

Company No 860093

**PREMIER FARNELL UK LIMITED**

**ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 28 JANUARY 2007**

THURSDAY



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## **PREMIER FARNELL UK LIMITED**

### **DIRECTORS**

R D Ainsworth (Resigned 06/06/06)  
S Canham (Resigned 26/03/07)  
A C Fisher (Resigned 16/05/06)  
D J Gaskin  
M Stock (Appointed 26/03/07)  
M A Whiteling (Appointed 18/10/06)

### **SECRETARY AND REGISTERED OFFICE**

S Webb  
150 Armley Road  
Leeds  
West Yorkshire  
LS12 2QQ

Company Registration Number – 860093

### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Benson House  
33 Wellington Street  
Leeds  
LS1 4JP

### **BANKERS**

Barclays Bank plc  
Coventry City Office  
PO Box 2  
25 High Street  
Coventry  
CV1 5QZ

HSBC  
47 Market Street  
Bradford  
BD1 1LW

# PREMIER FARNELL UK LIMITED

## REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report and the audited financial statements of the Company for the financial year ended 28 January 2007

### Results and dividends

The profit on ordinary activities after tax for the financial year ended 28 January 2007 amounted to £9,833,000 (2006 (as restated) £498,000) No interim dividend (2006 £nil) has been paid and the directors do not propose to pay a final dividend (2006 £nil) Consequently, the retained profit for the year of £9,833,000 has been transferred to reserves (2006 (as restated) £498,000)

### Review of the business and future developments

The principal activity of the Company remains unchanged and is the distribution of electronic, electrical and industrial products The directors consider the financial position of the company to be satisfactory and expect trading levels to be maintained in the foreseeable future

### Post balance sheet event

On 21 March 2007, the Company announced that it had reached an agreement to sell the trade and assets of its BuckHickman business to The BSS Group plc for a total consideration of approximately £27million For the year ended 28 January 2007, BuckHickman reported sales of £99.8million and an operating loss of £0.8million

### Directors and their interests

The directors of the Company who served during the year are shown on page 1 No director had any interests in the shares of the company

Mr M A Whiting is a director of the parent undertaking, Premier Farnell plc, and his interest in the issued share capital of group companies is shown in the financial statements of that company

The interests of the other directors in the Ordinary Shares of Premier Farnell plc are set out below

Share options (number)

	At 30 January 2006	Granted	Lapsed	At 28 January 2007	Exercise Price (pence)	Grant Date
S Canham	60,000	-	-	60,000	246	Sep-03
	61,730	-	-	61,730	208	Sep-04
	123,449	-	-	123,449	145.75	Oct-05
D J Gaskin	10,000	-	10,000	-	682	Nov-96
	37,000	-	-	37,000	192	Mar-99
	7,000	-	-	7,000	425	Apr-00
	15,000	-	-	15,000	193	Sep-01
	22,000	-	-	22,000	153	Oct-02
	19,281	-	-	19,281	265	Oct-03
	25,624	-	-	25,624	208	Sep-04
	6,625	-	-	6,625	143	Apr-05
	38,033	-	-	38,033	145.75	Oct-05

\*Save As You Earn (SAYE) options

**PREMIER FARNELL UK LIMITED**  
**REPORT OF THE DIRECTORS (Continued)**

Long term incentive plan (number)

	Balance at 30 January 2006	Awarded	Lapsed	Balance at 28 January 2007	End of performance period
S Canham	80,550	-	-	80,550	Apr-07
	-	110,024	-	110,024	Apr-09
D J Gaskin	26,902	-	26,902	-	Jun-06
	20,039	-	-	20,039	Apr-07
	-	27,107	-	27,107	Apr-09

Notes

- 1) Both approved and unapproved executive share options are exercisable between three and ten years from the date of grant. SAYE options are exercisable within six months after the end of the savings contract, being either three or five years from the date of grant.
- 2) No options were exercised in the period.

