

## Notes to the consolidated accounts

For the year ended 31 March 2002

### 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.

	2002 £M	2001 £M
Turnover	759.6	855.1
Cost of sales	(372.4)	(444.2)
Distribution and marketing expenses	(209.2)	(214.3)
Contribution – before amortisation of goodwill	178.0	196.6
Distribution and marketing expenses	(56.7)	(52.5)
Administration expenses – before amortisation of goodwill	(12.6)	(13.2)
Groupwide process costs	(69.3)	(65.7)
Administration expenses – amortisation of goodwill on the acquisition of Allied Electronics Inc	(11.9)	(11.6)
Administration expenses – amortisation of goodwill on the acquisition of RS Components AS (Norway)	(0.1)	–
Operating profit	96.7	119.3

### 2 Segmental analysis

By class of business		2002 £M	2001 (AS RESTATED) £M
<b>Turnover:</b>	RS/Allied – continuing operations	759.6	823.9
	Pact – discontinued operations	–	31.2
		759.6	855.1
<b>Operating profit:</b>	RS/Allied – continuing operations	178.0	196.6
	Pact – discontinued operations	–	–
	Contribution – before amortisation of goodwill	178.0	196.6
	Groupwide process costs	(69.3)	(65.7)
	Amortisation of goodwill – Allied	(11.9)	(11.6)
	Amortisation of goodwill – RS Norway	(0.1)	–
		96.7	119.3
<b>Net assets:</b>	RS/Allied – continuing operations	337.7	341.5
	Pact – discontinued operations	–	5.9
	Net operating assets (excluding goodwill)	337.7	347.4
	Net debt	(53.0)	(75.5)
	Unallocated net assets	127.4	143.0
		412.1	414.9
Unallocated net assets comprise:			
	Intangible fixed assets:		
	Goodwill – Allied (North America)	207.7	219.7
	Goodwill – RS Norway (Rest of Europe)	0.8	–
	Corporate tax	(23.0)	(24.1)
	Proposed dividend	(47.9)	(41.4)
	Provisions for liabilities and charges	(10.2)	(11.2)
		127.4	143.0
By geographical destination		2002 £M	2001 £M
<b>Turnover:</b>	United Kingdom – continuing operations	379.7	412.4
	United Kingdom – discontinued operations	–	31.2
	Rest of Europe	214.4	209.8
	North America	110.0	147.9
	Japan	9.0	8.6
	Rest of World	46.5	45.2
		759.6	855.1

## Notes to the consolidated accounts continued

For the year ended 31 March 2002

<b>2 Segmental analysis continued</b>							
<b>By geographical origin</b>							
		TOTAL SALES 2002 £M	INTER- SEGMENT SALES 2002 £M	TURNOVER 2002 £M	TOTAL SALES 2001 £M	INTER- SEGMENT SALES 2001 £M	TURNOVER 2001 £M
<b>Turnover:</b>	United Kingdom – continuing operations	462.3	(69.3)	393.0	502.2	(76.2)	426.0
	United Kingdom – discontinued operations	–	–	–	31.2	–	31.2
	Rest of Europe	212.1	(1.4)	210.7	205.0	(1.4)	203.6
	North America	110.5	–	110.5	148.7	–	148.7
	Japan	9.0	–	9.0	8.6	–	8.6
	Rest of World	36.7	(0.3)	36.4	37.0	–	37.0
		<b>830.6</b>	<b>(71.0)</b>	<b>759.6</b>	932.7	(77.6)	855.1
						2002 £M	2001 £M
<b>Operating profit:</b>	United Kingdom – continuing operations				126.2		136.2
	United Kingdom – discontinued operations				–		–
	Rest of Europe				40.4		38.5
	North America				15.9		26.4
	Japan				(4.7)		(6.3)
	Rest of World				0.2		1.8
	Contribution – before amortisation of goodwill				178.0		196.6
	Groupwide process costs				(69.3)		(65.7)
	Amortisation of goodwill – Allied (North America)				(11.9)		(11.6)
	Amortisation of goodwill – RS Norway (Rest of Europe)				(0.1)		–
					<b>96.7</b>		119.3
						2002 £M	2001 (AS RESTATED) £M
<b>By geographical location</b>							
<b>Net assets:</b>	United Kingdom – continuing operations				210.6		220.1
	United Kingdom – discontinued operations				–		5.9
	Rest of Europe				67.0		54.4
	North America				29.5		38.1
	Japan				3.5		3.1
	Rest of World				27.1		25.8
	Net operating assets (excluding goodwill)				337.7		347.4
	Net debt				(53.0)		(75.5)
	Unallocated net assets				127.4		143.0
					<b>412.1</b>		414.9
						2002 £M	2001 £M
<b>3 Net interest payable</b>							
	Interest receivable				0.4		0.1
	Interest payable on loans and overdrafts				(3.6)		(6.9)
					<b>(3.2)</b>		<b>(6.8)</b>
						2002 £M	2001 £M
<b>4 Profit on ordinary activities before taxation</b>							
	Profit before taxation is stated after charging (crediting):						
	Remuneration of the auditors and their associates:						
	audit and expenses				0.5		0.5
	taxation services and advice				0.3		0.6
	other consultancy services worldwide*				0.1		0.1
	Depreciation				19.9		20.4
	Amortisation of goodwill				12.0		11.6
	Amortisation of own shares				0.1		2.5
	Amortisation of government grants				(0.1)		(0.1)
	Operating profit on disposal of plant and machinery				(0.4)		(0.4)
	Hire of plant and machinery				2.2		1.2
						2002 £M	2001 £M

