

# Independent Auditors' Report to the Members of Electrocomponents plc

We have audited the Group and parent Company accounts (the 'accounts') of Electrocomponents plc for the year ended 31 March 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense and the related notes. These accounts have been prepared under the accounting policies set out therein.

We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

## Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the Group accounts in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent Company accounts and the Directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibility on page 18.

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group accounts, Article 4 of the IAS Regulation.

We also report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. The information given in the Directors' Report includes specific information presented in the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not.

We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

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

## Opinion

In our opinion:

- the Group accounts give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 March 2007 and of its profit for the year then ended;
- the Group accounts have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent Company accounts give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent Company's affairs as at 31 March 2007;
- the parent Company accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

## KPMG Audit Plc

Chartered Accountants  
Registered Auditor  
8 Salisbury Square  
London EC4Y 8BB  
30 May 2007

# Group Income Statement

For the year ended 31 March 2007

	Note	2007 £m	2006 £m
<b>Revenue</b>	2	877.5	828.5
Cost of sales		(434.0)	(402.1)
<b>Gross profit</b>		443.5	426.4
Distribution and marketing expenses		(346.2)	(348.9)
Administrative expenses		(6.2)	(9.0)
<b>Operating profit</b>		91.1	68.5
Provision for RoHS	4	–	4.0
Reorganisation (income) costs	5	(0.8)	3.7
<b>Operating profit before reorganisation income/costs and provision for RoHS</b>		90.3	76.2
<b>Financial income</b>			
Bank interest receivable		10.7	6.6
Other interest receivable		0.5	0.3
<b>Financial expenses</b>			
Bank interest payable		(16.9)	(10.3)
Other interest payable		(0.2)	–
<b>Profit before tax</b>	1, 2, 3	85.2	65.1
Profit before tax, reorganisation income/costs and provision for RoHS		84.4	72.8
Income tax expense	9	(29.0)	(21.5)
<b>Profit for the year attributable to equity shareholders</b>		56.2	43.6
<b>Earnings per share</b>			
Basic	11	12.9p	10.0p
Diluted	11	12.9p	10.0p
<b>Dividends</b>			
Amounts recognised in the period:			
Final dividend for the year ended 31 March 2006	10	12.6p	12.6p
Interim dividend for the year ended 31 March 2007	10	5.8p	5.8p
		18.4p	18.4p

A final dividend of 12.6p per share relating to the period, has been proposed, since the period end.

# Group Statement of Recognised Income and Expense

For the year ended 31 March 2007

	Note	2007 £m	2006 £m
Foreign exchange translation differences		(11.6)	11.6
Actuarial (loss) gain on defined benefit pension schemes	8	(0.4)	4.2
Gain (loss) on cash flow hedges	21	1.0	(1.0)
Tax on items taken directly to equity		–	(1.3)
<b>Net income recognised directly in equity</b>		(11.0)	13.5
<b>Profit for the year</b>		56.2	43.6
<b>Total recognised income and expense for the period attributable to the equity shareholders</b>		45.2	57.1

The notes on pages 29 to 45 form part of these Group accounts.

# Group Balance Sheet

As at 31 March 2007

	Note	2007 £m	2006 £m
<b>Non-current assets</b>			
Intangible assets	12	196.7	208.2
Property, plant and equipment	13	111.1	112.8
Investments	15	0.3	0.3
Other receivables	18	2.7	3.2
Deferred tax assets	22	14.2	17.5
		<b>325.0</b>	<b>342.0</b>
<b>Current assets</b>			
Inventories	17	160.6	158.6
Trade and other receivables	18	171.0	162.3
Income tax receivables		1.1	1.0
Cash and cash equivalents	28	19.1	39.4
		<b>351.8</b>	<b>361.3</b>
<b>Current liabilities</b>			
Trade and other payables	19	(132.9)	(123.5)
Loans and borrowings	20	(79.0)	(23.0)
Tax liabilities		(14.5)	(13.3)
		<b>(226.4)</b>	<b>(159.8)</b>
<b>Net current assets</b>		<b>125.4</b>	<b>201.5</b>
<b>Total assets less current liabilities</b>		<b>450.4</b>	<b>543.5</b>
<b>Non-current liabilities</b>			
Other payables	19	(7.9)	(7.8)
Retirement benefit obligations	8	(38.7)	(41.8)
Loans and borrowings	20	(76.3)	(137.2)
Deferred tax liabilities	22	(22.9)	(20.3)
		<b>(145.8)</b>	<b>(207.1)</b>
<b>Net assets</b>		<b>304.6</b>	<b>336.4</b>
<b>Equity</b>			
Called-up share capital	25	43.5	43.5
Share premium account	26	38.7	38.4
Other reserves	26	222.4	254.5
<b>Equity attributable to the shareholders of the parent</b>		<b>304.6</b>	<b>336.4</b>

These Group accounts were approved by the Board of Directors on 30 May 2007 and signed on its behalf by:

Simon Boddie

Group Finance Director

The notes on pages 29 to 45 form part of these Group accounts.

# Group Cash Flow Statement

For the year ended 31 March 2007

	Note	2007 £m	2006 £m
<b>Cash flows from operating activities</b>			
Profit before tax		85.2	65.1
Depreciation and other amortisation		27.0	24.1
Equity settled transactions		2.7	2.7
Finance income and expense		5.9	3.4
<b>Operating cash flow before changes in working capital, interest and taxes</b>		<b>120.8</b>	<b>95.3</b>
(Increase) in inventories		(7.7)	(12.8)
(Increase) in trade and other receivables		(9.2)	(14.6)
Increase in trade and other payables		–	13.2
<b>Cash generated from operations</b>		<b>103.9</b>	<b>81.1</b>
Interest received		11.2	6.8
Interest paid		(17.0)	(10.1)
Income tax paid		(22.0)	(25.8)
<b>Operating cash flow</b>		<b>76.1</b>	<b>52.0</b>
<b>Cash flows from investing activities</b>			
Capital expenditure and financial investment		(42.4)	(26.3)
Proceeds from sale of property, plant and equipment		11.6	1.2
<b>Net cash used in investing activities</b>		<b>(30.8)</b>	<b>(25.1)</b>
<b>Free cash flow</b>		<b>45.3</b>	<b>26.9</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		0.3	–
New bank loans		30.3	54.3
Repayment of bank loans		(16.6)	(25.6)
Equity dividends paid	10	(80.0)	(80.0)
<b>Net cash used in financing activities</b>		<b>(66.0)</b>	<b>(51.3)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(20.7)</b>	<b>(24.4)</b>
Cash and cash equivalents at the beginning of the year		38.0	62.6
Effect of exchange rates on cash		(0.1)	(0.2)
<b>Cash and cash equivalents at the end of the year</b>	28	<b>17.2</b>	<b>38.0</b>

The notes on pages 29 to 45 form part of these Group accounts.

# Group Significant Accounting Policies

## Basis of consolidation

Electrocomponents plc (the 'Company') is a company domiciled in England. The Group Accounts for the year ended 31 March 2007 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in a jointly controlled entity. Subsidiaries are entities controlled by the Company. All subsidiary accounts are made up to 31 March and are included in the Group Accounts. Further to the IAS Regulation (EC 1606/2002) the Group Accounts have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU ('adopted IFRS'). The Company Accounts continue to be prepared in accordance with UK Generally Accepted Accounting Practice ('UK GAAP') and details of the Company Accounts, notes to the accounts and principal accounting policies are set out on pages 47 to 52.

The accounts were authorised for issue by the Directors on 30 May 2007.

## Basis of preparation

The accounts are presented in £ Sterling and rounded to £0.1m. They are prepared on the historical cost basis except certain financial instruments detailed below.

The preparation of accounts in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable, under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

## Estimates and judgements

The preparation of accounts requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The only significant judgement made in the accounts for the year ended 31 March 2007, surrounds the capitalisation of the Enterprise Business System asset. During the development of the software, judgements were required as to whether expenditure met the criteria for capitalisation in IAS 38. By December 2006, the Enterprise Business System was implemented successfully in Austria, France, Germany, Italy and the UK and since the year end in the remainder of Continental Europe.

## Statement of compliance

The Group Accounts have been prepared in accordance with International Financial Report Standards (IFRS) as adopted for use by the EU.

## Revenue

Revenue from the sale of goods is recognised in the income statement on despatch when the significant risks and rewards of ownership have been transferred. Revenue represents the sale of goods and services and is stated net of sales taxes and volume discounts. Freight recharged to customers is included within revenue.

## Transactions eliminated on consolidation

Intra-group balances and unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing Group Accounts. Unrealised gains arising from transactions with the jointly controlled entity are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains.

## Goodwill and other intangibles

Goodwill arising on all acquisitions prior to 31 March 1998 has been written off against reserves. Goodwill arising on acquisitions after 1 April 1998 has been capitalised and, under UK GAAP, was amortised on a straight-line basis over its estimated useful life, with a maximum of 20 years.

The Group has made the elective exemption under IFRS 1 that allows goodwill in respect of acquisitions made prior to 1 April 2004 to remain as stated under UK GAAP. The balance of goodwill as at 1 April 2004 is deemed to be the cost going forward.

Goodwill is not amortised under IFRS. Instead the carrying value is reviewed annually for impairment.

Other intangible assets are stated at cost less accumulated amortisation. The cost of acquired intangible assets are their purchase cost together with any incidental costs of acquisition. Amortisation is calculated to write off the cost of the asset on a straight-line basis at the following annual rates:

Trademarks	5%
Computer software costs	12.5-50%

Amortisation is disclosed in distribution and marketing expenses in the income statement. The residual value, if not insignificant, is reassessed annually. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

## Investments in jointly controlled entities

The Group Accounts include the Group's share of the total recognised gains and losses in one jointly controlled entity on an equity accounted basis.

## Property, plant and equipment

Tangible assets are stated at cost less accumulated depreciation. The cost of self constructed assets includes the cost of materials, direct labour and certain direct overheads.

