

DESIGNSPARKPCB

Powered by  



**Leveraging our global presence**

We are the world's leading high service distributor of electronics and maintenance products. By leveraging our global presence and competitive advantages, we are well-placed to gain market share in structurally attractive markets.

## Overview

- 1 Operational highlights
- 2 Chairman's report
- 4 Group Chief Executive's review
- 10 Our business model

## Business review

- 18 Business review
- 26 Principal risks and uncertainties
- 30 Corporate social responsibility

## Governance

- 36 Board of Directors
- 38 Directors' report
- 40 Corporate Governance report
- 43 Audit Committee report
- 45 Remuneration report
- 53 Statement of Directors' responsibilities

## Financial statements

- 54 Independent auditors' report
- 55 Group income statement
- 56 Consolidated statement of comprehensive income
- 57 Group balance sheet
- 58 Group cash flow statement
- 59 Consolidated statement of changes in equity
- 60 Group significant accounting policies
- 64 Notes to the Group accounts
- 90 Company balance sheet
- 91 Company significant accounting policies
- 93 Notes to the Company accounts

## Shareholder information

- 98 Five year record
- 99 Additional information for Electrocomponents plc shareholders
- 100 Registered office, advisers and financial calendar
- IBC Principal locations

# 2012 financial highlights

Broad-based underlying sales growth of

**7%**

Further cost leverage with operating costs reducing by 0.3% points of sales to

**36.7%**

Profit before tax increasing to

**£122.3m**

Return on capital employed increasing to

**24.6%**

Full year proposed dividend increased by

**2%**

**£52.7m**

free cash flow including significant investment to drive future sales growth

## Operational highlights

Successfully installed new IT system in North America and upgraded IT systems in UK and Europe

International now more than 70% of Group sales

Over 30,000 electronics products added

23% improvement in lost time accident rate

International business growth of

9%

Maintenance growth of

7%

16%

improvement in energy intensity

1.2m

visitors to DesignSpark since launch

eCommerce revenue growth of

18%

Electronics growth of

7%

[www.electrocomponents.com](http://www.electrocomponents.com)



Watch our senior managers speak at:  
[www.electrocomponents.com/annualreport2012](http://www.electrocomponents.com/annualreport2012)



### Definitions of terms:

In order to reflect underlying business performance, comparisons of revenue between periods 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.

## Chairman's report

# Leveraging our competitive advantages in growing markets



ALLIED ELECTRONICS

Rupert Soames  
Acting Chairman



I am writing this report in my capacity as Acting Chairman of Electrocomponents; this is a role I have filled since October 2011 when Peter Johnson decided to stand down from his responsibilities as Chairman on a temporary basis in order to devote himself to caring for his wife, who is ill. On behalf of the Board and all of his colleagues at Electrocomponents, I wish Peter and his wife well.

### Strategy and performance

In a sector in which scale and global reach are important, Electrocomponents operates with the same business model in 32 countries, using efficient systems and processes, and has a compelling strategy to leverage these competitive advantages. This means that the Group is well-placed to capture the structural growth opportunities available to it throughout the world.

During the past year Electrocomponents has made good progress against its strategic objectives and, at the same time, has delivered underlying revenue growth of 7% despite challenging market conditions, particularly in the second half of the year. This level of growth is ahead of underlying economic growth in our markets. With around 85% of the addressable market held by numerous, and much smaller, competitors who do not have the advantages of

**"The Board believes that the Group can accelerate its market share gains over smaller competitors and deliver an increase in its long-term growth rate."**

# 18%

eCommerce revenue growth

# 7%

Group revenue growth

# 4%

Final dividend increase

our global scale and reach, there are, we believe, opportunities to extend these market share gains in the future.

All parts of the Group contributed to the growth achieved in the year, with the International regions increasing underlying revenues by 9% and the UK by 3%. Within this, the transformation of Electrocomponents into a primarily online business continued apace with eCommerce revenues growing by an impressive 18% to represent 54% of Group revenues. Growth by product offer was evenly balanced, with both electronics and maintenance delivering growth of 7%.

The strategic developments within the business that drove this performance are covered in more detail in the Group Chief Executive's review, but I would highlight the success of the project to move the North American business from a bespoke IT system to a new SAP system architecture. The project was completed on time and within budget and has given our North American business a robust platform for long-term growth.

The underlying increase in Group revenues of 7% to a record £1,267m produced profit before tax of £122m, representing growth of 7%, and earnings per share of 19.5 pence, an increase of 8%. The Group generated free cash flow of £53m and retains a strong financial position having signed a new syndicated bank facility during the year that provides funding through to November 2015.

I was also delighted that Electrocomponents was named as a winner of the Queen's Award for Enterprise in the International Trade category, recognising the substantial and sustained increase in international earnings achieved by the Group over recent years.

#### **Dividend**

The Board is proposing to recommend an increase of 4% in the final dividend for the year to 6.75p per share. This will be paid on 20 July 2012 to shareholders on the register on 22 June 2012. As a result, the total dividend for the financial year will increase by 2% to 11.75p per share, resulting in earnings dividend cover of 1.7 times.

The Board believes that the business has significant opportunities to invest for growth at

attractive returns and will therefore ensure that the Group has adequate resources available to take advantage of these opportunities as they arise. Over time, and as earnings increase, the Board intends to continue to pursue a progressive dividend policy whilst increasing earnings dividend cover to around 2 times.

#### **Corporate social responsibility**

Electrocomponents is committed to embedding sound corporate social responsibility policies and practices as an integral part of our business, and the Group is continuing to make progress in its health, safety and environmental performance together with employee engagement.

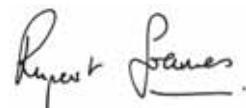
Notable achievements during the year include a 23% improvement in our lost time accident rate and a 16% improvement in energy intensity across the Group, whilst our UK business became the first distributor of electronic and maintenance products to achieve, and then receive recertification of, the Carbon Trust Standard.

#### **Employees**

On behalf of the Board, I wish to express my sincere thanks to all our colleagues across the Group for their support throughout another very busy year. The Group's strong financial performance could not be achieved without committed, dedicated employees, and I would like to thank all of them for their part in delivering these results.

#### **Prospects**

Electrocomponents will continue to take advantage of the structural growth opportunities available to it around the world in growing markets. Moreover, by continuing to evolve to a global operating model and focusing on its core strengths, the Board believes that the Group can accelerate its market share gains over smaller competitors and deliver an increase in its long-term growth rate. In that context, we look forward to another year of progress for Electrocomponents.



**Rupert Soames**

24 May 2012

## Group Chief Executive's review

# Leveraging our global presence



Ian Mason  
Group Chief Executive



Watch Ian Mason discuss the Group's strategy at [www.electrocomponents.com/annualreport2012](http://www.electrocomponents.com/annualreport2012)

### Market overview

The global market opportunity available to the Group is large and growing over the cycle. We estimate that the value of the available market is around £30bn 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; both markets are growing faster in developing economies than in Europe and North America.

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. They are

gaining market share from smaller distributors who are not able to match their broad product range, high customer service and eCommerce capabilities. Electrocomponents, through its brands of RS and Allied Electronics, is the number one high service distributor in the world. RS is the leading distributor in the UK, Europe and Asia Pacific, with Allied ranked third in the North American market.

Whilst we are not immune to the current challenging economic environment, we are well positioned compared to the numerous, smaller distributors against whom we primarily compete, who do not have the advantages of our global scale and reach. We will therefore continue to invest in our strategic priorities to leverage these

**"We are a leading global player in a structurally attractive market."**

competitive advantages, which will enable the Group to accelerate its market share gains over smaller competitors, as was the case during the previous cyclical downturn.

#### **Strategy implementation**

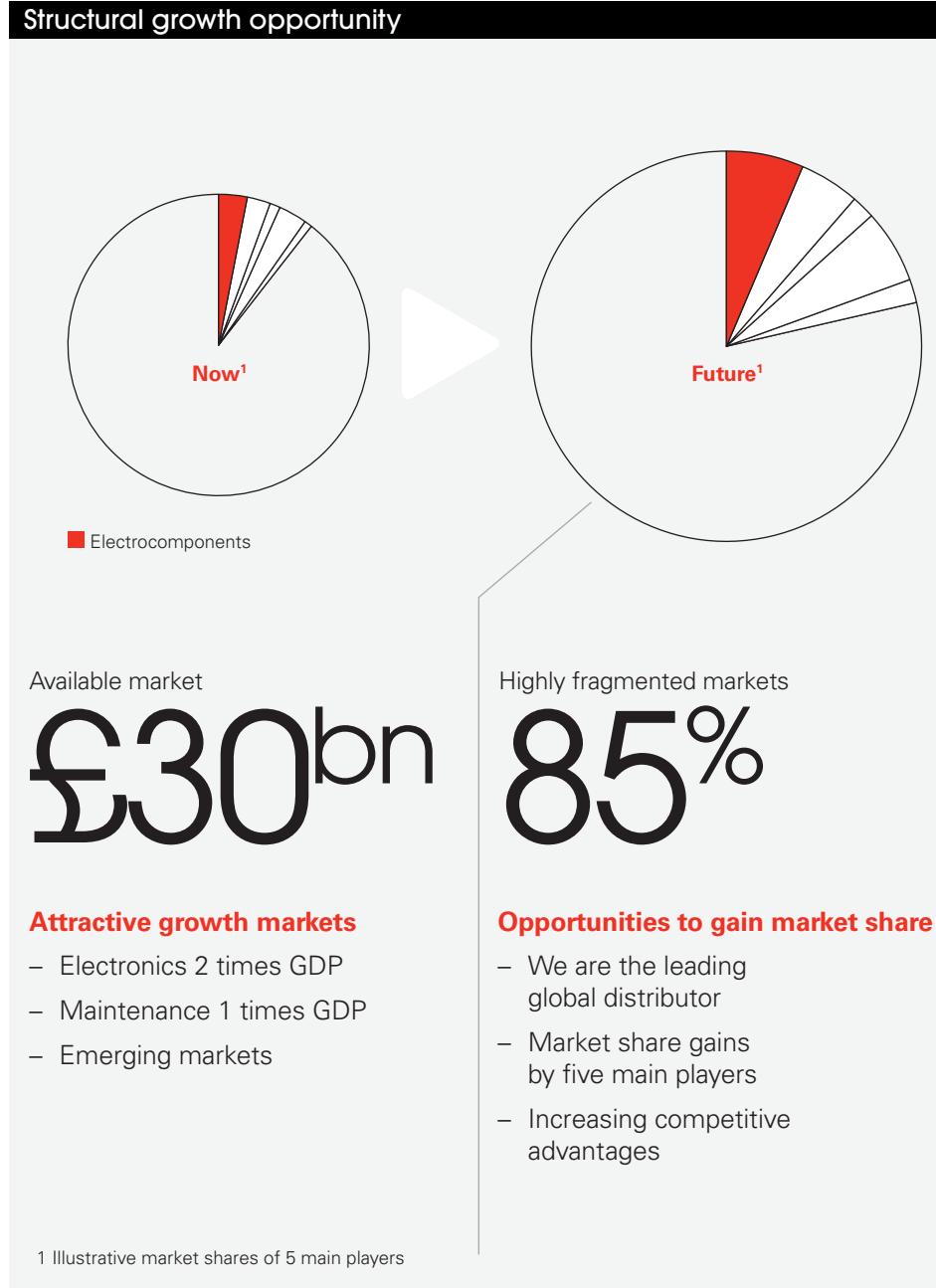
Our strategy is focused on five core areas:

