

Notes to the consolidated accounts

For the year ended 31 March 2003

1 Analysis of income and expenditure

This analysis reconciles the Companies Act analysis shown in the Profit and Loss Account to the segmental analysis shown in note 2.

	2003 £M	2002 £M
Turnover	743.7	759.6
Cost of sales	(351.6)	(372.4)
Distribution and marketing expenses	(215.4)	(209.2)
Contribution – before amortisation of goodwill	176.7	178.0
Distribution and marketing expenses within process costs	(64.4)	(56.7)
Administration expenses – before amortisation of goodwill	(10.2)	(12.6)
Groupwide process costs	(74.6)	(69.3)
Administration expenses – amortisation of goodwill on the acquisition of Allied Electronics Inc	(11.1)	(11.9)
Administration expenses – amortisation of goodwill on the acquisition of RS Components AS (Norway)	(0.2)	(0.1)
Operating profit	90.8	96.7

2 Segmental analysis

By geographical destination

		2003 £M	2002 £M
Turnover:	United Kingdom	353.7	379.7
	Rest of Europe	227.0	214.4
	North America	103.2	110.0
	Japan	11.3	9.0
	Rest of World	48.5	46.5
		743.7	759.6

		2003			2002		
		TOTAL SALES £M	INTER- SEGMENT SALES £M	TURNOVER £M	TOTAL SALES £M	INTER- SEGMENT SALES £M	TURNOVER £M
By geographical origin							
Turnover:	United Kingdom	445.7	(78.8)	366.9	462.3	(69.3)	393.0
	Rest of Europe	225.7	(1.4)	224.3	212.1	(1.4)	210.7
	North America	103.5	(0.1)	103.4	110.5	–	110.5
	Japan	11.3	–	11.3	9.0	–	9.0
	Rest of World	38.8	(1.0)	37.8	36.7	(0.3)	36.4
		825.0	(81.3)	743.7	830.6	(71.0)	759.6

		2003 £M	2002 £M
Operating profit:	United Kingdom	119.1	126.2
	Rest of Europe	44.1	40.4
	North America	14.4	15.9
	Japan	(3.3)	(4.7)
	Rest of World	2.4	0.2
	Contribution – before amortisation of goodwill	176.7	178.0
	Groupwide process costs	(74.6)	(69.3)
	Amortisation of goodwill – Allied (North America)	(11.1)	(11.9)
	Amortisation of goodwill – RS Norway (Rest of Europe)	(0.2)	(0.1)
		90.8	96.7

Notes to the consolidated accounts (continued)

For the year ended 31 March 2003

2 Segmental analysis (continued)

By geographical location		2003 £M	2002 £M
Net assets:			
	United Kingdom	219.9	210.6
	Rest of Europe	70.4	67.0
	North America	26.5	29.5
	Japan	1.7	3.5
	Rest of World	22.0	27.1
	Net operating assets (excluding goodwill)	340.5	337.7
	Net debt	(46.9)	(53.0)
	Unallocated net assets	94.6	127.4
		388.2	412.1
Unallocated net assets comprise:			
	Intangible fixed assets:		
	goodwill – Allied (North America)	175.9	207.7
	goodwill – RS Norway (Rest of Europe)	0.7	0.8
	Corporate tax	(21.8)	(23.0)
	Proposed dividend	(51.1)	(47.9)
	Provisions for liabilities and charges	(9.1)	(10.2)
		94.6	127.4

3 Net interest payable

	2003 £M	2002 £M
Interest receivable	2.0	0.4
Interest payable on loans and overdrafts	(3.2)	(3.6)
	(1.2)	(3.2)

4 Profit on ordinary activities before taxation

Profit before taxation is stated after charging (crediting):	NOTE	2003 £M	2002 £M
Remuneration of the auditors and their associates:			
audit and expenses		0.5	0.5
taxation services and advice		0.3	0.3
other consultancy services worldwide*		0.1	0.1
Depreciation		19.6	19.9
Amortisation of goodwill		11.3	12.0
Amortisation of own shares	16	(0.4)	0.1
Amortisation of government grants		(0.1)	(0.1)
Operating profit on disposal of plant and machinery		–	(0.4)
Hire of plant and machinery		3.1	2.2

The fee in respect of the audit of the Company is £67,000 (2002: £62,000).

*No fees were capitalised in 2003 (2002: £0.1m).

5 Employees

Numbers employed	2003	2002
The average number of employees during the year was:		
Management and administration	392	395
Distribution and marketing	4,636	4,579
	5,028	4,974

Of these staff 2,297 were employed in the United Kingdom (2002: 2,354).

