

Notes to the consolidated accounts

For the year ended 31 March 2004

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.

	2004 £M	2003 £M
Turnover	759.3	743.7
Cost of sales	(350.9)	(351.6)
Distribution and marketing expenses	(222.3)	(215.4)
Contribution – before amortisation of goodwill	186.1	176.7
Distribution and marketing expenses within process costs	(68.6)	(64.4)
Administration expenses – before amortisation of goodwill	(9.2)	(10.2)
Groupwide process costs	(77.8)	(74.6)
Administration expenses – amortisation of goodwill on the acquisition of Allied Electronics Inc.	(10.0)	(11.1)
Administration expenses – amortisation of goodwill on the acquisition of RS Components AS (Norway)	(0.2)	(0.2)
Operating profit	98.1	90.8

2 Segmental analysis

By geographical destination

	2004 £M	2003 £M
Turnover:		
United Kingdom	348.2	353.7
Rest of Europe	245.0	227.0
North America	102.2	103.2
Japan	14.4	11.3
Rest of World	49.5	48.5
	759.3	743.7

		2004	INTER- SEGMENT SALES		2003	INTER- SEGMENT SALES	
By geographical origin		TOTAL SALES £M	£M	TURNOVER £M	TOTAL SALES £M	£M	TURNOVER £M
Turnover:	United Kingdom	442.7	(81.7)	361.0	445.7	(78.8)	366.9
	Rest of Europe	247.0	(5.9)	241.1	225.7	(1.4)	224.3
	North America	103.0	(0.2)	102.8	103.5	(0.1)	103.4
	Japan	14.4	–	14.4	11.3	–	11.3
	Rest of World	42.5	(2.5)	40.0	38.8	(1.0)	37.8
		849.6	(90.3)	759.3	825.0	(81.3)	743.7

	2004 £M	2003 £M
Operating profit:		
United Kingdom	117.8	119.1
Rest of Europe	51.0	44.1
North America	13.3	14.4
Japan	0.0	(3.3)
Rest of World	4.0	2.4
Contribution – before amortisation of goodwill	186.1	176.7
Groupwide process costs	(77.8)	(74.6)
Amortisation of goodwill – Allied (North America)	(10.0)	(11.1)
Amortisation of goodwill – RS Norway (Rest of Europe)	(0.2)	(0.2)
	98.1	90.8

Notes to the consolidated accounts (continued)

For the year ended 31 March 2004

2 Segmental analysis (continued)

By geographical location		2004 £M	2003 £M
Net assets:			
	United Kingdom	207.6	219.9
	Rest of Europe	68.9	70.4
	North America	23.5	26.5
	Japan	2.4	1.7
	Rest of World	22.2	22.0
	Net operating assets (excluding goodwill)	324.6	340.5
	Net debt	(34.5)	(46.9)
	Unallocated net assets	55.6	94.6
		345.7	388.2
Unallocated net assets comprise:			
	Intangible fixed assets:		
	goodwill – Allied (North America)	141.1	175.9
	goodwill – RS Norway (Rest of Europe)	0.4	0.7
	other intangibles	0.3	–
	Corporate tax	(19.8)	(21.8)
	Proposed dividend	(54.8)	(51.1)
	Provisions for liabilities and charges	(11.6)	(9.1)
		55.6	94.6

3 Net interest payable

	2004 £M	2003 £M
Interest receivable	1.5	2.0
Interest payable on loans and overdrafts	(2.9)	(3.2)
	(1.4)	(1.2)

4 Profit on ordinary activities before taxation

Profit before taxation is stated after charging (crediting):	2004 £M	2003 £M
Remuneration of the auditors and their associates:		
audit and expenses	0.6	0.5
taxation services and advice	0.2	0.3
other consultancy services worldwide	0.2	0.1
Depreciation	23.1	19.6
Amortisation of goodwill	10.2	11.3
Amortisation of own shares (see note 16)	0.2	(0.4)
Amortisation of government grants	(0.3)	(0.1)
Hire of plant and machinery	3.1	3.1

The fee in respect of the audit of the Company is £52,000 (2003: £67,000).

5 Employees

Numbers employed	2004	2003
The average number of employees during the year was:		
Management and administration	334	392
Distribution and marketing	4,639	4,636
	4,973	5,028

Of these staff 2,275 were employed in the United Kingdom (2003: 2,297).

