Do great things

Electrocomponents plc Annual Report and Accounts 2004


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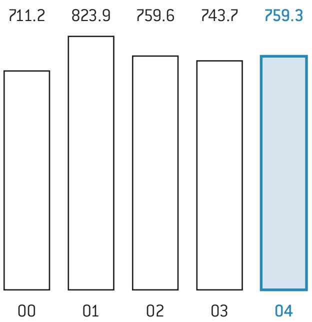
Electrocomponents distributes a wide range of products to development and maintenance engineers in all types of businesses around the world. We offer our customers unrivalled choice, support and reliability underpinned by an unrelenting commitment to service. This is reflected in our continued financial success.

Our strategy is simple: to exceed the expectations of customers everywhere with our service levels and product offer; to exploit new opportunities through electronic trading; to develop new markets by rolling out our business model worldwide; and we do all of this with the support of our established process infrastructure and expertise.

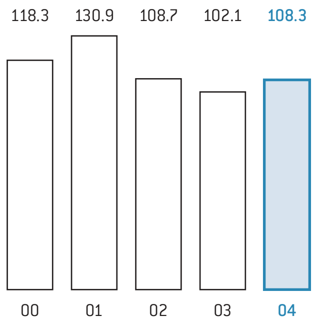
Highlights

	2004	2003	%
Turnover	**£759.3m**	£743.7m	+2.1%
Operating profit*	**£108.3m**	£102.1m	+6.1%
Profit before tax*	**£106.9m**	£100.9m	+5.9%
Earnings per share*	**17.5p**	16.5p	+6.1%
Free cash flow per share	**19.1p**	15.7p	+21.7%
Dividends per share	**18.2p**	17.0p	+7.1%

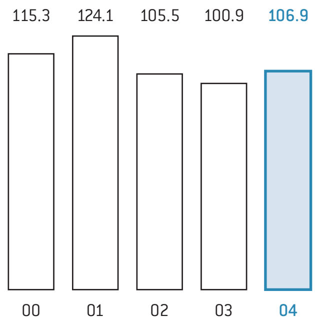
Turnover of continuing operations – £m



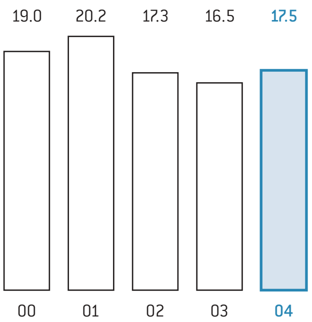
Operating profit of continuing operations* – £m



Profit before tax*† – £m

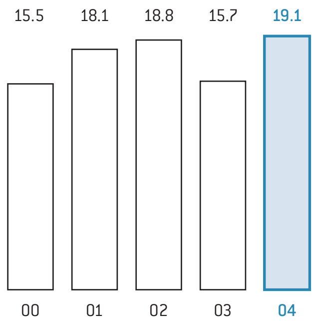


Earnings per share*† – pence

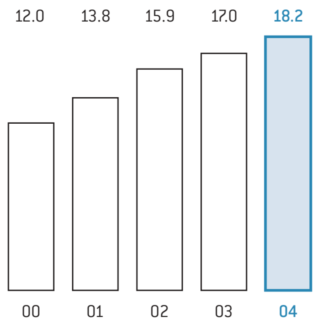


*Before amortisation of goodwill.
†2001: Before exceptional loss on closure.

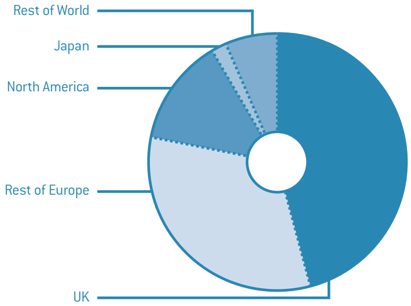
Free cash flow per share – pence



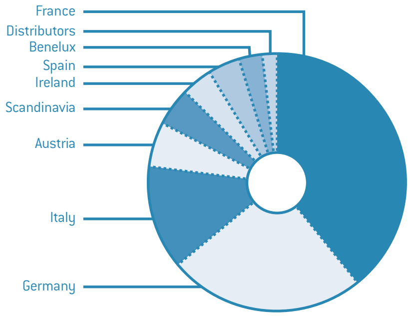
Dividends per share – pence



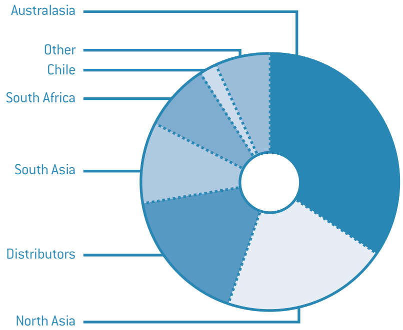
Group turnover of continuing operations by destination



RS Rest of Europe turnover



RS Rest of World turnover



Chairman's letter

DEAR SHAREHOLDER

Results overview

It is a pleasure to report that the Group's performance has benefited from the investments in previous years and the recent strengthening of our markets. The year's results also demonstrate the inherent quality and attraction of the Group's business model, with sales growing by 0.9% to £759.3m and profits by 1.1% to £106.9m (on a like-for-like basis).

Notable features of the year's performance are:

a) Strong growth in Allied and Japan

b) The launch of a same-day despatch offer in Shanghai in China

c) Rapid growth of e-Commerce sales, which now represent 17% of Group sales (13% at the end of last year).

The Groupwide Processes continue to deliver cost and service advantages to all our operating companies, enabling us to build operational gearing.

The Board has conducted a penetrating review of the strategy and the long term prospects for the Group. This has reaffirmed its view that 'The Prize' concept and its attraction for value creation is realistic.

Dividend

The Board recommends that the final dividend be increased by 7.2% to 12.6p, giving 18.2p for the year, a 7.1% annual increase.

Though the reported earnings per share (before amortisation of goodwill) of 17.5p do not fully cover the recommended total dividend, dividend growth this year is underpinned by the cash generation of our businesses and is covered by free cash flow. The Board's dividend decisions continue to be based on such considerations, together with its assessment of the Group's medium term growth opportunities which we believe will increase the dividend cover over time.

Board and Employees

David Winterbottom will be retiring at the AGM after 13 years as a Non-Executive Director. His career with Electrocomponents has overseen many changes resulting in the focused international Group that we are today. Throughout his career with Electrocomponents, he has been a bulwark of shareholder interests. We wish him and his wife, Gillian, many happy years of well-earned retirement.

Upon David's retirement, Nick Temple, the longest serving UK based director, will become the Company's Senior Independent Director. The search for David's replacement has commenced, and it is anticipated that an appointment will be made during this year.

The Board has met eleven times in the year, including full Board visits to Allied in Fort Worth, Texas and to RS UK in Corby. These visits are an important part of the Board process and provide a valuable insight into the front line operations of the Group.

The executive team has focused resources on driving growth in the business through service. These efforts have not only returned the business to growth overall but have reaffirmed our service leadership, as assessed by customers. Outstanding service is delivered by all our people, each making their individual contribution, and I would like to express the Board's thanks for all their hard work and attention to detail. Our reputation in the market places that we serve is hard won, and the greater challenge is to maintain and indeed improve these standards in tough, demanding markets. The employees of your company have achieved these objectives in an exemplary manner.

Outlook

The encouraging trends of the second half have continued since the year end, supported by the improved market confidence reflected by the Purchasing Managers' Indices. Nevertheless continued caution remains appropriate.

We remain firmly committed to the successful execution of our strategy and generating the high returns for shareholders that will result.

Bob Lawson

Bob Lawson

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Our business

Through catalogues, e-Commerce and CD-ROMs we offer high service distribution worldwide for small volume purchases of industrial and technical products.

The range and availability of our products, our reliable service and the technical support that we offer makes us great value for our customers.

- 300,000 products
- 1.5m end user customers worldwide
- Operations in 26 countries
- Exports to a further 160 countries
- Electrical, electronic, mechanical, health and safety and information technology products
- Paper catalogues, e-Commerce and CD-ROMs in all markets

1937	Radiospares founded (now RSUK)
1967	Electrocomponents plc floats on the London Stock Exchange
1990s	International expansion
1998	Internet trading launched
1999	Allied Electronics (North America) purchased RS Japan launched

History

Radiospares was formed in 1937 in London selling spare parts for radios. Since then our product range has expanded considerably and we now supply over 300,000 electrical, electronic, mechanical, health and safety and information technology products to customers worldwide. Radiospares later changed its name to RS Components Ltd.

In 1967 it was floated on the London Stock Exchange as Electrocomponents plc. In 1984 a distributor was acquired in Ireland. Continental European expansion began in 1990 with the launch of operations in France and Austria. Organic growth through the 1990s led to operations also being launched in Germany, Italy, Spain, Scandinavia, and the Benelux countries.

The launch of RS Australia continued the Group's worldwide expansion. Since then the Group has expanded into Taiwan, New Zealand, India, Singapore, South Africa, Chile, Hong Kong, China, Malaysia, and the Philippines.

RS Japan was started in 1999 at a planned cost of £30m.

Allied Electronics was acquired in 1999 and trades in the USA and Canada.

Structure

Our Group structure comprises RS operating companies in 24 countries supported by a range of Group processes. This matrix structure allows us to use the same business model in all countries and allows all companies to benefit from the same expertise in product buying and selection, catalogue management, information services and supply chain support. Our Allied businesses in North America share a similar business model.

Buying

Our relationship with our suppliers is vital in allowing us to maintain the high standards of product availability and supply that our customers both expect and demand. Through our Product Management process we purchase over 300,000 products from more than 3,000 suppliers throughout the world. Our Supply Chain process is then responsible for ensuring that adequate stocks are maintained in all of our warehouses throughout the world.

Selling

The personal relationships that we build and maintain with our customers are vital. Our customers come from every sector of the economy. We use catalogues, e-Commerce and CD-ROMs to sell to over 1.5m customers worldwide. In addition, our highly trained staff are able to offer advice on which products are the best for a particular need and to ensure that they are delivered reliably and quickly.

Our e-Commerce trading platform launched in 1998 now accounts for 17% of Group sales. Customers are able to purchase from websites in 16 languages in 66 countries.

An improved version of our PurchasingManager™ application was launched during the year and there are now 800 accounts using this application, designed to allow our customers greater control of their purchasing function.

Where we are, worldwide

RS businesses:
United Kingdom

Rest of Europe
France
Germany
Italy
Austria
Spain
Republic of Ireland
Denmark
Sweden
Norway
The Netherlands
Belgium

Japan

Rest of World
Australia
China
Hong Kong
Singapore
South Africa
Taiwan
Malaysia
New Zealand
Philippines
India
Chile

Allied Electronics:
United States
Canada

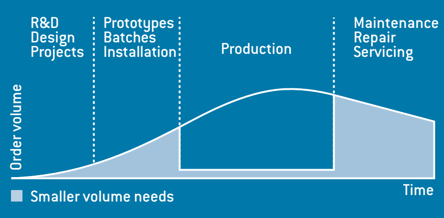
Our customers

Our products are relevant to maintenance and development customers in every sector of the economy. We fulfil small volume needs for a wide range of electrical, electronic, mechanical, health & safety and information technology products.

We create value for our customers through our:

- comprehensive product range;
- product availability;
- fast delivery;
- valued technical information;
- convenience of ways of buying, especially over the internet; and the lower transaction costs which result

Smaller volume needs throughout the activity lifecycle



Small volume purchases

All organisations have smaller volume needs that arise for a variety of reasons, usually based on a product or service requirement. We seek to serve these smaller volume needs, which typically consist of small quantities of a lot of varied products, arising on an ad-hoc basis. We do not primarily seek to serve regular purchases of the same product.

Consumers of small volume purchases are more sensitive to service than to price. In addition to the product itself, our customers require: time saving; ease in finding products and information on them; fast delivery; reliability; and responsive and convenient service.

The nature of small volume needs drives high transaction costs: typically similar to the value of the order itself in processing costs alone in the UK, plus any costs arising from disruption if critical components are not available.

Customers can and do use RS to fulfil their needs across many commodity groups. They buy many different products infrequently and in small volumes. For a typical large company with many end-user customers, over 70% of products bought in one year were purchased only once in the year, with less than 0.5% being purchased more than 10 times. The average order value across the RS businesses is only about £80.

The RS value proposition

The services that we provide to our customers are reflected in the price of our offer. Customers buying their small volume purchases from RS will create value and lower transaction costs.

This extra value to our customers allows our businesses to make higher gross margins. For larger volume distributors, profit typically consists of low gross margins and high stock turn. For us it is a higher margin on a lower stock turn, which ensures ready availability of a wide product offer. Our expertise in small order fulfilment and growth in market experience allows us to increase this stock turn in each business over time.

An indicator of our service capability is orderfill, which is the percentage of orders (usually consisting of about four product lines) fulfilled by same day despatch, usually for next day delivery. Orderfill levels are around 95% in our largest markets, and typically over 90% in our other businesses.

The nature of small volume order fulfilment leads to us having a large number of customers as well as a wide range of products in stock. Our businesses must support tens of thousands of orders per day with hundreds of thousands of items in stock. To do this we have established 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. Our RS brand is trusted by customers because of the excellent service, proven over many decades.

All this has required significant investment which we have made consistently throughout our long history. Would-be new entrants face considerable barriers because of the front-end investment needed to meet service level requirements. These barriers to entry are firmly established in the UK, and we are building them rapidly in all our other markets.

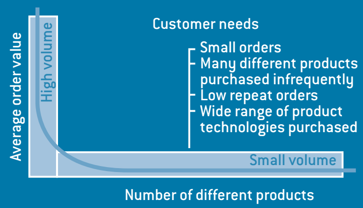
Allied

Our Allied business has a similar value proposition to that of our other companies but operates in the more competitive market in North America.

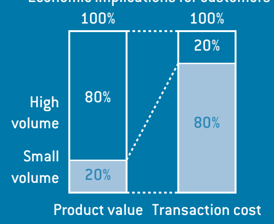
There are at least five categories of purchasing requirement that we satisfy:

- maintenance and repair (including service industries);
- research & development, design and prototype development;
- small volume production of highly customised products;
- servicing and installation of other products; and
- other general purpose product needs which are not part of large volume orders.

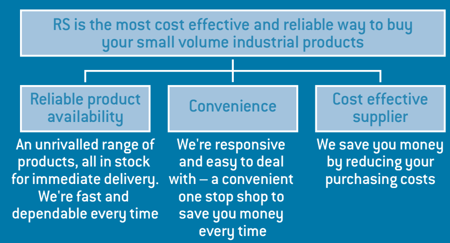
High transaction costs of small volume orders



Economic implications for customers



RS value proposition



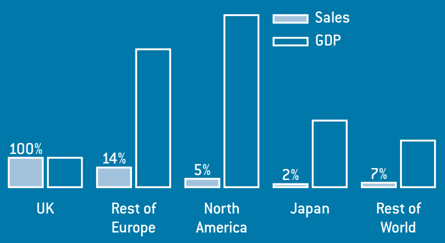
Our market potential

We believe that there is significant opportunity to grow our businesses profitably worldwide. We will do this by realising the potential for sales growth in all of our markets and by managing economies of scale to reduce costs.

Our goal outside the UK remains to grow each of our operating companies to the same relative size and profitability as our UK business.

- We are continuing to realise our potential in Japan; there was 28.4% sales growth (adjusted for exchange rates and trading days) during the year and the business is now trading profitably
- Our investment in e-Commerce is making a profitable return: e-Commerce sales are now around 17% of total Group sales

Relative penetration of GDP compared to RS UK



Expanding within our markets

The 'Market penetration' chart illustrates the scale of the opportunity in each of our geographic regions. We take RS UK's current sales compared to UK Gross Domestic Product (GDP) as our benchmark. Our potential market is proportionate to the 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. The UK market continues to grow and our potential for growth in the UK is still significant.

Scale benefits

As our businesses grow in their markets over time, 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. 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 and safety to information technology, hydraulics, tools and technical books, all in response to customer demand.

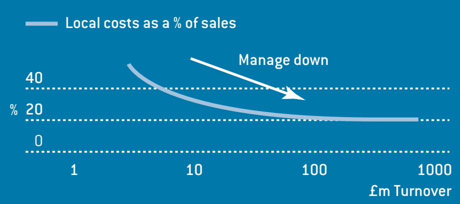
The loyalty of our customers is built on the quality, breadth and reliability of our services. Loyalty is measured by the frequency with which customers buy from us, and it increases as the business grows and we are able to offer new services. Breadth of purchase is another important indicator of our success, as we encourage our customers to increase the range of products that they buy from us.

Strategy in action

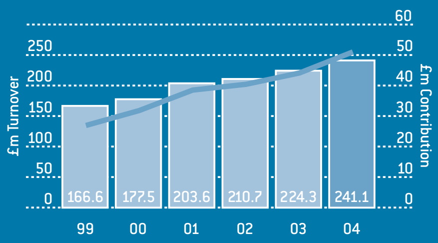
Profits continue to grow ahead of sales in Europe, as illustrated by the chart below. In addition, Japan has continued to show high growth relative to the economy and this has led to it achieving break even during the year.

We have tested a same day despatch service in the Shanghai area and customers have received this well. A full launch in Shanghai took place in April 2004.

Scale curve



RS Rest of Europe – Six year reported results



Our Groupwide Processes

Our Groupwide Processes are the foundations upon which the businesses are based. They provide operational expertise in product purchasing and selection, catalogue management, information services and supply chain support.

Our suppliers

We work with suppliers to maximise the effectiveness of our product portfolio and marketing opportunities while minimising the overall costs to the business of ensuring that products are available for our customers.

- Our processes allow us to operate efficiently on a worldwide basis
- Our supply chain process continues to ensure that we have stock availability of over 99%
- We have implemented 'ethical audits' for direct suppliers in developing economies to ensure that we do not knowingly trade with suppliers involved in unethical practices

Our 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 businesses' ability to meet customer order demand.
Facilities: develops our warehousing capacity and properties internationally, providing the integrated logistics requirement for the Group together with the Supply Chain.
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.
Information Systems: is responsible for the integrity of our systems and for all hardware, software and systems development, and innovation.
Human Resources: supports the recruitment, development, motivation, and retention of senior employees, in order to ensure the availability of skills to meet business needs.
Finance: provides guidance and support for forecasting, measuring and reporting business performance, and includes tax, treasury and operational audit.
Legal and Company Secretarial: provides expertise and control to ensure conformance to international and local laws and regulations.

Our suppliers

Suppliers acknowledge the key role that Electrocomponents plays as a demand creator for their products and as the critical channel for accessing customers internationally.

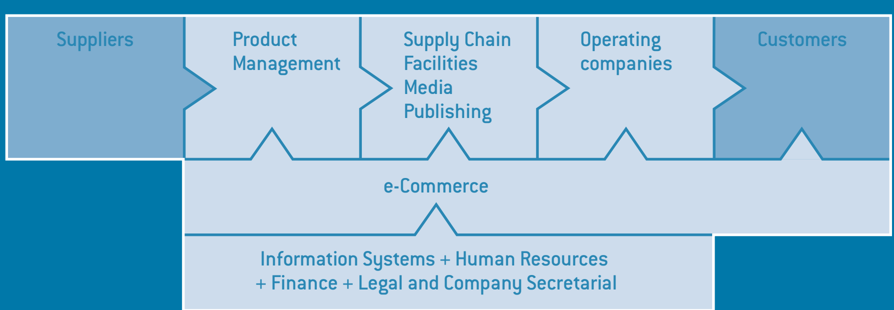
We have developed a systematic approach to managing our supplier relationships by adopting best practice and by exploiting our international sourcing capabilities.
Portfolio Management: Managing a range of over 300,000 products requires experience and market knowledge to ensure that we have the optimal offer for our customers. Our suppliers represent the leading brands and sources in the business-to-business market and provide invaluable help by working with our product teams to select ranges that build demand.
Supplier Management: With over 3,000 suppliers across the Group we have analysed and segmented our supplier base to ensure resource is aligned to the potential of the supplier. Supplier management is about building partnerships with suppliers embracing all elements that are important to mutual profitability.
Co-operation: We work together on marketing and promotional developments with many suppliers to expand our mutual markets.
Demand Creation: Electrocomponents' suppliers recognise the Group strengths of our global customer reach, marketing capability, leading edge channels to market, technical support and high service.