Aggregate employment costs	£M	£M
Wages and salaries	108.4	100.7
Social security costs	12.5	12.0
Pension costs	7.8	7.1
	128.7	119.8

The remuneration of individual Directors is detailed on page 33.

6 Pension schemes

The funding of the United Kingdom defined benefit scheme is assessed in accordance with the advice of independent actuaries. The pension costs for the year ended 31 March 2003 amounted to £3.9m (2002: £3.6m).

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

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

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

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

Less formal funding updates are carried out each year and as at 31 March 2002 the surplus had reduced to £11m. The results of the review as at 31 March 2003 are not yet finalised, but the position will have deteriorated further, with the scheme now in deficit. The Company will be exploring whether it might be appropriate to increase contributions to some extent before the next full valuation. The statutory minimum funding position of the Scheme remains good with a Minimum Funding Ratio estimated at between 120% and 125% as at 31 March 2003.

In addition to the UK scheme outlined above there are certain pension benefits provided on a defined contribution basis in Australia and North America amounting to £0.7m (2002: £0.7m), on a defined benefit basis in Germany and Ireland amounting to £0.4m (2002: £0.4m), and via government schemes in France, Italy, Denmark and North Asia amounting to £1.6m (2002: £1.4m).

FRS 17 Disclosure

A new pension accounting standard, FRS 17, was issued in November 2000. The disclosures required by FRS 17 in the second transitional year of adoption are set out below.

The Electrocomponents Group operates defined benefit schemes in the UK, Germany and the Republic of Ireland. The German scheme is unfunded, in line with local practice. The last actuarial valuation of the UK scheme was carried out as at 31 March 2001 and has been updated to 31 March 2003 by a qualified independent actuary in accordance with FRS 17. The last actuarial valuations of the German and Irish schemes were carried out as at 31 March 2003 by the respective independent scheme actuaries in accordance with the requirements of FRS 17.

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

	2003 UNITED KINGDOM	GERMANY	REPUBLIC OF IRELAND	2002 UNITED KINGDOM	GERMANY	REPUBLIC OF IRELAND
Discount rate	5.5%	5.5%	5.5%	6%	6%	6%
Rate of increase in salaries	4.25%	3%	4%	4.5%	3%	3.75%
Rate of increase of pensions in payment	2.5%	2%	2%	2.75%	2%	2.5%
Inflation assumption	2.5%	2%	2%	2.75%	2%	2.5%

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

	2003 UNITED KINGDOM	GERMANY	REPUBLIC OF IRELAND	2002 UNITED KINGDOM	GERMANY	REPUBLIC OF IRELAND
Equities	6.75%	n/a	7.4%	7.75%	n/a	8.5%
Corporate bonds	4.75%	n/a	n/a	n/a	n/a	n/a
Government bonds	3.75%	n/a	4.4%	5.25%	n/a	5.5%
Cash	3%	n/a	n/a	4%	n/a	n/a
Property	n/a	n/a	n/a	7.75%	n/a	n/a
Other	n/a	n/a	5.4%	n/a	n/a	6.5%

Notes to the consolidated accounts (continued)

For the year ended 31 March 2003

6 Pension schemes (continued)

The valuations of the schemes as at 31 March were:

	2003 UNITED KINGDOM VALUATION £M	GERMANY VALUATION £M	REPUBLIC OF IRELAND VALUATION £M	TOTAL VALUATION £M	2002 UNITED KINGDOM VALUATION £M	GERMANY VALUATION £M	REPUBLIC OF IRELAND VALUATION £M	TOTAL VALUATION £M
Equities	96.8	n/a	0.6	97.4	127.3	n/a	0.7	128.0
Corporate bonds	13.0	n/a	–	13.0	–	n/a	–	–
Government bonds	23.1	n/a	0.2	23.3	35.1	n/a	0.2	35.3
Cash	1.6	n/a	–	1.6	5.0	n/a	–	5.0
Property	–	n/a	–	–	1.4	n/a	–	1.4
Other	–	n/a	0.3	0.3	–	n/a	0.3	0.3
Total market value of assets	134.5	–	1.1	135.6	168.8	–	1.2	170.0
Present value of scheme liabilities	(174.7)	(3.0)	(1.3)	(179.0)	(149.3)	(2.0)	(1.1)	(152.4)
(Deficit) surplus in the scheme	(40.2)	(3.0)	(0.2)	(43.4)	19.5	(2.0)	0.1	17.6
Related deferred tax asset (liability)	12.1	1.2	–	13.3	(5.9)	0.8	–	(5.1)
Net pension (liability) asset	(28.1)	(1.8)	(0.2)	(30.1)	13.6	(1.2)	0.1	12.5

The deficit of £1.8m in the German scheme is financed through existing book reserves established within the German accounts.