Aggregate employment costs	£M	£M
Wages and salaries	111.0	108.4
Social security costs	13.6	12.5
Pension costs	9.7	7.8
	134.3	128.7

The remuneration of individual Directors is detailed on page 31.

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 2004 amounted to £5.7m (2003: £3.9m) reflecting an additional cost of £1.8m following a decision not to reflect the March 2001 surplus in the pension charge during the year. In addition, the contributions paid by the Company to the defined contribution section of the Scheme in the year ended 31 March 2004 amounted to £0.2m.

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%	6.50%
after retirement	5.00%	5.25%
Rate of future earnings inflation	4.25%	4.25%
Rate of increase in pensions payment	2.50%	2.50%

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 were being eliminated by means of a reduction in the level of employer contributions to the Scheme. The next valuation will be carried out as at 31 March 2004.

Less formal funding updates are carried out each year and as at 31 March 2003 a deficit of £64.1m was identified. It is expected however, that the forthcoming formal valuation will show that the position will have improved since that review. Under the statutory minimum funding requirement, the position of the Scheme remains good with the funding level being estimated at between 125% and 130% as at 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 (2003: £0.7m), on a defined benefit basis in Germany and Ireland amounting to £0.4m (2003: £0.4m), and via government schemes in France, Italy, Denmark and North Asia amounting to £1.8m (2003: £1.6m).

FRS 17 Disclosure

The disclosures required by FRS 17 in the third 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 2004 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 2004 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:

	2004 UNITED KINGDOM	GERMANY	REPUBLIC OF IRELAND	2003 UNITED KINGDOM	GERMANY	REPUBLIC OF IRELAND	2002 UNITED KINGDOM	GERMANY	REPUBLIC OF IRELAND
Discount rate	5.40%	5.25%	5.25%	5.50%	5.50%	5.50%	6.00%	6.00%	6.00%
Rate of increase in salaries	4.65%	3.00%	4.00%	4.25%	3.00%	4.00%	4.50%	3.00%	3.75%
Rate of increase of pensions in payment	2.90%	2.00%	2.00%	2.50%	2.00%	2.00%	2.75%	2.00%	2.50%
Inflation assumption	2.90%	2.00%	2.00%	2.50%	2.00%	2.00%	2.75%	2.00%	2.50%

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

	2004 UNITED KINGDOM	GERMANY	REPUBLIC OF IRELAND	2003 UNITED KINGDOM	GERMANY	REPUBLIC OF IRELAND	2002 UNITED KINGDOM	GERMANY	REPUBLIC OF IRELAND
Equities	7.00%	n/a	7.30%	6.75%	n/a	7.40%	7.75%	n/a	8.50%
Corporate bonds	4.65%	n/a	n/a	4.75%	n/a	n/a	n/a	n/a	n/a
Government bonds	4.00%	n/a	4.30%	3.75%	n/a	4.40%	5.25%	n/a	5.50%
Cash	3.25%	n/a	n/a	3.00%	n/a	n/a	4.00%	n/a	n/a
Property	n/a	n/a	n/a	n/a	n/a	n/a	7.75%	n/a	n/a
Other	n/a	n/a	5.30%	n/a	n/a	5.40%	n/a	n/a	6.50%

Notes to the consolidated accounts (continued)

For the year ended 31 March 2004

6 Pension schemes (continued)

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

	2004 UNITED KINGDOM VALUATION £M	GERMANY VALUATION £M	REPUBLIC OF IRELAND VALUATION £M	2003 UNITED KINGDOM VALUATION £M	GERMANY VALUATION £M	REPUBLIC OF IRELAND VALUATION £M	2002 UNITED KINGDOM VALUATION £M	GERMANY VALUATION £M	REPUBLIC OF IRELAND VALUATION £M
Equities	127.7	n/a	0.8	96.8	n/a	0.6	127.3	n/a	0.7
Corporate bonds	14.3	n/a	—	13.0	n/a	—	—	n/a	—
Government bonds	25.7	n/a	0.2	23.1	n/a	0.2	35.1	n/a	0.2
Cash	3.7	n/a	—	1.6	n/a	—	5.0	n/a	—
Property	—	n/a	—	—	n/a	—	1.4	n/a	—
Other	—	n/a	0.1	—	n/a	0.3	—	n/a	0.3
Total market value of assets	171.4	—	1.1	134.5	—	1.1	168.8	—	1.2

The valuations of the schemes as at 31 March were:

	2004 UNITED KINGDOM VALUATION £M	GERMANY VALUATION £M	REPUBLIC OF IRELAND VALUATION £M	TOTAL VALUATION £M	2003 UNITED KINGDOM VALUATION £M	GERMANY VALUATION £M	REPUBLIC OF IRELAND VALUATION £M	TOTAL VALUATION £M
Total market value of assets	171.4	—	1.1	172.5	134.5	—	1.1	135.6
Present value of scheme liabilities	(217.6)	(3.6)	(1.2)	(222.4)	(174.7)	(3.0)	(1.3)	(179.0)
Deficit in the scheme	(46.2)	(3.6)	(0.1)	(49.9)	(40.2)	(3.0)	(0.2)	(43.4)
Related deferred tax asset	13.9	1.4	—	15.3	12.1	1.2	—	13.3
Net pension liability	(32.3)	(2.2)	(0.1)	(34.6)	(28.1)	(1.8)	(0.2)	(30.1)

The deficit of £2.2m in the German scheme is financed through existing book reserves established within the German accounts.

In addition, the value of the assets and liabilities held in respect of AVCs amounted to £0.9m as at 31 March 2004 (2003: £0.8m). The value of the assets and liabilities held in respect of the defined contribution section of the Scheme amounted to £0.2m as at 31 March 2004.

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:

	2004 PROFIT AND LOSS RESERVE £M	NET ASSETS £M	2003 PROFIT AND LOSS RESERVE £M	NET ASSETS £M
As stated excluding pension liability and SSAP 24 balances	266.6	348.5	306.4	388.2
Net pension liability	(34.6)	(34.6)	(30.1)	(30.1)
Including net pension liability	232.0	313.9	276.3	358.1

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

	2004 UNITED KINGDOM £M	GERMANY £M	REPUBLIC OF IRELAND £M	TOTAL £M	2003 UNITED KINGDOM £M	GERMANY £M	REPUBLIC OF IRELAND £M	TOTAL £M
Current service cost	(8.0)	(0.5)	—	(8.5)	(7.7)	(0.3)	—	(8.0)
Past service cost	—	—	—	—	—	—	—	—
Total charge to operating profit	(8.0)	(0.5)	—	(8.5)	(7.7)	(0.3)	—	(8.0)
Interest cost	(9.9)	(0.2)	(0.1)	(10.2)	(9.3)	(0.2)	(0.1)	(9.6)
Expected return on assets	8.2	—	0.1	8.3	12.1	—	0.1	12.2
Net (debit) credit to other finance (expense) income	(1.7)	(0.2)	—	(1.9)	2.8	(0.2)	—	2.6
Total profit and loss pension charge	(9.7)	(0.7)	—	(10.4)	(4.9)	(0.5)	—	(5.4)

6 Pension schemes (continued)

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

	2004 UNITED KINGDOM £M	GERMANY £M	REPUBLIC OF IRELAND £M	TOTAL £M	2003 UNITED KINGDOM £M	GERMANY £M	REPUBLIC OF IRELAND £M	TOTAL £M
Actual less expected return on scheme assets	25.3	n/a	0.1	25.4	(48.9)	n/a	(0.4)	(49.3)
– as a % of scheme assets	14.8%		9.1%		(36.4)%		(36.4)%	
Experience gains and losses arising on the scheme liabilities	(4.4)	0.1	–	(4.3)	(1.4)	0.1	–	(1.3)
– as a % of scheme liabilities	2.0%	(2.8)%	0.0%		0.8%	(3.3)%	0.0%	
Changes in assumptions underlying the present value of the scheme liabilities	(22.1)	(0.2)	(0.1)	(22.4)	(9.3)	(0.3)	–	(9.6)
Actuarial loss recognised in Group statement of total recognised gains and losses	(1.2)	(0.1)	–	(1.3)	(59.6)	(0.2)	(0.4)	(60.2)
– as a % of scheme liabilities	0.6%	2.8%	0.0%		34.1%	6.7%	30.8%	

The movement in deficit during the year would have been:

	UNITED KINGDOM £M	GERMANY £M	REPUBLIC OF IRELAND £M	TOTAL £M
Deficit in scheme at the beginning of the year	(40.2)	(3.0)	(0.2)	(43.4)
Movement in year:				
Current service cost	(8.0)	(0.5)	–	(8.5)
Past service cost	–	–	–	–
Contributions	4.9	0.1	0.1	5.1
Other finance expense	(1.7)	(0.2)	–	(1.9)
Actuarial loss	(1.2)	(0.1)	–	(1.3)
Translation differences	–	0.1	–	0.1
Deficit in scheme at the end of the year	(46.2)	(3.6)	(0.1)	(49.9)