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Each finance leased asset is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease less accumulated depreciation.

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

Freehold and leasehold buildings	2%
Plant and machinery	10% -20%
Mainframe computer equipment	20%
Network computer equipment	33%
Portable computers	50%
Other office equipment	20%

Depreciation is disclosed in distribution and marketing expenses in the income statement. The residual value, if not insignificant, is reassessed annually.

## Impairment

The carrying amounts of the Group's goodwill are reviewed annually to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. The recoverable amount is calculated as the higher of fair value less cost of sale and value in use, the present value of estimated future cash flows using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

## Inventories

Inventories are valued at the lower of cost and net realisable value. This cost is calculated on a weighted average basis. Work in progress and goods for resale include attributable overheads.

## Other receivables

Trade and other receivables are initially measured on the basis of their fair value rather than cost. Subsequently they are carried at amortised cost using the effective interest rate method.

## Net debt

Net debt comprises cash and cash equivalents less borrowings. Cash and cash equivalents comprises cash in hand and held with qualifying financial institutions in current accounts or overnight deposits net of overdrafts with qualifying financial institutions. Cash and cash equivalents include government securities, investment in money market funds and term deposits with qualifying financial institutions and are classed as investments under current assets. Borrowings represent term loans from qualifying financial institutions together with financial instruments classified as liabilities.

## Operating expense classification

Cost of sales comprises the cost of goods delivered to customers.

Distribution and marketing expenses include all operating company expenses, including freight costs and movements in inventory provisions, together with the Supply Chain, Product Management, Media Publishing, Facilities, Information Systems and e-Commerce process expenses.

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

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses and gains and losses on hedging instruments that are recognised in the income statement.

Interest income is recognised in the income statement as it accrues, using the effective interest method. The interest expenses component of finance lease payments is recognised in the income statement using the effective interest rate method.

## Catalogue costs

Prior to the issue of a catalogue, all related costs incurred are accrued and carried as a prepayment. On the issue of a catalogue, these costs are written off as they are distributed to customers. Major investments in new catalogue production systems are capitalised as intangible assets and written off over the period during which the benefits of those investments are anticipated, such period not to exceed three years.

## Operating leases

Operating lease rentals are charged to the income statement on a straight-line basis over the course of the lease period. The benefits of rent free periods and similar incentives are credited to the income statement on a straight-line basis over the full lease term.

## Government grants

Government grants related to expenditure on property, plant and equipment are credited to the income statement at the same rate as the depreciation on the asset to which the grants relate. The unamortised balance of capital grants is included within trade and other payables.

## Group Significant Accounting Policies continued

### Employee benefits

#### Pension costs

In the United Kingdom the Group operates a pension scheme providing benefits based on final pensionable pay for eligible employees who joined on or before 1 April 2004. The scheme is administered by a corporate trustee and the funds are independent of the Group's finances. In addition there are defined benefit pension schemes in Germany and Ireland.

For UK employees who joined after 1 April 2004 the Group provides a defined contribution pension scheme. There are also defined contribution schemes in Australia and North America and government schemes in France, Italy, Denmark and North Asia. Obligations for contributions to defined contribution schemes are recognised as an expense in the income statement as incurred.

The cost of the defined benefit scheme charged to the income statement comprises: current service cost, past service cost, expected return on scheme assets and the interest cost on the expected amount of unwinding of the discount on plan liabilities within distribution and marketing expenses. The Group has elected to adopt the amendment to IAS 19 (revised), which allows actuarial gains and losses to be recorded in the Statement of Recognised Income and Expense immediately.

Obligations are measured at present value using the projected unit credit method and a discount rate reflecting yields on high quality corporate bonds. Assets are measured at their fair value at the balance sheet date.

#### Share-based payment transactions

The Group operates several share-based payment schemes, the largest of which are the Savings Related Share Option Scheme (SAYE), A US s423 scheme (US employees only), the Long Term Incentive Option Plan (LTIOP), the Long Term Incentive Plan (LTIP) and the Executive Incentive Plan (EIP).

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity and spread over the period during which employees become unconditionally entitled to the options. The fair values are calculated using an appropriate option pricing model. The income statement charge is then adjusted to reflect expected and actual levels of vesting based on non market performance related criteria. The Group's SAYE scheme has been valued using a Black-Scholes model and the income statement charge has been adjusted for forfeitures caused by employees failing to maintain either their employment or the required savings. The Group's LTIOP scheme includes performance criteria based on the Group's total shareholder return performance relative to a group of 13 comparable companies. The fair value of the LTIOP scheme has been calculated using a Monte Carlo model and the income statement charge has been adjusted for options forfeited by employees leaving the Group. The EIP includes performance criteria based on the Group's profit in the year to March 2009 and has been valued using a Black-Scholes model.

Administration expenses include the cost of the share-based payment schemes and the Group balance sheet includes the assets and liabilities of the schemes. Shares in the Company, held by the trust established to administer the schemes, are shown within reserves.

The Group has chosen to adopt the exemption whereby IFRS 2, Share-Based Payment, is applied only to awards made after 7 November 2002.

### Tax

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is calculated using tax rates enacted and substantively enacted at the balance sheet date.

### Foreign currency

#### Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

The elective exemption in IFRS 1 means that any translation differences prior to the date of transition (1 April 2004) do not need to be analysed retrospectively and so the deemed cumulative translation differences at this date can be set to nil. Thus, any cumulative translation differences arising prior to the date of transition are excluded from any future profit/loss on disposal of any entities. The Group adopted this exemption.

#### Net investment in foreign operations

Exchange differences arising from this translation of foreign operations, and of related qualifying hedges are taken directly to equity. They are released into the income statement upon disposal.

#### Foreign currency transactions

Transactions in foreign currencies are recorded using the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary

assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

### Financial instruments

#### Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational and financing activities. It principally employs forward foreign exchange contracts to hedge against changes in exchange rates over the catalogue periods of the majority of its operating companies. In addition there are also a small number of interest rate swaps which swap certain fixed rate loans into floating rate.

In accordance with its treasury policies, the Group does not hold or issue derivative financial instruments for trading purposes.

Certain derivative financial instruments are designated as hedges in line with the Group's risk management policies. Hedges are classified as follows:

Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability.

Cash flow hedges when they hedge the exposure to variability in cash flows that is attributable to a particular risk associated with a forecast transaction.

Net investment hedges when they hedge the exposure to changes in the value of the Group's interests in the net assets of foreign operations.

All the Group's derivatives have no initial cost. In subsequent periods they are stated in the balance sheet at fair value. Changes in the fair value of derivative financial instruments that do not qualify for cash flow or net investment hedge accounting are recognised in the income statement as they arise.

#### Cash flow hedge accounting

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the highly effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised immediately in the income statement. When the forecast transaction subsequently results in the recognition of a non-financial asset or liability the associated cumulative gain or loss is removed from equity and included in the initial cost of the non-financial asset or liability. When the forecast transaction subsequently results in the recognition of a financial asset or liability, the associated cumulative gain or loss that was recognised directly in equity is reclassified into profit or loss in the same period during which the asset acquired or liability assumed affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

The fair value of forward foreign exchange contracts is the difference between their discounted contractual forward price and their current forward price.

#### Fair value hedge accounting

The Group uses derivative financial instruments to hedge exposure to interest rate risks arising from financing activities, holding a small number of interest rate swaps which swap certain fixed rate loans into floating rate.

The fair value of the interest rate swaps is the market value of the swap at the balance sheet date, taking into account current interest rates.

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in the income statement.

#### Hedge of net investment in foreign operations

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in the income statement.

### Changes in accounting policies

The following standards and interpretations to existing standards that have been enacted but have no impact on these accounts are:

IFRIC 7 – Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies (effective from 1 March 2006);

IFRIC 8 – Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006);

IFRIC 9 – Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006).

The following standard and interpretations to existing standards that has been endorsed, but the Group has decided not to early adopt is:

IFRS 7 – Financial Instruments: Disclosures, was issued in August 2005, it revised and enhanced previous disclosures in IAS 32 (Financial Instruments, Disclosure and Presentation). It is effective for annual periods beginning on or after 1 January 2007. This standard has no impact on these accounts.

# Notes to the Group Accounts

For the year ended 31 March 2007

## 1 Analysis of income and expenditure

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

	2007 £m	2006 £m
Revenue	877.5	828.5
Cost of sales	(434.0)	(402.1)
Distribution and marketing expenses	(251.3)	(243.2)
Contribution before Enterprise Business System costs	192.2	183.2
Distribution and marketing expenses within Process costs	(74.8)	(74.0)
Administrative expenses	(8.1)	(7.9)
Group Process costs	(82.9)	(81.9)
Distribution and marketing expenses: Enterprise Business System costs	(19.0)	(25.1)
Headline operating profit	90.3	76.2
Net financial expense	(5.9)	(3.4)
Headline profit before tax	84.4	72.8
Distribution and marketing expenses: Provision for RoHS	–	(4.0)
Distribution and marketing expenses: Reorganisation costs	(1.1)	(2.6)
Administrative expenses: Reorganisation income (costs)	1.9	(1.1)
Profit before tax	85.2	65.1

## 2 Segmental analysis

For management purposes, the Group is managed in regions – United Kingdom, Continental Europe, North America, and Asia Pacific. Continental Europe comprises our trading operations in France, Germany, Italy, Austria, Denmark, Norway, Sweden, Republic of Ireland, Spain, The Netherlands and Belgium. Asia Pacific comprises our trading operations in Japan, Australia, Chile, India, New Zealand, Singapore, Malaysia, South Africa, Philippines, Thailand, Hong Kong and China. North America comprises our trading 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 does not therefore have separately identifiable business segments. No secondary segment information is therefore given.

Intersegment pricing is determined on an arms' length basis.

