Notes to the Group Accounts

For the year ended 31 March 2006

1 Analysis of income and expenditure

This analysis reconciles the Income Statement presentation to the segmental analysis shown in note 2.

Prior year results have been restated to show the costs of the Enterprise Business System separately.

	2006 £m	2005 (as restated) £m
Revenue	**828.5**	773.9
Cost of sales	**(402.1)**	(361.8)
Distribution and marketing expenses	**(243.2)**	(228.0)
Contribution	**183.2**	184.1
Distribution and marketing expenses within Process costs	**(74.0)**	(66.1)
Administrative expenses	**(7.9)**	(8.0)
Group Process costs	**(81.9)**	(74.1)
Distribution and marketing expenses: Enterprise Business System costs	**(25.1)**	(9.2)
Headline operating profit	**76.2**	100.8
Net financial expense	**(3.4)**	(0.9)
Headline profit before tax	**72.8**	99.9
Distribution and marketing expenses: provision for RoHS	**(4.0)**	–
Distribution and marketing expenses: reorganisation costs	**(2.6)**	–
Administrative expenses: reorganisation costs	**(1.1)**	–
Profit before tax	**65.1**	99.9

Contribution and Process costs are shown prior to costs relating to reorganisation and the provision for RoHS.

2 Segmental analysis

The Group is managed in regions – United Kingdom, Continental Europe, North America and Asia Pacific. Continental Europe comprises our operations in France, Germany, Italy, Austria, Denmark, Norway, Sweden, Republic of Ireland, Spain, the Netherlands and Belgium. Asia Pacific comprises our operations in Japan, Australia, Chile, India, New Zealand, Singapore, Malaysia, South Africa, the Philippines, Hong Kong and China. North America comprises our operations in the United States of America and Canada. These regions are the basis on which the Group reports its primary segment information. The Group has only one type of business and therefore does not have separately identifiable business segments. No secondary segment information is therefore given.

Intersegment pricing is determined on an arms' length basis.

Prior year results have been restated to include Japan within Asia Pacific rather than reporting it as a separate segment as this reflects the increasing alignment of the Group's management of these businesses. Profit before tax has also been restated to show the Enterprise Business System costs separately.

		2006 £m	2005 (as restated) £m
By geographical destination			
Revenue:	United Kingdom	**339.9**	345.2
	Continental Europe	**272.5**	247.6
	North America	**135.9**	111.8
	Asia Pacific	**80.2**	69.3
		828.5	773.9

		2006 Total sales £m	**2006 Inter-segment sales £m**	**2006 Revenue £m**	2005 Total sales £m	2005 Inter-segment sales £m	2005 Revenue £m
By geographical origin							
Revenue:	United Kingdom	**461.8**	**(108.2)**	**353.6**	450.1	(91.3)	358.8
	Continental Europe	**274.2**	**(6.3)**	**267.9**	249.2	(5.7)	243.5
	North America	**138.1**	**(0.6)**	**137.5**	112.9	(0.1)	112.8
	Asia Pacific	**71.8**	**(2.3)**	**69.5**	60.6	(1.8)	58.8
		945.9	**(117.4)**	**828.5**	872.8	(98.9)	773.9

		2006 £m	2005 (as restated) £m
Profit before tax:	United Kingdom	**96.9**	106.6
	Continental Europe	**59.9**	56.3
	North America	**19.2**	15.7
	Asia Pacific	**7.2**	5.5
	Contribution	**183.2**	184.1
	Groupwide Process costs	**(81.9)**	(74.1)
	Enterprise Business System costs	**(25.1)**	(9.2)
	Net financial expense	**(3.4)**	(0.9)
	Headline profit before tax	**72.8**	99.9
	Provision for RoHS	**(4.0)**	–
	Reorganisation costs	**(3.7)**	–
		65.1	99.9

2 Segmental analysis continued

		2006 £m	2005 (as restated) £m
By geographical location			
Total assets:	United Kingdom	**270.4**	256.9
	Continental Europe	**132.4**	124.3
	North America	**199.9**	174.3
	Asia Pacific	**42.7**	37.7
	Total assets	**645.4**	593.2
	Unallocated assets:		
	Cash and cash equivalents	**39.4**	64.8
	Corporation tax asset	**1.0**	2.2
	Deferred tax asset	**17.5**	17.4
		703.3	677.6
Total liabilities:	United Kingdom	**107.6**	109.5
	Continental Europe	**46.1**	40.0
	North America	**11.1**	8.1
	Asia Pacific	**8.3**	6.5
	Total liabilities	**173.1**	164.1
	Unallocated liabilities:		
	Corporation tax liability	**13.3**	18.7
	Deferred tax liability	**20.3**	18.9
	Loans and overdrafts	**160.2**	120.2
		366.9	321.9
Capital expenditure:	United Kingdom	**23.9**	19.5
	Continental Europe	**1.4**	2.7
	North America	**4.1**	0.9
	Asia Pacific	**1.0**	2.0
		30.4	25.1
Depreciation and amortisation:	United Kingdom	**16.0**	14.2
	Continental Europe	**3.7**	4.9
	North America	**1.0**	0.8
	Asia Pacific	**2.5**	2.5
		23.2	22.4
Significant non-cash expenses:	United Kingdom	**2.2**	2.0
	Continental Europe	**0.3**	0.2
	North America	**0.1**	0.1
	Asia Pacific	**0.1**	0.1
		2.7	2.4

3 Profit before tax

	2006 £m	2005 £m
Profit before tax is stated after charging (crediting):		
Remuneration of the auditors and their associates:		
audit and expenses	**0.6**	0.6
taxation services and advice	**0.2**	0.2
other advisory services	**0.1**	0.1
Depreciation	**16.5**	15.8
Amortisation of intangibles	**6.7**	6.6
Amortisation of government grants	**(0.3)**	(0.3)
Loss on disposal of non-current assets	**1.2**	0.1
Hire of plant and machinery	**5.3**	3.3
Net foreign exchange losses	**0.1**	–

4 Provision for RoHS

RoHS (Restriction of Hazardous Substances) is an EU Directive that will restrict the use of six hazardous materials in the manufacture of electronic and electrical equipment. The legislation will come into force on 1 July 2006. The RoHS regulations will prevent the use of non-compliant products in manufacture. It will still be acceptable to use non-compliant products for maintenance.

An increase in the provision for obsolete stock of £4.0m has therefore been made.

5 Reorganisation costs

Reorganisation costs arising in the year are as follows:

	2006 £m
Redundancy costs	**3.2**
Other initiatives	**0.5**
	3.7

£1.2m was included within trade and other payables as at 31 March 2006.

6 Employees

Numbers employed

	2006	2005
The average number of employees during the year was:		
Management and administration	**314**	321
Distribution and marketing	**4,892**	4,672
	5,206	4,993

Of these staff, 2,447 were employed in the United Kingdom (2005: 2,331).

Aggregate employment costs

	£m	£m
Wages and salaries	**131.9**	116.9
Social security costs	**15.4**	13.9
Equity-settled transactions	**2.7**	2.4
Pension costs	**12.9**	13.7
	162.9	146.9

The remuneration of individual Directors is detailed on page 23.

7 Share-based payments

The Group has a number of share-based payment plans for employees. These comprise an Executive Incentive Plan awarded to the Group's senior executives, a Long Term Incentive Option Plan (LTIOP) awarded to key senior employees, a Save As You Earn (SAYE) scheme that is made available to the majority of employees and a US s423 option scheme that is offered to all permanent employees in the US operating company.

