

Notes to the consolidated accounts

For the year ended 31 March 2005

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.

	2005 £m	2004 (as restated) £m
Turnover	773.9	759.3
Cost of sales	(361.8)	(350.9)
Distribution and marketing expenses	(227.3)	(222.3)
Contribution – before amortisation of goodwill	184.8	186.1
Distribution and marketing expenses within Process costs	(71.5)	(68.6)
Administration expenses – before amortisation of goodwill	(8.0)	(9.0)
Group Process costs	(79.5)	(77.6)
Administration expenses – amortisation of goodwill on the acquisition of Allied Electronics Inc	(9.2)	(10.0)
Administration expenses – amortisation of goodwill on the acquisition of RS Components AS (Norway)	(0.2)	(0.2)
Net interest payable	(0.9)	(1.4)
Profit before taxation	95.0	96.9

2 Segmental analysis

By geographical destination

		2005 £m	2004 £m
Turnover:	United Kingdom	345.2	348.2
	Rest of Europe	247.6	245.0
	North America	111.8	102.2
	Japan	17.0	14.4
	Rest of World	52.3	49.5
		773.9	759.3

By geographical origin

		2005			2004		
		Total sales £m	Inter- segment sales £m	Turnover £m	Total sales £m	Inter- segment sales £m	Turnover £m
Turnover:	United Kingdom	450.1	(91.3)	358.8	442.7	(81.7)	361.0
	Rest of Europe	249.2	(5.7)	243.5	247.0	(5.9)	241.1
	North America	112.9	(0.1)	112.8	103.0	(0.2)	102.8
	Japan	17.0	–	17.0	14.4	–	14.4
	Rest of World	43.6	(1.8)	41.8	42.5	(2.5)	40.0
		872.8	(98.9)	773.9	849.6	(90.3)	759.3

		2005 £m	2004 (as restated) £m
Profit before taxation:	United Kingdom	107.5	117.8
	Rest of Europe	56.0	51.0
	North America	15.8	13.3
	Japan	1.5	0.0
	Rest of World	4.0	4.0
	Contribution – before amortisation of goodwill	184.8	186.1
	Group Process costs	(79.5)	(77.6)
	Amortisation of goodwill – Allied (North America)	(9.2)	(10.0)
	Amortisation of goodwill – RS Norway (Rest of Europe)	(0.2)	(0.2)
	Net interest payable	(0.9)	(1.4)
		95.0	96.9

Notes to the consolidated accounts continued

For the year ended 31 March 2005

2 Segmental analysis continued

By geographical location		2005 £m	2004 (as restated) £m
Net assets:			
	United Kingdom	217.2	206.3
	Rest of Europe	69.3	68.9
	North America	28.3	23.5
	Japan	3.2	2.4
	Rest of World	23.9	22.2
	Net operating assets (excluding goodwill)	341.9	323.3
	Net debt	(55.4)	(34.5)
	Unallocated net assets	44.2	55.6
		330.7	344.4
Unallocated net assets comprise:			
Intangible fixed assets:			
	goodwill – Allied (North America)	129.0	141.1
	goodwill – RS Norway (Rest of Europe)	0.3	0.4
	other intangibles	0.3	0.3
	Corporate tax	(16.3)	(19.8)
	Proposed dividend	(54.8)	(54.8)
	Provisions for liabilities and charges	(14.3)	(11.6)
		44.2	55.6

3 Net interest payable

	2005 £m	2004 £m
Interest receivable	3.6	1.5
Interest payable	(4.5)	(2.9)
	(0.9)	(1.4)

4 Profit on ordinary activities before taxation

Profit before taxation is stated after charging (crediting):		2005 £m	2004 £m
Remuneration of the auditors and their associates:			
	audit and expenses	0.6	0.6
	taxation services and advice	0.2	0.2
	other consultancy services worldwide	0.1	0.2
	Depreciation	22.5	23.1
	Amortisation of goodwill	9.4	10.2
	Amortisation of government grants	(0.3)	(0.3)
	Loss on disposal of fixed assets	0.1	–
	Hire of plant and machinery	3.3	3.1

The fee in respect of the audit of the Company is £60,000 (2004: £52,000).

5 Employees

Numbers employed	2005	2004
The average number of employees during the year was:		
Management and administration	321	334
Distribution and marketing	4,672	4,639
	4,993	4,973

Of these staff, 2,331 were employed in the United Kingdom (2004: 2,275).

Aggregate employment costs	£m	£m
Wages and salaries	116.9	111.0
Social security costs	13.9	13.6
Pension costs	11.8	9.7
	142.6	134.3

The remuneration of individual Directors is detailed on page 32.