		2007 £m	2006 £m
<b>By geographical destination</b>			
Revenue:	United Kingdom	341.5	339.9
	Continental Europe	293.3	272.5
	North America	155.6	135.9
	Asia Pacific	87.1	80.2
		877.5	828.5

		2007 Total sales £m	Inter-segment sales £m	Revenue £m	2006 Total sales £m	Inter-segment sales £m	Revenue £m
<b>By geographical origin</b>							
Revenue:	United Kingdom	495.3	(139.1)	356.2	461.8	(108.2)	353.6
	Continental Europe	294.9	(7.4)	287.5	274.2	(6.3)	267.9
	North America	159.2	(2.0)	157.2	138.1	(0.6)	137.5
	Asia Pacific	76.9	(0.3)	76.6	71.8	(2.3)	69.5
		1,026.3	(148.8)	877.5	945.9	(117.4)	828.5

		2007 £m	2006 £m
Profit before tax:	United Kingdom	95.9	96.9
	Continental Europe	64.5	59.9
	North America	23.4	19.2
	Asia Pacific	8.4	7.2
	Contribution before Enterprise Business System costs	192.2	183.2
	Groupwide Process costs	(82.9)	(81.9)
	Enterprise Business System costs	(19.0)	(25.1)
	Net financial expense	(5.9)	(3.4)
	Headline profit before tax,	84.4	72.8
	Provision for RoHS	–	(4.0)
	Reorganisation income (costs)	0.8	(3.7)
		85.2	65.1

## Notes to the Group Accounts continued

### 2 Segmental analysis continued

		2007 £m	2006 £m
<b>By geographical location</b>			
<b>Total assets:</b>	United Kingdom	264.0	270.4
	Continental Europe	136.7	132.4
	North America	195.6	199.9
	Asia Pacific	46.1	42.7
<b>Total assets</b>		<b>642.4</b>	<b>645.4</b>
	Unallocated assets		
	cash and cash equivalents	19.1	39.4
	deferred tax asset	14.2	17.5
	corporation tax asset	1.1	1.0
		<b>676.8</b>	<b>703.3</b>
<b>Total liabilities:</b>	United Kingdom	110.8	107.6
	Continental Europe	46.7	46.1
	North America	14.0	11.1
	Asia Pacific	8.0	8.3
<b>Total liabilities</b>		<b>179.5</b>	<b>173.1</b>
	Unallocated liabilities		
	corporation tax	14.5	13.3
	deferred tax liability	22.9	20.3
	loans and overdrafts	155.3	160.2
		<b>372.2</b>	<b>366.9</b>
<b>Capital expenditure:</b>	United Kingdom	21.8	23.9
	Continental Europe	5.6	1.4
	North America	15.1	4.1
	Asia Pacific	2.3	1.0
		<b>44.8</b>	<b>30.4</b>
<b>Depreciation and amortisation:</b>	United Kingdom	20.2	16.0
	Continental Europe	3.5	3.7
	North America	1.0	1.0
	Asia Pacific	2.3	2.5
		<b>27.0</b>	<b>23.2</b>
<b>Significant non-cash expenses:</b>	United Kingdom	2.2	2.2
	Continental Europe	0.2	0.3
	North America	0.1	0.1
	Asia Pacific	0.2	0.1
		<b>2.7</b>	<b>2.7</b>

### 3 Profit before tax

	2007 £m	2006 £m
Profit before tax is stated after charging (crediting):		
Remuneration of the auditors and their associates:		
group audit fee	0.3	0.2
the audit of subsidiaries pursuant to legislation	0.4	0.4
other services pursuant to legislation	0.1	0.1
taxation	0.1	0.2
all other services	0.2	–
Depreciation	15.5	16.5
Amortisation of intangibles	11.5	6.7
Amortisation of government grants	(0.2)	(0.3)
Loss on disposal of intangibles	1.1	0.7
(Profit) loss on disposal of plant, property and equipment	(1.9)	0.5
Hire of plant and machinery	3.3	5.3
Net foreign exchange losses	–	0.1

### 4 Provision for RoHS

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

No charge was required in the year 2007 (2006: £4.0m).

### 5 Reorganisation costs

Reorganisation costs arising in the year are as follows:

	2007 £m	2006 £m
Redundancy costs	1.1	3.2
Profit on sale of former head office	(1.9)	–
Other initiatives	–	0.5
	(0.8)	3.7

### 6 Employees

#### Numbers employed

	2007	2006
The average number of employees during the year was:		
Management and administration	294	314
Distribution and marketing	5,157	4,892
	5,451	5,206

Of these staff 2,365 were employed in the United Kingdom (2006: 2,447).

#### Aggregate employment costs

	£m	£m
Wages and salaries	136.2	131.9
Social security costs	15.9	15.4
Equity-settled transactions	2.7	2.7
Pension costs	11.8	12.9
	166.6	162.9

The remuneration of individual Directors is detailed on page 21.

## Notes to the Group Accounts continued

### 7 Share-based payments

The Group has a number of share-based incentive plans for employees. These comprise an Executive Incentive Plan (EIP) awarded to the Group's most senior executives, a Long Term Incentive Plan (LTIP) awarded to senior managers 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. In addition there was a Long Term Incentive Option Plan (LTIOP) operated until 2005, awarding options to senior managers.

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. The awards include a right to receive dividend equivalents on vesting. Awards over 450,000 of these shares were made for cash settlement. 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) and Long Term Incentive Plan (LTIP)

The LTIOP schemes were awarded to key senior employees at a grant price equal to the 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.

The fair value of the LTIOP and LTIP options was calculated at the grant date using a Monte Carlo model based on the assumptions below.

In June 2006 a new Executive Plan (the Long Term Incentive Plan 'LTIP') conditional award of shares was made. The vesting conditions are based on performance of the Group versus the FTSE 250 over the three year life of the scheme. At the vesting date the share award will either vest or lapse. The awards include a right to receive dividend equivalents on vesting. The fair value was calculated at the grant date using a Monte Carlo model based on the assumptions below.

	LTIP 2006	LTIOP 2005	LTIOP 2004	LTIOP 2003
Options granted	1,542,118	5,264,667	4,959,435	6,452,956
Fair value at grant date	111.0p	35.6p	78.6p	78.3p
Assumptions used				
Share price	237p	249p	369p	349p
Exercise price	Nil	251p	365p	349p
Expected volatility	24.9%	34.9%	39.7%	39.7%
Expected option life	3 years	7 years	7 years	7 years
Expected dividend yield	7.0%	6.2%	4.9%	5.9%
Risk free interest rate	4.7%	4.1%	5.0%	5.0%

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 an option price equal to 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 exercise conditions are the employee's continued employment for the three or five year period and the maintenance of the employee's regular monthly 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 16 SAYE grants since 7 November 2002. Four were awarded on 4 July 2006, 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 2006	SAYE 5 yr 2006	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	832,027	510,502	1,105,515	795,833	386,423	291,856	1,454,116	1,241,553
Fair value at grant date	42.7p	51.0p	55.2p	58.3p	107.2p	126.8p	106.6p	128.0p
Assumptions used								
Share price	232p	232p	247p	247p	357p	357p	325p	325p
Exercise price	196p	196p	212p	212p	283p	283p	260p	260p
Expected volatility	26.9%	33.6%	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	3 years	5 years
Expected dividend yield	7.1%	7.1%	6.3%	6.3%	4.9%	4.9%	5.9%	5.9%
Risk free interest rate	4.8%	4.8%	4.1%	4.1%	5.0%	5.0%	5.0%	5.0%
French awards have the following differences to the above awards								
Options granted	2,298	29,790	10,384	25,210	6,434	15,502	11,139	38,910
Fair value at date of grant	42.7p	51.0p	55.2p	58.3p	103.4p	123.6p	101.4p	123.9p
Exercise price	196p	196p	212p	212p	292p	292p	272p	272p

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

## 7 Share-based payments continued

### 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.

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 2006	s423 2005	s423 2004
Options granted	12,370	15,496	6,233
Fair value at grant date	39.1p	47.5p	82.0p
Assumptions used			
Share price	232p	247p	370p
Exercise price	197p	207p	296p
Expected volatility	24.0%	28.4%	39.0%
Expected option life	2 years	2 years	2 years
Expected dividend yield	6.8%	6.3%	5.4%
Risk free interest rate	4.8%	4.1%	5.0%

### Number and weighted average exercise prices of share options

In thousands of options	Weighted average exercise price 2007	Number of options 2007	Weighted average exercise price 2006	Number of options 2006
Outstanding at the beginning of the year	291p	26,122	354p	21,693
Forfeited during the year	334p	(3,205)	311p	(4,461)
Lapsed during the year	254p	(1,651)	413p	(1,009)
Exercised during the year	252p	(88)	201p	(18)
Granted during the year	93p	2,929	175p	9,917
Outstanding at the end of the year	264p	24,107	291p	26,122
Exercisable at the end of the year	339p	37	351p	268

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

The options outstanding at 31 March 2007 have an exercise price in the range 0p to 686p and a weighted average contractual life of 7.9 years.

	2007 £m	2006 £m
Option Prices		
£nil-£1.00	4,233	2,700
£1.00-£2.00	1,246	–
£2.00-£3.00	5,936	8,016
£3.00-£4.00	11,129	13,421
£4.00-£5.00	538	850
£5.00-£6.00	713	794
£6.00-£7.00	312	341
	24,107	26,122

### Employee expenses

	2007 £m	2006 £m
Share options granted in 2003/04	0.2	1.2
Share options granted in 2004/05	0.7	0.9
Share options granted in 2005/06	1.2	0.6
Share options granted in 2006/07	0.6	–
Total expense recognised as employee costs	2.7	2.7

## Notes to the Group Accounts continued

### 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 2007 amounted to £5.2m (2006: £7.6m). The contributions paid by the Group to the defined contribution section of the scheme amounted to £2.2m (2006: £1.2m).

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 £1.1m (2006: £1.0m), defined contribution basis in Australia and North America amounting to £0.9m (2006: £0.8m), and via government schemes in France, Italy, Scandinavia and North Asia amounting to £2.4m (2006: £2.0m).

