Notes to the Group Accounts
For the year ended 31 March 2008

1 Analysis of income and expenditure

This analysis reconciles the Income Statement presentation to the segmental analysis shown in note 2.

	2008 £m	Restated 2007 £m
Revenue	**924.8**	877.5
Cost of sales	**(460.1)**	(434.0)
Distribution and marketing expenses	**(261.5)**	(249.3)
Contribution before Enterprise Business System costs	**203.2**	194.2
Distribution and marketing expenses within Process costs	**(77.7)**	(74.8)
Administrative expenses	**(7.4)**	(8.1)
Group Process costs	**(85.1)**	(82.9)
Distribution and marketing expenses: Enterprise Business System costs	**(14.4)**	(19.0)
Headline operating profit	**103.7**	92.3
Net financial expense	**(7.3)**	(5.9)
Headline profit before tax	**96.4**	86.4
Distribution and marketing expenses: Reorganisation costs	**(1.0)**	(1.1)
Administrative expenses: Reorganisation income	**–**	1.9
Profit before tax	**95.4**	87.2

2 Segmental analysis

For management purposes, the Group is managed in regions - United Kingdom, Continental Europe, North America and Asia Pacific. Continental Europe comprises trading operations in France, Germany, Italy, Austria, Denmark, Norway, Sweden, Republic of Ireland, Spain, the Netherlands and Belgium. Asia Pacific comprises trading operations in Japan, Australia, Chile, India, New Zealand, Singapore, Malaysia, South Africa, Phillipines, Thailand, Hong Kong and China. North America comprises trading operations in the United States of America and Canada. These regions are the basis on which the Group reports its primary segment information. The Group has only one type of business and does not therefore have separately identifiable business segments, no secondary segment information is therefore given.

Intersegment pricing is determined on an arms' length basis.

		2008 £m	2007 £m
By geographical destination			
Revenue:	United Kingdom	**342.6**	341.5
	Continental Europe	**320.6**	293.3
	North America	**161.7**	155.6
	Asia Pacific	**99.9**	87.1
		924.8	877.5

		2008			2007		
		Total sales £m	**Inter-segment sales £m**	**Revenue £m**	Total sales £m	Inter-segment sales £m	Revenue £m
By geographical origin							
Revenue:	United Kingdom	**493.3**	**(135.3)**	**358.0**	495.3	(139.1)	356.2
	Continental Europe	**332.2**	**(16.0)**	**316.2**	294.9	(7.4)	287.5
	North America	**165.9**	**(2.6)**	**163.3**	159.2	(2.0)	157.2
	Asia Pacific	**90.4**	**(3.1)**	**87.3**	76.9	(0.3)	76.6
		1,081.8	**(157.0)**	**924.8**	1,026.3	(148.8)	877.5

2 Segmental analysis continued

		2008 £m	Restated 2007 £m
Profit before tax:	United Kingdom	**100.9**	97.6
	Continental Europe	**71.0**	65.1
	North America	**22.0**	23.4
	Asia Pacific	**9.3**	8.1
	Contribution before Enterprise Business System implementation costs	**203.2**	194.2
	Groupwide Process costs	**(85.1)**	(82.9)
	Enterprise Business System implementation costs	**(14.4)**	(19.0)
	Net financial expense	**(7.3)**	(5.9)
	Headline profit before tax	**96.4**	86.4
	Reorganisation (costs) income	**(1.0)**	0.8
		95.4	87.2

		2008 £m	Restated 2007 £m
By geographical location			
Total assets:	United Kingdom	**241.5**	262.4
	Continental Europe	**151.2**	133.6
	North America	**198.2**	195.5
	Asia Pacific	**50.0**	43.5
	Total assets	**640.9**	635.0
	Unallocated assets		
	cash at bank and in hand	**28.4**	19.1
	deferred tax asset	**14.7**	16.3
	corporation tax asset	**1.3**	1.1
		685.3	671.5

		2008 £m	2007 £m
Total liabilities:	United Kingdom	**103.1**	110.8
	Continental Europe	**56.9**	46.7
	North America	**10.3**	14.0
	Asia Pacific	**11.8**	8.0
	Total liabilities	**182.1**	179.5
	Unallocated liabilities		
	corporation tax	**17.5**	14.5
	deferred tax liability	**24.4**	22.9
	loans and overdrafts	**179.5**	155.3
		403.5	372.2

2 Segmental analysis continued

		2008 £m	2007 £m
Capital expenditure:	United Kingdom	**13.2**	21.8
	Continental Europe	**1.3**	5.6
	North America	**3.5**	15.1
	Asia Pacific	**1.1**	2.3
		19.1	44.8

		2008 £m	2007 £m
Depreciation and amortisation:	United Kingdom	**19.2**	20.2
	Continental Europe	**4.0**	3.5
	North America	**1.3**	1.0
	Asia Pacific	**2.2**	2.3
		26.7	27.0

		2008 £m	2007 £m
Significant non-cash expenses:	United Kingdom	**0.7**	2.2
	Continental Europe	**0.2**	0.2
	North America	**0.1**	0.1
	Asia Pacific	**0.1**	0.2
		1.1	2.7

3 Profit before tax

	2008 £m	2007 £m
Profit before tax is stated after charging (crediting):		
Remuneration of the auditors and their associates:		
Group audit fee	**0.3**	0.3
The audit of subsidiaries pursuant to legislation	**0.4**	0.4
Other services pursuant to legislation	**–**	0.1
Taxation	**0.1**	0.1
All other services	**–**	0.2
Depreciation	**13.2**	15.5
Amortisation of intangibles	**13.5**	11.5
Amortisation of government grants	**(0.2)**	(0.2)
Loss on disposal of intangibles	**–**	1.1
Loss (profit) on disposal of property, plant and equipment	**0.7**	(1.9)
Hire of plant and machinery	**3.5**	3.3
Net foreign exchange translation losses	**0.3**	–

4 Provision for RoHS

RoHS (Restriction of Hazardous Substances) is an EU Directive that restricts the use of six hazardous materials in the manufacture of electronic and electrical equipment. The legislation came into force on 1 July 2006. The RoHS regulations prevent the use of non-compliant products in manufacture. It will still be acceptable to use non-compliant products for maintenance. Similar legislation is also being applied within The People's Republic of China.

No charge was required in the year (2007: £nil).

5 Reorganisation costs

Reorganisation costs arising in the year are as follows:

	2008 £m	2007 £m
Redundancy costs	**0.9**	1.1
Profit on sale of former head office	**–**	(1.9)
Other initiatives	**0.1**	–
	1.0	(0.8)

6 Employees

Numbers employed	2008	2007
The average number of employees during the year was:		
Management and administration	**277**	294
Distribution and marketing	**5,450**	5,157
	5,727	5,451

Of these staff 2,340 were employed in the United Kingdom (2007: 2,365)

Aggregate employment costs	£m	£m
Wages and salaries	**144.6**	136.2
Social security costs	**16.3**	15.9
Equity-settled transactions	**1.1**	2.7
Pension costs	**12.2**	11.8
	174.2	166.6

The remuneration of individual Directors is detailed on page 27.

7 Share-based payments

The Group has a number of share-based incentive plans for employees. These comprise an Executive Incentive Plan (EIP) awarded to the Group's most senior executives, a Long Term Incentive Plan (LTIP) awarded to senior managers and employees, a Save As You Earn (SAYE) scheme that is made available to the majority of employees and a US s423 option scheme that is offered to all permanent employees in the US operating company. In addition there was a Long Term Incentive Option Plan (LTIOP) operated until 2005, awarding options to senior managers.

The LTIOP and SAYE schemes were in operation before 7 November 2002 in addition to a pre-existing Long Term Incentive Plan. The recognition and measurement principles in IFRS 2 have only been applied to grants made, under all these schemes, after 7 November 2002 in accordance with the transitional provisions in IFRS 1 and IFRS 2.

