

**RS COMPONENTS LIMITED**

**Directors' report and financial  
statements**

**Registered number 1002091**

**31 March 2004**



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## Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2004.

### Principal activity

The principal activity of the Company is the distribution of electronic, electrical, industrial and commercial supplies and services to industrial and commercial customers.

### Business review

	2004 £000	2003 £000
Turnover	460,893	459,691
Profit on ordinary activities before taxation	79,429	82,120
Taxation	(23,752)	(25,397)
Profit on ordinary activities after taxation	55,677	56,723

During the year turnover increased by 0.3% and profit on ordinary activities before taxation decreased by 3.3% compared to the previous year. Trading within the UK reflected the continuing weakness of the manufacturing sector of the economy, although the Company's branch in Japan continued to grow in its fifth full year of trading with sales of £14.4m (2003: £11.3m). Gross margins rose to 46.2% (2003: 45.9%) due to positive management of the factors that determine gross margin without affecting our value proposition to our customers or suppliers.

### Dividends

Dividends totalling £60m have been paid in respect of the year ended 31 March 2004 (2003: £60m).

### 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 50 days of billings from suppliers outstanding at the year end (2003: 40 days).

## Directors' report *(continued)*

### Directors and directors' interests

The Directors who held office during the year were as follows:

R B Butler  
K Goeldenbot  
J L Hewitt  
I Mason

### Interests in shares

The Directors had no beneficial interests in the shares of the company during the year.

The interests of Mr R B Butler, Mr J L Hewitt and Mr I Mason in the share capital of Electrocomponents plc are disclosed in that company's report and accounts.

Mr K Goeldenbot did not hold any shares at the beginning of the year or at 31 March 2004.

	1 April 2003	Granted	Exercised	Lapsed	31 March 2004
<b>Share Options</b>					
K Goeldenbot	171,101	157,191	-	-	328,292

The Share Options are options over the ordinary shares of Electrocomponents plc, the parent company, and were granted under the terms of the Electrocomponents 1988 Executive Share Option Scheme, the Electrocomponents Save As You Earn Scheme, the Long Term Incentive Plan and the Long Term Incentive Option Scheme.

Executive Share Options are normally exercisable during the period between the third and tenth anniversaries of the date of grant. Savings Related Options are normally exercisable during the period of six months following either the third or fifth anniversary of the date of grant. Under the Long-Term Incentive Plan, members are granted an annual award, which carries a deferred right to receive a number of ordinary shares in the Company at the end of a period of three years. Each award is subject to performance targets. Further details are disclosed in the Group accounts.

As at 31 March 2004, the weighted average exercise price of options granted to Mr K Goeldenbot was 309.4p. The market price of the shares on 31 March 2004 was 341.5p. The highest and lowest share prices during the year were 385.75p and 263.25p respectively.

### Directors and Officers liabilities

Insurance cover is held, on behalf of the Company, by Electrocomponents plc to indemnify directors and officers against liabilities as permitted by Section 310(3) of the Companies Act 1985.

### Charitable donations

During the year the Company contributed £9,844 (2003: £13,057) for charitable purposes.

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

### **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 media of 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.

### **Employment of disabled persons**

It is the Company's policy to give, wherever possible, equal opportunities of employment to disabled and able persons, according to their suitability to perform the work required.

### **Auditors**

In accordance with S384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**Carmelina Carfora**

*Company Secretary*

Birchington Road  
Weldon  
Corby  
Northants  
NN17 9RS

26 May 2004

## **Statement of Directors' responsibilities**

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and prevent and detect fraud and other irregularities.



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

We have audited the financial statements on pages 6 to 20.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditor's 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**

