

**RS COMPONENTS LIMITED**

**Directors' report and financial  
statements**

Registered number 1002091

For the year ended 31 March 2010



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## Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2010

### Business review and Principal activity

The Company is a wholly owned subsidiary of Electrocomponents plc ('the Group')

The principal activity of the Company is the distribution of electronics, electrical, industrial and commercial supplies and services to industrial and commercial customers. There have not been any significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

A summary of the Company's trading and its key performance indicators are set out below

	2010 £m	2009 £m
Turnover	485.7	493.7
Profit on ordinary activities before taxation	26.2	54.6
Taxation	(10.3)	(14.7)
Profit on ordinary activities after taxation	15.9	39.9

The average number of employees employed during the year is as follows

2010	2009
2,642	2,867

During the year turnover decreased by 1.6% and profit on ordinary activities before taxation decreased by 52% compared to the previous year. The decline in profit performance was partially due to a one off credit included in distribution and marketing costs relating to the Company's defined benefit pension scheme of £16.7m during the year ended 31 March 2009. Excluding this one off credit, profit on ordinary activities before taxation decreased by 31%. This decrease was driven by two principal reasons: lower sales, reflecting lower economic activity in the Company's operating regions. Secondly, lower gross margin as the Company exploited incremental sales opportunities by offering more flexible larger orders and larger electronics production packaging sales.

The balance sheet, on page 7 of the financial statements, shows the Company's financial position at the year end. Details of the amounts owed to its parent company and fellow subsidiary undertakings are shown in note 14 on page 18.

The Group comprises both operating companies that sell within a particular geographic region and central Processes that support the Group's operations across the world and monitors its operations on a regional basis. The Company comprises operations in the UK, Japan, Taiwan and South Africa as well as the majority of the Group's central Processes.

The Company has continued implementing the Group's strategy introducing further electronics products and exploiting its e-Commerce channel.

The performances of the Group's regions are discussed in the Group's Annual Report which does not form part of this report.

## **Directors' report** *(continued)*

### **Principal risks and uncertainties**

The current uncertain economic outlook, competitive pressures and changes in the manufacturing base are a risk for the Company which could result in a loss of sales

The Company's sales in Japan, Taiwan and South Africa are in the currencies of those countries. In addition the UK has an export business, a small proportion of whose sales are denominated in Euros and US Dollars. The Company is, therefore, exposed to the movement of these currencies against the pound Sterling. The Group's treasury function manages this risk at a Group level.

Group risks are discussed in the Group's Annual Report which does not form part of this report.

### **Environment**

We are committed to minimising the impact of our activities on the environment and to the continuous improvement of our environmental performance.

### **Dividends**

No dividend was paid in respect of the year ended 31 March 2010 (2009 £38m)

### **Payments to suppliers**

The Company agrees terms and conditions for its business transactions with suppliers. Payment is then made to these terms, subject to the supplier fulfilling its obligations.

There are 61 days of billings from suppliers outstanding at the year end (2009 39 days)

### **Directors and directors' interests**

The Directors who held office during the year were as follows

P Queded  
I Mason  
S Boddie

### **Directors and Officers liabilities**

Insurance cover is held, on behalf of the Company, by Electrocomponents plc to indemnify directors and officers against liabilities.

### **Charitable donations**

During the year the Company contributed £8,152 (2009 £13,995) for charitable purposes.

### **Employees**

The Company recognises the benefits of keeping employees informed of the progress of the business and of involving them in the Company's performance. During the year, through the Company's internal intranet site, staff newsletters and memoranda, employees were regularly provided with information affecting the performance of the Company and on other matters of concern to them as employees. Employee representatives are consulted regularly on a wide range of matters affecting their interests.

*Directors' report (continued)*

**Employment of disabled persons**

The Group is committed to a policy of Equal Opportunities with regard to its employment practices and procedures. The Group remains supportive of the employment and advancement of disabled persons. The Group has a "Diversity Policy" which includes its clear obligations towards employees or prospective employees to ensure that people with disabilities are afforded equal employment and development opportunities.

