27.1%	28.7%	31.8%	37.3%
Average number of employees	**4,974**	5,041	4,704	4,302	4,316
Share price at 31 March	**478.0p**	548.0p	636.0p	465.0p	527.5p
Net asset value per share	**94.7p**	95.6p	86.4p	82.0p	73.9p

All four prior years have been restated in accordance with FRS19 Deferred tax.

Annual General Meeting

The Annual General Meeting of Electrocomponents plc will be held at 12 noon on Friday 19 July 2002 at the International Management Centre, 5000 Oxford Business Park South, Oxford OX4 2BH. The Notice of the Annual General Meeting and full details of the business to be conducted thereat is being sent to shareholders in a separate circular dated 18 June 2002. However, the following is a brief summary of the matters to be dealt with.

Ordinary business

Report and accounts
To receive the accounts and the reports of the Directors and the Auditors for the year ended 31 March 2002.

Declaration of dividend
To declare a final dividend on the ordinary shares.

Retiring Directors
To re-elect Mr K Hamill, Mr R A Lawson and Dr F D Lennertz as Directors of the Company.

Remuneration policy
To receive the remuneration policy as set out in the Report of the Directors for the year ended 31 March 2002.

Auditors' appointment and remuneration
To reappoint KPMG Audit Plc as Auditors of the Company and to authorise the Directors to agree their remuneration.

Special business

Long Term Incentive Share Option Plan
To authorise a new share option plan to replace both the Company's existing Long Term Incentive Plan and the Executive Share Option Scheme for the benefit of Executive Directors and senior executives.

Renewal of annual authority to purchase own shares
Approval to renew authority to permit the Company to purchase up to approximately 5% of the ordinary share capital of the Company.

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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 in early November.
Preliminary announcement for the year to 31 March in late May.
Report and Accounts for the year to 31 March in June.

Dividend payments
Current policy is to make dividend payments at the following times:
Interim dividend in January
Final dividend in July

2002 final dividend

Ex-dividend date	19 June
Record date	21 June
Annual General Meeting	19 July
Dividend paid	24 July

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