The LTIOP and SAYE schemes were in operation before 7 November 2002 in addition to a pre-existing Long Term Incentive Plan. The recognition and measurement principles in IFRS 2 have only been applied to grants made, under all these schemes, after 7 November 2002 in accordance with the transitional provisions in IFRS 1 and IFRS 2.

Executive Incentive Plan (EIP)

The EIP scheme is a one-off conditional award on 1 February 2006 of shares to the 12 most senior executives in the Group to be delivered following the financial year ending 31 March 2009. The number of shares to be awarded is dependent on the performance of the Group during the year ending 31 March 2009 varying between 0 and 2,700,000. Dividends are accrued during the life of the options. 450,000 of the options have a cash alternative settlement arrangement. The fair value of the EIP options was calculated using a Black-Scholes model based on the assumptions below.

	EIP 2006
Fair value at grant date	**300p**
Assumptions used	
Share price	**300p**
Expected volatility	**39.7%**
Expected option life	**3.25 years**
Risk free interest rate	**4.4%**

Volatility was estimated based on the historical volatility of the shares over a three year period up to the date of grant.

Long Term Incentive Option Plan (LTIOP)

The LTIOP schemes are awarded to key senior employees at a grant price equal to Group's share price. The vesting conditions include a continuation of service, a minimum of three years, and the performance of the Group's shares against a comparator group. The share price is tested against this group after three years and can be retested after four and five years if the options have not vested. The proportion of the options vesting is also dependent on the comparative share performance. The share options can be exercised up to 10 years after the grant date. Any options remaining unexercised after 10 years from the date of grant will expire.

There are currently three LTIOP schemes. 5,264,667 options were granted on 30 June 2005, 4,959,435 options were granted on 30 June 2004 and 6,452,956 options were granted on 30 June 2003. The fair value of the LTIOP options was calculated at the grant date using a Monte Carlo model based on the assumptions below.

	LTIOP 2005	LTIOP 2004	LTIOP 2003
Fair value at grant date	35.6p	78.6p	78.3p
Assumptions used			
Share price	249p	369p	349p
Exercise price	251p	365p	349p
Expected volatility	34.9%	39.7%	39.7%
Expected option life	7 years	7 years	7 years
Expected dividend yield	6.2%	4.9%	5.9%
Risk free interest rate	4.1%	5.0%	5.0%

7 Share-based payments continued

Volatility was estimated based on the historical volatility of the shares over a three year period up to the date of grant.

Save as You Earn (SAYE) schemes

The SAYE schemes are available to the majority of employees of the Group. They provide a purchase price equal the the daily average market price at the date of the offer less 20%. (The French scheme may be offered at a different rate to ensure compliance with French regulations.) The option vesting conditions are the employees' continued employment for the three or five year period and the maintenance of the employees' savings in an account. Failure of either of these conditions is deemed a forfeiture of the option. At the end of the period the employee has six months to either purchase the shares at the agreed price, or withdraw their savings with the accrued interest. There are no market conditions to the vesting of the options.

There have been twelve SAYE awards since 7 November 2002. Four were awarded on 24 June 2005, four were awarded on 30 June 2004 and a further four on 30 June 2003. The options granted, the fair value calculated using a Black-Scholes model, and the assumptions used, are shown below.

	SAYE 3 yr 2005	SAYE 5 yr 2005	SAYE 3 yr 2004	SAYE 5 yr 2004	SAYE 3 yr 2003	SAYE 5 yr 2003
Options granted	1,105,515	795,833	386,423	291,856	1,454,116	1,241,553
Fair value at grant date	55.2p	58.3p	107.2p	126.8p	106.6p	128.0p
Assumptions used						
Share price	247p	247p	357p	357p	325p	325p
Exercise price	212p	212p	283p	283p	260p	260p
Expected volatility	34.8%	35.7%	38.4%	38.4%	39.7%	41.9%
Expected option life	3 years	5 years	3 years	5 years	3 years	5 years
Expected dividend yield	6.3%	6.3%	4.9%	4.9%	5.9%	5.9%
Risk free interest rate	4.1%	4.1%	5.0%	5.0%	5.0%	5.0%
French awards have the following differences to the above awards						
Options granted	10,384	25,210	6,434	15,502	11,139	38,910
Fair value at date of grant	55.2p	58.3p	103.4p	123.6p	101.4p	123.9p
Exercise price	212p	212p	292p	292p	272p	272p

Volatility was estimated based on the historical volatility of the shares over a 3 or 5 year period, as appropriate, up to the date of grant.

US s423 scheme

The US s423 scheme is available to permanent employees of Allied, the Group's US operating company. The options are granted to those who elect to participate and the scheme has a savings element similar to the SAYE scheme. At the end of one year up to 20% of the options can be exercised with the remainder exercisable after two years. The option price is the lesser of 85% of the market value of the shares on the date of grant and the date of exercise. There are no market conditions to the vesting of the options.

There are currently two s423 awards outstanding. 15,496 options were granted on 24 June 2005 and 6,233 options were granted on 30 June 2004. The fair value of the options was calculated at the grant date using a Black-Scholes model and the assumptions used are shown below.

	s423 2005	s423 2004
Fair value at grant date	47.5p	82.0p
Assumptions used		
Share price	247p	370p
Exercise price	207p	296p
Expected volatility	28.4%	39.0%
Expected option life	2 years	2 years
Expected dividend yield	6.3%	5.4%
Risk free interest rate	4.1%	5.0%

Number and weighted average exercise prices of share options

In thousands of options	**Weighted average exercise price 2006**	**Number of options 2006**	Weighted average exercise price 2005	Number of options 2005
Outstanding at the beginning of the year	**353p**	**22,188**	349p	19,054
Forfeited during the year	**311p**	**(4,461)**	336p	(2,519)
Lapsed during the year	**413p**	**(1,009)**	n/a	–
Exercised during the year	**201p**	**(18)**	227p	(13)
Granted during the year	**175p**	**9,917**	360p	5,666
Outstanding at the end of the year	**292p**	**26,617**	353p	22,188
Exercisable at the end of the year	**537p**	**1,974**	502p	1,419

Outstanding options include 7,570,411 options relating to schemes in operation before 7 November 2002.

The options outstanding at 31 March 2006 have an exercise price in the range 0p to 686p and a weighted average contractual life of 8.5 years

Employee expenses

	2006 £m	2005 £m
Share options granted in 2003/04	**1.2**	1.4
Share options granted in 2004/05	**0.9**	1.0
Share options granted in 2005/06	**0.6**	–
Total expense recognised as employee costs	**2.7**	2.4

8 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 2006 amounted to £7.6m (2005: £9.8m). The contributions paid by the Group to the defined contribution section of the scheme amounted to £1.2m (2005: £0.4m).

In addition to the UK scheme outlined above there are certain pension benefits provided on a defined benefit basis in Germany and Ireland amounting to £1.0m (2005: £0.8m), defined contribution basis in Australia and North America amounting to £0.8m (2005: £0.7m), and via government schemes in France, Italy, Scandinavia and North Asia amounting to £2.0m (2005: £1.6m).

The Group expects to pay £9.9m to its UK defined benefit pension plan in 2007.