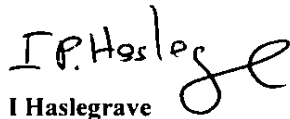
**Disclosure of information to auditors**

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the Board



**I Haslegrave**

*Company Secretary*

Birchington Road  
Weldon  
Corby  
Northamptonshire  
NN17 9RS

*28* July 2010

## **Statement of Directors' Responsibilities in respect of the Directors' Report and Financial Statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgments and estimates that are reasonable and prudent,
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Independent auditor's report to the members of RS Components Limited**

We have audited the financial statements of RS Components Limited for the year ended 31 March 2010 set out on pages 6 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion,

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Paul Sawdon (Senior Statutory Auditor)**

**for and on behalf of KPMG Audit Plc, Statutory Auditor**

Chartered Accountants

8 Salisbury Square

London EC4Y 8BB

**28** July 2010

**Profit and loss account**  
*for the year ended 31 March 2010*

	<i>Note</i>	<b>2010 £m</b>	<b>2009 £m</b>
<b>Turnover</b>	<b>2</b>	<b>485.7</b>	493.7
Cost of sales		<b>(311.1)</b>	(300.0)
<b>Gross profit</b>		<b>174.6</b>	193.7
Distribution and marketing costs		<b>(172.2)</b>	(159.6)
Administrative expenses		<b>(2.6)</b>	(2.3)
Other operating income		<b>27.1</b>	24.6
<b>Operating profit</b>		<b>26.9</b>	56.4
Interest payable and similar charges	<b>7</b>	<b>(0.7)</b>	(1.8)
<b>Profit on ordinary activities before taxation</b>	<b>2-7</b>	<b>26.2</b>	54.6
Taxation on profit on ordinary activities	<b>8</b>	<b>(10.3)</b>	(14.7)
<b>Profit for the year</b>		<b>15.9</b>	39.9

**Statement of total recognised gains and losses**  
*for the year ended 31 March 2010*

		<b>2010 £m</b>	<b>2009 £m</b>
Profit on ordinary activities after taxation		<b>15.9</b>	39.9
Actuarial (loss)	<b>21</b>	<b>(5.5)</b>	(4.1)
Tax on items taken directly to equity		<b>1.6</b>	1.0
Exchange differences		<b>1.0</b>	(20.9)
<b>Total recognised gains and losses relating to the year</b>		<b>13.0</b>	15.9

A statement of movements on reserves is given in note 18

The notes on pages 8 to 24 form part of these financial statements

All profits shown above are stated at historical cost



Registered number 1002091

## Balance sheet

at 31 March 2010

	Note	2010 £m	2009 £m
<b>Fixed assets</b>			
Intangible assets	9	0.2	0.2
Tangible assets	10	76.8	82.7
<b>Current assets</b>			
Stocks	12	80.8	75.6
Debtors	13	95.1	69.4
Cash at bank and in hand		0.6	0.1
		<b>176.5</b>	<b>145.1</b>
<b>Creditors</b> amounts falling due within one year	14	<b>(182.7)</b>	<b>(135.4)</b>
<b>Net current (liabilities) / assets</b>		<b>(6.2)</b>	<b>9.7</b>
<b>Total assets less current liabilities</b>		<b>70.8</b>	<b>92.6</b>
<b>Creditors</b> amounts falling due after more than one year	15	<b>(12.1)</b>	<b>(48.5)</b>
<b>Provisions for liabilities and charges</b>	16	<b>(4.8)</b>	<b>(7.0)</b>
<b>Retirement benefit obligations</b>	21	<b>(7.3)</b>	<b>(4.5)</b>
<b>Net assets</b>		<b>46.6</b>	<b>32.6</b>
<b>Capital and reserves</b>			
Called-up share capital	17	0.1	0.1
Share premium account	18	0.1	0.1
Profit and loss account	18	46.4	32.4
<b>Shareholders' funds</b>		<b>46.6</b>	<b>32.6</b>

The notes on pages 8 to 24 form part of these financial statements

These financial statements were approved by the Board of Directors on ~~28~~ 29 July 2010 and were signed on its behalf by



**S Boddie**  
Director

## Notes

*(Forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

All income received from Group companies relating to the recharge of Groupwide process costs has been disclosed as other operating income in both the year to 31 March 2010 and 2009