1. Focus on international markets
2. Develop our electronics and maintenance offers
3. Exploit the full potential of eCommerce
4. Leverage our global infrastructure and increase operating margins
5. Maintain UK profitability

#### **1. Focus on international markets**

As a result of our focus on building our position in faster growing markets outside of the UK, we have grown the proportion of our revenues accounted for by International markets from 40% in 2000 to over 70% in 2012. Over the last ten years our International business has achieved average annual sales growth of 7%, around double the rate of average annual global GDP growth, as it gains market share from smaller distributors. We expect that International market share will continue to grow and our focus remains on delivering International sales growth of 7%-10% per annum over the medium term. In 2012 our International business delivered 9% revenue growth.

We have made good progress in our emerging markets during the year, with India generating revenue growth of almost 20% and Eastern Europe enjoying a successful first full year of operation.



## Group Chief Executive's review continued

The strong growth we have generated in our International business over recent years was recently recognised when we won the prestigious Queen's Award for Enterprise in the International Trade category.

### 2. Develop our electronics and maintenance offers

Electronics and maintenance have complementary growth and returns characteristics, and the combination generates both sales synergies, from the cross-selling opportunities, and cost synergies, as they leverage the same infrastructure.

#### Electronics

Our electronics portfolio represents 42% of Group sales, growing by 7% over the last year. During the year, RS introduced around 32,000 new electronics products from leading suppliers such as TE Connectivity, Panasonic, Microchip and ABB.

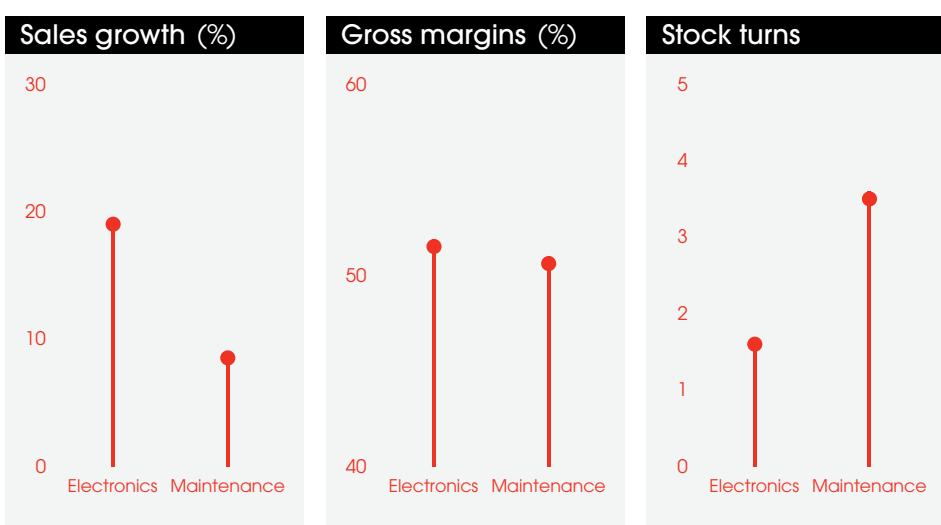
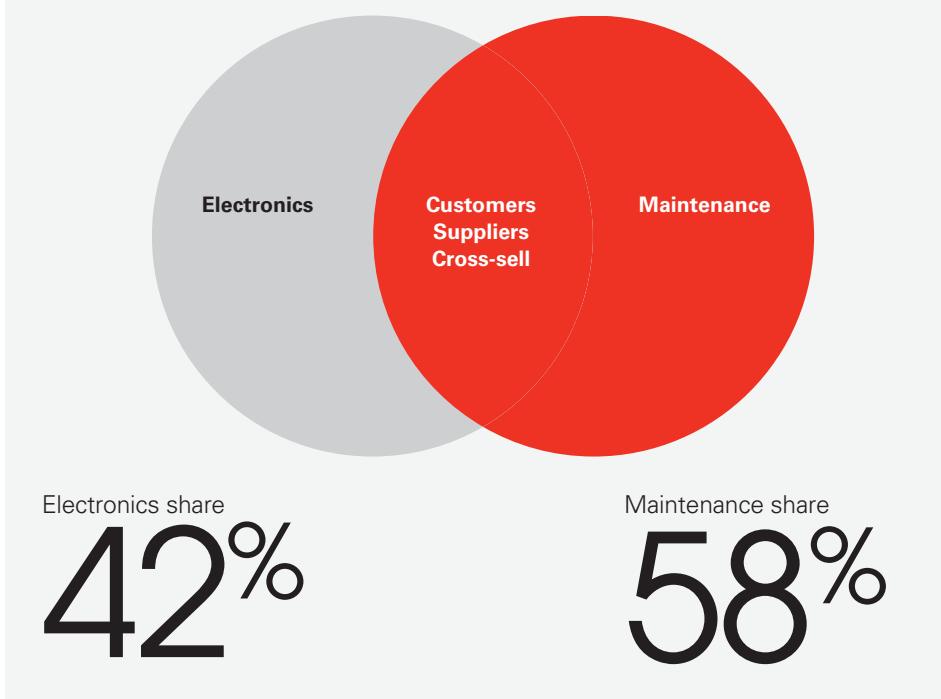
DesignSpark, our online gateway for resources for electronics engineers that was launched in the summer of 2010, has proved a major success, attracting more than 1.2 million visitors to date. In addition, DesignSpark PCB, our free online design tool for electronics engineers, has recorded over 130,000 downloads since its launch. These tools enable us to build a direct relationship with this customer segment and drive additional sales through this channel.

It is pleasing that the success we have had in developing our electronics offer over the past two years is being recognised in a number of supplier and industry awards, including Global High Service Distributor of the Year from TE Connectivity and Distributor of the Year 2011 at the European Electronics Industry awards.

#### Maintenance

Our maintenance portfolio represents 58% of Group sales and is a key differentiator versus our competition as we are the global high service distributor with the broadest range of automation and control, maintenance, repair and operations products. During the year our maintenance offer sales grew by 7%, supported by 8,000 new product introductions into RS, benefitting from the programme to build a consistent maintenance offer across Europe and strong automation and control growth.

### Electronics and maintenance: balanced customer offer



We continue to develop deeper relationships with our strategic suppliers, co-operating further on range development, joint marketing and sales activities, eCommerce development and customer transfers, and during the year sales of products from our strategic suppliers grew significantly faster than the overall business.

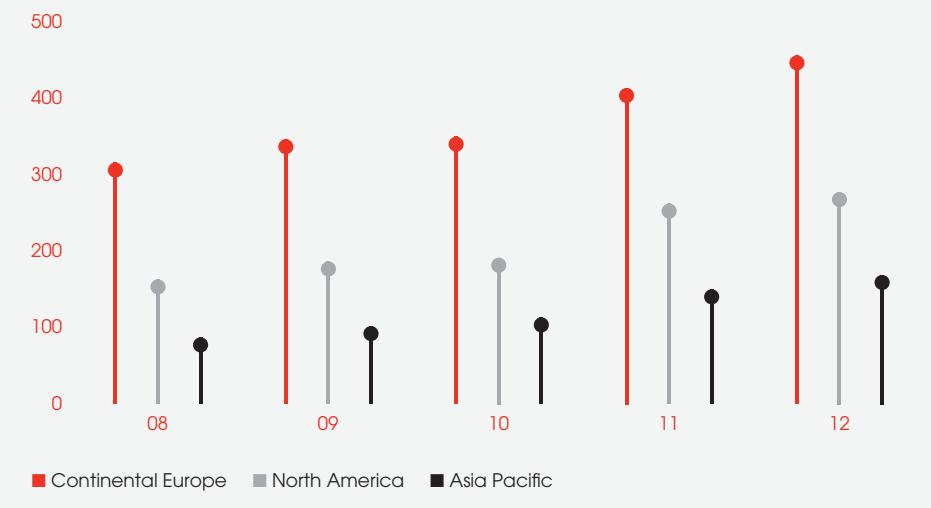
### 3. Exploit the full potential of eCommerce

eCommerce delivered 18% revenue growth during the year, growing significantly faster than our other sales channels, illustrating the success of our strategy to put eCommerce at the heart of our multi-channel sales and marketing approach. Across the regions, Asia Pacific delivered 32% eCommerce growth, Continental Europe 22%, North America 13% and the UK 11%. eCommerce generated 54% of Group revenues during the year, the first full financial year in which it has exceeded half of Group revenues, and we remain confident that it will continue to grow its share of Group sales over time to at least 70%, with markets such as Japan already reaching this level.