The principal assumptions used in the valuations of the liabilities of the Group's schemes were:

	2006 United Kingdom	**Germany**	**Republic of Ireland**	2005 United Kingdom	Germany	Republic of Ireland
Discount rate	**4.90%**	**4.50%**	**4.50%**	5.40%	4.50%	4.50%
Rate of increase in salaries	**3.90%**	**3.00%**	**4.00%**	3.90%	3.00%	4.00%
Rate of increase of pensions in payment	**2.90%**	**2.00%**	**2.00%**	2.90%	2.00%	2.00%
Inflation assumption	**2.90%**	**2.00%**	**2.00%**	2.90%	2.00%	2.00%

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

	2006 United Kingdom	**Germany**	**Republic of Ireland**	2005 United Kingdom	Germany	Republic of Ireland
Equities	**7.05%**	**n/a**	**7.00%**	6.95%	n/a	6.70%
Corporate bonds	**4.15%**	**n/a**	**n/a**	4.65%	n/a	n/a
Government bonds	**3.55%**	**n/a**	**4.00%**	3.95%	n/a	3.70%
Cash	**3.75%**	**n/a**	**n/a**	4.00%	n/a	n/a
Other	**n/a**	**n/a**	**5.00%**	n/a	n/a	4.70%

Based upon the demographics of scheme members, the weighted average life expectancy assumptions used to determine benefit obligations were:

	2006 United Kingdom Years	**Germany Years**	**Republic of Ireland Years**
Member aged 65 (current life expectancy) – male	**17.4**	**18.1**	**21.4**
Member aged 65 (current life expectancy) – female	**20.3**	**22.1**	**26.4**
Member aged 45 (life expectancy at aged 65) – male	**19.9**	**21.5**	**21.4**
Member aged 45 (life expectancy at aged 65) – female	**22.9**	**25.5**	**26.4**

The amounts recognised in the income statement were:

	2006 United Kingdom £m	**Germany £m**	**Republic of Ireland £m**	**Total £m**	2005 United Kingdom £m	Germany £m	Republic of Ireland £m	Total £m
Current service cost	**7.1**	**0.7**	**0.1**	**7.9**	8.9	0.5	0.1	9.5
Past service cost	**–**	**–**	**–**	**–**	–	–	–	–
Interest cost	**13.1**	**0.2**	**0.1**	**13.4**	12.0	0.2	0.1	12.3
Expected return on assets	**(12.6)**	**–**	**(0.1)**	**(12.7)**	(11.1)	–	(0.1)	(11.2)
Total income statement charge	**7.6**	**0.9**	**0.1**	**8.6**	9.8	0.7	0.1	10.6

Of the charge for the year, £0.4m (2005: £0.6m) has been included in administrative expenses and the remainder in distribution and marketing expenses.

The actual return on scheme assets was: UK £48.7m (2005: £15.3m), Germany £nil (2005: £nil) and Republic of Ireland £0.4m (2005: £0.1m).

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

	2006 United Kingdom £m	**Germany £m**	**Republic of Ireland £m**	2005 United Kingdom £m	Germany £m	Republic of Ireland £m
Equities	**189.9**	**n/a**	**1.4**	143.5	n/a	1.1
Corporate bonds	**22.6**	**n/a**	**–**	18.4	n/a	–
Government bonds	**39.7**	**n/a**	**0.2**	32.7	n/a	0.2
Cash	**1.5**	**n/a**	**–**	3.4	n/a	–
Other	**–**	**n/a**	**0.2**	–	n/a	–
Total market value of assets	**253.7**	**–**	**1.8**	198.0	–	1.3

No amount is included in the market value of assets relating to either financial instruments or property occupied by the Group.

8 Pension Schemes continued

The amount included in the Balance Sheet arising from the Group's obligations in respect of its defined benefit pension schemes is:

	2006 United Kingdom Valuation £m	Germany Valuation £m	Republic of Ireland Valuation £m	Total Valuation £m	2005 United Kingdom Valuation £m	Germany Valuation £m	Republic of Ireland Valuation £m	Total Valuation £m
Total market value of assets	**253.7**	**–**	**1.8**	**255.5**	198.0	–	1.3	199.3
Present value of scheme liabilities	**(288.7)**	**(6.3)**	**(2.3)**	**(297.3)**	(239.3)	(5.3)	(1.7)	(246.3)
Deficit in the scheme	**(35.0)**	**(6.3)**	**(0.5)**	**(41.8)**	(41.3)	(5.3)	(0.4)	(47.0)

The rules of the UK Electrocomponents Group Pension Scheme give the Trustee powers to wind up the Scheme, which it may exercise if the Trustee is aware that the assets of the Scheme are insufficient to meet its liabilities. Although the Scheme is currently in deficit, the Trustee and the Company have agreed a plan to eliminate the deficit over time and the Trustee has confirmed that it has no current intention of exercising its power to wind up the Scheme.

The German scheme is unfunded, in line with local practice, and the deficit of £6.3m in the German scheme is financed through accruals established within the German accounts.

In addition, the value of the assets and liabilities held in respect of AVCs amounted to £1.0m as at 31 March 2006 (2005: £0.9m).

The value of the assets and liabilities held in respect of the defined contribution section of the Scheme amounted to £2.8m as at 31 March 2006 (2005: £1.0m).

The movement in present value of the defined benefit obligations in the current period was:

	United Kingdom £m	Germany £m	Republic of Ireland £m	Total £m
Present value of the defined benefit obligations at the beginning of the year	239.3	5.3	1.7	246.3
Movement in year:				
Current service cost	7.1	0.7	0.1	7.9
Interest cost	13.1	0.2	0.1	13.4
Contributions from scheme members	2.7	–	–	2.7
Actuarial loss	31.9	–	0.3	32.2
Insurance premiums paid	–	(0.1)	–	(0.1)
Benefits paid	(5.4)	(0.1)	–	(5.5)
Exchange differences	–	0.3	0.1	0.4
Present value of the defined benefit obligations at the end of the year	**288.7**	**6.3**	**2.3**	**297.3**

The movement in present value of the fair value of scheme assets in the current period was:

	United Kingdom £m	Germany £m	Republic of Ireland £m	Total £m
Present value of fair value of scheme assets at the beginning of the year	198.0	–	1.3	199.3
Movement in year:				
Expected return on scheme assets	12.6	–	0.1	12.7
Actuarial gain	36.1	–	0.3	36.4
Contributions by company	9.7	0.1	0.1	9.9
Contributions from scheme members	2.7	–	–	2.7
Insurance premiums paid	–	(0.1)	–	(0.1)
Benefits paid	(5.4)	(0.1)	–	(5.5)
Exchange differences	–	0.1	–	0.1
Present value of fair value of scheme assets at the end of the year	**253.7**	**–**	**1.8**	**255.5**

Experience adjustments were:

	2006 United Kingdom %	Germany %	Republic of Ireland %	2005 United Kingdom %	Germany %	Republic of Ireland %
Difference between expected and actual return on plan assets	**14.2%**	**n/a**	**14.4%**	2.1%	n/a	0.0%
Experience (gains) losses on plan liabilities	**0.0%**	**(0.3%)**	**(0.4%)**	(3.2%)	2.0%	0.0%

The cumulative amount of actuarial gains recognised in the statement of recognised income and expense is £4.7m (2005: £0.5m).

9 Income tax expense

Taxation on the profit of the Group	2006 £m	2005 £m
United Kingdom corporation tax at 30% (2005: 30%)	**16.9**	24.6
United Kingdom deferred taxation	**(1.1)**	1.1
Double tax relief	**(7.0)**	(6.8)
	8.8	18.9
Overseas taxation – current	**11.4**	9.8
Overseas taxation – deferred	**1.3**	3.6
Total income tax expense in the Income Statement	**21.5**	32.3
Total tax expense is reconciled to a notional 30% (2005: 30%) of profit before taxation as follows:		
Expected tax charge	**19.5**	29.9
Differences in overseas corporation tax rates	**2.0**	2.2
Utilisation of tax losses	**0.4**	(0.2)
Items not chargeable for tax purposes	**0.3**	0.4
Other local taxes suffered overseas	**0.7**	0.1
Non-taxable income	**(0.1)**	–
Over provision in prior years	**(1.3)**	(0.1)
	21.5	32.3
Deferred tax recognised directly in equity		
Relating to actuarial gains on defined benefit pension scheme	**1.3**	0.2
	1.3	0.2

Previously unrecognised tax losses

During the year the Group recognised a deferred tax asset of £1.1m for previously unrecognised tax losses (2005: £0.6m).