#### ***Basis of preparation***

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

Notwithstanding the company's net current liabilities of £6.2m as at 31 March 2010, the financial statements have been prepared on a going concern basis, which the directors believe is appropriate for the reason that the Company's future is based on the continuing support of the parent company, Electrocomponents plc

The directors of Electrocomponents plc have undertaken that they will continue to make available such funds as are needed to enable the company to continue in existence for the foreseeable future by meeting its third party liabilities as they fall due for payment. As with any company placing reliance on shareholders for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Further the company, as a member of the Electrocomponents syndicated bank facility, is able to draw down on Group's committed bank facility in order to meet its third party liabilities as they fall due for payment.

Based on the financial support provided by the parent company the directors believe it remains appropriate to prepare the financial statements on going concern basis. Consequently the financial statements do not include the adjustments that would result if the going concern basis was inappropriate.

The Company is taking advantage of the exemption available under FRS8 'Related Party Disclosures' not to disclose transactions with other Group companies on the grounds that it is a wholly owned and controlled subsidiary of Electrocomponents plc.

#### ***Cash flow statement***

Under Financial Reporting Standard 1 'Cash Flow Statements' (revised 1996), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of a parent undertaking preparing consolidated financial statements which includes a group cash flow statement.

#### ***Goodwill***

Goodwill arising on acquisitions prior to 31 March 1998 has been written off against reserves. On disposal of a business, the gain or loss on disposal includes that goodwill previously written off on acquisition. Following the introduction of FRS 10 in the year ended 31 March 1999 the company chose not to restate goodwill that had been eliminated against reserves. Goodwill arising after 1 April 1998 will be amortised over its expected useful life. No goodwill arose in the year ended 31 March 2010.

## Notes (continued)

### *Other intangibles*

The cost of acquired intangible assets comprises their purchase cost together with any incidental costs of acquisition. Amortisation is calculated to write off the cost of the assets on a straight-line basis over their estimated useful life, with a maximum of 20 years.

### *Translation of foreign currencies*

Overseas branch profits are translated at average exchange rates for the year and monetary assets and liabilities at rates ruling at the balance sheet date. Exchange differences arising on foreign currency net investments are taken to reserves. Exchange differences arising in the normal course of trading are taken to the profit and loss account.

### *Turnover*

Turnover represents the amounts invoiced by the Company in respect of goods sold during the year, excluding Value Added Tax.

### *Operating expenses*

Cost of sales comprises the cost of goods delivered to customers.

Distribution and marketing expenses include all operating company expenses, including freight costs and movements in the stock provisions, together with the Supply Chain and Facilities, Product Management, Media Publishing, Facilities, Information Systems and eCommerce and Electronics Process expenses.

Administration expenses comprise Finance, Legal and Human Resources Process expenses.

### *Pension costs*

In the United Kingdom the Company operates a pension scheme providing benefits based on final pensionable pay for eligible employees who joined before 1 April 2003. The scheme is administered by a corporate trustee and the funds are independent of the Group's finances. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the working lives with the Group of those employees who are in the scheme. There are no significant prepayments or provisions included within the balance sheet. For employees who joined after 1 April 2003 the Group provides a defined contribution pension scheme.

The disclosures required by FRS 17 'Retirement Benefits' can be found in note 21.

### *Short term employee benefits*

During the year the company has continued its policy of accruing for the short term benefits of extra work performed by an employee but not yet paid (for instance where a holiday allowance is permitted but not taken).

### *Share based payments*

The Company has a number of schemes whereby its employees have options in the shares of the Company's parent, Electrocomponents plc. The largest of these are the Save As You Earn scheme (SAYE), the Long Term Incentive Option Plan (LTIOP), and the Long Term Incentive Plan (LTIP). The details of these schemes can be found in note 6.

Options granted via these schemes are treated as a contribution to capital in the Company's profit and loss reserve.

### *Government grants*

Government grants relate to expenditure on tangible fixed assets and are credited to the profit and loss account at the same rate as the depreciation on the asset to which the grants relate. The unamortised balance of capital grants is included within creditors.