Executive Incentive Plan (EIP)

The EIP scheme principally comprises a one-off conditional award on 1 February 2006 of shares to the 12 most senior executives in the Group to be delivered following the financial year ending 31 March 2009. The number of shares to be awarded is dependent on the performance of the Group during the year ending 31 March 2009 varying between 0 and 2,700,000. The estimate of the Group's performance for the year ending 31 March 2009 is updated periodically. The estimate was revised accordingly as at the year ended 31 March 2008 and resulted in a release of £0.6m during the year. The awards include a right to receive dividend equivalents on vesting. Awards over 450,000 of these shares were made for cash settlement. During 2007 further options for new senior executives totalling 221,000 options were granted. The fair value of the EIP options was calculated using a Black-Scholes model based on the assumptions below.

	EIP 2007	EIP 2006
Fair value at grant date	280p	300p
Assumptions used		
Share price	280p	300p
Expected volatility	22.4%	39.7%
Expected option life	1.75 years	3.25 years
Risk free interest rate	5.5%	4.4%

Volatility was estimated based on the historical volatility of the shares over a three year and two year period respectively up to the date of grant.

7 Share-based payments continued

Long Term Incentive Option Plan (LTIOP) and Long Term Incentive Plan (LTIP)

The LTIOP schemes were awarded to key senior employees at a grant price equal to the Group's share price. The vesting conditions include a continuation of service, a minimum of three years, and the performance of the Group's shares against a comparator group. The share price is tested against this group after three years and can be retested after four and five years if the options have not vested. The proportion of the options vesting is also dependent on the comparative share performance. The share options can be exercised up to 10 years after the grant date. Any options remaining unexercised after 10 years from the date of grant will expire.

In June 2006 a new executive plan (the LTIP) conditional award of shares was made. The vesting conditions are based on performance of the Group versus the FTSE 250 over the three year life of the scheme. At the vesting date the share award will either vest or lapse. The awards include a right to receive dividend equivalents on vesting. In June 2007 a further conditional award of shares was made.

The fair value of the LTIOP and LTIP options was calculated at the grant date using a Monte Carlo model based on the assumptions below.

	LTIP 2007	LTIP 2006	LTIOP 2005	LTIOP 2004	LTIOP 2003
Options granted	1,529,127	1,542,118	5,264,667	4,959,435	6,452,956
Fair value at grant date	106.0p	111.0p	35.6p	78.6p	78.3p
Assumptions used					
Share price	280p	237p	249p	369p	349p
Exercise price	Nil	Nil	251p	365p	349p
Expected volatility	22.9%	24.9%	34.9%	39.7%	39.7%
Expected option life	3 years	3 years	7 years	7 years	7 years
Expected dividend yield	6.8%	7.0%	6.2%	4.9%	5.9%
Risk free interest rate	5.5%	4.7%	4.1%	5.0%	5.0%

Volatility was estimated based on the historical volatility of the shares over a three year period up to the date of grant.

Save As You Earn (SAYE) schemes

The SAYE schemes are available to the majority of employees of the Group. They provide an option price equal to the daily average market price at the date of the offer less 20%. (The French scheme may be offered at a different rate to ensure compliance with French regulations.) The option exercise conditions are the employees' continued employment for the three or five year period and the maintenance of employees' regular monthly savings in an account. Failure of either of these conditions is deemed a forfeiture of the option. At the end of the period the employee has six months to either purchase the shares at the agreed price, or withdraw their savings with the accrued interest. There are no market conditions to the vesting of the options.

There have been 20 SAYE grants since 7 November 2002. Four were awarded on 3 July 2007, four were awarded on 4 July 2006, four were awarded on 24 June 2005, four were awarded on 30 June 2004 and a further four on 30 June 2003. The options granted, the fair value calculated using a Black-Scholes model, and the assumptions used, are shown below:

	SAYE 3 yr 2007	SAYE 5 yr 2007	SAYE 3 yr 2006	SAYE 5 yr 2006	SAYE 3 yr 2005	SAYE 5 yr 2005	SAYE 3 yr 2004	SAYE 5 yr 2004	SAYE 5 yr 2003
Options granted	382,543	222,116	832,027	510,502	1,105,515	795,833	386,423	291,856	1,241,553
Fair value at grant date	38.1p	50.5p	42.7p	51.0p	55.2p	58.3p	107.2p	126.8p	128.0p
Assumptions used									
Share price	262p	262p	232p	232p	247p	247p	357p	357p	325p
Exercise price	241p	241p	196p	196p	212p	212p	283p	283p	260p
Expected volatility	22.9%	29.8%	26.9%	33.6%	34.8%	35.7%	38.4%	38.4%	41.9%
Expected option life	3 years	5 years	3 years	5 years	3 years	5 years	3 years	5 years	5 years
Expected dividend yield	6.7%	6.7%	7.1%	7.1%	6.3%	6.3%	4.9%	4.9%	5.9%
Risk free interest rate	5.5%	5.5%	4.8%	4.8%	4.1%	4.1%	5.0%	5.0%	5.0%

French awards have the following differences to the above awards:

	SAYE 3 yr 2007	SAYE 5 yr 2007	SAYE 3 yr 2006	SAYE 5 yr 2006	SAYE 3 yr 2005	SAYE 5 yr 2005	SAYE 3 yr 2004	SAYE 5 yr 2004	SAYE 5 yr 2003
Options granted	6,103	5,698	2,298	29,790	10,384	25,210	6,434	15,502	38,910
Fair value at date of grant	38.1p	50.5p	42.7p	51.0p	55.2p	58.3p	103.4p	123.6p	123.9p
Exercise price	241p	241p	196p	196p	212p	212p	292p	292p	272p

Volatility was estimated based on the historical volatility of the shares over a 3 or 5 year period, as appropriate, up to the date of grant.

7 Share-based payments continued

US s423 scheme

The US s423 scheme is available to permanent employees of Allied Electronics Inc., the Group's US operating company. The options are granted to those who elect to participate and the scheme has a savings element similar to the SAYE scheme. At the end of one year up to 20% of the options can be exercised with the remainder exercisable after 2 years. The option price is the lesser of 85% of the market value of the shares on the date of grant and the date of exercise. There are no market conditions to the vesting of the options.

The fair value of the options was calculated at the grant date using a Black-Scholes model and the assumptions used are shown below.

	s423 2007	s423 2006	s423 2005
Options granted	4,203	12,370	15,496
Fair value at grant date	41.4p	39.1p	47.5p
Assumptions used			
Share price	262p	232p	247p
Exercise price	228p	197p	207p
Expected volatility	22.4%	24.0%	28.4%
Expected option life	2 years	2 years	2 years
Expected dividend yield	6.7%	6.8%	6.3%
Risk free interest rate	5.5%	4.8%	4.1%

Number and weighted average exercise prices of share options

In thousands of options	**Weighted average exercise price 2008**	**Number of options 2008**	Weighted average exercise price 2007	Number of options 2007
Outstanding at the beginning of the year	**264p**	**24,107**	291p	26,122
Forfeited during the year	**263p**	**(2,055)**	334p	(3,205)
Lapsed during the year	**275p**	**(1,193)**	254p	(1,651)
Exercised during the year	**227p**	**(25)**	252p	(88)
Granted during the year	**63p**	**2,371**	93p	2,929
Outstanding at the end of the year	**243p**	**23,205**	264p	24,107
Exercisable at the end of the year	**283p**	**20**	339p	37

Outstanding options include 7,570,411 options relating to schemes in operation before 7 November 2002.

The options outstanding at 31 March 2008 have an exercise price in the range 0p to 686p and a weighted average contractual life of 7.6 years.