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG Audit Plc**

**26 May 2004**

**Chartered Accountants  
Registered Auditor  
LONDON**

## Profit and loss account

*for the year ended 31 March 2004*

	<i>Note</i>	<b>2004</b> <b>£000</b>	2003 £000
<b>Turnover</b>	<i>1,2</i>	<b>460,893</b>	459,691
Cost of sales		<b>(247,782)</b>	(248,858)
<b>Gross profit</b>		<b>213,111</b>	210,833
Distribution and marketing costs		<b>(143,037)</b>	(139,878)
Administrative expenses		<b>(3,982)</b>	(1,571)
Other operating income		<b>13,821</b>	13,248
<b>Operating profit</b>		<b>79,913</b>	82,632
Interest receivable		<b>77</b>	8
Interest payable and similar charges	<i>6</i>	<b>(561)</b>	(520)
<b>Profit on ordinary activities before taxation</b>	<i>2-6</i>	<b>79,429</b>	82,120
Taxation on profit on ordinary activities	<i>7</i>	<b>(23,752)</b>	(25,397)
<b>Profit on ordinary activities after taxation</b>		<b>55,677</b>	56,723
Dividends paid		<b>(60,000)</b>	(60,000)
<b>Retained Loss for the financial year</b>		<b>(4,323)</b>	(3,277)

## Statement of total recognised gains and losses

*for the year ended 31 March 2004*

	<b>2004</b> <b>£000</b>	2003 £000
Profit on ordinary activities after taxation	<b>55,677</b>	56,723
Exchange differences	<b>739</b>	(820)
<b>Total recognised gains and losses relating to the year</b>	<b>56,416</b>	55,903

A statement of movements on reserves is given in note 17.

The notes on pages 8 to 20 form part of these financial statements.

All profits shown above are stated at historical cost.



## Balance sheet

at 31 March 2004

	Note	2004 £000	2003 £000
<b>Fixed assets</b>			
Intangible assets	8	270	-
Tangible assets	9	83,809	83,144
<b>Current assets</b>			
Stocks and work in progress	11	68,636	69,664
Debtors	12	111,272	104,501
Cash at bank and in hand		27,169	33,646
		<u>207,077</u>	<u>207,811</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(193,268)</u>	<u>(192,389)</u>
<b>Net current assets</b>		<u>13,809</u>	<u>15,422</u>
<b>Total assets less current liabilities</b>		<u>97,888</u>	<u>98,566</u>
<b>Creditors: amounts falling due after more than one year</b>	14	<u>(2,465)</u>	<u>(2,553)</u>
<b>Provisions for liabilities and charges</b>	15	<u>(9,971)</u>	<u>(6,977)</u>
<b>Net assets</b>		<u>85,452</u>	<u>89,036</u>
<b>Capital and reserves</b>			
Called up share capital	16	50	50
Share premium account	17	65	65
Profit and loss account	17	85,337	88,921
<b>Equity shareholders' funds</b>		<u>85,452</u>	<u>89,036</u>

The notes on pages 8 to 20 form part of these financial statements.

These financial statements were approved by the board of directors on 26 May 2004 and were signed on its behalf by:



**J.L. Hewitt**  
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 2004 and 2003. To reflect the growth in intercompany transactions, all costs relating to the recharge of Groupwide process costs have been disclosed as distribution and marketing costs.

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

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

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

#### ***Changes in accounting policies***

There were no changes in accounting policy in the year.

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

Under Financial Reporting Standard 1 (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.

#### ***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.

#### ***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)

### 1 Accounting policies (continued)

#### *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%

#### *Stocks and work in progress*

Stocks and work in progress are 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*

Prior to the issue of a catalogue, all related costs incurred are accrued and carried as a prepayment. On the issue of a catalogue, these costs are written off over its useful life. Major investments in new catalogue design or composition are written off over the period during which the benefits of these investments are anticipated, such a period is not to exceed three years.

#### *Goodwill*

Goodwill arising on acquisitions prior to 31 March 1998 has been written off against reserves. On disposals of a business, the gain or loss on disposal includes that goodwill previously written off on acquisition. Following the introduction of FRS10 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 1999 will be amortised over its expected useful life. No goodwill arose in the year to 31 March 2004.

#### *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.

#### *Leases*

The Company has no material assets held under finance leases. 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.

## Notes (continued)

### *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 Company has decided not to adopt FRS 17 Retirement benefits early. The transitional disclosures required by FRS 17 can be found in note 20.

### *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.

### *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.

### *Turnover*

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

## 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. RS Components Limited also operates under the names of RS Calibration, RS Mechanical and RS Health & Safety in the United Kingdom.