7 Taxation

Taxation on the profit of the Group

	2004 £M	2003 £M
United Kingdom corporation tax at 30%	33.2	22.6
United Kingdom deferred taxation	3.0	–
Double tax relief	(12.6)	(0.8)
	23.6	21.8
Overseas taxation – current	8.8	8.4
Overseas taxation – deferred	(1.4)	(0.9)
	31.0	29.3

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	29.0	26.9
Overseas tax rates	1.1	1.4
Utilisation of tax losses	(0.2)	(2.8)
Creation of tax losses	3.1	4.8
Timing differences – capital allowances	(0.9)	0.6
Timing differences – goodwill deduction	(1.2)	(1.6)
Timing differences – other	0.9	1.1
Other	(2.4)	(0.2)
	29.4	30.2

Notes to the consolidated accounts (continued)

For the year ended 31 March 2004

8 Profit for the financial year	2004 £M	2003 £M	
Dealt with in the accounts of the Company	55.5	54.0	
Retained by subsidiaries	10.2	6.3	
	65.7	60.3	
9 Dividends	2004 £M	2003 £M	
Profit and loss account			
Interim dividend paid – 5.6p (2003: 5.25p)	24.3	22.8	
Final dividend proposed – 12.6p (2003: 11.75p)	54.8	51.1	
	79.1	73.9	
Cash flow statement			
Final dividend for the year ended 31 March 2003	51.1	47.8	
Interim dividend for the year ended 31 March 2004	24.3	22.8	
	75.4	70.6	
10 Earnings per share	2004 £M	2003 £M	
Profit on ordinary activities after taxation	65.7	60.3	
Amortisation of goodwill (excluding tax effect)	10.2	11.3	
Profit on ordinary activities after taxation and before amortisation of goodwill	75.9	71.6	
Weighted average number of shares	434,881,750	434,757,914	
Dilutive effect of share options	709,285	174,518	
Diluted weighted average number of shares	435,591,035	434,932,432	
	PENCE	PENCE	
Basic earnings per share			
Before amortisation of goodwill	17.5	16.5	
After amortisation of goodwill	15.1	13.9	
Diluted earnings per share			
Before amortisation of goodwill	17.4	16.5	
After amortisation of goodwill	15.1	13.9	
11 Intangible fixed assets	GROUP GOODWILL £M	OTHER INTANGIBLES £M	TOTAL £M
Cost			
At 1 April 2003	217.5	–	217.5
Additions	–	0.3	0.3
Translation differences	(31.6)	–	(31.6)
At 31 March 2004	185.9	0.3	186.2
Amortisation			
At 1 April 2003	40.9	–	40.9
Charged in the year	10.2	–	10.2
Translation differences	(6.7)	–	(6.7)
At 31 March 2004	44.4	–	44.4
Net book value			
At 31 March 2004	141.5	0.3	141.8
At 31 March 2003	176.6	–	176.6

There are no Company intangible fixed assets (2003: nil).

12 Tangible fixed assets

Cost	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
At 1 April 2003	100.2	96.3	97.6	294.1	37.4	8.6	0.5	46.5
Additions	0.2	5.4	17.2	22.8	—	—	0.2	0.2
Disposals	(4.8)	(3.0)	(7.1)	(14.9)	(6.3)	—	(0.2)	(6.5)
Translation differences	(1.5)	(1.3)	(1.6)	(4.4)	—	—	—	—
At 31 March 2004	94.1	97.4	106.1	297.6	31.1	8.6	0.5	40.2
Depreciation								
At 1 April 2003	19.6	61.9	42.5	124.0	6.1	5.5	0.5	12.1
Charged in the year	2.0	8.3	12.8	23.1	0.5	0.9	—	1.4
Disposals	(1.7)	(2.5)	(6.4)	(10.6)	(3.3)	—	—	(3.3)
Translation differences	(0.3)	(0.9)	(1.0)	(2.2)	—	—	—	—
At 31 March 2004	19.6	66.8	47.9	134.3	3.3	6.4	0.5	10.2
Net book value								
At 31 March 2004	74.5	30.6	58.2	163.3	27.8	2.2	—	30.0
At 31 March 2003	80.6	34.4	55.1	170.1	31.3	3.1	—	34.4
Net book value of land and buildings					GROUP 2004 £M	2003 £M	COMPANY 2004 £M	2003 £M
Freehold land					11.3	13.8	6.4	6.5
Freehold buildings					58.2	60.9	21.4	24.8
Long leasehold					0.6	0.6	—	—
Short leasehold					4.4	5.3	—	—
					74.5	80.6	27.8	31.3
Net book value of plant and machinery								
Plant and machinery					27.1	30.4	2.1	2.9
Other office equipment					2.5	3.0	0.1	0.2
Motor vehicles					1.0	1.0	—	—
					30.6	34.4	2.2	3.1
Net book value of computer systems					58.2	55.1	—	—