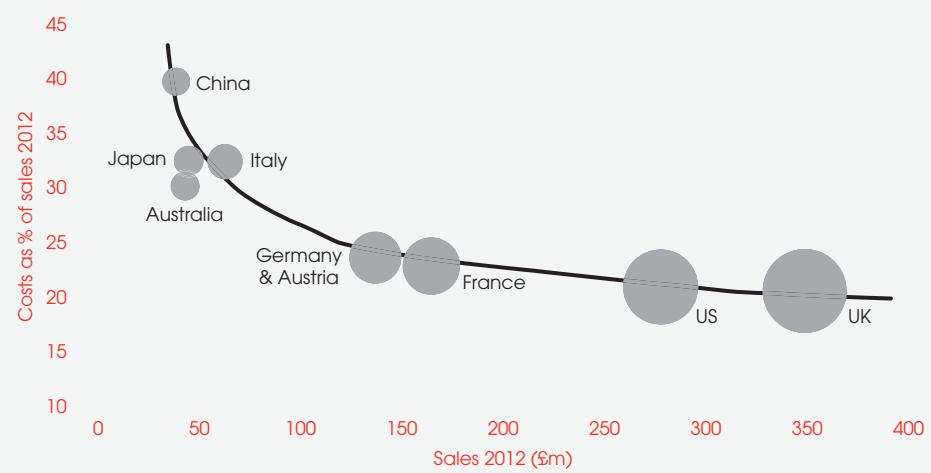
Our eCommerce channel offers considerable advantages over our traditional catalogue channel, allowing us to offer our customers flexible and targeted pricing, the ability to view 3D product models online, and the convenience of 24-hour purchasing from desktop PCs, laptops, smartphones and internet tablets, including both iPad and iPhone apps. It also gives us an ability to reach customers locally at the point of need, and is vital for both market penetration and achieving further market share gains from smaller distributors.

We have continued to switch our marketing spend from catalogues to search engine marketing and, as a result, we saw a 23% increase in our online traffic during the year. We will also continue to build on initiatives such as the new search and browse functionality and our online Live Chat service, which helps guide customers through their online journey and has boosted conversion rates, to enhance the competitive advantages that we have developed in this regard.

### International growth by region (Sales £m)



### Operating cost leverage



## Group Chief Executive's review continued

### 4. Leverage our global infrastructure and increase operating margins

We have 17 distribution centres globally which enable us to provide our high service levels to countries representing around 90% of the world's GDP. We operate directly in 32 countries, with distributors in a further 37 countries. Having an international operating structure allows us to take advantage of economies of scale and achieve significant operating leverage.

As part of our evolution towards a global operating model, and in order to strengthen our infrastructure to support our international growth, we have made significant investments during the year in our systems architecture. We successfully installed a new SAP system in North America, which will give this business a robust platform for long-term growth as well as deliver operational benefits. We also upgraded our existing SAP systems in the UK and Continental Europe, which will not only provide a stable platform for these regions until at least 2020, but will also provide a template from which SAP will be rolled out into Asia Pacific over the next two years, which is expected to be a key enabler of an acceleration in this region's growth rate over the medium term.

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. We are confident that as the International business grows it will deliver increasing operating leverage and close this gap on the UK. This was illustrated during the last year when these scale benefits outweighed continued investment in electronics and eCommerce initiatives to reduce the International business's operating costs as a percentage of sales by 0.9% points.

### 5. Maintain UK profitability

The UK's strategy is focused on maintaining its leadership position in the high margin high service level business, leveraging the Group's improved customer offers and developing new incremental regular revenue streams. Gross margin, operating costs and cash continue to be managed effectively.

By consistently implementing this strategy the UK business has delivered sales and contribution growth since the 2008 recession and it is now delivering a contribution that is 5% higher than its pre-recession level.

Examples of the initiatives undertaken by the UK during the year to develop new incremental revenue streams include the targeting of machine and panel builders, a customer segment that has grown by more than double the region's overall growth rate following a successful sales and marketing campaign. The business has also continued to grow its corporate customer base, adding a further 13 corporate accounts during the year and taking the total number of corporate accounts to over 150, contributing around a quarter of the UK's sales.

### Current trading and outlook

In the first seven weeks of the new financial year the Group has delivered sales at a similar level to last year. The International business declined by 2% and the UK grew by 4%. Within International, Continental Europe declined by 1% and both North America and Asia Pacific declined by 3%.

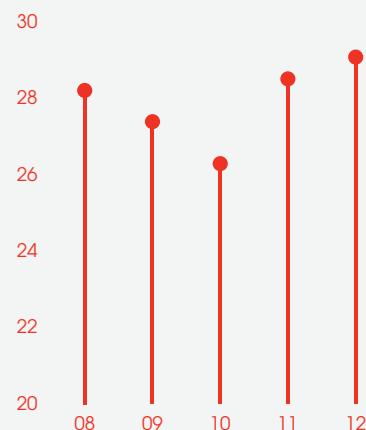
Whilst we are mindful of economic conditions and recognise that comparatives will remain demanding during the first half of the new financial year, we believe that the Group is well placed to continue to take market share in international markets. Therefore we are continuing to invest to drive performance in the coming years.



**Ian Mason**

24 May 2012

### UK contribution margin (%)



Visit our online Annual Report 2012 at  
[www.electrocomponents.com/annualreport2012](http://www.electrocomponents.com/annualreport2012)

"Our core strategy is based on five priorities which we see as the components of growth and foundations of our success."

## Our vision and strategy



## Our business model

Our business model is designed to create long-term growth for our shareholders through delivering a service that is second to none for our customers.

### Suppliers

The relationships with our suppliers are an increasingly important factor in allowing us to maintain high standards of product availability for our customers and to anticipate future customer needs.

We purchase over 550,000 products from around 2,500 major suppliers throughout the world, with a focus on global purchasing agreements.

The extent of our offer and our ability to reach electronics design engineers, machine and panel builders and maintenance engineers globally is valuable to many of our suppliers, who would otherwise find the small order and immediate dispatch requirements of such customers difficult and costly to satisfy.

### Sales and marketing

eCommerce is at the heart of our multi-channel approach to sales and marketing, with 54% of Group revenues now generated online.

Catalogue also remains a key channel to market and, evolving in line with our customers' needs, now includes both paper and digital formats.

Recognising the value of the human touch, we have a complete sales network operating worldwide, and all sales employees are continuously trained to ensure they keep abreast of the latest available product developments.

Our phone lines are open 24 hours a day, 7 days a week to take customer orders, whilst customers can also visit 23 trade counters across the world, giving them same-day access to thousands of products and special offers.

### Customers

We supply over 1 million customers from a wide range of sectors. We sell to both the end users who use our products and to the purchasing managers in the companies for whom they work.

#### **Electronics design engineers**

Our electronics portfolio incorporates leading global brands of semiconductors, passive and electromechanical components and test and measurement equipment. We also provide online design tools to help this customer group work effectively.

#### **Maintenance engineers, Machine and panel builders**

We are the global high service distributor with the broadest range of leading global brands of electrical, automation and control, test and measurement and tools, safety and consumable products.

#### **Buyers**

We provide eProcurement solutions to help buyers manage the purchase of our products throughout their organisation.