The rules of the Electrocomponents Group Pension Scheme give the Trustees powers to wind up the Scheme in certain limited circumstances. However, the Trustee has confirmed that it has no current intention of exercising its power to wind up the Scheme.

The Group expects to pay £9.4m to its UK defined benefit pension plan in 2008.

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

	2007 United Kingdom	Germany	Republic of Ireland	2006 United Kingdom	Germany	Republic of Ireland
Discount rate	5.25%	4.75%	4.75%	4.90%	4.50%	4.50%
Rate of increase in salaries	3.85%	3.00%	4.00%	3.90%	3.00%	4.00%
Rate of increase of pensions in payment	3.10%	2.00%	2.00%	2.90%	2.00%	2.00%
Inflation assumption	3.10%	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:

	2007 United Kingdom	Germany	Republic of Ireland	2006 United Kingdom	Germany	Republic of Ireland
Equities	7.40%	n/a	7.30%	7.05%	n/a	7.00%
Corporate bonds	4.50%	n/a	n/a	4.15%	n/a	n/a
Government bonds	3.90%	n/a	4.30%	3.55%	n/a	4.00%
Cash	4.50%	n/a	n/a	3.75%	n/a	n/a
Other	n/a	n/a	5.30%	n/a	n/a	5.00%

The expected return for each asset class is based on a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by available yields) and the views of investment organisations.

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

	2007 United Kingdom Years	Germany Years	Republic of Ireland Years
Member aged 65 (current life expectancy) – male	20.2	18.4	21.4
Member aged 65 (current life expectancy) – female	23.1	22.5	26.4
Member aged 45 (life expectancy at aged 65) – male	21.2	21.8	21.4
Member aged 45 (life expectancy at aged 65) – female	24.0	25.7	26.4

The amounts recognised in the income statement were:

	2007 United Kingdom £m	Germany £m	Republic of Ireland £m	Total £m	2006 United Kingdom £m	Germany £m	Republic of Ireland £m	Total £m
Current service cost	6.9	0.7	0.1	7.7	7.1	0.7	0.1	7.9
Past service cost	–	–	–	–	–	–	–	–
Interest cost	14.2	0.3	0.1	14.6	13.1	0.2	0.1	13.4
Expected return on assets	(15.9)	–	(0.1)	(16.0)	(12.6)	–	(0.1)	(12.7)
Total income statement charge	5.2	1.0	0.1	6.3	7.6	0.9	0.1	8.6

Of the charge for the year, £0.3m (2006: £0.4m) has been included in administrative expenses and the remainder £6.0m (2006: £8.2m) in distribution and marketing expenses.

The actual return on scheme assets was: UK £14.4m (2006: £48.7m), Germany £nil (2006: £nil) and Republic of Ireland £0.2m (2006: £0.4m).

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

	2007 United Kingdom £m	Germany £m	Republic of Ireland £m	2006 United Kingdom £m	Germany £m	Republic of Ireland £m
Equities	203.7	n/a	1.6	189.9	n/a	1.4
Corporate bonds	24.0	n/a	–	22.6	n/a	–
Government bonds	41.6	n/a	0.2	39.7	n/a	0.2
Cash	2.6	n/a	–	1.5	n/a	–
Other	–	n/a	0.2	–	n/a	0.2
Total market value of assets	271.9	–	2.0	253.7	–	1.8

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:

	2007 United Kingdom Valuation £m	Germany Valuation £m	Republic of Ireland Valuation £m	Total Valuation £m	2006 United Kingdom Valuation £m	Germany Valuation £m	Republic of Ireland Valuation £m	Total Valuation £m
Total market value of assets	271.9	–	2.0	273.9	253.7	–	1.8	255.5
Present value of scheme liabilities	(303.8)	(6.5)	(2.3)	(312.6)	(288.7)	(6.3)	(2.3)	(297.3)
Deficit in the scheme	(31.9)	(6.5)	(0.3)	(38.7)	(35.0)	(6.3)	(0.5)	(41.8)

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 £6.5m 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 2007 (2006: £1.0m).

The value of the assets and liabilities held in respect of the defined contribution section of the UK Scheme amounted to £5.5m as at 31 March 2007 (2006: £2.8m).

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

	United Kingdom 2007 £m	Germany 2007 £m	Republic of Ireland 2007 £m	Total 2007 £m	United Kingdom 2006 £m	Germany 2006 £m	Republic of Ireland 2006 £m	Total 2006 £m
Present value of the defined benefit obligations at the beginning of the year	288.7	6.3	2.3	297.3	239.3	5.3	1.7	246.3
Movement in year:								
Current service cost	6.9	0.7	0.1	7.7	7.1	0.7	0.1	7.9
Interest cost	14.2	0.3	0.1	14.6	13.1	0.2	0.1	13.4
Contributions from scheme members	2.4	–	–	2.4	2.7	–	–	2.7
Insurance premiums paid	–	(0.1)	–	(0.1)	–	(0.1)	–	(0.1)
Actuarial (gain) loss	(0.5)	(0.4)	(0.2)	(1.1)	31.9	–	0.3	32.2
Benefits paid	(7.9)	(0.1)	–	(8.0)	(5.4)	(0.1)	–	(5.5)
Exchange differences	–	(0.2)	–	(0.2)	–	0.3	0.1	0.4
Present value of the defined benefit obligations at the end of the year	303.8	6.5	2.3	312.6	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 2007 £m	Germany 2007 £m	Republic of Ireland 2007 £m	Total 2007 £m	United Kingdom 2006 £m	Germany 2006 £m	Republic of Ireland 2006 £m	Total 2006 £m
Present value of fair value of scheme assets at the beginning of the year	253.7	–	1.8	255.5	198.0	–	1.3	199.3
Movement in year:								
Expected return on scheme assets	15.9	–	0.1	16.0	12.6	–	0.1	12.7
Actuarial (loss)/gain	(1.5)	–	–	(1.5)	36.1	–	0.3	36.4
Contributions by Company	9.3	0.1	0.1	9.5	9.7	0.1	0.1	9.9
Contributions from scheme members	2.4	–	–	2.4	2.7	–	–	2.7
Insurance premiums paid	–	(0.1)	–	(0.1)	–	(0.1)	–	(0.1)
Benefits paid	(7.9)	(0.1)	–	(8.0)	(5.4)	(0.1)	–	(5.5)
Exchange differences	–	0.1	–	0.1	–	0.1	–	0.1
Present value of fair value of scheme assets at the end of the year	271.9	–	2.0	273.9	253.7	–	1.8	255.5

Experience adjustments were:

	2007 United Kingdom %	Germany %	Republic of Ireland %	2006 United Kingdom %	Germany %	Republic of Ireland %
Difference between expected and actual return on plan assets	(0.6%)	n/a	(2.3%)	14.2%	n/a	14.4%
Experience (gains) losses on plan liabilities	0.3%	(0.9%)	(2.5%)	0.0%	(0.3%)	(0.4%)

The cumulative amount of actuarial gains recognised is £4.3m (2006: £4.7m).

## Notes to the Group Accounts continued

### 9 Income tax expense

	2007 £m	2006 £m
<b>Taxation on the profit of the Group</b>		
United Kingdom corporation tax at 30% (2006: 30%)	19.4	16.9
United Kingdom deferred taxation	1.1	(1.1)
Double tax relief	(8.8)	(7.0)
	11.7	8.8
Overseas taxation – current	12.4	11.4
Overseas taxation – deferred	4.9	1.3
<b>Total income tax expense in Income Statement</b>	<b>29.0</b>	<b>21.5</b>
Total tax expense is reconciled to a notional 30% (2006: 30%) of profit before taxation as follows:		
Expected tax charge	25.6	19.5
Differences in overseas corporation tax rates	2.0	2.0
Creation of tax losses	0.7	0.4
Items not (deductible) chargeable for tax purposes	(0.1)	0.3
Other local taxes suffered overseas	0.5	0.7
Non-taxable income	(1.5)	(0.1)
Under (over) provision in prior years	1.8	(1.3)
	29.0	21.5
<b>Deferred tax recognised directly in equity</b>		
Relating to equity settled transactions	0.3	–
Relating to actuarial (losses) gains	(0.3)	1.3
	–	1.3

### 10 Dividends

	2007 £m	2006 £m
<b>Amounts recognised in the period:</b>		
Final dividend for the year ended 31 March 2006 – 12.6p (2005: 12.6p)	54.8	54.8
Interim dividend for the year ended 31 March 2007 – 5.8p (2006: 5.8p)	25.2	25.2
	80.0	80.0
Proposed dividend for the year ended 31 March 2007 – 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 accounts.

### 11 Earnings per share

	2007 £m	2006 £m
Profit for the year attributable to the equity shareholders	56.2	43.6
Provision for RoHS	–	4.0
Reorganisation (income) costs	(0.8)	3.7
Tax impact of reorganisation and provision for RoHS	0.2	(2.4)
<b>Headline profit for the year attributable to equity shareholders</b>	<b>55.6</b>	<b>48.9</b>
Weighted average number of shares	434,949,638	434,920,017
Dilutive effect of share options	1,462,381	335,031
<b>Diluted weighted average number of shares</b>	<b>436,412,019</b>	<b>435,255,048</b>
	pence	pence
Basic earnings per share	12.9	10.0
Diluted earnings per share	12.9	10.0
Headline basic earnings per share	12.8	11.2
Headline diluted earnings per share	12.7	11.2

A further 12,941,763 share options were outstanding as at 31 March 2007 (2006: 16,686,609) 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 2005	138.4	74.2	0.3	212.9
External additions	–	12.1	–	12.1
Disposals	–	(1.8)	–	(1.8)
Translation differences	12.0	0.6	–	12.6
At 1 April 2006	150.4	85.1	0.3	235.8
External additions	–	20.0	–	20.0
Disposals	–	(2.2)	–	(2.2)
Translation differences	(16.8)	(1.0)	–	(17.8)
<b>At 31 March 2007</b>	<b>133.6</b>	<b>101.9</b>	<b>0.3</b>	<b>235.8</b>
<b>Amortisation</b>				
At 1 April 2005	–	21.0	–	21.0
Charged in the year	–	6.7	–	6.7
Disposals	–	(0.5)	–	(0.5)
Translation differences	–	0.4	–	0.4
At 1 April 2006	–	27.6	–	27.6
Charged in the year	–	11.5	–	11.5
Disposals	–	–	–	–
Translation differences	–	–	–	–
<b>At 31 March 2007</b>	<b>–</b>	<b>39.1</b>	<b>–</b>	<b>39.1</b>
<b>Net book value</b>				
<b>At 31 March 2007</b>	<b>133.6</b>	<b>62.8</b>	<b>0.3</b>	<b>196.7</b>
At 31 March 2006	150.4	57.5	0.3	208.2
At 31 March 2005	138.4	53.2	0.3	191.9

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 of 2% (2006: 2%) which is appropriate for the long-term nature of the business. A pre-tax discount rate of 9% (2006: 9%) has been used in discounting the projected cash flows.