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

13 Capital commitments

	GROUP 2004 £M	2003 £M	COMPANY 2004 £M	2003 £M
Contracted capital expenditure at 31 March, for which no provision has been made in these accounts	1.6	4.5	—	—

14 Investments

	GROUP 2004 £M	2003 £M	COMPANY 2004 £M	2003 £M
Subsidiary undertakings (see note 15)	—	—	377.8	392.7
Associated undertakings	0.1	0.1	—	—
Investment in own shares	1.3	1.5	1.3	1.5
	1.4	1.6	379.1	394.2

Notes to the consolidated accounts (continued)

For the year ended 31 March 2004

15 Subsidiary undertakings

Cost	SHARES £M	LOANS £M	TOTAL £M
At 1 April 2003	175.1	233.0	408.1
Additions	—	—	—
Disposals/repayments	—	(14.9)	(14.9)
At 31 March 2004	175.1	218.1	393.2
Provisions			
At 1 April 2003	—	15.4	15.4
Released in the year	—	—	—
At 31 March 2004	—	15.4	15.4
Net book value			
At 31 March 2004	175.1	202.7	377.8
At 31 March 2003	175.1	217.6	392.7

16 Own shares

	COST £M	ACCUMULATED AMORTISATION £M	NET £M
At 1 April 2003	1.8	(0.3)	1.5
Additions	—	—	—
Disposals	—	—	—
Charge for the year	—	(0.2)	(0.2)
At 31 March 2004	1.8	(0.5)	1.3

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 (2003: none).

At 31 March 2004, a total of 308,417 (2003: 308,417) 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 2004 was £1,053,244.

At 31 March 2004, a total of 40,826 (2003: 41,513) ordinary shares in the Company were also held by the QUEST, all of which were under option to employees as detailed in note 29. The market value of the shares at 31 March 2004 was £139,421.

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 SAS*	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 2004 the Group made sales of £0.5m (2003: £0.5m) to RSCC and supplied catalogues at a cost to RSCC of £0.1m (2003: £0.1m). RSCC is treated in the accounts as an associated undertaking.

	GROUP 2004 £M	2003 £M
18 Stock		
Raw materials and consumables	2.3	1.7
Work in progress	2.6	2.3
Finished goods and goods for resale	123.8	130.1
	128.7	134.1

There is no Company stock (2003: nil).

Notes to the consolidated accounts (continued)

For the year ended 31 March 2004

	GROUP 2004 £M	2003 £M	COMPANY 2004 £M	2003 £M
19 Debtors				
Trade debtors	129.0	118.4	—	—
Amounts owed by subsidiary undertakings	—	—	26.9	16.0
Amounts owed by associated undertakings	0.7	0.8	—	—
Other debtors	4.0	9.8	0.4	0.8
Corporate tax	2.0	1.5	—	—
Prepaid catalogue expenses	8.1	9.8	—	—
Other prepayments and accrued income	5.7	4.5	0.8	0.1
	149.5	144.8	28.1	16.9
Amounts falling due within one year				
Other debtors falling due after more than one year:				
Corporate tax	0.1	0.1	—	—
Prepaid pension costs	1.2	1.2	1.2	1.2
Other debtors	0.8	0.7	—	—
	151.6	146.8	29.3	18.1
20 Investments – current assets				
Bank deposits	65.4	23.8	65.4	23.8
21 Creditors: amounts falling due within one year				
Bank overdrafts (unsecured)	0.7	0.3	57.3	58.0
Current instalments of loans (see note 23)	24.2	29.0	23.6	26.3
Trade creditors	70.1	61.4	—	—
Amounts owed to subsidiary undertakings	—	—	61.6	37.2
Corporate tax	21.9	23.4	0.3	—
Other taxation and social security	10.5	10.2	0.1	0.1
Other creditors	7.0	5.7	0.3	—
Government grants	0.3	0.3	—	—
Accruals and deferred income	20.5	23.2	2.6	3.8
Proposed dividend	54.8	51.1	54.8	51.1
	210.0	204.6	200.6	176.5
22 Creditors: amounts falling after more than one year				
Loans repayable after more than one year (see note 23)	82.9	44.3	78.7	39.3
Other creditors	4.9	4.4	—	—
Government grants	5.0	5.3	—	—
	92.8	54.0	78.7	39.3