#### Our global strategic suppliers



See pages 12-13 for case study

#### eCommerce with a human touch



See pages 14-15 for case study

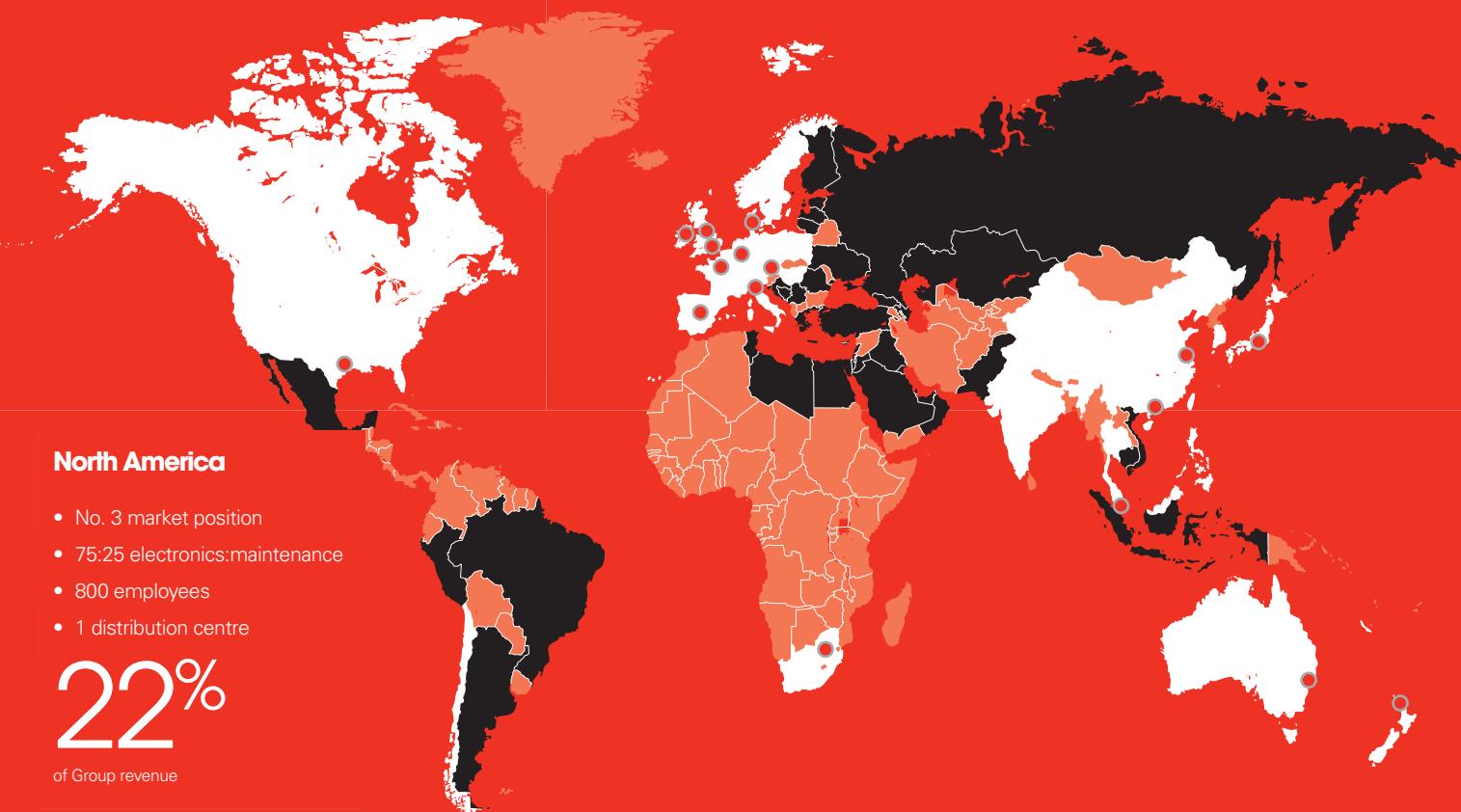
#### Targeting four customer groups



See pages 16-17 for case study

Our business model is consistently applied to 80 countries around the world.

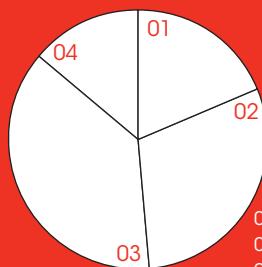
## Global footprint and supply chain



**22%**

of Group revenue

### Group sales by region



01 North America  
02 UK  
03 Continental Europe  
04 Asia Pacific

### Asia Pacific

- No. 1 market position
- 50:50 electronics:maintenance
- 1,000 employees
- 6 distribution centres

**13%**

of Group revenue

○ Warehouse locations  
■ Operating companies  
■ Distributor companies

Suppliers

Sales and marketing

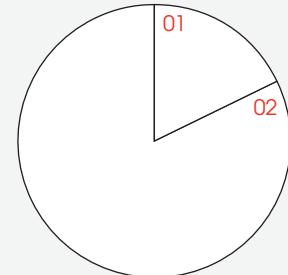
Customers

Focus on Global Strategic Suppliers:

# Driving market share



Share of Group sales



**18%**  
of Group sales

01 Global Strategic Suppliers  
02 Other Suppliers



Watch Kevin Thompson discuss strategic suppliers  
at [www.electrocomponents.com/annualreport2012](http://www.electrocomponents.com/annualreport2012)

# T

The relationships with our suppliers are an increasingly important factor in allowing us to maintain high standards of product availability and anticipate future customer needs. We purchase products from over 2,500 major suppliers worldwide, many of whom value the breadth of our product range, our customer reach, including in this regard our eCommerce capabilities, and our ability to fulfil the small order and immediate despatch requirements of electronics and maintenance engineers across the world.

Around two years ago we began an initiative to build and develop strong and close working partnerships with our key suppliers, recognising that there was an opportunity to develop joint business plans with these suppliers that would optimise and accelerate sales growth and improve the operational performance of both Electrocomponents and these key suppliers. We

believe it also drives further differentiation between ourselves and our smaller competitors, particularly in maintenance.

This initiative, our Global Strategic Suppliers programme, is now an integral part of our Group strategy and currently encompasses five electronics suppliers and seven maintenance suppliers across all regions. These 12 suppliers account for less than 1% of our supplier base but are now generating more than 15% of Group sales.

Since the launch of the programme, sales growth from this group of suppliers has consistently outperformed the overall Group sales growth rate, and the programme has enabled us to gain market share with a number of these suppliers.

## Driving growth

During the last financial year our Global Strategic Suppliers delivered 11% sales growth, considerably

ahead of the Group's underlying sales growth of 7%. Within this, there was a very strong performance in Asia Pacific, where we grew sales from our Global Strategic Suppliers by 27% in the year, well ahead of the region's overall sales growth of 9%.

Whilst all regions offer significant potential for further growth from expansion of this programme, we are particularly excited about the substantial opportunity we have in Asia Pacific, and notably China. In these markets major suppliers particularly value our reach to over 200,000 electronics and maintenance engineers across the region and our ability to reliably and accurately fulfil the small order requirements of these customers. In doing so, we are able to play an important role in these suppliers' distribution strategies, and simultaneously drive faster sales growth for Electrocomponents.

**"Suppliers value our global customer reach. Our global strategic supplier initiative is a key driver of market share gains for us."**

Kevin Thompson  
General Manager Maintenance

## Supplier case study

# Schneider Electric

# 9,000

Schneider Electric products stocked globally

## S

chneider Electric is a global energy specialist with a presence in 190 countries and revenues of over €22bn, and is one of the most recognisable brands in the industry.

RS is proud to have had a strong commercial relationship with Schneider since 1985 and they are one of our Global Strategic Suppliers. We now stock around 9,000 Schneider Electric products globally, with an additional 800 products added to our portfolio in April 2012. Our best-selling Schneider products are predominantly push buttons, contactors, drives and sensors.

### eCommerce and distribution strength

Our market leading eCommerce capabilities and distribution strength provides Schneider with access to over 1 million customers for their products, most notably those looking to purchase in smaller volumes for design work or maintenance requirements and also niche customers who would not normally have direct access to Schneider products. Using eCommerce gives customers access to 3D CAD models, product configurators and a range of other technical support tools that make it easy for them to find

and purchase the right product from the Schneider range and then have them delivered quickly. We have a strong reciprocal trading relationship arrangement with Schneider; as well as being one of our most important strategic suppliers they are also a customer of RS, using our market-leading eProcurement solution.

The testimony of this relationship is that our sales of Schneider products have steadily increased over the years, as has our market share for their products.

## Key products



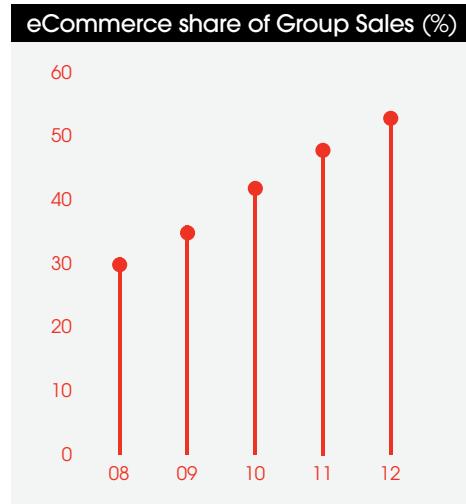
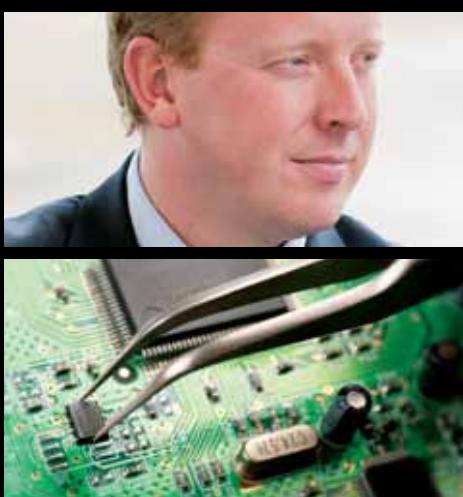
Suppliers

Sales and marketing

Customers

Focus on eCommerce:

# eCommerce at the heart of the Group



Watch Keith Reville discuss eCommerce at  
[www.electrocomponents.com/annualreport2012](http://www.electrocomponents.com/annualreport2012)

**O**ur vision for eCommerce at Electrocomponents is simple. It is to build a £1bn+ eCommerce business at the heart of the Group.

We have successfully positioned eCommerce as a major driver of growth for our business and as the entry point for our customers to have a long-term multi-channel relationship with us. eCommerce revenues grew more than twice as fast as overall Group revenues during the last year, and we now transact in excess of half our income over the web, with more than 75% of our product search and selection taking place on our web and mobile platforms.

## Competitive advantage, globally

Our website gives us a significant competitive advantage as we continue to use the power of the internet to take market share from small to medium-sized regional distributors, thanks to our reach, localisation capability and presence on the world's search engines.

Our customers tell us that they want accurate product information, technical data and relevant accessory suggestions along with the ability to personalise their web experience. We set out to deliver that for them and more, being mindful that our customers are becoming increasingly sophisticated in their internet use. We have found that our customers' core needs are largely the same wherever they are in the world.

## Driving innovation

During the last year we have forged ahead on many fronts. We have launched our market-leading search and browse functionality, transformed our customers' online experience with our Live Chat service, introduced eProcurement systems and more electronics design tools. We have one of the most advanced transactional websites in our industry sector and we have invested heavily in the quality of our web content.