A period of more than five years has been used as the directors believe this is a reasonable assumption based on the fact that the investments are all held for the long term. For periods after five years, extrapolations have been applied from the earlier budgets and forecasts, after assessing the reasonableness of the assumptions by examining the causes of differences between past cash flow projections and actual 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.

## Notes to the Group Accounts continued

### 13 Property, plant and equipment

Cost	Land and buildings £m	Plant and machinery £m	Computer systems £m	Total £m
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 1 April 2006	96.8	101.6	59.1	257.5
Additions	10.6	7.0	7.2	24.8
Disposals	(9.9)	(1.6)	(2.2)	(13.7)
Reclassification	–	1.8	(1.8)	–
Translation differences	(1.7)	(1.4)	(0.9)	(4.0)
At 31 March 2007	95.8	107.4	61.4	264.6
<b>Depreciation</b>				
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 1 April 2006	22.6	79.5	42.6	144.7
Charged in the year	1.5	6.5	7.5	15.5
Disposals	(1.2)	(1.4)	(2.2)	(4.8)
Reclassification	–	1.6	(1.6)	–
Translation differences	(0.2)	(1.0)	(0.7)	(1.9)
At 31 March 2007	22.7	85.2	45.6	153.5
<b>Net book value</b>				
At 31 March 2007	73.1	22.2	15.8	111.1
At 31 March 2006	74.2	22.1	16.5	112.8
At 31 March 2005	71.5	27.3	12.1	110.9
<b>Net book value of land and buildings</b>			2007 £m	2006 £m
Freehold land			11.1	13.2
Freehold buildings			58.5	58.0
Long leasehold buildings			1.1	0.4
Short leasehold buildings			2.4	2.6
			73.1	74.2
<b>Net book value of plant and machinery</b>			2007 £m	2006 £m
Plant and machinery			19.8	19.1
Other office equipment			1.5	2.1
Motor vehicles			0.9	0.9
			22.2	22.1

All classes of assets are depreciated except for freehold land.

### 14 Capital commitments

	2007 £m	2006 £m
Contracted capital expenditure at 31 March, for which no provision has been made in these accounts	4.4	7.1

### 15 Investments

	2007 £m	2006 £m
Jointly controlled entities	0.3	0.3
	0.3	0.3

## 16 Principal subsidiary undertakings and associated undertakings

	Principal location	Country of incorporation
<b>Mail order of electronic, electrical and mechanical products</b>		
RS Components Pty Limited*	Sydney	Australia
RS Components GesmbH*	Gmünd	Austria
Allied Electronics (Canada) Inc.*	Ottawa	Canada
RS Components 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
RS Components Company Ltd*	Bangkok	Thailand
<b>Holding and Management Companies</b>		
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 by Electrocomponents plc. 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.

† 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 2007 the Group made sales of £0.8m (2006: £0.6m) to RSCC and supplied catalogues at a cost to RSCC of £0.1m (2006: £0.1m). RSCC is treated in the accounts as an associated undertaking.

## 17 Inventories

	2007 £m	2006 £m
Raw materials and consumables	10.4	7.4
Finished goods and goods for resale	150.2	151.2
	<b>160.6</b>	<b>158.6</b>

During the year the provision for obsolete stock was not increased. In 2006 the provision was increased by £4.0m as a result of the RoHS Directive (see note 4).

## 18 Trade and other receivables

	2007 £m	2006 £m
Gross trade debtors	154.8	146.2
Provision for doubtful debts	(3.5)	(3.3)
Amounts owed by jointly controlled entities	0.4	0.3
Derivative assets	2.0	0.6
Other debtors	3.6	3.3
Prepaid catalogue expenses	7.2	7.2
Other prepayments and accrued income	6.5	8.0
Trade and other receivables falling due within one year	<b>171.0</b>	<b>162.3</b>
Corporate tax	0.2	0.2
Prepaid leases	–	1.9
Derivative assets	–	0.3
Other debtors	2.5	0.8
Other receivables falling due after more than one year	<b>2.7</b>	<b>3.2</b>

## Notes to the Group Accounts continued

### 19 Trade and other payables

	2007 £m	2006 £m
Trade creditors	82.8	77.5
Other taxation and social security	9.6	8.9
Derivative liabilities	1.1	1.0
Other creditors	4.6	5.2
Government grants	0.2	0.3
Accruals and deferred income	34.6	30.6
<b>Trade and other payables due within one year</b>	<b>132.9</b>	<b>123.5</b>
Other creditors	3.5	3.3
Government grants	4.4	4.5
<b>Other payables due in more than one year</b>	<b>7.9</b>	<b>7.8</b>

### 20 Interest-bearing loans and borrowings

	2007 £m	2006 £m
<b>Non-current liabilities:</b>		
Unsecured bank facility	70.2	128.4
Secured bank loan	2.5	3.1
Unsecured bank loans	3.4	3.9
Finance lease liabilities	0.2	1.8
	<b>76.3</b>	<b>137.2</b>
<b>Current liabilities</b>		
Unsecured bank facility	51.1	–
Unsecured overdraft	1.9	1.4
Secured bank loan	0.6	0.6
Unsecured bank loans	23.1	17.7
Finance lease liabilities	2.3	3.3
	<b>79.0</b>	<b>23.0</b>
<b>Borrowings are repayable as follows:</b>		
Amounts falling due on demand or in less than one year	79.0	23.0
In more than one but not more than two years	0.8	59.7
In more than two but not more than three years	70.8	0.8
In more than three but not more than four years	4.1	71.5
In more than four but not more than five years	0.6	4.6
In more than five years	–	0.6
	<b>155.3</b>	<b>160.2</b>

#### Borrowings are analysed by currency as:

	Total 2007 £m	Sterling 2007 £m	US Dollars 2007 £m	Euro 2007 £m	Japanese Yen 2007 £m	Other 2007 £m
Bank overdrafts	1.9	0.7	0.2	–	0.2	0.8
Unsecured bank facility	121.3	–	51.1	37.4	26.0	6.8
Secured bank loan	3.1	–	–	3.1	–	–
Unsecured bank loan	26.5	7.1	1.3	–	5.7	12.4
Finance lease liabilities	2.5	2.5	–	–	–	–
<b>Total borrowings</b>	<b>155.3</b>	<b>10.3</b>	<b>52.6</b>	<b>40.5</b>	<b>31.9</b>	<b>20.0</b>
	Total 2006 £m	Sterling 2006 £m	US Dollars 2006 £m	Euro 2006 £m	Japanese Yen 2006 £m	Other 2006 £m
Bank overdrafts	1.4	0.2	–	–	–	1.2
Unsecured bank facility	128.4	–	57.5	35.0	28.8	7.1
Unsecured bank loan	21.6	–	3.8	–	6.1	11.7
Secured bank loan	3.7	–	–	3.7	–	–
Finance lease liabilities	5.1	5.1	–	–	–	–
<b>Total borrowings</b>	<b>160.2</b>	<b>5.3</b>	<b>61.3</b>	<b>38.7</b>	<b>34.9</b>	<b>20.0</b>

## 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

Credit risk arises because a counterparty may fail to perform its obligations. The Group is exposed to credit risk on financial assets, such as cash balances, derivative instruments, trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables.

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 (2006: 54 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

Interest rate risk comprises both the interest rate price risk that results from borrowing at fixed rates of interest and also the interest cash flow risk that results from borrowing at variable rates, where appropriate interest rate swaps are used to manage the Group's principal interest rate risk policy. 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. 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. 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 2007 the Group had interest rate swaps with notional contract amounts of JPY 800m and EUR 4.5m (2006: JPY 800m and EUR 5.4m).

The Group classifies these interest rate swaps as fair value hedges and states them at fair value. The net fair value of swaps at 31 March 2007 was £nil, comprising assets of £nil and liabilities of £nil (2006: £nil).

### 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							
EUR interest bearing	3.8%	10.0	—	—	—	—	—
Other	*	9.1	—	—	—	—	—
Secured bank loans:							
EUR fixed rate loan	3.9%	—	—	—	—	(3.1)	—
Effect of interest rate swap	(0.9%)	(3.1)	—	—	—	3.1	—
Unsecured bank loans							
JPY fixed rate loan	1.2%	—	—	—	(3.4)	—	—
Effect of interest rate swap	(0.3%)	(3.4)	—	—	3.4	—	—
Other unsecured bank loans	4.6%	(23.1)	—	—	—	—	—
Finance lease liabilities	4.9%	—	(2.5)	—	—	—	—
Unsecured bank facility	4.4%	(121.2)	—	—	—	—	—
Bank overdrafts	**	(1.9)	—	—	—	—	—
<b>At 31 March 2007</b>		<b>(133.6)</b>	<b>(2.5)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

\* Comprises local bank account balances, which typically bear interest at rates set by reference to local applicable rates or cash float balances which have not yet cleared for interest purposes.

\*\* 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.