10 Dividends

	2006 £m	2005 £m
Amounts recognised in the period:		
Final dividend for the year ended 31 March 2005 – 12.6p (2004: 12.6p)	**54.8**	54.8
Interim dividend for the year ended 31 March 2006 – 5.8p (2005: 5.8p)	**25.2**	25.2
	80.0	80.0
Proposed dividend for the year ended 31 March 2006 – 12.6p	**54.8**	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

11 Earnings per share

	2006 £m	2005 £m
Profit for the year attributable to the equity shareholders	**43.6**	67.6
Provision for RoHS	**4.0**	–
Reorganisation costs	**3.7**	–
Tax impact of reorganisation costs and provision for RoHS	**(2.4)**	–
Headline profit for the year attributable to the equity shareholders	**48.9**	67.6
Weighted average number of shares	**434,920,017**	434,902,965
Dilutive effect of share options	**335,031**	92,751
Diluted weighted average number of shares	**435,255,048**	434,995,716

	pence	pence
Basic earnings per share	**10.0**	15.5
Diluted earnings per share	**10.0**	15.5
Headline basic earnings per share	**11.2**	15.5
Headline diluted earnings per share	**11.2**	15.5

A further 17,181,995 share options were outstanding as at 31 March 2006 (2005: 13,086,688) but were not included as they were anti-dilutive.

12 Intangible assets

Cost	Goodwill £m	Software £m	Other Intangibles £m	Total £m
At 1 April 2004	185.9	59.6	0.3	245.8
External additions	–	14.8	–	14.8
Disposals	–	(0.3)	–	(0.3)
Translation differences	(3.9)	0.1	–	(3.8)
At 1 April 2005	182.0	74.2	0.3	256.5
External additions	–	12.1	–	12.1
Disposals	–	(1.8)	–	(1.8)
Translation differences	15.6	0.6	–	16.2
At 31 March 2006	**197.6**	**85.1**	**0.3**	**283.0**
Amortisation				
At 1 April 2004	44.4	14.7	–	59.1
Charged in the year	–	6.6	–	6.6
Disposals	–	(0.3)	–	(0.3)
Translation differences	(0.8)	–	–	(0.8)
At 1 April 2005	43.6	21.0	–	64.6
Charged in the year	–	6.7	–	6.7
Disposals	–	(0.5)	–	(0.5)
Translation differences	3.6	0.4	–	4.0
At 31 March 2006	**47.2**	**27.6**	**–**	**74.8**
Net book value				
At 31 March 2006	**150.4**	**57.5**	**0.3**	**208.2**
At 31 March 2005	138.4	53.2	0.3	191.9
At 31 March 2004	141.5	44.9	0.3	186.7

The recoverable amount of goodwill is based on value in use calculations. Those calculations use cash flow projections based on actual operating results and management projections for a further six years. Cash flows for further periods are extrapolated using a growth rate which is appropriate for the long-term nature of the business. A pre-tax discount rate of 9% has been used in discounting the projected cash flows.

The key assumption used is the sales growth rate. This is based upon historical growth rates and future plans in the medium term. Long term growth rates are based upon expected GDP growth, in line with IFRS 36: Impairment of Assets, rather than management expectations.

The recoverable amount of the unit exceeds its carrying value and the carrying value of the goodwill is therefore not impaired.

13 Property, plant and equipment

Cost	Land and buildings £m	Plant and machinery £m	Computer systems £m	Total £m
At 1 April 2004	91.8	97.0	47.0	235.8
Additions	0.1	4.7	5.5	10.3
Disposals	–	(1.4)	(1.9)	(3.3)
Reclassification	–	(0.2)	0.2	–
Translation differences	0.7	0.3	0.1	1.1
At 1 April 2005	92.6	100.4	50.9	243.9
Additions	3.7	2.7	11.9	18.3
Disposals	(0.5)	(1.4)	(5.3)	(7.2)
Reclassification	–	(1.0)	1.0	–
Translation differences	1.0	0.9	0.6	2.5
At 31 March 2006	**96.8**	**101.6**	**59.1**	**257.5**
Depreciation				
At 1 April 2004	19.2	66.5	33.6	119.3
Charged in the year	1.8	7.8	6.2	15.8
Disposals	–	(1.2)	(1.2)	(2.4)
Reclassification	–	(0.1)	0.1	–
Translation differences	0.1	0.1	0.1	0.3
At 1 April 2005	21.1	73.1	38.8	133.0
Charged in the year	1.7	7.0	7.8	16.5
Disposals	(0.4)	(1.3)	(4.4)	(6.1)
Reclassification	–	–	–	–
Translation differences	0.2	0.7	0.4	1.3
At 31 March 2006	**22.6**	**79.5**	**42.6**	**144.7**
Net book value				
At 31 March 2006	**74.2**	**22.1**	**16.5**	**112.8**
At 31 March 2005	71.5	27.3	12.1	110.9
At 31 March 2004	72.6	30.5	13.4	116.5

13 Property, plant and equipment continued

Net book value of land and buildings	2006 £m	2005 £m
Freehold land	**13.2**	11.4
Freehold buildings	**58.0**	57.2
Long leasehold buildings	**0.4**	0.5
Short leasehold buildings	**2.6**	2.4
	74.2	71.5
Net book value of plant and machinery		
Plant and machinery	**19.1**	24.5
Other office equipment	**2.1**	1.9
Motor vehicles	**0.9**	0.9
	22.1	27.3

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

14 Capital commitments

	2006 £m	2005 £m
Contracted capital expenditure at 31 March, for which no provision has been made in these accounts	**7.1**	0.5

15 Investments

	2006 £m	2005 £m
Jointly controlled entities	**0.3**	0.2

16 Principal subsidiary undertakings and jointly controlled entities

	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 in the 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.

† 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 2006 the Group made sales of £0.6m (2005: £0.5m) to RSCC and supplied catalogues at a cost to RSCC of £0.1m (2005: £0.1m). RSCC is treated in the accounts as an associated undertaking.

17 Inventories

	2006 £m	2005 £m
Raw materials and consumables	7.4	4.4
Finished goods and goods for resale	151.2	137.9
	158.6	142.3

During the year the provision for obsolete stock increased by £4.0m (2005: £0.1m). The current year increase relates to a provision made as a result of the RoHS Directive (see note 4).

