

# Notes to the Company Accounts

## 1 Profit for the financial year

The profit dealt with in the accounts of the Company is £65.7m (2005: £95.5m (as restated)). 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.

The fee in respect of the audit of the Company is £64,000 (2005: £60,000).

## 2 Employees

### Numbers employed

	2006	2005
The average number of employees during the year was:		
Management and administration	30	32
Distribution and marketing	17	17
	47	49

### Aggregate employment costs

	£m	£m
Wages and salaries	3.4	4.0
Social security costs	0.4	0.5
Equity-settled transactions	0.7	0.6
Pension costs	0.6	1.6
	5.1	6.7

## 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 2006	Number of options 2006	Weighted average exercise price 2005	Number of options 2005
Outstanding at the beginning of the year	367p	5,802,199	363p	4,574,138
Forfeited during the year	339p	(880,143)	n/a	–
Lapsed during the year	427p	(248,965)	348p	(502,817)
Exercised during the year	n/a	–	235p	(2,147)
Granted during the year	99p	4,447,259	371p	1,733,025
Outstanding at the end of the year	237p	9,120,350	367p	5,802,199
Exercisable at the end of the year	538p	586,492	505p	835,457

The options outstanding at 31 March 2006 have an exercise price in the range 0p to 686p and a weighted average contractual life of 7.9 years

## 4 Pension scheme

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 2006 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 allocated between Electrocomponents plc and RS Components Ltd as it is not possible to do so on a consistent and reasonable basis. 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:

	2006	2005	2004	2003
Discount rate	4.90%	5.40%	5.40%	5.50%
Rate of increase in salaries	3.90%	3.90%	4.65%	4.25%
Rate of increase of pensions in payment	2.90%	2.90%	2.90%	2.50%
Inflation assumption	2.90%	2.90%	2.90%	2.50%

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

	2006	2005	2004	2003
Equities	7.05%	6.95%	7.00%	6.75%
Corporate bonds	4.15%	4.65%	4.65%	4.75%
Government bonds	3.55%	3.95%	4.00%	3.75%
Cash	3.75%	4.00%	3.25%	3.00%

## Notes to the Company Accounts continued

### 4 Pension scheme continued

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

	2006 £m	2005 £m	2004 £m	2003 £m
Equities	189.9	143.5	127.7	96.8
Corporate bonds	22.6	18.4	14.3	13.0
Government bonds	39.7	32.7	25.7	23.1
Cash	1.5	3.4	3.7	1.6
<b>Total market value of assets</b>	<b>253.7</b>	198.0	171.4	134.5

The valuation of the scheme as at 31 March was:

	2006 £m	2005 £m
Total market value of assets	253.7	198.0
Present value of scheme liabilities	(288.7)	(239.3)
<b>Deficit in the scheme recognised in the accounts of RS Components Ltd</b>	<b>(35.0)</b>	(41.3)

In addition, the value of the assets and liabilities held in respect of AVCs amounted to £1.0m as at 31 March 2006 (2005: £0.9m). The value of the Group assets and liabilities held in respect of the defined contribution section of the scheme amounted to £2.8m (2005: £1.0m).

The profit and loss account charge for the defined benefit section of the Scheme was £0.2m.

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 movement in the deficit in RS Components Ltd was:

	£m
Deficit in the scheme at the beginning of the year	(41.3)
Movement in the year:	
Current service cost	(7.1)
Past service cost	–
Contributions	9.7
Other finance expense	(0.5)
Actuarial gain	4.2
<b>Deficit in the scheme at the end of the year</b>	<b>(35.0)</b>

### 5 Dividends

	2006 £m	2005 (as restated) £m
<b>Amounts recognised in the period:</b>		
Final dividend for the year ended 31 March 2005 – 12.6p (2004: 12.6p)	54.8	54.8
Interim dividend for the year ended 31 March 2006 – 5.8p (2005: 5.8p)	25.2	25.2
	<b>80.0</b>	80.0
Proposed final dividend for the year ended 31 March 2006 – 12.6p	54.8	