The fee in respect of the audit of the Company is £62,000 (2001: £62,000).

\*In addition, fees totalling £0.1m have been capitalised (2001: £0.1m).

## 5 Exceptional loss on closure

On 8 November 2000 the Group announced its intention to dispose of Pact International Ltd. As no suitable purchaser was found the business was wound down for closure from 1 January 2001 and formally ceased trading on 31 March 2001. For the purposes of disclosure the activities since 1 January 2001 have been classified as an exceptional charge and comprise:

<b>Profit and loss</b>	2001 £M
Write down of fixed assets	(0.7)
Write down of stocks	(2.3)
Write off of goodwill	(1.0)
Other closure costs	(2.9)
	(6.9)
Taxation on exceptional loss	1.8
Exceptional loss after taxation	(5.1)

<b>Cash flow</b>	9 MONTHS TO 31 DECEMBER 2000 £M	3 MONTHS TO 31 MARCH 2001 £M	TOTAL 12 MONTHS TO 31 MARCH 2001 £M
Depreciation	0.4	–	0.4
Stocks	4.2	5.0	9.2
Other working capital	(3.6)	(1.1)	(4.7)
	1.0	3.9	4.9

## 6 Employees

### Numbers employed

	2002	2001
The average number of employees during the year was:		
Management and administration	395	369
Distribution and marketing	4,579	4,672
	4,974	5,041

Of these staff 2,354 were employed in the United Kingdom (2001: 2,591).

### Aggregate employment costs

	£M	£M
Wages and salaries	100.7	102.1
Social security costs	12.0	12.0
Pension costs	7.1	5.9
	119.8	120.0

The remuneration of individual Directors is detailed on page 28.

## 7 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 2002 amounted to £3.6m (2001: £3.2m).

The most recent valuation (carried out in 2001) adopted a market-related approach to funding and 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.

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 (2001: £0.7m), on a defined benefit basis in Germany and Ireland amounting to £0.4m (2001: £0.4m), and via government schemes in France, Italy, Denmark and North Asia amounting to £1.4m (2001: £1.1m).

## Notes to the consolidated accounts continued

For the year ended 31 March 2002

**7 Pension schemes** continued**FRS17 Disclosure**

A new pension accounting standard, FRS17, was issued in November 2000. Full adoption will not be mandatory for the Group until the year ending 31 March 2004.

The disclosures required by FRS17 in the first transitional year of adoption are set out below. These disclosures set out the difference between the market value of the pension scheme assets and the present value of the schemes' liabilities.

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 2002 by a qualified independent actuary in accordance with FRS17. The last actuarial valuations of the German and Irish schemes were carried out as at 31 March 2002 by the respective independent scheme actuaries in accordance with the requirements of FRS17.

The principal assumptions used in the valuations of the liabilities of the Group's schemes under FRS17 are:

	UNITED KINGDOM	GERMANY	REPUBLIC OF IRELAND
Discount rate	6%	6%	6%
Rate of increase in salaries	4.5%	3%	3.75%
Rate of increase of pensions in payment	2.75%	2%	2.5%
Rate of increase of deferred pensions	2.75%	n/a	2.5%
Inflation assumption	2.75%	2%	2.5%

The expected rates of return on the schemes' assets and the valuations of the schemes as at 31 March 2002 were:

	UNITED KINGDOM		GERMANY		REPUBLIC OF IRELAND		TOTAL
	EXPECTED LONG TERM RATE OF RETURN	VALUATION £M	EXPECTED LONG TERM RATE OF RETURN	VALUATION £M	EXPECTED LONG TERM RATE OF RETURN	VALUATION £M	VALUATION £M
Equities	7.75%	127.3	n/a	–	8.5%	0.7	128.0
Bonds	5.25%	35.1	n/a	–	5.5%	0.2	35.3
Property	7.75%	1.4	n/a	–	n/a	–	1.4
Other	4%	5.0	n/a	–	6.5%	0.3	5.3
<b>Total market value of assets</b>		<b>168.8</b>		<b>–</b>		<b>1.2</b>	<b>170.0</b>
Present value of scheme liabilities		(149.3)		(2.0)		(1.1)	(152.4)
<b>Surplus (deficit) in the scheme</b>		<b>19.5</b>		<b>(2.0)</b>		<b>0.1</b>	<b>17.6</b>
Related deferred tax (liability) asset		(5.9)		0.8		–	(5.1)
<b>Net pension asset (liability)</b>		<b>13.6</b>		<b>(1.2)</b>		<b>0.1</b>	<b>12.5</b>

The deficit of £2.0m in the German scheme is financed through existing book reserves established within the German accounts.