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 2005 amounted to £8.1m (2004: £5.7m). In addition, the contributions paid by the Group to the defined contribution section of the Scheme in the year ended 31 March 2005 amounted to £0.4m (2004: £0.2m) and contributions to funded unapproved retirement benefit schemes of £0.3m (2004: £0.3m).

The most recent valuation (carried out in 2004) 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 2004 valuation were therefore as follows:

	Past service	Future service
Investment return:		
before retirement	6.75%	7.50%
after retirement	5.00%	5.75%
Rate of future earnings inflation	4.00%	4.00%
Rate of increase in pensions payment	3.00%	3.00%

At the date of the 2004 valuation, the market value of the assets of the scheme was £173.2m, and the actuarial valuation of the assets covered 78% of the benefits that had accrued to the members after allowing for expected future increases in earnings. The corresponding deficit amounted to £47.7m. In order to eliminate this deficit, the Group is making annual payments of £4.3m (increasing at 3% per annum) over a period of 15 years to the scheme. This deficit funding is included in the £8.1m above. The next valuation will be carried out at 31 March 2007.

Under the statutory minimum funding requirement, the Scheme's funding level is estimated at between 135% and 140% as at 31 March 2005.

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 (2004: £0.7m), on a defined benefit basis in Germany and Ireland amounting to £0.4m (2004: £0.4m), and via government schemes in France, Italy, Denmark and North Asia amounting to £1.6m (2004: £1.8m).

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 2004 and has been updated to 31 March 2005 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 2005 by the respective independent scheme actuaries in accordance with the requirements of FRS 17.

Notes to the consolidated accounts continued

For the year ended 31 March 2005

6 Pension schemes continued

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

	2005 United Kingdom	Germany	Republic of Ireland	2004 United Kingdom	Germany	Republic of Ireland	2003 United Kingdom	Germany	Republic of Ireland
Discount rate	5.40%	4.50%	4.50%	5.40%	5.25%	5.25%	5.50%	5.50%	5.50%
Rate of increase in salaries	3.90%	3.00%	4.00%	4.65%	3.00%	4.00%	4.25%	3.00%	4.00%
Rate of increase of pensions in payment	2.90%	2.00%	2.00%	2.90%	2.00%	2.00%	2.50%	2.00%	2.00%
Inflation assumption	2.90%	2.00%	2.00%	2.90%	2.00%	2.00%	2.50%	2.00%	2.00%

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

	2005 United Kingdom	Germany	Republic of Ireland	2004 United Kingdom	Germany	Republic of Ireland	2003 United Kingdom	Germany	Republic of Ireland
Equities	6.95%	n/a	6.70%	7.00%	n/a	7.30%	6.75%	n/a	7.40%
Corporate bonds	4.65%	n/a	n/a	4.65%	n/a	n/a	4.75%	n/a	n/a
Government bonds	3.95%	n/a	3.70%	4.00%	n/a	4.30%	3.75%	n/a	4.40%
Cash	4.00%	n/a	n/a	3.25%	n/a	n/a	3.00%	n/a	n/a
Other	n/a	n/a	4.70%	n/a	n/a	5.30%	n/a	n/a	5.40%

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

	2005 United Kingdom Valuation £m	Germany Valuation £m	Republic of Ireland Valuation £m	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
Equities	143.5	n/a	1.1	127.7	n/a	0.8	96.8	n/a	0.6
Corporate bonds	18.4	n/a	–	14.3	n/a	–	13.0	n/a	–
Government bonds	32.7	n/a	0.2	25.7	n/a	0.2	23.1	n/a	0.2
Cash	3.4	n/a	–	3.7	n/a	–	1.6	n/a	–
Other	–	n/a	–	–	n/a	0.1	–	n/a	0.3
Total market value of assets	198.0	–	1.3	171.4	n/a	1.1	134.5	n/a	1.1

The valuations of the schemes as at 31 March were:

	2005 United Kingdom Valuation £m	Germany Valuation £m	Republic of Ireland Valuation £m	Total Valuation £m	2004 United Kingdom Valuation £m	Germany Valuation £m	Republic of Ireland Valuation £m	Total Valuation £m
Total market value of assets	198.0	–	1.3	199.3	171.4	–	1.1	172.5
Present value of scheme liabilities	(239.3)	(5.3)	(1.7)	(246.3)	(217.6)	(3.6)	(1.2)	(222.4)
Deficit in the scheme	(41.3)	(5.3)	(0.4)	(47.0)	(46.2)	(3.6)	(0.1)	(49.9)
Related deferred tax asset	12.4	2.1	0.1	14.6	13.9	1.4	–	15.3
Net pension liability	(28.9)	(3.2)	(0.3)	(32.4)	(32.3)	(2.2)	(0.1)	(34.6)

The deficit of £3.2m 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 2005 (2004: £0.9m). The value of the assets and liabilities held in respect of the defined contribution section of the UK scheme amounted to £1.0m as at 31 March 2005 (2004: £0.2m).