In thousands of options	**2008**	2007
Option prices		
£nil - £1.00	**5,555**	4,233
£1.00-£2.00	**975**	1,246
£2.00-£3.00	**5,438**	5,936
£3.00-£4.00	**10,006**	11,129
£4.00-£5.00	**328**	538
£5.00-£6.00	**622**	713
£6.00-£7.00	**281**	312
	23,205	24,107

Employee expenses

	2008 £m	2007 £m
Share options granted in 2003/04	**–**	0.2
Share options granted in 2004/05	**0.1**	0.7
Share options granted in 2005/06	**(0.2)**	1.2
Share options granted in 2006/07	**0.6**	0.6
Share options granted in 2007/08	**0.6**	–
Total expense recognised as employee costs	**1.1**	2.7

8 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 2008 amounted to £3.5m (2007: £5.2m). The contributions paid by the Group to the defined contribution section of the scheme amounted to £4.0m (2007: £2.2m).

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.

In addition to the UK scheme outlined above there are certain pension benefits provided on a defined benefit basis in Germany and Ireland amounting to £1.1m (2007: £1.1m), defined contribution basis in Australia and North America amounting to £1.0m (2007: £0.9m), and via government schemes in France, Italy, Scandinavia and North Asia amounting to £2.6m (2007: £2.4m).

The Group expects to pay £5.1m to its UK defined benefit pension plan in 2009 dependant upon the consultation referred to below.

As part of the formal triennial valuation of the United Kingdom defined benefit pension scheme at 31 March 2007, which has been agreed in principle with the Trustee of the scheme, the Group considered the prospective future cost and volatility of the UK defined benefit scheme structure. This has led to the Group concluding a consultation, on 3 April 2008, with the membership of the scheme over a number of proposed changes. These changes are designed to reduce the cost and volatility of maintaining the UK defined benefit scheme going forwards and are intended to apply from June 2008.

The principal assumptions used in the valuations of the liabilities of the Group's schemes were:

	2008 United Kingdom	**2008 Germany**	**2008 Republic of Ireland**	2007 United Kingdom	2007 Germany	2007 Republic of Ireland
Discount rate	**5.90%**	**5.50%**	**5.50%**	5.25%	4.75%	4.75%
Rate of increase in salaries	**3.80%**	**3.00%**	**4.00%**	3.85%	3.00%	4.00%
Rate of increase of pensions in payment	**3.60%**	**2.50%**	**2.50%**	3.10%	2.00%	2.00%
Inflation assumption	**3.60%**	**2.50%**	**2.50%**	3.10%	2.00%	2.00%

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

	2008 United Kingdom	**2008 Germany**	**2008 Republic of Ireland**	2007 United Kingdom	2007 Germany	2007 Republic of Ireland
Equities	**7.60%**	**n/a**	**7.70%**	7.40%	n/a	7.30%
Corporate bonds	**5.40%**	**n/a**	**n/a**	4.50%	n/a	n/a
Government bonds	**4.10%**	**n/a**	**4.70%**	3.90%	n/a	4.30%
Diversified growth funds	**7.10%**	**n/a**	**n/a**	n/a	n/a	n/a
Enhanced matching funds	**4.25%**	**n/a**	**n/a**	n/a	n/a	n/a
Cash	**4.75%**	**n/a**	**n/a**	4.50%	n/a	n/a
Other	**n/a**	**n/a**	**5.70%**	n/a	n/a	5.30%

The expected return for each asset class is based on a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by available yields) and the views of investment organisations.

Based upon the demographics of scheme members, the weighted average life expectancy assumptions used to determine benefit obligations were:

	2008 United Kingdom Years	**2008 Germany Years**	**2008 Republic of Ireland Years**	2007 United Kingdom Years	2007 Germany Years	2007 Republic of Ireland Years
Member aged 65 (current life expectancy) - male	**22.0**	**18.4**	**21.4**	20.2	18.4	21.4
Member aged 65 (current life expectancy) - female	**24.9**	**22.5**	**26.4**	23.1	22.5	26.4
Member aged 45 (life expectancy at aged 65) - male	**23.1**	**21.8**	**21.4**	21.2	21.8	21.4
Member aged 45 (life expectancy at aged 65) - female	**25.9**	**25.7**	**26.4**	24.0	25.7	26.4

8 Pension schemes continued

The amounts recognised in the income statement were:

	2008 United Kingdom £m	2008 Germany £m	2008 Republic of Ireland £m	2008 Total £m	2007 United Kingdom £m	2007 Germany £m	2007 Republic of Ireland £m	2007 Total £m
Current service cost	**5.6**	**0.7**	**0.1**	**6.4**	6.9	0.7	0.1	7.7
Past service cost	**–**	**–**	**–**	**–**	–	–	–	–
Interest cost	**16.0**	**0.3**	**0.1**	**16.4**	14.2	0.3	0.1	14.6
Expected return on assets	**(18.1)**	**–**	**(0.1)**	**(18.2)**	(15.9)	–	(0.1)	(16.0)
Total income statement charge	**3.5**	**1.0**	**0.1**	**4.6**	5.2	1.0	0.1	6.3

Of the charge for the year, £0.2m (2007: £0.3m) has been included in administrative expenses and the remainder £4.4m (2007: £6.0m) in distribution and marketing expenses.

The actual loss on scheme assets was: UK £0.5m (2007: return £14.4m), Germany £nil (2007: £nil) and Republic of Ireland £0.3m (2007: return £0.2m).

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

	2008 United Kingdom £m	2008 Germany £m	2008 Republic of Ireland £m	2007 United Kingdom £m	2007 Germany £m	2007 Republic of Ireland £m
Equities	**113.2**	**n/a**	**1.6**	203.7	n/a	1.6
Corporate bonds	**14.6**	**n/a**	**–**	24.0	n/a	–
Government bonds	**18.9**	**n/a**	**0.3**	41.6	n/a	0.2
Diversified growth funds	**98.9**	**n/a**	**–**	–	n/a	–
Enhanced matching funds	**27.9**	**n/a**	**–**	–	n/a	–
Cash	**0.9**	**n/a**	**–**	2.6	n/a	–
Other	**–**	**n/a**	**0.3**	–	n/a	0.2
Total market value of assets	**274.4**	**–**	**2.2**	271.9	–	2.0

No amount is included in the market value of assets relating to either financial instruments or property occupied by the Group.

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit pension schemes was:

	2008 United Kingdom Valuation £m	2008 Germany Valuation £m	2008 Republic of Ireland Valuation £m	2008 Total Valuation £m	2007 United Kingdom Valuation £m	2007 Germany Valuation £m	2007 Republic of Ireland Valuation £m	2007 Total Valuation £m
Total market value of assets	**274.4**	**–**	**2.2**	**276.6**	271.9	–	2.0	273.9
Present value of scheme liabilities	**(296.2)**	**(7.8)**	**(2.6)**	**(306.6)**	(303.8)	(6.5)	(2.3)	(312.6)
Deficit in the scheme	**(21.8)**	**(7.8)**	**(0.4)**	**(30.0)**	(31.9)	(6.5)	(0.3)	(38.7)

The German scheme is unfunded, in line with local practice, and the deficit of £7.8m in the German scheme is financed through accruals established within the German accounts.

