

## Half –Yearly Financial Report

Electrocomponents plc, the world's leading high service distributor of electronics and maintenance products, today announces its results for the six months ended 30 September 2011.

### SUMMARY OF RESULTS

'A strong first half performance'

	H1 2011/12	H1 2010/11	Change
Revenue	<b>£626.5m</b>	£563.3m	11.0% <sup>(1)</sup>
Profit before tax	<b>£59.4m</b>	£50.5m	17.6%
Return on sales	<b>9.9%</b>	9.5%	0.4% pts
Earnings per share	<b>9.4p</b>	8.0p	17.5%
Interim dividend per share	<b>5.0p</b>	5.0p	-

(1) Underlying revenue growth, adjusted for currency and trading days

### Financial Highlights

- Strong first half underlying sales growth of 11%, with International growth of 14% and UK of 5%
- Gross margin stable with the first half of last year
- Good cost leverage, with operating costs reducing by 0.5% points of sales
- Profit before tax increasing by 18%
- Return on sales increasing by 0.4% points to 9.9%
- £22.7m free cash flow, after £22m working capital investment to drive sales growth
- Strong balance sheet and new £210m committed bank refinancing

### Operational Highlights

- International contributed over 70% of Group sales with all regions delivering double digit growth
- Electronics growth of 12% supported by 20,000 new market leading products
- Maintenance growth of 11% benefiting from the large and consistent offer across UK and Europe
- eCommerce revenue growth of 26%, with revenue share exiting at 54%
- Significant enhancements made to our websites making products easier and faster to find
- Increased UK profits with contribution margin improving by 1% point to 29%

### CURRENT TRADING AND OUTLOOK

In October, Group sales growth was similar to September at 5% with the International business growing at 6% and the UK at 2%. Within International, Continental Europe has grown by 5%, North America by 5% and Asia Pacific by 11%.

Through the implementation of our electronics, maintenance and eCommerce initiatives the business is continuing to deliver year on year sales growth and we are gaining market share, particularly from smaller competitors.

We are investing in our strategic initiatives and, being mindful of economic conditions, we are continuing to keep tight control of our costs. As a result, we expect ongoing second half operating costs to be in line with the second half of the last financial year. With our broad spread of international businesses, proven strategy and strong balance sheet, the Group is well positioned for the future.

### IAN MASON, GROUP CHIEF EXECUTIVE, COMMENTED:

"I am pleased to report a strong first half performance with all our regions contributing to the Group's sales growth of 11%, building on the excellent progress we made last year. Both our electronics and maintenance offers have grown at double digit rates and our eCommerce channel has grown by 26%.

As the leading global high service distributor operating in large, growing and highly fragmented markets, we have continued to take share, particularly from smaller competitors, and our strategy is delivering good results."

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The results, copy of the half year presentation and video interviews with senior management are available on the corporate website at [www.electrocomponents.com](http://www.electrocomponents.com)

**Definitions of terms:**

*In order to reflect underlying business performance, comparisons of revenue between periods (including by region, product group and channel eg eCommerce) have been adjusted for exchange rates and the number of trading days (underlying revenue growth). Changes in profit, cash flow, debt and share related measures such as earnings per share are, unless otherwise stated, at reported exchange rates.*

**Notes to editors:**

*Electrocomponents plc is the world's leading high service distributor of electronics and maintenance products, with operations in 32 countries. Founded in 1937 the business is listed on the London Stock Exchange and employs around 5,800 people. Today, through our trading brands of RS and Allied, we offer 550,000 products through the internet, catalogues and at trade counters to 1.6 million customers and have a market-leading reputation for service excellence. Our products, sourced from 2,500 leading suppliers, include electronics, electrical, mechanical, automation and health and safety components.*

*The business satisfies the small quantity needs of its customers who are typically electronics or maintenance engineers in business. A large number of high quality goods are stocked, which are dispatched the same day that the order is received. The average customer order value is around £140 although the range of order values is wide. The Group's large number of customers come from a wide range of industry sectors with diverse product demands.*

## OVERVIEW AND STRATEGY IMPLEMENTATION

### Market overview

The global market opportunity available to the Group is large and growing. We estimate that the value of the available market is around £30 billion globally; split evenly between electronics and maintenance products. The overall electronics market has, on average, grown at around twice the rate of GDP growth and the maintenance market at around GDP growth, but higher than this in emerging markets such as Asia Pacific.

We operate in highly fragmented markets which are primarily served by a large number of small local and regional distributors. There are five international high service distributors, including Electrocomponents, which together have around 15% of the available global market and are gaining market share from smaller distributors who are not able to match their broad product range and high customer service.

Electrocomponents, through its brands RS and Allied Electronics, is the leading high service distributor in the world. RS is the leading distributor in the UK, Continental Europe and Asia Pacific, while Allied is in the top three in the North American market.

### Strategy Implementation

Our strategy comprises five core areas:

- Focus on international markets
- Develop our electronics and maintenance offers
- Exploit the full potential of eCommerce
- Leverage our global infrastructure and increase operating margins
- Maintain UK profitability

### Focus on International Markets

International markets now account for over 70% of our total revenue and 60% of our contribution.

In the first half our International business delivered underlying sales growth of 14% as we continued to exploit the structural growth opportunities through our electronics, maintenance and eCommerce initiatives and regionalisation in Europe and Asia Pacific. This was ahead of both GDP growth and our International sales growth target of 7-10%. The performance was broadly based, with all International regions delivering double digit sales growth.

### Develop our Electronics and Maintenance Offers

#### Electronics

Our electronics portfolio represents over 40% of our total revenues, and grew by 12%. During the first half around 20,000 new electronics products were introduced from leading suppliers including TE Connectivity, Panasonic, Texas Instruments and Murata.

DesignSpark, our online gateway with resources for electronics design engineers, was launched in the summer of 2010, and has had more than 700,000 visits and 4.5 million page views to date. This has enabled us to acquire new customers and to increase existing customer spend. In addition, DesignSpark PCB, our free online design tool for electronics engineers, has recorded over 100,000 downloads since its launch, while there have been more than 80,000 downloads of our 3D CAD models with strong growth in both China and Japan. It recently won the EE Times award in the USA as the "Most Popular Product of the Year" in the IP/EDA category.

During the first half we launched our new and groundbreaking PCB Converter for Google Sketch Up, the World's most popular 3D design tool. This allows electronics design engineers to transfer their electronics circuit designs into a 3D CAD environment.