During the same period we have significantly upgraded our online presence by embedding a culture of innovation and, most importantly, an unwavering customer focus in our global marketing campaigns, new product introductions, eCommerce sites and internet-based offerings.

We have significantly increased our investment in all aspects of digital marketing, from search engine marketing (SEM) to social media. This is driving record-breaking levels of traffic to our website and increasing our brand awareness around the world. We now spend more on SEM than we do on the RS catalogue.

We have taken significant steps to reduce our time to market for new functionality on our websites. In addition we have commenced the redesign of our enterprise architecture, increasing our ability to compete in this digital age.

**"We have successfully positioned eCommerce as a major driver of growth for our business."**

Keith Reville  
General Manager eCommerce

# Exploiting the full potential of eCommerce

We remain excited by the range and the scale of our opportunities to further exploit the full potential of our eCommerce offer. We have a full pipeline of planned enhancements to our transactional websites, content and online design tools. We will continue to invest in our eCommerce strategy and accelerate our progress and competitive advantage in this area.

## Driving customer satisfaction online

Significant achievements during the year include:

- We increased our online traffic by 23%, including a 39% increase in our traffic from search engines
- We launched our market-leading search and browse functionality, delivering 100,000 more orders
- We transformed our marketing, moving millions of pounds of spending from paper catalogues to search engine marketing

- We developed our mobile offering by launching apps for iOS and Android, including My Local RS and enhancements to the award-winning eTech magazine
- We introduced Live Chat services to our French, Chinese and Japanese customers, increasing website conversions by more than 5%
- We continued to inspire and aid over 100,000 electronics design engineers with the improvement of our DesignSpark PCB toolkit
- We won a number of awards for our eCommerce initiatives

## Award winning B2B business

# 23%

increase in online traffic



Suppliers

Sales and marketing

Customers

Focus on Asia Pacific:

# Market-leading position

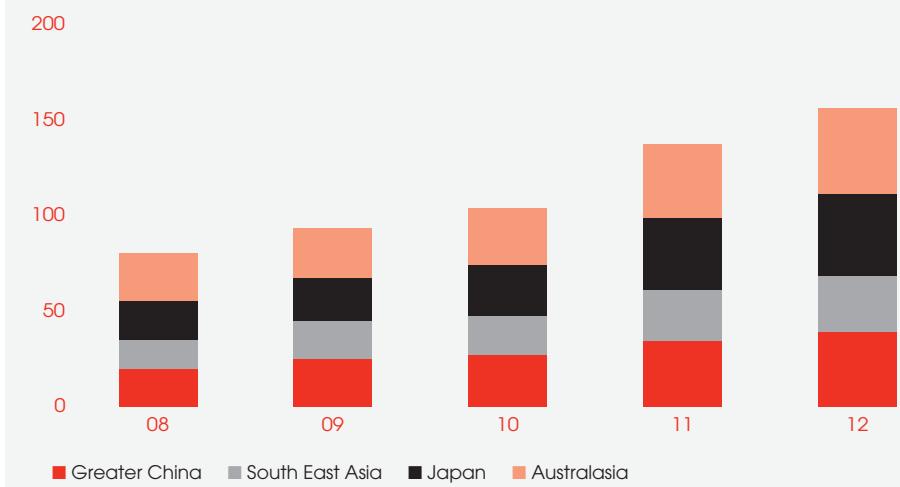


Richard Huxley  
Regional General Manager, Asia Pacific



Visit our online Annual Report 2012 at  
[www.electrocomponents.com/annualreport2012](http://www.electrocomponents.com/annualreport2012)

## Asia Pacific reported sales (£m)



Our position, strategy and opportunity in Asia Pacific are great examples of the Group's strengths and potential to accelerate its growth rate. We already operate in all key markets in the region and have an industry-leading footprint and infrastructure, with six warehouses, 13 websites and 17 local sales offices involved in selling, marketing and delivering the Group's broad range of more than 550,000 products to over 200,000 customers.

### Massive opportunity

We are the industry leader in the region, with strength across all markets and technologies, and operate one of Asia's largest online B2B businesses. However, despite this position of strength, we have a very low market share, giving us a massive opportunity to take share in fast-growing markets. Relative to the current level of market penetration we have in the UK, the Asia Pacific region is only 5% penetrated, with China offering even greater opportunities as its relative penetration is 3%. China is particularly relevant for the Group, given it is the largest automation market in the world, is half of the world's electronics market and has the largest internet population globally.

### Regional focus with global leverage

The Asia Pacific region has a clear strategy to maximise this opportunity, applying a local focus to the Group's global operating model. For example, in China we benefit from the Group's eCommerce investment in Live Chat and search engine marketing whilst providing a local presence on Chinese websites such as Taobao and Alibaba.

### Asia Pacific key to accelerating International growth

With the underlying economic growth rate in the region forecast to be several times the level predicted in the UK, Continental Europe and North America, we believe that the Asia Pacific region will be key to accelerating the Group's International sales compound annual growth rate from its historic level of 7% towards 10% over the coming years.



## Industry-leading footprint

### Excellent logistics footprint in China

RS leads high service level distribution in China, with five local offices and a recently expanded warehouse in Shanghai already supporting next day delivery to around 200 of the largest cities in China, with significant potential to expand this network further.

9%

Projected China GDP cumulative annual growth rate (source: IMF)

### Opportunity to take share in high-growth markets

We are the market leaders in Asia Pacific, however the region remains significantly under-developed compared to our largest market, the UK. If we were to achieve the same level of market penetration in Asia Pacific as we currently have in the UK then our sales in the region would be some 20 times larger than they are today.

5%

Projected South East Asia GDP cumulative annual growth rate (source: IMF)



### Market penetration

Australasia	19%
South East Asia	5%
Japan	5%
China	3%
Asia Pacific	5%

Note: Penetration refers to Electrocomponents sales expressed as a % of GDP, with the UK indexed to 100.

### More customers buying more products

Given the current low penetration and market share, a key part of the Asia Pacific strategy is to acquire more customers and get them buying more products. As such, the region is leading some of the Group's sales and marketing initiatives.

In late 2011 the region introduced an industry-first customer loyalty scheme called RS Infinity, whereby customers in the programme can earn Infinity points to redeem against future purchases.

We have been encouraged by the customer reaction to date.

Key highlights from the programme include:

- Live across nine countries in the Asia Pacific region with over 10,000 registrations
- Over half of the customers in the programme have shown instant sales behaviour change after joining RS Infinity
- Over £10m of sales have been generated through the RS Infinity platform
- Over 65% of RS Infinity orders are coming via our eCommerce platform
- Substantial increase in both average order value and average order frequency among RS Infinity customers

## Business review

# Broad-based growth delivering record sales



Simon Boddie  
Group Finance Director



Watch Simon Boddie discuss the Group's performance at [www.electrocomponents.com/annualreport2012](http://www.electrocomponents.com/annualreport2012)

### Business performance

#### Revenue

The Group delivered record annual revenues of £1,267.4m, representing underlying full-year sales growth of 7%. This performance was broad based, with all the Group's regions and both electronics and maintenance contributing to this growth, and is being driven by the continued development of the Group's industry-leading eCommerce channel, which grew its revenues by 18% in the year. International sales growth was 9%, and within this each region grew by 9%, whilst sales growth in the UK was 3%. The Group continues to benefit from its balanced product offering, with both electronics (42% of Group sales) and maintenance (58% of Group sales) delivering similar growth rates of 7%.

#### Gross margin

Gross margin at 46.8% was broadly stable through the year. On a year-on-year basis the gross margin declined by 0.3% points, with the UK improving its gross margin by 1.0% point and International's gross margin reducing by 0.8% points.

#### Costs

Operating costs as a percentage of sales reduced by 0.3% points as the business delivered ongoing operating leverage. Operating costs, at constant foreign exchange, grew by 5.6% reflecting increased selling volumes, inflation and investment in sales and marketing initiatives to drive growth. These impacts were partially offset by cost reduction initiatives such as catalogue

**"The Group continues to benefit from two strong offers, with both electronics and maintenance growing by 7%."**

cost reductions of £4m, of which a significant proportion represents the deferral of the European catalogue into 2013. Following this deferral, we expect European marketing costs to increase by around £2m in the first half of 2013.

#### Profitability

Operating profits increased by 7% with return on sales being stable year on year. Foreign exchange movements increased operating profit growth by around 0.5% points, principally due to the weakening of Sterling against the Euro during the year. A 10 cent weakening of

the Euro and US Dollar currencies against Sterling reduces the Group's operating profit by around £6m and £2m respectively.

Return on capital employed increased by 0.4% points to 24.6%.

#### Profit before tax

Profit before tax was £122.3m, an increase of 7% over last year. All regions contributed to this increase with International contribution increasing by £14.5m (10%) and the UK increasing by £4.3m (4%). The contribution increase was partially

offset by a rise of £10.5m (8%) in Process costs, reflecting increased variable costs associated with the strong International sales growth and continued investment in the implementation of the electronics and eCommerce strategies.

#### Earnings per share

Earnings per share of 19.5p increased by 8% year on year, with the effective tax rate remaining at 31%.

#### Dividend

The Board is proposing to recommend an increase of 4% in the final dividend for the year to 6.75p per share. This will be paid on 20 July 2012 to shareholders on the register on 22 June 2012. As a result, the total dividend for the financial year will be increased by 2% to 11.75p per share, resulting in earnings dividend cover of 1.7 times.

The Board believes that the business has significant opportunities to invest for growth at attractive returns and will therefore ensure that the Group has adequate resources available to take advantage of these opportunities as they arise. Over time, and as earnings increase, the Board intends to continue to pursue a progressive dividend policy whilst increasing earnings dividend cover to around 2 times.