# Notes to the Group Accounts continued

## 21 Financial instruments continued

### Comparative information

	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	–	–	–	–	–
Secured bank loans:							
EUR fixed rate loan	3.9%	–	–	–	–	–	(3.7)
Effect of interest rate swap	(2.0%)	(3.7)	–	–	–	–	3.7
Unsecured bank loans							
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	*	(1.4)	–	–	–	–	–
<b>At 31 March 2006</b>		<b>(115.7)</b>	<b>–</b>	<b>(5.1)</b>	<b>–</b>	<b>–</b>	<b>–</b>

At the year end the Group had three committed bank facilities, one bilateral multicurrency facility for \$100m due to expire in February 2008, but ultimately cancelled in April 2007, a syndicated multicurrency facility for £110m and \$120m and a syndicated facility for £63.5m both due to expire in February 2010.

Excluding the \$100m bilateral, as at 31 March 2007, the Group had available £113.5m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

### 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. A very high level of 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.

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 net fair value of forward exchange contracts as at 1 April 2006 was -£0.1m comprising assets of £0.9m and liabilities of -£1.0m and 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 2007 was £0.9m, comprising assets of £2.0m and liabilities of -£1.1m. Of this the amount expected to be recognised in more than one year was £nil. The net fair value of forward exchange contracts not used as hedges of forecast transactions at 31 March 2007 was £nil. The total net amount recognised in equity in the year to 31 March 2007 was £1.0m and the total net amount removed from equity during the year and taken to the income statement was -£0.4m.

Foreign currency translation exposures arising from where the results of overseas companies are consolidated into the Group's reporting currency of Sterling are not explicitly hedged, local currency debt is used where economic and fiscally efficient in the financing of subsidiaries and this provides a partial hedge. 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.

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 (£87m), of which \$100m (£51m) formed part of the unsecured bank facility and \$70m (£36m) was in the form of an overdraft. The carrying amount of the Euro hedge was €65m (£44m), of which €55m (£37m) formed part of the unsecured bank facility and €10m (£7m) 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 gain of £12m 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 £1.5m. 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 £0.4m for the year ended 31 March 2007. The forward foreign exchange contracts have been included in this calculation.

## 21 Financial instruments continued

### Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows:

	Carrying amount 2007 £m	Fair value 2007 £m	Carrying amount 2006 £m	Fair value 2006 £m
Trade and other receivables due in more than one year	2.7	1.8	1.0	0.8
Cash and cash equivalents	19.1	19.1	39.4	39.4
Interest rate swaps:				
Assets	–	–	0.1	0.1
Liabilities	–	–	(0.1)	(0.1)
Forward exchange contracts:				
Assets	2.0	2.0	0.9	0.9
Liabilities	(1.1)	(1.1)	(1.0)	(1.0)
Unsecured bank loans	(26.5)	(26.5)	(21.6)	(21.5)
Secured bank loans	(3.1)	(3.1)	(3.7)	(3.8)
Finance lease liabilities	(2.5)	(2.5)	(5.1)	(4.9)
Unsecured bank facilities	(121.3)	(121.3)	(128.4)	(128.4)
Trade and other payables due in more than one year	(3.5)	(2.5)	(3.3)	(2.3)
Bank overdraft	(1.9)	(1.9)	(1.4)	(1.4)
Unrecognised gains		0.1		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 difference between the contractual forward price and the current forward 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

Receivables and payables are discounted to determine the fair value. The average credit period taken for trade payables is 43 days (2006: 43 days).

## 22 Deferred tax assets and liabilities

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

Group	Assets 2007 £m	2006 £m	Liabilities 2007 £m	2006 £m	Net 2007 £m	2006 £m
Property, plant & equipment	0.1	1.8	(13.5)	(15.9)	(13.4)	(14.1)
Goodwill	–	–	(18.3)	(15.8)	(18.3)	(15.8)
Retirement benefit obligations	9.6	12.1	–	–	9.6	12.1
Inventories	0.4	0.8	(0.1)	–	0.3	0.8
Employee benefits	1.5	1.0	–	–	1.5	1.0
Provisions	1.0	0.7	–	–	1.0	0.7
Other items	0.3	–	(0.8)	(1.2)	(0.5)	(1.2)
Tax losses	11.1	13.7	–	–	11.1	13.7
Tax assets (liabilities)	24.0	30.1	(32.7)	(32.9)	(8.7)	(2.8)
Set off of tax	(9.8)	(12.6)	9.8	12.6	–	–
Net tax assets (liabilities)	14.2	17.5	(22.9)	(20.3)	(8.7)	(2.8)

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.

	2007 £m	2006 £m
<b>Unrecognised deferred tax assets</b>		
Tax losses	8.5	11.0
	8.5	11.0

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 relevant losses to fully offset the £6.0 million liability.

Deferred tax has been measured using the standard rate of corporation tax in the UK at the balance sheet date. In April 2008 the statutory rate of corporation tax will be reduced to 28%. Based on the statutory rate of 28% the net deferred tax liability at 31 March 2007 would have been £0.1m lower.

## Notes to the Group Accounts continued

### 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 2007 was £3.3m (2006: £5.3m). 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 £6.6m (2006: £8.1m). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Group pays all insurance, maintenance and repairs of these properties. Operating lease rentals are payable as follows:

	Properties 2007 £m	2006 £m	Plant and machinery 2007 £m	2006 £m
Within one year	5.6	4.5	2.6	2.8
Within two to five years	8.9	10.8	4.1	4.1
After five years	8.7	8.8	–	–
	<b>23.2</b>	<b>24.1</b>	<b>6.7</b>	<b>6.9</b>

### 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 was:

	2007 £m	2006 £m
Remuneration	1.5	1.4
Social security costs	0.1	0.2
Equity settled transactions	0.6	0.5
Pension costs	0.1	0.2
	<b>2.3</b>	<b>2.3</b>

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

### 25 Share capital

	2007 Number of shares	2006 Number of shares	2007 £m	2006 £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 2006	435,276,125	435,259,071	43.5	43.5
New share capital subscribed	48,882	17,054	–	–
At 31 March 2007	435,325,007	435,276,125	43.5	43.5

All of the new share capital subscribed in 2007 related to the exercise of share options (see note 7).

For details of the shares held by Electrocomponents plc in itself see note 8 to the Company accounts on page 51.

### 26 Reserves

	Share premium account £m	Own shares held £m	Other reserves		Profit and loss account £m	Total other reserves £m	Total £m
			Hedging reserve £m	Cumulative translation £m			
At 1 April 2005	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 1 April 2006	38.4	(1.7)	(0.1)	13.1	243.2	254.5	292.9
Total recognised income and expense	–	–	1.0	(11.6)	55.8	45.2	45.2
Dividend paid	–	–	–	–	(80.0)	(80.0)	(80.0)
Equity settled transactions	–	–	–	–	2.7	2.7	2.7
Premium on new share capital subscribed	0.3	–	–	–	–	–	0.3
At 31 March 2007	38.7	(1.7)	0.9	1.5	221.7	222.4	261.1

The cumulative amount of goodwill written off directly to Group profit and loss reserves in respect of subsidiaries that form part of the Group's continuing activities at 31 March 2007 is £42.8m (2006: £42.8m).

The own shares held reserve represents the cost of shares in Electrocomponents plc purchased in the market and held by the Electrocomponents Employee Trust to satisfy options under the Group's share option schemes (see note 7).

The translation reserve comprises all foreign exchange differences arising from the translation of the accounts 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 outstanding at the period end.

## 27 Reconciliation of movements in equity

	2007 £m	2006 £m
Profit for the year	56.2	43.6
Dividend	(80.0)	(80.0)
Retained loss	(23.8)	(36.4)
Translation differences	(11.6)	11.6
Gain (loss) on cashflow hedges	1.0	(1.0)
Actuarial (loss) gain on defined benefit pension schemes	(0.4)	4.2
Tax impact on adjustments taken directly to reserves	–	(1.3)
Equity settled transactions	2.7	2.7
New share capital subscribed	0.3	–
Net reduction to equity	(31.8)	(20.2)
Equity shareholders' funds at the beginning of the year	336.4	356.6
Equity shareholders' funds at the end of the year	304.6	336.4

## 28 Cash and cash equivalents

	2007 £m	2006 £m
Bank balances	16.1	15.4
Call deposits and investments	3.0	24.0
Cash and cash equivalents in the balance sheet	19.1	39.4
Bank overdrafts	(1.9)	(1.4)
Cash and cash equivalents in the statement of cash flows	17.2	38.0
Current instalments of loans	(77.1)	(21.6)
Loans repayable after more than one year	(76.3)	(137.2)
Net debt	(136.2)	(120.8)
Gross pension deficit	(38.7)	(41.8)
Net debt including gross pension deficit	(174.9)	(162.6)

## 29 Contingent liabilities

At 31 March 2007 there were no contingent liabilities (2006: none).

## 30 Principal exchange rates

	2007 Average	Closing	2006 Average	Closing
United States Dollar	1.90	1.96	1.79	1.74
Euro	1.47	1.47	1.46	1.43
Japanese Yen	221	232	202	205

# Company Balance Sheet

As at 31 March 2007

	Note	2007 £m	2006 £m
<b>Fixed assets</b>			
Tangible fixed assets	6	18.6	27.4
Investments	7	372.6	423.4
		<b>391.2</b>	<b>450.8</b>
<b>Current assets</b>			
Debtors	9	160.1	9.1
Investments – Bank deposits		3.0	24.0
Cash at bank and in hand		30.0	45.7
		<b>193.1</b>	<b>78.8</b>
Creditors: amounts falling due within one year	10	(188.8)	(87.9)
<b>Net current assets (liabilities)</b>		<b>4.3</b>	<b>(9.1)</b>
<b>Total assets less current liabilities</b>		<b>395.5</b>	<b>441.7</b>
Creditors: amounts falling due after more than one year	10	(70.2)	(128.4)
Provisions for liabilities and charges	12	(0.8)	(2.1)
		<b>324.5</b>	<b>311.2</b>
<b>Capital and reserves</b>			
Called-up share capital	15	43.5	43.5
Share premium account	16	38.7	38.4
Retained earnings	16	242.3	229.3
Equity shareholders' funds		<b>324.5</b>	<b>311.2</b>

These accounts were approved by the Board of Directors on 30 May 2007 and signed on its behalf by:

[Simon Boddie](#)

Group Finance Director

The notes on pages 48 to 52 form part of these Company accounts.