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

	2003 PROFIT AND LOSS RESERVE £M	NET ASSETS £M	2002 PROFIT AND LOSS RESERVE £M	NET ASSETS £M
As stated excluding pension (liability) asset	306.4	388.2	330.8	412.1
Net pension (liability) asset	(30.1)	(30.1)	12.5	12.5
Including net pension (liability) asset	276.3	358.1	343.3	424.6

For the year ended 31 March 2003:

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

	UNITED KINGDOM £M	GERMANY £M	REPUBLIC OF IRELAND £M	TOTAL £M
Current service cost	(7.7)	(0.3)	–	(8.0)
Past service cost	–	–	–	–
Total charge to operating profit	(7.7)	(0.3)	–	(8.0)
Interest cost	(9.3)	(0.2)	(0.1)	(9.6)
Expected return on assets	12.1	–	0.1	12.2
Net credit to other finance income	2.8	(0.2)	–	2.6
Total profit and loss pension charge	(4.9)	(0.5)	–	(5.4)

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

	UNITED KINGDOM £M	GERMANY £M	REPUBLIC OF IRELAND £M	TOTAL £M
Actual less expected return on scheme assets	(48.9)	n/a	(0.4)	(49.3)
– as a % of scheme assets	36.4%		36.4%	
Experience gains and losses arising on the scheme liabilities	(1.4)	0.1	–	(1.3)
– as a % of scheme liabilities	0.8%	(3.3)%	0.0%	
Changes in assumptions underlying the present value of the scheme liabilities	(9.3)	(0.3)	–	(9.6)
Actuarial loss recognised in Group statement of total recognised gains and losses	(59.6)	(0.2)	(0.4)	(60.2)
– as a % of scheme liabilities	34.1%	6.7%	30.8%	

6 Pension schemes (continued)

The movement in deficit during the year would have been:

	UNITED KINGDOM £M	GERMANY £M	REPUBLIC OF IRELAND £M	TOTAL £M
Surplus (deficit) in scheme at the beginning of the year	19.5	(2.0)	0.1	17.6
Movement in year:				
Current service cost	(7.7)	(0.3)	–	(8.0)
Past service cost	–	–	–	–
Contributions	4.8	–	0.1	4.9
Other finance income	2.8	(0.2)	–	2.6
Actuarial loss	(59.6)	(0.2)	(0.4)	(60.2)
Exchange differences	–	(0.3)	–	(0.3)
Deficit in scheme at the end of the year	(40.2)	(3.0)	(0.2)	(43.4)

7 Taxation**Taxation on the profit of the Group**

	2003 £M	2002 £M
United Kingdom corporation tax at 30%	21.8	23.5
United Kingdom deferred taxation	–	0.3
	21.8	23.8
Overseas taxation – current	8.4	8.1
Overseas taxation – deferred	(0.9)	(1.3)
	29.3	30.6
All deferred taxation relates to the origination and reversal of timing differences.		
Current tax is reconciled to a notional 30% of profit before taxation as follows:		
Expected tax charge	26.9	28.0
Overseas tax rates	1.4	1.3
Utilisation of tax losses	(2.8)	(0.7)
Creation of tax losses	4.8	5.9
Timing differences – capital allowances	0.6	0.5
Timing differences – goodwill deduction	(1.6)	(1.6)
Timing differences – other	1.1	(1.1)
Other	(0.2)	(0.7)
	30.2	31.6

8 Profit for the financial year

	2003 £M	2002 £M
Dealt with in the accounts of the Company	54.0	132.6
Retained by subsidiaries	6.3	(69.7)
	60.3	62.9

9 Dividends**Profit and loss account**

	2003 £M	2002 £M
Interim dividend paid – 5.25p (2002: 4.90p)	22.8	21.3
Final dividend proposed – 11.75p (2002: 11.00p)	51.1	47.9
	73.9	69.2

Cash flow statement

	2003 £M	2002 £M
Final dividend for the year ended 31 March 2002	47.8	41.4
Interim dividend for the year ended 31 March 2003	22.8	21.3
	70.6	62.7

Notes to the consolidated accounts (continued)

For the year ended 31 March 2003

	2003 £M	2002 £M
10 Earnings per share		
Profit on ordinary activities after taxation	60.3	62.9
Amortisation of goodwill (excluding tax effect)	11.3	12.0
Profit on ordinary activities after taxation and before amortisation of goodwill	71.6	74.9
Weighted average number of shares	434,757,914	434,066,102
Dilutive effect of share options	174,518	793,194
Diluted weighted average number of shares	434,932,432	434,859,296
	PENCE	PENCE
Basic earnings per share		
Before amortisation of goodwill	16.5	17.3
After amortisation of goodwill	13.9	14.5
Diluted earnings per share		
Before amortisation of goodwill	16.5	17.2
After amortisation of goodwill	13.9	14.5