## Notes (continued)

### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

### ***Depreciation***

No depreciation has been charged on freehold land. Other assets have been depreciated to residual value, on a straight-line basis at the following annual rates

Freehold buildings	- 2%
Leasehold premises	- term of lease, not exceeding 50 years
Warehouse systems	- 10-20%
Motor vehicles	- 25%
Mainframe computer equipment	- 20%
Network computer equipment	- 33%
Portable computers	- 50%
Computer software costs	- 12½-50%
Other office equipment	- 20%

### ***Stock***

Stock is stated at the lower of cost and net realisable value. In respect of goods for resale, cost includes a proportion of production overheads where appropriate

### ***Catalogue costs***

The costs associated with the production and printing of catalogues are expensed to the income statement when incurred. Major investments in new catalogue production systems are capitalised as intangible assets and written off over the period during which the benefits of those investments are anticipated, such period not to exceed three years

### ***Deferred taxation***

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

### ***Leases***

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Each finance leased asset is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease less accumulated depreciation. The rental charges on assets held under operating leases are charged to the profit and loss account on a straight-line basis over the life of the lease.

## **2 Analysis of turnover and profit on ordinary activities before taxation**

An analysis of turnover by geographical destination has not been given, since, in the opinion of the directors, this would be prejudicial to the commercial interests of the Company.

All turnover relates to the company's principal activity.

RS Components Limited (UK) exports to over 160 countries and operates branch offices in South Africa, Japan, Philippines and Taiwan.

### 3 Profit on ordinary activities before taxation

	2010 £m	2009 £m
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Loss on disposal of fixed assets	1.1	0.7
Remuneration of auditors		
Company audit fee	0.1	0.1
Depreciation of tangible fixed assets – assets owned by the company	16.5	18.2
Depreciation of tangible fixed assets – assets held under finance leases	2.6	1.5
Amortisation of intangible fixed assets	-	0.1
Hire of plant and machinery – rentals payable under operating leases	1.3	1.4
Other operating leases	5.6	5.4

### 4 Remuneration of Directors

Directors' emoluments shown are those paid for by RS Components Limited. Services predominantly performed for Electrocomponents plc, the parent company, are paid for by that company.

	2010 £m	2009 £m
Directors' emoluments	0.3	0.3

### 5 Staff numbers and costs

The average number of persons employed by the Company during the year, analysed by category, was as follows:

	Number of employees 2010	2009
Management and administration	185	182
Distribution and selling	2,457	2,685
	<u>2,642</u>	<u>2,867</u>

The aggregate payroll costs of these persons was as follows:

	2010 £m	2009 £m
Wages and salaries	67.8	72.6
Social security costs	5.7	6.0
Other pension costs (see note 21)	6.5	5.3
	<u>80.0</u>	<u>83.9</u>

## 6 Share based payments

Electrocomponents plc group has a number of share-based incentive plans for employees. These comprise Deferred Shares 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 Long Term Incentive Option Plan (LTIO) operated until 2005, awarding options to senior managers. All the awards are made of shares in the Company's ultimate parent undertaking, Electrocomponents plc.

The LTIO was in operation before 7 November 2002 in addition to a pre-existing Long Term Incentive Plan. The recognition and measurement principles in FRS 20 have only been applied to grants made, under the LTIO scheme, after 7 November 2002 in accordance with the transitional provisions in FRS 20 'Share-based payments'.

The total charge included in the Income Statement in the year was £1.0m (2009 £0.5m).

### *Deferred Share Bonus plan*

In 2009 Electrocomponents plc reviewed the overall remuneration package for Executive Directors and the Group's most senior executives. The review concluded the need for an additional incentive for participants of the Executive Incentive Scheme after its expiry in respect of the year ended 31 March 2009. From March 2009, any cash bonus awarded will also attract deferred shares in the Group equivalent to 50% of the cash bonus. These deferred shares will be released after two years subject to continued employment.

In light of the cost reduction programme and performance for the year ended 31 March 2009, it was determined that no bonus payments would be made to the Group's most senior executives and therefore no deferred shares were awarded as part of the scheme.

Deferred shares relating to bonus awards to senior managers for the year ended 31 March 2010 will be granted in June 2010.