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

	2005 Profit and loss reserve £m	Net assets £m	2004 Profit and loss reserve (as restated) £m	Net assets (as restated) £m
As stated excluding pension liability and SSAP 24 balances	249.3	329.5	267.0	347.2
Net pension liability	(32.4)	(32.4)	(34.6)	(34.6)
Including net pension liability	216.9	297.1	232.4	312.6

6 Pension schemes continued

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

	2005 United Kingdom £m	Germany £m	Republic of Ireland £m	Total £m	2004 United Kingdom £m	Germany £m	Republic of Ireland £m	Total £m
Current service cost	(8.9)	(0.5)	(0.1)	(9.5)	(8.0)	(0.5)	–	(8.5)
Past service cost	–	–	–	–	–	–	–	–
Total charge to operating profit	(8.9)	(0.5)	(0.1)	(9.5)	(8.0)	(0.5)	–	(8.5)
Interest cost	(12.0)	(0.2)	(0.1)	(12.3)	(9.9)	(0.2)	(0.1)	(10.2)
Expected return on assets	11.1	–	0.1	11.2	8.2	–	0.1	8.3
Net debit to other finance expense	(0.9)	(0.2)	–	(1.1)	(1.7)	(0.2)	–	(1.9)
Total profit and loss pension charge	(9.8)	(0.7)	(0.1)	(10.6)	(9.7)	(0.7)	–	(10.4)

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

	2005 United Kingdom £m	Germany £m	Republic of Ireland £m	Total £m
Actual less expected return on scheme assets	4.2	n/a	–	4.2
– as a % of scheme assets	2.1%		0.0%	
Experience gains and losses arising on the scheme liabilities	7.7	(0.1)	–	7.6
– as a % of scheme liabilities	(3.2)%	1.9%	0.0%	
Changes in assumptions underlying the present value of the scheme liabilities	(10.1)	(0.8)	(0.3)	(11.2)
Actuarial gain (loss) recognised in Group statement of total recognised gains and losses	1.8	(0.9)	(0.3)	0.6
– as a % of scheme liabilities	(0.8)%	17.0%	17.6%	

	2004 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
– as a % of scheme assets	14.8%		9.1%	
Experience gains and losses arising on the scheme liabilities	(4.4)	0.1	–	(4.3)
– as a % of scheme liabilities	2.0%	(2.8)%	0.0%	
Changes in assumptions underlying the present value of the scheme liabilities	(22.1)	(0.2)	(0.1)	(22.4)
Actuarial loss recognised in Group statement of total recognised gains and losses	(1.2)	(0.1)	–	(1.3)
– as a % of scheme liabilities	0.6%	2.8%	0.0%	

	2003 United Kingdom £m	Germany £m	Republic of Ireland £m	Total £m
Actual less expected return on scheme assets	(48.9)	n/a	(0.4)	(49.3)
– as a % of scheme assets	(36.4)%		(36.4)%	
Experience gains and losses arising on the scheme liabilities	(1.4)	0.1	–	(1.3)
– as a % of scheme liabilities	0.8%	(3.3)%	0.0%	
Changes in assumptions underlying the present value of the scheme liabilities	(9.3)	(0.3)	–	(9.6)
Actuarial loss recognised in Group statement of total recognised gains and losses	(59.6)	(0.2)	(0.4)	(60.2)
– as a % of scheme liabilities	34.1%	6.7%	30.8%	

Notes to the consolidated accounts continued

For the year ended 31 March 2005

6 Pension schemes continued

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	(46.2)	(3.6)	(0.1)	(49.9)
Movement in year:				
Current service cost	(8.9)	(0.5)	(0.1)	(9.5)
Past service cost	–	–	–	–
Contributions	12.9	0.1	0.1	13.1
Other finance expense	(0.9)	(0.2)	–	(1.1)
Actuarial gain (loss)	1.8	(0.9)	(0.3)	0.6
Exchange differences	–	(0.2)	–	(0.2)
Deficit in scheme at the end of the year	(41.3)	(5.3)	(0.4)	(47.0)

7 Taxation

	2005 £m	2004 £m
Taxation on the profit of the Group		
United Kingdom corporation tax at 30%	24.6	33.2
United Kingdom deferred taxation	2.5	3.0
Double tax relief	(6.8)	(12.6)
	20.3	23.6
Overseas taxation – current	9.8	8.8
Overseas taxation – deferred	0.2	(1.4)
	30.3	31.0
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:		
Expected tax charge	28.5	29.0
Overseas tax rates	1.4	1.1
Utilisation of tax losses	–	(0.2)
Creation of tax losses	1.8	3.1
Timing differences – capital allowances	(1.5)	(0.9)
Timing differences – goodwill deduction	(1.1)	(1.2)
Timing differences – other	(1.5)	0.9
Other	–	(2.4)
	27.6	29.4