#### Maintenance

Our maintenance portfolio is a key differentiator from our competitors as we are the leading global high service distributor with the broadest range of automation and control, maintenance, repair and operations products. During the first half our maintenance sales grew by 11%, supported by the launch of 4,000 new maintenance products and the building of a large product offer which is consistent across Continental Europe and the UK. In addition we enhanced our strong automation and control customer offer, while products promoted with strategic suppliers performed well.

### **Exploit the Full Potential of eCommerce**

Our strategy embraces a multi-channel approach to growth with eCommerce at the heart of the business. eCommerce revenue grew by 26% and represented 54% of Group sales at the exit of the first half, up from 47% during the first half last year. All regions delivered double digit eCommerce growth with growth in the UK of 14%, Europe 28%, North America 29% and Asia Pacific 53%. This performance was supported by a doubling in search engine marketing spend across the Group and the introduction of a number of significant enhancements to the RS websites, which were completed in September and have made the process of finding products clearer, faster and easier. Customer feedback has been encouraging. We also launched a new, local language website in Indonesia during the period.

### **Leverage our Global Infrastructure and Increase Operating Margins**

We have 17 distribution centres globally which enable us to provide our high service levels to around 90% of the world's GDP. We operate directly in 32 countries with distributors in a further 37 countries. Our product range is continually refreshed, with around 40,000 new products added globally to our portfolio in the first half. This comprised 20,000 electronics products, 4,000 maintenance products and 16,000 new products in Allied, North America.

The UK is our largest individual market with a return on sales around 10% points higher than that of our International business principally due to economies of scale. As the International business grows it will be able to deliver increasing operating leverage and increasing contribution margins.

During the first half the return on sales increased by 0.4% points to 9.9% as underlying sales grew by 11%, the Group gross margin was stable and we delivered operating cost leverage. Contribution margins increased in both our International and UK businesses whilst Process costs reduced as a percentage of sales.

### **Maintain UK Profitability**

The UK's strategy is focused on maintaining its leadership position in the high margin "immediate delivery" business, leveraging the Group's improved customer offers, especially electronics and eCommerce, and developing new incremental regular revenue streams, including corporate accounts and larger orders (orders averaging around £1,000). Gross margin, operating costs and cash continue to be managed effectively.

During the first half of the year the UK business delivered sales growth of 5%, an increased gross margin and an 8% increase in contribution. The contribution margin, as a percentage of sales, increased by 1.1% points to 28.9%.

### **People**

Building a "Great Place to Work" and improving our employee engagement is an increasingly important area of focus across the Group. Last year we launched "Face2Face", our award winning employee communication programme in the UK, and we have held similar sessions across Continental Europe and Asia Pacific. We measure progress against our employee engagement targets through employee surveys achieving consistently positive results.

The Board has considered the recommendations of Lord Davies on boardroom diversity and the FRC feedback statement regarding gender diversity on boards. At the Board level we had already decided to recruit an additional Non-Executive Director and particular efforts are being made to identify suitable women candidates with the skills we are seeking to enhance the Board. Across the Group more generally, work has been ongoing for some time to improve diversity and the Board remains committed to increasing gender diversity throughout the organisation.

## OPERATING PERFORMANCE AND KEY PERFORMANCE INDICATORS

Operating Performance	H1 2011/12	H1 2010/11
Revenue	<b>£626.5m</b>	£563.3m
Gross margin	<b>46.7%</b>	46.8%
Contribution	<b>£130.6m</b>	£115.7m
Group Process costs	<b>£(68.5)m</b>	£(62.1)m
Operating profit	<b>£62.1m</b>	£53.6m
Interest (net)	<b>£(2.7)m</b>	£(3.1)m
Profit before tax	<b>£59.4m</b>	£50.5m
Free cash flow	<b>£22.7m</b>	£33.6m
Earnings per share	<b>9.4p</b>	8.0p
Interim dividend per share	<b>5.0p</b>	5.0p

Key Performance Indicators	H1 2011/12	H1 2010/11
Group sales growth <sup>(1)</sup>	<b>11.0%</b>	24.4%
International <sup>(1)</sup>	<b>13.8%</b>	29.6%
UK <sup>(1)</sup>	<b>4.6%</b>	13.9%
eCommerce revenue share	<b>53%</b>	47%
Group return on sales <sup>(2)</sup>	<b>9.9%</b>	9.5%
Stock turn (per year)	<b>2.7x</b>	2.8x
Net debt to 12 month EBITDA <sup>(3)</sup>	<b>1.1x</b>	1.2x
Interest cover (12 month EBITA <sup>(4)</sup> /net interest)	<b>26.6x</b>	21.9x

(1) Underlying revenue growth, adjusted for currency and trading days

(2) Operating profit expressed as a percentage of revenue

(3) EBITDA: earnings before interest, tax, depreciation and amortisation (inc. government grants)

(4) EBITA: earnings before interest, tax and amortisation (inc. government grants)

## BUSINESS PERFORMANCE

### Revenue

Group revenue was £626.5m representing an underlying increase of 11% on the first half of last year, with the International business growing by 14% and the UK by 5%. Within the International business all the regions reported double digit underlying revenue growth with Continental Europe growing by 15%, North America by 14% and Asia Pacific by 12%.

The sales growth rates of our electronics and maintenance products converged during the first half with electronics growing by 12% and maintenance by 11%. As the half year progressed, revenue growth slowed as a result of more challenging prior year comparatives and the tougher macro economic environment.

### Gross margin

Group gross margin at 46.7% was similar to the first half of last year.

### Costs

Operating costs at constant exchange increased by 9% (10% as reported) and reduced by 0.5% points of sales as the business delivered improving operating leverage. This performance was supported by cost reduction initiatives including the effects of prior year renegotiated freight contracts and ongoing, locally driven, continuous improvement projects.

To increase the customer impact of our marketing initiatives we plan to increase the spend on our successful pan-European online and offline marketing campaigns in the second half of the year and to defer the introduction of the new consistent European catalogues into the next financial year. The financial impact has been to reduce first half European costs by around £3m and will increase planned second half European costs by around £1m.

The first half operating costs were impacted by the annualisation of the investment of around £6m incurred in the second half of the previous financial year. These costs related to strategic initiatives including

eCommerce, the European maintenance offer and investment in Asia Pacific and Continental Europe growth.

#### **Profit before tax**

Profit before tax was £59.4m, an increase of £8.9m (18%) over the first half of last year. All regions contributed to this increase with the International business increasing its contribution by £11.1m (16%) and the UK business by £3.8m (8%). This contribution increase was partially offset by a £6.4m (10%) increase in Process costs together with lower net interest costs of £0.4m due to lower short term interest rates. Foreign exchange contributed to the increase in operating profit by around £1m principally due to the weakening of Sterling against the Euro.