### *Long Term Incentive Option Plan (LTIO) and Long Term Incentive Plan (LTIP)*

The LTIO 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 for 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 Long Term Incentive Plan '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. In June 2008 the terms and conditions of the LTIP were modified such that the vesting conditions are based on both the performance of the Group versus the FTSE 250 and growth in Earnings per Share over the life of the scheme. There were no changes to the scheme in June 2009.

The fair value was calculated at the grant date using a Monte Carlo model based on the assumptions below

	LTIP 2009	LTIP 2008	LTIP 2007	LTIP 2006	LTIP 2005
Fair value at grant date	52 6p	54 0p	106 0p	111 0p	35 6p
Assumptions used					
Share price	141p	147p	280p	237p	249p
Exercise price	Nil	Nil	Nil	Nil	251p
Expected volatility	37 1%	27 2%	22 9%	24 9%	34 9%
Expected option life	3 years	3 years	3 years	3 years	7 years
Expected dividend yield	11 4%	9 1%	6 8%	7 0%	6 2%
Risk free interest rate	4 2%	4 9%	5 5%	4 7%	4 1%

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

#### **Save as You Earn Scheme (SAYE)**

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. The option exercise conditions are the employees' continued employment of the three or five year period and the maintenance of the 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. The fair value calculated using a Black-Scholes model, and the assumptions used, are shown below

	SAYE 3 yr 2009	SAYE 5 yr 2009	SAYE 3 yr 2008	SAYE 5 yr 2008	SAYE 3 yr 2007
Fair value at grant date	21 8p	19 6p	18 2p	17 5p	38 1p
Assumptions used					
Share price	141p	141p	141p	141p	262p
Exercise price	149p	149p	131p	131p	241p
Expected volatility	37 1%	32 4%	27 2%	27 2%	22 9%
Expected option life	3 years	5 years	3 years	5 years	3 years
Expected dividend yield	7 8%	7 8%	9 0%	9 0%	6 7%
Risk free interest rate	4 2%	4 2%	5 1%	5 1%	5 5%

	SAYE 5 yr 2007	SAYE 3 yr 2006	SAYE 5 yr 2006	SAYE 5 yr 2005
Fair value at grant date	50 5p	42 7p	51 0p	58 3p
Assumptions used				
Share price	262p	232p	232p	247p
Exercise price	241p	196p	196p	212p
Expected volatility	29 8%	26 9%	33 6%	35 7%
Expected option life	5 years	3 years	5 years	5 years
Expected dividend yield	6 7%	7 1%	7 1%	6 3%
Risk free interest rate	5 5%	4 8%	4 8%	4 1%

Volatility was estimated based on the historical volatility of the shares over a three or five year period, as appropriate, at the date of grant

***Number and weighted exercise price of share options***

<i>In thousands of options</i>	Weighted average exercise price 2010	Number of options 2010	Weighted average exercise price 2009	Number of options 2009
Outstanding at the beginning of the year	174p	6,806	244p	8,733
Forfeited during the year	71p	(182)	197p	(735)
Lapsed during the year	227p	(2,204)	280p	(3,847)
Exercised during the year	131p	15	212p	-
Granted during the year	65p	1,475	103p	2,655
Outstanding at the end of the year	130p	5,910	174p	6,806
Exercisable at the end of the year	196p	7	n/a	Nil

The options outstanding at 31 March 2010 have an exercise price in the range 0p to 686p and a weighted average contractual life of 4.6 years

**7 Interest payable and similar charges**

	2010 £m	2009 £m
Bank interest payable	0.3	0.8
Other interest payable	0.1	0.2
Interest payable to Group undertakings	0.3	0.8
	<u>0.7</u>	<u>1.8</u>



## 8 Taxation on profit on ordinary activities

	2010 £m	2009 £m
UK corporation tax	9.1	12.2
Adjustment in respect of previous year	2.8	(0.6)
Overseas taxation	0.1	-
Current tax on income for the period	12.0	11.6
Deferred taxation	(1.7)	3.1
Tax Charge for the year	<u>10.3</u>	<u>14.7</u>

Current tax is reconciled to a notional 28% of profit before taxation as follows

	2010 £m	2009 £m
Expected tax charge at 28% (2009 28%) on the profit for the year on ordinary activities	7.3	15.3
Timing differences – capital allowances	1.9	2.0
Timing differences – other	(0.4)	(5.4)
Prior year adjustment	2.8	(0.6)
Other permanent differences	0.2	0.3
	<u>11.9</u>	<u>11.6</u>

With effect from 1 April 2008, the rate of corporation tax in the United Kingdom was reduced to 28%. The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of four years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% will be effective from 1 April 2011. This will reduce the company's future current tax charge accordingly. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge.

