MSC INDUSTRIAL DIRECT CO INC
Form 11-K
June 29, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 11-K

**FOR ANNUAL
REPORTS OF EMPLOYEE STOCK
REPURCHASE SAVINGS AND SIMILAR PLANS
PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

(Mark One):

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the fiscal year ended December 31, 2005

OR

o **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from to

Commission file number 1-14130

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

MSC Industrial Direct 401(k) Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

MSC Industrial Direct Co., Inc.

75 Maxess Road, Melville, New York 11747

PLAN NUMBER: 003
EIN: 13-5526506

MSC INDUSTRIAL DIRECT 401(K) PLAN

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

DECEMBER 31, 2005 AND 2004 AND YEAR ENDED DECEMBER 31, 2005

WITH REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

2

MSC INDUSTRIAL DIRECT 401(K) PLAN

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE
DECEMBER 31, 2005 AND 2004 AND YEAR ENDED DECEMBER 31, 2005

All other schedules are omitted as they are not applicable or are not required based on the disclosure requirements of the Employee Retirement Income Security Act of 1974, as amended, and applicable regulations issued by the Department of Labor.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Plan Administrator and Trustee of the
MSC Industrial Direct 401(K) Plan

We have audited the accompanying statements of net assets available for benefits of the MSC Industrial Direct 401(K) Plan (the Plan) as of December 31, 2005 and 2004, and the related statement of changes in net assets available for benefits for the year ended December 31, 2005. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2005 and 2004, and the changes in its net assets available for benefits for the year ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets held at end of year as of December 31, 2005, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. This supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/S/ ERNST & YOUNG LLP

Melville, New York
May 12, 2006

4

PLAN NUMBER: 003
EIN: 13-5526506

MSC INDUSTRIAL DIRECT 401(K) PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31, 2005	**2004**
Assets		
Investments with custodian, at fair value	**$ 77,824,175**	$ 66,737,270
Receivables:		
Employer contribution, net of forfeitures	**64,327**	52,902
Participant contributions	**223,779**	184,323
Participant loans	**2,643,979**	2,347,854
Total receivables	**2,932,085**	2,585,079
Net assets available for benefits	**$ 80,756,260**	$ 69,322,349

See accompanying notes.

5

PLAN NUMBER: 003
EIN: 13-5526506

MSC INDUSTRIAL DIRECT 401(K) PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2005

Additions to net assets attributed to:	
Investment income:	
Net appreciation in fair value of investments	$ 3,608,132
Dividend, interest and loan income	2,365,328
	5,973,460
Contributions:	
Participants	7,985,786
Employer, net of forfeitures	1,682,641
	9,668,427
Total additions	15,641,887
Deductions from net assets attributed to:	
Benefits paid to participants	4,191,578
Withdrawals, administration fees and other	16,398
Total deductions	4,207,976
Net increase	11,433,911
Net assets available for benefits:	
Beginning of year	69,322,349
End of year	$ 80,756,260

See accompanying notes.

PLAN NUMBER: 003
EIN: 13-5526506

MSC INDUSTRIAL DIRECT 401(K) PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

1. DESCRIPTION OF PLAN

The following description of the MSC Industrial Direct 401(K) Plan, as amended (the Plan) provides only general information. Participants should refer to the plan document for a more complete description of the Plan s provisions.

General

The Plan is a defined contribution plan, covering all Employees (as defined in the Plan) of participating employers (other than Employees who are non resident aliens with no earned income from a participating employer which constitutes income from services within the United States and Employees covered by a collective bargaining agreement) who meet certain age and service requirements of the Plan. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). MSC Industrial Direct Co. Inc. (the Company) is responsible for the administration of the Plan. T.Rowe Price Trust Company is the Plan Trustee (TRP) and T.Rowe Price Retirement Plan Services, Inc., is the record keeper for the Plan.

Eligibility

An Employee is eligible for participation in the Plan on the first day of the month after completing one full calendar month of service, and must be at least eighteen years of age.

Contributions and Vesting

Participants may elect to contribute between 1% and 40% of their annual compensation, as defined in the Plan. The maximum annual contribution a participant could make into the Plan, as established by the Internal Revenue Code (the Code), was $14,000 ($18,000 for participants eligible to make catch-up contributions) during 2005. Participants may also contribute amounts representing distributions from other qualifying plans. Participants are immediately vested in their pre-tax and rollover contributions.