If the above pension asset was recognised in the financial statements, the Group's net assets and profit and loss reserve at 31 March 2002 would be as follows:

	PROFIT AND LOSS RESERVE £M	NET ASSETS £M
As stated excluding pension asset	330.8	412.1
Net pension asset	12.5	12.5
<b>Including net pension asset</b>	<b>343.3</b>	<b>424.6</b>

**8 Taxation****Taxation on the profit of the Group**

	2002 £M	2001 (AS RESTATED) £M
United Kingdom corporation tax at 30%	23.5	26.0
United Kingdom deferred taxation	0.3	(0.3)
	<b>23.8</b>	25.7
Overseas taxation – current	8.1	8.4
Overseas taxation – deferred	(1.3)	0.5
	<b>30.6</b>	34.6
Current tax is reconciled to a notional 30% of profit before taxation as follows:		
Expected tax charge	28.0	31.7
Overseas tax rates	1.3	4.3
Utilisation of tax losses	(0.7)	(4.4)
Creation of tax losses	5.9	1.0
Timing differences – capital allowances	0.5	(0.1)
Timing differences – goodwill deduction	(1.6)	(1.6)
Timing differences – other	(1.1)	0.3
Other	(0.7)	3.2
	<b>31.6</b>	34.4

	2002 £M	2001 (AS RESTATED) £M
<b>9 Profit for the financial year</b>		
Dealt with in the accounts of the Company	132.6	70.8
Retained by subsidiaries	(69.7)	0.2
	62.9	71.0
<b>10 Dividends</b>		
<b>Profit and loss account</b>		
Interim dividend paid – 4.90p (2001: 4.25p)	21.3	18.4
Final dividend proposed – 11.00p (2001: 9.55p)	47.9	41.4
	69.2	59.8
<b>Cash flow statement</b>		
Final dividend for the year ended 31 March 2001	41.4	35.9
Interim dividend for the year ended 31 March 2002	21.3	18.4
	62.7	54.3
<b>11 Earnings per share</b>		
Profit on ordinary activities after taxation	62.9	71.0
Exceptional loss on closure	–	6.9
Tax on exceptional loss on closure	–	(1.8)
Amortisation of goodwill (excluding tax effect)	12.0	11.6
Profit on ordinary activities after taxation and before amortisation of goodwill and exceptional loss	74.9	87.7
Weighted average number of shares	434,066,102	433,142,861
Dilutive effect of share options	793,194	2,312,220
Diluted weighted average number of shares	434,859,296	435,455,081
	PENCE	PENCE
Basic earnings per share		
Before amortisation of goodwill and exceptional loss	17.3	20.2
After amortisation of goodwill and exceptional loss	14.5	16.4
Diluted earnings per share		
Before amortisation of goodwill and exceptional loss	17.2	20.1
After amortisation of goodwill and exceptional loss	14.5	16.3
<b>12 Intangible fixed assets</b>		
<b>Cost</b>		
At 1 April 2001		240.8
Additions		0.8
Translation differences		0.1
<b>At 31 March 2002</b>		<b>241.7</b>
<b>Amortisation</b>		
At 1 April 2001		21.1
Charged in the year		12.0
Translation differences		0.1
<b>At 31 March 2002</b>		<b>33.2</b>
<b>Net book value</b>		
<b>At 31 March 2002</b>		<b>208.5</b>
At 31 March 2001		219.7