18 Trade and other receivables

	2006 £m	2005 £m
Gross trade debtors	146.2	130.2
Provision for doubtful debts	(3.3)	(3.3)
Amounts owed by associated undertakings	0.3	0.3
Derivative assets	0.6	–
Other debtors	3.3	3.8
Prepaid catalogue expenses	7.2	8.3
Other prepayments and accrued income	8.0	5.8
Trade and other receivables falling due within one year	162.3	145.1
Corporate tax	0.2	0.2
Prepaid leases	1.9	1.8
Derivative assets	0.3	–
Other debtors	0.8	0.8
Trade and other receivables falling due after more than one year	3.2	2.8

19 Trade and other payables

	2006 £m	2005 £m
Trade creditors	77.5	70.6
Other taxation and social security	8.9	9.7
Derivative liabilities	1.0	–
Other creditors	5.2	4.8
Government grants	0.3	0.3
Accruals and deferred income	30.6	24.1
Trade and other payables due within one year	123.5	109.5
Other creditors	3.3	2.8
Government grants	4.5	4.8
Trade and other payables due in more than one year	7.8	7.6

20 Interest bearing loans and borrowings

	2006 £m	2005 £m
Non-current liabilities		
Unsecured bank facility	128.4	88.9
Unsecured bank loans	7.0	3.6
Finance lease liabilities	1.8	–
	137.2	92.5
Current liabilities		
Unsecured overdraft	1.4	2.2
Unsecured bank loans	18.3	25.5
Finance lease liabilities	3.3	–
	23.0	27.7
Borrowings are repayable as follows:		
Amounts falling due on demand or within one year	23.0	27.7
In more than one but not more than two years	59.7	0.6
In more than two but not more than three years	0.8	58.8
In more than three but not more than four years	71.5	0.6
In more than four but not more than five years	4.6	31.3
In more than five years	0.6	1.2
	160.2	120.2

20 Interest bearing loans and borrowings continued

Borrowings are analysed by currency as:

	Sterling 2006 £m	US Dollars 2006 £m	Euro 2006 £m	Japanese Yen 2006 £m	Other 2006 £m	Total 2006 £m
Bank overdrafts	0.2	–	–	–	1.2	1.4
Unsecured bank facility	–	57.5	35.0	28.8	7.1	128.4
Unsecured bank loans	–	3.8	3.7	6.1	11.7	25.3
Finance lease liabilities	5.1	–	–	–	–	5.1
Total borrowings	5.3	61.3	38.7	34.9	20.0	160.2

	Sterling 2005 £m	US Dollars 2005 £m	Euro 2005 £m	Japanese Yen 2005 £m	Other 2005 £m	Total 2005 £m
Bank overdrafts	–	–	0.7	–	1.5	2.2
Unsecured bank facility	–	58.2	–	30.7	–	88.9
Unsecured bank loan	–	4.1	4.3	2.9	17.8	29.1
Finance lease liabilities	–	–	–	–	–	–
Total borrowings	–	62.3	5.0	33.6	19.3	120.2

21 Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates and interest rates. All financial instruments are accounted for on trade date.

Credit risk

All operating companies have credit policies and monitor their credit exposure on an ongoing basis. Each operating company performs credit evaluations on all customers seeking credit over a certain amount. For countries with no local operating company presence export credit limits are set and monitored on a country basis. Trading receivables are stated net of allowances for doubtful receivables, estimated by local management based on prior experience and assessment of their current economic environment. The average credit period taken by customers is 54 days (2005: 51 days).

The investment management of liquid funds aims to maximise the return on net funds subject to the security of the principal and the liquidity of the Group. The Group identifies counterparties of suitable creditworthiness based on ratings assigned by international credit-rating agencies and has procedures to ensure that only these parties are used, that exposure limits are set based on the external credit ratings, and that these limits are not exceeded.

The amounts in the balance sheet represent the maximum credit risk exposure at the balance sheet date. There were no significant concentrations of credit risk at the balance sheet date, as exposure is spread over a large number of counterparties and customers.

Interest rate risk

The Group adopts a policy of paying and receiving interest on a variable interest rate basis, as in the opinion of the Group this minimises interest cost over time, and because of the low levels of debt and therefore interest rate risk in the Group. This policy is subject to regular monitoring of the effect of potential changes in interest rates on its interest cost with a view to taking suitable actions should exposure reach certain levels.

Two interest rate swaps have been entered into in order to achieve this policy. The swaps mature over the next five years following the maturity of the related loans, one of which is amortising, and have fixed swap rates of 1.15% and 3.85%. At 31 March 2006 the Group had interest rate swaps with notional contract amounts of JPY 800m (2005: nil) and Euro 5.4m (2005: Euro 6.3m).

The Group classifies these interest rate swaps as cash flow hedges and states them at fair value. The fair value of swaps at 1 April 2005 was adjusted against the opening balance of the hedging reserve at that date.

The net fair value of swaps at 31 March 2006 was £nil, comprising assets of £0.1m and liabilities of £0.1m. These amounts were recognised as fair value derivatives. As at 1 April 2005 the net fair value of swaps was £0.2m, which was adjusted against the opening balance of the hedging reserve at that date.

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

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

	Effective interest rate	6 months or less £m	6 months - 2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m
Cash and cash equivalents	3.6%	39.4	–	–	–	–	–
Unsecured bank loans:							
Euro fixed rate loan	3.9%	–	–	–	–	–	(3.7)
Effect of interest rate swap	(2.0%)	(3.7)	–	–	–	–	3.7
JPY fixed rate loan	1.2%	–	–	–	–	(3.9)	–
Effect of interest rate swap	(0.8%)	(3.9)	–	–	–	3.9	–
Other unsecured bank loans	3.3%	(17.7)					
Finance lease liabilities	4.9%	–	–	(5.1)	–	–	–
Unsecured bank facility	3.7%	(128.4)	–	–	–	–	–
Bank overdrafts	(see below)	(1.4)	–	–	–	–	–
At 31 March 2006		**(115.7)**	**–**	**(5.1)**	**–**	**–**	**–**

Bank overdrafts are repayable on demand and are all unsecured. They bear interest at rates set by reference to applicable local rates.

All financial instruments are at floating rates of interest except for finance lease liabilities.

21 Financial instruments continued

As at 31 March 2006 the Group had available £108.1m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The Group has two committed bank facilities, one bilateral multicurrency facility for US$100m due to expire in February 2008, and a syndicated multicurrency facility for £110m and US$120m due to expire in February 2010. The syndicated facility was augmented by US$45m in January 2006 with the inclusion of a new US relationship bank.

Comparative information

As the comparative information in these financial statements is not in accordance with IAS 32 and IAS 39, the following table for 2005 is presented in accordance with UK GAAP.

	Floating rate financial assets £m	Financial assets on which no interest is payable £m	Total £m	Floating rate financial liabilities £m
Euro	17.5	0.3	17.8	5.0
Sterling	44.6	–	44.6	–
US Dollars	–	–	–	62.3
Japanese Yen	0.1	0.3	0.4	33.6
Singapore Dollars	0.5	0.2	0.7	2.9
Hong Kong Dollars	0.1	–	0.1	6.9
Australian Dollars	0.1	–	0.1	3.6
Danish Kroner	1.4	–	1.4	–
South African Rand	–	–	–	5.6
Other	0.5	–	0.5	0.3
Total financial assets and liabilities	64.8	0.8	65.6	120.2

At 31 March 2005 the financial assets of the Group comprised:

	2005 £m
Debtors due after more than one year	0.8
Investments	18.1
Money market investments	35.5
Cash at bank and in hand	11.2
	65.6

At 31 March 2005 the financial liabilities of the Group comprised:

	2005 £m
Bank overdrafts repayable on demand (unsecured)	2.2
Current installments of loans (see note 20)	25.5
Loans repayable between 1 and 2 years (see note 20)	0.6
Loans repayable between 2 and 5 years (see note 20)	90.7
Loans repayable after 5 years (see note 20)	1.2
	120.2

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 at rates close to the overnight inter-bank rates; current account cash balances, typically bearing nominal rates of interest.

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.