# Company Significant Accounting Policies

## Basis of preparation

The Company accounts have been prepared under the historical cost convention, modified to include revaluation to fair value of certain financial instruments as described below, and in accordance with UK Company Law and UK Generally Accepted Accounting Practice (UK GAAP).

The Group accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and are presented on pages 24 to 45.

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirements to present its own profit and loss account.

Under Financial Reporting Standard 25, the Company is exempt from disclosure requirements of FRS 25 (Financial Instruments: Presentation) on the grounds that the parent undertaking Electrocomponents plc includes the Company in its own published consolidated accounts. Disclosures are provided in note 21 under IAS 32 (Financial Instruments: Presentation) which comply with the disclosure requirements of FRS 25.

The following paragraphs describe the main accounting policies under UK GAAP, which have been applied consistently.

## Investments in subsidiary undertakings

Investments in subsidiary undertakings including long-term loans are included in the Balance Sheet of the Company at the lower of cost and the expected recoverable amount. Any impairment is recognised in the Profit and Loss Account.

## Translation of foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the Profit and Loss Account.

## Financial instruments

### Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational and financing activities. It principally employs forward foreign exchange contracts to hedge against changes in exchange rates over the catalogue periods of the majority of its operating companies. In addition there are also a small number of interest rate swaps which swap certain fixed rate loans into floating rate.

In accordance with its treasury policies, the Company does not hold or issue derivative financial instruments for trading purposes.

Certain derivative financial instruments are designated as hedges in line with the Company's risk management policies. Hedges are classified as follows:

Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability.

Cash flow hedges when they hedge the exposure to variability in cash flows that is attributable to a particular risk associated with a forecast transaction.

Net investment hedges when they hedge the exposure to changes in the value of the Company's interests in the net assets of foreign operations.

All the Company's derivatives have no initial cost. In subsequent periods they are stated in the Balance Sheet at fair value. Changes in the fair value of derivative financial instruments that do not qualify for cash flow or net investment hedge accounting are recognised in the Profit and Loss as they arise.

## Cash flow hedge accounting

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the highly effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised immediately in the Profit and Loss Account. When the forecast transaction subsequently results in the recognition of a non-financial asset or liability the associated cumulative gain or loss is removed from equity and included in the initial cost of the non-financial asset or liability. When the forecast transaction subsequently results in the recognition of a financial asset or liability, the associated cumulative gain or loss that was recognised directly in equity is reclassified into profit or loss in the same period during which the asset acquired or liability assumed affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Profit and Loss Account.

The fair value of forward foreign exchange contracts is the difference between their discounted contractual forward price and their current forward price.

## Fair value hedge accounting

The Company uses derivative financial instruments to hedge exposure to interest rate risks arising from financing activities, holding a small number of interest rate swaps which swap certain fixed rate loans into floating rate.

The fair value of the interest rate swaps is the market value of the swap at the balance sheet date, taking into account current interest rates.

## Pension costs

The Company participates in group operated defined contribution and defined benefit pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds.

The Company is unable to identify its share of the defined benefit scheme's underlying assets and liabilities and therefore accounts for its defined contribution. The amounts charged against profits represent contributions to the schemes in respect of the accounting period.

## Long Term Incentive Plan and Long Term Incentive Share Option Plan

The Company operates several share-based payment schemes, the largest of which are the Savings Related Share Option Scheme (SAYE), the Long Term Incentive Option Plan (LTIOP), the Long Term Incentive Plan (LTIP) and the Executive Incentive Plan (EIP).

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity and spread over the period during which employees become unconditionally entitled to the options. The fair values are calculated using an appropriate option pricing model. The profit and loss account charge is then adjusted to reflect expected and actual levels of vesting based on non market performance related criteria.

All profit and loss account charges relating to options held by members of other Group companies are charged to the appropriate Group company.

The Company has chosen to adopt the exemption whereby FRS 20, Share-Based Payment, is applied only to awards made after 7 November 2002.

## Depreciation

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

Freehold buildings	2%
Warehouse systems	10-20%
Plant and equipment	10-20%
Mainframe computer equipment	20%
Network computer equipment	33%
Portable computers	50%
Computer software costs	12.5-50%
Other office equipment	20%

## Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes.

## Leases

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

## Own shares held

The Company's own shares held by the Electrocomponents Employee Trust and the QUEST are deducted from shareholders' funds until they vest unconditionally with employees as required by UITF 38: Accounting for ESOP Trusts.

# Notes to the Company Accounts

For the year ended 31 March 2007

## 1 Profit for the financial year

The profit dealt with in the accounts of the Company is £90.9m (2006: £65.7m). A separate profit and loss account has not been presented in respect of the Company, as provided by Section 230 of the Companies Act 1985.

Fees paid to KPMG Audit Plc and its associates for non-audit services to the Company itself are not disclosed in the individual accounts of Electrocomponents Plc because the Company's consolidated accounts are required to disclose such fees on a consolidated basis.

## 2 Employees

### Numbers employed

	2007	2006
The average number of employees during the year was:		
Management and administration	25	30
Distribution and marketing	11	17
	36	47

### Aggregate employment costs

	£m	£m
Wages and salaries	3.1	3.4
Social security costs	0.4	0.4
Equity-settled transactions	1.5	0.7
Pension costs	0.3	0.6
	5.3	5.1

## 3 Share-based payments

Details of the share-based payment schemes that existed during the year are given in note 7 to the Group accounts.

### Number and weighted average exercise prices of share options

In thousands of options	Weighted average exercise price 2007	Number of options 2007	Weighted average exercise price 2006	Number of options 2006
Outstanding at the beginning of the year	237p	9,120	367p	5,802
Forfeited during the year	272p	(2,163)	339p	(880)
Lapsed during the year	207p	(1,114)	427p	(249)
Exercised during the year	205p	(59)	n/a	–
Granted during the year	12p	526	99p	4,447
Outstanding at the end of the year	217p	6,310	237p	9,120
Exercisable at the end of the year	–	–	–	–

The options outstanding at 31 March 2007 have an exercise price in the range 0p to 686p and a weighted average contractual life of 7.7 years.

### Employee expenses

	2007 £m	2006 £m
Share options granted in 2003/04	0.1	0.2
Share options granted in 2004/05	0.3	0.3
Share options granted in 2005/06	0.8	0.2
Share options granted in 2006/07	0.3	–
Total expense recognised as employee costs	1.5	0.7

## 4 Pension

The UK defined benefit scheme is described in note 8 to the Group accounts. The last actuarial valuation of the UK scheme was carried out as at 31 March 2004 and has been updated to 31 March 2007 by a qualified independent actuary in accordance with FRS 17. The deficit on the UK scheme is included within the balance sheet of RS Components Ltd, a subsidiary of Electrocomponents plc, as it is this company which employs the majority of the scheme members. As allowed by FRS 17, the deficit has not been split between Electrocomponents plc and RS Components Ltd as it is not possible to do so. This disclosure therefore relates to the UK pension scheme rather than just the Electrocomponents plc part of it.

The principal assumptions used in the valuation of the liabilities of the scheme were:

	2007	2006	2005	2004
Discount rate	5.25%	4.90%	5.40%	5.40%
Rate of increase in salaries	3.85%	3.90%	3.90%	4.65%
Rate of increase of pensions in payment	3.10%	2.90%	2.90%	2.90%
Inflation assumption	3.10%	2.90%	2.90%	2.90%

#### 4 Pension continued

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

	2007	2006	2005	2004
Equities	7.40%	7.05%	6.95%	7.00%
Corporate bonds	4.50%	4.15%	4.65%	4.65%
Government bonds	3.90%	3.55%	3.95%	4.00%
Cash	4.50%	3.75%	4.00%	3.25%

The valuation of the assets of the scheme as at 31 March was:

	2007 £m	2006 £m	2005 £m	2004 £m
Equities	203.7	189.9	143.5	127.7
Corporate bonds	24.0	22.6	18.4	14.3
Government bonds	41.6	39.7	32.7	25.7
Cash	2.6	1.5	3.4	3.7
<b>Total market value of assets</b>	<b>271.9</b>	<b>253.7</b>	<b>198.0</b>	<b>171.4</b>

The valuation of the scheme as at 31 March was:

	2007 £m	2006 £m
Total market value of assets	271.9	253.7
Present value of scheme liabilities	(303.8)	(288.7)
Deficit in the scheme recognised in the accounts of RS Components Ltd	(31.9)	(35.0)
Related deferred tax asset	9.6	12.1
<b>Net pension liability</b>	<b>(22.3)</b>	<b>(22.9)</b>

In addition, the value of the assets and liabilities held in respect of AVCs amounted to £1.0m as at 31 March 2007 (2006: £1.0m). The value of the assets and liabilities held in respect of the defined contribution section of the scheme amounted to £5.5m (2006: £2.8m).

The amounts charged to the profit and loss account are as shown below. The charge has been allocated between RS Components Limited and Electrocomponents plc based upon the pensionable salaries of current employees.