**Disabled people**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

**Employee involvement**

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. The development in the year of a Group-wide intranet gives all employees access to news, information and communication from the CEO and leadership team.

**Supplier payment policy**

It is the Company's policy to agree the terms of payment with suppliers when agreeing each transaction or series of transactions, to ensure that suppliers are made aware of these terms, and to abide by them. At 28 January 2007 the amount the Company owed to its suppliers represented 44 days purchases (29 January 2006: 50 days).

**PREMIER FARNELL UK LIMITED**  
**REPORT OF THE DIRECTORS (continued)**

**Statement of Directors Responsibilities**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently, as explained in the Statement of Accounting Policies. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 28 January 2007 and that applicable accounting standards have been followed.

The directors are responsible for maintaining proper accounting records which 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and that each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Independent Auditors**

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their appointment and authorising the directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board



**S Webb**  
Secretary

150 Armley Road  
Leeds  
West Yorkshire  
LS12 2QQ

28 March 2007

**PREMIER FARNELL UK LIMITED**  
**REPORT OF THE INDEPENDENT AUDITORS**

**Independent auditors' report to the members of Premier Farnell UK Limited**

We have audited the financial statements of Premier Farnell UK Limited for the year ended 28 January 2007, which comprise the Profit and Loss Account, the Balance Sheet, The Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

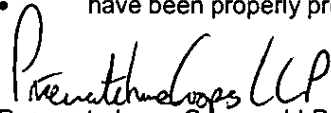
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 January 2007 and of its profit for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors, Leeds

28/3/07

**PREMIER FARNELL UK LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 28 JANUARY 2007**

	Note	2007 £000	2006 £000 (as restated)
<b>Turnover</b>	2	362,304	343,556
Cost of sales		(266,887)	(256,939)
<b>Gross profit</b>		95,417	86,617
Distribution costs		(55,378)	(52,358)
Administration expenses		(17,374)	(24,951)
<b>Operating profit</b>	3	22,665	9,308
Interest receivable and similar income	6	6	556
Interest payable and similar charges	7	(2,071)	(3,830)
<b>Profit on ordinary activities before taxation</b>		20,600	6,034
Tax on profit on ordinary activities	8	(10,767)	(5,536)
<b>Retained profit for the financial year</b>	18,19	9,833	498

All of the Company's turnover and operating profit relates to continuing operations

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents

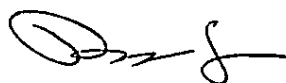
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	2007 £'000	2006 £'000
Profit for the financial year	9,833	498
Prior year adjustment – impact of FRS20 on deferred tax	475	-
<b>Total recognised gains since last annual report</b>	10,308	498

**PREMIER FARNELL UK LIMITED**  
**BALANCE SHEET AT 28 JANUARY 2007**

	Note	2007 £000	2006 £000 (as restated)
<b>Fixed assets</b>			
Intangible fixed assets	9	217,791	232,224
Tangible fixed assets	10	34,961	36,121
<b>Current assets</b>		252,752	268,345
Stock	12	79,018	74,237
Debtors	13	89,636	60,477
Cash at bank and in hand		-	12,638
Creditors (falling due within one year)	14	168,654 (98,103)	147,352 (99,524)
<b>Net current assets</b>		70,551	47,828
<b>Total assets less current liabilities</b>		323,303	316,173
<b>Provisions for liabilities and charges</b>	15	(1,415)	(4,618)
<b>Net assets</b>		<u>321,888</u>	<u>311,555</u>
<b>Capital and reserves</b>			
Called-up equity share capital	17	250	250
Share premium account	18	302,497	302,497
Profit and loss account	18	19,141	8,808
<b>Equity shareholders' funds</b>	19	<u>321,888</u>	<u>311,555</u>

These financial statements on pages 6 to 21 were approved by the Board of Directors on 28 March 2007 and were signed on its behalf by



**D J Gaskin**  
Director



**PREMIER FARNELL UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**1 Basis of accounting**

These financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards. A summary of the more important accounting policies, which the directors consider to be the most appropriate for the Company and have been applied consistently apart from the adoption of FRS 20 in the period, are set out below.