Foreign currency risk

The Group is exposed to foreign currency transaction risk primarily because purchases in currencies other than Sterling are much less than its receivables in those currencies. Substantial hedging of currency exposures over catalogue lives is implemented in order to 'shelter' forecast gross profits. In this way the impacts of currency fluctuations are smoothed until selling or cost prices can be changed in light of the movements in exchange rates. The hedges are enacted through forward foreign currency contracts entered into by Group Treasury on the basis of trading projections provided by local businesses.

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, particularly in the case of US Dollars, where the exchange rate movements relating to the US Dollar debt (originally arising from the Allied acquisition) largely offset the impact on underlying assets. Guidelines are in place for reviewing the impact of translation exposures arising from both the currency mix of the Group's net debt and of net assets should there be any material changes.

Forecast transactions

The Group classifies forward exchange contracts hedging forecast transactions as cash flow hedges. These forecast cash flows are expected to occur evenly throughout the period for 16 months from the year end, and will affect the profit and loss account in the period in which they occur. The fair value of forward exchange contracts (£0.9m) as at 1 April 2005 was adjusted against the opening balance of the hedging reserve at that date. The net fair value of forward exchange contracts used as hedges of forecast transactions at 31 March 2006 was -£0.1m, comprising assets of £0.9m and liabilities of -£1.0m that were recognised in fair value derivatives. The net fair value of forward exchange contracts not used as hedges of forecast transactions at 31 March 2006 was nil. The total net amount recognised in equity in the year to 31 March 2006 was -£0.2m and the total net amount removed from equity during the year and taken to the profit and loss account was -£0.8m.

21 Financial instruments continued

Hedge of net investment in foreign subsidiary

The Group has designated certain external loans as hedges of its investments in its US and European subsidiaries. The carrying amount of the US hedge was US $170m (£98m), of which $100m (£58m) formed part of the unsecured bank facility and $70m (£40m) was in the form of an overdraft. The carrying amount of the Euro hedge was Euro 65m (£45m), of which Euro 40m (£28m) formed part of the unsecured bank facility and Euro 25m (£17m) was in the form of an overdraft. Both the US Dollar and Euro overdrafts were shown in the balance sheet netted with positive cash balances, as there is an absolute right of set-off. A foreign exchange loss of £9m was recognised in equity on translation of the loans to Sterling.

Sensitivity analysis

In managing interest rate and currency risk the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on Group earnings.

It is estimated that a general increase of one percentage point in interest rates would have decreased the Group's profit before tax by approximately £1.0m. Interest rate swaps have been included in this calculation.

It is estimated that a decrease of one percentage point in the value of the US Dollar and the Euro against Sterling would have decreased the Group's profit before tax by £0.2m for the year ended 31 March 2006. The forward foreign exchange contracts have been included in this calculation.

Fair values

The fair values together with the carrying amounts shown in the Balance Sheet are as follows:

	Carrying amount 2006 £m	Fair value 2006 £m
Trade and other receivables due in more than one year	**1.0**	**0.8**
Cash and cash equivalents	**39.4**	**39.4**
Interest rate swaps:		
Assets	**0.1**	**0.1**
Liabilities	**(0.1)**	**(0.1)**
Forward exchange contracts:		
Assets	**0.9**	**0.9**
Liabilities	**(1.0)**	**(1.0)**
Unsecured bank loans	**(25.3)**	**(25.3)**
Finance lease liabilities	**(5.1)**	**(4.9)**
Unsecured bank facilities	**(128.4)**	**(128.4)**
Trade and other payables due in more than one year	**(3.3)**	**(2.3)**
Bank overdraft	**(1.4)**	**(1.4)**
Unrecognised gains		**1.0**

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Derivatives

Forward exchange contracts are valued by discounting the contractual forward price and deducting the current spot rate. For interest rate swaps broker quotes are used.

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows. For amounts with a repricing maturity of less than one year the notional amount is deemed to reflect the fair value.

Finance lease liabilities

The fair value is estimated as the present value of future cash flows discounted at market rates.

Trade and other receivables and payables

For receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables and payables are discounted to determine the fair value. The average credit period taken for trade payables is 43 days.

22 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets 2006 £m	2005 £m	Liabilities 2006 £m	2005 £m	Net 2006 £m	2005 £m
Property, plant and equipment	**1.8**	–	**(15.9)**	(16.0)	**(14.1)**	(16.0)
Goodwill	**–**	–	**(15.8)**	(9.7)	**(15.8)**	(9.7)
Retirement benefit obligations	**12.1**	13.3	**–**	–	**12.1**	13.3
Inventories	**0.8**	–	**–**	(0.5)	**0.8**	(0.5)
Employee benefits	**1.0**	2.4	**–**	(0.3)	**1.0**	2.1
Provisions	**0.7**	0.7	**–**	–	**0.7**	0.7
Other items	**–**	–	**(1.2)**	(2.1)	**(1.2)**	(2.1)
Tax losses	**13.7**	10.7	**–**	–	**13.7**	10.7
Tax assets (liabilities)	**30.1**	27.1	**(32.9)**	(28.6)	**(2.8)**	(1.5)
Tax set-off in jurisdictions	**(12.6)**	(9.7)	**12.6**	9.7	**–**	–
Net tax assets (liabilities)	**17.5**	17.4	**(20.3)**	(18.9)	**(2.8)**	(1.5)

22 Deferred tax assets and liabilities continued

A deferred tax asset has been recognised for tax losses where current projections show that sufficient taxable profits will arise in the near future against which these losses may be offset.

	2006 £m	2005 £m
Unrecognised deferred tax assets		
Tax losses	**11.0**	11.3

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

At the balance sheet date, the aggregate amount of temporary differences for which deferred tax liabilities have not been recognised was expected to be £6.0 million. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. Further, the Group has sufficient capital losses to fully offset the £6.0m liability.

23 Lease commitments

Operating 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 2006 was £5.3m (2005: £3.3m). 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 £8.1m (2005: £6.5m). 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. Operating lease rentals are payable as follows:

	Properties 2006 £m	2005 £m	**Plant and machinery 2006 £m**	2005 £m
within one year	**4.5**	6.2	**2.8**	3.1
within two to five years	**10.8**	11.3	**4.1**	4.0
after five years	**8.8**	8.3	**–**	–
	24.1	25.8	**6.9**	7.1

24 Related parties

The Group has a related party relationship with its subsidiaries (see note 16) and with its key management personnel. The key management personnel of the Group are the Executive Directors. Compensation of key management personnel, excluding compensation for loss of office, was:

	2006 £m	2005 £m
Remuneration	**1.4**	1.4
Social security costs	**0.2**	0.2
Equity settled transactions	**0.5**	0.6
Pension costs	**0.2**	0.2
	2.3	2.4

Details of transactions with associates are given in note 16 to the accounts.

25 Share capital

	2006 Number of shares	2005 Number of shares	**2006 £m**	2005 £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 2005	**435,259,071**	435,246,655	**43.5**	43.5
New share capital subscribed	**17,054**	12,416	**–**	–
At 31 March 2006	**435,276,125**	435,259,071	**43.5**	43.5

All of the new share capital subscribed in 2005 related to the exercise of share options. Details of share options outstanding at 31 March 2006 are given in note 7.

For details of the shares held by Electrocomponents plc in itself see note 26.