#### Cash flow

The Group's free cash flow for the year of £52.7m was £4.7m below the prior year free cash flow. This decrease primarily reflected additional capital expenditure of £15.9m during the year as the Group made significant investments in its systems in North America, UK and Continental Europe, offset by an increase in the Group's profits before tax of £8.3m. Stock turn reduced slightly from 2.7 times to 2.6 times, reflecting the business's drive to both maintain its high service levels compared to the smaller competitors and also to invest in additional stock to drive sales performance in its international markets, notably in Asia Pacific.

In 2013 we are planning to invest further in both stock and capital expenditure to drive sales growth. Capital expenditure in 2013 is likely to be in the region of £30m and is expected to include the first year's costs of a project to implement a new SAP-based ERP system in Asia Pacific. This project is expected to cost around £20m over the next two to three years and will bring this region

### Operating performance

	2012	2011
Revenue	<b>£1,267.4m</b>	£1,182.2m
Gross margin	<b>46.8%</b>	47.1%
Contribution	<b>£266.8m</b>	£248.0m
Group Process costs	<b>£(138.7)m</b>	£(128.2)m
Operating profit	<b>£128.1m</b>	£119.8m
Interest (net)	<b>£(5.8)m</b>	£(5.8)m
Profit before tax	<b>£122.3m</b>	£114.0m
Free cash flow	<b>£52.7m</b>	£57.4m
Earnings per share	<b>19.5p</b>	18.0p
Dividend per share <sup>(1)</sup>	<b>11.75p</b>	11.5p

### Key performance indicators

	2012	2011
Group sales growth <sup>(2)</sup>	<b>6.9%</b>	21.0%
International <sup>(2)</sup>	<b>8.7%</b>	25.3%
UK <sup>(2)</sup>	<b>2.8%</b>	12.1%
eCommerce revenue share	<b>54%</b>	49%
Group return on sales <sup>(3)</sup>	<b>10.1%</b>	10.1%
Return on capital employed <sup>(4)</sup>	<b>24.6%</b>	24.2%
Stock turn (per year)	<b>2.6x</b>	2.7x
Net debt to EBITDA	<b>1.0x</b>	1.1x
Interest cover <sup>(5)</sup>	<b>24.7x</b>	23.4x

(1) 2012: includes 5p interim and 6.75p proposed final dividend

(2) Underlying revenue growth, adjusting for currency and trading days

(3) Operating profit expressed as a percentage of revenue

(4) Operating profit expressed as a percentage of net assets plus net debt

(5) Based upon EBITA: earnings before interest, tax and amortisation (inc. government grants)

## Business review continued

### International

	2012	2011	Growth reported	Growth underlying <sup>(1)</sup>
Revenue	<b>£902.7m</b>	£825.9m	9.3%	8.7%
Gross margin	<b>45.4%</b>	46.2%		
Operating costs	<b>£(249.4)m</b>	£(235.6)m	(5.9)%	(4.6)%
Contribution	<b>£160.8m</b>	£146.3m	9.9%	9.0%
Contribution % of revenue	<b>17.8%</b>	17.7%		

<sup>(1)</sup> Adjusted for currency; revenue also adjusted for trading days

### Continental Europe

	2012	2011	Growth reported	Growth underlying <sup>(1)</sup>
Revenue	<b>£456.3m</b>	£413.6m	10.3%	8.6%
Contribution	<b>£99.8m</b>	£90.5m	10.3%	8.4%
Contribution % of revenue	<b>21.9%</b>	21.9%		

<sup>(1)</sup> Adjusted for currency; revenue also adjusted for trading days

onto the same systems platform as the UK and Continental Europe. We expect revenue costs of around £1m in 2013 related to this project. This investment will support the acceleration of Asia Pacific's growth rate, which is key to driving International sales growth of 7%-10% per annum over the medium term. Other areas of capital investment will include ongoing warehouse modifications to accommodate the increase in product range and further investment in the Group's eCommerce system architecture.

#### Financial position

At 31 March 2012 net debt was £154.2m, which was £6.5m lower than last year due to free cash flow of £52.7m exceeding dividend payments of £50.1m, with the balance of the movement largely being due to foreign exchange.

In July 2011 the Group signed a £210m syndicated multicurrency facility (currency split: US Dollars \$75m, Sterling £120m, Euros €50m) from seven banks maturing in November 2015 which replaced the previous syndicated facility. The group's other main source of finance is US Private Placement notes, which are split \$65m with a June 2015 maturity and \$85m with a June 2017 maturity. Taking the syndicated bank facility

and US Private Placement notes together, the Group's committed debt facilities and loans amount to £300.6m, of which £128.3m was undrawn as at 31 March 2012.

Year end net debt comprised gross borrowings of £174.0m (currency split: £63m US Dollars, £57m Sterling, £49m Euros and the balance in other currencies) and financial assets of £19.8m. The currency mix is designed to help hedge the Group's translation exposures. The peak month-end net borrowing during the year (using monthly exchange rates) was £201.0m.

The Group's financial metrics remain strong with EBITA interest cover of 24.7 times and Net Debt to EBITDA of 1.0 times, with significant headroom to the Group's banking covenants.

#### International

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 year, underlying revenue increased by 9% with each of Continental Europe, North America and Asia Pacific growing by the same

rate. Gross margin was stable across the year, though year on year it declined by 0.8% points, with Continental Europe and Asia Pacific the key drivers of this decline. The gross margin was impacted by adverse foreign exchange movements (principally the movement of Sterling against the Euro), the successful growth of new revenue streams such as larger orders, together with growing sales to larger customers. The International business has delivered further ongoing cost leverage, with costs as a percentage of sales reducing by 0.9% points year on year. Underlying contribution increased by 9% year on year and the International contribution margin improved to 17.8%.

#### Continental Europe

Our business is the largest high service distributor of electronics and maintenance products in Continental Europe and 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.

Continental Europe reported strong underlying revenue growth of 9% and contribution growth of 8% at constant foreign exchange (10% as reported). The region continued to benefit from the regionalisation programme that was initiated in 2010, since when Continental Europe has delivered an average underlying annual sales growth rate of 15%, significantly ahead of the underlying market growth.

An example of the benefits of regionalisation, the strategy to build a large maintenance offer that is consistent across Europe, has delivered more than £10m in incremental revenue growth since the programme began in June 2010. A total of 70,000 products are now available in every market in the region, half of which are in the automation and control range, the primary technology focus in maintenance because of its potential for future revenue growth.

Our approach to eCommerce, which recognises the importance of the 'human touch', including for example the introduction of our online chat service Live Chat in France, is a key differentiator for the business. Our corporate sales force won 25 new accounts during the

**"The International business represents over 70% of Group revenue."**

## Case study

# A great start in Eastern Europe

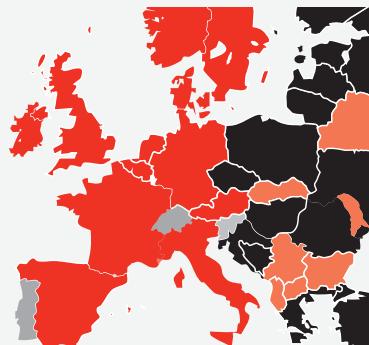
Eastern Europe completed its first full year of trading and the performance has been excellent, surpassing other market entries in recent years.

The focus on an eCommerce and marketing-led business model, supported by sales teams in Poland, Czech Republic and Hungary and leveraging our logistics infrastructure in Germany, has delivered a business that generates over 67% of sales online from over 6,000 active customers. The average order value and average order frequency in these markets has been very encouraging for a business at this stage of maturity.

The varied customer base and usage areas are very similar to those in our traditional existing markets around the world. Electronics sales are 48% of sales and reflect the depth and diversity of the Eastern European electronics sector. There has been a good take-up of DesignSpark, DesignSpark PCB and 3D CAD downloads, reflecting the value customers place on the convenient and high-value functionality embedded in the online offer.

Successes have also been recorded in rolling out contracts from existing markets into the region via the sales force and eProcurement solutions with progress particularly good in the automotive assembly and components manufacturing base, food and beverage and engineering industries.

Customer surveys consistently reflect their demand for reliable and fast service and a broad product range, which is being further developed in line with the Group's strategies to deliver enhanced online services and value.



year (an increase of 10% in the number of corporate accounts) with our eCommerce solutions being a major contributor to this success. Across the region eCommerce sales grew by 22%, with an exit channel share of 64%, compared to 59% a year ago.

eCommerce has also been crucial in enabling us to successfully enter new markets in a cost-effective manner, and we have been pleased with the progress made in this regard in Eastern Europe and Switzerland during the last year.

Evidence of the ongoing progress made across the region also comes via a customer satisfaction survey conducted by TNS. The most recent survey, conducted in late 2011, saw an increase in our score whilst the benchmark average declined; testimony to the attractiveness and quality of our service and offer to customers.

## North America

Allied, our North American business, reported underlying sales growth of 9% during the year, boosted by the business's continued focus on customer acquisition, expansion of the product range and targeted marketing campaigns. Excluding the additional revenue costs related to the implementation of a new system, the contribution growth was 7% at constant foreign exchange.

A major focus of the business, particularly in the second half of the year, was the installation of a SAP-based ERP system to replace a bespoke legacy system. This project, which incurred additional revenue costs of around £2m during the year, successfully went live in January 2012 and was both on time and within budget. Going forward, there will be additional depreciation and operating costs of around £2m per annum related to this project.

Sales and marketing activities are centred on the business's unique network of 53 sales offices. These included targeted joint sales and marketing customer calls and visits with suppliers which have resulted in customer numbers rising by around 5% over the year. eCommerce remains a key marketing channel, with eCommerce revenues growing by 13% during the year and channel share rising to 39% from 37% in the prior year.