	GROUP GOODWILL £M
11 Intangible fixed assets	
Cost	
At 1 April 2002	241.7
Translation differences	(24.2)
At 31 March 2003	217.5
Amortisation	
At 1 April 2002	33.2
Charged in the year	11.3
Translation differences	(3.6)
At 31 March 2003	40.9
Net book value	
At 31 March 2003	176.6
At 31 March 2002	208.5

	GROUP LAND AND BUILDINGS £M	PLANT AND MACHINERY £M	COMPUTER SYSTEMS £M	TOTAL £M	COMPANY LAND AND BUILDINGS £M	PLANT AND MACHINERY £M	COMPUTER SYSTEMS £M	TOTAL £M
12 Tangible fixed assets								
Cost								
At 1 April 2002	97.3	88.9	78.7	264.9	37.4	9.1	2.6	49.1
Additions	0.4	8.0	22.9	31.3	–	0.2	1.0	1.2
Disposals	(0.1)	(2.2)	(4.8)	(7.1)	–	(0.7)	(3.1)	(3.8)
Translation differences	2.6	1.6	0.8	5.0	–	–	–	–
At 31 March 2003	100.2	96.3	97.6	294.1	37.4	8.6	0.5	46.5
Depreciation								
At 1 April 2002	17.3	54.9	36.8	109.0	3.2	4.6	0.6	8.4
Charged in the year	2.1	8.1	9.4	19.6	2.9	0.9	0.3	4.1
Disposals	(0.1)	(1.8)	(4.2)	(6.1)	–	–	(0.4)	(0.4)
Translation differences	0.3	0.7	0.5	1.5	–	–	–	–
At 31 March 2003	19.6	61.9	42.5	124.0	6.1	5.5	0.5	12.1
Net book value								
At 31 March 2003	80.6	34.4	55.1	170.1	31.3	3.1	–	34.4
At 31 March 2002	80.0	34.0	41.9	155.9	34.2	4.5	2.0	40.7

12 Tangible fixed assets (continued)

	GROUP 2003 £M	2002 £M	COMPANY 2003 £M	2002 £M
Net book value of land and buildings				
Freehold land	13.8	13.2	6.5	8.8
Freehold buildings	60.9	60.5	24.8	25.4
Long leasehold	0.6	0.7	–	–
Short leasehold	5.3	5.6	–	–
	80.6	80.0	31.3	34.2
Net book value of plant and machinery				
Plant and machinery	30.4	30.2	2.9	4.2
Other office equipment	3.0	2.8	0.2	0.3
Motor vehicles	1.0	1.0	–	–
	34.4	34.0	3.1	4.5
Net book value of computer systems	55.1	41.9	–	2.0

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

13 Capital commitments

	GROUP 2003 £M	2002 £M	COMPANY 2003 £M	2002 £M
Contracted capital expenditure at 31 March, for which no provision has been made in these accounts	4.5	1.0	–	–

14 Investments

	GROUP 2003 £M	2002 £M	COMPANY 2003 £M	2002 £M
Subsidiary undertakings	–	–	392.7	388.1
Associated undertakings	0.1	0.2	–	–
Investment in own shares	1.5	1.1	1.5	1.1
	1.6	1.3	394.2	389.2

15 Subsidiary undertakings

Cost:	SHARES £M	LOANS £M	TOTAL £M
At 1 April 2002	175.1	228.4	403.5
Additions	–	4.6	4.6
Disposals	–	–	–
At 31 March 2003	175.1	233.0	408.1
Provisions:			
At 1 April 2002	–	15.4	15.4
Released in the year	–	–	–
At 31 March 2003	–	15.4	15.4
Net book value:			
At 31 March 2003	175.1	217.6	392.7
At 31 March 2002	175.1	213.0	388.1

16 Own shares

	COST £M	ACCUMULATED AMORTISATION £M	NET £M
At 1 April 2002	2.4	(1.3)	1.1
Additions	–	–	–
Disposals	(0.6)	0.6	–
Charge for the year	–	0.4	0.4
At 31 March 2003	1.8	(0.3)	1.5

Notes to the consolidated accounts (continued)

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16 Own shares (continued)

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

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

Under the terms of the trust deed the trustees are permitted to acquire the Company's ordinary shares by way of market purchase and allocate them on a discretionary basis to individual beneficiaries. EET is funded by an interest-free loan from the Company. During the year no ordinary shares in the Company were purchased by the trustees.