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

## 6 Tangible fixed assets

	Land and buildings £m	Plant and machinery £m	Computer systems £m	Total £m
<b>Cost</b>				
At 1 April 2005	31.1	8.6	0.5	40.2
Additions	–	–	–	–
Disposals	–	–	–	–
<b>At 31 March 2006</b>	<b>31.1</b>	<b>8.6</b>	<b>0.5</b>	<b>40.2</b>
<b>Depreciation</b>				
At 1 April 2005	3.8	7.3	0.5	11.6
Charged in the year	0.5	0.7	–	1.2
<b>At 31 March 2006</b>	<b>4.3</b>	<b>8.0</b>	<b>0.5</b>	<b>12.8</b>
<b>Net book value</b>				
<b>At 31 March 2006</b>	<b>26.8</b>	<b>0.6</b>	<b>–</b>	<b>27.4</b>
At 31 March 2005	27.3	1.3	–	28.6
<b>Net book value of land and buildings</b>				
			2006 £m	2005 £m
Freehold land			6.4	6.4
Freehold buildings			20.4	20.9
			<b>26.8</b>	<b>27.3</b>

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

## 7 Investments in subsidiary undertakings

	Shares £m	Loans £m	Total £m
<b>Cost:</b>			
At 31 March 2005	175.1	233.6	408.7
Additions	–	30.1	30.1
<b>At 31 March 2006</b>	<b>175.1</b>	<b>263.7</b>	<b>438.8</b>
<b>Provisions:</b>			
At 31 March 2005	–	15.4	15.4
<b>At 31 March 2006</b>	<b>–</b>	<b>15.4</b>	<b>15.4</b>
<b>Net book value:</b>			
<b>At 31 March 2006</b>	<b>175.1</b>	<b>248.3</b>	<b>423.4</b>
At 31 March 2005	175.1	218.2	393.3

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 (2005: none). At 31 March 2006, a total of 308,417 (2005: 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 2006 was £863,568 (2005: £763,332).

At 31 March 2006, a total of 39,342 (2005: 40,358) ordinary shares in the Company were also held by the QUEST, all of which were under option to employees. The market value of the shares at 31 March 2006 was £110,158 (2005: £99,886).

## 9 Debtors

	2006 £m	2005 (as restated) £m
Amounts owed by subsidiary undertakings	7.9	11.9
Other debtors	0.2	0.1
Other prepayments and accrued income	1.0	0.8
	<b>9.1</b>	<b>12.8</b>

## Notes to the Company Accounts continued

### 10 Creditors

	2006 £m	2005 £m
Bank overdrafts (unsecured)	19.3	21.9
Current instalments of loans (see note 11)	17.7	24.9
Amounts owed to subsidiary undertakings	47.8	61.8
Other taxation and social security	0.1	0.1
Other creditors	–	0.1
Accruals and deferred income	3.0	2.1
Amounts falling due within one year	87.9	110.9
Amounts falling due after more than one year:		
Loans repayable after more than one year (see note 11)	128.4	88.8
	216.3	199.7

### 11 Bank loans

	2006 £m	2005 £m
Australian Dollar	2.9	3.4
Euro	35.0	–
Hong Kong Dollar	5.0	6.8
Japanese Yen	31.0	33.6
Singapore Dollar	3.8	2.3
South African Rand	7.1	5.3
US Dollar	61.3	62.3
Amounts falling due within one year or on demand	146.1 (17.7)	113.7 (24.9)
	128.4	88.8
Repayable in more than one but not more than two years	57.5	–
Repayable in more than two but not more than five years	70.9	88.8
Repayable in more than five years	–	–
	128.4	88.8

### 12 Deferred taxation

		£m
At 1 April 2005		1.9
Profit and loss account		0.2
<b>At 31 March 2006</b>		<b>2.1</b>
<b>Deferred taxation</b>	<b>2006 £m</b>	<b>2005 (as restated) £m</b>
Amounts provided:		
Accelerated capital allowances	2.0	2.1
Share schemes	–	(0.5)
Other short term timing differences	0.1	0.3
	2.1	1.9

### 13 Lease commitments

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

	Plant and machinery 2006 £m	2005 £m
Within one year	–	–
Within two to five years	0.1	0.2
After five years	–	–
	0.1	0.2

## 14 Contingent liabilities

Guarantees in respect of bank facilities are available to certain subsidiaries up to a maximum of £18.7m (2005: £17.3m), of which £10.3m (2005: £1.2m) 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 contractor 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