8 Profit for the financial year

	2005 £m	2004 (as restated) £m
Dealt with in the accounts of the Company	96.1	55.7
Retained by subsidiaries	(31.4)	10.2
	64.7	65.9

9 Dividends

	2005 £m	2004 £m
Profit and loss account		
Interim dividend paid – 5.8p (2004: 5.6p)	25.2	24.3
Final dividend proposed – 12.6p (2004: 12.6p)	54.8	54.8
	80.0	79.1
Cash flow statement		
Final dividend for the year ended 31 March 2004	54.8	51.1
Interim dividend for the year ended 31 March 2005	25.2	24.3
	80.0	75.4

10 Earnings per share

	2005 £m	2004 (as restated) £m
Profit on ordinary activities after taxation	64.7	65.9
Amortisation of goodwill (excluding tax effect)	9.4	10.2
Profit on ordinary activities after taxation and before amortisation of goodwill	74.1	76.1
Weighted average number of shares	434,902,965	434,881,750
Dilutive effect of share options	92,751	709,285
Diluted weighted average number of shares	434,995,716	435,591,035
	pence	pence
Basic earnings per share		
Before amortisation of goodwill	17.0	17.5
After amortisation of goodwill	14.9	15.2
Diluted earnings per share		
Before amortisation of goodwill	17.0	17.5
After amortisation of goodwill	14.9	15.1

11 Intangible fixed assets

	Group Goodwill £m	Other intangibles £m	Total £m
Cost			
At 1 April 2004	185.9	0.3	186.2
Translation differences	(3.9)	–	(3.9)
At 31 March 2005	182.0	0.3	182.3
Amortisation			
At 1 April 2004	44.4	–	44.4
Charged in the year	9.4	–	9.4
Translation differences	(1.1)	–	(1.1)
At 31 March 2005	52.7	–	52.7
Net book value			
At 31 March 2005	129.3	0.3	129.6
At 31 March 2004	141.5	0.3	141.8

There are no Company intangible fixed assets (2004: nil).

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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 2004	94.1	97.4	106.1	297.6	31.1	8.6	0.5	40.2
Additions	0.1	4.7	20.3	25.1	–	–	0.1	0.1
Disposals	–	(1.4)	(2.2)	(3.6)	–	–	(0.1)	(0.1)
Reclassification	–	(0.2)	0.2	–	–	–	–	–
Translation differences	0.8	0.3	0.1	1.2	–	–	–	–
At 31 March 2005	95.0	100.8	124.5	320.3	31.1	8.6	0.5	40.2
Depreciation								
At 1 April 2004	19.6	66.8	47.9	134.3	3.3	6.4	0.5	10.2
Charged in the year	1.9	7.8	12.8	22.5	0.5	0.9	–	1.4
Disposals	–	(1.2)	(1.5)	(2.7)	–	–	–	–
Reclassification	–	(0.1)	0.1	–	–	–	–	–
Translation differences	0.1	0.2	0.1	0.4	–	–	–	–
At 31 March 2005	21.6	73.5	59.4	154.5	3.8	7.3	0.5	11.6
Net book value								
At 31 March 2005	73.4	27.3	65.1	165.8	27.3	1.3	–	28.6
At 31 March 2004	74.5	30.6	58.2	163.3	27.8	2.2	–	30.0

Net book value of land and buildings	Group 2005 £m	2004 £m	Company 2005 £m	2004 £m
Freehold land	11.4	11.3	6.4	6.4
Freehold buildings	57.2	58.2	20.9	21.4
Long leasehold	0.6	0.6	–	–
Short leasehold	4.2	4.4	–	–
	73.4	74.5	27.3	27.8
Net book value of plant and machinery				
Plant and machinery	24.5	27.1	1.3	2.1
Other office equipment	1.9	2.5	–	0.1
Motor vehicles	0.9	1.0	–	–
	27.3	30.6	1.3	2.2
Net book value of computer systems	65.1	58.2	–	–

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

13 Capital commitments

	Group 2005 £m	2004 £m	Company 2005 £m	2004 £m
Contracted capital expenditure at 31 March, for which no provision has been made in these accounts	0.5	1.6	–	–

14 Investments

	Group 2005 £m	2004 (as restated) £m	Company 2005 £m	2004 (as restated) £m
Subsidiary undertakings	–	–	393.3	377.8
Associated undertakings	0.2	0.1	–	–
	0.2	0.1	393.3	377.8