	GROUP 2004 £M	2003 £M	COMPANY 2004 £M	2003 £M
23 Loans				
Australian Dollar bank loans	3.6	2.7	3.6	2.6
Euro bank loans	4.8	5.0	—	—
Hong Kong Dollar bank loans	3.8	1.6	3.8	1.6
Japanese Yen bank loans	32.1	28.7	32.1	26.0
New Zealand Dollar bank loans	0.3	—	0.3	—
Singapore Dollar bank loans	2.8	4.4	2.8	4.4
South African Rand bank loans	5.2	—	5.2	—
Swedish Kroner bank loans	—	0.1	—	0.1
US Dollar bank loans	54.5	30.8	54.5	30.9
	107.1	73.3	102.3	65.6
Amounts falling due within one year or on demand	(24.2)	(29.0)	(23.6)	(26.3)
	82.9	44.3	78.7	39.3
Loans repayable in more than one but not more than two years	0.6	39.9	—	39.3
Loans repayable in more than two but not more than five years	80.5	1.9	78.7	—
Loans repayable in more than five years	1.8	2.5	—	—
	82.9	44.3	78.7	39.3

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

24 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 Operating and 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:

	2004			2003		
	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	13.7	0.3	14.0	24.1	0.3	24.4
Sterling	57.0	—	57.0	—	—	—
US Dollars	0.1	—	0.1	2.0	—	2.0
Other	2.5	0.5	3.0	0.6	0.4	1.0
Total financial assets	73.3	0.8	74.1	26.7	0.7	27.4

At 31 March the financial assets of the Group comprised:

	2004 £M	2003 £M
Debtors due after more than one year	0.8	0.7
Investments	65.4	23.8
Cash at bank and at hand	7.9	2.9
	74.1	27.4

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.

Notes to the consolidated accounts (continued)

For the year ended 31 March 2004

24 Financial risk management (continued)

Financial liabilities	2004 FIXED RATE FINANCIAL LIABILITIES £M	FLOATING RATE FINANCIAL LIABILITIES £M	TOTAL £M	2003 FIXED RATE FINANCIAL LIABILITIES £M	FLOATING RATE FINANCIAL LIABILITIES £M	TOTAL £M
Australian Dollars	—	3.6	3.6	—	—	—
Euro	4.8	0.4	5.2	5.0	0.1	5.1
Hong Kong Dollars	—	3.8	3.8	—	1.6	1.6
Japanese Yen	—	32.4	32.4	—	28.7	28.7
Singapore Dollars	—	2.8	2.8	—	4.5	4.5
South African Rand	—	5.2	5.2	—	—	—
US Dollars	—	54.5	54.5	—	30.8	30.8
Other	—	0.3	0.3	—	2.9	2.9
Total financial liabilities	4.8	103.0	107.8	5.0	68.6	73.6

As at the year end, the non-interest bearing financial liabilities were £0.4m (2003: £0.5m), which were predominantly denominated in Euros.

At 31 March the financial liabilities of the Group comprised:

	2004 £M	2003 £M
Bank overdrafts repayable on demand (unsecured)	0.7	0.3
Current instalments of loans (see note 23)	24.2	29.0
Loans repayable between one and two years (see note 23)	0.6	39.9
Loans repayable between two and five years (see note 23)	80.5	1.9
Loans repayable in more than five years (see note 23)	1.8	2.5
	107.8	73.6

The weighted average interest rate of the fixed-rate financial liabilities was 3.85% (2003: 3.85%). The weighted average period to maturity for which the rates are fixed is 1,461 days (2003: 1,827 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 2004 the Group had a £135.1m committed borrowing facility (2003: £158.2m) denominated in US Dollars, of which £56.4m was undrawn (2003: £118.9m). 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 2004 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.