#### **Earnings per share**

Earnings per share of 9.4p increased 18% year on year in line with the increase in pre tax profits, with the effective tax rate remaining at 31%.

#### **Dividend**

The Board has approved a maintained interim dividend of 5p per share, which will be paid in January next year to shareholders on the register as at 9 December 2011. In the previous financial year, the interim dividend represented 43% of the full year dividend. It is our intention that the proportion of the full year dividend represented by the final dividend will increase over time. The Board will decide upon the final dividend to recommend to shareholders once the full year results are known.

#### **Cash flow**

The Group delivered free cash flow of £22.7m. This was £10.9m lower than the first half of last year due to the planned increased investment in stock to support growth, which reduced the stock turn by 0.1x to 2.7x, and increased capital expenditure of £5.9m to £15.6m, principally due to the SAP implementation in our North American business and enhancements to the Group's websites.

During the second half of the financial year the Group cash flow will be impacted by an estimated £8m increase in stock in China to drive sales and the capital expenditure on both the Allied SAP implementation and the technical upgrade to our European SAP system. Full year capital expenditure is still expected to be around £35m.

#### **Financial position**

At 30 September 2011 net debt was £166.5m. This was £5.8m higher than as at 31 March 2011 primarily due to first half free cash flow of £22.7m being lower than the dividends of £28.3m.

In July 2011 the Group signed a new £210m syndicated multicurrency facility from seven banks maturing in November 2015. This facility, together with the Group's \$150m of US Private Placement notes, provides the majority of the Group's committed debt facilities and loans of £305.3m, of which £141.2m was undrawn as at 30 September 2011. The Private Placement notes are split \$65m maturing in June 2015 and \$85m maturing in June 2017 and cross currency interest rate swaps have swapped \$60m of the PP notes from fixed \$ to floating £ and \$40m from fixed \$ to floating €, giving the Group an appropriate spread of financing maturities and currencies.

The Group's financial metrics remain strong with EBITA interest cover of 26.6x and Net Debt to EBITDA of 1.1x (both measures are based upon proforma twelve months ended 30 September 2011 financials) with significant headroom to the Group's banking covenants.

## INTERNATIONAL

	H1 2011/12	H1 2010/11	Growth reported	Growth underlying <sup>(1)</sup>
Revenue	<b>£448.2m</b>	£391.6m	14.5%	13.8%
Gross margin	<b>45.4%</b>	46.0%		
Operating costs	<b>£(124.3)m</b>	£(112.4)m	(10.6)%	(9.3)%
Contribution	<b>£79.0m</b>	£67.9m	16.3%	13.7%
Contribution % of revenue	<b>17.6%</b>	17.3%		

(1) Adjusted for currency; revenue also adjusted for trading days

The International business represents over 70% of Group revenue and comprises three regions: Continental Europe (50% of the International business), North America (31%) and Asia Pacific (19%).

During the half year, underlying revenue increased by 14% with all three regions delivering double digit underlying sales growth. Continental Europe reported 15% sales growth, North America 14% growth and Asia Pacific 12% growth.

Gross margin reduced by 0.6% points compared to the first half of last year, principally due to the gross margin reduction in Continental Europe which was due to adverse foreign exchange movements and the improving performance of the region's large customers and initiatives driving larger orders.

The International business delivered improving cost leverage with costs as a percentage of sales reducing by 0.9% points with reductions in all regions. The contribution margin increased by 0.3% points to 17.6% and contribution grew by 14% at constant foreign exchange (16% as reported).

## CONTINENTAL EUROPE

	H1 2011/12	H1 2010/11	Growth reported	Growth underlying <sup>(1)</sup>
Revenue	<b>£223.1m</b>	£187.0m	19.3%	14.6%
Contribution	<b>£47.3m</b>	£39.4m	20.1%	14.0%
Contribution % of revenue	<b>21.2%</b>	21.1%		

(1) Adjusted for currency; revenue also adjusted for trading days

Our business in Continental Europe comprises ten markets. The largest of these are France, Germany and Italy and the remaining businesses are Austria, Benelux, Eastern Europe (comprising Poland, the Czech Republic and Hungary), Ireland, Scandinavia, Spain and Switzerland.

During the first half of the financial year our Continental Europe business reported 15% underlying revenue growth and 14% contribution growth at constant foreign exchange (20% growth as reported). All our markets delivered sales growth and nine reported double digit growth. Contribution margin, as a percentage of sales, increased by 0.1% point.

The regional management team has continued to focus on the implementation of pan-European sales and marketing initiatives. Recent examples have included the further expansion of the region's electronics range, the creation of a larger and consistent maintenance offer across Europe and the promotion of products with our strategic suppliers supported by common pan-European online and offline marketing campaigns. These have helped drive customer larger order behaviour and the business's pan-European reach and broad product offer has enabled us to win 17 large customer accounts.

eCommerce revenue grew by 28% with revenue share exiting at 60% compared to 53% during the first half last year. Increased search engine marketing and the significant enhancements to our websites, which made the process of finding products clearer, faster and easier, have supported this strong performance.

The region's Eastern European business, which was launched in Poland, the Czech Republic and Hungary in January, continues to grow strongly winning many new large customer accounts.

Customer service remains an area of focus across the entire region with the latest customer surveys reporting increasing satisfaction levels from our customers, particularly against smaller distributors who cannot match our product and service offer.

## NORTH AMERICA

	H1 2011/12	H1 2010/11	Growth reported	Growth underlying <sup>(1)</sup>
Revenue	<b>£140.7m</b>	£131.6m	6.9%	14.0%
Contribution	<b>£23.3m</b>	£21.4m	8.9%	15.7%
Contribution % of revenue	<b>16.6%</b>	16.3%		

(1) Adjusted for currency; revenue also adjusted for trading days

Allied, our North American business, reported underlying sales growth of 14% and contribution growth of 16% at constant foreign exchange (9% as reported) for the half year. The contribution margin, as a percentage of sales, increased by 0.3% points to 16.6%.

The Allied management team has continued to implement its successful growth strategy. This is focused on further developing customer relationships using its extensive sales office network, accelerating customer acquisition, adding new products from strategic suppliers and growing eCommerce revenue.

During the half year, Allied added around 16,000 new products with twelve new suppliers including ABB. The fastest growing product category was automation and control which benefited from a targeted marketing campaign using online and offline communications to customers highlighting the broad product range and service offer.