Our supplier relationships are also critical to Supply Chain where we manage the process from order to receipt of stock. We have established recognised leadership in our logistics capabilities.

Belden Wire & Cable's link with RS Components stretches far beyond the conventional manufacturer distributor relationship.

It's a five-year-old partnership built on two-way communication and a willingness to align business strategies for growth. As a sophisticated distributor of Belden's industrial and media cabling, RS Components places orders through electronic data interchange and products are delivered labelled and packaged to specific requirements.

Belden has put together a dedicated key account management team that is focused on addressing critical areas such as service levels, product sales, marketing support and target markets.

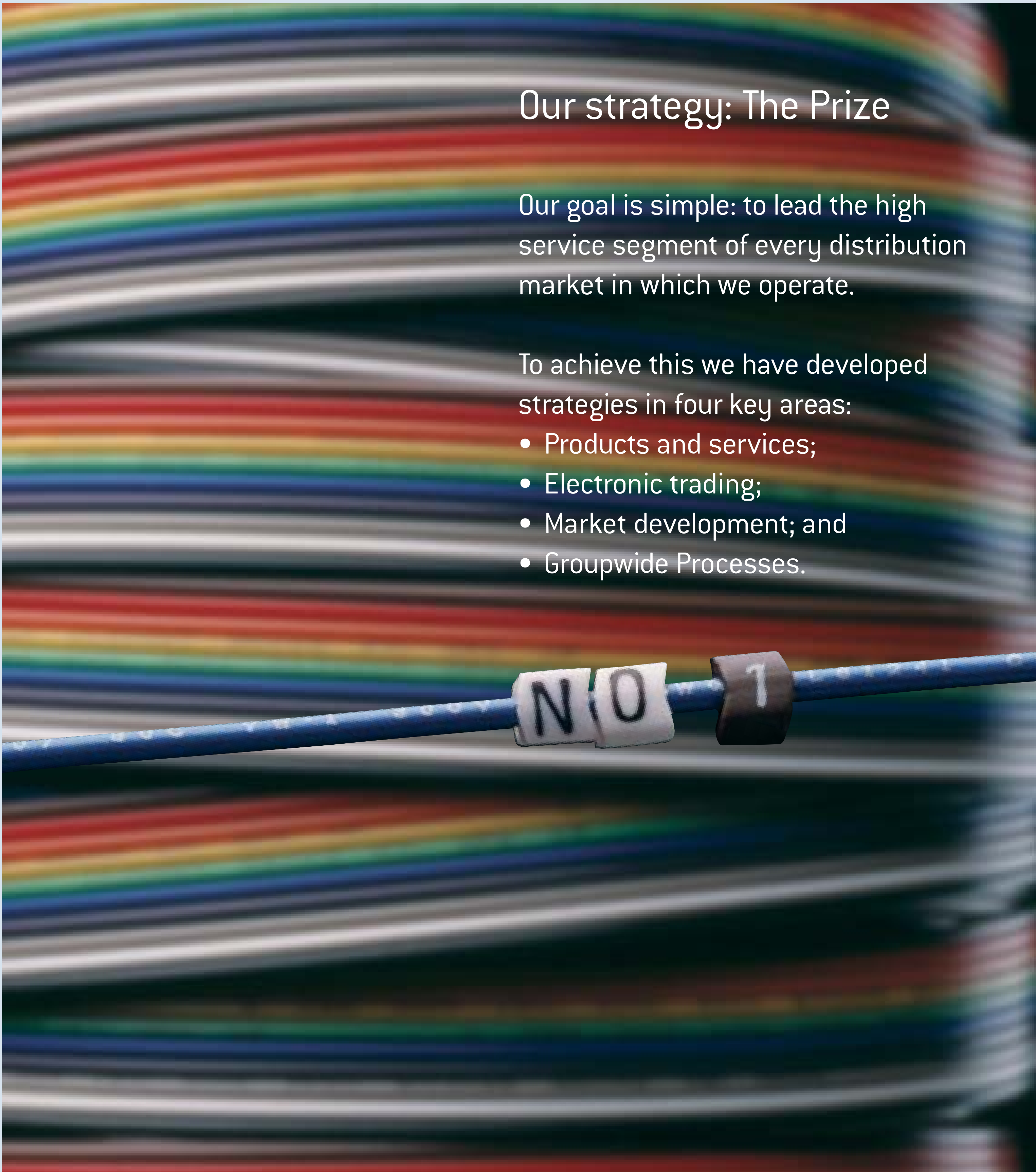


Our strategy: The Prize

Our goal is simple: to lead the high service segment of every distribution market in which we operate.

To achieve this we have developed strategies in four key areas:

- Products and services;
- Electronic trading;
- Market development; and
- Groupwide Processes.



Recent actions

- 'Do great things' – our profile in the UK is being raised by the launch of a marketing campaign including media advertising, strategically placed billboards and the search for Britain's 'Hero at Work' 2004
- Users of our PurchasingManager™ application continue to grow strongly. There are now 800 users, an increase of 433% over last year
- The introduction of the same day despatch offer in Shanghai means that customers in that area are able to benefit from a dramatically improved level of service

Our opportunity for profitable growth is huge. The realisation of this potential is known internally as The Prize. In order to achieve this we focus on four key areas:

1. Developing new products and services

The experience gained from creating the high service distribution business in the UK is embedded in our strategy. We are also taking our best practices from our other businesses to continually develop and extend the range of services and products we offer. By diversifying into new product areas we add new customers and by deepening our knowledge of customer needs we are able to extend our services and increase customer loyalty.

2. Opportunities in e-Commerce

We see e-Commerce as a means of offering customers ever higher service levels. Business-to-business Internet trading is a major focus 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 recently established internally developed service, free to larger account customers, which combines ease of purchasing for end users with tight controls for their managers. Because of their confidence in our brands, content, and fulfilment record, customers are using this channel in rapidly growing numbers.

3. Developing our markets worldwide

The proven effectiveness of our business model has opened up many opportunities for high service distribution in new geographical markets. By sharing best practice we are confident that our businesses can reach the same size, relative to their local economies, as RS has achieved in the UK and with similar levels of profitability. Considerable opportunity remains in the UK itself, though the market is more developed.

UK: The RS UK business is generating growth by further development of its customer base. We estimate that this penetration is low even in the manufacturing sector and very low in services.

Continental Europe: The combined economies of France, Germany, Italy and the smaller countries 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.

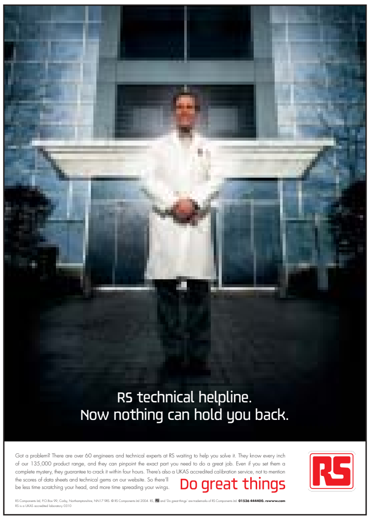
North America: We gained a leading position in this well developed market in 1999 through the acquisition of Allied Electronics. Electrocomponents has invested to improve the levels of service offered by Allied, while other initiatives are under way to mutually share the experiences across businesses. In this market we see opportunities for growth through market consolidation as we displace smaller competitors, and by some product expansion.

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 with Singapore as our regional hub. The launch of our Same Day Offer in Shanghai has enhanced our Chinese offer.

4. Groupwide Processes

By leveraging off our infrastructure and common 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, and we can disseminate best practice around the Group quickly.

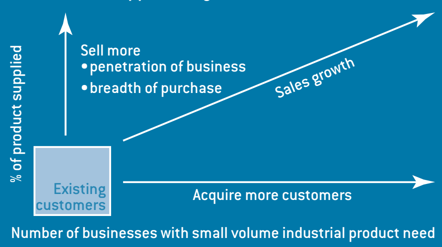


A press advertisement from RS UK's high profile 'Do great things' marketing programme.

'Do great things' is about our customers and about our role in helping them to do a great job by providing world class services, free technical help and a great product range. Using RS saves our customers time and money.

- The largest Information Systems projects remain the Europe and Asia Enterprise Business System (EBS) projects. EBS was implemented in South Asia in March 2003 followed by France in June 2003 and Australasia in October 2003

Our business opportunity



Chief Executive's review

A new marketing programme has been developed, to better communicate the value RS brings to customers together with a new tag line: Do great things.

The Group's goal remains the same as in previous years: to lead the high service segment of every distribution market in which we operate. To achieve this we have continued to make significant investments in our business, mainly in the areas of sales and marketing and systems, and these are now starting to show results.

After a difficult first half our sales and profits showed a progressive improvement during the second half.

Sales and marketing

A new marketing programme has been developed, to better communicate the value RS brings to customers together with a new tag line: Do great things. The programme has initially been developed in the UK following extensive market research and involvement of creative agencies. The launch towards the end of the year involved a large scale integrated campaign including adverts in the national and trade press, on billboards and a PR campaign to find Britain's 'Heroes at Work' in 2004. Initial customer reaction has been positive. This programme will be rolled out to other markets over the next few years.

We have continued to build and invest in our sales forces around the world. In the UK there was a 50% increase in the field sales force, combined with additional training for all. A sales effectiveness programme was launched in Europe to enhance customer-facing sales skills and capabilities. Sales in North America have been driven up, partly as a result of the launch of the 'Customer First' initiative to improve the effectiveness of our branches in serving customers. Investment in marketing and sales increased significantly across much of the Group.

Investment in the catalogue continues. For example, the layout of the Allied catalogue has been improved and this also helped grow Allied sales in the second half. The improved test and measurement section of the catalogue has led to increased sales. An upgraded CD-ROM has been issued with the catalogue in the UK. The CD-ROM now mirrors the website and therefore provides a more user-friendly platform for customers. In addition, the catalogue frequency in France was changed to give an annual catalogue supported by greater short term media. Further developments in our catalogue are in progress.

Elsewhere, the launch of our same day despatch service in the Shanghai area of China, facilitated by a catalogue of 26,500 compliant products, means that we are now able to offer the same level of service in the region as we do in the rest of the world. There does remain a risk of further import restrictions into China which we will address as they arise.

e-Commerce

During the year we have enhanced our websites in many countries and now have 66 dynamic websites in 16 languages throughout the world. The search function on our websites has been improved, as has the speed at which our websites operate. e-Commerce sales grew at 43% over last year and now represent 17% of total sales. e-Commerce is particularly effective in Japan where 43% of all sales are made in this way.

An improved version of our PurchasingManager™ procurement tool was launched during the year. This tool enables customers to maintain control over all purchases made by their maintenance and/or development engineers that are using the application.

The significant investments made in e-Commerce have resulted in the Group winning several prestigious awards in the UK during the year including the e-Business Strategy of the Year award at the National Business Awards 2003 and four awards at the European Catalogue and Mail Order (ECMOD) awards 2003 including the Best Overall award.

Processes

The main initiatives during the year were the first implementations of our Enterprise Business Systems in Asia and France. Once the rollout programme is complete it will provide more standardised and effective approaches to data management, generate operational efficiencies and support and enhance customer service. The rollouts were successful and the inevitable teething problems are being successfully resolved with service levels in France returning to normal.

In addition our Product Management team continues with the range optimisation programme. This will ensure that the most effective selection of products in each category meets our customers' needs. The Supply Chain team has been successful in maintaining high service levels whilst increasing stock efficiency.

In summary

The strategy of the Group remains unchanged from previous years and we continue to invest in its future as demonstrated by the above initiatives. It is pleasing, however, that we are also generating returns on our past investments. I remain highly confident about the future prospects of the Group.

A detailed review of the performance of the Group is included within the Operating and Financial Review on pages 15 to 21.

Ian Mason

Ian Mason

Operating and financial review

OPERATING REVIEW

Introduction

For much of the year trading has been tough but the Group has returned to growth and has continued to invest in its businesses. The Enterprise Business System (EBS) was implemented successfully in France, South Asia and Australasia. We continued to develop our e-Commerce functionality leading to good growth and proven incremental sales. We increased investment in sales activities and marketing to drive higher sales. In the second half of the year, market conditions improved and our sales, profit and cash flow performance benefited. Sales growth rose towards the end of the year, most notably in North America and the UK, and the Group exited the year growing at about 5%.

Group results

Group	2004	2003
Turnover	**£759.3m**	£743.7m
Operating profit*	**£108.3m**	£102.1m
Operating profit	**£98.1m**	£90.8m
Interest	**(£1.4m)**	(£1.2m)
Profit before tax*	**£106.9m**	£100.9m
Profit before tax	**£96.7m**	£89.6m
Earnings per share*	**17.5p**	16.5p
Earnings per share	**15.1p**	13.9p
Dividend per share	**18.2p**	17.0p

Key statistics	2004	2003
Gross margin %	**53.8%**	52.7%
Operating return on sales %*	**14.3%**	13.7%
Effective tax rate %*	**29.0%**	29.0%
PBT on net assets*	**30.9%**	26.0%

Growth %	2004	2003
Turnover	**2.1%**	(2.1%)
Operating profit*	**6.1%**	(6.1%)
Profit before tax*	**5.9%**	(4.4%)
Earnings per share*	**6.1%**	(4.6%)
Dividend per share	**7.1%**	6.9%

*Before amortisation of goodwill

Group turnover increased by 2.1% (reported) to £759.3m. Before goodwill amortisation, operating profit rose 6.1% to £108.3m, profit before tax rose 5.9% to £106.9m and earnings per share increased 6.1% to 17.5p. After goodwill amortisation, earnings per share rose 8.6% to 15.1p.

Exchange rate movements had a notable impact on Group turnover and profit in the year, with the strengthening Euro overcoming the impact of the weakening US Dollar. At constant exchange rates, the sales increase would have been £9.7m less and the operating profit increase £2.3m less. After adjusting for exchange rates, trading days and the withdrawal from the specialist telecommunications supply activity in the United Kingdom in 2002/03, like-for-like sales grew by 0.9% and operating profit by 1.4%.

The performance in the second half was much stronger than in the first: like-for-like sales grew 2.2% in the second half but declined 0.4% in the first half; like-for-like the operating profit grew 11.3% in the second half versus a 9.4% decline in the first half.

The gross margin was 53.8%, up 1.1 percentage points on last year. In the first half, the increase against the first half of last year was 0.9 percentage points to 53.5% and, in the second half, the increase was 1.1 percentage points to 54.0%. The Group manages carefully all the

Richard Butler, Chief Process Officer; Ian Mason, Group Chief Executive; Jeff Hewitt, Deputy Chairman and Group Finance Director

elements of gross margin, including discounts and sales credits, rather than just selling prices and cost prices. We have continued to take action on some elements that increase the gross margin, but in other areas, where effective for sales growth, we have reduced margins. The gross margin increase this year was lower than in 2002/03 and, as we continue to invest in sales growth, we anticipate that overall gross margin increases will slow.

Sales and marketing costs were increased by £3.7m over last year, particularly in the UK and the US, as we continued to invest in growing the businesses.

Process costs were £77.8m or 10.2% of sales, compared to £74.6m and 10.0% respectively last year. Before the impact of projects, these costs are expected to flatten and then decline as a percentage of sales over time. The implementation of the EBS projects in Europe and Asia has resulted in increased cost and higher depreciation charges of £8.6m, an increase of £4.1m. After adjusting for these costs, activity withdrawal costs last year and higher pension contributions, Process costs declined to 9.0% of sales from 9.2%.

Reported operating margins (before amortisation of goodwill) increased to 14.3% from 13.7%, although the like-for-like increase was much smaller (from 14.2%). In overall terms, the increase in gross margin offset the selling, marketing and systems cost increases.

The interest charge of £1.4m was £0.2m higher than last year, mainly due to changes in interest rates. Consequently, profit before tax and goodwill was £106.9m, a reported increase of 5.9%, but like-for-like the increase was 1.1%. The tax rate of 29%, based on profit before tax and goodwill amortisation, was the same as last year.

In accordance with FRS10, the £214.8m (at acquisition exchange rates) of goodwill that arose on the acquisition of Allied is being written off over 20 years. Taken together with the amortisation of goodwill on another small prior year acquisition, the total goodwill amortisation in the year was £10.2m.

Profit before tax and after goodwill amortisation was £96.7m and the effective tax rate on this profit was 32.1%. After tax, the profit for the year amounted to £65.7m, up 9.0%. Earnings per share before goodwill

Operating and financial review (continued)

amortisation increased 6.1% to 17.5p from 16.5p; after goodwill amortisation the increase was 8.6% to 15.1p.

With the recommended final dividend of 12.6p per share, dividends rose 7.1% to 18.2p.

UK

RS UK	2004	2003
Sales (by destination)	**£348.2m**	£353.7m
Like-for-like sales decline	**(0.8%)**	(6.7%)
Sales (by origin)	**£361.0m**	£366.9m
Like-for-like sales decline	**(0.9%)**	(6.5%)
Contribution	**£117.8m**	£119.1m
Contribution %	**32.6%**	32.5%

RS UK sales in the year declined by 0.9% (like-for-like: adjusted for trading days and the prior year withdrawal of the specialised activity serving the telecommunications sector) to £361.0m. This reflected the continued erosion of customers in the manufacturing sector, only partly offset by growth in the service sectors. The rate of decline improved through the year, being 1.6% in the first half and 0.2% in the second half, and the business exited the year growing at a rate approaching 3%.

Customer numbers increased by 1.8% following the increased spend on sales and marketing during the year. It takes time to build customer loyalty so increases in customer acquisition rates will reduce the overall average order frequency for a period of time. Our challenge is to build the ordering frequency of acquired customers as quickly as possible.

We have continued to make progress in attracting customers from outside our traditional manufacturing sectors. Based on our analysis of these customers, we believe they have the same propensity to buy from our offer as customers in manufacturing, as reflected by their similar average order values. The market potential is large in all sectors.

The investment in a larger sales force (50% increase) will allow more time for customer acquisition and development in smaller territories. Around half of all territories have achieved year on year growth. As expected, growth has been highest in the areas where the sales presence has been most established.

Trade counters opened in South Wales and Aberdeen last year have performed well and the network now consists of 15 trade counters. These provide face-to-face contact with customers, immediate service and they also support differentiated services such as the successful Managed Stock Replenishment (MSR) programme. MSR involves our management of the customer's inventory requirements at the customer's site, supported by local stock in the trade counters.

e-Commerce has continued to grow strongly, rising year on year by 38%. e-Commerce now accounts for around 20% of sales, up from 15% at the end of last year. An indication of the Group's great success in this area was the e-Business Strategy of the Year Award for 2003 at the prestigious National Business Awards. This complemented other awards for our multichannel approach and catalogue activities.

The review of the structure of the offer of 130,000 products has continued and has already demonstrated that more focused product ranges can increase overall sales by making it easier for customers to make their choice.