On 4 July 2002 ordinary shares were transferred as follows:

Mr Butler	20,208
Mr Hewitt	28,869
Mr Lawson	42,727
Mr Mason	17,321

At 31 March 2003, a total of 308,417 (2002: 417,542) ordinary shares in the Company were held by EET, all of which were under option to employees for a nominal consideration. The market value of the shares at 31 March 2003 was £792,631.

At 31 March 2003, a total of 41,513 (2002: 91,999) ordinary shares in the Company were also held by the QUEST, all of which were under option to employees as detailed in note 30. The market value of the shares at 31 March 2003 was £106,688.

17 Principal subsidiary undertakings and associated undertakings

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

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

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

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

Notes: † RS Components & Controls (India) Ltd ("RSCC") is a joint venture with Controls & Switchgear Company Ltd, a company registered in India. The authorised share capital of this company is Rs20m, of which Rs18m is issued and owned in equal shares by Electrocomponents UK Limited and its joint venture partner. RS Components Limited supplies product and catalogues to RSCC, while office space and distribution network are provided by Controls & Switchgear. During the year ended 31 March 2003 the Group made sales of £0.5m (2002: £0.6m) to RSCC and supplied catalogues at a cost to RSCC of £0.1m (2002: £0.1m). RSCC is treated in the accounts as an associated undertaking.

18 Acquisition

There were no acquisitions in the year ended 31 March 2003.

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

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

	GROUP 2003 £M	2002 £M	COMPANY 2003 £M	2002 £M
19 Stock				
Raw materials and consumables	1.7	3.1	–	–
Work in progress	2.3	2.8	–	–
Finished goods and goods for resale	130.1	129.2	–	–
	134.1	135.1	–	–

	GROUP 2003 £M	2002 £M	COMPANY 2003 £M	2002 £M
20 Debtors				
Trade debtors	118.4	124.2	–	–
Amounts owed by subsidiary undertakings	–	–	16.0	14.7
Amounts owed by associated undertakings	0.8	0.8	–	–
Other debtors	9.8	5.2	0.8	0.4
Corporate tax	1.5	0.3	–	–
Prepaid catalogue expenses	9.8	9.1	–	–
Other prepayments and accrued income	4.5	3.9	0.1	0.1
Amounts falling due within one year	144.8	143.5	16.9	15.2
Other debtors falling due after more than one year:				
Corporate tax	0.1	–	–	–
Prepaid pension costs	1.2	1.3	1.2	1.3
Other debtors	0.7	0.6	–	–
	146.8	145.4	18.1	16.5

	GROUP 2003 £M	2002 £M	COMPANY 2003 £M	2002 £M
21 Investments – current assets				
Bank deposits	23.8	16.3	23.8	16.3

	GROUP 2003 £M	2002 £M	COMPANY 2003 £M	2002 £M
22 Creditors: amounts falling due within one year				
Bank overdrafts (unsecured)	0.3	1.9	58.0	40.6
Current instalments of loans (see note 24)	29.0	19.7	26.3	14.3
Trade creditors	61.4	55.5	–	–
Amounts owed to subsidiary undertakings	–	–	37.2	28.3
Corporate tax	23.4	23.3	–	–
Other taxation and social security	10.2	8.1	0.1	0.1
Other creditors	5.7	7.2	–	–
Government grants	0.3	0.1	–	–
Accruals and deferred income	23.2	20.8	3.8	1.5
Proposed dividend	51.1	47.9	51.1	47.9
	204.6	184.5	176.5	132.7

	GROUP 2003 £M	2002 £M	COMPANY 2003 £M	2002 £M
23 Creditors: amounts falling after more than one year				
Loans repayable after more than one year (see note 24)	44.3	52.8	39.3	48.4
Other creditors	4.4	3.4	–	–
Government grants	5.3	4.6	–	–
	54.0	60.8	39.3	48.4

Notes to the consolidated accounts (continued)

For the year ended 31 March 2003

	GROUP 2003 £M	2002 £M	COMPANY 2003 £M	2002 £M
24 Loans				
Australian Dollar bank loans	2.7	–	2.6	–
Euro bank loans	5.0	4.5	–	–
Hong Kong Dollar bank loans	1.6	1.4	1.6	1.4
Japanese Yen bank loans	28.7	24.2	26.0	18.9
Singapore Dollar bank loans	4.4	1.7	4.4	1.7
Sterling bank loans	–	1.8	–	1.8
Swedish Kroner bank loans	0.1	–	0.1	–
US Dollar bank loans	30.8	38.9	30.9	38.9
	73.3	72.5	65.6	62.7
Amounts falling due within one year or on demand	(29.0)	(19.7)	(26.3)	(14.3)
	44.3	52.8	39.3	48.4
Loans repayable in more than one but not more than two years	39.9	–	39.3	–
Loans repayable in more than two but not more than five years	1.9	50.0	–	48.4
Loans repayable in more than five years	2.5	2.8	–	–
	44.3	52.8	39.3	48.4

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

25 Financial risk management

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

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

(a) Interest rate risk

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

	2003			2002		
	FLOATING RATE FINANCIAL ASSETS £M	FINANCIAL ASSETS ON WHICH NO INTEREST IS RECEIVABLE £M	TOTAL £M	FLOATING RATE FINANCIAL ASSETS £M	FINANCIAL ASSETS ON WHICH NO INTEREST IS RECEIVABLE £M	TOTAL £M
Financial assets						
Euro	24.1	0.3	24.4	19.9	0.2	20.1
Sterling	–	–	–	–	1.3	1.3
US Dollars	2.0	–	2.0	0.2	–	0.2
Other	0.6	0.4	1.0	1.3	0.4	1.7
Total financial assets	26.7	0.7	27.4	21.4	1.9	23.3

At 31 March the financial assets of the Group comprised:

	2003 £M	2002 £M
Debtors due after more than one year	0.7	1.9
Investments	23.8	16.3
Cash at bank and at hand	2.9	5.1
	27.4	23.3

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

25 Financial risk management (continued)

Financial liabilities	2003			2002		
	FIXED RATE FINANCIAL LIABILITIES £M	FLOATING RATE FINANCIAL LIABILITIES £M	TOTAL £M	FIXED RATE FINANCIAL LIABILITIES £M	FLOATING RATE FINANCIAL LIABILITIES £M	TOTAL £M
Euro	5.0	0.1	5.1	4.5	0.1	4.6
Hong Kong Dollars	–	1.6	1.6	–	1.6	1.6
Japanese Yen	–	28.7	28.7	–	24.2	24.2
Singapore Dollars	–	4.5	4.5	–	1.8	1.8
Sterling	–	–	–	–	2.6	2.6
US Dollars	–	30.8	30.8	–	39.0	39.0
Other	–	2.9	2.9	–	0.6	0.6
Total financial liabilities	5.0	68.6	73.6	4.5	69.9	74.4

As at the year end, the non-interest bearing financial liabilities were £0.5m (2002: £3.4m), which were predominantly denominated in Euros.

At 31 March the financial liabilities of the Group comprised:	2003 £M	2002 £M
Bank overdrafts repayable on demand (unsecured)	0.3	1.9
Current instalments of loans (see note 24)	29.0	19.7
Loans repayable between one and two years (see note 24)	39.9	–
Loans repayable between two and five years (see note 24)	1.9	50.0
Loans repayable in more than five years (see note 24)	2.5	2.8
	73.6	74.4

The weighted average interest rate of the fixed-rate financial liabilities was 3.85% (2002: 3.85%). The weighted average period to maturity for which the rates are fixed is 1,827 days (2002: 2,165 days). The floating rate financial liabilities comprise bank borrowings, bearing interest at rates fixed in advance for periods ranging from overnight to 12 months by reference to the relevant inter-bank rate, plus overdraft balances.

(b) Borrowing facilities

As at 31 March 2003 the Group had a £158.2m committed borrowing facility (2002: £176.1m) denominated in US Dollars, of which £118.9m was undrawn (2002: £127.6m). The undrawn amount will all expire in between one and two years.

(c) Fair values of financial assets and financial liabilities

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

(d) Group hedging

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

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

The following table shows the nominal Sterling amount of the forward foreign exchange contracts in place at 31 March 2003 valued at the forward contracted rates and at the year end rates. The difference between the two is the unrecognised gain or loss. The hedges have no book value.

Notes to the consolidated accounts (continued)

For the year ended 31 March 2003

25 Financial risk management (continued)

	2003			2002		
	HEDGING TRADING FLOWS £M	HEDGING INTER- COMPANY DEBT £M	TOTAL £M	HEDGING TRADING FLOWS £M	HEDGING INTER- COMPANY DEBT £M	TOTAL £M
Forward foreign exchange contracts						
Notional principal amounts valued at the contracted rates:						
to sell Sterling and buy foreign currency	(26.7)	–	(26.7)	(16.7)	–	(16.7)
to buy Sterling and sell foreign currency	70.1	4.5	74.6	56.4	5.0	61.4
Total net amount:	43.4	4.5	47.9	39.7	5.0	44.7
Unrecognised gains and losses compared to year end rates:						
gains			0.6			0.7
losses			(4.1)			(0.1)
Total net unrecognised gains			(3.5)			0.6
Fair value at 31 March 2003*			51.4			44.1

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

Throughout the year and as at the year end, the Group had one interest rate swap. This converted fixed interest to floating interest on 7.2m Euro (£5.0m). The unrecognised gain arising on this interest rate swap as at 31 March 2003 was £0.3m (2002: nil).