Allied continued to leverage its strong supplier relationships with joint customer initiatives and visits which contributed to the outperformance of products from our strategic suppliers.

eCommerce revenue grew by 29% with eCommerce revenue share exiting at 41% compared to 36% during the first half last year. This performance has been driven by a significant increase in search engine marketing and increasing use of online campaigns.

The project to replace the business's legacy systems with a new SAP based ERP system, similar to that already used across our European businesses, continues to progress well. The planned go live date is scheduled for the first quarter of the 2012 calendar year and the revenue costs of the project are expected to be around £2m in the second half of the financial year.

## ASIA PACIFIC

	H1 2011/12	H1 2010/11	Growth reported	Growth underlying <sup>(1)</sup>
Revenue	<b>£84.4m</b>	£73.0m	15.6%	11.6%
Contribution	<b>£8.4m</b>	£7.1m	18.3%	7.1%
Contribution % of revenue	<b>10.0%</b>	9.7%		

(1) Adjusted for currency; revenue also adjusted for trading days

Our Asia Pacific business is the region's market leader operating across twelve countries with local language websites and around 900 employees.



During the half year the region reported underlying sales growth of 12% and contribution growth of 7% at constant foreign exchange (18% as reported). Contribution margin as a percentage of sales increased by 0.3% points.

Sales in Greater China grew by more than 20% as the business started to benefit from its expanded service and product offer served from its new world class warehouse in Shanghai, which opened in April 2011. The Group is investing in stock to drive further growth in this market.

In Australasia the team have focused on sales opportunities with larger corporate customers, the growing resource sector and automation and control products. In Japan sales growth slowed towards the end of the half year as the country's power consumption control activities, following the earthquake and tsunami, impacted industrial activity.

eCommerce revenue grew by 53% exiting the half year at a 53% share up from 37% share in the first half last year. This strong growth was driven by a number of initiatives including a significant increase in search engine marketing spend, the introduction of a new online quote capability and dedicated online sales support to customers. The business also created a new website in Indonesia designed to meet the customer demand and support the strong growth we have experienced. The site is available in both English and local language versions and also allows customers to access the Group's electronics design tool, DesignSpark.

## UK

	H1 2011/12	H1 2010/11	Growth reported	Growth underlying <sup>(1)</sup>
Revenue	<b>£178.3m</b>	£171.7m	3.8%	4.6%
Gross margin	<b>50.0%</b>	48.5%		
Operating costs	<b>£(37.5)m</b>	£(35.6)m	(5.5)%	(5.5)%
Contribution	<b>£51.6m</b>	£47.8m	7.9%	7.9%
Contribution % of revenue	<b>28.9%</b>	27.8%		

(1) Revenue adjusted for trading days

Our business is the largest high service distributor in the UK supported by 14 locally stocked trade counters located in the UK's industrial hubs. The UK business reported underlying sales growth of 5% and contribution growth of 8%, with the business benefiting from a 1.5% point increase in gross margin to 50%. The gross margin increase was the result of targeted selling price increases, increased discount effectiveness and the favourable impact of foreign exchange movements. The 5.5% increase in operating costs was impacted by inflation and increased stock holding costs.

The UK's electronics range continues to be strengthened, complemented by the groupwide introduction of around 20,000 new market leading products, supported by marketing campaigns and the Group's DesignSpark online tools. Recognising the importance of the maintenance offer to the UK business, around 4,000 new maintenance products were introduced with a particular focus on the strong performing automation and control product ranges.

We are continuing to expand our successful larger order business, which satisfies customer demand for orders around £1,000 at competitive prices. The business secured a further six large customer contract wins with the UK's strong product and service offer being a key driver.

During the first half of the year, eCommerce revenue grew by 14% representing an exit share of 58%, up from 52% share during the first half last year. The continued strong performance of the UK's eCommerce channel was driven by a number of initiatives. These included increased search engine marketing, leading to record levels of customer visits to the UK website, the successful groupwide enhancements to our websites making the process of finding products clearer, faster and easier and the extension of the UK's "live chat" functionality.

## PROCESSES

	H1 2011/12	H1 2010/11	Change reported	Change underlying <sup>(1)</sup>
Process costs	<b>£(68.5)m</b>	£(62.1)m	(10.3)%	(9.6)%
Costs % of revenue	<b>(10.9)%</b>	(11.0)%		

(1) Adjusted for currency

The groupwide Processes principally comprise Electronics, Maintenance, eCommerce, Supply Chain and Information Systems. These Processes have responsibility for the identification, introduction and sourcing of the Group's products, managing supplier relationships, developing the Group's eCommerce strategy and its implementation, managing the Group's stock (both quantity and location) and overseeing the Group's worldwide IT infrastructure.

During the half year the Process activities have been focused on the continued support and implementation of the electronics, eCommerce and maintenance strategies.

The Electronics team has introduced around 20,000 new, market leading, electronics products and the Maintenance team has introduced around 4,000 new products.

Our eCommerce team developed and successfully rolled out significant improvements to the Group's websites making the customer journey, including the finding of products, clearer, faster and easier and this has led to positive customer feedback. Other developments have included the "live chat" functionality, initially piloted in the UK, now rolled out across Europe and the increasing use of the growing online social media.

Our Information Systems Process has managed the ongoing development of our groupwide transaction systems and our investments in eCommerce including the recent significant enhancements to the Group's websites. In the second half of the financial year the team's focus will be on the implementation of the new SAP based ERP system in North America and the technical upgrade of our existing European SAP systems to the latest version.

Supply Chain has supported the continued introduction of new products during the half year, whilst maintaining customer service and managing the Group's stock turn. Other areas of focus include groupwide health and safety initiatives and in Asia Pacific managing the move to the new and larger warehouse in Shanghai, China.

Process costs as a percentage of sales reduced by 0.1% point as the business benefitted from the leveraging of its fixed cost base. The underlying cost increase of 10% was due to the continued investment in the implementation of electronics, maintenance and eCommerce strategies, together with increased variable costs associated with strong International sales growth and new product introductions.

## **RISKS AND UNCERTAINTIES**

The Group has well established risk management and internal control processes for the identification, assessment and management of risks likely to affect the achievement of the Group's corporate and strategic objectives.

The Board and Group Executive Committee receive regular reports covering risks and mitigating actions arising from external factors, key dependencies, project delivery and corporate responsibility areas.