Exports from the UK to third party distributors and direct to overseas customers were slightly lower than last year, depressed by the war in Iraq and the strength of Sterling against the US Dollar.

Despite lower overall sales, the UK contribution margin improved slightly to 32.6%, notwithstanding the increased investments in sales and marketing. Not only is our RS UK business highly profitable, it also remains highly cash generative and is now back in growth.

Rest of Europe

RS Rest of Europe	2004	2003
Sales	**£241.1m**	£224.3m
Adjusted sales growth	**(1.4%)**	1.5%
Contribution	**£51.0m**	£44.1m
Contribution %	**21.2%**	19.7%

Rest of Europe sales declined by 1.4% (adjusted for trading days and at constant exchange rates) to £241.1m but the reported growth in Sterling was 7.5%, reflecting the stronger Euro. Trading conditions that were not easy throughout the year were made more difficult by disruptive third party strikes and the hot summer, with prolonged business shutdowns in the first half. The rate of decline slowed in the second half and by the end of the year the region was in growth. The region had flat customer numbers year on year and the number of products offered to the market was similar to last year.

e-Commerce sales continued to rise quickly in every market. Overall, e-Commerce sales were 15% of the total (up from 10% last year). In March, e-Commerce accounted for nearly 18% of sales (up from 12% last year).

The Enterprise Business System was implemented in France in June 2003. The implementation was successful though some teething problems had an impact on customer service, which constrained sales during the second half, and led to some additional costs. Normal service levels have now been restored and these are expected to further improve in the future. Lessons have been learned from this first implementation and will be deployed in future rollouts across Europe. Our next rollout will be in Germany later in 2004/05.

Sales by Radiospares in France showed a slight decline, partly due to the disruption associated with the systems implementation. Following the experience gained in Italy, France reduced its catalogue to one issue per year but increased its circulation and also issued more 'specialogues.'

In Germany, the new warehouse at Bad Hersfeld was operational for the full year and is working well. Sales grew throughout the year at a rate that increased as the year progressed. The business has strengthened its sales force and broadened its customer base to support further growth.

In Italy, there was a sales decline in the first half reflecting the difficult economic conditions and the very hot summer. We continued to develop our customer base in more attractive sectors and sales exited the year in growth.

The smaller businesses had varying results. Spain continued its strong growth, Ireland and Benelux increased their growth rates while Austria continued to grow. Scandinavia suffered a slight decline.

The contribution margin increased to 21.2% from 19.7%. In 2002/03, the contribution was after the £1.5m cost of the move to the new warehouse in Germany, whilst in 2003/04 there has been the disruption of the EBS implementation in France with a similar profit impact.

We remain confident of the growth potential of this region and that it will continue to be an important component of the successful execution of the Group's strategy.

North America

Allied North America	2004	2003
Sales	**£102.8m**	£103.4m
Adjusted sales growth	**9.7%**	(0.4%)
Contribution	**£13.3m**	£14.4m
Contribution %	**12.9%**	13.9%

Having experienced a lengthy and deep electronics recession, Allied is now starting to benefit from the continuing investments made in its sales, marketing and customer service activities. Sales in Allied grew by 9.7% (adjusted to constant exchange rates) although the weakness of the US Dollar resulted in a reported decline in Sterling of 0.6%. Allied grew by 4.2% in the first half before accelerating to 15.2% in the second half of the year, with an exit rate of around 20%.

e-Commerce in Allied is under review and we believe that there are significant opportunities for improvement.

Allied has an extensive national branch network of about 60 offices. Allied has rolled out its 'Customer First' programme during the year to increase sales effectiveness and this has had a positive impact. The initiative included: targets for customer numbers and gross margins; local sales initiatives; training; and an improved structure of commissions. It was also supported by increased marketing programmes to build more awareness of the Allied offer.

In the October 2003 edition, the catalogue format and content were improved to make the catalogue more user-friendly and customers responded well. The catalogue production system was also improved to make the content management process more effective. The combination of the new catalogue and the sales activities helped drive the second half sales growth.

Allied has worked increasingly closely with both existing suppliers and new ones to broaden its product offer in certain areas and to provide deeper ranges in others. The recent buoyancy of demand is leading to some lengthening of lead times but Allied's strong supplier relationships should stand it in good stead.

The contribution margin fell to 12.9% from 13.9% last year. In the first half, the contribution margin was 11.3% but this improved with the stronger sales in the second half of the year to 14.5%. The gross margin fell by about two percentage points, mainly in the first half, due to the growth of 'not in catalogue' sales, the introduction of higher ticket price products at lower gross margins and the greater emphasis on price negotiation in the order taking process. The gross margin stabilised in the second half at about 38% and is expected to improve as the experience from Europe in improving gross margin is applied.

Japan

RS Japan	2004	2003
Sales	**£14.4m**	£11.3m
Adjusted sales growth	**28.4%**	31.6%
Contribution	**£0.0m**	(£3.3m)

Sales grew by 28.4% (adjusted for trading days and at constant exchange rates) to £14.4m with a second half growth rate of 27.4%. The Japanese market environment was weak for much of the year, but targeted actions in marketing and e-Commerce generated the good growth. Customer numbers grew by 13%.

e-Commerce is becoming the most important way to market in Japan. Sales through e-Commerce are now 43% of total sales, up from 35% at the end of last year and grew by 59% over last year.

The business broke even for the year at the contribution level, in line with the original plan, following its first monthly break even in September 2003. A successful and profitable business has been established: we are confident that RS Japan will grow to be a major contributor to the Group.

Rest of World

RS Rest of World	2004	2003
Sales	**£40.0m**	£37.8m
Adjusted sales growth	**2.8%**	5.7%
Contribution	**£4.0m**	£2.4m
Contribution %	**10.0%**	6.3%

Sales in Rest of World grew by 2.8% (adjusted for trading days and at constant exchange rates). There were many negative external pressures, including the SARS epidemic in Asia, that made for a difficult trading environment during the year. China was the exception, with very high economic and manufacturing output growth rates.

Sales in China, including Hong Kong, grew by 9.4% (adjusted). During the year, the Same Day Offer (SDO) project was developed in the Shanghai area. The key customer benefit is that we can now despatch the product on the day the customer makes the order. This allows delivery the next day or soon after. This has required considerable preparation and the co-operation of customs and VAT officials and bankers. The SDO procedures were tested thoroughly from August 2003 and demonstrated good customer reaction and high sales growth. The full launch in the Shanghai area took place in April 2004 and rollout to other regions in China is being considered for later in 2004/05. The SDO project has been supported by additional marketing expenditure and stock. Enhanced e-Commerce capability was also successfully introduced into China.

During the year, however, sales in China have been constrained by the continued tightness of import regulations, particularly product safety compliance restrictions (Compulsory Product Certification System) and the more rigorous application of the Metrology Law (in which products that measure have to be calibrated in China). We work continually with our suppliers to meet these regulations and will not sell products that do not conform, but this compliance takes time. Our operations in China broke even in the year, though the further development of the SDO project may require some additional investment.

Operating and financial review (continued)

Elsewhere in Asia, sales in the Philippines and Malaysia both grew though our sales in Singapore declined reflecting the difficult local conditions. Sales in Australasia continued to grow well and profitability continued to be good.

The Enterprise Business System was implemented in Singapore, the Philippines, Malaysia and Australasia during the year. As expected, there were some minor initial problems but these have now been overcome.

Sales in South Africa declined, partly due to the impact of foreign exchange fluctuations.

e-Commerce

e-Commerce sales were about 15% of total Group sales for the year (up from 11% last year) and exited the year at around 17% (13% at the end of last year). Sales were £114.8m, a growth of 43%. Our leadership is reflected by this growth and in the various industry awards won during the year.

The continuation of the strong sales growth and the demonstrated incremental sales means that the additional gross profit from e-Commerce more than covered the ongoing development and marketing costs. Development costs of about £5m were similar to 2002/03.

The advanced e-Commerce capabilities developed in Europe were rolled out successfully across Asia during the year where they produced a step change in e-Commerce sales. The website was also introduced to our third party distributors so that we now serve a total of 66 countries.

The website continued to be the primary way that our customers access our e-Commerce capability. We have improved the search functionality within the website so increasing the ‘browse-to-order’ conversion rates.

The PurchasingManager™ application was developed further by adding more functionality and is now used by 800 customer accounts in ten countries. PurchasingManager™ is a powerful tool in acquiring new customers in new accounts and increasing penetration of existing accounts. The combination of online control and lower transaction costs is a major customer benefit.

Our e-Procurement ‘punch-out’ capability was also in strong demand in certain markets.

The website, PurchasingManager™ and e-Procurement services are the powerful combination that generates our leadership in e-Commerce. Our focus is on driving the sales opportunities arising from this leadership.

GROUPWIDE PROCESSES

	2004	2003
Total cost	**£77.8m**	£74.6m
Cost as a % of sales	**10.2%**	10.0%

The Groupwide Processes support our global network of operating companies. They ensure that the Group has the infrastructure and expertise to provide the consistently good service demanded by our customers.

The total cost of Processes in the year was £77.8m, up 4.3% from last year. After adjusting for EBS costs, the costs of withdrawing from an activity last year and pension charge increases, Process costs declined to 9.0% of sales from 9.2% last year.

Information Systems

The combination of numerous customers and small average order values creates a very large number of transactions that must be managed accurately and quickly. This is achieved through very reliable information systems. Information Systems, including the costs of the EBS projects, accounted for just under half of total Process costs.

The EBS projects are now well into the implementation phase. These projects are wide ranging and involve our enterprise, customer contact, sales force, product information, stock management, warehouse operation and e-Commerce activities. The projects drive a higher level of standardisation and effectiveness in our operational procedures and this requires significant change management. EBS was implemented in South Asia in March 2003 followed by France in June 2003 and Australasia in October 2003. Future rollouts are currently planned for Germany in late 2004/05 and the UK in 2005/06. The system will subsequently be rolled out to the other European countries and China.

Around £51m has been spent on the projects to date, over 80% of the estimated total capital expenditure. The total spend has increased since last year based on our experiences to date.

In 2003/04, the revenue cost, including depreciation charge, of the EBS projects was £8.6m, up £4.1m from 2002/03. Our current view is that the depreciation charge will peak at about £9m per year by 2006/07, which is approximately £5m higher than in 2003/04.

EBS will provide wide-ranging benefits. The most immediate will be the removal of the maintenance costs of the legacy systems. Secondly, the availability of regional information on detailed product demand will allow more effective management of stock levels, improvement in stock turn and more robust customer service. The new capabilities will support extra services to customers and drive significant internal operating efficiencies. We remain confident that the cost of the investment will be more than covered by the benefits.

Supply Chain

The role of Supply Chain is to ensure that whenever orders are placed by customers the required products can be shipped the same day. The priority is high customer service, but efficient management of stock and product movement costs are also important. High levels of customer service were maintained during the year, although there was some disruption following the EBS implementations.

The stock turn improvement to 2.7x from 2.6x was achieved through a number of initiatives. In the UK, there was a major upgrade of our forecasting and stock replenishment systems, whilst new systems were also implemented in Japan and (as part of EBS) South Asia and Australasia. We continue to work closely with our suppliers to improve their ability to deliver to us on time and in the form that we require. Stock investments have been made to support projects, most notably in Shanghai where over £1m of additional stock was put in place to support the launch of the SDO.

The rollouts of EBS to Germany and the UK will be supported by additional stock over the period of the rollout to ensure that we maintain customer service. Our current view is that around £20m of additional stock will be built up in 2004/05 and will be maintained for part of 2005/06.

Product Management

The total number of products on sale through RS and Allied worldwide is approximately 300,000. Product Management has to ensure that the product selection for each market matches customer requirements. Range effectiveness is a continued focus, to ensure that the product offer in each category is credible and comprehensive.

Supplier relationships are increasingly important and many more joint activities have been developed. Our suppliers recognise that we can be an important part of their sales and marketing efforts. In the light of new regulations suppliers are becoming more aware of the damage that can be done to their brands unless they maintain tight controls. We continue to invest considerable time and resources in making sure we understand all of the evolving compliance requirements in the markets we serve, so that we can support our customers and suppliers. In Europe, the Restriction of Hazardous Substances Directive, which will take effect in July 2006, is already starting to have an impact on the demand for electronic components. Similar regulations apply in other markets.

Media Publishing

The Media Publishing Process manages and delivers all the major media for the Group: catalogues, 'specialogues', CD-ROMs and websites.

An area of significant change has been the catalogue frequency. Following customer research, Italy moved to an annual catalogue in 2002/03, accompanied by increased investment in direct marketing activity such as 'specialogues' and France followed suit in 2003/04.

We continue to invest heavily to develop more effective customer media. During the year, the catalogue was extensively redesigned to ensure the indices and the layout facilitate more easy location of products. The CD in the UK has been upgraded and now mirrors the layout on the website. This new form CD will be rolled out to other markets. A large exercise was undertaken to develop the quality and quantity of our product data and information, which will support future media developments.

An increasingly efficient desktop publishing team now enables the internal production of highly effective market communications, ranging from 'fliers' to 'specialogues'. Most critically, 'time to market' has been dramatically reduced and, by sharing across more than one market where appropriate, the unit costs are also reducing.

Group Facilities

The warehouses in Germany, Italy, Japan and Spain that were developed during the last two years are all operating efficiently. The Group is now in a position where there is sufficient static and dynamic capacity to last for a number of years and no substantial investments are foreseen. Upgrading has continued to take place, for example, there has been investment in our UK sites to enhance the security and workflow procedures.

FINANCIAL REVIEW

Turnover and profit have been reviewed in the section on Group results, above.

Cash flow and balance sheet	2004	2003
Decrease in stocks	**£1.0m**	£2.7m
Increase in debtors	**(£8.4m)**	(£0.2m)
Increase in creditors	**£10.9m**	£9.9m
Working capital	**£3.5m**	£12.4m
Operating cash flow	**£134.8m**	£133.6m
Capital expenditure	**(£22.8m)**	(£31.3m)
Free cash flow	**£83.0m**	£68.2m
Net debt	**(£34.5m)**	(£46.9m)

Key statistics	2004	2003
Stock turn	**2.7**	2.6
Trade debtor days	**52.8**	49.4
Trade creditor days	**43.9**	38.7

Operating cash flow was £134.8m, up from £133.6m last year. Cash conversion remained high as operating cash flow was 124.5% of operating profit, before amortisation of goodwill (2002/03: 130.9%).

Working capital inflows amounted to £3.5m compared to £12.4m last year. The higher sales were largely supported by maintained stock levels, hence the increase in stock turn to 2.7x from 2.6x last year. Debtors increased by £8.4m and trade debtor days were 52.8, largely due to the acceleration of sales at the end of the year. The cash inflow from creditors was £10.9m and trade creditor days were 43.9, as a result of increased stock purchases required to support the higher demand at the end of the year. In 2004/05, there will be a build up of about £20m of additional stock to support the systems implementations and this will be retained for part of 2005/06.

Free cash flow increased by 21.7% to £83.0m mainly reflecting the lower capital expenditure.

Capital expenditure was £22.8m, significantly down from £31.3m last year and £47.2m the year before. Of this, £9.9m was on EBS projects, down from £12.5m last year. The Group has now passed the capital expenditure peaks of the new warehouses and the systems investments. Capital expenditure is expected to remain low in total for the foreseeable future. Capital expenditure as a multiple of depreciation has declined to 1.0x from 1.6x last year and 2.4x the year before. During the year, a building was sold for its book value of £3.1m.

Interest and tax payments amounted to £32.6m. The tax payments were about £2m lower than expected due to tax payment deferrals late in the year which will reverse in 2004/05. The outflow on dividends was £75.4m, up from £70.6m last year. Exchange rate movements benefited net debt by £4.7m to give an overall decrease in net debt of £12.4m to £34.5m.

Gearing improved to 10.0% from 12.1% last year but interest cover (before amortisation of goodwill) declined to 77x from 85x due to the higher interest charge.

The weakening of the US Dollar during the year had a significant exchange rate impact on the balance sheet, particularly on goodwill. The overall translation impact on net assets was to reduce net assets by £29.2m (reduction of £10.8m in 2002/03).

Operating and financial review (continued)

Financial returns

Profit before tax and goodwill on net assets was 30.9%, up from 26.0% last year and the highest for five years. These returns remain substantially higher than the Group's cost of capital.

Pensions

The Group has defined benefit schemes in the UK (closed to new entrants in April 2003), Ireland (closed to new entrants) and Germany. Elsewhere, schemes are defined contribution.

SSAP 24 remains the accounting standard applied to pensions as described in Note 6 to the Accounts. The last triennial valuation of the UK defined benefit scheme was carried out as at 31 March 2001 and showed a surplus of £22.1m. The triennial valuation as at 31 March 2004 is under way. However, approximate funding updates are carried out each year. As at 31 March 2003, there was a deficit of £64.1m, though this is likely to have reduced since that date. The statutory minimum funding position of the scheme remains good with a Minimum Funding Ratio estimated at between 125% and 130% as at 31 March 2004 (2003: 120% to 125%). The cost of the UK defined benefit scheme in the year was £5.7m, up from £3.9m last year, reflecting an additional cost of £1.8m following a decision not to reflect the March 2001 surplus in the pension charge during the year. From 2004/05, we anticipate a further additional charge of ca £3m to recover the expected deficit over an appropriate period. The charge for all of the defined benefit schemes during the year was £6.1m (2003: £4.3m).

Note 6 also indicates the impact of Financial Reporting Standard 17 'Retirement Benefits' on the Group. FRS 17 was due to replace SSAP 24 in 2005 but we have not implemented it as we anticipate moving to IAS 19 in 2005/06. Under the FRS 17 rules, the defined benefit schemes showed a combined deficit of £34.6m (net of deferred tax) compared to a deficit of £30.1m at the end of last year. Under FRS 17, the charge to profits arising from these schemes would have been £10.4m (2003: £5.4m).

Business risks

In looking forward, the most significant potential business risk is that the RS 'business model' of high service, low volume distribution has diminishing relevance to our customers so that they are less willing to pay the price levels implied by providing such service. We monitor this risk through the actual results of our business, in particular the development of the customer base, and through market research. These indicate that our model is robust and has relevance in all our markets.

The sales decline in the UK and Europe in recent years could suggest a risk that the market potential available to us in the UK and elsewhere might be smaller than anticipated, partly due to our exposure to the manufacturing sector. Our customers have been disproportionately in manufacturing and in particular some of our most frequently buying customers have been in sectors such as telecommunications and electronics. These sectors have been hardest hit by the restructuring of industry in the UK and Europe in recent years. Although the pressures on manufacturing will continue to some degree our focus on broadening our customer base in the service and public sectors should mitigate the risk but could take longer than anticipated. Our return to growth in the UK and Europe as 2003/04 progressed is an encouraging sign of success. We have also recently developed an advertising and marketing programme initially in the UK to make prospective customers more aware of RS and to reinforce the value we provide to existing customers. Also, over the longer term our businesses in China and other low cost economies will benefit from the migration of manufacturing.

Our price levels are scrutinised for 'competitiveness' and we make adjustments to our catalogue prices to ensure that our offer is priced attractively to customers for the products and services that are provided.

The large projects we have underway inevitably carry implementation risks. The quality of the project teams and of the business' commitment and engagement in the projects are the main risk mitigating factors. The largest and most risky of the projects is the systems project in Europe. The first implementation in France has shown that the operational change requirements can incur disruption to customer service. The lessons and implications are being applied to future rollouts with the intent of there being no impairment of customer service during the future implementations. To this end the training of all employees engaged in the change process has been intensified and other support, such as more project team support and substantially increased stock levels, are in hand.