*Cashflow*

The company is a wholly owned subsidiary of Premier Farnell plc and is included in the consolidated financial statements of Premier Farnell plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from disclosing a cash flow statement under Financial Reporting Standard 1 (revised).

*Related party transactions*

As the Company is a wholly owned subsidiary of Premier Farnell plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Premier Farnell plc, within which this Company is included, can be obtained from the address given in note 24.

**Changes in accounting policies**

The Company has adopted FRS 20, Share Based Payments. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. Details of the effect of the prior year adjustment are given in note 16.

**Turnover and revenue recognition**

Turnover comprises the invoiced value of goods and services supplied during the year exclusive of value added tax. Turnover is recognised when the risks and rewards of ownership have passed to the customer.

**Goodwill**

Goodwill, comprising the amount by which the consideration for acquisitions exceeds the fair value of the net assets acquired, is capitalised and amortised through the profit and loss account on a straight line basis over its estimated useful life, which has been determined as 20 years.

Goodwill arising on acquisitions is reviewed for impairment in accordance with FRS 10 and FRS11, Impairment of Fixed Assets and Goodwill, at the end of the first full year after an acquisition and in other years if events or changes in circumstances indicate that the carrying value may not be recoverable, any impairment arising being charged to the profit and loss account.

**Intangible fixed assets**

Intangible fixed assets purchased separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition are capitalised at fair value where this can be measured reliably. Concessions, patents, licences and trademarks purchased by the company are amortised to nil by equal annual instalments over their useful economic lives.

## **PREMIER FARNELL UK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **Tangible Fixed Assets**

Fixed assets are stated at cost Interest is not capitalised

Depreciation is provided at rates appropriate to write off the original cost of all tangible fixed assets from the time they become operational over their expected useful lives as follows

Freehold land	Nil
Freehold buildings	2% on cost
Fixtures, fittings, tools & equipment	10% to 33% on cost
Motor vehicles	25% reducing balance

#### **Stocks**

Stocks are stated at the lower of cost and estimated net realisable value Provision is made against slow moving and obsolete stock based on analysis of historical data

#### **Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

#### **Leased assets**

Annual payments under operating leases are charged to the profit and loss account as they fall due

Assets acquired under finance leases are capitalised at fair value and depreciated over their useful lives The capital amount of outstanding lease obligations is shown in creditors

#### **Taxation**

Full provision is made, on an undiscounted basis, for deferred taxation resulting from timing differences between profits computed for taxation purposes and profits stated in the accounts to the extent that there is an obligation to pay more tax in the future as a result of the reversal of those timing differences Deferred tax assets are recognised to the extent they are expected to be recoverable

#### **Pension costs**

The company is a member of its parent company's group defined benefit pension scheme

The company is unable to identify its share of the underlying assets and liabilities of the group scheme Therefore, in accordance with FRS 17 the company has accounted for contributions to the scheme as if they were a defined contribution scheme Costs with respect to defined contribution schemes are charged to the profit and loss account as they fall due

The consolidated financial statements include full disclosures of the UK defined benefit plan in accordance with IFRS, which is similar to FRS17

## **PREMIER FARNELL UK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **Provisions**

Stock provisions are made against slow moving and obsolete stock based upon analysis of historical data

Reorganisation costs are provided specifically relating to the restructuring of the BuckHickman business

Provision for dilapidation costs are made where branch leasehold agreements require the company to incur dilapidation costs at the end of the lease term

#### **Share based payments**

The ultimate parent company, Premier Farnell plc, operates three share-based incentive schemes: an executive share option scheme, a long-term incentive plan (LTIP) and a save as you earn (SAYE) scheme. The expense is based on the fair value of each instrument at the grant date, using option-pricing models.