This section summarises the most significant risks to the achievement of our objectives:

### **Macro economic conditions**

The global economy remains vulnerable to major shocks such as a further banking crisis or sovereign debt defaults. As a result the Group's sales and profits could be exposed by a worsening of global economic conditions and a loss of business confidence.

The business has a wide geographic spread which mitigates against localised economic slowdowns and the Group has a strong balance sheet with significant headroom to its banking covenants and facilities. In addition, in July 2011, the Group signed a new £210m syndicated multi-currency facility from seven banks. The Group has historically exercised strong cost controls and working capital management.

### **Pricing**

A challenge for our business is to maintain value for money by balancing a competitive pricing strategy with high service levels and customer communication. The risk is that our competitors close the service gap and become more competitive on price.

This is addressed by the Group's dynamic pricing strategy enabling the business to adapt product sale prices both in response to and in anticipation of external factors such as competitor marketing and pricing activities and foreign currency movements. In addition, there is an ongoing focus on monitoring and maintaining the business's high level of customer service.

### **Risks from the implementation of the Allied ERP system**

The implementation of the new SAP based ERP platform in the Allied business holds inherent risks as with any project of this scale, including the potential distraction from "business as usual" activities.

This risk has been recognised and is being addressed by specialist consultancy support which has been embedded in the implementation team alongside approved project governance procedures and review and monitoring by the Allied management team. This process is complemented by close review from the Group management team.

### **Customer acquisition, retention and frequency of spend is insufficient to meet strategy objectives**

There is a risk that the business does not attract sufficient numbers of new customers and is unable to develop new and existing customer behaviour to increase order frequency at a sustained level. This risk is mitigated by ongoing customer acquisition campaigns, targeted and relevant mass marketing programmes and promoting brand awareness programmes in new markets. Other activities include recently implemented improvements to the eCommerce "customer journey".

### **Product data quality and content reduces eCommerce effectiveness**

Current information and data structures could inhibit the future effectiveness of the eCommerce offer. This risk anticipates increasing market demands for faster rates of new product introductions and accompanying comprehensive product information. This is mitigated by ongoing programmes to improve product data and content quality, the monitoring of customer expectations through customer surveys, localisation of product hierarchies and a governance structure for new product introductions.

## **CURRENT TRADING AND OUTLOOK**

In October, Group sales growth was similar to September at 5% with the International business growing at 6% and the UK at 2%. Within International, Continental Europe has grown by 5%, North America by 5% and Asia Pacific by 11%.

Through the implementation of our electronics, maintenance and eCommerce initiatives the business is continuing to deliver year on year sales growth and we are gaining market share, particularly from smaller competitors.

We are investing in our strategic initiatives and, being mindful of economic conditions, we are continuing to keep tight control of our costs. As a result, we expect ongoing second half operating costs to be in line with the second half of the last financial year. With our broad spread of international businesses, proven strategy and strong balance sheet the Group is well positioned for the future.

**Ian Mason, Group Chief Executive**  
**Simon Boddie, Group Finance Director**

**14 November 2011**

## **RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY FINANCIAL REPORT**

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- The interim management report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

**Ian Mason, Group Chief Executive**  
**Simon Boddie, Group Finance Director**

**14 November 2011**

## Condensed Consolidated Income Statement

	Note	6 months to 30.9.2011 £m	6 months to 30.9.2010 £m	Year to 31.3.2011 £m
<b>Revenue</b>	1	<b>626.5</b>	563.3	1,182.2
Cost of sales		<b>(334.1)</b>	(299.6)	(625.8)
<b>Gross profit</b>		<b>292.4</b>	263.7	556.4
Distribution and marketing expenses		<b>(225.8)</b>	(205.1)	(427.6)
Administrative expenses		<b>(4.5)</b>	(5.0)	(9.0)
<b>Operating profit</b>		<b>62.1</b>	53.6	119.8
<b>Financial income</b>		<b>2.4</b>	1.5	3.0
<b>Financial expense</b>		<b>(5.1)</b>	(4.6)	(8.8)
<b>Profit before tax</b>	1	<b>59.4</b>	50.5	114.0
Income tax expense	2	<b>(18.6)</b>	(15.6)	(35.8)
<b>Profit for the period attributable to the equity shareholders of the parent company</b>		<b>40.8</b>	34.9	78.2
<b>Earnings per share – Basic</b>	3	<b>9.4p</b>	8.0p	18.0p
<b>Earnings per share – Diluted</b>	3	<b>9.3p</b>	7.9p	17.7p
<b>Dividends</b>				
Amounts recognised in the period:				
Final dividend for the year ended 31 March 2011	4	<b>6.5p</b>	6.0p	6.0p
Interim dividend for the year ended 31 March 2011	4	-	-	5.0p

An interim dividend of 5.0p per share has been recognised since the period end.

# **Condensed Consolidated Statement of Comprehensive Income**

	<b>6 months to 30.9.2011 £m</b>	6 months to 30.9.2010 £m	Year to 31.3.2011 £m
<b>Profit for the period</b>	<b>40.8</b>	34.9	78.2
<b>Other comprehensive income</b>			
Foreign exchange translation differences	2.2	(5.6)	(5.8)
Actuarial (loss) gain on defined benefit pension schemes	(16.4)	11.6	31.7
Movement in unrecognised pension surplus	13.4	(3.1)	(25.1)
Gain on cash flow hedges	1.4	0.7	1.4
Taxation relating to components of other comprehensive income	0.2	(2.8)	(2.4)
<b>Other comprehensive income (expense) for the financial period</b>	<b>0.8</b>	0.8	(0.2)
<b>Total comprehensive income for the financial period</b>	<b>41.6</b>	35.7	78.0