	2006 Number of shares	2005 Number of shares	2006 £m	2005 £m
Ordinary shares of 10p each: Authorised	500,000,000	500,000,000	50.0	50.0
Called up and fully paid: At 1 April 2005	435,259,071	435,246,655	43.5	43.5
New share capital subscribed	17,054	12,416	–	–
<b>At 31 March 2006</b>	<b>435,276,125</b>	<b>435,259,071</b>	<b>43.5</b>	<b>43.5</b>

All of the new share capital subscribed in 2005 related to the exercise of share options. Details of share options outstanding as at 31 March 2006 are set out in note 7 to the Group Accounts.

## 16 Reserves

	Share premium account £m	Own shares held £m	Profit and loss account £m	Retained earnings £m	Total £m
At 1 April 2005	38.4	(1.7)	190.9	189.2	227.6
Prior year adjustment: implementation of FRS 17	–	–	(1.6)	(1.6)	(1.6)
Prior year adjustment: implementation of FRS 20	–	–	0.5	0.5	0.5
Prior year adjustment: implementation of FRS 21	–	–	54.8	54.8	54.8
At 1 April 2005 as restated	38.4	(1.7)	244.6	242.9	281.3
Profit for the year	–	–	65.7	65.7	65.7
Dividend	–	–	(80.0)	(80.0)	(80.0)
Equity settled transactions	–	–	0.7	0.7	0.7
Premium on new share capital subscribed	–	–	–	–	–
<b>At 31 March 2006</b>	<b>38.4</b>	<b>(1.7)</b>	<b>231.0</b>	<b>229.3</b>	<b>267.7</b>

## 17 Reconciliations of movements in shareholders' funds

	2006 £m	2005 (as restated) £m
Profit for the year	65.7	95.5
Dividend	(80.0)	(80.0)
(Loss) retained profit for the year	(14.3)	15.5
Equity settled transactions	0.7	0.6
New share capital subscribed	–	–
Net (reduction) increase in equity	(13.6)	16.1
Equity shareholders' funds as originally stated at the beginning of the year	271.1	308.7
Prior year adjustment: implementation of FRS 17	(1.6)	–
Prior year adjustment: implementation of FRS 20	0.5	–
Prior year adjustment: implementation of FRS 21	54.8	–
Equity shareholders' funds at the beginning of the year as restated	324.8	308.7
Equity shareholders' funds at the end of the year	311.2	324.8

## Notes to the Company Accounts continued

### 18 Prior year adjustment

#### FRS 17: Retirement benefits

The company adopted FRS 17, Retirement benefits, during the year. Previously the effects of this standard had been disclosed but not included in the results for the year. A prior year adjustment has been made in the current year to reflect this change.

The effect of the change in accounting policy has been to increase the Profit and Loss Account charge in the preceding period, as set out below.

	2005 £m
Operating profit	(0.6)
Profit for the period	(0.4)

The effect of the change in accounting policy was to reduce shareholders' funds at 31 March 2005:

	2005 £m
Equity shareholders' funds	(1.6)

#### FRS 20: Share-based payments

The company adopted FRS 20, Share-based payments, effective for accounting periods beginning on or after 1 January 2005, in the current year. This standard requires that a value be attributed to share-based payments and that this be charged to the Profit and Loss Account. A prior year adjustment has been made in the current year to reflect this change.

The effect of the change in accounting policy has been to increase the Profit and Loss Account charge, in the preceding period, as set out below.

	2005 £m
Operating profit	(0.8)
Profit for the period	(0.6)

The effect of the change in accounting policy was to increase shareholders' funds at 31 March 2005:

	2005 £m
Equity shareholders' funds	0.5

#### FRS 21: events after the balance sheet date

The company adopted FRS 21, Events after the balance sheet date, effective for accounting periods beginning on or after 1 January 2005, in the current year. This standard requires that dividends proposed after the year-end should not be recognised as liability at the end of the year. A prior year adjustment has been made in the current year to reflect this change.

The effect of the change in accounting policy was to increase shareholders' funds at 31 March 2005:

	2005 £m
Equity shareholders' funds	54.8