## North America

	2012	2011	Growth reported	Growth underlying <sup>(1)</sup>
Revenue	<b>£277.5m</b>	£262.3m	5.8%	8.5%
Contribution	<b>£43.3m</b>	£42.5m	1.9%	4.4%
Contribution % of revenue	<b>15.6%</b>	16.2%		

<sup>(1)</sup> Adjusted for currency; revenue also adjusted for trading days

## Business review continued

### Asia Pacific

	2012	2011	Growth reported	Growth underlying <sup>(1)</sup>
Revenue	<b>£168.9m</b>	£150.0m	12.6%	9.1%
Contribution	<b>£17.7m</b>	£13.3m	33.1%	26.2%
Contribution % of revenue	<b>10.5%</b>	8.9%		

<sup>(1)</sup> Adjusted for currency; revenue also adjusted for trading days

### UK

	2012	2011	Growth reported	Growth underlying <sup>(1)</sup>
Revenue	<b>£364.7m</b>	£356.3m	2.3%	2.8%
Gross margin	<b>50.0%</b>	49.0%		
Operating costs	<b>£(76.5)m</b>	£(72.8)m	(5.0)%	(5.0)%
Contribution	<b>£106.0m</b>	£101.7m	4.2%	4.2%
Contribution % of revenue	<b>29.1%</b>	28.5%		

<sup>(1)</sup> Revenue adjusted for trading days

During the year, Allied added a further 19,000 new products to its portfolio from existing suppliers such as Molex, TE Connectivity and Microchip as well as new suppliers such as ABB, Vishay and Panasonic. The fastest growing segment was automation and control, which benefited from targeted campaigns using both online and offline channels and grew by over 20%. Allied's success in this product category over a number of years was rewarded by its recognition as a 'First Team' Honoree by Automation World, a leading publication for automation professionals in North America.

In the months following the new SAP-based ERP system go-live date the focus of the Allied team has been on system and process integration. As that period of learning for our staff draws to an end and a more pro-active approach to sales and marketing returns, we are confident that this new system will give the business a robust platform for long-term growth as well as delivering operational benefits.

### Asia Pacific

The Group's business in Asia Pacific is the region's market leader, operating across 12 countries with around 1,000 employees complemented by local language websites.

During the year the region reported underlying sales growth of 9% which, combined with ongoing operating leverage, delivered a 26% increase in contribution at constant foreign exchange (33% as reported). Contribution as a percentage of sales increased by 1.6% points to 10.5%.

A successful year reflected the progress made in leveraging the Group's global operating model and capabilities whilst maintaining a local focus. During the year an additional 80,000 products have been added to warehouses in Australia, China, Hong Kong, Japan and Singapore, enabling the region's customers to enjoy faster delivery of locally-stocked electronics, maintenance, and automation and control products. In particular, we invested around £7 million of stock specifically for the Chinese market in our new Shanghai

warehouse. We expect that this will enable further market share gains for our China operation.

The web remains a key sales and marketing channel across the region and eCommerce revenues grew by 32% during the year, driven by ongoing investment in improved functionality, including online quotes and additional payment methods, and the introduction of our online chat service, Live Chat, in China and Japan. Local initiatives included the opening of store fronts on TaoBao and Alibaba in China to ensure we can reach and attract as many customers as possible. As in Continental Europe, our eCommerce platform has also allowed us to meet customer demand in new markets such as Indonesia, where we currently do not have a local office, by creating a new website that is available in both English and local language versions.

Our excellent customer service levels have been recognised in the form of several customer service awards, such as the China Best Customer Contact Center Industry Promising Star of the Year, 2011. Additionally, the 2011 customer satisfaction survey conducted by TNS resulted in a score significantly ahead of the trade/distribution sector benchmark in Asia Pacific.

In many parts of the region, notably China, a key business issue is attracting and retaining talented employees, and it is pleasing to see that the benefits of numerous initiatives we have taken in this respect have delivered falling staff turnover rates and rising employee engagement scores, which bodes well for the future growth and development of our operations in the region.

### UK

The UK operation is the largest high service distributor in the country, and continued to grow during the year, reporting underlying sales growth of 3%. Gross margin increased by 1.0% point to 50.0%, with the business benefitting from targeted selling price increases, increased discount effectiveness and the favourable impact of foreign exchange movements. The 5% growth in operating costs reflected increased sales volumes and inflation, increased stock holding costs, together with investment at our Nuneaton distribution centre. Consequently the business

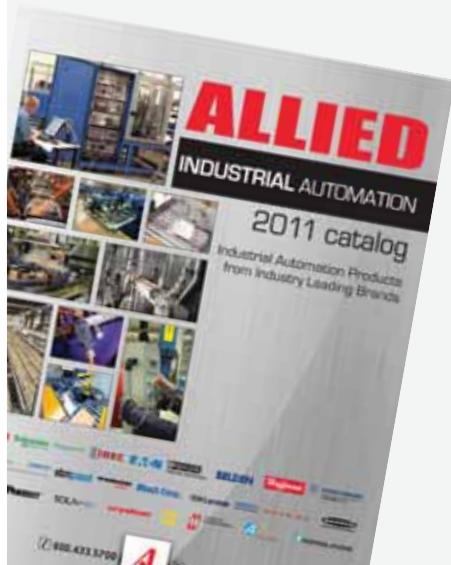
## Case study

# Allied's success in targeting automation and control

Allied has had great success over the past year positioning itself as a leading distributor of industrial automation brands in North America. A targeted marketing campaign, in which Allied worked closely with major suppliers to consistently deliver a message that Allied has the quality industrial brands that customers know and trust, generated sales growth in excess of 20%.

The campaign encompassed both print and online advertising, with a key objective being to support the growth in Allied's internet business. This was accomplished, with internet sales of industrial automation products rising by 30% during the campaign. The use of targeted product emails was a critical part of this success. These emails directed customers to visit [alliedelec.com](http://alliedelec.com), select an industrial automation brand and their favourite product from that brand and then they would be entered into a weekly prize draw to win an iPad. Not only did these product emails generate the majority of sales for this campaign, but they also led to over 100,000 visits to Allied's website.

Other marketing initiatives included major online and print advertising campaigns with leading trade journals such as Automation World, Control Engineering and Control Design, as well as the production of an automation and control 'specialogue', a 48-page catalogue dedicated to the brands and products that were the subject of this specific marketing campaign. There was also an internal sales contest designed to support this campaign and grow eCommerce revenues.



reported 4% contribution growth and an increase in contribution as a percentage of sales to 29.1%.

The UK management team continues to leverage the Group's strategy, in particular the electronics offer and eCommerce channel, as well as developing new revenue streams. Its success in this is evident not only in the fact that the UK's sales and contribution are above their pre-recession levels, but also in the industry-leading customer satisfaction survey scores. The latest such survey conducted by TNS showed a further improvement in the UK's score, putting the business in the top decile globally in its benchmark group.

The business is benefitting from the improvements made to the electronics offer over the past few years, with a further 32,000 products added to this range in the past year to take the total new product introductions in this category to almost 70,000 over two years. This delivered electronics revenue growth in the year against a backdrop of a declining electronics market, as measured by the Association of Franchised Distributors of Electronic Components (AFDEC).

eCommerce revenue grew by 11% during the year, with eCommerce revenue share exiting at 59% compared to 57% a year ago. This strong performance was driven by a number of initiatives. These included working with Google to increase our search engine marketing reach, which resulted in a 34% increase in traffic to our website, the introduction of a new search and browse functionality, and the introduction of our online chat service, Live Chat.

The development of new revenue streams continues to gather momentum. The UK added a further 13 corporate accounts during the year on multi-year agreements, taking the total number of corporate accounts past 150. These customers now contribute around a quarter of the UK's sales.

Other initiatives included the introduction of dynamic pricing strategies for specific product categories, which has delivered encouraging results to date in terms of both sales growth and margin uplift in areas such as lighting.

## Business review continued

### Processes

	2012	2011	Growth reported	Growth underlying <sup>(1)</sup>
Process costs	£(138.7)m	£(128.2)m	(8.2)%	(7.6)%
Costs % of revenue	(11.0)%	(10.9)%		

<sup>(1)</sup> Adjusted for currency

There was also an effective campaign to target machine panel builders, a new customer segment that has grown at 7% as a result of this initiative, significantly ahead of the UK's overall growth rate.

#### Processes

The Group's Processes principally comprise Electronics, Maintenance, eCommerce, Supply Chain and Global Information Technology. Between them these Processes have responsibility for the identification, introduction and sourcing of the Group's products, managing supplier relationships, developing and implementing the Group's eCommerce strategy, managing the Group's stock (both quantity and location) and the Group's worldwide systems infrastructure.

Process costs as a percentage of sales increased slightly, by 0.1% points. The continued investment in the implementation of the electronics and eCommerce strategies, together with increased variable costs associated with the strong International sales growth, resulted in Process costs increasing by 8% at constant exchange rates.

The Electronics division introduced 32,000 new products from suppliers such as Panasonic, Tyco Electronics, Texas Instruments and Analog Devices, and signed authorised re-seller agreements with Renesas in China and Micrel in Europe, Middle East, Africa and Asia Pacific. We are also one of only two authorised distributors of the Raspberry Pi, the low-cost, credit card-sized computer board designed to seed a new generation of programmers. The success this team has had in transforming our electronics range over the past two years was recognised in a number of prestigious external awards, notably both Company of the Year 2011 and Distributor of the Year 2011 at the Elektra European Electronics Industry 2011 Awards.