8 Pension schemes continued

The movement in present value of the defined benefit obligations in the current period was:

	2008 United Kingdom Valuation £m	2008 Germany Valuation £m	2008 Republic of Ireland Valuation £m	2008 Total Valuation £m	2007 United Kingdom Valuation £m	2007 Germany Valuation £m	2007 Republic of Ireland Valuation £m	2007 Total Valuation £m
Present value of the defined benefit obligations at the beginning of the year	**303.8**	**6.5**	**2.3**	**312.6**	288.7	6.3	2.3	297.3
Movement in year:								
Current service cost	**5.6**	**0.7**	**0.1**	**6.4**	6.9	0.7	0.1	7.7
Interest cost	**16.0**	**0.3**	**0.1**	**16.4**	14.2	0.3	0.1	14.6
Contributions from scheme members	**2.2**	**–**	**–**	**2.2**	2.4	–	–	2.4
Insurance premiums paid	**–**	**(0.1)**	**–**	**(0.1)**	–	(0.1)	–	(0.1)
Actuarial gain	**(23.2)**	**(0.8)**	**(0.3)**	**(24.3)**	(0.5)	(0.4)	(0.2)	(1.1)
Benefits paid	**(8.2)**	**(0.1)**	**–**	**(8.3)**	(7.9)	(0.1)	–	(8.0)
Exchange differences	**–**	**1.3**	**0.4**	**1.7**	–	(0.2)	–	(0.2)
Present value of the defined benefit obligations at the end of the year	**296.2**	**7.8**	**2.6**	**306.6**	303.8	6.5	2.3	312.6

The movement in present value of the fair value of scheme assets in the current period was:

	2008 United Kingdom Valuation £m	2008 Germany Valuation £m	2008 Republic of Ireland Valuation £m	2008 Total Valuation £m	2007 United Kingdom Valuation £m	2007 Germany Valuation £m	2007 Republic of Ireland Valuation £m	2007 Total Valuation £m
Present value of fair value of scheme assets at the beginning of the year	**271.9**	**–**	**2.0**	**273.9**	253.7	–	1.8	255.5
Movement in year:								
Expected return on scheme assets	**18.1**	**–**	**0.1**	**18.2**	15.9	–	0.1	16.0
Actuarial loss	**(18.6)**	**–**	**(0.5)**	**(19.1)**	(1.5)	–	–	(1.5)
Contributions by company	**9.0**	**0.1**	**0.1**	**9.2**	9.3	0.1	0.1	9.5
Contributions from scheme members	**2.2**	**–**	**–**	**2.2**	2.4	–	–	2.4
Insurance premiums paid	**–**	**(0.1)**	**–**	**(0.1)**	–	(0.1)	–	(0.1)
Benefits paid	**(8.2)**	**(0.1)**	**–**	**(8.3)**	(7.9)	(0.1)	–	(8.0)
Exchange differences	**–**	**0.1**	**0.5**	**0.6**	–	0.1	–	0.1
Present value of fair value of scheme assets at the end of the year	**274.4**	**–**	**2.2**	**276.6**	271.9	–	2.0	273.9

Experience adjustments were:

	2008 United Kingdom	2008 Germany	2008 Republic of Ireland	2007 United Kingdom	2007 Germany	2007 Republic of Ireland
Difference between expected and actual return on plan assets	**(6.8%)**	**n/a**	**(26.0%)**	(0.6%)	n/a	(2.3%)
Experience losses (gains) on plan liabilities	**1.5%**	**0.4%**	**2.5%**	0.3%	(0.9%)	(2.5%)

The cumulative amount of actuarial gains recognised is £9.5m (2007: £4.3m).

In addition, the value of the assets held in respect of AVCs amounted to £0.9m as at 31 March 2008 (2007: £1.0m).

The value of the assets held in respect of the defined contribution section of the UK scheme amounted to £6.3m as at 31 March 2008 (2007: £5.5m).

9 Income tax expense

Taxation on the profit of the Group	2008 £m	Restated 2007 £m
United Kingdom corporation tax at 30% (2007: 30%)	**28.0**	19.4
United Kingdom deferred taxation	**0.9**	1.6
Double tax relief	**(15.5)**	(8.8)
	13.4	12.2
Overseas taxation – current	**13.7**	12.4
Overseas taxation – deferred	**4.4**	5.0
Total income tax expense in income statement	**31.5**	29.6
Total tax expense is reconciled to a notional 30% (2007: 30%) of profit before taxation as follows:		
Expected tax charge	**28.6**	26.2
Differences in overseas corporation tax rates	**1.7**	2.0
Utilisation of tax losses	**0.3**	0.7
Items not deductible for tax purposes	**(0.1)**	(0.1)
Other local taxes suffered overseas	**0.4**	0.5
Deferred tax adjustment due to change in United Kingdom corporation tax rate	**(0.1)**	–
Non-taxable income	**(1.3)**	(1.5)
Over provision in prior years	**2.0**	1.8
	31.5	29.6

Deferred tax recognised directly in equity

Recognised in retained earnings		
Relating to equity-settled transactions	**–**	0.3
Relating to actuarial losses	**1.3**	(0.3)
Recognised in the hedging reserve		
Relating to loss on cash flow hedges	**(3.3)**	–
	(2.0)	–

In the UK the standard rate of corporation tax was reduced from 30% to 28% from 1 April 2008. The impact of the change in tax rate in the UK is reflected in the movement on deferred tax credited to the income statement of £0.1m detailed in the tax reconciliation above.

10 Dividends

	2008 £m	2007 £m
Amounts recognised in the period:		
Final dividend for the year ended 31 March 2007 – 12.6p (2006: 12.6p)	**54.8**	54.8
Interim dividend for the year ended 31 March 2008 – 5.8p (2007: 5.8p)	**25.2**	25.2
	80.0	80.0
Proposed dividend for the year ended 31 March 2008 – 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 accounts.

11 Earnings per share

	2008 £m	Restated 2007 £m
Profit for the year attributable to the equity shareholders	**63.9**	57.6
Reorganisation costs (income)	**1.0**	(0.8)
Tax impact of reorganisation costs and provision for RoHS	**(0.3)**	0.2
Headline profit on ordinary activities after taxation	**64.6**	57.0
Weighted average number of shares	**435,030,505**	434,949,638
Dilutive effect of share options	**1,232,055**	1,462,381
Diluted weighted average number of shares	**436,262,560**	436,412,019

	pence	pence
Basic earnings per share	**14.7**	13.2
Diluted earnings per share	**14.6**	13.2
Headline basic earnings per share	**14.8**	13.1
Headline diluted earnings per share	**14.8**	13.1

A further 15,346,707 share options were outstanding as at 31 March 2008 (2007: 12,941,763) but were not included as they were anti-dilutive.

12 Intangible assets

Cost	Goodwill £m	Software £m	Other Intangibles £m	Total £m
At 1 April 2006	150.4	85.1	0.3	235.8
External additions	–	20.0	–	20.0
Disposals	–	(2.2)	–	(2.2)
Translation differences	(16.8)	(1.0)	–	(17.8)
At 1 April 2007	133.6	101.9	0.3	235.8
External additions	–	6.2	–	6.2
Disposals	–	–	–	–
Translation differences	(1.9)	2.8	–	0.9
At 31 March 2008	**131.7**	**110.9**	**0.3**	**242.9**
Amortisation				
At 1 April 2006	–	27.6	–	27.6
Charged in the year	–	11.5	–	11.5
Disposals	–	–	–	–
Translation differences	–	–	–	–
At 1 April 2007	–	39.1	–	39.1
Charged in the year	–	13.5	–	13.5
Disposals	–	–	–	–
Translation differences	–	1.7	–	1.7
At 31 March 2008	**–**	**54.3**	**–**	**54.3**
Net book value				
At 31 March 2008	**131.7**	**56.6**	**0.3**	**188.6**
At 31 March 2007	133.6	62.8	0.3	196.7
At 31 March 2006	150.4	57.5	0.3	208.2

Goodwill principally relates to the acquisition of Allied Electronics Inc. in July 1999.

The recoverable amount of goodwill is based on value in use calculations. Those calculations use cash flow projections based on actual operating results and management projections for a further six years. Cash flows for further periods are extrapolated using a growth rate of 2% (2007: 2%) which is appropriate for the long-term nature of the business. A pre-tax discount rate of 9% (2007: 9%) has been used in discounting the projected cash flows.

A period of more than five years has been used as the Directors believe this is a reasonable assumption based on the fact that the investments are all held for the long term. For periods after five years, the use of extrapolations from earlier budgets and forecasts, after assessing the reasonableness of the assumptions, by examining the causes of differences between past cash flow projections and actual cash flows has been used.

The key assumptions used is the sales growth rate. This is based upon historical growth rates and future plans in the medium-term. Long-term growth rates are based upon expected GDP growth, in line with IAS 36: Impairment of Assets, rather than management expectations.

The recoverable amount of the unit exceeds its carrying value and the carrying value of the goodwill is therefore not impaired.