24 Financial risk management (continued)

	2004 HEDGING TRADING FLOWS £M	HEDGING INTER- COMPANY DEBT £M	TOTAL £M	2003 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	(40.8)	—	(40.8)	(26.7)	—	(26.7)
to buy Sterling and sell foreign currency	85.9	—	85.9	70.1	4.5	74.6
Total net amount:	45.1	—	45.1	43.4	4.5	47.9
Unrecognised gains and losses compared to year end rates:						
gains			3.4			0.6
losses			(1.8)			(4.1)
Total net unrecognised gains (losses)			1.6			(3.5)
Fair value at 31 March 2004*			43.5			51.4

*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 2004 was nil (2003: £0.3m).

	GAINS £M	LOSSES £M	TOTAL NET (LOSSES) GAINS £M
Gains and losses on hedges			
Unrecognised gains and losses at 1 April 2003	0.9	(4.1)	(3.2)
Gains and losses arising in previous years that were recognised in the year ended 31 March 2004	(0.9)	4.1	3.2
Gains and losses arising before 1 April 2003 that were not recognised in the year ended 31 March 2004	—	—	—
Gains and losses arising in the year ended 31 March 2004 that were not recognised in the year	3.4	(1.8)	1.6
Unrecognised gains and losses on hedges at 31 March 2004	3.4	(1.8)	1.6

The unrecognised gains and losses as at 31 March 2004 will be recognised within the next 12 months.

(e) Currency exposures

At 31 March 2004 the Group had no forecast foreign currency exposures for the year ended 31 March 2005 which were not covered by forward foreign exchange contracts (2003: nil).

25 Provisions for liabilities and charges

	GROUP DEFERRED TAXATION £M	COMPANY DEFERRED TAXATION £M
At 1 April 2003	9.1	2.4
Profit and loss account	1.6	—
Translation differences	0.9	—
At 31 March 2004	11.6	2.4

	GROUP 2004 £M	2003 £M	COMPANY 2004 £M	2003 £M
Deferred taxation				
Amounts provided:				
Accelerated capital allowances	14.1	10.6	2.1	2.0
Tax losses	(8.7)	(8.4)	—	—
Goodwill	5.9	5.5	—	—
Other short term timing differences	0.3	1.4	0.3	0.4
	11.6	9.1	2.4	2.4

Deferred taxation				
Amounts not provided:				
Rolled over capital gains	0.5	0.5	—	—
Tax losses	(13.0)	(14.8)	—	—
	(12.5)	(14.3)	—	—

The tax losses are recognised when recoverability is probable in the foreseeable future.

Notes to the consolidated accounts (continued)

For the year ended 31 March 2004

26 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 2004 was £3.1m (2003: £3.1m). 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 £10.9m (2003: £10.8m). 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		PLANT AND MACHINERY		COMPANY		PLANT AND MACHINERY	
	PROPERTIES 2004 £M	2003 £M	2004 £M	2003 £M	PROPERTIES 2004 £M	2003 £M	2004 £M	2003 £M
Operating leases which expire:								
within one year	3.8	1.1	0.6	0.9	—	0.1	—	—
within two to five years	4.9	7.7	2.7	2.6	—	—	0.1	0.1
after five years	2.1	2.5	—	—	—	—	—	—
	10.8	11.3	3.3	3.5	—	0.1	0.1	0.1

27 Contingent liabilities

At 31 March 2004 the following contingent liabilities existed:

COMPANY Guarantees in respect of bank facilities available to certain subsidiaries up to a maximum of £16.3m (2003: £48.6m), of which £0.1m (2003: £15.2m) had been drawn down by the end of the year.

28 Share capital

	2004 NUMBER OF SHARES	2003 NUMBER OF SHARES	2004 £M	2003 £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 2003	435,206,655	434,998,381	43.5	43.5
New share capital subscribed	40,000	208,274	—	—
At 31 March 2004	435,246,655	435,206,655	43.5	43.5

All of the new share capital subscribed in 2004 related to the exercise of share options (see note 29).