## Condensed Consolidated Balance Sheet

	Note	30.9.2011 £m	30.9.2010 £m	31.3.2011 £m
<b>Non-current assets</b>				
Intangible assets		208.3	206.7	202.6
Property, plant and equipment		114.1	110.9	114.1
Investments		0.6	0.7	0.7
Other receivables		3.7	4.2	4.1
Other financial assets	5	8.8	7.6	2.2
Deferred tax assets		4.7	8.4	9.3
		<b>340.2</b>	<b>338.5</b>	<b>333.0</b>
<b>Current assets</b>				
Inventories		245.9	207.6	232.8
Trade and other receivables		203.6	181.5	215.9
Income tax receivables		0.4	0.8	1.1
Cash and cash equivalents	5	8.7	11.4	6.3
		<b>458.6</b>	<b>401.3</b>	<b>456.1</b>
<b>Current liabilities</b>				
Trade and other payables		(187.2)	(178.2)	(207.8)
Loans and borrowings	5	(10.8)	(15.6)	(2.0)
Income tax liabilities		(10.4)	(11.6)	(14.5)
		<b>(208.4)</b>	<b>(205.4)</b>	<b>(224.3)</b>
<b>Net current assets</b>		<b>250.2</b>	<b>195.9</b>	<b>231.8</b>
<b>Total assets less current liabilities</b>		<b>590.4</b>	<b>534.4</b>	<b>564.8</b>
<b>Non-current liabilities</b>				
Other payables		(9.8)	(8.6)	(11.5)
Retirement benefit obligations	6	(6.2)	(5.9)	(5.4)
Loans and borrowings	5	(173.2)	(165.9)	(167.2)
Deferred tax liabilities		(52.0)	(40.2)	(45.4)
		<b>(241.2)</b>	<b>(220.6)</b>	<b>(229.5)</b>
<b>Net assets</b>		<b>349.2</b>	<b>313.8</b>	<b>335.3</b>
<b>Equity</b>				
Called-up share capital		43.7	43.6	43.6
Share premium account		39.5	38.7	38.8
Retained earnings		242.5	211.4	232.4
Cumulative translation reserve		25.6	23.7	23.6
Other reserves		(2.1)	(3.6)	(3.1)
<b>Equity attributable to the equity shareholders of the parent company</b>		<b>349.2</b>	<b>313.8</b>	<b>335.3</b>



## Condensed Consolidated Cash Flow Statement

	Note	6 months to 30.9.2011 £m	6 months to 30.9.2010 £m	Year to 31.3.2011 £m
<b>Cash flows from operating activities</b>				
Profit before tax		59.4	50.5	114.0
Depreciation and other amortisation charges		13.0	13.2	27.0
Equity-settled transactions		0.9	1.6	1.9
Finance income and expense		2.7	3.1	5.8
Non-cash movement on investment in associate		-	(0.1)	(0.1)
<b>Operating cash flow before changes in working capital, interest and taxes</b>		<b>76.0</b>	<b>68.3</b>	<b>148.6</b>
Increase in inventories		(12.2)	(26.6)	(51.2)
Decrease (increase) in trade and other receivables		14.7	(2.3)	(34.0)
(Decrease) increase in trade and other payables		(24.2)	15.8	43.5
<b>Cash generated from operations</b>		<b>54.3</b>	<b>55.2</b>	<b>106.9</b>
Interest received		2.4	1.5	3.0
Interest paid		(5.1)	(3.8)	(9.1)
Income tax paid		(13.3)	(9.6)	(21.5)
<b>Net cash from operating activities</b>		<b>38.3</b>	<b>43.3</b>	<b>79.3</b>
<b>Cash flows from investing activities</b>				
Capital expenditure and financial investment		(15.6)	(9.7)	(22.1)
Proceeds from sale of property, plant and equipment		-	-	0.2
<b>Net cash used in investing activities</b>		<b>(15.6)</b>	<b>(9.7)</b>	<b>(21.9)</b>
<b>Free cash flow</b>		<b>22.7</b>	<b>33.6</b>	<b>57.4</b>
<b>Cash flows from financing activities</b>				
Proceeds from the issue of share capital		0.8	-	0.2
New loans		104.0	75.5	76.8
Loans repaid		(95.2)	(76.9)	(85.4)
Equity dividends paid	4	(28.3)	(26.1)	(47.9)
<b>Net cash used in financing activities</b>		<b>(18.7)</b>	<b>(27.5)</b>	<b>(56.3)</b>
<b>Net increase in cash and cash equivalents</b>		<b>4.0</b>	<b>6.1</b>	<b>1.1</b>
Cash and cash equivalents at the beginning of the period		5.6	4.3	4.3
Effects of exchange rate fluctuations on cash		(1.0)	-	0.2
<b>Cash and cash equivalents at the end of the period</b>	5	<b>8.6</b>	<b>10.4</b>	<b>5.6</b>

## Condensed Consolidated Statement of Changes in Equity

	Share capital £m	Share premium account £m	Other reserves		Cumulative translation £m	Retained earnings £m	Total £m
			Hedging reserve £m	Own shares held £m			
<b>At 1 April 2011</b>	<b>43.6</b>	<b>38.8</b>	<b>(1.4)</b>	<b>(1.7)</b>	<b>23.6</b>	<b>232.4</b>	<b>335.3</b>
Profit for the period	-	-	-	-	-	40.8	40.8
Foreign exchange translation differences	-	-	-	-	2.2	-	2.2
Actuarial loss on defined benefit pension schemes	-	-	-	-	-	(16.4)	(16.4)
Movement in unrecognised pension surplus	-	-	-	-	-	13.4	13.4
Gain on cash flow hedges	-	-	1.4	-	-	-	1.4
Taxation relating to components of other comprehensive income	-	-	(0.4)	-	(0.2)	0.8	0.2
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1.0</b>	<b>-</b>	<b>2.0</b>	<b>38.6</b>	<b>41.6</b>
Equity settled transactions	-	-	-	-	-	0.9	0.9
Dividends paid	-	-	-	-	-	(28.3)	(28.3)
Shares allotted in respect of share awards	0.1	0.7	-	-	-	-	0.8
Related tax movements	-	-	-	-	-	(1.1)	(1.1)
<b>At 30 September 2011</b>	<b>43.7</b>	<b>39.5</b>	<b>(0.4)</b>	<b>(1.7)</b>	<b>25.6</b>	<b>242.5</b>	<b>349.2</b>

  

<b>At 1 April 2010</b>	<b>43.5</b>	<b>38.7</b>	<b>(2.4)</b>	<b>(1.7)</b>	<b>29.5</b>	<b>195.5</b>	<b>303.1</b>
Profit for the period	-	-	-	-	-	34.9	34.9
Foreign exchange translation differences	-	-	-	-	(5.6)	-	(5.6)
Actuarial gain on defined benefit pension schemes	-	-	-	-	-	11.6	11.6
Movement in unrecognised pension surplus	-	-	-	-	-	(3.1)	(3.1)
Gain on cash flow hedges	-	-	0.7	-	-	-	0.7
Taxation relating to components of other comprehensive income	-	-	(0.2)	-	(0.2)	(2.4)	(2.8)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>0.5</b>	<b>-</b>	<b>(5.8)</b>	<b>41.0</b>	<b>35.7</b>
Equity settled transactions	-	-	-	-	-	0.7	0.7
Dividends paid	-	-	-	-	-	(26.1)	(26.1)
Shares allotted in respect of share awards	0.1	-	-	-	-	-	0.1
Related tax movements	-	-	-	-	-	0.3	0.3
<b>At 30 September 2010</b>	<b>43.6</b>	<b>38.7</b>	<b>(1.9)</b>	<b>(1.7)</b>	<b>23.7</b>	<b>211.4</b>	<b>313.8</b>