## 3 Profit on ordinary activities before taxation

	2004 £000	2003 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Loss on sale of fixed assets	91	39
Remuneration of auditors:		
Audit	85	77
Other	91	14
Depreciation and other amounts written off tangible fixed assets	13,344	11,737
Amortisation and other amounts written off intangible fixed assets	3	-
Amortisation of capital grants	(85)	(85)
Hire of plant and machinery – rentals payable under operating leases	1,854	1,896
Other operating leases	4,192	4,186
	<hr/>	<hr/>

## Notes (continued)

### 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.

	2004 £000	2003 £000
Directors' emoluments	297	115

### 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 2004	2003
Management and administration	190	227
Distribution and selling	2,272	2,253
	<u>2,462</u>	<u>2,480</u>

The aggregate payroll costs of these persons was as follows:

	2004 £000	2003 £000
Wages and salaries	52,827	53,436
Social security costs	4,798	4,313
Other pension costs (see note 20)	5,985	3,978
	<u>63,610</u>	<u>61,727</u>

### 6 Interest payable and similar charges

	2004 £000	2003 £000
Bank interest payable	255	234
Interest payable to group undertakings	306	286
	<u>561</u>	<u>520</u>

**Notes (continued)**

**7 Taxation on profit on ordinary activities**

	2004 £000	2003 £000
UK corporation tax at 30% (2003: 30%) on the profit for the year on ordinary activities	23,719	25,507
Adjustment in respect of previous year	(2,944)	(218)
Deferred taxation	2,977	108
	<u>23,752</u>	<u>25,397</u>

Current tax is reconciled to a notional 30% of profit before taxation as follows:

	2004 £000	2003 £000
Expected tax charge:	23,829	24,636
Timing differences – capital allowances	(1,039)	(67)
Timing differences – other	427	(52)
Prior year adjustment	(2,944)	573
Other permanent differences	502	199
	<u>20,775</u>	<u>25,289</u>

**8 Intangible fixed assets**

	Trademark £000
<i>Cost</i>	
Additions	273
At 31 March 2004	<u>273</u>
<i>Amortisation</i>	
Charge for the year	3
At 31 March 2004	<u>3</u>
<i>Net book value</i>	
At 31 March 2004	<u>270</u>
At 31 March 2003	<u>-</u>

## Notes (continued)

### 9 Tangible fixed assets

	Land and Buildings £000	Computer Systems £000	Plant and Machinery £000	Total £000
<b>Cost</b>				
At 1 April 2003	30,539	72,907	61,294	164,740
Additions	17	14,108	3,901	18,026
Disposals	(169)	(8,045)	(670)	(8,884)
Reclassification	39	(16)	(23)	-
Currency translation differences	(6)	(65)	(40)	(111)
At 31 March 2004	30,420	78,889	64,462	173,771
<b>Depreciation</b>				
At 1 April 2003	10,549	29,911	41,136	81,596
Charge for the year	578	7,950	4,816	13,344
Disposals	(77)	(4,205)	(625)	(4,907)
Reclassification	-	(22)	22	-
Currency translation differences	(4)	(39)	(28)	(71)
At 31 March 2004	11,046	33,595	45,321	89,962
<b>Net book value</b>				
At 31 March 2004	19,374	45,294	19,141	83,809
At 31 March 2003	19,990	42,996	20,158	83,144

The net book value of land and buildings comprises:

	2004 £000	2003 £000
Freehold land	993	993
Freehold buildings	17,546	18,020
Long leasehold	541	463
Short leasehold	294	514
Land and buildings	19,374	19,990

## Notes (continued)

### 10 Capital Commitments

	2004 £000	2003 £000
Contracted capital expenditure at 31 March, for which no provision has been made in these accounts	1,240	4,467

### 11 Stocks and work in progress

	2004 £000	2003 £000
Consumables	2,063	1,651
Work in progress	2,587	2,281
Goods for resale	63,986	65,732
	<u>68,636</u>	<u>69,664</u>

### 12 Debtors

	Due within one year £000	2004 Due after One year £000	Total £000	2003 Total £000
Trade debtors	63,042	-	63,042	60,150
Amounts owed by parent and fellow subsidiary undertakings	38,760	-	38,760	35,967
Other debtors	1,809	371	2,180	1,722
Prepayments and accrued income	7,290	-	7,290	6,662
	<u>110,901</u>	<u>371</u>	<u>111,272</u>	<u>104,501</u>