	2007 £m	2006 £m
Current service cost	6.9	7.1
Past service cost	–	–
Interest cost	14.2	13.1
Expected return on scheme assets	(15.9)	(12.6)
<b>Total profit and loss account charge included in the accounts of Electrocomponents plc and RS Components Limited</b>	<b>5.2</b>	<b>7.6</b>

The amount included within the statement of total recognised gains and losses in RS Components was:

	2007	2006	2005	2004
Actual less expected return on scheme assets	(1.5)	36.1	4.2	25.3
As a % of scheme assets	(0.6%)	14.2%	2.1%	14.8%
Experience gains and (losses) arising on the scheme liabilities	(0.8)	0.1	7.7	(4.4)
As a % of scheme liabilities	(0.3%)	0.0%	3.2%	2.0%
Changes in the assumptions underlying the present value of the scheme liabilities	1.3	(32.0)	(10.1)	(22.1)
Actuarial gain (loss) recognised in the statement of total recognised gains and losses	(1.0)	4.2	1.8	(1.2)
As a % of scheme liabilities	0.3%	1.5%	0.8%	0.6%

The movement in the deficit was:

	£m
Deficit in the scheme at the beginning of the year	(35.0)
Movement in the year:	
Current service cost	(6.9)
Past service cost	–
Contributions	9.3
Other finance expense	1.7
Actuarial gain (loss)	(1.0)
<b>Deficit in the scheme at the end of the year</b>	<b>(31.9)</b>

## Notes to the Company Accounts continued

### 5 Dividends

	2007 £m	2006 £m
<b>Amounts recognised in the period:</b>		
Final dividend for the year ended 31 March 2006 – 12.6p (2005: 12.6p)	54.8	54.8
Interim dividend for the year ended 31 March 2007 – 5.8p (2006: 5.8p)	25.2	25.2
	<b>80.0</b>	<b>80.0</b>
Proposed dividend for the year ended 31 March 2007 – 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.

### 6 Tangible fixed assets

Cost	Land and buildings £m	Plant and machinery £m	Computer systems £m	Total £m
At 1 April 2006	31.1	8.6	0.5	40.2
Additions	–	0.6	–	0.6
Disposals	(9.6)	–	(0.1)	(9.7)
Reclassification	–	–	–	–
<b>At 31 March 2007</b>	<b>21.5</b>	<b>9.2</b>	<b>0.4</b>	<b>31.1</b>
<b>Depreciation</b>				
At 1 April 2006	4.3	8.0	0.5	12.8
Charged in the year	0.3	0.5	–	0.8
Disposals	(1.0)	–	(0.1)	(1.1)
Reclassification	–	–	–	–
<b>At 31 March 2007</b>	<b>3.6</b>	<b>8.5</b>	<b>0.4</b>	<b>12.5</b>
<b>Net book value</b>				
<b>At 31 March 2007</b>	<b>17.9</b>	<b>0.7</b>	<b>–</b>	<b>18.6</b>
At 31 March 2006	26.8	0.6	–	27.4

Net book value of land and buildings	2007 £m	2006 £m
Freehold land	4.6	6.4
Freehold buildings	13.2	20.4
Leasehold buildings	0.1	–
	<b>17.9</b>	<b>26.8</b>

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

### 7 Investments: subsidiary undertakings

Cost:	Shares £m	Loans £m	Total £m
At 31 March 2006	175.1	263.7	438.8
Additions	–	98.7	98.7
Reclassification	–	(149.0)	(149.0)
Disposals	(0.5)	–	(0.5)
<b>At 31 March 2007</b>	<b>174.6</b>	<b>213.4</b>	<b>388.0</b>
<b>Provisions:</b>			
At 31 March 2006	–	15.4	15.4
Released in the year	–	–	–
<b>At 31 March 2007</b>	<b>–</b>	<b>15.4</b>	<b>15.4</b>
<b>Net book value:</b>			
<b>At 31 March 2007</b>	<b>174.6</b>	<b>198.0</b>	<b>372.6</b>
At 31 March 2006	175.1	248.3	423.4

A list of the principal subsidiary undertakings held by the Company is disclosed in note 16 to the Group accounts.

## 8 Own shares

During the year no ordinary shares in the Company were purchased by the trustees (2006: none). At 31 March 2007, a total of 308,417 (2006: 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 2007 was £892,867 (2006: £863,568).

At 31 March 2007, a total of nil (2006: 39,342) ordinary shares were also held by the QUEST. The market value of the shares at 31 March 2007 was £nil (2006: £110,158).

## 9 Debtors

	2007 £m	2006 £m
Amounts owed by subsidiary undertakings	158.6	7.9
Other debtors	0.8	0.2
Other prepayments and accrued income	0.7	1.0
Amounts falling due within one year	160.1	9.1

## 10 Creditors: amounts falling due within one year

	2007 £m	2006 £m
Bank overdrafts (unsecured)	63.2	19.3
Current instalments of loans (see note 11)	74.1	17.7
Amounts owed to subsidiary undertakings	47.0	47.8
Other taxation and social security	0.1	0.1
Accruals and deferred income	4.4	3.0
Amounts falling due within one year	188.8	87.9
Amounts falling due after more than one year:		
Loans repayable after more than one year (see note 11)	70.2	128.4
	259.0	216.3

## 11 Loans

	2007 £m	2006 £m
Australian Dollar bank loans	2.2	2.9
Euro bank loans	37.5	35.0
GBP bank loans	7.1	–
Hong Kong Dollar bank loans	5.0	5.0
Japanese Yen bank loans	28.3	31.0
Singapore Dollar bank loans	5.1	3.8
South African Rand bank loans	6.7	7.1
US Dollar bank loans	52.4	61.3
	144.3	146.1
Amounts falling due within one year or on demand	(74.1)	(17.7)
	70.2	128.4
Loans repayable in more than one but not more than two years	–	57.5
Loans repayable in more than two but not more than five years	70.2	70.9
Loans repayable in more than five years	–	–
	70.2	128.4

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

## 12 Provisions for liabilities and charges

		Deferred taxation £m
At 1 April 2006		2.1
Profit and loss account		(1.3)
At 31 March 2007		0.8
	2007 £m	2006 £m
Deferred taxation		
Amounts provided:		
Accelerated capital allowances	1.0	2.0
Share schemes	(0.5)	–
Other short-term timing differences	0.3	0.1
	0.8	2.1

## Notes to the Company Accounts continued

### 13 Lease commitments

The minimum annual rentals in respect of the Company's operating lease commitments are as follows:

	Plant and machinery 2007 £m	2006 £m
Within one year	0.3	–
Within two to five years	1.2	0.1
After five years	1.5	–
	<b>3.0</b>	<b>0.1</b>

### 14 Contingent liabilities

Guarantees in respect of bank facilities available to certain subsidiaries up to a maximum of £23.6m (2006: £25.7m), of which £16.4m (2006: £17.3m) had been drawn down by the end of the year.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contracts as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

### 15 Share capital

	2007 Number of shares	2006 Number of shares	2007 £m	2006 £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 2006	435,276,125	435,259,071	43.5	43.5
New share capital subscribed	48,882	17,054	–	–
<b>At 31 March 2007</b>	<b>435,325,007</b>	<b>435,276,125</b>	<b>43.5</b>	<b>43.5</b>

All of the new share capital subscribed in 2007 related to the exercise of share options.

### 16 Reserves

	Share premium account £m	Own shares held £m	Hedging reserve £m	Profit and loss £m	Retained earnings £m	Total £m
At 1 April 2006	38.4	(1.7)	–	231.0	229.3	267.7
Profit for the year	–	–	0.6	90.9	91.5	91.5
Dividend	–	–	–	(80.0)	(80.0)	(80.0)
Equity settled transactions	–	–	–	1.5	1.5	1.5
Premium on new share capital subscribed	0.3	–	–	–	–	0.3
<b>At 31 March 2007</b>	<b>38.7</b>	<b>(1.7)</b>	<b>0.6</b>	<b>243.4</b>	<b>242.3</b>	<b>281.0</b>

### 17 Reconciliations of movements in shareholders' funds

	2007 £m	2006 £m
Profit for the year	90.9	65.7
Dividend	(80.0)	(80.0)
Retained profit/(loss) for the year	10.9	(14.3)
Gain on cash flow hedges	0.6	–
Equity settled transactions	1.5	0.7
New share capital subscribed	0.3	–
Net increase/(reduction) in equity	13.3	(13.6)
Equity shareholders' funds at the beginning of the year	311.2	324.8
Equity shareholders' funds at the end of the year	324.5	311.2

# Five Year Record

Year ended 31 March

	IFRS 2007	IFRS 2006	IFRS 2005	UK GAAP 2004	UK GAAP 2003
Revenue	877.5	828.5	773.9	759.3	743.7
Operating profit	91.1	68.5	100.8	98.3	91.0
Provision for RoHS	–	4.0	–	–	–
Reorganisation (income)/costs	(0.8)	3.7	–	–	–
Amortisation of goodwill	–	–	–	10.2	11.3
Headline operating profit	90.3	76.2	100.8	108.5	102.3
Net interest payable	(5.9)	(3.4)	(0.9)	(1.4)	(1.2)
Profit before tax	85.2	65.1	99.9	96.9	89.8
Provision for RoHS	–	4.0	–	–	–
Reorganisation (income)/costs	(0.8)	3.7	–	–	–
Amortisation of goodwill	–	–	–	10.2	11.3
Headline profit before tax	84.4	72.8	99.9	107.1	101.1
Tax	(29.0)	(21.5)	(32.3)	(31.0)	(29.3)
Profit for the year attributable to the equity shareholders	56.2	43.6	67.6	65.9	60.5
Non-current assets	325.0	342.0	323.2	305.2	346.8
Current assets	351.8	361.3	354.4	353.6	307.6
Current liabilities	(226.4)	(159.8)	(155.9)	(210.0)	(204.6)
Non-current liabilities	(145.8)	(207.1)	(166.0)	(104.4)	(63.1)
Net assets	304.6	336.4	355.7	344.4	386.7
Number of shares in issue:					
Weighted average (excluding own shares held)	434.9	434.9	434.9	434.9	434.8
Year end	435.3	435.3	435.3	435.2	435.2
Dividend per share (pence)	18.4	18.4	18.4	18.2	17.0
Average number of employees	5,451	5,206	4,993	4,973	5,028
Share price at 31 March (pence)	289.5	280.0	247.5	341.5	257.0

The amounts disclosed for 2004 and earlier are disclosed on the basis of UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRS.