

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 required by FRS 26: Financial instruments: measurement, and in accordance with UK company law and UK accounting standards.

Changes in accounting policies

The accounts reflect the adoption, during the year, of the following standard:

- FRS 17: retirement benefits. FRS 17 requires any surplus or deficit on the Company's defined benefit pension scheme to be included in the balance sheet and changes the method of determining the profit and loss account charge. Details of the accounting policy adopted are given below. The impact on the Company profit and net assets is given in note 18 to the Company Accounts.

In order to align UK accounting standards with International Financial Reporting Standards, the following standards came into effect during the year. The accounts reflect the adoption, during the year, of these standards:

- FRS 20: Share-based payment. Under FRS 20, the Company is required to show share-based payments in the profit and loss account. Details of the accounting policy adopted are given below. The impact on the Company profit and net assets is given in note 18 to the Company Accounts.
- FRS 21: Events after the balance sheet date. The main impact of FRS 21 is to change the recognition of dividends declared after the balance sheet date of the year under review. Such dividends are no longer accrued in the balance sheet. The impact on the Company profit and net assets is given in note 18 to the Company Accounts.
- FRS 23: The effects of changes in foreign exchange rates. FRS 23 gives additional guidance on the translation method of foreign currency transactions and on determining the functional and presentational currency of the company. The adoption of this standard had no impact on the Company's profit or net assets.
- FRS 25: Financial instruments: disclosure and presentation. This standard sets out the requirements for the presentation of, and disclosures relating to, financial instruments. The adoption of this standard had no impact on the Company's profit or net assets. The disclosures included within these Company accounts ensure compliance with the standard.
- FRS 26: Financial instruments: measurement. FRS 26 sets out the requirements for measurement, recognition and derecognition of financial instruments. The adoption of this standard had no impact on the Company's profit or net assets.

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, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the Profit and Loss Account.

Financial instruments

Gains and losses on hedging instruments are not recognised in the performance statements until the exchange movement on the item being hedged is recognised.

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. For employees who joined after 1 April 2004 the Group provides a defined contribution pension scheme.

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 allocated between Electrocomponents plc and RS Components Ltd as it is not possible to do so on a consistent and reasonable basis.

The company adopted FRS 17: Retirement benefits during the year. Previously the effects of FRS 17 had been disclosed in the notes to the accounts.

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) 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 shown in the profit and loss account of 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%
Motor vehicles	25%
Mainframe computer equipment	20%
Network computer equipment	33%
Portable computers	50%
Computer software costs	12.5-50%
Other office equipment	20%

Deferred taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Leases

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.