	2003		2002	
	GAINS £M	LOSSES £M	TOTAL NET GAINS (LOSSES) £M	
Gains and losses on hedges				
Unrecognised gains and losses at 1 April 2002	0.7	(0.1)	0.6	
Gains and losses arising in previous years that were recognised in the year ended 31 March 2003	(0.7)	0.1	(0.6)	
Gains and losses arising before 1 April 2002 that were not recognised in the year ended 31 March 2003	–	–	–	
Gains and losses arising in the year ended 31 March 2003 that were not recognised in the year	0.9	(4.1)	(3.2)	
Unrecognised gains and losses on hedges at 31 March 2003	0.9	(4.1)	(3.2)	

(e) Currency exposures

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

26 Provisions for liabilities and charges

	GROUP DEFERRED TAXATION £M	COMPANY DEFERRED TAXATION £M
At 1 April 2002		10.2
Profit and loss account		(0.9)
Translation differences		(0.2)
At 31 March 2003		9.1

	GROUP 2003 £M	2002 £M	COMPANY 2003 £M	2002 £M
Deferred taxation				
Amounts provided:				
Accelerated capital allowances	10.6	10.5	2.0	2.1
Tax losses	(8.4)	(5.7)	–	–
Goodwill	5.5	4.5	–	–
Other short term timing differences	1.4	0.9	0.4	0.4
	9.1	10.2	2.4	2.5

	GROUP 2003 £M	2002 £M	COMPANY 2003 £M	2002 £M
Deferred taxation				
Amounts not provided:				
Rolled over capital gains	0.5	0.5	–	–
Tax losses	(14.8)	(11.3)	–	–
	(14.3)	(10.8)	–	–

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

27 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 2003 was £3.1m (2002: £2.2m). The lease agreements provide that the Group will pay all insurance, maintenance and repairs. In addition, the Group leases certain properties on short and long term leases. The annual rental on these leases was £10.8m (2002: £9.9m). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Group pays all insurance, maintenance and repairs of these properties. The minimum annual rentals under the foregoing leases are as follows:

	GROUP			COMPANY				
	PROPERTIES 2003 £M	2002 £M	PLANT AND MACHINERY 2003 £M	2002 £M	PROPERTIES 2003 £M	2002 £M	PLANT AND MACHINERY 2003 £M	2002 £M
Operating leases which expire:								
within one year	1.1	0.9	0.9	0.5	0.1	0.2	–	–
within two to five years	7.7	7.2	2.6	4.4	–	–	0.1	–
after five years	2.5	2.4	–	–	–	–	–	–
	11.3	10.5	3.5	4.9	0.1	0.2	0.1	–

28 Contingent liabilities

At 31 March 2003 the following contingent liabilities existed:

COMPANY

Guarantees in respect of bank facilities available to certain subsidiaries up to a maximum of £48.6m (2002: £44.0m), of which £15.2m (2002: £13.0m) had been drawn down by the end of the year.

29 Share capital

	2003 NUMBER OF SHARES	2002 NUMBER OF SHARES	2003 £M	2002 £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 2002	434,998,381	434,242,103	43.5	43.4
New share capital subscribed	208,274	756,278	–	0.1
At 31 March 2003	435,206,655	434,998,381	43.5	43.5

All of the new share capital subscribed in 2003 related to the exercise of share options (see note 30).

30 Share option schemes

	EXECUTIVE OPTIONS 1988 SCHEME	EXECUTIVE OPTIONS LTIP SCHEME	SAYE SCHEMES	US S423 SCHEME	TOTAL
Movement in outstanding options:					
At 1 April 2002	3,556,215	–	3,470,987	71,030	7,098,232
Grants in the year	–	6,516,115	2,437,896	10,964	8,964,975
Options exercised	(202,580)	–	(33,798)	(5,694)	(242,072)
Options lapsed	(28,660)	–	(3,086,247)	(15,192)	(3,130,099)
At 31 March 2003	3,324,975	6,516,115	2,788,838	61,108	12,691,036
Consideration in respect of exercises	£0.4m	–	£0.1m	£0.0m	£0.5m
Options granted	1993 to 2001	2002	1997 to 2002	2001 to 2002	
Period of option	2003 to 2011	2005 to 2013	2003 to 2007	2003 to 2004	
Price per share					
Lowest	206.25p	312.0p	339.0p	299.0p	
Highest	686.0p	324.0p	529.0p	434.0p	
Weighted average	509.9p	312.0p	374.3p	409.8p	