13 Property, plant and equipment

Cost	Land and buildings £m	Plant and machinery £m	Computer systems £m	Total £m
At 1 April 2006	96.8	101.6	59.1	257.5
Additions	10.6	7.0	7.2	24.8
Disposals	(9.9)	(1.6)	(2.2)	(13.7)
Reclassification	–	1.8	(1.8)	–
Translation differences	(1.7)	(1.4)	(0.9)	(4.0)
At 1 April 2007	95.8	107.4	61.4	264.6
Additions	1.3	6.4	5.2	12.9
Disposals	(0.5)	(3.9)	(1.8)	(6.2)
Translation differences	4.9	3.3	1.7	9.9
At 31 March 2008	**101.5**	**113.2**	**66.5**	**281.2**
Depreciation				
At 1 April 2006	22.6	79.5	42.6	144.7
Charged in the year	1.5	6.5	7.5	15.5
Disposals	(1.2)	(1.4)	(2.2)	(4.8)
Reclassification	–	1.6	(1.6)	–
Translation differences	(0.2)	(1.0)	(0.7)	(1.9)
At 1 April 2007	22.7	85.2	45.6	153.5
Charged in the year	1.8	4.9	6.5	13.2
Disposals	(0.5)	(3.5)	(1.5)	(5.5)
Translation differences	0.9	2.8	1.4	5.1
At 31 March 2008	**24.9**	**89.4**	**52.0**	**166.3**
Net book value				
At 31 March 2008	**76.6**	**23.8**	**14.5**	**114.9**
At 31 March 2007	73.1	22.2	15.8	111.1
At 31 March 2006	74.2	22.1	16.5	112.8

Net book value of land and buildings	2008 £m	2007 £m
Freehold land	**11.8**	11.1
Freehold buildings	**61.8**	58.5
Long leasehold buildings	**0.4**	1.1
Short leasehold buildings	**2.6**	2.4
	76.6	73.1

Net book value of plant and machinery	2008 £m	2007 £m
Plant and machinery	**20.6**	19.8
Other office equipment	**2.2**	1.5
Motor vehicles	**1.0**	0.9
	23.8	22.2

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

14 Capital commitments

	2008 £m	2007 £m
Contracted capital expenditure at 31 March, for which no provision has been made in these accounts	**0.6**	4.4

15 Investments

	2008 £m	2007 £m
Jointly controlled entity	**0.4**	0.3
	0.4	0.3

For details of the jointly controlled entity, see note 16 to the Group accounts.

16 Principal subsidiary undertakings and associated undertakings

	Principal location	Country of incorporation
Mail order of electronic, electrical and mechanical products		
RS Components Pty Limited*	Sydney	Australia
RS Components GesmbH*	Gmünd	Austria
Allied Electronics (Canada) Inc.*	Ottawa	Canada
RS Componentes Electrónicos Limitada*	Santiago	Chile
RS Components A/S*	Copenhagen	Denmark
Radiospares Composants SNC*	Beauvais	France
RS Components GmbH*	Frankfurt	Germany
RS Components Limited*	Kowloon	Hong Kong
RS Components & Controls (India) Limited†	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 Limited*	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 Company Limited*	Bangkok	Thailand
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 Limited*	Oxford	United Kingdom
Electrocomponents North America Inc.*	Laytonsville, MD	United States of America

Except as stated below all of the above are wholly owned by Electrocomponents plc. Those companies marked with an asterisk are indirectly owned. The companies operate within their countries of incorporation. RS Components Limited (UK) exports to most countries where we do not have a trading company 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.

† RS Components & Controls (India) Limited (RSCC) is a jointly controlled entity with Controls & Switchgear Company Limited, 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 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 2008 the Group made sales of £0.8m (2007: £0.8m) to RSCC and supplied catalogues at a cost to RSCC of £0.1m (2007: £0.1m). RSCC is treated in the accounts as an associated undertaking.

17 Inventories

	2008 £m	2007 £m
Raw materials and consumables	**8.5**	10.4
Finished goods and goods for resale	**152.6**	150.2
	161.1	160.6

18 Trade and other receivables

	2008 £m	Restated 2007 £m
Gross trade receivables	**165.0**	154.8
Provision for doubtful debts	**(3.9)**	(3.5)
Amounts owed by jointly controlled entity	**0.5**	0.4
Derivative assets	**1.1**	2.0
Other receivables	**2.2**	3.4
Other prepayments and accrued income	**8.1**	6.5
Trade and other receivables falling due within one year	**173.0**	163.6
Corporation tax	**0.3**	0.2
Other receivables	**2.6**	2.5
Other receivables falling due after more than one year	**2.9**	2.7

19 Trade and other payables

	2008 £m	2007 £m
Trade payables	**79.2**	82.8
Other taxation and social security	**10.3**	9.6
Derivative liabilities	**11.8**	1.1
Other payables	**5.7**	4.6
Government grants	**0.2**	0.2
Accruals and deferred income	**36.5**	34.6
Trade and other payables due within one year	**143.7**	132.9
Other payables	**3.8**	3.5
Government grants	**4.6**	4.4
Other payables due in more than one year	**8.4**	7.9

20 Interest bearing loans and borrowings

	2008 £m	2007 £m
Non-current liabilities:		
Unsecured bank facilities	**165.2**	70.2
Secured bank loans	**2.2**	2.5
Unsecured bank loans	**4.0**	3.4
Finance lease liabilities	**1.0**	0.2
	172.4	76.3
Current liabilities:		
Unsecured bank facilities	**4.3**	51.1
Unsecured overdrafts	**1.2**	1.9
Secured bank loans	**0.7**	0.6
Unsecured bank loans	**–**	23.1
Finance lease liabilities	**0.9**	2.3
	7.1	79.0
Borrowings are repayable as follows:		
Amounts falling due on demand or in less than one year	**7.1**	79.0
In more than one but not more than two years	**166.9**	0.8
In more than two but not more than three years	**4.8**	70.8
In more than three but not more than four years	**0.7**	4.1
In more than four but not more than five years	**–**	0.6
	179.5	155.3

Borrowings are analysed by currency as:

	Total 2008 £m	Sterling 2008 £m	US Dollars 2008 £m	Euro 2008 £m	Japanese Yen 2008 £m	Other 2008 £m
Unsecured bank overdrafts	**1.2**	**–**	**0.2**	**0.1**	**–**	**0.9**
Unsecured bank facilities	**169.5**	**–**	**85.3**	**32.0**	**34.5**	**17.7**
Secured bank loans	**2.9**	**–**	**–**	**2.9**	**–**	**–**
Unsecured bank loans	**4.0**	**–**	**–**	**–**	**4.0**	**–**
Finance lease liabilities	**1.9**	**1.5**	**0.4**	**–**	**–**	**–**
Total borrowings	**179.5**	**1.5**	**85.9**	**35.0**	**38.5**	**18.6**

	Total 2007 £m	Sterling 2007 £m	US Dollars 2007 £m	Euro 2007 £m	Japanese Yen 2007 £m	Other 2007 £m
Unsecured bank overdrafts	1.9	0.7	0.2	–	0.2	0.8
Unsecured bank facilities	121.3	–	51.1	37.4	26.0	6.8
Secured bank loans	3.1	–	–	3.1	–	–
Unsecured bank loans	26.5	7.1	1.3	–	5.7	12.4
Finance lease liabilities	2.5	2.5	–	–	–	–
Total borrowings	155.3	10.3	52.6	40.5	31.9	20.0

21 Financial instruments

Fair values of financial assets and liabilities

Set out below is a comparison by category of carrying values and fair values of all the Group's financial assets and liabilities as at 31 March 2008 and 31 March 2007. None of the financial assets or financial liabilities have been reclassified during the year.