15 Subsidiary undertakings

Cost	Shares £m	Loans £m	Total £m
At 1 April 2004	175.1	218.1	393.2
Additions	–	15.5	15.5
Disposals/repayments	–	–	–
At 31 March 2005	175.1	233.6	408.7
Provisions			
At 1 April 2004	–	15.4	15.4
Released in the year	–	–	–
At 31 March 2005	–	15.4	15.4
Net book value			
At 31 March 2005	175.1	218.2	393.3
At 31 March 2004	175.1	202.7	377.8

16 Principal subsidiary undertakings and associated undertakings

	Principal location	Country of incorporation
Mail order of electronic, electrical and mechanical products		
RS Components Pty Limited*	Sydney	Australia
RS Components GesmbH*	Gmünd	Austria
Allied Electronics (Canada) Inc.*	Ottawa	Canada
RS Componentes Electrónicos Limitada*	Santiago	Chile
RS Components A/S*	Copenhagen	Denmark
Radiospares Composants SNC*	Beauvais	France
RS Components GmbH*	Frankfurt	Germany
RS Components Limited*	Kowloon	Hong Kong
RS Components & Controls (India) Ltd†	New Delhi	India
RS Components SpA*	Milan	Italy
RS Components KK*	Yokohama	Japan
RS Components Sdn Bhd*	Kuala Lumpur	Malaysia
RS Components BV*	Haarlem	Netherlands
RS Components Limited*	Auckland	New Zealand
RS Components AS*	Haugesund	Norway
RS Components (Shanghai) Company Ltd*	Shanghai	People's Republic of China
Radionics Limited*	Dublin	Republic of Ireland
RS Components Pte Limited*	Singapore	Singapore
Amidata SA*	Madrid	Spain
RS Components AB*	Vällingby	Sweden
RS Components Limited	Corby	United Kingdom
Allied Electronics Inc.*	Fort Worth, TX	United States of America
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 most countries where we do not have a trading company 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 2005 the Group made sales of £0.5m (2004: £0.5m) to RSCC and supplied catalogues at a cost to RSCC of £0.1m (2004: £0.1m). RSCC is treated in the accounts as an associated undertaking.

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17 Own shares

UITF 38: Accounting for ESOP Trusts, effective for periods ending on or after 22 June 2004, requires the assets and liabilities of the Group's ESOP trust to be recognised in the Group's financial statements where there is defacto control of those assets and liabilities. The Company's own shares held by the ESOP trust should be deducted from shareholders' funds until they vest unconditionally with employees. Prior to the adoption of UITF 38, the Company's own shares held by the ESOP trust were recognised as an asset on the balance sheet at the lower of cost and net realisable value.

Compliance with UITF 38 has reduced the 2004 investments and shareholders' funds by £1.3m and increased profit for the year ended 31 March 2004 by £0.2m. The estimated impact on the current year's profit if UITF 38 had not been adopted would have been to reduce net profit by £0.2m. The new standard has no impact on cash flows.

During the year no ordinary shares in the Company were purchased by the trustees (2004: none). At 31 March 2005, a total of 308,417 (2004: 308,417) ordinary shares in the Company were held by the Electrocomponents Employee Trust, all of which were under option to employees for a nominal consideration. The market value of the shares at 31 March 2005 was £763,332.

At 31 March 2005, a total of 40,358 (2004: 40,826) 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 2005 was £99,886.

18 Stock

	Group 2005 £m	2004 £m
Raw materials and consumables	1.9	2.3
Work in progress	2.5	2.6
Finished goods and goods for resale	137.9	123.8
	142.3	128.7

There is no Company stock (2004: nil).

19 Debtors

	Group 2005 £m	2004 £m	Company 2005 £m	2004 £m
Trade debtors	126.9	129.0	–	–
Amounts owed by subsidiary undertakings	–	–	11.9	26.9
Amounts owed by associated undertakings	0.3	0.7	–	–
Other debtors	3.8	4.0	0.1	0.4
Corporate tax	2.2	2.0	–	–
Prepaid catalogue expenses	8.3	8.1	–	–
Other prepayments and accrued income	5.8	5.7	0.8	0.8
Amounts falling due within one year	147.3	149.5	12.8	28.1
Other debtors falling due after more than one year:				
Corporate tax	0.2	0.1	–	–
Prepaid pension costs	4.1	1.2	1.8	1.2
Other debtors	0.8	0.8	–	–
	152.4	151.6	14.6	29.3

20 Investments – current assets

	Group 2005 £m	2004 £m	Company 2005 £m	2004 £m
Bank deposits	53.6	65.4	53.6	65.4

21 Creditors: amounts falling due within one year

	Group 2005 £m	2004 £m	Company 2005 £m	2004 £m
Bank overdrafts (unsecured)	2.2	0.7	21.9	57.3
Current instalments of loans (see note 23)	25.5	24.2	24.9	23.6
Trade creditors	70.6	70.1	–	–
Amounts owed to subsidiary undertakings	–	–	61.8	61.6
Corporate tax	18.7	21.9	–	0.3
Other taxation and social security	9.7	10.5	0.1	0.1
Other creditors	4.8	7.0	0.1	0.3
Government grants	0.3	0.3	–	–
Accruals and deferred income	20.4	20.5	2.1	2.6
Proposed dividend	54.8	54.8	54.8	54.8
	207.0	210.0	165.7	200.6

22 Creditors: amounts falling after more than one year

	Group 2005 £m	2004 £m	Company 2005 £m	2004 £m
Loans repayable after more than one year (see note 23)	92.5	82.9	88.8	78.7
Other creditors	5.8	4.9	–	–
Government grants	4.8	5.0	–	–
	103.1	92.8	88.8	78.7

23 Loans

	Group 2005 £m	2004 £m	Company 2005 £m	2004 £m
Australian Dollar bank loans	3.4	3.6	3.4	3.6
Euro bank loans	4.3	4.8	–	–
Hong Kong Dollar bank loans	6.8	3.8	6.8	3.8
Japanese Yen bank loans	33.6	32.1	33.6	32.1
New Zealand Dollar bank loans	–	0.3	–	0.3
Singapore Dollar bank loans	2.3	2.8	2.3	2.8
South African Rand bank loans	5.3	5.2	5.3	5.2
US Dollar bank loans	62.3	54.5	62.3	54.5
	118.0	107.1	113.7	102.3
Amounts falling due within one year or on demand	(25.5)	(24.2)	(24.9)	(23.6)
	92.5	82.9	88.8	78.7
Loans repayable in more than one but not more than two years	0.6	0.6	–	–
Loans repayable in more than two but not more than five years	90.7	80.5	88.8	78.7
Loans repayable in more than five years	1.2	1.8	–	–
	92.5	82.9	88.8	78.7

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

Notes to the consolidated accounts continued

For the year ended 31 March 2005

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:

	2005			2004		
	Floating rate financial assets £m	Financial assets on which no interest is receivable £m	Total £m	Floating rate financial assets £m	Financial assets on which no interest is receivable £m	Total £m
Financial assets						
Euro	17.5	0.3	17.8	13.7	0.3	14.0
Sterling	44.6	–	44.6	57.0	–	57.0
US Dollars	–	–	–	0.1	–	0.1
Other	2.7	0.5	3.2	2.5	0.5	3.0
Total financial assets	64.8	0.8	65.6	73.3	0.8	74.1

At 31 March the financial assets of the Group comprised:

	2005 £m	2004 £m
Debtors due after more than one year	0.8	0.8
Investments	53.6	65.4
Cash at bank and in hand	11.2	7.9
	65.6	74.1

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; money market fund investments, bearing interest rates close to the overnight inter-bank rates; and current account cash balances, typically bearing nominal rates of interest.

	2005			2004		
	Fixed rate financial liabilities £m	Floating rate financial liabilities £m	Total £m	Fixed rate financial liabilities £m	Floating rate financial liabilities £m	Total £m
Financial liabilities						
Australian Dollars	–	3.6	3.6	–	3.6	3.6
Euro	–	5.1	5.1	4.8	0.4	5.2
Hong Kong Dollars	–	6.9	6.9	–	3.8	3.8
Japanese Yen	–	33.6	33.6	–	32.4	32.4
Singapore Dollars	–	2.9	2.9	–	2.8	2.8
South African Rand	–	5.6	5.6	–	5.2	5.2
US Dollars	–	62.3	62.3	–	54.5	54.5
Other	–	0.2	0.2	–	0.3	0.3
Total financial liabilities	–	120.2	120.2	4.8	103.0	107.8

At 31 March the financial liabilities of the Group comprised:

	2005 £m	2004 £m
Bank overdrafts repayable on demand (unsecured)	2.2	0.7
Current instalments of loans (see note 23)	25.5	24.2
Loans repayable between one and two years (see note 23)	0.6	0.6
Loans repayable between two and five years (see note 23)	90.7	80.5
Loans repayable in more than five years (see note 23)	1.2	1.8
	120.2	107.8

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 2005 the Group had a £202.6m committed borrowing facility (2004: £135.1m) denominated in US Dollars, of which £113.6m was undrawn (2004: £56.4m). The undrawn amount will all expire in between two and five years.