For valuation of share options the Binomial Lattice model is used and, as the performance measure is non-market based (earnings per share growth), the value of the expense is adjusted to reflect expected and actual levels of vesting. For the LTIP, the Monte Carlo model is used and, as the performance conditions are market based (share price performance relative to the FTSE mid-250 Index), the expense is not adjusted except for forfeitures. The fair value of SAYE grants is calculated using the Black-Scholes model and the expense is only adjusted to reflect forfeitures.

Further details can be found in the accounts of the ultimate parent company, details of which are provided in note 24 to these financial statements.

In accordance with FRS 20, the expense of these schemes that is attributable to employees of Premier Farnell UK Limited has been recognised in the profit and loss account, with the corresponding credit to retained earnings. The expense of these schemes is based on the fair value of the employee services received in exchange for the grant of the options. This total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted.

The fair values of these payments are measured at the dates of the grant and are recognised over the period during which employees become unconditionally entitled to the awards. At each balance sheet date, Premier Farnell UK Limited revises its estimates of the number of options that are expected to vest and the company recognises the impact of the revision of the original estimates, if any, in the profit and loss account, with a corresponding adjustment to the profit and loss reserve.

# **PREMIER FARNELL UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **2 Segmental Information**

All turnover originates in the United Kingdom, and the geographical destination of the turnover is not materially different from this origin

### **3 Operating profit**

Operating profit is stated after charging/(crediting)

	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
Depreciation		
Owned	7,852	5,122
Leased	362	385
Amortisation		
Goodwill	11,210	11,200
Other intangibles	3,240	3,240
Auditors remuneration - audit services	87	103
Operating lease rentals		
Land & buildings	1,928	1,911
Other	1,212	1,217
Profit on disposal of fixed assets	(58)	(29)
Exchange gain	295	(616)
RoHS inventory provision	-	2,373
Reorganisation costs (note 15)	-	3,853

### **4 Staff numbers and costs**

Staff costs for the year were as follows

	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
		<b>(as restated)</b>
Wages and salaries	40,379	38,388
Social security costs	3,959	3,819
Other pension costs (note 22)	1,478	1,481
Share based payments	500	500
	<u>46,316</u>	<u>44,188</u>

The average number of persons employed including directors was as follows

<u>1,684</u>	<u>1,813</u>
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**PREMIER FARNELL UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**5 Directors emoluments**

	2007 £000	2006 £000
Directors emoluments	62	157
Contribution to money purchase pension schemes	15	16
	<u>77</u>	<u>173</u>
The number of directors to whom retirement benefits are accruing	<u>-</u>	<u>1</u>
<b>Highest paid director</b>		
Aggregate emoluments	62	157
Contributions to money purchase pension schemes	15	16
	<u>77</u>	<u>173</u>

Since 6 June 2006, none of the directors received any emoluments in respect of their services to the Company

**6 Interest receivable and similar income**

	2007 £000	2006 £000
Group interest receivable	-	554
Bank interest receivable	6	2
	<u>6</u>	<u>556</u>

**7 Interest payable and similar charges**

	2007 £000	2006 £000
Bank interest payable	4	7
Finance lease interest paid	16	16
Group interest payable	2,051	3,807
	<u>2,071</u>	<u>3,830</u>

**PREMIER FARNELL UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8 Taxation**

	<b>2007</b> <b>£000</b>	<b>2006</b> <b>£000</b> <b>(as restated)</b>
UK corporation tax at 30% (2006 30%)		
Current year	11,009	6,014
Prior year	337	(11)
	<u>11,347</u>	<u>6,003</u>
Deferred taxation (note 15)	(580)	(467)
	<u><u>10,767</u></u>	<u><u>5,536</u></u>

The rate of the current tax charge on profit before tax varies from the standard rate of UK corporation tax due to the following factors

	<b>2007</b> <b>%</b>	<b>2006</b> <b>%</b> <b>(as restated)</b>
UK corporation tax rate	30.0	30.0
Prior year adjustment	1.6	(0.2)
Accelerated capital allowances	1.2	6.7
Intangible asset amortisation	20.5	55.6
Other timing differences	(0.2)	0.1
Other items	2.0	7.3
	<u>55.1</u>	<u>99.5</u>
Current tax rate on profit before tax	<u><u>55.1</u></u>	<u><u>99.5</u></u>