## Notes to the consolidated accounts continued

For the year ended 31 March 2002

<b>13 Tangible fixed assets</b>	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
<b>Cost</b>								
At 1 April 2001	85.3	92.0	55.6	232.9	37.3	9.6	3.9	50.8
Additions	12.3	8.2	26.7	47.2	0.1	0.5	2.0	2.6
Disposals	–	(11.0)	(3.5)	(14.5)	–	(1.0)	(3.3)	(4.3)
Translation differences	(0.3)	(0.3)	(0.1)	(0.7)	–	–	–	–
<b>At 31 March 2002</b>	<b>97.3</b>	<b>88.9</b>	<b>78.7</b>	<b>264.9</b>	<b>37.4</b>	<b>9.1</b>	<b>2.6</b>	<b>49.1</b>
<b>Depreciation</b>								
At 1 April 2001	15.5	53.4	30.7	99.6	2.6	4.0	0.3	6.9
Charged in the year	1.8	8.8	9.3	19.9	0.6	1.0	0.3	1.9
Disposals	–	(7.1)	(3.2)	(10.3)	–	(0.4)	–	(0.4)
Translation differences	–	(0.2)	–	(0.2)	–	–	–	–
<b>At 31 March 2002</b>	<b>17.3</b>	<b>54.9</b>	<b>36.8</b>	<b>109.0</b>	<b>3.2</b>	<b>4.6</b>	<b>0.6</b>	<b>8.4</b>
<b>Net book value</b>								
<b>At 31 March 2002</b>	<b>80.0</b>	<b>34.0</b>	<b>41.9</b>	<b>155.9</b>	<b>34.2</b>	<b>4.5</b>	<b>2.0</b>	<b>40.7</b>
At 31 March 2001	69.8	38.6	24.9	133.3	34.7	5.6	3.6	43.9
<b>Net book value of land and buildings</b>					GROUP 2002 £M	2001 (AS RESTATED) £M	COMPANY 2002 £M	2001 (AS RESTATED) £M
Freehold land					13.2	11.6	8.8	8.8
Freehold buildings					60.5	51.6	25.4	25.9
Long leasehold					0.7	5.8	–	–
Short leasehold					5.6	0.8	–	–
					80.0	69.8	34.2	34.7
<b>Net book value of plant and machinery</b>								
Plant and machinery					30.2	28.5	4.2	4.9
Other office equipment					2.8	6.7	0.3	0.3
Motor vehicles					1.0	3.4	–	0.4
					34.0	38.6	4.5	5.6
<b>Net book value of computer systems</b>					41.9	24.9	2.0	3.6
Computer systems previously formed part of the plant and machinery class of assets. All classes of tangible fixed assets are depreciated except for freehold land.								
<b>14 Capital commitments</b>					GROUP 2002 £M	2001 £M	COMPANY 2002 £M	2001 £M
Contracted capital expenditure at 31 March, for which no provision has been made in these accounts					1.0	12.0	–	0.1
<b>15 Investments</b>					GROUP 2002 £M	2001 £M	COMPANY 2002 £M	2001 £M
Subsidiary undertakings					–	–	388.1	417.5
Associated undertakings					0.2	0.3	–	–
Investment in own shares					1.1	–	1.1	–
					1.3	0.3	389.2	417.5
<b>16 Subsidiary undertakings</b>								
<b>Cost</b>						SHARES £M	LOANS £M	TOTAL £M
At 1 April 2001						199.7	247.9	447.6
Additions						–	–	–
Disposals						(24.6)	(19.5)	(44.1)
<b>At 31 March 2002</b>						<b>175.1</b>	<b>228.4</b>	<b>403.5</b>

<b>16 Subsidiary undertakings</b> continued											
<b>Provisions</b>	SHARES £M	LOANS £M	TOTAL £M								
At 1 April 2001	14.7	15.4	30.1								
Released in the year	(14.7)	–	(14.7)								
<b>At 31 March 2002</b>	<b>–</b>	<b>15.4</b>	<b>15.4</b>								
<b>Net book value</b>											
<b>At 31 March 2002</b>	<b>175.1</b>	<b>213.0</b>	<b>388.1</b>								
At 31 March 2001	185.0	232.5	417.5								
<b>17 Own shares</b>											
	COST £M	ACCUMULATED AMORTISATION £M	NET £M								
At 1 April 2001	2.7	(2.7)	–								
Additions	1.2	–	1.2								
Disposals	(1.5)	1.5	–								
Charge for the year	–	(0.1)	(0.1)								
<b>At 31 March 2002</b>	<b>2.4</b>	<b>(1.3)</b>	<b>1.1</b>								
<p>In June 1995 a discretionary employee benefit trust, the Electrocomponents Employee Trust (“EET”) was established by the Company to facilitate the operation of the Long Term Incentive Plan. The beneficiaries are present employees of the Company and its subsidiaries.</p> <p>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 250,000 ordinary shares in the Company were purchased by the trustees at a cost of £1,214,580.</p> <p>On 5 July 2001 ordinary shares were transferred as follows:</p> <table border="0"> <tr> <td>Mr Butler</td> <td>23,313</td> </tr> <tr> <td>Mr Hewitt</td> <td>33,090</td> </tr> <tr> <td>Mr Lawson</td> <td>52,644</td> </tr> <tr> <td>Mr Mason</td> <td>18,049</td> </tr> </table> <p>In addition, 67,233 ordinary shares were transferred to other beneficiaries.</p> <p>At 31 March 2002, a total of 417,542 (2001: 388,022) 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 2002 was £1,995,851.</p> <p>At 31 March 2002, a total of 91,999 (2001: 223,693) ordinary shares in the Company were also held by the QUEST, all of which were under option to employees as detailed in note 31. The market value of the shares at 31 March 2002 was £439,755.</p>				Mr Butler	23,313	Mr Hewitt	33,090	Mr Lawson	52,644	Mr Mason	18,049
Mr Butler	23,313										
Mr Hewitt	33,090										
Mr Lawson	52,644										
Mr Mason	18,049										
<b>18 Principal subsidiary undertakings and associated undertakings</b>											
	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 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									