The Employer (as defined in the Plan) may make a discretionary matching contribution based on the participant s pre-tax contributions. The Employer may also make a discretionary profit sharing contribution to eligible participants to be allocated in the same ratio as each eligible participant s compensation bears to the total of such compensation of all eligible participants. In general, participants must have completed 1,000 hours of service and be employed on the last day of the Plan year to be eligible to share in the allocation of any profit sharing employer contributions. Participants vest in Employer contributions as follows:

Completed Years of Service	Vested Percentage	
less than 2		0%
2 but less than 3	20	%
3 but less than 4	40	%
4 but less than 5	60	%
5 but less than 6	80	%
6 or more	100	%

In 2005, the Employer s discretionary matching contributions were $1,885,095. This included the payment of the December 31, 2005 contribution receivable and the application of forfeitures accumulated in 2005 and previous Plan years of $202,454. There were no discretionary profit sharing contributions in 2005.

PLAN NUMBER: 003
EIN: 13-5526506

MSC INDUSTRIAL DIRECT 401(K) PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 (continued)

Participant Accounts

Individual accounts are maintained for each participant. Each participant s account is credited with the participant s contributions and allocations of (a) the Company s contributions and (b) Plan earnings, and is charged with allocations of Plan losses and, if not paid by the Employer, administrative expenses. Allocations are based on participant earnings or account balances, as defined.

Forfeitures

Forfeited balances of terminated participants non-vested employer contributions are used to reduce future employer discretionary matching contributions. Forfeitures accumulated during 2005 were $99,587, with a forfeiture balance of $13,990 as of December 31, 2005.

Participant Loans

The Plan has a loan provision, which allows participants to borrow from the Plan. The minimum loan is $1,000, and the maximum loan is generally 50% of a participants total vested account balance, not to exceed $50,000. The interest rate is established by the prime rate plus one percent. Interest rates on outstanding loans as of December 31, 2005 ranged from 5.00% to 10.50%. Interest paid by a participant on an outstanding loan is paid directly into the participant s account. Principal and interest is paid ratably through payroll deductions. The repayment period cannot exceed five years unless the loan is used to acquire a participant s principal residence, in which case the repayment period cannot exceed ten years. A participant can have a maximum of two loans outstanding from the Plan at any given time.

In-Service Withdrawals

The Plan permits a participant to withdraw participant pre-tax, vested discretionary matching and vested discretionary profit sharing contributions to the extent necessary to satisfy the participant s hardship (as defined in the Plan). In addition, the Plan permits participants who have attained age 59-1/2 to make in-service withdrawals from the Plan.

Payment of Benefits

On termination of service due to death, disability, retirement or for any other reason, a participant may elect to receive either a lump-sum distribution equal to the value of the participant s vested interest in his or her account or installments over a fixed period, if the participant s vested balance exceeds $5,000. If a participant s vested account balance is less than or equal to $5,000, the participant s vested account balance will be paid in a lump-sum distribution. Effective March 28, 2005, if the amount of such mandatory distribution is more than $1,000 and the participant does not elect to have such distribution directly rolled over into an IRA or other eligible retirement plan or paid directly to him or her, such amount will be directly rolled over into an IRA established by the Plan administrator in the participant s name.

Plan Expenses

Expenses for record keeping, investment and other costs are generally paid by the Plan. Accounting fees are generally paid by the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounting records and financial statements of the Plan are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States and are based upon data provided by the record keeper

8

PLAN NUMBER: 003
EIN: 13-5526506

MSC INDUSTRIAL DIRECT 401(K) PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 (continued)

and/or custodian, adjusted for accruals for contributions receivable and excess contribution payments due to participants based on the results of ERISA limit testing.

Investments

The Plan s investments are stated at fair value, which equals the quoted market prices on the last business day of the Plan year. The shares of registered Investment Companies are valued at quoted market prices, which represent the net asset values of shares held by the Plan at year-end.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rates, and market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants account balances and the amounts reported in the statements of net assets available for benefits.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

PLAN NUMBER: 003
EIN: 13-5526506

MSC INDUSTRIAL DIRECT 401(K) PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 (continued)

3. INVESTMENTS

The Plan s investments are held by the Trustee of the Plan and are managed by T.Rowe Price Investment Services, Inc. The fair value of individual investments that represent 5% or more of the Plan s net assets at December 31, 2005 and 2004 are as follows:

	December 31, 2005	December 31, 2004
PIMCO Total Return Fund	$ 4,402,975	$ 4,202,376
TRP Balanced Fund	4,174,600	3,556,827
TRP Equity Income Fund	5,108,582	4,979,441
TRP Equity Index Trust	6,657,413	6,240,181
TRP Global Stock Fund	6,389,053	4,833,521
TRP Growth Stock Fund	8,720,172	8,515,318
TRP Stable Value Fund	12,170,227	