	Derivatives and other items at fair value £m	Amortised cost £m	Total carrying value £m	Fair value £m
2008				
Cash and cash equivalents*		28.4	28.4	28.4
Bank overdrafts**		(1.2)	(1.2)	(1.2)
Interest rate swaps:				
Assets	–		–	–
Liabilities	–		–	–
Forward exchange contracts:				
Assets	1.1		1.1	1.1
Liabilities	(11.8)		(11.8)	(11.8)
Loans due within one year	(0.7)	(4.3)	(5.0)	(5.0)
Loans due after more than one year	(6.2)	(165.2)	(171.4)	(171.4)
Finance lease liabilities		(1.9)	(1.9)	(1.9)
Other financial assets		165.4	165.4	165.4
Other financial liabilities		(149.2)	(149.2)	(149.2)
At 31 March 2008	**(17.6)**	**(128.0)**	**(145.6)**	**(145.6)**

	Derivatives and other items at fair value £m	Amortised cost £m	Total carrying value £m	Fair value £m
2007				
Cash and cash equivalents*		19.1	19.1	19.1
Bank overdrafts**		(1.9)	(1.9)	(1.9)
Interest rate swaps:				
Assets	–		–	–
Liabilities	–		–	–
Forward exchange contracts:				
Assets	2.0		2.0	2.0
Liabilities	(1.1)		(1.1)	(1.1)
Loans due within one year	(0.7)	(74.1)	(74.8)	(74.8)
Loans due after more than one year	(5.8)	(70.3)	(76.1)	(76.1)
Finance lease liabilities		(2.5)	(2.5)	(2.5)
Other financial assets		156.6	156.6	156.6
Other financial liabilities		(149.6)	(149.6)	(149.6)
At 31 March 2007	**(5.6)**	**(122.7)**	**(128.3)**	**(128.3)**

* Largely comprises local bank account balances, which typically bear interest at rates set by reference to local applicable rates or cash float balances which have not yet cleared for interest purposes.
** Bank overdrafts are repayable on demand and are all unsecured. They bear interest at rates set by reference to applicable local rates.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Derivatives

For interest rate swaps broker quotes are used. Forward exchange contracts are valued by discounting the difference between the contractual forward price and the current forward rate.

21 Financial instruments continued

Interest-bearing loans

Fair value is calculated based on discounted expected future principal and interest cash flows. For amounts with a repricing maturity of less than one year carrying amount approximates fair value.

Finance lease liabilities

The fair value is estimated as the present value of future cash flows discounted at market rates.

Other financial assets and liabilities

Receivables and payables are discounted to determine the fair value. For amounts with a repricing maturity of less than one year the carrying amount approximates fair value.

Risk management objectives and policies

The principal financial risks to which the Group is exposed are those of liquidity, market and credit. Each of these are managed in accordance with Board approved policies. The policies are set out below.

Liquidity risk

The Group's key priority is to ensure that it can always meet its liabilities as they fall due. The Group ensures this by always having sufficient committed debt facilities in place to meet all its anticipated funding requirements. The Group's forecast funding requirements and its committed debt facilities are reported to and monitored by the Treasury Committee monthly.

As at 31 March 2008 the Group had three committed revolving bank facilities, one bilateral multicurrency facility for £12.5m, a syndicated multicurrency facility for £110m and US $120m and a syndicated facility for £63.5m, all with a maturity of February 2010. It also had a fully drawn bank facility for Yen 800m with a maturity of December 2010 and a fully drawn, amortising, bank facility of €3.6m as at 31 March 2008, with a final maturity of March 2012. The bank facility for €3.6m was secured on the Group's warehouse in Bad Hersfeld.

As at 31 March 2008, the Group had available £81.1m of undrawn committed debt facilities in respect of which all conditions precedent had been met.

The Group also uses bank overdrafts, uncommitted short term money market loans, cash and short term investments. The main purpose of these financial instruments is to manage the Group's day-to-day funding and liquidity requirements.

Although external credit market conditions have worsened over the year the Group does not believe its liquidity risk, i.e. its ability to raise sufficient committed debt finance as and when required, has materially changed.

Maturity profile of financial liabilities

	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m
Bank overdrafts	(1.2)	–	–	–	–	–
Loans	(5.0)	(165.9)	(4.8)	(0.7)	–	–
Finance lease liabilities	(0.9)	(1.0)	–	–	–	–
Other financial liabilities	(149.2)	–	–	–	–	–
At 31 March 2008	**(156.3)**	**(166.9)**	**(4.8)**	**(0.7)**	**–**	**–**

	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m
Bank overdrafts	(1.9)	–	–	–	–	–
Loans	(74.8)	(0.6)	(70.8)	(4.1)	(0.6)	–
Finance lease liabilities	(2.3)	(0.2)	–	–	–	–
Other financial liabilities	(149.6)	–	–	–	–	–
At 31 March 2007	**(228.6)**	**(0.8)**	**(70.8)**	**(4.1)**	**(0.6)**	**–**

Market risk

Foreign currency transactional risk

The Group is exposed to foreign currency transaction risk because most operating companies have some level of payables in currencies other than their functional currency. Some operating companies also have receivables in currencies other than their functional currency.

Hedging of currency exposures over operating company catalogue lives is implemented in order to 'shelter' the forecast gross profits over those catalogue lives. In this way the impacts of currency fluctuations can be smoothed until catalogue selling prices can be changed in the light of movements in exchange rates. The hedges are enacted through forward foreign currency contracts entered into by Group Treasury based on trading projections provided by the operating companies.

In addition specific cash flows relating to material transactions in currencies other than the functional currency of the local business are hedged when the commitment is made.

21 Financial instruments continued

Within cash flow hedges the Group classifies forward exchange contracts as hedging instruments against forecast receivables/payables. The forecast cash flows are expected to occur evenly throughout the period for 14 months from the year end, and will affect the profit and loss account in the period in which they occur. The net fair value of forward exchange contracts not used as hedges of forecast transactions at 31 March 2008 was £nil.

Cash flow hedges

	£m
Fair value of cash flow hedges as at 31 March 2006:	
Assets	0.9
Liabilities	(1.0)
Net	(0.1)
In the year ended 31 March 2007:	
Amount removed from equity and taken to income statement in operating profit	(0.4)
Ineffective hedges taken to income statement in operating profit	–
Fair value of cash flow hedges taken to equity	1.4
Fair value of cash flow hedges as at 31 March 2007:	
Assets	2.0
Liabilities	(1.1)
Net	0.9
In the year ended 31 March 2008:	
Amount removed from equity and taken to income statement in operating profit	(0.8)
Ineffective hedges taken to income statement in operating profit	(0.1)
Fair value of cash flow hedges taken to equity	(10.7)
Fair value of cash flow hedges as at 31 March 2008:	
Assets	1.1
Liabilities	(11.8)
Net	**(10.7)**

Foreign currency transaction exposures, and the hedges in place to mitigate them, are monitored monthly by Group Treasury.

The Group does not believe its foreign currency transactional risk has materially altered during the year.

Foreign currency translational risk

The Group has designated certain external loans as net investment hedges against its investments in its US and European subsidiaries. The carrying amount of the US hedge as at 31 March 2008 was US $170m (£85.4m), of which US $104.9m (£52.7m) formed part of the unsecured bank facility and US $65.1m (£32.7m) was in the form of an overdraft. The carrying amount of the Euro hedge was €65m (£52.0m), of which €40m (£32m) formed part of the unsecured bank facility and €25m (£20m) was in the form of an overdraft. Both the US Dollar and Euro overdrafts were shown in the balance sheet netted with positive cash balances, as there is an absolute right of set-off.

The carrying value of these US $ and € hedges remained unchanged, and 100% effective, throughout the year ended 31 March 2008 and the year ended 31 March 2007.

A foreign exchange loss of £6.5m (2007: gain £12.2m) was recognised in equity on translation of the loans to Sterling in the year ended 31 March 2008.

No other foreign currency translation exposures are explicitly hedged although local currency debt is used where economic and fiscally efficient in the financing of subsidiaries and this provides a partial economic hedge. Guidelines are in place for reviewing the impact of translation exposures on both the currency mix of the Group's net debt and the Group's consolidated profit and loss and net assets. The Group does not believe its foreign currency translational risk has materially altered during the year.