**Notes** *(continued)*

**13 Creditors: amounts falling due within one year**

	2004 £000	2003 £000
Bank overdraft	34,590	26,220
Current instalments on loan	-	2,674
Trade creditors	51,330	40,968
Amounts owed to parent and fellow subsidiary undertakings	81,552	90,239
Corporation tax	9,395	13,520
Other taxes and social security	5,741	6,550
Other creditors	1,614	2,457
Accruals	8,961	9,676
Capital grants	85	85
	<hr/> 193,268 <hr/>	<hr/> 192,389 <hr/>

**14 Creditors: amounts falling due after more than one year**

	2004 £000	2003 £000
Capital grants	2,465	2,550
Other creditors	-	3
	<hr/> 2,465 <hr/>	<hr/> 2,553 <hr/>
Amounts due between one and five years	340	343
Amounts due after five years	2,125	2,210
	<hr/> 2,465 <hr/>	<hr/> 2,553 <hr/>

## Notes (continued)

### 15 Provisions for liabilities and charges

	<b>Deferred taxation £000</b>
At 1 April 2003	6,977
Credit for the year	2,977
Translation differences	17
	<hr/>
At 31 March 2004	9,971
	<hr/>

The amounts provided for deferred taxation are set out below:

	<b>2004 £000</b>	<b>2003 £000</b>
Difference between accumulated depreciation and amortisation and capital allowances	10,534	7,363
Other timing differences	(563)	(386)
	<hr/>	<hr/>
	9,971	6,977
	<hr/>	<hr/>

### 16 Called up share capital

For both 2004 and 2003, the Company's share capital consisted of 50,000 authorised, allotted, called up and fully paid ordinary shares of £1 each.

### 17 Reserves

	<b>Share premium Account £000</b>	<b>Profit and loss Account £000</b>
At 1 April 2003	65	88,921
Retained loss for the year	-	(4,323)
Exchange differences	-	739
	<hr/>	<hr/>
At 31 March 2004	65	85,337
	<hr/>	<hr/>

For both 2004 and 2003, the cumulative amount of goodwill on acquisitions prior to 31 March 1998 of £12,680,000 has been written off to reserves in respect of businesses and undertakings that form part of the Company's continuing activities at 31 March 2004.

## Notes (continued)

### 18 Reconciliation of movements in shareholders' funds

	2004 £000	2003 £000
Retained profit for the financial year	55,677	56,723
Dividends	(60,000)	(60,000)
	<hr/>	<hr/>
Exchange differences	(4,323) 739	(3,277) (820)
	<hr/>	<hr/>
Net reduction to shareholders' funds	(3,584)	(4,097)
Shareholders' funds at 1 April	89,036	93,133
	<hr/>	<hr/>
Shareholders' funds at 31 March	85,452	89,036
	<hr/>	<hr/>

### 19 Lease Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2004		2003	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	2,916	112	115	660
In the second to fifth years inclusive	1,312	1,723	4,008	1,336
Over five years	1,039	-	1,060	-
	<hr/>	<hr/>	<hr/>	<hr/>
	5,267	1,835	5,183	1,996
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 20 Pension scheme

The funding of the Company's defined benefit scheme is assessed in accordance with the advice of independent actuaries. The pension costs for the year ended 31 March 2004 amounted to £5.7m (2003: £3.9m) reflecting an additional cost of £1.8m following a decision not to reflect the March 2001 surplus in the pension charge during the year. In addition, the contributions paid by the Company to the defined contribution section of the Scheme in the year ended 31 March 2004 amounted to £0.2m.

The most recent valuation (carried out in 2001) adopted a market related approach to funding and the projected unit credit method. The assumptions underlying the calculation of the liabilities were derived by reference to the gross redemption yield on long-term gilts in conjunction with a pre-retirement equity enhancement, consistent with market conditions at the time of the valuation.