## 9 Intangible fixed assets

	Trademark £m
<i>Cost</i>	
At 1 April 2009	0.3
Additions	—
Disposals	—
At 31 March 2010	<u>0.3</u>
<i>Amortisation</i>	
At 1 April 2009	0.1
Charge for the year	—
At 31 March 2010	<u>0.1</u>
<i>Net book value</i>	
At 31 March 2010	<u><b>0.2</b></u>
At 31 March 2009	<u>0.2</u>

## 10 Tangible fixed assets

	Land and Buildings £m	Computer Systems £m	Plant and Machinery £m	Total £m
<b>Cost</b>				
At 1 April 2009	30.4	150.9	72.6	253.9
Additions	0.2	11.2	2.9	14.3
Disposals	-	(10.7)	(0.3)	(11.0)
Foreign exchange	-	0.1	-	0.1
At 31 March 2010	30.6	151.5	75.2	257.3
<b>Depreciation</b>				
At 1 April 2009	13.8	96.4	61.0	171.2
Charge for the year	0.5	16.2	2.4	19.1
Disposals	-	(9.6)	(0.3)	(9.9)
Foreign exchange	-	0.1	-	0.1
At 31 March 2010	14.3	103.1	63.1	180.5
<b>Net book value</b>				
At 31 March 2010	16.3	48.4	12.1	76.8
At 31 March 2009	16.6	54.5	11.6	82.7

The net book value of land and buildings comprises

	2010 £m	2009 £m
Freehold land	1.0	1.0
Freehold buildings	14.8	15.1
Long leasehold	0.3	0.3
Short leasehold	0.2	0.2
Land and buildings	16.3	16.6

The net book of value of assets held under finance lease is as follows

	2010 £m	2009 £m
Computer Systems	0.3	2.9

## 11 Capital Commitments

	2010 £m	2009 £m
Contracted capital expenditure at 31 March, for which no provision has been made in these accounts	-	2.9

## 12 Stock

	2010 £m	2009 £m
Raw materials and consumables	20 0	12 0
Goods for resale	60 8	63 6
	<u>80 8</u>	<u>75 6</u>

## 13 Debtors

	2010 £m	2009 £m
Trade debtors	58.3	51.6
Amounts owed by parent and fellow subsidiary undertakings	26 9	11 0
Other debtors	1 1	0.1
Prepayments and accrued income	8 8	6.7
	<u>95 1</u>	<u>69.4</u>

Included within debtors are prepayments and accrued income receivable in greater than one year of £0 5m (2009 £0 4m)

## 14 Creditors: amounts falling due within one year

	2010 £m	2009 £m
Bank overdraft	50.2	36 5
Finance lease liabilities (note 15)	0 8	1 4
Trade creditors	69 5	45 0
Amounts owed to parent and fellow subsidiary undertakings	30 5	22 3
Corporation tax	5 5	6 3
Other taxes and social security	2 4	3 2
Other creditors	1 9	1 8
Accruals	21 8	18 8
Capital grants	0 1	0 1
	<u>182 7</u>	<u>135 4</u>

## 15 Creditors: amounts falling due after more than one year

	2010 £m	2009 £m
Loans	10.0	45.7
Finance lease liabilities	-	0.8
Capital grants	2.0	2.0
Other creditors	0.1	-
	<u>12.1</u>	<u>48.5</u>
Amounts due between one and five years	10.4	46.8
Amounts due after five years	1.7	1.7
	<u>12.1</u>	<u>48.5</u>
Finance leases net of finance charges, are repayable as follows		
Due in less than one year (note 14)	0.8	1.4
Due in more than one year and less than five years	-	0.8
	<u>0.8</u>	<u>2.2</u>