21 Financial instruments continued

Interest rate risk

The Group has relatively low levels of debt and therefore interest rate risk. For this reason the Group adopts a policy of paying and receiving interest on a variable interest rate basis, since this minimises interest cost over time. This policy is subject to regular monitoring of the effect of potential changes in interest rates on its interest cost with a view to taking suitable actions should exposure reach certain levels. The Group does not believe its interest rate risk has materially altered during the year.

Two interest rate swaps have been entered into in order to hedge interest rate risk. The swaps mature over the next four years following the maturity of the related loans, one of which is amortising, and have fixed swap rates of 1.15% and 3.85%. At 31 March 2008 the Group had interest rate swaps with notional contract amounts of JPY 800m and € 3.6m (2007: JPY 800m and € 4.5m).

Interest rate profile

The interest rate profile of the Group's interest bearing financial instruments, as at 31 March 2008 and as at 31 March 2007 are set out below. In the case of non-current financial liabilities, the classification includes the impact of the interest rate swaps.

	2008			2007		
	Total £m	**Fixed rate £m**	**Floating rate £m**	Total £m	Fixed rate £m	Floating rate £m
Financial liabilities						
Interest bearing loans and borrowings						
Current	**(7.1)**	**(0.9)**	**(6.2)**	(79.0)	(2.3)	(76.7)
Non-current	**(172.4)**	**(1.0)**	**(171.4)**	(76.3)	(0.2)	(76.1)
	(179.5)	**(1.9)**	**(177.6)**	(155.3)	(2.5)	(152.8)
Financial assets						
Fixed deposits	**22.5**	**–**	**22.5**	3.0	–	3.0
Cash and cash equivalents	**5.9**	**–**	**5.9**	16.1	–	16.1
	28.4	**–**	**28.4**	19.1	–	19.1

The Group classifies its interest rate swaps as fair value hedges and states them at fair value.

Fair value hedges

	2008 £m	2007 £m
Included in finance income and expense		
Fair value adjustments through the income statement in respect of hedged debt designated at fair value	**–**	–
Fair value adjustments through the income statement in respect of hedging instruments designated at fair value	**–**	–
Net	**–**	–

Multi-currency cash pooling is in place with the Group's banks to ensure daily netting of almost all the Groups cash flows in all currencies with consequent improvements to liquidity and interest costs.

Sensitivity analysis

The sensitivity analysis set out below summarises the impact:

- On the interest expense of a 1% increase/decrease in interest rates on all currencies from their actual levels for the year ended 31 March 2007 and the year ended 31 March 2008;
- On the Group profit before tax of a 1% increase/decrease in the value of the US Dollar and the Euro against Sterling from the actual level for the year ended 31 March 2007 and the year ended 31 March 2008.

The sensitivity analysis is based on the following:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments;
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at their fair market value;
- Changes in market interest rates affect the fair value of derivative financial instruments designated as hedging instruments and all interest rate hedges are expected to be highly effective;
- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end;
- All net investment and foreign currency cash flow hedges are expected to be effective.

21 Financial instruments continued

Year ended 31 March 2008	1% Increase in Interest Rates £m	1% Decrease in Interest Rates £m	1% Increase in value of US$ & € £m	1% Decrease in value of US$ & € £m
Impact on income statement: (loss) gain	**(1.7)**	**1.7**	**0.5**	**(0.5)**
Impact on equity: (loss) gain	**0.2**	**(0.2)**	**0.7**	**(0.7)**

Year ended 31 March 2007	1% Increase in Interest Rates £m	1% Increase in Interest Rates £m	1% Increase in value of US$ & € £m	1% Decrease in value of US$ & € £m
Impact on income statement: (loss) gain	(1.5)	1.5	0.4	(0.4)
Impact on equity: (loss) gain	–	–	1.2	(1.2)

Credit risk

The Group is exposed to credit risk on financial assets such as cash balances (including deposits and cash and cash equivalents) and derivative instruments and on trade and other receivables.

The amounts in the balance sheet represent the maximum credit risk exposure at the balance sheet date. There were no significant concentrations of credit risk at the balance sheet date, as exposure is spread over a large number of counterparties and customers and geographical location. As such the Group does not believe its credit risk has materially altered during the year.

Financial assets

The Group identifies counterparties of suitable creditworthiness based on ratings assigned by international credit-rating agencies and has procedures to ensure that only these parties are used, that exposure limits are set based on the external credit ratings, and that these limits are not exceeded.

Trade and other receivables

All operating companies have credit policies and monitor their credit exposure on an ongoing basis. Each operating company performs credit evaluations on all customers seeking credit over a certain amount. Trading receivables are stated net of allowances for doubtful receivables, estimated by local management based on prior experience of customers and assessment of their current economic environment. There are no significant individual allowances for doubtful receivables included within this amount.

For countries with no local operating company presence export credit limits are set and monitored on a country basis monthly by Group Treasury.

Given the profile of our customers, whereby credit risk is spread amongst a large number of customers with small balances, no further material credit risk has been identified with the trade receivables not past due other than those balances for which an allowance has been made.

The maximum exposure to credit risk for trade receivables at the reporting date by geographical region was:

	2008 £m	2007 £m
UK	**58.3**	61.0
US	**18.1**	18.1
Euro zone countries	**66.8**	57.3
Other European countries	**2.3**	2.2
Japan	**2.7**	2.3
Other countries	**12.9**	10.4
	161.1	151.3

21 Financial instruments continued

The ageing of trade receivables at the reporting date was:

	2008 £m	2007 £m
Not past due	**80.2**	80.7
Past due 0-60 days	**76.3**	67.8
Past due 60-120 days	**4.6**	2.8
Past due >120 days	**–**	–

Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to support future development of the business. The Board of Directors monitors the return on capital, which the Group defines as Headline operating profit as a percentage of net assets plus net debt. The Board of Directors also monitors the level of dividends to ordinary shareholders. There were no changes in the Group's approach to capital management during the year.

22 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2008 £m**	Restated 2007 £m	**2008 £m**	2007 £m	**2008 £m**	Restated 2007 £m
Property, plant & equipment	**0.4**	0.1	**(12.7)**	(13.5)	**(12.3)**	(13.4)
Goodwill	**–**	–	**(22.3)**	(18.3)	**(22.3)**	(18.3)
Retirement benefit obligations	**6.1**	9.6	**–**	–	**6.1**	9.6
Inventories	**0.2**	0.4	**(0.1)**	(0.1)	**0.1**	0.3
Employee benefits	**1.4**	1.5	**–**	–	**1.4**	1.5
Provisions	**1.3**	1.0	**–**	–	**1.3**	1.0
Other items	**5.8**	2.4	**(0.6)**	(0.8)	**5.2**	1.6
Tax losses	**10.8**	11.1	**–**	–	**10.8**	11.1
Tax assets (liabilities)	**26.0**	26.1	**(35.7)**	(32.7)	**(9.7)**	(6.6)
Set off of tax	**(11.3)**	(9.8)	**11.3**	9.8	**–**	–
Net tax assets (liabilities)	**14.7**	16.3	**(24.4)**	(22.9)	**(9.7)**	(6.6)

A deferred tax asset has been recognised for tax losses where current projections show that sufficient taxable profits will arise in the near future against which these losses may be offset.

	2008 £m	2007 £m
Unrecognised deferred tax assets		
Tax losses	**14.0**	8.5
	14.0	8.5

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

At the balance sheet date, the aggregate amount of temporary differences for which deferred tax liabilities have not been recognised was expected to be £5.9m (2007: £6.0m). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. Further, the Group has sufficient relevant losses to fully offset the £5.9m liability.