The principal assumptions applied in the 2001 valuation were therefore as follows:

	Past service	Future service
Investment return		
before retirement	6.25%	6.50%
after retirement	5.00%	5.25%
Rate of future earnings inflation	4.25%	4.25%
Rate of increase in pensions payment	2.50%	2.50%

At the date of the 2001 valuation, the market value of the assets of the scheme was £169.8m, and the actuarial valuation of the assets covered 115% of the benefits that had accrued to the members after allowing for expected future increases in earnings giving a surplus of £22.1m. The excess assets above the value of the liabilities are being eliminated by means of a reduction in the level of employer contributions to the Scheme. The next valuation will be carried out no later than 31 March 2004.

Less formal funding updates are carried out each year and as at 31 March 2003 a deficit of £64.1m was identified. It is expected however, that the forthcoming formal valuation will show that the position will have improved over the year since that review. Under the statutory minimum funding requirement, the position of the Scheme remains good with the funding level being estimated at between 125% and 130% as at 31 March 2004.

#### FRS 17 Disclosure

The disclosures required by FRS17 in the third transitional year of adoption are set out below.

The last actuarial valuation of the scheme was carried out as at 31 March 2001 and has been updated to 31 March 2004 by a qualified independent actuary in accordance with FRS 17.

The principal assumptions used in the valuation of the liabilities of the scheme under FRS17 are:

	2004	2003	2002
Discount rate	5.40%	5.50%	6.00%
Rate of increase in salaries	4.65%	4.25%	4.50%
Rate of increase of pensions in payment	2.90%	2.50%	2.75%
Inflation assumption	2.90%	2.50%	2.75%

## Notes (continued)

The expected long term rates of return on the scheme's assets and the valuation of the scheme as at 31 March 2004 were:

	2004		2003		2002	
	Rate of return	Valuation £m	Rate of return	Valuation £m	rate of return	Valuation £m
Equities	7.00%	127.7	6.75%	96.8	7.75%	127.3
Corporate Bonds	4.65%	14.3	4.75%	13.0	n/a	-
Government Bonds	4.00%	25.7	3.75%	23.1	5.25%	35.1
Cash	3.25%	3.7	3.00%	1.6	4.00%	5.0
Property	n/a	-	n/a	-	7.75%	1.4
<hr/>						
Total market value of assets		171.4		134.5		168.8
Present value of scheme liabilities		(217.6)		(174.7)		
<hr/>						
Deficit in the scheme		(46.2)		(40.2)		
Related deferred tax asset		13.9		12.1		
Net pension liability		(32.3)		(28.1)		

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

	2004		2003	
	Profit and loss reserve	Net assets	Profit and loss reserve	Net assets
	£m	£m	£m	£m
As stated excluding pension liability and SSAP 24 balances	85.9	86.1	88.9	89.0
Net pension liability	(32.3)	(32.3)	(28.1)	(28.1)
Including net pension liability	<u>53.6</u>	<u>53.8</u>	<u>60.8</u>	<u>60.9</u>

For the year ended 31 March 2004:

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

	2004 £m	2003 £m
Current service cost	(8.0)	(7.7)
Past service cost	-	-
Total charge to operating profit	<u>(8.0)</u>	<u>(7.7)</u>
Interest cost	(9.9)	(9.3)
Expected return on assets	8.2	12.1
Net (debit) credit to other finance income	(1.7)	2.8
Total profit and loss pension charge	<u>(9.7)</u>	<u>(4.9)</u>

## Notes (continued)

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

	2004	2003
	£m	£m
Actual less expected return on scheme assets	25.3	(48.9)
- as a % of scheme assets	14.8%	(36.4)%
Experience gains and losses arising on the scheme liabilities	(4.4)	(1.4)
- as a % of scheme liabilities	2.0%	0.8%
Changes in assumptions underlying the present value of the scheme liabilities	(22.1)	(9.3)
Actuarial loss recognised in statement of total recognised gains and losses	(1.2)	(59.6)
- as a % of scheme liabilities	0.6%	34.1%

The movement in deficit during the year would have been:

	2004
	£m
Deficit in scheme at the beginning of the year	(40.2)
Movement in year:	
Current service cost	(8.0)
Past service cost	-
Contributions	4.9
Other finance expense	(1.7)
Actuarial loss	(1.2)
Deficit in scheme at the end of the year	(46.2)

## 21 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, 5000 Oxford Business Park South, Oxford OX4 2BH.