**PREMIER FARNELL UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**9 Intangible fixed assets**

	<b>Concessions, patents, licences, trade marks £'000</b>	<b>Goodwill £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At beginning of the year	35,900	223,740	259,640
Additions	-	17	17
At the end of year	<u>35,900</u>	<u>223,757</u>	<u>259,657</u>
<b>Amortisation</b>			
At beginning of the year	6,896	20,520	27,416
Charged in year	3,240	11,210	14,450
At end of year	<u>10,136</u>	<u>31,730</u>	<u>41,866</u>
<b>Net book value at 28 January 2007</b>	<u>25,764</u>	<u>192,027</u>	<u>217,791</u>
Net book value at 29 January 2006	<u>29,004</u>	<u>203,220</u>	<u>232,224</u>

The goodwill represents that arising on acquisition and is being amortised through the profit and loss account on a straight line basis over its estimated useful life, which has been determined as 20 years

Trade mark and domain name license allows the company to use various trademarks and domain names that are owned by Premier Farnell plc, the ultimate parent company. This is being amortised over 10 years, being the period of the license.

**PREMIER FARNELL UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10 Tangible fixed assets**

	Freehold property £000	Short leasehold land & buildings £000	Plant, equipment & motor vehicles £000	Total £000
<b>Cost</b>				
At beginning of year	16,603	1,957	44,310	62,870
Additions	261	297	6,729	7,287
Disposals	-	(436)	(754)	(1,190)
Transfer between items	-	316	(316)	-
At end of year	16,864	2,134	49,969	68,967
<b>Depreciation</b>				
At beginning of year	688	1,129	24,932	26,749
Charge for period	203	252	7,782	8,237
On disposals	-	(308)	(672)	(980)
At end of year	891	1,073	32,042	34,006
<b>Net book amount</b>				
At 28 January 2007	15,973	1,061	17,927	34,961
Net book amount				
At 29 January 2006	15,915	828	19,378	36,121

Included in the total net book value of plant, equipment and motor vehicles is £522,000 (2006 £884,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £362,000 (2006 £385,000)

**11 Capital Commitments**

Capital expenditure contracted but not provided at 28 January 2007 amounted to £37,000 (2006 £61,000)

**12 Stock**

	2007 £000	2006 £000
Finished goods and goods for resale	79,018	74,237



**PREMIER FARNELL UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**13 Debtors**

	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	43,639	45,317
Amounts owed by parent undertaking	29,374	-
Amounts owed by group undertakings	11,846	9,818
Prepayments and accrued income	4,777	5,342
	<u>89,636</u>	<u>60,477</u>

**14 Creditors' amounts falling due within one year**

	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
Bank loans and overdrafts	1,362	-
Obligations under finance lease and hire purchase contracts	12	108
Trade creditors	34,090	35,184
Amounts owed to other group undertakings	38,985	7,689
Amounts owed to parent undertaking	-	43,988
Corporation tax	13,832	6,059
Other taxation and social security	1,930	2,075
Accruals	7,892	4,421
	<u>98,103</u>	<u>99,524</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows

	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
Within one year	<u>12</u>	<u>108</u>

**PREMIER FARNELL UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**15 Provisions for liabilities and charges**

Movement in provision comprises

	Deferred Taxation £000	BHIO Reorganisation £000	Dilapidation Costs £000	Total £000
At 29 January 2006 (as previously reported)	828	3,282	983	5,093
Prior year adjustment	(475)	-	-	(475)
At 29 January 2006 (as restated)	353	3,282	983	4,618
Profit and loss account	(580)	-	99	(481)
Utilised	-	(2,722)	-	(2,722)
At 28 January 2007	(227)	560	1,082	1,415