The Board has had a vigorous risk review process for some years, including a specific annual meeting to consider the major risks and management's mitigating actions. Risk management techniques are widely employed across the Group, especially in projects. Business continuity, disaster recover and other preventative practices are well developed and appropriately tested. Appropriate insurance is also carried.

Financial risks are considered in the Treasury section below.

Capital structure and treasury policy

Treasury operates 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 are 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 basis of trading projections provided by local businesses. Note 24 to the Accounts gives a summary of the Group's hedging positions at the year end.

During the year, the Euro on average was stronger and the US Dollar weaker. Over time this will tend to increase 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.

Specific 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. This was particularly so of the US Dollar over the year as a large part of the debt of the Group is in US Dollars arising from the acquisition of Allied and the exchange rate movements relating to this debt offset the impact on underlying assets. Treasury guidelines are in place for reviewing the impact of translation exposures should there be any material changes. Note 24 to the Accounts summarises the financial assets and liabilities by major currencies at the year end.

Multi-country cash pooling is in place across the Group with our banks to ensure daily netting of almost all the Group's cash flows in all currencies with consequent improvements in liquidity and reduced interest costs.

At the year end the Group had net debt of £34.5m. Total debt was £107.8m, including £54.5m denominated in US Dollars, £32.4m in Yen and £20.9m in other currencies. Financial assets comprised short term investments of £65.4m and cash of £7.9m. Of total financial assets within net debt, £13.7m were denominated in Euro, £57.0m in Sterling and £2.6m in other currencies. The net interest charge was therefore relatively low compared to net debt. Borrowing requirements are seasonal and peak borrowing during the year was £108.2m. Although net debt declined, total debt and total financial assets both increased during the year following a review of, and a change in, the intercompany financing structure and its consequent management. During the year and at the year end, the Group had just one interest rate swap, which was used to convert a fixed interest rate on a long term debt instrument to floating.

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. Note 24 to the Accounts provides a summary of the deposit structure of the Group at the year end.

The Group does not intend to materially change its Treasury policies as a consequence of International Accounting Standard 39 and is now well placed to deal with the accounting requirements of this Standard.

International Financial Reporting Standards

For the year ended 31 March 2006, the Group will report under International Financial Reporting Standards along with all EU listed companies. The Group is currently undertaking an implementation project to ensure that the full impact of the transition is understood. The International Standards are being reviewed and new Group accounting policies are in the process of being developed.

It is not appropriate to indicate the impact on either Group results or shareholders' funds as our detailed analysis is not yet complete. However, the most significant areas of change for the Group include accounting for defined benefit pension schemes, share options, dividends and goodwill.

Summary

Sales and profit growth have been achieved despite trading conditions remaining difficult for much of the year. Our businesses in North America and Japan have grown particularly strongly and the UK has exited the year in growth. e-Commerce has been another area of notable success.

There have been further investments in sales and marketing and also in systems to further drive sales growth. Our systems projects are demanding and require careful risk management. Improvements in gross margin continued but these are now beginning to slow.

Our belief in the potential of the Group remains strong. Sales, profits and cash flows have all increased during the year and our net debt position was significantly better than at the end of last year.

Ian Mason

Richard Butler

Jeff Hewitt

Board of Directors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1. R A Lawson MA MBA, Chairman
Bob Lawson, 59, joined as Group Managing Director in April 1991 and was the Group Chief Executive from April 1992. Mr Lawson was appointed as part-time 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 also part-time Chairman of Hays plc.
(Chairman of the Nomination Committee)(a)

2. I Mason MBA, Group Chief Executive
Ian Mason, 42, joined the Group in February 1995 as Director of Business Development. He was appointed to the Board of Directors in July 2000 as Chief Operating Officer and 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, 56, 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, 44, joined the Group as Company Secretary in August 1987 from Bowthorpe Holdings plc, now Spirent plc. He was appointed to the Board in July 2000 and is responsible for all the Group Operational Processes. (b) (c)

5. F D Lennertz Dr.-Ing, Non-Executive Director
Dieter Lennertz, 67, joined as a Non-Executive Director in August 1995. He is a telecommunications engineer who spent three years in the Netherlands and 14 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)

6. D S Winterbottom FCA FCT FRSA, Senior Non-Executive Director
David Winterbottom, 67, 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, 51, joined as a Non-Executive Director in July 1999. He is Chairman of Luminar plc, Collins Steward Tullett PLC and Travelodge – Little Chef Limited. 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 Pro-Chancellor of Nottingham University. (a)(d)(e)

8. N J Temple, Non-Executive Director
Nick Temple, 56, joined as a Non-Executive Director in September 1996. He is a Non-Executive Director of Datatec Inc, Datacash Group plc and 4Imprint plc and is Chairman of Fox IT Ltd, Tax Computer Systems Ltd and Retail Business Solutions Ltd. He was Chairman of Blick plc, Chairman and CEO of IBM UK Ltd and Vice-President of Sales and Marketing in IBM Europe, Middle East and Africa. (a)(d)(e)

(Mr Temple will be appointed Senior Independent Director on the retirement of Mr Winterbottom in July 2004.)

9. L Atkinson MA D.Phil, Non-Executive Director
Dr. Leslie Atkinson, 60, 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 MA, Non-Executive Director
Timothy Barker, 64, joined as a Non-Executive Director in July 2000. From 1998 until his retirement in 2000, he was 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)

(Mr Barker will become Chairman of the Audit Committee on the retirement of Mr Winterbottom in July 2004.)

11. C Carfora FCIS, Company Secretary
Carmelina Carfora, 40, 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 2004.

Principal activity

The principal activity of the Group is the distribution of electronic, electrical, industrial and commercial supplies and services, through its 26 operating companies and its distributors. Significant events during the year are detailed in the Chairman's letter, the Chief Executive's review, and the Operating and Financial review shown on pages 15 to 21.

Results and dividends

Results for the year are set out in the profit and loss account on page 36. An analysis of turnover, profit and net assets by activity is shown in note 2 on pages 41 and 42. The Directors recommend a final dividend of 12.6p per ordinary share, to be paid, if approved, on 23 July 2004 which, together with the interim dividend of 5.6p per share paid in January, amounts to 18.2p for the year (2003: 17.0p).

Corporate governance

The Company complied with the Principles of Good Governance and Code of Best Practice appended to the Listing Rules of the UK Listing Authority (the Combined Code) in force in respect of the year ended 31 March 2004. Section 1 of the Combined Code establishes 14 principles of good governance in four areas: Directors; Remuneration of Directors; Relations with Shareholders; and Accountability and Audit. The following three sections explain how these principles were applied. A detailed report on Directors' remuneration can be found on pages 28 to 32.

Directors

The Board comprises the Chairman, who is part-time, three Executive Directors and six independent Non-Executive Directors. All the Non-Executive Directors are independent of management, in the opinion of the Board, and free from any business or other relationships which could interfere with the exercise of their judgement. Biographical details of the Directors at the date of this report are set out on pages 22 and 23 together with details of their membership of Board Committees.

Directors' interests in the shares of the Company are shown on pages 25 and 32.

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 management.

Retirement by rotation Dr Atkinson, Mr Butler and Mr Mason 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 Butler and Mr Mason each have a one year rolling contract but Dr Atkinson does not have a service contract.

Mr Winterbottom will also retire by rotation at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association. Mr Winterbottom has indicated that he will not be seeking re-election.

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, including the Chairman of each Committee, is shown on page 23.

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 at least 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 audit team.

THE TREASURY COMMITTEE consists of the Group Chief Executive, the Group Finance Director, the Chief Process Officer, 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 monthly.

THE REMUNERATION COMMITTEE consists of all the Non-Executive Directors. 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 28 to 32 in the Remuneration report.

THE NOMINATION COMMITTEE consists of the Chairman, 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. The Committee will periodically assess what new skills are required and recommend a candidate profile which the Chairman will use to brief Recruitment Consultants appointed by the Committee to undertake the selection process. The Chairman will have initial meetings with candidates and recommend a shortlist of individuals who then meet with other Nomination Committee members and the Group Chief Executive. The Nomination Committee then meet and decide which candidate, if any, will be invited to join the Board.

Board Evaluation During the year the Chairman has held meetings with the Non-Executive Directors, without the Executive Directors present, to discuss matters relating to overall Board performance. In addition, a questionnaire was issued to Board members for the purpose of evaluating such performance. The responses were collated and reported to the full Board. Subsequently, the Chairman held one to one meetings with all Directors resulting in the drawing up of an agreed list of actions.

Prior to the extension of the Chairman's contract in December 2003, the Non-Executive Directors, led by the Senior Independent Director, reviewed the performance of the Chairman, taking into account the views of the Executive Directors.

Board attendance

Group Board Meetings During the year ended 31 March 2004, there were eleven meetings of the Board. All members of the Board attended all meetings, with the exception of one Director, who missed one meeting.

Audit Committee Meetings During the year ended 31 March 2004, there were four meetings of the Audit Committee and all members were in attendance.

Remuneration Committee Meetings Seven meetings of the Remuneration Committee were held during the year ended 31 March 2004. All members of the Committee attended all meetings, with the exception of one Director, who missed one meeting.

Nomination Committee Meetings During the year ended 31 March 2004, two meetings of the Nomination Committee were held and all members were in attendance.

Chairman and Group Chief Executive

The roles of Chairman and Group Chief Executive are held by different individuals. The division of responsibilities between the Chairman and Group Chief Executive has been clearly established; their responsibilities are set out in writing and have been agreed by the Board.

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 2004	31 MARCH 2003
L Atkinson	**2,260**	2,260
T G Barker	**11,000**	11,000
R B Butler	**38,349**	37,136
K Hamill	**5,183**	5,183
J L Hewitt	**75,382**	75,382
R A Lawson	**403,374**	403,374
F D Lennertz	**8,034**	6,530
I Mason	**37,349**	36,136
N J Temple	**7,040**	7,040
D S Winterbottom	**3,108**	3,108

Notes: As at 31 March 2004 the Electrocomponents Qualifying Employee Share Ownership Trust (the 'Quest') and the Electrocomponents Employee Trust (the 'EET') (together the 'Trusts') held 40,826 and 308,417 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.

Directors' interests in Incentive Plans and Share Options are disclosed on page 32.

Up to 20 May 2004 there have been no changes in the Directors' interests or rights to subscribe for shares.

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. An annual survey is also conducted with a selective group of major shareholders to obtain their views on strategy and performance. The Company seeks to ensure that all Directors, including 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 includes a formal report to the Board twice each year.

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, corporate social responsibility, the monthly forecasting procedure, the management of key projects and the appointment of senior managers and controls over capital expenditure.

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 27. 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 Directors' 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 financial risk. Smaller Group companies are supported by Group, regional and process 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 prior year actuals and variances are reviewed by the Group Executive Management Team, Group 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.

Report of the Directors (continued)

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 (KPMG), in their reporting to shareholders.

The Audit Committee met four times during the year ended 31 March 2004 and senior representation from KPMG was present at these meetings to ensure full and open communication.

The overall performance of the auditors is reviewed annually by the Audit Committee, taking into account the views of management, and this is reported to senior members of KPMG. This 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 significant areas where management judgement has been applied.

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 Operating Companies 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 Audit Engagement Director. Rotation of other individuals within the audit teams is actively encouraged and has taken place. The current Director has held his role for five years following the last rotation, consequently, a new Group Audit Engagement Director will be appointed following the Annual General Meeting in July 2004.

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 that 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 by KPMG. If any additional accounting support is required then KPMG is considered for this work subject to a competitive proposal.

TAX: We use KPMG in situations where they are best suited to do the work, but the Group also uses other tax advisors. Significant pieces of tax work are put out to competitive tender.

OTHER: All significant projects are put out to competitive tender. KPMG has had only a small part of such work that has taken place in the Group in recent years.

The Group Finance Director oversees KPMG work anywhere in the Group in excess of a pre-determined low level and authorises such work. 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.

Compliance with the Combined Code

During the year ended 31 March 2004, the Company complied with the provisions set out in Section 1 of the Combined Code in force during the year ended on that date.

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 2004 represent 44 days (2003: 39 days) of average purchases.

Employees

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 and complies with the Core International Labour Organisation Conventions and prohibits the use of underage or forced labour.

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 2004, the following substantial shareholdings had been notified to the Company:

	NUMBER OF SHARES	PERCENTAGE HELD
Sprucegrove Investment Management Ltd	23,994,428	5.51%
Prudential plc	22,340,614	5.13%
The Capital Group of Companies, Inc.	20,665,980	4.75%
Legal & General Investment Management Limited	13,927,541	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 note 29 to the accounts on pages 54 and 55.

During the year the Electrocomponents Employee Trust ('EET') purchased no shares, as referred to in note 16.

Political and charitable contributions
The Group made no political contributions during the year. Charitable contributions within the UK amounted to £26,533 (2003: £30,447) and outside the UK amounted to £10,202 (2003: £14,768).

Annual General Meeting
The Notice of the Annual General Meeting, which will be held at 12 noon on Friday 16 July 2004 at the Company's premises, The International Management Centre, 5000 Oxford Business Park South, Oxford, OX4 2BH, is set out on pages 58 and 59.

In addition to conducting the ordinary business, the following special business will be considered:

INCREASE IN DIRECTORS' FEES: To provide for an increase in the maximum aggregate fees payable to Directors from £450,000 to £600,000.

RENEWAL OF DIRECTORS' AUTHORITY TO ALLOT SHARES: This resolution will permit your Directors until 15 July 2009 to allot up to 45,699,239 ordinary shares (approximately 10.5% of the issued share capital as at 20 May 2004, excluding any shares held by the Company in Treasury). The Directors have no present intention of exercising this authority other than in connection with the exercise of options.

RENEWAL OF DIRECTORS' AUTHORITY TO DISAPPLY PRE-EMPTION RIGHTS: This resolution will authorise your Directors until 15 July 2009 to issue shares for cash or sell shares which are from time to time held by the Company in Treasury without pre-emption rights applying, by way of offer to existing shareholders and pursuant to employee share schemes, up to the maximum amount of the allotment authority above and otherwise up to 21,762,332 ordinary shares (being approximately 5% of the issued share capital as at 20 May 2004). The resolution also specifically authorises the use of Treasury shares to satisfy the exercise of any employee share schemes.

RENEWAL OF DIRECTORS' AUTHORITY FOR THE PURCHASE BY THE COMPANY OF ITS OWN SHARES: This resolution will authorise market purchases of up to 43,524,665 ordinary shares (being approximately 10% of the issued share capital as at 20 May 2004), subject to a maximum price of 105% of the average of the market values of the shares for the five business days preceding any purchase and a minimum price of 10p per share. The Directors will only exercise this authority when satisfied it is in the best interests of shareholders and that any purchase will have a beneficial impact on earnings per share, having first considered other investment opportunities open to the Company. Your Directors expect to ask shareholders to approve renewal of the authority each year. 19,054,106 options to subscribe for ordinary shares were outstanding as at 20 May 2004, representing 4.38% of the issued share capital. If this resolution is passed and the full authority to buy back shares is used, then outstanding options to subscribe for ordinary shares will represent 4.86% of the issued share capital.

Listed companies are now permitted, subject to certain restrictions, to hold their own shares which they purchase in Treasury for resale or transfer at a later date, rather than being obliged to cancel them. If the Company were to purchase any of its own shares pursuant to the authority referred to above, it would consider holding them as treasury stock provided that the number does not at any time exceed 10% of the Company's issued share capital. This would provide the Company with additional flexibility in the management of its capital base.

As at 20 May 2004, the Company held no ordinary shares in Treasury.

By order of the Board
Carmelina Carfora
Company Secretary
26 May 2004

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 Company and the Group and to prevent and detect fraud and other irregularities.

Remuneration report

Remuneration Committee

Role and membership

The long-established Remuneration Committee is responsible for recommending overall remuneration policy in respect of the Executive Directors and the Chairman. The Committee was chaired during the year by Dr Leslie Atkinson. The other members of the Committee over the year were Mr Tim Barker, Mr Keith Hamill, Dr Dieter Lennertz, Mr Nick Temple and Mr David Winterbottom, all of whom are independent Non-Executive Directors.

The Board as a whole determines the remuneration of the Non-Executive Directors.

During the year ended 31 March 2004 the Committee adhered to the principles and provisions of the Combined Code as it applied during that year. In preparing this Report, the Board has followed the provisions of Schedule B of the Combined Code.

Advisers

For the year under review, Kepler Associates have provided data for salary reviews for the Executive Directors and senior managers. The Committee has also sought advice from Mercer Human Resource Consulting with respect to pension matters. These advisers have been appointed by the Remuneration Committee. The Chairman and the Group Chief Executive attended parts of meetings by invitation to respond to specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers. The Company Secretary acts as Secretary to the Committee.

Remuneration Policy

Executive Directors

The objectives of the remuneration policy for Executive Directors are to provide a remuneration package which is competitive and performance-linked, to ensure that the Group can attract and retain 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:

Performance Related
- Basic Salary
- Annual Bonus
- Long Term Incentive

Non-Performance Related
- Pension
- Other benefits such as health insurance

The Committee strives to ensure that shareholders' interests are best served by creating an appropriate balance between basic salary and the variable components of the remuneration package. Additionally, the Committee reviews annually the remuneration practices of other companies and the views of key institutional shareholder groups.

The Chairman and Non-Executive Directors

Remuneration comprises an annual salary for acting as Chairman or an annual fee for the Non-Executive Directors of the Company and an additional fee is paid to the Chairman of a Board Committee. The Chairman and Non-Executive Directors do not participate in the Company's incentive schemes, or annual bonus schemes, nor do they accrue any pension entitlement.

No Non-Executive Director has a service contract with the Company.

The Chairman has the use of a Company car and mobile phone and receives life insurance cover. Details of his service contract are set out on page 30 of this report.

Remuneration Components for Executive Directors

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.

Incentive Arrangements

Annual Bonus Plan

The aim of the Annual Bonus Plan is to ensure that the incentives for senior managers and Executive Directors are closely aligned to business performance.

The plan links annual bonuses to financial performance and progress towards long term objectives.

The business targets are established by the Board and adopted by the Remuneration Committee on an annual basis and reflect market conditions as well as strategic and operational factors. Performance targets for Executive Directors focus primarily on company performance and individual objectives. The Remuneration Committee has discretion to vary bonus payments for participants based on other aspects of performance.

The current maximum bonus opportunity for Executive Directors is 60% of salary.

Annual bonus payments are not pensionable.

Long Term Incentive Share Option Plan ('LTIOP')

The LTIOP, which replaced all other long term incentive schemes in 2002 (other than the Savings Related Share Option Scheme), is designed to align long term incentives with the interests of shareholders. Participation in the plan extends to Executive Directors and senior managers.

Under the terms of the plan, participants may be awarded options with a ten-year life subject to stretching performance conditions based on total shareholder return ('TSR') (share price growth plus reinvested dividends), with no options vesting unless performance is above the median for the selected comparator group, and full vesting only if Electrocomponents is first out of the 14 companies in that group in terms of TSR. The Committee chose TSR because they felt it was the measure most aligned to shareholders' interests.

Options over a total of 6,452,956 ordinary shares in the Company were granted on 16 June 2003. These options were granted at an exercise price of 349p per share.

TSR performance is measured over a minimum period of three years from the date of grant but, if the target is not met at all, the period is extended to four and then five years from a fixed base. Once the target has been met in part, however, performance will not subsequently be retested and the unvested part of the option will lapse. If the target has not been met at all at the end of five years, the option will lapse.