Finance leases are secured on the assets to which they relate

## 16 Provisions for liabilities and charges

	Deferred Taxation £m
At 1 April 2009	(5.2)
Charge in the profit and loss for the year	1.7
Deferred tax taken directly to reserves	1.6
At 31 March 2010	<u>(1.9)</u>

The amounts provided for deferred taxation are set out below

	2010 £m	2009 £m
Difference between accumulated depreciation and amortisation and Capital allowances	(5.2)	(7.3)
Other timing differences	3.3	2.1
	<u>(1.9)</u>	<u>(5.2)</u>
	2010 £m	2009 £m
Disclosed within Provisions for liabilities and charges	(4.8)	(7.0)
Disclosed within Pension scheme deficit	2.9	1.8
	<u>(1.9)</u>	<u>(5.2)</u>

Deferred tax is provided at the standard rate of United Kingdom Corporation tax applicable at the balance sheet date unless there is legislation enacted or substantially enacted by the balance sheet date changing the rate

## 17 Called-up share capital

For both 2010 and 2009, the Company's share capital consisted of 50,000 authorised, allotted, called up and fully paid ordinary shares of £1 each

## 18 Reserves

	Share premium Account £m	Profit and loss Account £m
At 1 April 2009	0.1	32.4
Retained profit for the year	-	15.9
Share options	-	1.0
Actuarial loss	-	(5.5)
Tax on items taken directly to equity	-	1.6
Exchange differences	-	1.0
At 31 March 2010	<u>0.1</u>	<u>46.4</u>

For both 2010 and 2009, the cumulative amount of goodwill on acquisitions prior to 31 March 1998 of £12.7m has been written off to reserves in respect of businesses and undertakings that form part of the Company's continuing activities at 31 March 2010

## 19 Reconciliation of movements in shareholders' funds

	2010 £m	2009 £m
Profit for the financial year	15.9	39.9
Dividends	-	(38.0)
Retained profit for the year	<u>15.9</u>	<u>1.9</u>
Share options	1.0	0.5
Actuarial (loss) / gain	(5.5)	(4.1)
Tax on items taken directly to equity	1.6	1.0
Exchange differences	1.0	(20.9)
Net increase to shareholders' funds	<u>14.0</u>	<u>(21.6)</u>
Shareholders' funds at 1 April	<u>32.6</u>	<u>54.2</u>
Shareholders' funds at 31 March	<u>46.6</u>	<u>32.6</u>

## 20 Lease commitments

Annual commitments under non-cancellable operating leases are as follows

	2010		2009	
	Land and Buildings £m	Other £m	Land and Buildings £m	Other £m
Operating leases which expire				
Within one year	2.7	-	2.7	0.1
In the second to fifth years inclusive	0.4	0.2	0.3	1.7
Over five years	1.1	-	1.1	-
	<b>4.2</b>	<b>0.2</b>	<b>4.1</b>	<b>1.8</b>

## 21 Pension scheme

The last actuarial valuation of the Electrocomponents plc Group defined benefit pension scheme was carried out as at 31 March 2007 and has been updated to 31 March 2010 by a qualified independent actuary in accordance with FRS 17 'Retirement Benefits'. The deficit on the Electrocomponents plc Group defined benefit pension scheme is included within the Company's balance sheet as it is this company which employs the majority of the scheme members. As allowed by FRS 17, the deficit has not been split between Electrocomponents plc and RS Components Limited as it is not possible to do so, on a consistent and reasonable basis.

The principal assumptions used in the valuation of the liabilities of the scheme are

	2010	2009	2008
Discount rate	5.40%	6.25%	5.90%
Rate of increase in pensionable salaries	2.55%	2.55%	3.80%
Rate of increase of pensions in payment	3.30%	3.00%	3.60%
Inflation assumption	3.40%	3.00%	3.60%

The expected long term rates of return on the scheme's assets are

	2010	2009	2008
Equities	7.50%	7.20%	7.60%
Corporate bonds	4.75%	5.75%	5.40%
Diversified growth funds	7.00%	6.70%	7.10%
Enhanced matching funds	3.70%	3.40%	4.25%
Hedge funds	7.50%	n/a	n/a
Credit funds	6.50%	n/a	n/a
Government Bonds	4.00%	3.70%	4.10%
Cash	0.00%	0.00%	4.75%