## Condensed Consolidated Statement of Changes in Equity (continued)

	Share capital £m	Share Premium account £m	Other reserves		Cumulative translation £m	Retained earnings £m	Total £m
			Hedging reserve £m	Own shares held £m			
<b>At 1 April 2010</b>	<b>43.5</b>	<b>38.7</b>	<b>(2.4)</b>	<b>(1.7)</b>	<b>29.5</b>	<b>195.5</b>	<b>303.1</b>
Profit for the period	-	-	-	-	-	78.2	78.2
Foreign exchange translation differences	-	-	-	-	(5.8)	-	(5.8)
Actuarial gain on defined benefit pension schemes	-	-	-	-	-	31.7	31.7
Movement in unrecognised pension surplus	-	-	-	-	-	(25.1)	(25.1)
Gain on cash flow hedges	-	-	1.4	-	-	-	1.4
Taxation relating to components of other comprehensive income	-	-	(0.4)	-	(0.1)	(1.9)	(2.4)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1.0</b>	<b>-</b>	<b>(5.9)</b>	<b>82.9</b>	<b>78.0</b>
Equity settled transactions	-	-	-	-	-	1.2	1.2
Dividends paid	-	-	-	-	-	(47.9)	(47.9)
Shares allotted in respect of share awards	0.1	0.1	-	-	-	-	0.2
Related tax movements	-	-	-	-	-	0.7	0.7
<b>At 31 March 2011</b>	<b>43.6</b>	<b>38.8</b>	<b>(1.4)</b>	<b>(1.7)</b>	<b>23.6</b>	<b>232.4</b>	<b>335.3</b>

## **BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES**

Electrocomponents plc (the "Company") is a company domiciled in the UK. The condensed set of financial statements for the six months ended 30 September 2011 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in a jointly controlled entity.

The Group financial statements for the year ended 31 March 2011 are available upon request from the Company's registered office at International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW.

The comparative figures for the year ended 31 March 2011 are not the Company's statutory accounts for that year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

### **Going concern**

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. The financial risk management objectives and policies of the Group and the exposure of the Group to price risk, credit risk, liquidity risk and cash flow risk are discussed in note 20 to the Group's Annual Report and Accounts for the year ended 31 March 2011.

### **Statement of compliance**

The condensed set of financial statements included in this half-yearly financial report has been prepared on the basis of the accounting policies set out in the 2011 Annual Report and Accounts, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS), and International Accounting Standard (IAS) 34 *Interim Financial Reporting* as adopted by the EU. The condensed set of financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group financial statements for the year ended 31 March 2011.

This condensed set of financial statements was approved by the Board of Directors on 14 November 2011.

### **Significant accounting policies**

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those that applied to the consolidated financial statements of the Group for the year ended 31 March 2011.

### **Estimates and judgements**

The preparation of a condensed set of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies were the same as those that applied to the Group financial statements for the year ended 31 March 2011. The key risks and uncertainties are explained on page 11 of this half-yearly financial report.

## Notes to the condensed set of financial statements

### 1 Segmental reporting

In accordance with IFRS 8 *Operating Segments*, Group management has identified its operating segments. The performance of these operating segments is reviewed, on a monthly basis, by the Group Chief Executive and the senior management team (the Group Executive Committee).

These operating segments are; the United Kingdom, Continental Europe, North America and Asia Pacific. The United Kingdom comprises operations in the United Kingdom and exports to distributors where the Group does not have a local operating company. Continental Europe comprises operations in France, Germany, Italy, Austria, Denmark, Norway, Sweden, Republic of Ireland, Spain, Switzerland, the Netherlands, Belgium, Poland, Hungary and the Czech Republic. North America comprises operations in the United States of America and Canada. Asia Pacific comprises operations in Japan, Australia, New Zealand, Singapore, Malaysia, Philippines, Thailand, Hong Kong, People's Republic of China, South Korea, Chile and South Africa.

Each reporting segment derives its revenue from the high service level distribution of electronics and maintenance products. Intersegment pricing is determined on an arm's length basis, comprising sales of product at cost and a handling charge included within Distribution and Marketing expenses.

	6 months to 30.9.2011 £m	6 months to 30.9.2010 £m	Year to 31.3.2011 £m
<b>Revenue from external customers</b>			
United Kingdom	178.3	171.7	356.3
Continental Europe	223.1	187.0	413.6
North America	140.7	131.6	262.3
Asia Pacific	84.4	73.0	150.0
	<b>626.5</b>	<b>563.3</b>	<b>1,182.2</b>
<b>Contribution</b>			
United Kingdom	51.6	47.8	101.7
Continental Europe	47.3	39.4	90.5
North America	23.3	21.4	42.5
Asia Pacific	8.4	7.1	13.3
	<b>130.6</b>	<b>115.7</b>	<b>248.0</b>
<b>Reconciliation of contribution to profit before tax</b>			
Contribution	130.6	115.7	248.0
Groupwide Process costs	(68.5)	(62.1)	(128.2)
Net financial expense	(2.7)	(3.1)	(5.8)
Profit before tax	<b>59.4</b>	<b>50.5</b>	<b>114.0</b>

## 1 Segmental reporting (continued)

	30.9.2011 £m	30.9.2010 £m	31.3.2011 £m
<b>Segment assets</b>			
United Kingdom	250.9	234.3	259.3
Continental Europe	159.8	147.1	171.8
North America	278.8	259.1	263.3
Asia Pacific	86.7	71.1	75.8
	<b>776.2</b>	<b>711.6</b>	<b>770.2</b>
<b>Unallocated assets</b>			
Cash at bank and in hand	8.7	11.4	6.3
Deferred tax assets	4.7	8.4	9.3
Income tax receivables	0.4	0.8	1.1
Other financial assets	8.8	7.6	2.2
<b>Total assets</b>	<b>798.8</b>	<b>739.8</b>	<b>789.1</b>