Deferred tax is provided at the standard rate of corporation tax applicable at the balance sheet date unless there is legislation enacted or substantively enacted by the balance sheet date changing the rate. In the UK, the standard rate of corporation tax for the year ended 31 March 2008 is 30%. However, the UK tax rate applicable when the related deferred tax asset is realised or the deferred tax liability is settled is 28%. The effect of the change in rate in the UK on the net deferred tax liability is £0.1m.

Notes to the Group Accounts
continued

23 Lease commitments

Operating 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 2008 was £3.4m (2007: £3.3m). 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 £8.0m (2007: £6.6m). 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. Operating lease rentals are payable as follows:

	Properties		**Plant and machinery**	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Within one year	**7.0**	5.6	**3.2**	2.6
Within two to five years	**15.3**	10.8	**3.5**	4.1
After five years	**8.7**	8.7	**–**	–
	31.0	25.1	**6.7**	6.7

24 Related parties

The Company has a related party relationship with its subsidiaries (note 16) and with its key management personnel. The key management personnel of the Group are the Executive Directors. Compensation of key management personnel was:

	2008 £m	2007 £m
Remuneration	**1.5**	1.5
Social security costs	**0.1**	0.1
Equity-settled transactions	**–**	0.6
Pension costs	**0.2**	0.1
	1.8	2.3

Details of transactions with the jointly controlled entity are given in note 16 to the accounts.

25 Share capital

	2008 Number of shares	2007 Number of shares	**2008 £m**	2007 £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 2007	**435,325,007**	435,276,125	**43.5**	43.5
New share capital subscribed	**25,409**	48,882	**–**	–
At 31 March 2008	**435,350,416**	435,325,007	**43.5**	43.5

All of the new share capital subscribed in the financial year 2008 related to the exercise of share options (note 7).

Details of the shares held by Electrocomponents plc in itself are given in note 8 to the Company accounts on page 69.

26 Retained earnings and cumulative translation

	Retained earnings		Cumulative translation	
	2008	2007	**2008**	2007
At 1 April – as previously reported	**221.7**	243.2	**1.5**	13.1
Impact of voluntary accounting policy change – note 27	**(5.6)**	(7.0)	**0.3**	–
At 1 April – as restated	**216.1**	236.2	**1.8**	13.1
Total recognised income and expense	**67.8**	57.2	**2.1**	(11.3)
Dividend paid	**(80.0)**	(80.0)	**–**	–
Equity-settled transactions	**1.1**	2.7	**–**	–
At 31 March	**205.0**	216.1	**3.9**	1.8

The total recognised income and expense for the year includes tax recognised directly in equity as detailed in note 9 to the Group accounts.

26 Retained earnings and cumulative translation continued

The cumulative goodwill written off directly to retained earnings in respect of subsidiaries that form part of the Group's continuing activities at 31 March 2008 is £42.8m (2007: £42.8m).

The cumulative translation reserve comprises all foreign exchange differences arising from the translation of the accounts of foreign operations as well as from the translation of liabilities that hedge the Group's net investment in foreign subsidiaries.

27 Catalogue costs: voluntary accounting policy change

In its Annual Improvement Update issued in February 2008, the IASB proposed amendments to IAS38, Intangible assets. These would require an entity to recognise an expense in respect of advertising and promotional activities when it receives services or, in the case of a supply of goods, when it receives access to those goods. In addition, the IASB proposed that catalogues are a form of advertising.

In light of these proposals, the Directors have decided to make a voluntary change to their current accounting policy to write off costs relating to the production and printing of catalogues to the income statement as they are incurred. In prior periods, the adopted policy was to recognise these costs as the catalogues were distributed to customers.

In applying the new policy retrospectively, the Directors have reclassified unused paper stocks to be used for printing catalogues as inventory and have recognised additional accruals in respect of certain catalogue costs that would have been prepaid under the previous accounting policy but are expensed as incurred under the new policy.

The impact of the change in accounting policy to distribution and marketing costs and profit before tax for the year ended 31 March 2008 is £nil (the 2007 impact is to reduce distribution and marketing costs and increase profit before tax by £2.0m), together with a £nil effect to the income tax expense (2007 impact is to increase the income tax charge by £0.6m). The change had no effect on basic earnings per share in 2008, 0.3p increase in basic earnings per share in 2007.

The change has also reduced the foreign exchange translation income through the Statement of Recognised Income and Expense by £0.5m for the year ended 31 March 2008 (2007 impact is to reduce the foreign exchange translation cost by £0.3m).The change reduced trade and other receivables as at 1 April 2006 by £8.4m, at 31 March 2007 by £7.4m and at 31 March 2008 by £8.5m. The current and net deferred tax liability decreased at 1 April 2006 by £2.8m, at 31 March 2007 by £2.1m and at 31 March 2008 by £2.3m. In addition, reclassifications increased inventories and accruals at 1 April 2006 by £1.9m and £3.3m respectively and increased inventories by £0.4m at 31 March 2008.

In aggregate, the change reduced net assets at 1 April 2006 by £7.0m, 31 March 2007 by £5.3m and 31 March 2008 by £5.8m.
The restatement has no affect on the Group's operating or free cash flow in either year.

28 Reserves

	Share premium account £m	Other Reserves Own shares held £m	Hedging reserve £m	Total Other reserves £m	Total £m
At 1 April 2006	38.4	(1.7)	(0.1)	(1.8)	36.6
Total recognised income and expense	–	–	1.0	1.0	1.0
Premium on new share capital subscribed	0.3	–	–	–	0.3
At 1 April 2007	38.7	(1.7)	0.9	(0.8)	37.9
Total recognised income and expense	–	–	(8.5)	(8.5)	(8.5)
Premium on new share capital subscribed	–	–	–	–	–
At 31 March 2008	**38.7**	**(1.7)**	**(7.6)**	**(9.3)**	**29.4**

The own shares held reserve represents the cost of shares in Electrocomponents plc purchased in the market and held by the Electrocomponents Employee Trust to satisfy options under the Group's share option schemes (note 7).

The hedging reserve comprises the fair value of forward foreign exchange contracts net of tax, at the year end.

The total recognised income and expense for the year includes tax recognised directly in equity as detailed in note 9 to the Group accounts.

29 Reconciliation of movements in equity

	2008 £m	Restated 2007 £m
Profit for the year	**63.9**	57.9
Dividend	**(80.0)**	(80.0)
Foreign exchange translation differences	**2.1**	(11.3)
(Loss) gain on cash flow hedges	**(11.8)**	1.0
Actuarial gain (loss) on defined benefit pension schemes	**5.2**	(0.4)
Tax impact on adjustments taken directly to reserves	**2.0**	–
Equity-settled transactions	**1.1**	2.7
New share capital subscribed	**–**	0.3
Net reduction to equity	**(17.5)**	(30.1)
Equity shareholders' funds at the beginning of the year as previously reported	**304.6**	336.4
Impact of voluntary accounting policy change	**(5.3)**	(7.0)
Equity shareholders' funds at the beginning of the year as restated	**299.3**	329.4
Equity shareholders' funds at the end of the year	**281.8**	299.3

30 Cash and cash equivalents

	2008 £m	2007 £m
Bank balances	**5.9**	16.1
Call deposits and investments	**22.5**	3.0
Cash and cash equivalents in the balance sheet	**28.4**	19.1
Bank overdrafts	**(1.2)**	(1.9)
Cash and cash equivalents in the statement of cash flows	**27.2**	17.2
Current instalments of loans	**(5.9)**	(77.1)
Loans repayable after more than one year	**(172.4)**	(76.3)
Net debt	**(151.1)**	(136.2)
Gross pension deficit	**(30.0)**	(38.7)
Net debt including gross pension deficit	**(181.1)**	(174.9)

31 Contingent liabilities

At 31 March 2008 there were no contingent liabilities (2007: none).

32 Principal exchange rates

	2008 Average	Closing	2007 Average	Closing
United States Dollar	**2.01**	**1.99**	1.90	1.96
Euro	**1.41**	**1.25**	1.47	1.47
Japanese Yen	**229**	**198**	221	232