29 Share option schemes

	EXECUTIVE OPTIONS 1988 SCHEME	EXECUTIVE OPTIONS LTIOF SCHEME	SAYE SCHEMES	US S423 SCHEME	TOTAL
Movement in outstanding options:					
At 1 April 2003	3,324,975	6,516,115	2,788,838	61,108	12,691,036
Grants in the year	—	6,452,956	2,739,593	28,901	9,221,450
Options exercised	(13,790)	—	(865)	(26,032)	(40,687)
Options lapsed	(456,660)	(487,159)	(1,849,014)	(24,860)	(2,817,693)
At 31 March 2004	2,854,525	12,481,912	3,678,552	39,117	19,054,106
Consideration in respect of exercises	£0.0m	—	£0.0m	£0.1m	£0.1m
Options granted	1993 to 2001	2002 to 2003	1998 to 2003	2002 to 2003	
Period of option	2003 to 2011	2005 to 2013	2004 to 2008	2004 to 2005	
Price per share					
Lowest	235.0p	312.0p	260.0p	278.0p	
Highest	686.0p	349.0p	529.0p	299.0p	
Weighted average	504.9p	331.0p	296.8p	293.5p	

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 (LTIOF) was approved by shareholders at the 2002 AGM and the first grant was made during that 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.

30 Reserves

	SHARE PREMIUM ACCOUNT £M	PROFIT AND LOSS ACCOUNT £M	TOTAL £M
GROUP			
At 1 April 2003	38.3	306.4	344.7
Retained loss for the year	–	(13.4)	(13.4)
Translation differences	–	(29.2)	(29.2)
Premium on new share capital subscribed	0.1	–	0.1
At 31 March 2004	38.4	263.8	302.2
COMPANY			
At 1 April 2003	38.3	198.0	236.3
Retained loss for the year	–	(23.6)	(23.6)
Premium on new share capital subscribed	0.1	–	0.1
At 31 March 2004	38.4	174.4	212.8

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 2004 is £42.8m (2003: £42.8m).

31 Reconciliations of movements in shareholders' funds

	GROUP 2004 £M	2003 £M	COMPANY 2004 £M	2003 £M
Profit for the year	65.7	60.3	55.5	54.0
Dividend	(79.1)	(73.9)	(79.1)	(73.9)
Retained loss for the year	(13.4)	(13.6)	(23.6)	(19.9)
Translation differences	(29.2)	(10.8)	–	–
New share capital subscribed	0.1	0.5	0.1	0.5
Net reduction in equity	(42.5)	(23.9)	(23.5)	(19.4)
Equity shareholders' funds at the beginning of the year	388.2	412.1	279.8	299.2
Equity shareholders' funds at the end of the year	345.7	388.2	256.3	279.8

32 Gross cash flows – Group

	2004 £M	2003 £M
Returns on investments and servicing of finance		
Interest received	1.6	2.0
Interest paid	(2.9)	(3.2)
Net cash outflow from returns on investments and servicing of finance	(1.3)	(1.2)
Capital expenditure and financial investment		
Purchase of intangible fixed assets	(0.3)	–
Purchase of tangible fixed assets*	(23.2)	(34.3)
Sales of tangible fixed assets	4.2	0.9
Receipt of capital grants	0.1	0.7
Net cash outflow for capital expenditure and financial investment	(19.2)	(32.7)

*Including capital accruals the purchase of fixed assets figure would be £22.8m (2003: £31.3m)

Management of liquid resources

Net increase in bank deposits	(41.6)	(5.1)
Net cash outflow from management of liquid resources	(41.6)	(5.1)

Financing

Issue of ordinary share capital	0.1	0.5
New bank loans	63.0	17.1
Repayment of bank loans	(21.0)	(13.2)
Net cash inflow from financing	42.1	4.4

Notes to the consolidated accounts (continued)

For the year ended 31 March 2004

	AT 1 APRIL 2003 £M	CASH FLOWS £M	OTHER NON-CASH CHANGES £M	TRANSLATION DIFFERENCES £M	AT 31 MARCH 2004 £M
33 Analysis of changes in net debt – Group					
Cash at bank and in hand	2.9	12.1		(7.1)	7.9
Overdrafts	(0.3)	(4.0)		3.6	(0.7)
		8.1			
Current instalments of loans	(29.0)	3.8	(0.6)	1.6	(24.2)
Loans repayable after more than one year	(44.3)	(45.8)	0.6	6.6	(82.9)
		(42.0)			
Current asset investments	23.8	41.6		–	65.4
	(46.9)	7.7	–	4.7	(34.5)

	2004 AVERAGE	CLOSING	2003 AVERAGE	CLOSING
34 Principal exchange rates				
Euro	1.44	1.50	1.56	1.45
Japanese Yen	192	193	188	187
United States Dollar	1.70	1.85	1.54	1.58