## Notes to the consolidated accounts continued

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18 Principal subsidiary undertakings and associated undertakings continued	PRINCIPAL LOCATION	COUNTRY OF INCORPORATION
<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. 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 Electromail, Electrospeed, RS Servicepoint, 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 2002 the Group made sales of £0.6m (2001: £0.5m) to RSCC and supplied catalogues at a cost to RSCC of £0.1m (2001: £0.1m). RSCC is treated in the accounts as an associated undertaking.

### 19 Acquisition

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.

20 Stock	GROUP 2002 £M	2001 £M	COMPANY 2002 £M	2001 £M
Raw materials and consumables	3.1	2.6	–	–
Work in progress	2.8	3.2	–	–
Finished goods and goods for resale	129.2	159.5	–	–
	<b>135.1</b>	165.3	–	–

21 Debtors	GROUP 2002 £M	2001 £M	COMPANY 2002 £M	2001 £M
Trade debtors	124.2	147.3	–	–
Amounts owed by subsidiary undertakings	–	–	14.7	15.1
Amounts owed by associated undertakings	0.8	0.5	–	–
Other debtors	5.2	4.7	0.4	0.5
Corporate tax	0.3	0.1	–	–
Prepaid catalogue expenses	9.1	9.9	–	–
Other prepayments and accrued income	3.9	4.1	0.1	0.2
Amounts falling due within one year	143.5	166.6	15.2	15.8
Other debtors falling due after more than one year:				
Corporate tax	–	0.2	–	–
Prepaid pension costs	1.3	1.3	1.3	1.3
Other debtors	0.6	0.8	–	–
	<b>145.4</b>	168.9	<b>16.5</b>	17.1

22 Investments – current assets	GROUP 2002 £M	2001 £M	COMPANY 2002 £M	2001 £M
Bank deposits	16.3	6.7	16.3	0.5

<b>23 Creditors: amounts falling due within one year</b>	GROUP 2002 £M	2001 £M	COMPANY 2002 £M	2001 £M
Bank overdrafts (unsecured)	1.9	0.4	40.6	107.6
Current instalments of loans (see note 25)	19.7	23.4	14.3	14.9
Trade creditors	55.5	71.8	–	–
Amounts owed to subsidiary undertakings	–	–	28.3	7.6
Corporate tax	23.3	24.4	–	–
Other taxation and social security	8.1	10.0	0.1	0.1
Other creditors	7.2	8.6	–	0.5
Government grants	0.1	0.1	–	–
Accruals and deferred income	20.8	22.0	1.5	1.9
Proposed dividend	47.9	41.4	47.9	41.4
	<b>184.5</b>	<b>202.1</b>	<b>132.7</b>	<b>174.0</b>

<b>24 Creditors: amounts falling due after more than one year</b>	GROUP 2002 £M	2001 £M	COMPANY 2002 £M	2001 £M
Loans repayable after more than one year (see note 25)	52.8	69.0	48.4	69.0
Other creditors	3.4	4.7	–	1.6
Government grants	4.6	2.9	–	–
	<b>60.8</b>	<b>76.6</b>	<b>48.4</b>	<b>70.6</b>

<b>25 Loans</b>	GROUP 2002 £M	2001 £M	COMPANY 2002 £M	2001 £M
Euro bank loans	4.5	5.7	–	5.6
Hong Kong Dollar bank loans	1.4	1.6	1.4	1.6
Japanese Yen bank loans	24.2	19.9	18.9	11.5
Singapore Dollar bank loans	1.7	4.4	1.7	4.4
Sterling bank loans	1.8	–	1.8	–
US Dollar bank loans	38.9	60.8	38.9	60.8
	<b>72.5</b>	<b>92.4</b>	<b>62.7</b>	<b>83.9</b>
Amounts falling due within one year or on demand	(19.7)	(23.4)	(14.3)	(14.9)
	<b>52.8</b>	<b>69.0</b>	<b>48.4</b>	<b>69.0</b>
Loans repayable in more than one but not more than two years	–	0.1	–	–
Loans repayable in more than two but not more than five years	50.0	68.9	48.4	69.0
Loans repayable in more than five years	2.8	–	–	–
	<b>52.8</b>	<b>69.0</b>	<b>48.4</b>	<b>69.0</b>

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

## 26 Financial risk management

For the purpose of these disclosures the Group has excluded short term debtors and creditors where permitted by FRS13, the accounting standard on derivatives and other financial instruments.