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

	2010 £m	2009 £m	2008 £m
Equities	86.8	79.9	113.2
Corporate Bonds	17.4	14.4	14.6
Government Bonds	6.1	16.5	18.9
Diversified growth funds	126.7	94.0	98.9
Enhanced matching funds	37.5	34.8	27.9
Hedge funds	15.8	-	-
Credit funds	12.2	-	-
Cash	2.1	0.7	0.9
Total market value of assets	<u>304.6</u>	<u>240.3</u>	<u>274.4</u>

The valuation of the scheme at 31 March was

	2010 £m	2009 £m
Total market value of assets	304.6	240.3
Present value of scheme liabilities	<u>(314.8)</u>	<u>(246.6)</u>
Deficit in the scheme before deferred tax	(10.2)	(6.3)
Deferred tax relating to deficit of pension scheme	<u>2.9</u>	<u>1.8</u>
Deficit in the scheme recognised in the accounts of the Company	<u>(7.3)</u>	<u>(4.5)</u>

The rules of the UK Electrocomponents Group Pension Scheme give the Trustee powers to wind up the Scheme, which it may exercise if the Trustee is aware that the assets of the scheme are insufficient to meet its liabilities. Although the Scheme is currently in deficit, the Trustee and the Company have agreed a plan to eliminate the deficit over time and the Trustee has confirmed that it has no current intention of exercising its power to wind up the Scheme.



The amounts charged (credited) to the profit and loss account are as shown below. The charge has been allocated between RS Components Limited and Electrocomponents plc based on the pensionable salaries of current employees. The profit and loss charge relating to RS Components Limited was £3.5m.

	2010 £m	2009 £m
Current service cost	3.6	4.9
Past service cost	-	(5.2)
Effect of curtailment	-	(11.5)
Interest cost	15.2	17.3
Expected return on assets	(14.9)	(19.0)
Total profit and loss account charge (credit) included in the accounts of RS Components Limited and Electrocomponents plc	<u>3.9</u>	<u>(13.5)</u>

The amount included within the statement of recognised gains and losses was

	2010	2009	2008	2007	2006
Actual less expected return on scheme assets	54.1	(52.5)	(18.6)	(1.5)	36.1
As a % of scheme assets	17.8%	(21.8%)	(6.8%)	(0.6%)	14.2%
Experience (losses) and gains arising on the scheme liabilities	-	(5.3)	4.3	(0.8)	0.1
As a % of scheme liabilities	0.0%	(2.1%)	1.5%	(0.3%)	0.0%
Actuarial (loss) gain recognised in the statement of total recognised gains and losses	(5.5)	(4.1)	4.6	(1.0)	4.2
As a % of scheme liabilities	(1.7%)	(1.7%)	1.6	(0.3%)	1.5%

The movement in the deficit was

	2010 £m
Deficit in scheme at the beginning of the year	(6.3)
Movement in year	
Current service cost	(3.6)
Contributions	5.5
Other finance income	(0.3)
Actuarial (loss)	(5.5)
Deficit in scheme at the end of the year	<u>(10.2)</u>

The Group expects to pay £5.2m to its UK defined benefit pension plan in 2011.

#### Defined Contribution schemes

During the year the company contributed £3.0m (2009 £2.5m) to defined contribution schemes.

## **22 Related party transactions**

Under FRS8 'Related Party Transactions', the Company is exempt from the requirement to disclose related party transactions with Electrocomponents plc and associated undertakings on the grounds that it is a wholly owned subsidiary undertaking of Electrocomponents plc

## **23 Auditors remuneration**

The auditor's remuneration is borne by the ultimate parent company. The fee assigned to the 2010 audit is £0.1m, (2009 £0.1m). Full disclosure of the amounts of remuneration given to the company's auditors from the supply of non-audit services to the company is included on a group wide basis in the group accounts of Electrocomponents plc. This can be obtained from the address given in note 24.

## **24 Ultimate holding company**

The ultimate holding company is Electrocomponents plc, a company registered in England and Wales.

Copies of the financial statements of the ultimate holding company may be obtained from the International Management Centre, 8050 Oxford Business Park North, Oxford OX4 2HW.