For performance at or below median, no part of the option will vest. 25% of the option will vest for performance of one position above the median with full vesting if the Company is ranked first in the comparator group selected. Between those two levels, the option will vest on a sliding scale.

The comparator group for the grants made in 2002 and 2003 comprised:

Arrow Electronic Industries Inc
Avnet Inc
Brambles Industries plc
Buhrmann NV
Daetwyler Holdings AG
Grainger (WW) Inc
Hagemeyer NV
Manutan International SA
Misumi Corporation
Premier Farnell plc
Rexel SA
Takkt AG
Wolseley plc

The mix of companies chosen reflects the business and geographic focus of the Group around the world. The Committee reviewed a range of benchmarks but found this comparator group, which includes our closest peers, to be the most appropriate.

It is anticipated that awards will be made in 2004 on the same terms and using the same comparator group. No other long term incentives will be granted in 2004.

Long Term Incentive Plan ('LTIP')

No LTIP awards have been made since June 2001, as it was replaced by the LTIOP. Under the LTIP, Executive Directors were granted an annual award comprising a deferred right to receive a number of ordinary shares in the Company.

Outstanding LTIP awards are subject to a performance condition, set when the award was granted, which determines whether and to what extent the participant receives shares at the end of a period of three years. The Company's TSR performance 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. In addition, no part of the award is released unless the Remuneration Committee is satisfied that there has been an underlying improvement in the Company's financial performance over the same period. The Committee chose TSR because they felt that it was the most appropriate measure to reflect shareholder interests.

For the 1999 LTIP award, Electrocomponents' TSR performance was ranked 15th out of 38 (against the comparator group at that point in time) as at 4 July 2002, which resulted in 56.7% of the award vesting against the TSR criterion. As described in the 2002 report, retention of the shares released on the vesting of the awards was made subject to continued employment of the participants until June 2005. Details of the shares are disclosed in the Directors' Interests table shown on page 25.

For the 2000 LTIP award, Electrocomponents' TSR performance was ranked 34th out of 42, (against the comparator group at that time) which meant that none of the award vested against the TSR criterion, and the award therefore lapsed.

For the award granted in June 2001, the performance target was based on a three-year comparison of the Company's TSR with that of the companies listed between 76th and 125th by market capitalisation on the London Stock Exchange immediately prior to the date of the award. This was considered an appropriate benchmark for assessing the Company's performance. An award is released in full if the Company is ranked in the top 20% of this comparator group. A ranking at one place above the median level allows 35% of the award to be released with pro-rata vesting between those points. No award is released if the Company is ranked on or below the median.

1988 Executive Share Option Scheme ('ESOS')

Mr Butler, Mr Lawson and Mr Mason hold outstanding options under the ESOS. The last ESOS award was made to the Executive Directors and Chairman in 1995. These options were not subject to performance conditions, in keeping with market practice at the time the scheme was established, but were subject to minimum holding periods of three, five or seven years before they could be exercised. No further awards will be granted under this scheme.

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. Performance conditions have not been imposed as they are not permissible under UK Inland Revenue rules for this type of scheme.

Electrocomponents Group Pension Scheme ('the Scheme')

Executive Directors participate in the 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 one-thirtieth for each year of service, subject to Inland Revenue restrictions.

Normal retirement age for Executive Directors is 60. The 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 prior to 1 April 2003 if retirement is from age 55 or later. In the event of 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 and children's pensions if appropriate. In the event of 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 of the Scheme.

Remuneration report (continued)

Mr Lawson is a deferred member of the 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 31.

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.

Mr Hewitt has elected to receive part of his additional entitlement as contributions to a funded unapproved retirement benefit scheme together with 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 31. Mr Butler's pension entitlement will be met from the Scheme in full.

The following table gives details for each Director of:

- The annual accrued pension payable from normal retirement age, calculated as if he had left service at the year end i.e. 31 March 2004;
- The increase in accrued pension attributable to service as a Director during the year;
- The transfer value of the accrued benefit at the year end;
- The transfer value of the accrued benefit at the previous year end; and
- The increase in the transfer value over the period.

These amounts exclude any (i) benefits attributable to additional voluntary contributions; and (ii) actual members' contributions.

Disclosure of Directors' Pension Benefits for the year ended 31 March 2004 (audited)

	AGE AT 31 MARCH 2004 YEARS	ACCRUED PENSION AS AT 31 MARCH 2004[b] £	INCREASE IN ACCRUED PENSION BENEFITS £	TRANSFER VALUE AS AT 31 MARCH 2004[c] £	TRANSFER VALUE AS AT 31 MARCH 2003[c] £	INCREASE IN TRANSFER VALUE LESS DIRECTORS' CONTRIBUTIONS[d] £
R B Butler	**44**	**127,418**	**12,477**	**1,171,000**	954,000	**199,870**
J L Hewitt[e]	**56**	**12,100**	**1,840**	**197,000**	157,000	**35,120**
R A Lawson[a]	**59**	**71,728**	**1,823**	**1,319,000**	1,239,000	**80,000**
I Mason	**42**	**18,884**	**2,384**	**153,000**	120,000	**28,120**

Notes: **a** Mr Lawson became a deferred Member of the Scheme on 20 July 2001 on his appointment as Chairman Designate. This table only reflects the scheme benefits retained and includes credit for transfers received and service to 20 July 2001.
b Accrued Pension Benefits shown are the amounts which would be paid annually on retirement based on service to the end of the year.
c Transfer values have been calculated in accordance with the Guidance Note published by the Institute and Faculty of Actuaries (GN11) (version 9.1).
d The increase in transfer value less Directors' contributions includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and Directors, such as stock market movements. It is calculated after deducting the Directors' contributions.
e Additional contributions of £101,368 were paid into a funded unapproved arrangement ('FURB') for Mr Hewitt (2003: £338,415, which included a one off contribution of £250,000.)

Other benefits

All Executive Directors are provided with a Company mobile phone, a Company car (or a cash allowance) and medical insurance. The taxable value of these benefits is included in the Directors' emoluments table on page 31.

Service contracts (not subject to audit)

All current Executive Directors have service contracts that are on a 12 month rolling basis. These contracts provide for 12 months' notice by the Company and by the Executive Directors.

Termination payments are limited to the Directors' normal compensation, including basic salary, annual incentives and benefits for the unexpired portion of the notice period. However, 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.

The Company entered into the current contractual agreements with Mr Butler and Mr Mason on 1 March 2001 and with Mr Hewitt on 14 March 2001. These agreements replaced all prior arrangements.

Mr Lawson entered into a service agreement as Chairman of the Company on 20 July 2001. This agreement replaced all prior arrangements. The term of the contract was reviewed by the Company during December 2003 and, as a result, extended to the date of the Company's Annual General Meeting in 2006 whereupon it shall terminate without further notice unless renewed by the Company. The contract provides for 12 months' notice of termination to be given by the Company or by Mr Lawson at any time.

External appointments (not subject to audit)

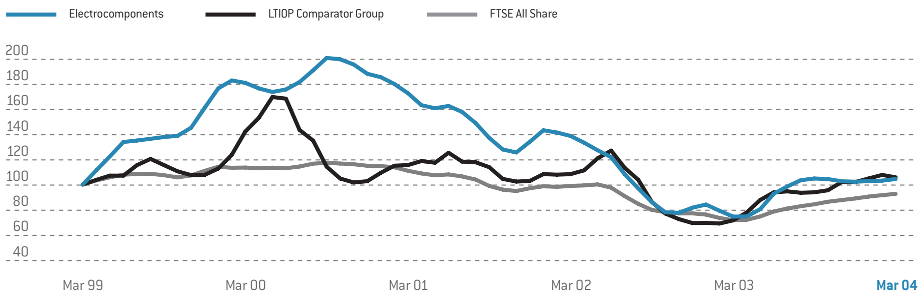
Executive Directors are encouraged to take up one Non-Executive position on the boards of other companies on the condition that any fees are remitted to the Company.

Performance review (not subject to audit)

The following graph shows the five year Total Shareholder Return ('TSR') performance of the Company relative to both the comparator group used for the 2002 and 2003 LTIOP grants and the FTSE All Share Index. These indices were chosen because they provide a comparison of the Company's performance against the comparator group chosen for the awards made under LTIOP, the Company's main share incentive scheme, and a broad equity market index.

Brambles Industries plc and Takkt AG who are part of the comparator group became listed companies on 31 August 2001 and 30 September 1999 respectively. They have only been included in the comparator group from these dates.

Value of £100 invested in Electrocomponents on 31 March 1999 vs. LTIOP Comparator Group and the FTSE All Share Index



The TSR of Electrocomponents' shares was 0.8% p.a. over the period compared with 1.1% p.a. for the LTIOP comparator group and -1.5% p.a. for the FTSE All Share Index.

Directors' Remuneration for the year ended 31 March 2004

Salary, Annual Bonus and Other Benefits (audited)

	SALARY 2004 £	SALARY 2003 £	**IN LIEU OF PENSION 2004 £**	IN LIEU OF PENSION 2003 £	**BENEFITS 2004 £**	BENEFITS 2003 £	**BONUS 2004 £**	BONUS 2003 £	**TOTAL 2004c £**	TOTAL 2003c £
Emoluments of the Chairman										
R A Lawson	**160,000**	160,000	**0**	0	**23,462**	28,363	**0**	0	**183,462**	188,363
Emoluments of Executive Directors										
R B Butler	**285,500**	278,333	**0**	0	**13,877**	15,096	**50,000**	40,000	**349,377**	333,429
J L Hewitt[a]	**366,000**	352,917	**68,807**	58,937	**23,602**	23,993	**60,000**	50,000	**518,409**	485,847
I Mason[a]	**438,750**	422,083	**54,214**	52,304	**22,076**	27,012	**100,000**	60,000	**615,040**	561,399
– one-off salary supplement			**0**	157,400					**0**	157,400
Totals	**1,250,250**	1,213,333	**123,021**	268,641	**83,017**	94,464	**210,000**	150,000	**1,666,288**	1,726,438
Fees of Non-Executive Directors										
L Atkinson[b]									**35,000**	35,000
T G Barker									**32,000**	32,000
K Hamill									**32,000**	32,000
F D Lennertz									**40,000**	40,000
N J Temple									**32,000**	32,000
D S Winterbottom[b]									**35,000**	35,000
Totals									**1,872,288**	1,932,438

Notes:

a Provision of pension benefits under the Group's approved pension arrangements is restricted for employees joining the Scheme after 1 June 1989. During the year ending 31 March 2004, Mr Hewitt and Mr Mason have elected to receive salary supplements of £68,807 and £54,214 respectively in lieu of the balance of their pension entitlements. In addition, Mr Hewitt also elected to receive payments to a FURB of £101,368 during the year (2003: £338,415 which included a one off contribution of £250,000) as shown in note e on page 30.

b 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.

c No payments were made during the years ending 31 March 2003 or 31 March 2004 in connection with (i) compensation for loss of office or (ii) reimbursable taxable expenses.

Remuneration report (continued)

Directors' Interests in Incentive Plans and Share Options (audited)

Long Term Incentive Plan (LTIP) (Note a)

	Date of grant	Vesting date	Market price on grant	Shares at 31 March 2003	Granted in FY04	Shares vested in FY04	Lapsed in FY04	**Shares at 31 March 2004**
R B Butler[b]	30-Jun-00	30-Jun-03	648.6p	30,835	0	0	30,835	**0**
	30-Jun-01	30-Jun-04	544.3p	47,767	0	0	0	**47,767**
Total				78,602	0	0	30,835	**47,767**
J L Hewitt[b]	30-Jun-00	30-Jun-03	648.6p	43,169	0	0	43,169	**0**
	30-Jun-01	30-Jun-04	544.3p	60,628	0	0	0	**60,628**
Total				103,797	0	0	43,169	**60,628**
R A Lawson[b]	30-Jun-00	30-Jun-03	648.6p	67,838	0	0	67,838	**0**
	30-Jun-01	30-Jun-04	544.3p	80,837	0	0	0	**80,837**
Total				148,675	0	0	67,838	**80,837**
I Mason[b]	30-Jun-00	30-Jun-03	648.6p	29,293	0	0	29,293	**0**
	30-Jun-01	30-Jun-04	544.3p	58,791	0	0	0	**58,791**
Total				88,084	0	0	29,293	**58,791**

Notes: **a** Awards under the LTIP are subject to performance conditions set out on page 29.
b No awards granted under the LTIP on 30 June 2000 vested and the awards lapsed on 4 July 2003.

Incentive Plans and Share Options (audited)

	Scheme	Date of grant	Vesting date	Expiration date	Exercise price	Shares under option 31 March 2003	Granted in FY04	Exercised in FY04	Lapsed in FY04	**Shares under option 31 March 2004**
R A Butler	1988 Executive	28-Jul-95	28-Jul-98	27-Jul-05	306.1p	24,750	0	0	0	**24,750**
		28-Jul-95	28-Jul-00	27-Jul-05	306.1p	14,850	0	0	0	**14,850**
		28-Jul-95	28-Jul-02	27-Jul-05	306.1p	9,900	0	0	0	**9,900**
	[a]Savings Related	15-Jan-02	01-Mar-05	31-Aug-05	423.5p	2,245	0	0	2,245	**0**
		28-Jun-03	01-Sep-06	28 Feb-07	260.0p	0	3,557	0	0	**3,557**
	[b]LTIOP	22-Aug-02	21-Aug-05	21-Aug-12	312.0p	363,868	0	0	0	**363,868**
		16-Jun-03	15-Jun-06	15-Jun-13	349.0p	0	354,426	0	0	**354,426**
Total						415,613	357,983	0	2,245	**771,351**
J L Hewitt	[a]Savings Related	28-Jun-03	01-Sep-08	28-Feb-09	260.0p	0	6,125	0	0	**6,125**
	[b]LTIOP	22-Aug-02	21-Aug-05	21-Aug-12	312.0p	461,333	0	0	0	**461,333**
		16-Jun-03	15-Jun-06	15-Jun-13	349.0p	0	454,806	0	0	**454,806**
Total						461,333	460,931	0	0	**922,264**
R A Lawson	1988 Executive	28-Jul-95	28-Jul-00	27-Jul-05	306.1p	54,080	0	0	0	**54,080**
		28-Jul-95	28-Jul-02	27-Jul-05	306.1p	13,520	0	0	0	**13,520**
Total						67,600	0	0	0	**67,600**
I Mason	1988 Executive	28-Jul-95	28-Jul-00	27-Jul-05	306.1p	30,300	0	0	0	**30,300**
		28-Jul-95	28-Jul-02	27-Jul-05	306.1p	20,200	0	0	0	**20,200**
	[a]Savings Related	15-Jan-02	01-Mar-05	31-Aug-05	423.5p	3,912	0	0	3,912	**0**
		28-Jun-03	01-Sep-08	28-Feb-09	260.0p	0	6,125	0	0	**6,125**
	[b]LTIOP	22-Aug-02	21-Aug-05	21-Aug-12	312.0p	552,300	0	0	0	**552,300**
		16-Jun-03	15-Jun-06	15-Jun-13	349.0p	0	545,272	0	0	**545,272**
Total						606,712	551,397	0	3,912	**1,154,197**

Notes: **a** In the course of the year options granted to Mr Butler under the Savings Related Share Option Scheme over 2,245 shares granted on 15 January 2002 at an option price of 423.5p lapsed. Options granted to Mr Mason under the Savings Related Share Option Scheme over 3,912 shares also lapsed. These too were granted on 15 January 2002 at an option price of 423.5p. However, both Messrs Butler and Mason used the proceeds of the savings contracts to acquire shares in the Company. Details of these purchases are shown on page 25 of the Directors' Report.
b Awards made under the Long Term Incentive Option Plan are subject to performance conditions set out on pages 28 and 29. The closing mid-market price of the shares on 31 March 2004 was 341.5p. During the year, the price of the shares varied between 263.25p and 385.75p. No other awards have been made during the year.

By Order of the Board
Dr Leslie Atkinson
Chairman of the Remuneration Committee
26 May 2004

Corporate social responsibility

We have long encouraged a social, ethical and environmentally responsible approach to our business activities. This is our second year of formally reporting on our corporate social responsibility policies and performance in accordance with the Association of British Insurers (ABI) guidelines. We are pleased to report progress in a number of areas although progress has not been uniform across the Group. In addition to this formal report, our communications with stakeholders regarding corporate social responsibility (CSR) are supplemented by periodic updates on the www.electrocomponents.com website.

Corporate accountability

The Board has overall responsibility for the Group's CSR policies and performance and Corporate Governance processes. These include well established procedures for the identification, management and control of significant risks to the business. The Chief Process Officer has specific responsibility for CSR, and for ensuring that the associated risks are incorporated into the risk management process on which the Board receives a formal report with periodic updates as required.

Our CSR policies and Guiding Principles are summarised in the Group Policy Manual which is updated annually and issued to the management teams who are responsible for ensuring that employees are familiar with the Group's Guiding Principles. These require each Operating Company and Process to maintain the highest standards of ethical conduct.

Ethical trading

We have a wide supplier base and a large range of products that are sourced worldwide. We provide specific guidance for employees on Ethical Trading in the Group Policy Manual which requires that we do not knowingly trade with suppliers, customers or others whose activities involve unethical practice. The process of 'Ethical Audits' for direct suppliers in developing economies has been underway since 2001 and was updated in 2003 using 'Ethical Trade Initiative' guidelines. Following the implementation of the policy we have re-sourced a number of products as a result.

Environment

We are committed to minimising the impact of our activities on the environment, to continuously improving our environmental performance and to supporting the international commitment towards sustainable development. Our environmental policies require that each Operating Company and Process will:

- provide information and services to enable the proper use and disposal of products;
- wherever possible promote products with low environmental impact;
- as a minimum comply with all local environmental legislation and regulations;
- continuously improve the efficient use of raw materials and energy;
- encourage and support our suppliers in improving their environmental performance; and
- identify the key environmental impacts associated with the Group's business, and work towards reducing these.

We have therefore set ourselves the objectives of reporting at least annually on the Group's environmental performance, to identifying and reporting on our key environmental impacts and to setting realistic targets for improvement in key environmental performance areas.

Environmental management systems

We have developed a generic Environmental Management Standard (EMS) model and benchmarking process to support our businesses in implementing EMS and to the spread of best practice.

We are supportive of our businesses adopting an externally accredited EMS where these provide tangible business and environmental benefits. Businesses in the UK, RS Germany and RS Austria are certificated to the ISO14001 Environmental Management Standard representing 58% of the Group by turnover.

WEEE and RoHS Directives

We have undertaken a comprehensive review of the implications of the Waste Electrical & Electronic Equipment (WEEE) and Removal of Hazardous Substances (RoHS) Directives which are due to become law throughout European Union states from August 2004. We support the Directives' environmental objectives and will make our contribution to achieving these. We have exercised caution on offering generic advice on compliance with new statutory requirements until national legislation in EU Member States has been finalised.

Key Impacts

We have no manufacturing operations so our primary environmental impacts, and those which we can control and influence, are associated with national and international distribution. We believe that by using the Group to source products our customers can reduce overall environmental impact compared with using a more fragmented supply chain.

Packaging and paper consumption We use a variety of materials in transit and product packaging and have adopted a philosophy of 'reduce, reuse and recycle'. For example, we promote the use of reusable plastic 'replenishment modules' (RMs) as transit packaging for stock shipments between suppliers and our warehouses whenever appropriate for the product. Currently 35% of all products delivered to our UK warehouses from suppliers are in RMs thus reducing costs and waste by eliminating the need for transit packaging. RMs are also used for transporting products to our warehouses in Europe, providing efficiencies in stock handling and reducing packaging costs.

Our businesses reuse packaging materials as a matter of course, and recycle them at the end of their useful lives. As part of the ongoing drive to improve recycling efficiencies in the UK businesses, a 29% increase in the tonnage of card and paper recycled was reported.

We provide catalogues and promotional literature to our customers around the world. We manage our paper catalogues to minimise environmental impact and use an optimised grade of paper to help reduce paper consumption and where practicable distribution costs. Paper pulp is obtained from Forestry Stewardship Council (FSC) approved sources. The printing facilities used for the RS catalogues are accredited to ISO14001 and the strict Scandinavian 'Blue Angel' standards for emissions control, or to appropriate local equivalents.

Corporate social responsibility (continued)

Energy efficiency A key objective is to improve the energy efficiency of our facilities and processes to maximise the business benefit and to help reduce environmental impact. An on-going process to calculate the environmental impact from energy consumption is in place.

The most significant source of energy consumption and related carbon dioxide emissions is from road transport operated by specialist third party contractors. Although we do not directly control these transport operations, we continuously explore with our transport partners opportunities for efficiencies and the reduction of environment impact, for example, by promoting improved engine technologies and increased fuel efficiency.

Energy efficiency is included in our facilities investment criteria. The recent warehouse investments in new locations in Germany, Italy and Spain included energy efficient technologies whenever practicable. Energy efficiency investments in existing facilities also produces benefits, with the UK reporting a 13% saving in electricity consumption in the 2003 calendar year compared with 2002.

Health & Safety

We are committed to health and safety (H&S) best practice as an integral part of our business activities, and as a minimum we will comply with all relevant H&S legislation and statutory provisions. Our strategy is to develop effective H&S management processes using risk management principles to promote continuous improvement. Our health and safety objectives are:

- to provide information, training and skills development to staff to support and promote our H&S objectives;
- to implement effective systems and processes to promote best practice in H&S standards and performance; and
- to regularly review our performance and drive for continual improvement through agreed objectives and target setting.

RS Components in the UK successfully achieved certification to Occupational Health and Safety Standard OHSAS18001 in 2003, and we are using the OHSAS18001 model to develop our H&S systems throughout the business. During 2003/04 we had no prosecutions or enforcement notices served for H&S offences.

We monitor the number of 'lost time' accidents where employees are absent from work for at least 24 hours. During the last year there were 26 'lost time' accidents across the Group, a significant reduction on the prior year. The 'lost time' accident rate fell from 0.588 accidents per 100,000 hours in 2002/03 to 0.306 accidents per 100,000 hours in 2003/04.

Although infrequent, manual handling injuries continue to be the most common cause of injury to our employees. This is consistent with experience in warehousing and distribution activities in other organisations with whom we benchmark our performance. Initiatives in respect of manual handling and workstation ergonomics are ongoing across the Group.

Employees

We value the commitment of our employees and our employment policies are designed to respect human rights and to ensure equal opportunity and diversity. We comply with the core International Labour Organisation conventions that prohibit the use of child, under-age or forced labour.

We communicate with our employees in a number of ways, including through the corporate intranet which provides staff with access to a wide range of company information and policies, and the Electrocomponents Forum which includes employees elected by each Operating Company and Process. We have made further progress in extending the intranet to all locations and to ensure employees are trained in its use.

Employees are encouraged to undertake training to actively develop their careers. RS Components in the UK holds the 'Investors in People' Standard in recognition of its training and development activities.

Community activities

We have a strong sense of community responsibility and we encourage our businesses around the world to enhance relationships with the communities in which they operate by contributions 'in kind' as well as financial.

Links with educational establishments are often strong, for example through the sponsorship of college prizes in the UK, Australia, Singapore and Malaysia, or by provision of facilities and career support functions to local colleges in the UK and France.

Verification

Electrocomponents evaluates its CSR policies and performance as part of its risk management and internal audit processes and those locations accredited to ISO14001 and OHSAS18001 have periodic external audits. The Board has considered external verification of the Group's CSR performance, but has decided to limit this to external professional advice on specific matters as required.

Report of the Auditors

For the year ended 31 March 2004

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 34. We have also audited the information in the Remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report and the Remuneration report. As described on page 27, 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 whether the financial statements and the part of the Remuneration report to be audited have been 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 regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on page 26 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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, including the corporate governance statement and the unaudited part of the Remuneration report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 and the part of the Remuneration report to be audited. 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 and the part of the Remuneration report to be audited 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 and the part of the Remuneration report to be audited.

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 2004 and of the profit of the Group for the year then ended; and

the financial statements and the part of the Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
26 May 2004

Consolidated profit and loss account

For the year ended 31 March 2004

	NOTE	2004 £M	2003 £M
Turnover	2	**759.3**	743.7
Cost of sales		**(350.9)**	(351.6)
Gross profit		**408.4**	392.1
Distribution and marketing expenses		**(290.9)**	(279.8)
Administration expenses			
– before amortisation of goodwill		**(9.2)**	(10.2)
– amortisation of goodwill		**(10.2)**	(11.3)
		(19.4)	(21.5)
Operating profit	2		
– before amortisation of goodwill		**108.3**	102.1
– amortisation of goodwill		**(10.2)**	(11.3)
	1	**98.1**	90.8
Net interest payable	3	**(1.4)**	(1.2)
Profit on ordinary activities before taxation	4	**96.7**	89.6
Profit before taxation and amortisation of goodwill		**106.9**	100.9
Taxation on profit on ordinary activities	7	**(31.0)**	(29.3)
Profit on ordinary activities after taxation	8	**65.7**	60.3
Dividend	9	**(79.1)**	(73.9)
Retained loss for the financial year		**(13.4)**	(13.6)
Earnings per share			
Basic	10		
– before amortisation of goodwill		**17.5p**	16.5p
– after amortisation of goodwill		**15.1p**	13.9p
Diluted	10		
– before amortisation of goodwill		**17.4p**	16.5p
– after amortisation of goodwill		**15.1p**	13.9p

Consolidated statement of total recognised gains and losses

For the year ended 31 March 2004

	2004 £M	2003 £M
Profit for the financial year	**65.7**	60.3
Translation differences	**(29.2)**	(10.8)
Total recognised gains and losses relating to the year	**36.5**	49.5

All profits and losses shown are stated at historical cost and relate to continuing operations.
The statement of movements on Group reserves is at note 30.

The notes on pages 41 to 56 form part of these accounts.

Balance sheets

As at 31 March 2004

	NOTE	GROUP 2004 £M	2003 £M	COMPANY 2004 £M	2003 £M
Fixed assets					
Intangible fixed assets	11	**141.8**	176.6	–	–
Tangible fixed assets	12	**163.3**	170.1	**30.0**	34.4
Investments	14	**1.4**	1.6	**379.1**	394.2
		306.5	348.3	**409.1**	428.6
Current assets					
Stocks	18	**128.7**	134.1	–	–
Debtors	19	**151.6**	146.8	**29.3**	18.1
Investments	20	**65.4**	23.8	**65.4**	23.8
Cash at bank and in hand		**7.9**	2.9	**34.2**	27.5
		353.6	307.6	**128.9**	69.4
Creditors: amounts falling due within one year	21	**(210.0)**	(204.6)	**(200.6)**	(176.5)
Net current assets (liabilities)		**143.6**	103.0	**(71.7)**	(107.1)
Total assets less current liabilities		**450.1**	451.3	**337.4**	321.5
Creditors: amounts falling due after more than one year	22	**(92.8)**	(54.0)	**(78.7)**	(39.3)
Provisions for liabilities and charges	25	**(11.6)**	(9.1)	**(2.4)**	(2.4)
		345.7	388.2	**256.3**	279.8
Capital and reserves					
Called-up share capital	28	**43.5**	43.5	**43.5**	43.5
Share premium account	30	**38.4**	38.3	**38.4**	38.3
Profit and loss account	30	**263.8**	306.4	**174.4**	198.0
Equity shareholders' funds		**345.7**	388.2	**256.3**	279.8

These accounts were approved by the Board of Directors on 26 May 2004 and signed on its behalf by:

J L Hewitt
Deputy Chairman and Group Finance Director

The notes on pages 41 to 56 form part of these accounts.

Consolidated cash flow statement

For the year ended 31 March 2004

	NOTE	2004 £M	2003 £M
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		**98.1**	90.8
Amortisation of goodwill		**10.2**	11.3
Depreciation and other amortisation		**23.0**	19.1
Decrease in stocks		**1.0**	2.7
Increase in debtors		**(8.4)**	(0.2)
Increase in creditors		**10.9**	9.9
Net cash inflow from operating activities		**134.8**	133.6
Cash flow statement			
Net cash inflow from operating activities		**134.8**	133.6
Returns on investments and servicing of finance	32	**(1.3)**	(1.2)
Taxation		**(31.3)**	(31.5)
Capital expenditure and financial investment	32	**(19.2)**	(32.7)
Free cash flow		**83.0**	68.2
Equity dividends paid	9	**(75.4)**	(70.6)
Cash inflow (outflow) before use of liquid resources and financing		**7.6**	(2.4)
Management of liquid resources	32	**(41.6)**	(5.1)
Financing			
Shares	32	**0.1**	0.5
Loans	32	**42.0**	3.9
Increase (decrease) in cash in the year		**8.1**	(3.1)
Reconciliation of net cash flow to movement in net debt			
Increase (decrease) in cash		**8.1**	(3.1)
Management of liquid resources		**41.6**	5.1
Financing – loans		**(42.0)**	(3.9)
Change in net debt relating to cash flows		**7.7**	(1.9)
Translation differences		**4.7**	8.0
Decrease in net debt for the year		**12.4**	6.1
Net debt at the beginning of the year		**(46.9)**	(53.0)
Net debt at the end of the year	33	**(34.5)**	(46.9)

The notes on pages 41 to 56 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.

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 all 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 FRS 10 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.

Other intangibles
The cost of acquired intangible assets are their purchase cost together with any incidental costs of acquisition. Amortisation is calculated to write off the cost of the asset 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 and 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 the Supply Chain, Product Management, Media Publishing, Facilities, Information Systems and e-Commerce process expenses.

Administration expenses comprise Finance, Legal and Human Resources process expenses, together with the expenses of the Group Board.

Pension costs
In the United Kingdom the Group operates a pension scheme providing benefits based on final pensionable pay for eligible employees who joined on or before 1 April 2003. 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 within the balance sheet. For employees who joined after 1 April 2003 the Group provides a defined contribution pension scheme. In addition to the UK schemes, benefits are provided elsewhere in the Group through defined contribution, defined benefit and government schemes.

The Group has decided not to adopt FRS 17 Retirement Benefits early. The transitional disclosures required by FRS 17 can be found in note 6.

Principal accounting policies (continued)

Long Term Incentive Plan and Long Term Incentive Share Option Plan

The consolidated profit and loss account includes the income and administration expenses of the Long Term Incentive Plan (LTIP) and the Long Term Incentive Share Option Plan (LTIOP), and the consolidated and Company balance sheets include the assets and liabilities of the Plans. Shares in the Company, held by the trust established to administer the Plans, are shown as fixed asset investments. Where options over shares are awarded to managers the value of the expected award is amortised on a straight-line basis over the periods of service to which the awards relate.

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	12.5-50%
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 six and twelve 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 five 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 classed as investments under current assets. Borrowings represent term loans from qualifying financial institutions together with capital instruments classified as liabilities under FRS 4.

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 FRS 19.

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 2004

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.

	2004 £M	2003 £M
Turnover	**759.3**	743.7
Cost of sales	**(350.9)**	(351.6)
Distribution and marketing expenses	**(222.3)**	(215.4)
Contribution – before amortisation of goodwill	**186.1**	176.7
Distribution and marketing expenses within process costs	**(68.6)**	(64.4)
Administration expenses – before amortisation of goodwill	**(9.2)**	(10.2)
Groupwide process costs	**(77.8)**	(74.6)
Administration expenses – amortisation of goodwill on the acquisition of Allied Electronics Inc.	**(10.0)**	(11.1)
Administration expenses – amortisation of goodwill on the acquisition of RS Components AS (Norway)	**(0.2)**	(0.2)
Operating profit	**98.1**	90.8

2 Segmental analysis

By geographical destination

		2004 £M	2003 £M
Turnover:	United Kingdom	**348.2**	353.7
	Rest of Europe	**245.0**	227.0
	North America	**102.2**	103.2
	Japan	**14.4**	11.3
	Rest of World	**49.5**	48.5
		759.3	743.7

By geographical origin		**2004 TOTAL SALES £M**	**2004 INTER-SEGMENT SALES £M**	**2004 TURNOVER £M**	2003 TOTAL SALES £M	2003 INTER-SEGMENT SALES £M	2003 TURNOVER £M
Turnover:	United Kingdom	**442.7**	**(81.7)**	**361.0**	445.7	(78.8)	366.9
	Rest of Europe	**247.0**	**(5.9)**	**241.1**	225.7	(1.4)	224.3
	North America	**103.0**	**(0.2)**	**102.8**	103.5	(0.1)	103.4
	Japan	**14.4**	**–**	**14.4**	11.3	–	11.3
	Rest of World	**42.5**	**(2.5)**	**40.0**	38.8	(1.0)	37.8
		849.6	**(90.3)**	**759.3**	825.0	(81.3)	743.7

		2004 £M	2003 £M
Operating profit:	United Kingdom	**117.8**	119.1
	Rest of Europe	**51.0**	44.1
	North America	**13.3**	14.4
	Japan	**0.0**	(3.3)
	Rest of World	**4.0**	2.4
	Contribution – before amortisation of goodwill	**186.1**	176.7
	Groupwide process costs	**(77.8)**	(74.6)
	Amortisation of goodwill – Allied (North America)	**(10.0)**	(11.1)
	Amortisation of goodwill – RS Norway (Rest of Europe)	**(0.2)**	(0.2)
		98.1	90.8

Notes to the consolidated accounts (continued)

For the year ended 31 March 2004

2 Segmental analysis (continued)

By geographical location

		2004 £M	2003 £M
Net assets:	United Kingdom	**207.6**	219.9
	Rest of Europe	**68.9**	70.4
	North America	**23.5**	26.5
	Japan	**2.4**	1.7
	Rest of World	**22.2**	22.0
	Net operating assets (excluding goodwill)	**324.6**	340.5
	Net debt	**(34.5)**	(46.9)
	Unallocated net assets	**55.6**	94.6
		345.7	388.2

	2004 £M	2003 £M
Unallocated net assets comprise:		
Intangible fixed assets:		
goodwill – Allied (North America)	**141.1**	175.9
goodwill – RS Norway (Rest of Europe)	**0.4**	0.7
other intangibles	**0.3**	–
Corporate tax	**(19.8)**	(21.8)
Proposed dividend	**(54.8)**	(51.1)
Provisions for liabilities and charges	**(11.6)**	(9.1)
	55.6	94.6

3 Net interest payable

	2004 £M	2003 £M
Interest receivable	**1.5**	2.0
Interest payable on loans and overdrafts	**(2.9)**	(3.2)
	(1.4)	(1.2)

4 Profit on ordinary activities before taxation

Profit before taxation is stated after charging (crediting):

	2004 £M	2003 £M
Remuneration of the auditors and their associates:		
audit and expenses	**0.6**	0.5
taxation services and advice	**0.2**	0.3
other consultancy services worldwide	**0.2**	0.1
Depreciation	**23.1**	19.6
Amortisation of goodwill	**10.2**	11.3
Amortisation of own shares (see note 16)	**0.2**	(0.4)
Amortisation of government grants	**(0.3)**	(0.1)
Hire of plant and machinery	**3.1**	3.1

The fee in respect of the audit of the Company is £52,000 (2003: £67,000).

5 Employees

Numbers employed

	2004	2003
The average number of employees during the year was:		
Management and administration	**334**	392
Distribution and marketing	**4,639**	4,636
	4,973	5,028

Of these staff 2,275 were employed in the United Kingdom (2003: 2,297).

Aggregate employment costs

	£M	£M
Wages and salaries	**111.0**	108.4
Social security costs	**13.6**	12.5
Pension costs	**9.7**	7.8
	134.3	128.7

The remuneration of individual Directors is detailed on page 31.

6 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 2004 amounted to £5.7m (2003: £3.9m) reflecting an additional cost of £1.8m following a decision not to reflect the March 2001 surplus in the pension charge during the year. In addition, the contributions paid by the Company to the defined contribution section of the Scheme in the year ended 31 March 2004 amounted to £0.2m.

The most recent valuation (carried out in 2001) adopted a market related approach to funding using 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%	6.50%
after retirement	5.00%	5.25%
Rate of future earnings inflation	4.25%	4.25%
Rate of increase in pensions payment	2.50%	2.50%

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 were being eliminated by means of a reduction in the level of employer contributions to the Scheme. The next valuation will be carried out as at 31 March 2004.

Less formal funding updates are carried out each year and as at 31 March 2003 a deficit of £64.1m was identified. It is expected however, that the forthcoming formal valuation will show that the position will have improved since that review. Under the statutory minimum funding requirement, the position of the Scheme remains good with the funding level being estimated at between 125% and 130% as at 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 (2003: £0.7m), on a defined benefit basis in Germany and Ireland amounting to £0.4m (2003: £0.4m), and via government schemes in France, Italy, Denmark and North Asia amounting to £1.8m (2003: £1.6m).

FRS 17 Disclosure

The disclosures required by FRS 17 in the third transitional year of adoption are set out below.

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 2004 by a qualified independent actuary in accordance with FRS 17. The last actuarial valuations of the German and Irish schemes were carried out as at 31 March 2004 by the respective independent scheme actuaries in accordance with the requirements of FRS 17.