Further information on Treasury and financial management is included in the Financial review on pages 22 and 23.

### (a) Interest rate risk

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

	2002			2001		
	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
<b>Financial assets</b>						
Euro	19.9	0.2	20.1	11.0	0.1	11.1
Sterling	–	1.3	1.3	4.1	1.4	5.5
US Dollars	0.2	–	0.2	1.5	–	1.5
Other	1.3	0.4	1.7	0.7	0.6	1.3
<b>Total financial assets</b>	<b>21.4</b>	<b>1.9</b>	<b>23.3</b>	<b>17.3</b>	<b>2.1</b>	<b>19.4</b>

## Notes to the consolidated accounts continued

For the year ended 31 March 2002

### 26 Financial risk management continued

At 31 March the financial assets of the Group comprised:

	2002 £M	2001 £M
Debtors due after more than one year	1.9	2.1
Investments	16.3	6.7
Cash at bank and in hand	5.1	10.6
	<b>23.3</b>	19.4

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.

	2002 FIXED RATE FINANCIAL LIABILITIES £M	FLOATING RATE FINANCIAL LIABILITIES £M	TOTAL £M	2001 FIXED RATE FINANCIAL LIABILITIES £M	FLOATING RATE FINANCIAL LIABILITIES £M	TOTAL £M
<b>Financial liabilities</b>						
Euro	4.5	0.1	4.6	0.2	5.6	5.8
Hong Kong Dollars	–	1.6	1.6	–	1.6	1.6
Japanese Yen	–	24.2	24.2	–	19.9	19.9
Singapore Dollars	–	1.8	1.8	–	4.4	4.4
Sterling	–	2.6	2.6	–	–	–
US Dollars	–	39.0	39.0	–	60.8	60.8
Other	–	0.6	0.6	–	0.3	0.3
<b>Total financial liabilities</b>	<b>4.5</b>	<b>69.9</b>	<b>74.4</b>	<b>0.2</b>	<b>92.6</b>	<b>92.8</b>

As at the year end, the non-interest bearing financial liabilities were £3.4m (2001: £4.7m), which were predominantly denominated in Euros.

At 31 March the financial liabilities of the Group comprised:

	2002 £M	2001 £M
Bank overdrafts repayable on demand (unsecured)	1.9	0.4
Current instalments of loans (see note 25)	19.7	23.4
Loans repayable between one and two years (see note 25)	–	0.1
Loans repayable between two and five years (see note 25)	50.0	68.9
Loans repayable in more than five years (see note 25)	2.8	–
	<b>74.4</b>	92.8

The weighted average interest rate of the fixed-rate financial liabilities was 3.85% (2001: 3.83%). The weighted average period to maturity for which the rates are fixed is 2,165 days (2001: 434 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 2002 the Group had a £176.1m committed borrowing facility (2001: £193.7m) denominated in US Dollars, of which £127.6m was undrawn (2001: £124.8m). The undrawn amount will all expire in between two and five 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 2002 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.

26 Financial risk management continued						
	2002 HEDGING TRADING FLOWS £M	HEDGING INTER COMPANY DEBT £M	TOTAL £M	2001 HEDGING TRADING FLOWS £M	HEDGING INTER COMPANY DEBT £M	TOTAL £M
<b>Forward foreign exchange contracts</b>						
Notional principal amounts valued at the contracted rates:						
to sell Sterling and buy foreign currency	(16.7)	–	(16.7)	(9.5)	–	(9.5)
to buy Sterling and sell foreign currency	56.4	5.0	61.4	63.6	3.6	67.2
Total net amount:	39.7	5.0	44.7	54.1	3.6	57.7
Unrecognised gains and losses compared to year end rates:						
gains			0.7			1.0
losses			(0.1)			–
Total net unrecognised gains			0.6			1.0
<b>Fair value at 31 March 2002*</b>			<b>44.1</b>			<b>56.7</b>
*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.						
<b>Gains and losses on hedges</b>						
				GAINS £M	LOSSES £M	TOTAL NET GAINS (LOSSES) £M
<b>Unrecognised gains and losses at 1 April 2001</b>				1.0	–	1.0
Gains and losses arising in previous years that were recognised in the year ended 31 March 2002				(1.0)	–	(1.0)
<b>Gains and losses arising before 1 April 2001 that were not recognised in the year ended 31 March 2002</b>				–	–	–
Gains and losses arising in the year ended 31 March 2002 that were not recognised in the year				0.7	(0.1)	0.6
<b>Unrecognised gains and losses on hedges at 31 March 2002</b>				<b>0.7</b>	<b>(0.1)</b>	<b>0.6</b>
<b>(e) Currency exposures</b>						
At 31 March 2002 the Group had no forecast foreign currency exposures for the year ended 31 March 2003 which were not covered by forward foreign exchange contracts (2001: nil).						
<b>27 Provisions for liabilities and charges</b>						
				GROUP DEFERRED TAXATION (AS RESTATED) £M	COMPANY DEFERRED TAXATION £M	
At 1 April 2001					11.2	1.6
Profit and loss account					(1.0)	0.9
Translation differences					–	–
<b>At 31 March 2002</b>					<b>10.2</b>	<b>2.5</b>
<b>Deferred taxation</b>						
			GROUP 2002 £M	2001 (AS RESTATED) £M	COMPANY 2002 £M	2001 £M
Amounts provided:						
Accelerated capital allowances			10.5	11.0	2.1	1.9
Tax losses			(5.7)	(2.5)	–	–
Goodwill			4.5	2.9	–	–
Other short term timing differences			0.9	(0.2)	0.4	(0.3)
			<b>10.2</b>	<b>11.2</b>	<b>2.5</b>	<b>1.6</b>
<b>Deferred taxation</b>						
Amounts not provided:						
Rolled over capital gains			0.5	0.5	–	–
Tax losses			(11.3)	(9.3)	–	–
			<b>(10.8)</b>	<b>(8.8)</b>	<b>–</b>	<b>–</b>
The tax losses above have not been recognised as recoverability is uncertain.						