	30.9.2011 £m	30.9.2010 £m	31.3.2011 £m
<b>Segment liabilities</b>			
United Kingdom	104.0	106.3	116.6
Continental Europe	51.3	48.3	63.0
North America	24.0	17.7	21.1
Asia Pacific	23.9	20.4	24.0
	<b>203.2</b>	<b>192.7</b>	<b>224.7</b>
<b>Unallocated liabilities</b>			
Income tax liabilities	10.4	11.6	14.5
Deferred tax liabilities	52.0	40.2	45.4
Loans and borrowings	184.0	181.5	169.2
<b>Total liabilities</b>	<b>449.6</b>	<b>426.0</b>	<b>453.8</b>

The Group derives its revenue from two product types:

	6 months to 30.9.2011 £m	6 months to 30.9.2010 £m	Year to 31.3.2011 £m
Electronics	268.2	242.8	489.3
Maintenance	358.3	320.5	692.9
	<b>626.5</b>	<b>563.3</b>	<b>1,182.2</b>

	6 months to 30.9.2011	6 months to 30.9.2010	Year to 31.3.2011
	£m	£m	£m
<b>2 Taxation on the profit of the Group</b>			
United Kingdom taxation	5.7	4.5	8.8
Overseas taxation	12.9	11.1	27.0
	<b>18.6</b>	15.6	35.8

	6 months to 30.9.2011	6 months to 30.9.2010	Year to 31.3.2011
	£m	£m	£m
<b>3 Earnings per share</b>			
Profit for the period attributable to equity shareholders	40.8	34.9	78.2
Weighted average number of shares (millions)	435.7	435.2	435.3
Diluted weighted average number of shares (millions)	438.2	439.8	440.9
Basic earnings per share	9.4p	8.0p	18.0p
Diluted earnings per share	9.3p	7.9p	17.7p

	6 months to 30.9.2011 £m	6 months to 30.9.2010 £m	Year to 31.3.2011 £m
<b>4 Dividends</b>			
<b>Amounts recognised and paid in the period:</b>			
Final dividend for the year ended 31 March 2011 – 6.5p (2010: 6.0p)	28.3	26.1	26.1
Interim dividend for the year ended 31 March 2011 – 5.0p	-	-	21.8
	<b>28.3</b>	<b>26.1</b>	<b>47.9</b>
<b>Amounts determined after the balance sheet date:</b>			
Interim dividend for the year ending 31 March 2012 – 5.0p	21.8		

The timetable for the payment of the interim dividend is:

Ex-dividend date	<b>7 December 2011</b>
Dividend record date	<b>9 December 2011</b>
Dividend payment date	<b>13 January 2012</b>

## 5 Cash and cash equivalents/analysis of movements in net debt

	30.9.2011 £m	30.9.2010 £m	31.3.2011 £m
<b>Cash and cash equivalents</b>			
Cash and cash equivalents in the balance sheet	8.7	11.4	6.3
Bank overdrafts	(0.1)	(1.0)	(0.7)
Cash and cash equivalents in the cash flow statement	8.6	10.4	5.6
Current instalments of loans	(10.7)	(14.6)	(1.3)
Loans repayable after more than one year	(70.7)	(64.6)	(71.4)
Private placement loan notes	(102.5)	(101.3)	(95.8)
Fair value of swap hedging fixed rate borrowings	8.8	7.6	2.2
<b>Net debt</b>	<b>(166.5)</b>	<b>(162.5)</b>	<b>(160.7)</b>
Pension deficit	(6.2)	(5.9)	(5.4)
<b>Net debt including pension deficit</b>	<b>(172.7)</b>	<b>(168.4)</b>	<b>(166.1)</b>

	6 months to 30.9.2011 £m	6 months to 30.9.2010 £m	Year to 31.3.2011 £m
<b>Analysis of movements in net debt</b>			
Net debt at 1 April	(160.7)	(172.1)	(172.1)
Free cash flow	22.7	33.6	57.4
Equity dividends paid	(28.3)	(26.1)	(47.9)
New shares issued	0.8	-	0.2
New finance leases	-	-	(1.3)
Translation differences	(1.0)	2.1	3.0
<b>Net debt at period end</b>	<b>(166.5)</b>	<b>(162.5)</b>	<b>(160.7)</b>



## 6 Retirement benefit obligations

The Group operates defined benefit pension schemes in the United Kingdom, Germany and Ireland.

At 30 September 2011 the Group's net retirement benefit obligation was £6.2m (30 September 2010: £5.9m, 31 March 2011: £5.4m).

Details of the assets and liabilities of the Group's defined benefit pension schemes are shown below:

	<b>30.9.2011</b>	30.9.2010	31.3.2011
	<b>£m</b>	£m	£m
Total market value of the schemes' assets	<b>325.4</b>	320.4	326.1
Present value of the schemes' liabilities	<b>(319.9)</b>	(323.2)	(306.4)
Schemes' surplus (deficit)	<b>5.5</b>	(2.8)	19.7
Unrecognised pension surplus	<b>(11.7)</b>	(3.1)	(25.1)
Schemes' adjusted deficit	<b>(6.2)</b>	(5.9)	(5.4)

As at 30 September 2011 the UK defined benefit pension scheme reported a surplus of £10.7m (30 September 2010: £3.1m; 31 March 2011: £24.9m). In accordance with the requirements of IAS 19 *Employee benefits* the company has not recognised this pension surplus in its financial statements.

<b>7 Principal exchange rates</b>	<b>6 months to 30.9.2011</b>	6 months to 30.9.2010	Year to 31.3.2011
<b>Average for the period</b>			
Euro	<b>1.14</b>	1.19	1.18
United States Dollar	<b>1.62</b>	1.52	1.56

	<b>30.9.2011</b>	30.9.2010	31.3.2011
<b>Period end</b>			
Euro	<b>1.16</b>	1.15	1.13
United States Dollar	<b>1.56</b>	1.57	1.60

# **INDEPENDENT REVIEW REPORT TO ELECTROCOMPONENTS PLC**

## **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2011 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

## **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in the Basis of Preparation and Principal Accounting Policies, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

## **Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Paul Sawdon  
**for and on behalf of KPMG Audit Plc**  
Chartered Accountants  
15 Canada Square, London, E14 5GL  
14 November 2011

## **SAFE HARBOUR**

*This half-yearly financial report contains certain statements, statistics and projections that are or may be forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the future financial position, strategy, projected costs, plans and objectives for the management of future operations of Electrocomponents plc and its subsidiaries is not warranted or guaranteed. These statements typically contain words such as "intends", "expects", "anticipates", "estimates" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although Electrocomponents plc believes that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are a number of factors, which may be beyond the control of Electrocomponents plc, which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Other than as required by applicable law or the applicable rules of any exchange on which our securities may be listed, Electrocomponents plc has no intention or obligation to update forward-looking statements contained herein.*