Executive Share Options are normally exercisable during the period between the third and tenth anniversaries of the date of grant. For options issued prior to 1999 not more than 50% of the option may be exercised prior to the fifth anniversary of the date of grant and not more than 80% prior to the seventh anniversary. For options issued in 1999 or later, exercise is subject to meeting a performance target. No more options will be granted under this scheme. The Long Term Incentive Share Option Plan was approved by shareholders at the 2002 AGM and the first grant was made during the year. Options are subject to performance criteria and if they meet these will be exercisable between the third and tenth anniversaries of the date of grant. Options issued under the SAYE schemes are normally exercisable during the period of six months following either the third or fifth anniversary of the date of grant. For options issued under the US section 423 scheme, 20% are exercisable on or after the first anniversary of the date of grant, with the balance exercisable after the second anniversary. Share options outstanding to the Directors of the Company are detailed in the Report of the Remuneration Committee.

Notes to the consolidated accounts (continued)

For the year ended 31 March 2003

	SHARE PREMIUM ACCOUNT £M	PROFIT AND LOSS ACCOUNT £M	TOTAL £M
31 Reserves			
GROUP			
At 1 April 2002	37.8	330.8	368.6
Retained loss for the year	–	(13.6)	(13.6)
Translation differences	–	(10.8)	(10.8)
Premium on new share capital subscribed	0.5	–	0.5
At 31 March 2003	38.3	306.4	344.7
COMPANY			
At 1 April 2002	37.8	217.9	255.7
Retained loss for the year	–	(19.9)	(19.9)
Premium on new share capital subscribed	0.5	–	0.5
At 31 March 2003	38.3	198.0	236.3

The cumulative amount of goodwill written off directly to consolidated profit and loss reserves in respect of subsidiaries that form part of the Group's continuing activities at 31 March 2003 is £42.8m (2002: £42.8m).

	GROUP 2003 £M	2002 £M	COMPANY 2003 £M	2002 £M
32 Reconciliations of movements in shareholders' funds				
Profit for the year	60.3	62.9	54.0	132.6
Dividend	(73.9)	(69.2)	(73.9)	(69.2)
Retained (loss) profit for the year	(13.6)	(6.3)	(19.9)	63.4
Translation differences	(10.8)	0.5	–	–
New share capital subscribed	0.5	3.0	0.5	3.0
Net (reduction) addition to equity	(23.9)	(2.8)	(19.4)	66.4
Equity shareholders' funds at the beginning of the year	412.1	414.9	299.2	232.8
Equity shareholders' funds at the end of the year	388.2	412.1	279.8	299.2

	2003 £M	2002 £M
33 Gross cash flows – Group		
Returns on investments and servicing of finance		
Interest received	2.0	0.8
Interest paid	(3.2)	(4.5)
Net cash outflow from returns on investments and servicing of finance	(1.2)	(3.7)
Capital expenditure and financial investment		
Purchase of tangible fixed assets*	(34.3)	(46.4)
Sales of tangible fixed assets	0.9	4.7
Receipt of capital grants	0.7	1.8
Purchase of own shares	–	(1.2)
Net cash outflow for capital expenditure and financial investment	(32.7)	(41.1)
*Including capital accruals the purchase of fixed assets figure would be £31.3m (2002: £47.2m)		
Management of liquid resources		
Net increase in bank deposits	(5.1)	(9.6)
Net cash outflow from management of liquid resources	(5.1)	(9.6)
Financing		
Issue of ordinary share capital	0.5	3.0
New bank loans	17.1	4.4
Repayment of bank loans	(13.2)	(22.8)
Net cash inflow (outflow) from financing	4.4	(15.4)

	AT 1 APRIL 2002 £M	CASH FLOWS £M	OTHER NON-CASH CHANGES £M	TRANSLATION DIFFERENCES £M	AT 31 MARCH 2003 £M
34 Analysis of changes in net debt – Group					
Cash at bank and in hand	5.1	(4.6)		2.4	2.9
Overdrafts	(1.9)	1.5		0.1	(0.3)
		(3.1)			
Current instalments of loans	(19.7)	(3.9)	(9.1)	3.7	(29.0)
Loans repayable after more than one year	(52.8)	–	9.1	(0.6)	(44.3)
		(3.9)			
Current asset investments	16.3	5.1		2.4	23.8
	(53.0)	(1.9)	–	8.0	(46.9)

	2003 AVERAGE	CLOSING	2002 AVERAGE	CLOSING
35 Principal exchange rates				
United States Dollar	1.54	1.58	1.43	1.42
Euro	1.56	1.45	1.63	1.63
Japanese Yen	188	187	180	189