(c) Fair values of financial assets and financial liabilities

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

(d) Group hedging

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

The Company provides foreign currency inter-company loans to a number of its subsidiaries. The foreign currency asset in the parent company is hedged in full using currency swaps over equal and opposite external foreign currency borrowings. 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 2005 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.

	2005			2004		
	Hedging trading flows £m	Hedging inter-company debt £m	Total £m	Hedging trading flows £m	Hedging inter-company debt £m	Total £m
Forward foreign exchange contracts						
Notional principal amounts valued at the contracted rates:						
to sell Sterling and buy foreign currency	(17.9)	–	(17.9)	(40.8)	–	(40.8)
to buy Sterling and sell foreign currency	93.5	–	93.5	85.9	–	85.9
Total net amount:	75.6	–	75.6	45.1	–	45.1
Unrecognised gains and losses compared to year end rates:						
gains			1.7			3.4
losses			(0.7)			(1.8)
Total net unrecognised gains			1.0			1.6
Fair value at 31 March 2005*			74.6			43.5

*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 6.3m Euro (£4.3m). The unrecognised gain arising on this interest rate swap as at 31 March 2005 was £0.2m (2004: nil).

	Gains £m	Losses £m	Total net gains (losses) £m
Gains and losses on hedges			
Unrecognised gains and losses at 1 April 2004	3.4	(1.8)	1.6
Gains and losses arising in previous years that were recognised in the year ended 31 March 2005	(3.3)	1.8	(1.5)
Gains and losses arising before 1 April 2004 that were not recognised in the year ended 31 March 2005	0.1	–	0.1
Gains and losses arising in the year ended 31 March 2005 that were not recognised in the year	1.6	(0.7)	0.9
Unrecognised gains and losses on hedges at 31 March 2005	1.7	(0.7)	1.0

£1.6m of the unrecognised gains and all of the unrecognised losses as at 31 March 2005 will be recognised within the next 12 months.

(e) Currency exposures

At 31 March 2005 the Group had no forecast foreign currency exposures for the year ended 31 March 2006 which were not covered by forward foreign exchange contracts (2004: nil).

Notes to the consolidated accounts continued

For the year ended 31 March 2005

25 Provisions for liabilities and charges

	Group deferred taxation £m	Company deferred taxation £m
At 1 April 2004	11.6	2.4
Profit and loss account	2.6	0.2
Translation differences	0.1	–
At 31 March 2005	14.3	2.6

	Group 2005 £m	2004 £m	Company 2005 £m	2004 £m
Deferred taxation				
Amounts provided:				
Accelerated capital allowances	15.1	14.1	2.1	2.1
Tax losses	(10.7)	(8.7)	–	–
Goodwill	6.3	5.9	–	–
Other short term timing differences	3.6	0.3	0.5	0.3
	14.3	11.6	2.6	2.4
Deferred taxation				
Amounts not provided:				
Rolled over capital gains	0.5	0.5	–	–
Tax losses	(11.3)	(13.0)	–	–
	(10.8)	(12.5)	–	–

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

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 2005 was £3.3m (2004: £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 £6.5m (2004: £7.2m as restated). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases.

The Group pays all insurance, maintenance and repairs of these properties. The minimum annual rentals under the foregoing leases are as follows:

	Group Properties		Plant and machinery 2005 £m	2004 £m	Company Properties		Plant and machinery 2005 £m	2004 £m
	2005 £m	2004 (as restated) £m			2005 £m	2004 £m		
Operating leases which expire:								
within one year	0.8	1.2	1.4	0.6	–	–	–	–
within two to five years	4.8	4.9	2.7	2.7	–	–	0.2	0.1
after five years	1.0	1.0	–	–	–	–	–	–
	6.6	7.1	4.1	3.3	–	–	0.2	0.1

2004 Group commitments have been restated to remove £3.7m of intragroup lease commitments. The annual rental paid on property leases in 2004 has also been reduced by £3.7m to remove intragroup lease payments made.

27 Contingent liabilities

At 31 March 2005 the following contingent liabilities existed:

Company Guarantees in respect of bank facilities available to certain subsidiaries up to a maximum of £17.3m (2004: £16.3m), of which £1.2m (2004: £0.1m) had been drawn down by the end of the year.