26 Reserves

	Share premium account £m	Own shares held £m	Retained earnings: Hedging reserve £m	Cumulative translation £m	Profit and loss account £m	Total retained earnings £m	Total £m
At 1 April 2004	38.4	(1.7)	–	–	283.7	282.0	320.4
Total recognised income and expense	–	–	–	1.5	67.9	69.4	69.4
Dividend paid	–	–	–	–	(80.0)	(80.0)	(80.0)
Equity settled transactions	–	–	–	–	2.4	2.4	2.4
Premium on new share capital subscribed	–	–	–	–	–	–	–
At 1 April 2005 as originally reported	38.4	(1.7)	–	1.5	274.0	273.8	312.2
Opening balance sheet adjustment: adoption of IAS 32 and IAS 39	–	–	0.9	–	–	0.9	0.9
At 1 April 2005 as restated	38.4	(1.7)	0.9	1.5	274.0	274.7	313.1
Total recognised income and expense	–	–	(1.0)	11.6	46.5	57.1	57.1
Dividend paid	–	–	–	–	(80.0)	(80.0)	(80.0)
Equity settled transactions	–	–	–	–	2.7	2.7	2.7
Premium on new share capital subscribed	–	–	–	–	–	–	–
At 31 March 2006	**38.4**	**(1.7)**	**(0.1)**	**13.1**	**243.2**	**254.5**	**292.9**

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 2006 is £42.8m (2005: £42.8m).

The own shares held reserve represents the cost of 308,417 shares in Electrocomponents plc (2005: 308,417) purchased in the market and held by the Electrocomponents Employee Trust to satisfy options under the Group's share option schemes (see note 7) and a further 39,342 shares held by the QUEST (2005: 40,358 shares). Shares held by the Electrocomponents Employee Trust and the QUEST were valued at £863,568 and £110,158 respectively as at 31 March 2006.

The cumulative translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Group's net investment in foreign subsidiaries.

The hedging reserve comprises the fair value of forward foreign exchange contracts and interest rate swaps.

27 Reconciliations of movements in equity

	2006 £m	2005 £m
Profit for the year	**43.6**	67.6
Dividend	**(80.0)**	(80.0)
Loss for the year	**(36.4)**	(12.4)
Translation differences	**11.6**	1.5
Loss on investment hedges	**(1.0)**	–
Actuarial gain on defined benefit pension schemes	**4.2**	0.5
Tax impact on adjustments taken directly to reserves	**(1.3)**	(0.2)
Equity settled transactions	**2.7**	2.4
New share capital subscribed	**–**	–
Net reduction to equity	**(20.2)**	(8.2)
Equity shareholders' funds at the beginning of the year	**355.7**	363.9
Opening balance sheet adjustment: adoption of IAS 32 and IAS 39	**0.9**	–
Equity shareholders' funds at the beginning of the year as restated	**356.6**	–
Equity shareholders' funds at the end of the year	**336.4**	355.7

28 Opening balance sheet adjustment: adoption of IAS 32 and IAS 39

The Group adopted IAS 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement from 1 April 2005 as permitted by IFRS 1 First-time adoption of International Financial Reporting Standards. An adjustment has therefore been made to include these balances in the opening equity balances for the year to 31 March 2006. In accordance with IFRS 1, comparative information has not been restated.

The opening adjustment for the Group represents the difference between the book value and the market value of its forward foreign exchange contracts as at 1 April 2005.

This has the effect of increasing opening equity by £0.9m and increasing trade and other receivables by £0.9m.

29 Cash and cash equivalents

	2006 £m	2005 £m
Bank balances	**15.4**	53.6
Call deposits and investments	**24.0**	11.2
Cash and cash equivalents in the Balance Sheet	**39.4**	64.8
Bank overdrafts	**(1.4)**	(2.2)
Cash and cash equivalents in the Cash Flow Statement	**38.0**	62.6
Current installments of loans	**(21.6)**	(25.5)
Loans repayable after more than one year	**(137.2)**	(92.5)
Net debt	**(120.8)**	(55.4)

30 Contingent liabilities

At 31 March 2006 there were no contingent liabilities (2005: none).

31 Principal exchange rates

	2006 Average	Closing	2005 Average	Closing
United States Dollar	**1.79**	**1.74**	1.85	1.89
Euro	**1.46**	**1.43**	1.47	1.46
Japanese Yen	**202**	**205**	198	202

32 Transition to IFRS

As stated in the Group Significant Accounting Policies, these are the Group's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies have been applied in preparing the financial statements for the year ended 31 March 2006, the comparative information presented in these financial statements for the year ended 31 March 2005 and in the preparation of an opening IFRS balance sheet at 1 April 2004 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out on the following tables and the notes that accompany the tables.

Reconciliation of equity

	Note	1 April 2004 UK GAAP £m	IFRS adjustments £m	**IFRS £m**	31 March 2005 UK GAAP £m	IFRS adjustments £m	**IFRS £m**
Non-current assets							
Intangible assets	a, b	141.8	44.6	**186.4**	129.6	62.3	**191.9**
Property, plant and equipment	b, c	163.3	(46.5)	**116.8**	165.8	(54.9)	**110.9**
Investments		0.1	–	**0.1**	0.2	–	**0.2**
Trade and other receivables	c, d, e	–	2.8	**2.8**	–	2.8	**2.8**
Deferred tax assets	k	–	19.2	**19.2**	–	17.4	**17.4**
		305.2	20.1	**325.3**	295.6	27.6	**323.2**
Current assets							
Inventories		128.7	–	**128.7**	142.3	–	**142.3**
Trade and other receivables	d, i	151.6	(4.1)	**147.5**	152.4	(7.3)	**145.1**
Income tax receivables	i	–	2.0	**2.0**	–	2.2	**2.2**
Investments	f	65.4	(65.4)	**–**	53.6	(53.6)	**–**
Cash and cash equivalents	f	7.9	65.4	**73.3**	11.2	53.6	**64.8**
		353.6	(2.1)	**351.5**	359.5	(5.1)	**354.4**
Current liabilities							
Trade and other payables	g, h, i, j	(210.0)	97.9	**(112.1)**	(207.0)	97.5	**(109.5)**
Loans and borrowings	j	–	(24.9)	**(24.9)**	–	(27.7)	**(27.7)**
Tax liabilities	i	–	(21.9)	**(21.9)**	–	(18.7)	**(18.7)**
		(210.0)	51.1	**(158.9)**	(207.0)	51.1	**(155.9)**
Net current assets		143.6	49.0	**192.6**	152.5	46.0	**198.5**
Total assets less current liabilities		448.8	69.1	**517.9**	448.1	73.6	**521.7**
Non-current liabilities							
Trade and other payables	e, j	(92.8)	85.7	**(7.1)**	(103.1)	95.5	**(7.6)**
Retirement benefit obligations	e	–	(48.2)	**(48.2)**	–	(47.0)	**(47.0)**
Loans and borrowings	j	–	(82.9)	**(82.9)**	–	(92.5)	**(92.5)**
Deferred tax liabilities	k	(11.6)	(4.2)	**(15.8)**	(14.3)	(4.6)	**(18.9)**
Net assets		344.4	19.5	**363.9**	330.7	25.0	**355.7**
Equity							
Called-up share capital		43.5	–	**43.5**	43.5	–	**43.5**
Share premium account		38.4	–	**38.4**	38.4	–	**38.4**
Own shares held		(1.7)	–	**(1.7)**	(1.7)	–	**(1.7)**
Foreign exchange reserve	m	–	–	**–**	–	1.5	**1.5**
Profit and loss account	n	264.2	19.5	**283.7**	250.5	23.5	**274.0**
Total equity attributable to the shareholders of the parent		344.4	19.5	**363.9**	330.7	25.0	**355.7**

Notes to the reconciliation of equity

a) From 1 April 2004, goodwill is no longer amortised under IFRS but is tested annually for impairment. Consequently, goodwill amortisation of £9.4m that was previously charged is now removed from the administrative costs within the income statement for the year ending 31 March 2005 and intangible assets are increased by £9.4m at 31 March 2005.