The principal assumptions used in the valuations of the liabilities of the Group's schemes under FRS 17 are:

	2004 UNITED KINGDOM	**GERMANY**	**REPUBLIC OF IRELAND**	2003 UNITED KINGDOM	GERMANY	REPUBLIC OF IRELAND	2002 UNITED KINGDOM	GERMANY	REPUBLIC OF IRELAND
Discount rate	**5.40%**	**5.25%**	**5.25%**	5.50%	5.50%	5.50%	6.00%	6.00%	6.00%
Rate of increase in salaries	**4.65%**	**3.00%**	**4.00%**	4.25%	3.00%	4.00%	4.50%	3.00%	3.75%
Rate of increase of pensions in payment	**2.90%**	**2.00%**	**2.00%**	2.50%	2.00%	2.00%	2.75%	2.00%	2.50%
Inflation assumption	**2.90%**	**2.00%**	**2.00%**	2.50%	2.00%	2.00%	2.75%	2.00%	2.50%

The expected long term rates of return on the schemes' assets as at 31 March were:

	2004 UNITED KINGDOM	**GERMANY**	**REPUBLIC OF IRELAND**	2003 UNITED KINGDOM	GERMANY	REPUBLIC OF IRELAND	2002 UNITED KINGDOM	GERMANY	REPUBLIC OF IRELAND
Equities	**7.00%**	**n/a**	**7.30%**	6.75%	n/a	7.40%	7.75%	n/a	8.50%
Corporate bonds	**4.65%**	**n/a**	**n/a**	4.75%	n/a	n/a	n/a	n/a	n/a
Government bonds	**4.00%**	**n/a**	**4.30%**	3.75%	n/a	4.40%	5.25%	n/a	5.50%
Cash	**3.25%**	**n/a**	**n/a**	3.00%	n/a	n/a	4.00%	n/a	n/a
Property	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	7.75%	n/a	n/a
Other	**n/a**	**n/a**	**5.30%**	n/a	n/a	5.40%	n/a	n/a	6.50%

Notes to the consolidated accounts (continued)

For the year ended 31 March 2004

6 Pension schemes (continued)

The valuations of the assets of the schemes as at 31 March were:

	2004 United Kingdom Valuation £M	Germany Valuation £M	Republic of Ireland Valuation £M	2003 United Kingdom Valuation £M	Germany Valuation £M	Republic of Ireland Valuation £M	2002 United Kingdom Valuation £M	Germany Valuation £M	Republic of Ireland Valuation £M
Equities	**127.7**	**n/a**	**0.8**	96.8	n/a	0.6	127.3	n/a	0.7
Corporate bonds	**14.3**	**n/a**	**–**	13.0	n/a	–	–	n/a	–
Government bonds	**25.7**	**n/a**	**0.2**	23.1	n/a	0.2	35.1	n/a	0.2
Cash	**3.7**	**n/a**	**–**	1.6	n/a	–	5.0	n/a	–
Property	**–**	**n/a**	**–**	–	n/a	–	1.4	n/a	–
Other	**–**	**n/a**	**0.1**	–	n/a	0.3	–	n/a	0.3
Total market value of assets	**171.4**	**–**	**1.1**	134.5	–	1.1	168.8	–	1.2

The valuations of the schemes as at 31 March were:

	2004 United Kingdom Valuation £M	Germany Valuation £M	Republic of Ireland Valuation £M	Total Valuation £M	2003 United Kingdom Valuation £M	Germany Valuation £M	Republic of Ireland Valuation £M	Total Valuation £M
Total market value of assets	**171.4**	**–**	**1.1**	**172.5**	134.5	–	1.1	135.6
Present value of scheme liabilities	**(217.6)**	**(3.6)**	**(1.2)**	**(222.4)**	(174.7)	(3.0)	(1.3)	(179.0)
Deficit in the scheme	**(46.2)**	**(3.6)**	**(0.1)**	**(49.9)**	(40.2)	(3.0)	(0.2)	(43.4)
Related deferred tax asset	**13.9**	**1.4**	**–**	**15.3**	12.1	1.2	–	13.3
Net pension liability	**(32.3)**	**(2.2)**	**(0.1)**	**(34.6)**	(28.1)	(1.8)	(0.2)	(30.1)

The deficit of £2.2m in the German scheme is financed through existing book reserves established within the German accounts.

In addition, the value of the assets and liabilities held in respect of AVCs amounted to £0.9m as at 31 March 2004 (2003: £0.8m). The value of the assets and liabilities held in respect of the defined contribution section of the Scheme amounted to £0.2m as at 31 March 2004.

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

	2004 Profit and loss reserve £M	Net assets £M	2003 Profit and loss reserve £M	Net assets £M
As stated excluding pension liability and SSAP 24 balances	**266.6**	**348.5**	306.4	388.2
Net pension liability	**(34.6)**	**(34.6)**	(30.1)	(30.1)
Including net pension liability	**232.0**	**313.9**	276.3	358.1

The amounts charged to the profit and loss account under FRS 17 would have been:

	2004 United Kingdom £M	Germany £M	Republic of Ireland £M	Total £M	2003 United Kingdom £M	Germany £M	Republic of Ireland £M	Total £M
Current service cost	**(8.0)**	**(0.5)**	**–**	**(8.5)**	(7.7)	(0.3)	–	(8.0)
Past service cost	**–**	**–**	**–**	**–**	–	–	–	–
Total charge to operating profit	**(8.0)**	**(0.5)**	**–**	**(8.5)**	(7.7)	(0.3)	–	(8.0)
Interest cost	**(9.9)**	**(0.2)**	**(0.1)**	**(10.2)**	(9.3)	(0.2)	(0.1)	(9.6)
Expected return on assets	**8.2**	**–**	**0.1**	**8.3**	12.1	–	0.1	12.2
Net (debit) credit to other finance (expense) income	**(1.7)**	**(0.2)**	**–**	**(1.9)**	2.8	(0.2)	–	2.6
Total profit and loss pension charge	**(9.7)**	**(0.7)**	**–**	**(10.4)**	(4.9)	(0.5)	–	(5.4)

6 Pension schemes (continued)

The amount included within the Group statement of total recognised gains and losses would have been:

	2004 United Kingdom £M	Germany £M	Republic of Ireland £M	Total £M	2003 United Kingdom £M	Germany £M	Republic of Ireland £M	Total £M
Actual less expected return on scheme assets	**25.3**	**n/a**	**0.1**	**25.4**	(48.9)	n/a	(0.4)	(49.3)
– as a % of scheme assets	**14.8%**		**9.1%**		(36.4)%		(36.4)%	
Experience gains and losses arising on the scheme liabilities	**(4.4)**	**0.1**	**–**	**(4.3)**	(1.4)	0.1	–	(1.3)
– as a % of scheme liabilities	**2.0%**	**(2.8)%**	**0.0%**		0.8%	(3.3)%	0.0%	
Changes in assumptions underlying the present value of the scheme liabilities	**(22.1)**	**(0.2)**	**(0.1)**	**(22.4)**	(9.3)	(0.3)	–	(9.6)
Actuarial loss recognised in Group statement of total recognised gains and losses	**(1.2)**	**(0.1)**	**–**	**(1.3)**	(59.6)	(0.2)	(0.4)	(60.2)
– as a % of scheme liabilities	**0.6%**	**2.8%**	**0.0%**		34.1%	6.7%	30.8%	

The movement in deficit during the year would have been:

	United Kingdom £M	Germany £M	Republic of Ireland £M	Total £M
Deficit in scheme at the beginning of the year	(40.2)	(3.0)	(0.2)	(43.4)
Movement in year:				
Current service cost	(8.0)	(0.5)	–	(8.5)
Past service cost	–	–	–	–
Contributions	4.9	0.1	0.1	5.1
Other finance expense	(1.7)	(0.2)	–	(1.9)
Actuarial loss	(1.2)	(0.1)	–	(1.3)
Translation differences	–	0.1	–	0.1
Deficit in scheme at the end of the year	**(46.2)**	**(3.6)**	**(0.1)**	**(49.9)**

7 Taxation

Taxation on the profit of the Group

	2004 £M	2003 £M
United Kingdom corporation tax at 30%	**33.2**	22.6
United Kingdom deferred taxation	**3.0**	–
Double tax relief	**(12.6)**	(0.8)
	23.6	21.8
Overseas taxation – current	**8.8**	8.4
Overseas taxation – deferred	**(1.4)**	(0.9)
	31.0	29.3

All deferred taxation relates to the origination and reversal of timing differences.

Current tax is reconciled to a notional 30% of profit before taxation as follows:

	2004 £M	2003 £M
Expected tax charge	**29.0**	26.9
Overseas tax rates	**1.1**	1.4
Utilisation of tax losses	**(0.2)**	(2.8)
Creation of tax losses	**3.1**	4.8
Timing differences – capital allowances	**(0.9)**	0.6
Timing differences – goodwill deduction	**(1.2)**	(1.6)
Timing differences – other	**0.9**	1.1
Other	**(2.4)**	(0.2)
	29.4	30.2

Notes to the consolidated accounts (continued)

For the year ended 31 March 2004

8 Profit for the financial year

	2004 £M	2003 £M
Dealt with in the accounts of the Company	**55.5**	54.0
Retained by subsidiaries	**10.2**	6.3
	65.7	60.3

9 Dividends

Profit and loss account

	2004 £M	2003 £M
Interim dividend paid – 5.6p (2003: 5.25p)	**24.3**	22.8
Final dividend proposed – 12.6p (2003: 11.75p)	**54.8**	51.1
	79.1	73.9

Cash flow statement

	2004 £M	2003 £M
Final dividend for the year ended 31 March 2003	**51.1**	47.8
Interim dividend for the year ended 31 March 2004	**24.3**	22.8
	75.4	70.6

10 Earnings per share

	2004 £M	2003 £M
Profit on ordinary activities after taxation	**65.7**	60.3
Amortisation of goodwill (excluding tax effect)	**10.2**	11.3
Profit on ordinary activities after taxation and before amortisation of goodwill	**75.9**	71.6
Weighted average number of shares	**434,881,750**	434,757,914
Dilutive effect of share options	**709,285**	174,518
Diluted weighted average number of shares	**435,591,035**	434,932,432

	PENCE	PENCE
Basic earnings per share		
Before amortisation of goodwill	**17.5**	16.5
After amortisation of goodwill	**15.1**	13.9
Diluted earnings per share		
Before amortisation of goodwill	**17.4**	16.5
After amortisation of goodwill	**15.1**	13.9

11 Intangible fixed assets

	GROUP GOODWILL £M	OTHER INTANGIBLES £M	TOTAL £M
Cost			
At 1 April 2003	217.5	–	217.5
Additions	–	0.3	0.3
Translation differences	(31.6)	–	(31.6)
At 31 March 2004	**185.9**	**0.3**	**186.2**
Amortisation			
At 1 April 2003	40.9	–	40.9
Charged in the year	10.2	–	10.2
Translation differences	(6.7)	–	(6.7)
At 31 March 2004	**44.4**	**–**	**44.4**
Net book value			
At 31 March 2004	**141.5**	**0.3**	**141.8**
At 31 March 2003	176.6	–	176.6

There are no Company intangible fixed assets (2003: nil).

12 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 2003	100.2	96.3	97.6	294.1	37.4	8.6	0.5	46.5
Additions	0.2	5.4	17.2	22.8	–	–	0.2	0.2
Disposals	(4.8)	(3.0)	(7.1)	(14.9)	(6.3)	–	(0.2)	(6.5)
Translation differences	(1.5)	(1.3)	(1.6)	(4.4)	–	–	–	–
At 31 March 2004	**94.1**	**97.4**	**106.1**	**297.6**	**31.1**	**8.6**	**0.5**	**40.2**
Depreciation								
At 1 April 2003	19.6	61.9	42.5	124.0	6.1	5.5	0.5	12.1
Charged in the year	2.0	8.3	12.8	23.1	0.5	0.9	–	1.4
Disposals	(1.7)	(2.5)	(6.4)	(10.6)	(3.3)	–	–	(3.3)
Translation differences	(0.3)	(0.9)	(1.0)	(2.2)	–	–	–	–
At 31 March 2004	**19.6**	**66.8**	**47.9**	**134.3**	**3.3**	**6.4**	**0.5**	**10.2**
Net book value								
At 31 March 2004	**74.5**	**30.6**	**58.2**	**163.3**	**27.8**	**2.2**	–	**30.0**
At 31 March 2003	80.6	34.4	55.1	170.1	31.3	3.1	–	34.4

Net book value of land and buildings	Group 2004 £M	2003 £M	Company 2004 £M	2003 £M
Freehold land	**11.3**	13.8	**6.4**	6.5
Freehold buildings	**58.2**	60.9	**21.4**	24.8
Long leasehold	**0.6**	0.6	**–**	–
Short leasehold	**4.4**	5.3	**–**	–
	74.5	80.6	**27.8**	31.3
Net book value of plant and machinery				
Plant and machinery	**27.1**	30.4	**2.1**	2.9
Other office equipment	**2.5**	3.0	**0.1**	0.2
Motor vehicles	**1.0**	1.0	**–**	–
	30.6	34.4	**2.2**	3.1
Net book value of computer systems	**58.2**	55.1	**–**	–

All classes of tangible fixed assets are depreciated except for freehold land.

13 Capital commitments

	Group 2004 £M	2003 £M	Company 2004 £M	2003 £M
Contracted capital expenditure at 31 March, for which no provision has been made in these accounts	**1.6**	4.5	**–**	–

14 Investments

	Group 2004 £M	2003 £M	Company 2004 £M	2003 £M
Subsidiary undertakings (see note 15)	**–**	–	**377.8**	392.7
Associated undertakings	**0.1**	0.1	**–**	–
Investment in own shares	**1.3**	1.5	**1.3**	1.5
	1.4	1.6	**379.1**	394.2

Notes to the consolidated accounts (continued)

For the year ended 31 March 2004

15 Subsidiary undertakings

Cost	SHARES £M	LOANS £M	TOTAL £M
At 1 April 2003	175.1	233.0	408.1
Additions	–	–	–
Disposals/repayments	–	(14.9)	(14.9)
At 31 March 2004	**175.1**	**218.1**	**393.2**
Provisions			
At 1 April 2003	–	15.4	15.4
Released in the year	–	–	–
At 31 March 2004	**–**	**15.4**	**15.4**
Net book value			
At 31 March 2004	**175.1**	**202.7**	**377.8**
At 31 March 2003	175.1	217.6	392.7

16 Own shares

	COST £M	ACCUMULATED AMORTISATION £M	NET £M
At 1 April 2003	1.8	(0.3)	1.5
Additions	–	–	–
Disposals	–	–	–
Charge for the year	–	(0.2)	(0.2)
At 31 March 2004	**1.8**	**(0.5)**	**1.3**

The charge for the year represents the change in the provision for transfers of shares under the Long Term Incentive Plan ('LTIP') and the Long Term Incentive Share Option Plan ('LTIOP'). No shares are expected to vest under the LTIP. Shares held to meet the expected LTIOP vesting are being written down over their three year vesting period to reflect the difference between cost and recoverable amount.

In June 1995 a discretionary employee benefit trust, the Electrocomponents Employee Trust ('EET') was established by the Company to facilitate the operation of the LTIP. 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 no ordinary shares in the Company were purchased by the trustees (2003: none).

At 31 March 2004, a total of 308,417 (2003: 308,417) 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 2004 was £1,053,244.

At 31 March 2004, a total of 40,826 (2003: 41,513) ordinary shares in the Company were also held by the QUEST, all of which were under option to employees as detailed in note 29. The market value of the shares at 31 March 2004 was £139,421.

17 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*	Gmuend	Austria
Allied Electronics (Canada) Inc.*	Ottawa	Canada
RS Componentes Electrónicos Limitada*	Santiago	Chile
RS Components A/S*	Copenhagen	Denmark
Radiospares SAS*	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
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 RS Calibration, RS Mechanical and RS Health & Safety in the United Kingdom.

Notes: † 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 2004 the Group made sales of £0.5m (2003: £0.5m) to RSCC and supplied catalogues at a cost to RSCC of £0.1m (2003: £0.1m). RSCC is treated in the accounts as an associated undertaking.

18 Stock

	GROUP 2004 £M	2003 £M
Raw materials and consumables	**2.3**	1.7
Work in progress	**2.6**	2.3
Finished goods and goods for resale	**123.8**	130.1
	128.7	134.1

There is no Company stock (2003: nil).

Notes to the consolidated accounts (continued)

For the year ended 31 March 2004

19 Debtors

	GROUP 2004 £M	2003 £M	COMPANY 2004 £M	2003 £M
Trade debtors	**129.0**	118.4	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**26.9**	16.0
Amounts owed by associated undertakings	**0.7**	0.8	**–**	–
Other debtors	**4.0**	9.8	**0.4**	0.8
Corporate tax	**2.0**	1.5	**–**	–
Prepaid catalogue expenses	**8.1**	9.8	**–**	–
Other prepayments and accrued income	**5.7**	4.5	**0.8**	0.1
Amounts falling due within one year	**149.5**	144.8	**28.1**	16.9
Other debtors falling due after more than one year:				
Corporate tax	**0.1**	0.1	**–**	–
Prepaid pension costs	**1.2**	1.2	**1.2**	1.2
Other debtors	**0.8**	0.7	**–**	–
	151.6	146.8	**29.3**	18.1

20 Investments – current assets

	GROUP 2004 £M	2003 £M	COMPANY 2004 £M	2003 £M
Bank deposits	**65.4**	23.8	**65.4**	23.8

21 Creditors: amounts falling due within one year

	GROUP 2004 £M	2003 £M	COMPANY 2004 £M	2003 £M
Bank overdrafts (unsecured)	**0.7**	0.3	**57.3**	58.0
Current instalments of loans (see note 23)	**24.2**	29.0	**23.6**	26.3
Trade creditors	**70.1**	61.4	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**61.6**	37.2
Corporate tax	**21.9**	23.4	**0.3**	–
Other taxation and social security	**10.5**	10.2	**0.1**	0.1
Other creditors	**7.0**	5.7	**0.3**	–
Government grants	**0.3**	0.3	**–**	–
Accruals and deferred income	**20.5**	23.2	**2.6**	3.8
Proposed dividend	**54.8**	51.1	**54.8**	51.1
	210.0	204.6	**200.6**	176.5

22 Creditors: amounts falling after more than one year

	GROUP 2004 £M	2003 £M	COMPANY 2004 £M	2003 £M
Loans repayable after more than one year (see note 23)	**82.9**	44.3	**78.7**	39.3
Other creditors	**4.9**	4.4	**–**	–
Government grants	**5.0**	5.3	**–**	–
	92.8	54.0	**78.7**	39.3

23 Loans

	GROUP 2004 £M	2003 £M	COMPANY 2004 £M	2003 £M
Australian Dollar bank loans	**3.6**	2.7	**3.6**	2.6
Euro bank loans	**4.8**	5.0	**–**	–
Hong Kong Dollar bank loans	**3.8**	1.6	**3.8**	1.6
Japanese Yen bank loans	**32.1**	28.7	**32.1**	26.0
New Zealand Dollar bank loans	**0.3**	–	**0.3**	–
Singapore Dollar bank loans	**2.8**	4.4	**2.8**	4.4
South African Rand bank loans	**5.2**	–	**5.2**	–
Swedish Kroner bank loans	**–**	0.1	**–**	0.1
US Dollar bank loans	**54.5**	30.8	**54.5**	30.9
	107.1	73.3	**102.3**	65.6
Amounts falling due within one year or on demand	**(24.2)**	(29.0)	**(23.6)**	(26.3)
	82.9	44.3	**78.7**	39.3
Loans repayable in more than one but not more than two years	**0.6**	39.9	**–**	39.3
Loans repayable in more than two but not more than five years	**80.5**	1.9	**78.7**	–
Loans repayable in more than five years	**1.8**	2.5	**–**	–
	82.9	44.3	**78.7**	39.3

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

24 Financial risk management

For the purpose of these disclosures the Group has excluded short term debtors and creditors where permitted by FRS 13, the accounting standard on derivatives and other financial instruments.

Further information on Treasury and financial management is included in the Operating and financial review.

(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	2004 FLOATING RATE FINANCIAL ASSETS £M	FINANCIAL ASSETS ON WHICH NO INTEREST IS RECEIVABLE £M	TOTAL £M	2003 FLOATING RATE FINANCIAL ASSETS £M	FINANCIAL ASSETS ON WHICH NO INTEREST IS RECEIVABLE £M	TOTAL £M
Euro	**13.7**	**0.3**	**14.0**	24.1	0.3	24.4
Sterling	**57.0**	**–**	**57.0**	–	–	–
US Dollars	**0.1**	**–**	**0.1**	2.0	–	2.0
Other	**2.5**	**0.5**	**3.0**	0.6	0.4	1.0
Total financial assets	**73.3**	**0.8**	**74.1**	26.7	0.7	27.4

At 31 March the financial assets of the Group comprised:	2004 £M	2003 £M
Debtors due after more than one year	**0.8**	0.7
Investments	**65.4**	23.8
Cash at bank and at hand	**7.9**	2.9
	74.1	27.4

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.