**Deferred taxation**

Deferred taxation is provided in the accounts as follows

	2007 £000	2006 £000 (as restated)
Capital allowances in advance of depreciation	636	697
Other timing differences	(863)	(344)
	(227)	353

The restatement for deferred tax reflects the adoption of FRS 20 (see note 16)

**BuckHickman InOne (BHIO) reorganisation**

On 27<sup>th</sup> January 2006, the Group announced a restructuring of its BHIO business. This comprised a restructuring of the sales and logistics operations under which branches will focus solely on delivery sales and customer service by relinquishing responsibility for procurement, local inventory and logistics. These activities will be streamlined through the creation of a number of regional distribution centres, supported by the business' national distribution centre in Coventry. The restructuring also includes a review of the profitability of customer contracts and the centralisation of procurement.

During the year £2.7million of the provision was utilised relating primarily to £1.6million of severance costs and £0.5million of consultancy costs. It is anticipated that the balance at the end of the year will be utilised during 2008.

**16 Share based payments**

The total charge for share-based payments attributable to the Company was £500,000 (2006 £500,000) all of which related to equity settled transactions.

**Share options**

The executive share option scheme is available to Executive Directors and other senior management of the Premier Farnell plc group. Annual grants are made under the executive

**PREMIER FARNELL UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Share based payments (continued)**

share option scheme with a value up to 100% of an individual's annual salary. Vesting of options is subject to a performance condition based on the growth of earnings per share exceeding RPI by a pre-determined amount.

Grants under the Save as You Earn (SAYE) option scheme are available to all eligible UK employees and are not subject to any performance conditions, although do require the employee to save over a three or five year period.

The fair value of Premier Farnell plc's principal option grants made in the year and the assumptions used in the calculations are as follows:

	2007		2006	
	Options	SAYE 3yr/5yr	Options	SAYE 3yr/5yr
Grant date	20/10/06	18/04/06	6/10/05	19/4/05
Share price at grant date	£1.88	£2.02	£1.46	£1.64
Exercise price	£1.88	£1.80	£1.46	£1.43
Number granted	693,947	103,433/32,678	799,241	424,108/192,182
Option pricing model	Binominal lattice	Black-Scholes	Binominal lattice	Black-Scholes
Vesting period (years)	3	3/5	3	3/5
Expected volatility	35%	40%	40%	40%
Contractual life (years)	10	3.5/5.5	10	3.5/5.5
Risk free rate	4.9%	4.7%	4.3%	4.6%
Dividend yield	4.8%	4.4%	6.2%	5.5%
Fair value per option	£0.52	£0.58/£0.64	£0.33	£0.45/£0.48

The expected volatility is based on historical volatility over the last 10 years. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. No performance conditions were included in the fair value calculations.

**Reconciliation of option movements during the year**

	2007		2006	
	Number ('000)	Weighted average exercise price	Number ('000)	Weighted average exercise price
Outstanding				
Beginning of year	2,852	£2.06	2,293	£2.35
Granted	769	£1.89	960	£1.45
Forfeited	(548)	£2.17	(348)	£2.19
Exercised	(143)	£1.61	(36)	£1.55
Expired	(50)	£6.84	(18)	£5.60
End of year	2,880	£1.93	2,851	£2.06
Exercisable	605	£2.17	999	£2.43
Weighted average contractual life (years)		7.8		7.0

The weighted average share price at the date of exercise for share options exercised during the period was £1.99 (2006: £1.88).

# PREMIER FARNELL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### Share based payments (continued)

#### Long term incentive plan (LTIP)

Under Premier Farnell plc's LTIP, Executive Directors and senior executives are awarded rights to acquire ordinary shares with a value up to 100% of salary in any year. The main performance condition is based on the growth of the group's total shareholder return (share price growth and reinvested dividends) over a three year period compared to the companies in the FTSE mid-250 Index (excluding investment trusts).

The fair value of Premier Farnell plc's LTIP grant in the year ended 28th January 2007 and the assumptions used in the calculations are set out below. There was no LTIP grant in the year ended 29th January 2006.