## Notes to the consolidated accounts continued

For the year ended 31 March 2002

**28 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 2002 was £2.2m (2001: £1.2m). 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 £9.9m (2001: £7.1m). 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. The minimum annual rentals under the foregoing leases are as follows:

	GROUP PROPERTIES 2002 £M	2001 £M	PLANT AND MACHINERY 2002 £M	2001 £M	COMPANY PROPERTIES 2002 £M	2001 £M
Operating leases which expire:						
within one year	0.9	2.9	0.5	0.3	0.2	0.4
within two to five years	7.2	7.0	4.4	0.9	–	0.2
after five years	2.4	1.9	–	–	–	–
	10.5	11.8	4.9	1.2	0.2	0.6

**29 Contingent liabilities**

At 31 March 2002 the following contingent liabilities existed:

**COMPANY**

Guarantees in respect of bank facilities available to certain subsidiaries up to a maximum of £44.0m (2001: £36.3m), of which £13.0m (2001: £13.6m) had been drawn down by the end of the year.

**30 Share capital**

	2002 NUMBER OF SHARES	2001 NUMBER OF SHARES	2002 £M	2001 £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 2001	434,242,103	433,510,445	43.4	43.3
New share capital subscribed	756,278	731,658	0.1	0.1
<b>At 31 March 2002</b>	<b>434,998,381</b>	<b>434,242,103</b>	<b>43.5</b>	<b>43.4</b>

All of the new share capital subscribed in 2002 related to the exercise of share options (see note 31), and included 425,233 shares which were issued to the QUEST to satisfy options granted under the savings-related share option schemes. The shares were issued at market value of £2.1m at the dates of subscription. The QUEST was funded by contributions of £2.1m from employees in respect of the exercise of options over 556,927 shares. The QUEST is obliged to waive dividends in respect of all shares in the Company it holds.

**31 Share option schemes**

	EXECUTIVE OPTIONS 1988 SCHEME	SAYE SCHEMES	US S423 SCHEME	TOTAL
Movement in outstanding options:				
At 1 April 2001	3,025,185	3,039,016	–	6,064,201
Grants in the year	875,350	2,716,774	71,030	3,663,154
Options exercised	(272,570)	(603,917)	–	(876,487)
Options lapsed	(71,750)	(1,680,886)	–	(1,752,636)
<b>At 31 March 2002</b>	<b>3,556,215</b>	<b>3,470,987</b>	<b>71,030</b>	<b>7,098,232</b>
Consideration in respect of exercises	£0.7m	£2.3m	–	£3.0m
Options granted	1992 to 2001	1996 to 2001	2001	
Period of option	2002 to 2011	2002 to 2006	2002 to 2003	
Price per share				
Lowest	165.6p	314.0p	434.0p	
Highest	686.0p	529.0p	434.0p	
Weighted average	489.7p	434.1p	434.0p	

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. 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. Following shareholder approval at the 2001 AGM, the US Section 423 scheme was set up during the year. 20% of options issued under this scheme 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 commencing on page 26. The consideration received in respect of SAYE options includes £2.1m (2001: £2.7m) received from the QUEST.