Notes to the consolidated accounts (continued)

For the year ended 31 March 2004

24 Financial risk management (continued)

Financial liabilities	2004 Fixed rate financial liabilities £M	Floating rate financial liabilities £M	Total £M	2003 Fixed rate financial liabilities £M	Floating rate financial liabilities £M	Total £M
Australian Dollars	–	**3.6**	**3.6**	–	–	–
Euro	**4.8**	**0.4**	**5.2**	5.0	0.1	5.1
Hong Kong Dollars	–	**3.8**	**3.8**	–	1.6	1.6
Japanese Yen	–	**32.4**	**32.4**	–	28.7	28.7
Singapore Dollars	–	**2.8**	**2.8**	–	4.5	4.5
South African Rand	–	**5.2**	**5.2**	–	–	–
US Dollars	–	**54.5**	**54.5**	–	30.8	30.8
Other	–	**0.3**	**0.3**	–	2.9	2.9
Total financial liabilities	**4.8**	**103.0**	**107.8**	5.0	68.6	73.6

As at the year end, the non-interest bearing financial liabilities were £0.4m (2003: £0.5m), which were predominantly denominated in Euros.

At 31 March the financial liabilities of the Group comprised:	2004 £M	2003 £M
Bank overdrafts repayable on demand (unsecured)	**0.7**	0.3
Current instalments of loans (see note 23)	**24.2**	29.0
Loans repayable between one and two years (see note 23)	**0.6**	39.9
Loans repayable between two and five years (see note 23)	**80.5**	1.9
Loans repayable in more than five years (see note 23)	**1.8**	2.5
	107.8	73.6

The weighted average interest rate of the fixed-rate financial liabilities was 3.85% (2003: 3.85%). The weighted average period to maturity for which the rates are fixed is 1,461 days (2003: 1,827 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 2004 the Group had a £135.1m committed borrowing facility (2003: £158.2m) denominated in US Dollars, of which £56.4m was undrawn (2003: £118.9m). The undrawn amount will all expire in between one and two 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 2004 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.

24 Financial risk management (continued)

Forward foreign exchange contracts	2004 Hedging trading flows £m	2004 Hedging inter-company debt £m	2004 Total £m	2003 Hedging trading flows £m	2003 Hedging inter-company debt £m	2003 Total £m
Notional principal amounts valued at the contracted rates:						
to sell Sterling and buy foreign currency	**(40.8)**	**–**	**(40.8)**	(26.7)	–	(26.7)
to buy Sterling and sell foreign currency	**85.9**	**–**	**85.9**	70.1	4.5	74.6
Total net amount:	**45.1**	**–**	**45.1**	43.4	4.5	47.9
Unrecognised gains and losses compared to year end rates:						
gains			**3.4**			0.6
losses			**(1.8)**			(4.1)
Total net unrecognised gains (losses)			**1.6**			(3.5)
Fair value at 31 March 2004*			**43.5**			51.4

*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.

Throughout the year and as at the year end, the Group had one interest rate swap. This converted fixed interest to floating interest on 7.2m Euro (£5.0m). The unrecognised gain arising on this interest rate swap as at 31 March 2004 was nil (2003: £0.3m).

Gains and losses on hedges	Gains £m	Losses £m	Total net (losses) gains £m
Unrecognised gains and losses at 1 April 2003	0.9	(4.1)	(3.2)
Gains and losses arising in previous years that were recognised in the year ended 31 March 2004	(0.9)	4.1	3.2
Gains and losses arising before 1 April 2003 that were not recognised in the year ended 31 March 2004	–	–	–
Gains and losses arising in the year ended 31 March 2004 that were not recognised in the year	3.4	(1.8)	1.6
Unrecognised gains and losses on hedges at 31 March 2004	**3.4**	**(1.8)**	**1.6**

The unrecognised gains and losses as at 31 March 2004 will be recognised within the next 12 months.

(e) Currency exposures

At 31 March 2004 the Group had no forecast foreign currency exposures for the year ended 31 March 2005 which were not covered by forward foreign exchange contracts (2003: nil).

25 Provisions for liabilities and charges

	Group deferred taxation £m	Company deferred taxation £m
At 1 April 2003	9.1	2.4
Profit and loss account	1.6	–
Translation differences	0.9	–
At 31 March 2004	**11.6**	**2.4**

Deferred taxation	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Amounts provided:				
Accelerated capital allowances	**14.1**	10.6	**2.1**	2.0
Tax losses	**(8.7)**	(8.4)	**–**	–
Goodwill	**5.9**	5.5	**–**	–
Other short term timing differences	**0.3**	1.4	**0.3**	0.4
	11.6	9.1	**2.4**	2.4

Deferred taxation	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Amounts not provided:				
Rolled over capital gains	**0.5**	0.5	**–**	–
Tax losses	**(13.0)**	(14.8)	**–**	–
	(12.5)	(14.3)	**–**	–

The tax losses are recognised when recoverability is probable in the foreseeable future.

Notes to the consolidated accounts (continued)

For the year ended 31 March 2004

26 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 2004 was £3.1m (2003: £3.1m). 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 £10.9m (2003: £10.8m). 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				COMPANY			
	PROPERTIES 2004 £M	2003 £M	PLANT AND MACHINERY 2004 £M	2003 £M	PROPERTIES 2004 £M	2003 £M	PLANT AND MACHINERY 2004 £M	2003 £M
Operating leases which expire:								
within one year	**3.8**	1.1	**0.6**	0.9	**–**	0.1	**–**	–
within two to five years	**4.9**	7.7	**2.7**	2.6	**–**	–	**0.1**	0.1
after five years	**2.1**	2.5	**–**	–	**–**	–	**–**	–
	10.8	11.3	**3.3**	3.5	**–**	0.1	**0.1**	0.1

27 Contingent liabilities

At 31 March 2004 the following contingent liabilities existed:

COMPANY Guarantees in respect of bank facilities available to certain subsidiaries up to a maximum of £16.3m (2003: £48.6m), of which £0.1m (2003: £15.2m) had been drawn down by the end of the year.

28 Share capital

	2004 NUMBER OF SHARES	2003 NUMBER OF SHARES	2004 £M	2003 £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 2003	**435,206,655**	434,998,381	**43.5**	43.5
New share capital subscribed	**40,000**	208,274	**–**	–
At 31 March 2004	**435,246,655**	435,206,655	**43.5**	43.5

All of the new share capital subscribed in 2004 related to the exercise of share options (see note 29).

29 Share option schemes

	EXECUTIVE OPTIONS 1988 SCHEME	EXECUTIVE OPTIONS LTIOP SCHEME	SAYE SCHEMES	US S423 SCHEME	TOTAL
Movement in outstanding options:					
At 1 April 2003	3,324,975	6,516,115	2,788,838	61,108	12,691,036
Grants in the year	–	6,452,956	2,739,593	28,901	9,221,450
Options exercised	(13,790)	–	(865)	(26,032)	(40,687)
Options lapsed	(456,660)	(487,159)	(1,849,014)	(24,860)	(2,817,693)
At 31 March 2004	**2,854,525**	**12,481,912**	**3,678,552**	**39,117**	**19,054,106**
Consideration in respect of exercises	£0.0m	–	£0.0m	£0.1m	£0.1m
Options granted	1993 to 2001	2002 to 2003	1998 to 2003	2002 to 2003	
Period of option	2003 to 2011	2005 to 2013	2004 to 2008	2004 to 2005	
Price per share					
Lowest	235.0p	312.0p	260.0p	278.0p	
Highest	686.0p	349.0p	529.0p	299.0p	
Weighted average	504.9p	331.0p	296.8p	293.5p	

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. No more options will be granted under this scheme. The Long Term Incentive Share Option Plan (LTIOP) was approved by shareholders at the 2002 AGM and the first grant was made during that year. Options are subject to performance criteria and if they meet these will be exercisable between the third and tenth anniversaries of the date of grant. 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. For options issued under the US section 423 scheme, 20% 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.

30 Reserves

	SHARE PREMIUM ACCOUNT £M	PROFIT AND LOSS ACCOUNT £M	TOTAL £M
GROUP			
At 1 April 2003	38.3	306.4	344.7
Retained loss for the year	–	(13.4)	(13.4)
Translation differences	–	(29.2)	(29.2)
Premium on new share capital subscribed	0.1	–	0.1
At 31 March 2004	**38.4**	**263.8**	**302.2**
COMPANY			
At 1 April 2003	38.3	198.0	236.3
Retained loss for the year	–	(23.6)	(23.6)
Premium on new share capital subscribed	0.1	–	0.1
At 31 March 2004	**38.4**	**174.4**	**212.8**

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 2004 is £42.8m (2003: £42.8m).

31 Reconciliations of movements in shareholders' funds

	GROUP 2004 £M	2003 £M	COMPANY 2004 £M	2003 £M
Profit for the year	**65.7**	60.3	**55.5**	54.0
Dividend	**(79.1)**	(73.9)	**(79.1)**	(73.9)
Retained loss for the year	**(13.4)**	(13.6)	**(23.6)**	(19.9)
Translation differences	**(29.2)**	(10.8)	**–**	–
New share capital subscribed	**0.1**	0.5	**0.1**	0.5
Net reduction in equity	**(42.5)**	(23.9)	**(23.5)**	(19.4)
Equity shareholders' funds at the beginning of the year	**388.2**	412.1	**279.8**	299.2
Equity shareholders' funds at the end of the year	**345.7**	388.2	**256.3**	279.8

32 Gross cash flows – Group

	2004 £M	2003 £M
Returns on investments and servicing of finance		
Interest received	**1.6**	2.0
Interest paid	**(2.9)**	(3.2)
Net cash outflow from returns on investments and servicing of finance	**(1.3)**	(1.2)
Capital expenditure and financial investment		
Purchase of intangible fixed assets	**(0.3)**	–
Purchase of tangible fixed assets*	**(23.2)**	(34.3)
Sales of tangible fixed assets	**4.2**	0.9
Receipt of capital grants	**0.1**	0.7
Net cash outflow for capital expenditure and financial investment	**(19.2)**	(32.7)

*Including capital accruals the purchase of fixed assets figure would be £22.8m (2003: £31.3m)

	2004 £M	2003 £M
Management of liquid resources		
Net increase in bank deposits	**(41.6)**	(5.1)
Net cash outflow from management of liquid resources	**(41.6)**	(5.1)
Financing		
Issue of ordinary share capital	**0.1**	0.5
New bank loans	**63.0**	17.1
Repayment of bank loans	**(21.0)**	(13.2)
Net cash inflow from financing	**42.1**	4.4

Notes to the consolidated accounts (continued)

For the year ended 31 March 2004

33 Analysis of changes in net debt – Group

	AT 1 APRIL 2003 £M	CASH FLOWS £M	OTHER NON-CASH CHANGES £M	TRANSLATION DIFFERENCES £M	**AT 31 MARCH 2004 £M**
Cash at bank and in hand	2.9	12.1		(7.1)	**7.9**
Overdrafts	(0.3)	(4.0)		3.6	**(0.7)**
		8.1			
Current instalments of loans	(29.0)	3.8	(0.6)	1.6	**(24.2)**
Loans repayable after more than one year	(44.3)	(45.8)	0.6	6.6	**(82.9)**
		(42.0)			
Current asset investments	23.8	41.6		–	**65.4**
	(46.9)	7.7	–	4.7	**(34.5)**

34 Principal exchange rates

	2004 AVERAGE	**CLOSING**	2003 AVERAGE	CLOSING
Euro	**1.44**	**1.50**	1.56	1.45
Japanese Yen	**192**	**193**	188	187
United States Dollar	**1.70**	**1.85**	1.54	1.58

Five year record

YEAR ENDED 31 MARCH	**2004 £M**	2003 £M	2002 £M	2001 £M	2000 £M
Turnover					
RS/Allied	**759.3**	743.7	759.6	823.9	711.2
Pact	**–**	–	–	31.2	50.2
Group	**759.3**	743.7	759.6	855.1	761.4
Operating profit					
RS/Allied (including Groupwide process costs)	**108.3**	102.1	108.7	130.9	118.3
Pact	**–**	–	–	–	0.5
Operating profit – before amortisation of goodwill	**108.3**	102.1	108.7	130.9	118.8
Amortisation of goodwill	**(10.2)**	(11.3)	(12.0)	(11.6)	(8.0)
Exceptional loss on closure	**–**	–	–	(6.9)	–
Net interest payable	**(1.4)**	(1.2)	(3.2)	(6.8)	(3.5)
Profit before taxation	**96.7**	89.6	93.5	105.6	107.3
Profit before taxation and exceptional loss	**96.7**	89.6	93.5	112.5	107.3
Profit before taxation, exceptional loss and goodwill amortisation	**106.9**	100.9	105.5	124.1	115.3
Taxation	**(31.0)**	(29.3)	(30.6)	(34.6)	(33.4)
Profit after taxation	**65.7**	60.3	62.9	71.0	73.9
Dividends	**(79.1)**	(73.9)	(69.2)	(59.8)	(51.9)
Retained (loss) profit	**(13.4)**	(13.6)	(6.3)	11.2	22.0
Goodwill	**141.5**	176.6	208.5	219.7	205.7
Net debt	**(34.5)**	(46.9)	(53.0)	(75.5)	(95.8)
Other net assets	**238.7**	258.5	256.6	270.7	264.6
Net assets employed	**345.7**	388.2	412.1	414.9	374.5
Number of shares in issue (million)					
Weighted average (excludes own shares held)	**434.9**	434.8	434.1	433.1	431.4
Year end	**435.2**	435.2	435.0	434.2	433.5
Dividends per share	**18.2p**	17.0p	15.9p	13.8p	12.0p
Earnings per share (before amortisation of goodwill and exceptional loss)	**17.5p**	16.5p	17.3p	20.6p	19.0p
Profit before taxation, exceptional loss and goodwill amortisation on net assets	**30.9%**	26.0%	25.6%	29.9%	30.8%
Average number of employees	**4,973**	5,028	4,974	5,041	4,704
Share price at 31 March	**341.5p**	257.0p	478.0p	548.0p	636.0p
Net asset value per share	**79.4p**	89.2p	94.7p	95.6p	86.4p

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Electrocomponents plc will be held at the Company's premises, The International Management Centre, 5000 Oxford Business Park South, Oxford OX4 2BH on Friday 16 July 2004 at 12 noon.

The business of the meeting will be:

Ordinary business

Report and Accounts

1 To receive the accounts and the reports of the Directors and the Auditors for the year ended 31 March 2004.

Directors' Remuneration Report

2 To approve the Directors' Remuneration Report for the year ended 31 March 2004.

Declaration of dividend

3 To declare a final dividend on the ordinary shares.

Retiring Directors

4 To re-elect Dr L Atkinson as a Director.

5 To re-elect Mr R B Butler as a Director.

6 To re-elect Mr I Mason as a Director.

Auditors' appointment and remuneration

7 To re-appoint KPMG Audit Plc as Auditors of the Company and to authorise the Directors to agree their remuneration.

Special business

To consider and, if thought fit, pass the following resolutions of which resolutions 8 and 9 will be proposed as Ordinary Resolutions and resolutions 10 and 11 will be proposed as Special Resolutions:

Ordinary resolutions

Increase in the limit on Directors' fees

8 That with effect from the conclusion of this meeting the maximum amount of fees payable to Directors pursuant to Article 102.1 of the Company's Articles of Association be increased from £450,000 to £600,000.

Renewal of Directors' authority to allot shares

9 That the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 and in substitution for any existing power to allot relevant securities (within the meaning of the said Section 80) up to an aggregate nominal amount of £4,569,923.90 during the period commencing on the date of the passing of this Resolution and expiring on 15 July 2009 but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements.

Special resolutions

Renewal of Directors' authority to disapply pre-emption rights

10 That subject to the passing of Resolution 9 set out in the Notice of this Meeting:

(a) the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 (the 'Act') to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority given by the said Resolution 9 and to transfer equity securities (within the meaning of Section 94 of the Act) which are held by the Company in Treasury, as if Section 89(1) of the Act did not apply to any such allotment or transfer, provided that this power shall be limited to the allotment or transfer of equity securities:

(i) in connection with or the subject of an offer or invitation, open for acceptance for a period fixed by the Directors, to holders of ordinary shares and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto (including equity securities which, in connection with such offer or invitation, are the subject of such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or otherwise howsoever);

(ii) pursuant to the terms of any share scheme for employees approved by the members in general meeting and any shares acquired or held by the Company in Treasury may be transferred in satisfaction of the exercise of any options under any of the Company's employee share schemes; and

(iii) (otherwise than pursuant to sub-paragraphs (i) and (ii) above) up to an aggregate nominal amount of £2,176,233.20, and shall expire on 15 July 2009, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements;

and

(b) all authorities previously conferred under section 95 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

Renewal of Directors' authority for the purchase by the Company of its own shares

11 That the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 10p each in the Company (ordinary shares) provided that:

(a) the maximum number of ordinary shares hereby authorised to be purchased is 43,524,665;

(b) the minimum price which may be paid for ordinary shares is 10p per ordinary share;

(c) the maximum price which may be paid for ordinary shares is an amount equal to 105% of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase;

(d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company, unless such authority is renewed prior to such a time; and

(e) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of such contract.

By Order of the Board

Carmelina Carfora
Company Secretary
26 May 2004
Registered Office: International Management Centre,
5000 Oxford Business Park South, Oxford, OX4 2BH
Registered Number: 647788

Notes:

(i) A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and (on a poll) vote instead of him. A proxy need not be a member of the Company. Appointment of a proxy will not preclude a member from attending or voting at the meeting if he/she subsequently wishes to do so.

(ii) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of Members of the Company as at 6.00 pm on 14 July 2004 will be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant Register of Members after 6.00 pm on 14 July 2004 will be disregarded in determining the rights of any person to attend or vote at the Meeting.

(iii) A form of proxy is enclosed. To be effective, a proxy form and the authority (if any) under which it is signed or a notarially certified copy of such authority must be deposited at the offices of the Company's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA by not later than 12 noon on Wednesday 14 July 2004.

(iv) CREST members (including CREST Personal Members) who wish to appoint one or more proxies by using the CREST electronic proxy appointment service may do so by having an appropriate CREST message transmitted.

For a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's registrar (ID 7RA01) by not later than 12 noon on Wednesday 14 July 2004. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. CREST members should note that normal system timings and limitations will apply for the input of CREST Proxy Instructions.

CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed voting service provider(s), should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings, please refer to the CREST manual.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(v) The Register of Directors' Interests and copies of all Contracts of Service of the Directors are available for inspection during business hours at the registered office of the Company and will be available for inspection at the place of the Meeting from half an hour before the time of the Meeting until the conclusion of the Meeting.

(vi) Biographical details of the Directors who are proposed for re-election at the Annual General Meeting are set out on pages 22 and 23.

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Registered office, advisers and financial calendar

Registered Office

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United Kingdom
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Fax: (44) (0) 1865 207400
Website: www.electrocomponents.com

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

2004 final dividend

Ex-dividend date	23 June
Record date	25 June
Annual General Meeting	16 July
Dividend paid	23 July

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London EC4Y 8BB

Bankers
HSBC Bank plc
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London E14 5HQ

Merchant Bankers
Citigroup
Citigroup Centre
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Solicitors
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London EC3A 7AN

Stockbrokers
UBS
1 Finsbury Avenue
London EC2M 2PP

Shareholder Services

Shareview

A new website, www.shareview.co.uk, has been developed by Lloyds TSB Registrars, the Company's registrar, enabling shareholders to access shareholdings online. The website provides information useful to the management of investments together with an extensive schedule of frequently asked questions.

In order to view shareholdings the shareholder reference number is required which can be found at the top of share certificates or on the last dividend tax voucher.

Designed and produced by Pauffley Ltd www.pauffley.com
Photography by Patrick Harrison and Michael Harvey
Printed in England by Royle Corporate Print, London

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