b) Under IFRS, computer software is treated as an intangible asset 'when the software is not an integral part of the related hardware'. This means application software costs that have been capitalised as tangible fixed assets must now be reclassified to intangible assets. The effect is to increase the intangible fixed assets and reduce tangible fixed assets by £44.6m at 1 April 2004 and £53.0m at 31 March 2005.

c) Under IAS 17, land and buildings currently held on the balance sheet under finance leases are required to be split to determine how much relates to land and how much to buildings so that the land element can be reclassified to operating leases. The Group includes two such leases and, therefore, £1.9m has been reclassified from tangible fixed assets to receivables at 1 April 2004 and £1.8m at 31 March 2005.

d) Under IFRS, receivables due after more than one year are disclosed separately from receivables due within one year on the face of the balance sheet. The effect is to reclassify £0.9m at 1 April 2004 and £5.1m at 31 March 2005.

e) Under UK GAAP, the cost of providing pension benefits was charged against the operating profit over the period during which the Group expected to benefit from the employees' services. The application of SSAP 24 resulted in prepayments of £1.2m at 1 April 2004 and £4.1m at 31 March 2005, and these are reversed as a result of the adoption of IAS 19. The change in the methodology of calculating the income statement charge reduced operating profit by £2.1m in the year ended 31 March 2005.

Similarly, liabilities previously disclosed within creditors are now also disclosed within retirement benefits. The effect is to reduce payables and increase retirement benefit obligations by £2.5m at 1 April 2004 and £2.9m at 31 March 2005.

IAS 19 requires that the Group's pension deficits be recorded as balance sheet liabilities. The impact is that total deficits of £48.2m at 1 April 2004 and £47.0m at 31 March 2005 are disclosed on the balance sheet.

32 Transition to IFRS continued

Notes to the reconciliation of equity continued

f) Under UK GAAP, for an investment to qualify as cash, it needed to have a maturity of less than one day. Under IAS 7 (Cash flow statements), for an investment to qualify as a cash equivalent it qualifies when it has a maturity of three months or less from the date of acquisition.

The Group has reclassified deposits with a maturity of less than three months but more than one day from 'current asset investments' to 'cash and cash equivalents'. The overall impact is to reclassify £65.4m from investments to cash at 1 April 2004 and £53.6m at 31 March 2005.

g) Under UK GAAP, the provisioning for short term employee benefits is covered under FRS 12 (Provisions, contingent liabilities and contingent assets). One of the requirements for a provision is that a transfer of economic benefits will be required to settle the obligation and the transfer of economic benefits has normally involved the payment of money. Thus, no provision has been made, in past years, for holiday pay as the amount of any outstanding holiday pay that is likely to be paid in cash is small.

IAS 19 requires that when an employee has rendered service to an enterprise, the enterprise should recognise the undiscounted amount of the short term benefits expected to be paid in exchange for that service as either a liability or an expense.

Under IFRS, an enterprise must accrue for that extra work done by an employee, for instance, where a holiday allowance is permitted but not taken. Consequently the Group has now included an accrual for accumulating holiday pay and sick pay where relevant. The accrual at both 1 April 2004 and 31 March 2005 is £3.7m and the income statement charge for the year ending 31 March 2005 is £nil.

h) Under IFRS, dividends declared after the balance sheet date are to be treated as non-adjusting events and therefore disclosed in the year in which they are agreed rather than the year to which they relate. The effect is to reduce payables and increase reserves by £54.8m at both 1 April 2004 and 31 March 2005.

i) Under IFRS, the tax payable must be disclosed separately on the balance sheet. Consequently, the payables have been reduced and the tax payable increased by £21.9m and £18.7m at 1 April 2004 and 31 March 2005 respectively. Under IFRS, a tax receivable must be shown separately. Therefore there are adjustments to increase the tax receivable and reduce trade receivables by £2.0m at 1 April 2004 and £2.2m at 31 March 2005.

j) Under IFRS, financial liabilities must be disclosed separately on the balance sheet. Consequently, the payables due within one year have been reduced and the financial liabilities due within one year increased by £24.9m and £27.7m at 1 April 2004 and 31 March 2005 respectively. Similarly, the payables due after more than one year have been reduced and the financial liabilities due after more than one year increased by £82.9m and £92.5m at 1 April 2004 and 31 March 2005 respectively.

k) The above changes (increased) decreased the deferred tax liability as follows:

	Note	1 April 2004 £m	31 March 2005 £m
Deferred tax liability (UK GAAP)		(11.6)	(14.3)
IFRS adjustments:			
Deferred tax on pension deficit	e	13.8	14.6
Deferred tax on holiday pay accrual	g	0.9	0.9
Increase in deferred tax charge on goodwill	a	–	(3.4)
Deferred tax on share based payments	l	0.5	1.3
Gross up deferred tax assets and liabilities	k	(19.2)	(17.4)
Other		(0.2)	(0.6)
Deferred tax liability (IFRS)		**(15.8)**	**(18.9)**

Under IFRS, a deferred tax asset must be shown separately from a deferred tax liability. Therefore there are adjustments to increase the deferred tax asset and deferred tax liability by £19.2m at 1 April 2004 and £17.4m at 31 March 2005.

The effect on the income statement for the year ended 31 March 2005 was to increase the previously reported tax charge by £2.0m to £32.3m.

l) IFRS 2 requires that the fair value of share options be charged to the income statement over the vesting period of the options. Fair values per share have been calculated for options granted since 7 November 2002. These have then been charged to the income statement over their respective vesting periods. The charge for these share-based payments was £2.4m for the year ended 31 March 2005. This charge includes the Long Term Incentive Option Plan options issued in July 2003 and July 2004. The charge for the year ended 31 March 2006 also includes the impact of the options issued in July 2005.

m) IFRS requires translation differences on the revaluation of the assets and liabilities of overseas subsidiaries to be taken directly to reserves. In the year ended 31 March 2005, the value of translation differences is £1.5m.

n) The effect of the above adjustments on the profit and loss account reserve is as follows:

	Note	1 April 2004 £m	31 March 2005 £m
Profit and loss account reserve (UK GAAP)		264.2	250.5
IFRS adjustments:			
Goodwill	a	–	6.0
Long term employee benefits	e	(33.1)	(33.6)
Short term employee benefits	g	(2.8)	(2.8)
Dividends	h	54.8	54.8
Share based payments	l	0.5	1.3
Foreign exchange	m	–	(1.5)
Other		0.1	(0.7)
Profit and loss account reserve (IFRS)		**283.7**	**274.0**

32 Transition to IFRS continued

Reconciliation of profit for the year ended 31 March 2005

	Note	UK GAAP £m	IFRS adjustments £m	IFRS £m
Revenue		773.9	–	**773.9**
Cost of sales		(361.8)	–	**(361.8)**
Gross profit		412.1	–	**412.1**
Distribution and marketing expenses	e, g, l	(298.8)	(4.5)	**(303.3)**
Administrative expenses	a	(17.4)	9.4	**(8.0)**
Operating profit		95.9	4.9	**100.8**
Financial income		–	3.6	**3.6**
Financial expenses		(0.9)	(3.6)	**(4.5)**
Profit before tax		95.0	4.9	**99.9**
Income tax expense	k	(30.3)	(2.0)	**(32.3)**
Profit for the year attributable to equity shareholders		64.7	2.9	**67.6**
Earnings per share				
Basic		14.9p		**15.5p**
Diluted		14.9p		**15.5p**

None of the IFRS adjustments affects the cash flow of the Group.