	NOTE	SHARE PREMIUM ACCOUNT £M	PROFIT AND LOSS ACCOUNT £M	TOTAL £M
<b>32 Reserves</b>				
GROUP				
At 1 April 2001 as previously stated		34.9	338.2	373.1
Prior year adjustment	34	–	(1.6)	(1.6)
At 1 April 2001 as restated		34.9	336.6	371.5
Retained loss for the year		–	(6.3)	(6.3)
Translation differences		–	0.5	0.5
Premium on new share capital subscribed		2.9	–	2.9
<b>At 31 March 2002</b>		<b>37.8</b>	<b>330.8</b>	<b>368.6</b>
COMPANY				
At 1 April 2001		34.9	154.5	189.4
Retained profit for the year		–	63.4	63.4
Premium on new share capital subscribed		2.9	–	2.9
<b>At 31 March 2002</b>		<b>37.8</b>	<b>217.9</b>	<b>255.7</b>

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 2002 is £42.8m (2001: £42.8m).

	NOTE	GROUP 2002 £M	2001 (AS RESTATED) £M	COMPANY 2002 £M	2001 £M
<b>33 Reconciliations of movements in shareholders' funds</b>					
Profit for the year		62.9	71.0	132.6	70.8
Dividend		(69.2)	(59.8)	(69.2)	(59.8)
Retained (loss) profit for the year		(6.3)	11.2	63.4	11.0
Write back of goodwill on closure		–	1.0	–	1.0
Translation differences		0.5	24.4	–	0.1
New share capital subscribed		3.0	3.8	3.0	3.8
Net (reduction) addition to equity		(2.8)	40.4	66.4	15.9
Equity shareholders' funds at the beginning of the year as originally stated		416.5	374.5	232.8	216.9
Prior year adjustment: implementation of FRS19	34	(1.6)	–	–	–
Equity shareholders' funds at the beginning of the year		414.9	374.5	232.8	216.9
Equity shareholders' funds at the end of the year		412.1	414.9	299.2	232.8

### 34 Prior year adjustment – adoption of FRS19

The Group has adopted FRS19 Deferred tax in the current year. This standard requires companies to change from a policy of partial provision for deferred tax to full provision.

A prior year adjustment has been made to reflect this change in accounting policy and has been finalised from the original estimate included within the Interim Statement for the six months to 30 September 2001.

The effect of the change in accounting policy has been to increase the taxation charge in the current and prior periods as set out below:

	2002 £M	2001 £M
Taxation on profit on ordinary activities: overseas taxation	(1.6)	(1.6)
Profit for the period	(1.6)	(1.6)
The adjustments to the provisions for liabilities and charges at 31 March 2001 are as follows:		
Provision for deferred taxation		(1.6)
Equity shareholders' funds		(1.6)

## Notes to the consolidated accounts continued

For the year ended 31 March 2002

	2002 £M	2001 £M			
<b>35 Gross cash flows – Group</b>					
<b>Returns on investments and servicing of finance</b>					
Interest received	0.8	0.4			
Interest paid	(4.5)	(7.1)			
Net cash outflow from returns on investments and servicing of finance	(3.7)	(6.7)			
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets*	(46.4)	(22.6)			
Sales of tangible fixed assets	4.7	0.8			
Receipt of capital grants	1.8	–			
Purchase of own shares	(1.2)	(2.5)			
Net cash outflow for capital expenditure and financial investment	(41.1)	(24.3)			
*Including capital accruals the purchase of fixed assets figure would be: 2002 £47.2m (2001: £26.0m).					
<b>Management of liquid resources</b>					
Net (increase) decrease in bank deposits	(9.6)	18.2			
Net cash (outflow) inflow from management of liquid resources	(9.6)	18.2			
<b>Financing</b>					
Issue of ordinary share capital	3.0	3.8			
New bank loans	4.4	–			
Repayment of bank loans	(22.8)	(46.6)			
Net cash outflow from financing	(15.4)	(42.8)			
<b>36 Analysis of changes in net debt – Group</b>	AT 1 APRIL 2001 £M	CASH FLOWS £M	OTHER NON-CASH CHANGES £M	TRANSLATION DIFFERENCES £M	AT 31 MARCH 2002 £M
Cash at bank and in hand	10.6	(5.3)		(0.2)	5.1
Overdrafts	(0.4)	(1.6)		0.1	(1.9)
		(6.9)			
Current instalments of loans	(23.4)	24.0	(20.6)	0.3	(19.7)
Loans repayable after more than one year	(69.0)	(5.6)	20.6	1.2	(52.8)
		18.4			
Current asset investments	6.7	9.6		–	16.3
	(75.5)	21.1	–	1.4	(53.0)
<b>37 Principal exchange rates</b>	2002 AVERAGE	CLOSING	2001 AVERAGE	CLOSING	
United States Dollar	1.43	1.42	1.48	1.42	
Euro	1.63	1.63	1.63	1.61	
Japanese Yen	180	189	164	178	