	2007
Grant date	4/4/06
Share price at grant date	£2.12
Exercise price	n/a
Number granted	209,704
Pricing model	Monte Carlo
Expected volatility	40%
Volatility of comparator group	35%
Correlation with comparators	20%
Contractual life (years)	3
Dividend yield	4.3%
Fair value per instrument	£1.16

The performance conditions relating to the LTIP are incorporated into the fair value calculations.

### 17 Called up share capital

	2007 £000	2006 £000
Authorised		
Ordinary shares of £1 each	250	250
Allotted, called up and fully paid		
Ordinary shares of £1 each	250	250

### 18 Reserves

	Share Premium £000	Profit and loss account £000
At 29 January 2006 (as previously reported)	302,497	8,333
Prior year adjustment – deferred tax impact of FRS 20	-	475
At 29 January 2006 (as restated)	302,497	8,808
Retained profit for the financial year	-	9,833
Share based payments	-	500
At 28 January 2007	302,497	19,141

**PREMIER FARNELL UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**19 Reconciliation of movements in shareholders' funds**

	2007 £000	2006 £000 (as restated)
Retained profit for the financial year	9,833	498
Opening shareholders' funds (previously £310,232,000 before prior year adjustment of £325,000)	311,555	310,557
Share based payments	500	500
Closing shareholders' funds	<u>321,888</u>	<u>311,555</u>

**20 Operating leases**

Annual commitments under non-cancellable operating leases are as follows

	2007 Land & buildings £000	Other £000	2006 Land & buildings £000	Other £000
Operating leases which expire				
Within one year	35	315	125	447
In second to fifth year inclusive	620	947	429	770
Over five years	876	-	1,357	-
	<u>1,531</u>	<u>1,262</u>	<u>1,911</u>	<u>1,217</u>

**21 Guarantee**

The Company, together with a number of fellow UK subsidiary undertakings, has entered into a joint and several guarantee securing the indebtedness of Premier Farnell plc and these UK subsidiary undertakings to HSBC Bank plc with regard to UK banking arrangements. The indebtedness to HSBC Bank plc at 28 January 2007 under these arrangements was £10.9m (2006 £4.9m).

The company has guaranteed the loans of the ultimate parent company and fellow subsidiary undertakings which at 28 January 2007 amounted to £196.8m (2006 £252.6m).

**22 Pension commitments**

Employees of the Company are eligible for membership of the Premier Farnell UK Pension Scheme (the "Scheme"). The employees who joined the Scheme prior to 31 December 1998 continue to receive final salary benefits. Employees joining the Scheme from 1 January 1999 are entitled to defined contribution benefits only.

Details of the latest formal actuarial valuation of the Scheme can be found in the accounts of Premier Farnell plc, together with the Scheme's disclosures in accordance with Financial Reporting Standard 17 (FRS 17), Retirement Benefits.

The Company is unable to identify the share of the underlying assets and liabilities of the group scheme relating to its employees. Therefore, in accordance with FRS 17, the Company has accounted for the contributions to the scheme as if they were to a defined contribution scheme. The detailed disclosures required by FRS 17 have been included in the consolidated financial statements of the ultimate parent undertaking, Premier Farnell plc.

**PREMIER FARNELL UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Pension Commitments (continued)**

There is no difference between the charges in the Profit and Loss account and the contributions paid (note 4)

**23 Post Balance Sheet Event**

On 21 March 2007, the Company announced that it had reached an agreement to sell the trade and assets of its BuckHickman business to The BSS Group plc for a total consideration of approximately £27million. For the year ended 28 January 2007, BuckHickman reported sales of £99.8million and an operating loss of £0.8million.

**24 Parent Undertaking**

The immediate parent undertaking is Farnell Holding Limited, which is incorporated in England.

The ultimate parent undertaking is Premier Farnell plc, which is incorporated in England and prepares group financial statements. Copies of the group financial statements can be obtained by writing to The Secretary, Premier Farnell plc, 150 Armley Road, Leeds, LS12 2QQ.