28 Share capital

	2005 Number of shares	2004 Number of shares	2005 £m	2004 £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 2004	435,246,655	435,206,655	43.5	43.5
New share capital subscribed	12,416	40,000	–	–
At 31 March 2005	435,259,071	435,246,655	43.5	43.5

All of the new share capital subscribed in 2005 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 2004	2,854,525	12,481,912	3,678,552	39,117	19,054,106
Grants in the year	–	4,959,435	700,223	6,233	5,665,891
Options exercised	(7,200)	–	(1,693)	(3,991)	(12,884)
Options lapsed	(45,800)	(1,572,441)	(892,918)	(7,491)	(2,518,650)
At 31 March 2005	2,801,525	15,868,906	3,484,164	33,868	22,188,463
Consideration in respect of exercises	£0.0m	–	£0.0m	£0.0m	£0.0m
Options granted	1995 to 2001	2002 to 2004	1999 to 2004	2003 to 2004	
Period of option	2005 to 2011	2005 to 2014	2005 to 2009	2005 to 2006	
Price per share					
Lowest	306.1p	312.0p	260.0p	278.0p	
Highest	686.0p	371.0p	529.0p	306.0p	
Weighted average	504.7p	340.9p	366.2p	283.2p	

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 Remuneration Report.

Notes to the consolidated accounts continued

For the year ended 31 March 2005

30 Reserves

	Share premium account £m	Retained earnings		Total £m
		Own shares £m	Profit and loss account £m	
Group				
At 1 April 2004	38.4	–	263.8	302.2
Prior year adjustment: implementation of UITF 38	–	(1.7)	0.4	(1.3)
At 1 April 2004 as restated	38.4	(1.7)	264.2	300.9
Retained loss for the year	–	–	(15.3)	(15.3)
Translation differences	–	–	1.6	1.6
Premium on new share capital subscribed	–	–	–	–
At 31 March 2005	38.4	(1.7)	250.5	287.2
Company				
At 1 April 2004	38.4	–	174.4	212.8
Prior year adjustment: implementation of UITF 38	–	(1.7)	0.4	(1.3)
At 1 April 2004 as restated	38.4	(1.7)	174.8	211.5
Retained profit for the year	–	–	16.1	16.1
Premium on new share capital subscribed	–	–	–	–
At 31 March 2005	38.4	(1.7)	190.9	227.6

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 2005 is £42.8m (2004: £42.8m).

31 Reconciliations of movements in shareholders' funds

	Group		Company	
	2005 £m	2004 (as restated) £m	2005 £m	2004 (as restated) £m
Profit for the year	64.7	65.9	96.1	55.7
Dividend	(80.0)	(79.1)	(80.0)	(79.1)
Retained loss for the year	(15.3)	(13.2)	16.1	(23.4)
Translation differences	1.6	(29.2)	–	–
New share capital subscribed	–	0.1	–	0.1
Net reduction in equity	(13.7)	(42.3)	16.1	(23.3)
Equity shareholders' funds as originally stated	345.7	388.2	256.3	279.8
Prior year adjustment: implementation of UITF 38	(1.3)	(1.5)	(1.3)	(1.5)
Equity shareholders' funds at the beginning of the year	344.4	386.7	255.0	278.3
Equity shareholders' funds at the end of the year	330.7	344.4	271.1	255.0

32 Gross cash flows – Group

	2005 £m	2004 £m
Returns on investments and servicing of finance		
Interest received	3.5	1.6
Interest paid	(4.8)	(2.9)
Net cash outflow from returns on investments and servicing of finance	(1.3)	(1.3)
Capital expenditure and financial investment		
Purchase of intangible fixed assets	–	(0.3)
Purchase of tangible fixed assets*	(24.6)	(23.2)
Sales of tangible fixed assets	0.8	4.2
Receipt of capital grants	–	0.1
Net cash outflow for capital expenditure and financial investment	(23.8)	(19.2)
*Including capital accruals the purchase of fixed assets figure would be £25.1m (2004: £22.8m)		
Management of liquid resources		
Net decrease (increase) in bank deposits	11.8	(41.6)
Net cash outflow from management of liquid resources	11.8	(41.6)
Financing		
Issue of ordinary share capital	–	0.1
New bank loans	35.0	63.0
Repayment of bank loans	(20.8)	(21.0)
Net cash inflow from financing	14.2	42.1

33 Analysis of changes in net debt – Group

	At 1 April 2004 £m	Cash flows £m	Other non-cash changes £m	Translation differences £m	At 31 March 2005 £m
Cash at bank and in hand	7.9	8.5		(5.2)	11.2
Overdrafts	(0.7)	(1.4)		(0.1)	(2.2)
		7.1			
Current instalments of loans	(24.2)	(1.5)	(0.6)	0.8	(25.5)
Loans repayable after more than one year	(82.9)	(12.7)	0.6	2.5	(92.5)
		(14.2)			
Current asset investments	65.4	(11.8)		–	53.6
	(34.5)	(18.9)	–	(2.0)	(55.4)

34 Principal exchange rates

	2005 Average	Closing	2004 Average	Closing
Euro	1.47	1.46	1.44	1.50
Japanese Yen	198	202	192	193
United States Dollar	1.85	1.89	1.70	1.85