The Maintenance team introduced 8,000 new products in the year, two-thirds of which were from the Group's global strategic suppliers. This focus on strategic suppliers continues to deliver considerable success, with sales from these suppliers growing 11%, 4% points faster than the overall Group sales growth rate. New global deals were signed with Omron, SMC and Honeywell during the year to further strengthen our position with leading suppliers. A focus of the team remains the automation and control category, a category that grew by around 10% during the year and that we will continue to target going forward.

eCommerce has been focused on driving additional traffic and orders to our websites. During the year new search and browse functionality has been added and we have continued to switch our marketing spend from paper catalogues to search engine marketing. As a result of these initiatives, we increased our online traffic by 23%, including 39% growth in traffic from search engines across the Group. The team also introduced Live Chat services to customers in France, UK, China and Japan, enabling us to keep and convert more of this traffic into orders, with conversion rates rising by 5% in these markets post launch of Live Chat. Further innovative applications were added during the year, including apps for iOS and Android, My Local RS app and enhancements to the award-winning eTech magazine. A successful year was externally recognised with a number of awards, including the award of Best eCommerce Marketing Initiative at the 2011 eCommerce Awards for Excellence for the team's search engine marketing strategy.

Supply Chain supported the new product introductions, notably the significant stock investment in China and move to a new, larger

warehouse in Shanghai. Against this backdrop of large numbers of new product introductions Supply Chain has maintained high service levels, which has been critical to the improvement in customer satisfaction scores achieved by the UK, Continental Europe and Asia Pacific regions. The team also received recognition themselves at several external awards, including the Logistics and Distribution Operations award at the European Supply Chain Excellence Awards.

The Global Information Technology Process oversees and manages the Group's transactional systems and eCommerce platform, and delivered a number of significant projects during the year which underpin the Group's strategy. These included transitioning our North American business from a bespoke transactional system to a new SAP platform, together with the upgrade of the UK and Continental European SAP systems to the latest version of SAP. This latter project will not only provide a stable platform for these parts of the business until at least 2020, but it will also provide a template from which SAP will be rolled out into our Asia Pacific region in the coming years, after which we will have a common systems platform globally from which to drive Group sales, marketing and product initiatives. The team also moved our data centre facilities for UK and Continental Europe from London to Scotland, in the process enabling us to increase our capacity for growth and provide greater flexibility for change.

#### Taxation

The Group's effective tax rate was 31%, which was the same as the prior year. The Group's current effective tax rate includes the effect of a significant and continuing increase in the deferred tax liability due to the tax amortisation of overseas goodwill. This deferred tax liability is not expected to crystallise in the foreseeable future. This means that the effective tax rate was significantly higher than the cash tax rate of 22%. The cash tax rate is expected to increase to around 25% as prior year tax losses are utilised.

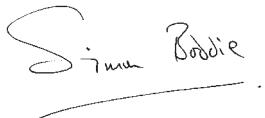
#### Pension

The Group has defined benefit pension schemes in the UK, Ireland and Germany. All these schemes are closed to new entrants and in Germany the pension scheme is closed to accruals for future service.

Under IAS 19, the combined gross deficit of the Group's defined benefit schemes was £8.3m at 31 March 2012. This balance comprised a £5.8m deficit in Germany, £1.8m deficit in the Republic of Ireland and £0.7m deficit in the UK.

The largest defined benefit scheme is in the UK where the accounting valuation as at 31 March 2012 disclosed a surplus of £10.6m, compared to a surplus of £24.9m last year. This movement was principally caused by higher liabilities, due to a lower discount rate assumption, partially offset by actuarial gains caused by returns on assets being higher than expected. The £10.6m surplus has not been recognised in the Group accounts, as per IFRIC 14, which results in a small deficit of £0.7m.

The net pension cost recognised in the Group income statement in the year ending 31 March 2013 is expected to increase by around £2m, principally reflecting lower discount rate assumptions and lower investment returns.



**Simon Boddie**  
24 May 2012

## Case study

# Developing new revenue streams in the UK

A central part of the UK's strategy in recent years has been the development and growth of incremental revenue streams. A great example of the success the business has had in this regard is the targeting of a new customer segment, machine and panel builders.

Machine and panel builders are typically small and medium-sized businesses whose engineers design and manufacture equipment, machines and panels that improve the efficiency of production processes; we believe that there are around 5,000 such businesses in the UK. The core products they need are typically automation and control, a product offer that we have been successfully growing in recent years and which we regard as integral to our offer going forward.

This customer segment is expected to grow rapidly, benefitting from global trends such as energy efficiency, and it is also the subject of increasing focus from many of our global strategic suppliers.

Whilst focused on a different product category, this customer group shares many similarities with electronics design engineers, in that they often require immediate access to a broad range of quality brands. They are therefore well-suited to our high service level distribution business model.

We also recognised that our strong field sales network would provide us with a competitive advantage in targeting this customer group.

Around 18 months ago we put in place a dedicated nationwide sales team that targeted, engaged with and sought to develop our relationships with this group of design engineers by putting in place contractual agreements where possible.

This team manages an account base that is now contributing over £15m in revenues and which has grown at around twice the rate of the overall UK business during the last year. Hence we believe there are significant opportunities to build upon the strong start that this initiative has had by transferring more customers onto contractual agreements and generating continued growth.



## Principal risks and uncertainties

# Managing our risks to achieve our strategic objectives

### **Governance**

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

### **The risk management process**

The Board has overall responsibility for the Group's risk management process. The effectiveness of the process is reviewed annually through the Audit Committee. Day to day management of risk is delegated to the Group Executive Committee (GEC) which is accountable for the risk mitigation activities.

The GEC conducts a formal review and assessment of the potential risks to the Group's strategy at the start of each financial year, and prioritises the agreed risks according to an assessment of the Group's risk tolerance limits and allocates responsibility to management. The output of this process is reported to the Board, via the GEC, for review.

All operational businesses complete an annual combined risk and controls profile, which feeds into the overall risk assessment process that is reviewed by the GEC, and by the Audit Committee in the annual Risk Review. The results of the risk assessment are factored into the internal audit plan to focus audit testing on key controls within the business.

### **Principal risks and uncertainties**

The following two tables present the principal risks to the achievement of the Group's strategic objectives as identified through the risk management process described above.

The first table is a list of risks assessed as 'High'. Any risk given a high assessment is monitored by the risk owner using an agreed set of risk indicators, which are reported through to the Board. These indicators are described in the table below.

The second table is a list of risks identified as 'significant'. Owners of all significant risks report the impacts and mitigating actions through to the GEC at least quarterly. If the risk increases, or if requested, the owner may be called upon to present the risk mitigation plans to the Board.

The following risks have been assessed as 'High' risks. These are subject to regular Board review and monitoring by the senior executive risk owner. Key metrics are regularly reviewed to ensure the risk does not exceed agreed tolerance levels.

## Macroeconomic conditions

The global economic conditions remain unstable and are vulnerable to major shocks such as a further banking crisis or sovereign debt defaults.

The Group's sales and profits could be exposed by a worsening of global economic conditions and a loss of business confidence.

### Threat

- Reduced sales
- Lowering of operational leverage
- Excess stock
- Bad debt increase
- Funding shortfall

### Opportunity

- Focus on markets served by smaller competitors
- Customers reduce stock holding and use RS to source and supply components

**Key risk measures**

- Free cash flow
- Available headroom in banking covenants and facilities
- Working capital metrics
- Interest cover
- Net debt to EBITDA
- Costs as a percentage of sales

### Mitigating actions

- Cash generative business
- Strong balance sheet
- Significant headroom to the Group's banking covenants and facilities
- Manage costs
- Increasing global penetration
- Stock management

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

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.

### Threat

- Insufficient numbers of new customers
- Development of new customers behind target
- Average order frequency / value does not improve
- Unable to achieve sustainable sales growth

### Opportunity

- Increased sales and profitability
- Sustained growth in market share

### Key risk measures

- New customer acquisition
- Average order frequency / average order value
- Metrics on new customers purchasing behaviours
- Customer retention metrics
- Customer satisfaction measures

### Mitigating actions

- Customer acquisition campaign
- Brand awareness programmes in new markets
- Development programme to influence new customer purchasing behaviours
- Improvements to the eCommerce customer journey
- Targeted and relevant mass marketing programmes
- Continuing high levels of new product introductions

## Pricing

Customers value the high service model less in a price sensitive market.

The risk is that our competitors close the service gap and become more competitive on price.

### Threat

- Pressure on gross margin from lower prices and increased customer discounts
- Lower sales if we do not act quickly

### Opportunity

- Differentiated by industry-leading service levels
- Sales opportunity for value RS brand products

### Key risk measures

- Gross margin
- Value for money performance
- Competitor price matching coverage
- Frequency of price reviews
- RS Brand sales growth
- 'On Time in Full' performance indicators

### Mitigating actions

- Dynamic pricing strategy
- Adapt sale prices in response to and in anticipation of external factors

- There are tight management controls in place for the approval and monitoring of discounting
- Increase price matches with competitor products
- Continued focus on customer service
- Monitor and maintain customer order fill and line fill

## Principal risks and uncertainties continued

The following have been assessed as 'Significant risks' to the achievement of our objectives. These are monitored regularly by the GEC and if there are any significant changes in the level of risk, the Board is updated by the risk owner.

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

The risk is that current information and data structures inhibit the future effectiveness of the eCommerce offer.

The risk anticipates increasing market demands for faster rates of new product introductions, price changes and provision of comprehensive product information.

#### Impact

- Customers find the web content hierarchy or taxonomy difficult and complicated to use, resulting in lost sales
- Poor consistency across product content data prevents customers finding products on the web and making value comparisons when looking to buy, resulting in lost sales

#### Mitigation

- Our strategic content programme continues to deliver improvements in product data and content quality
- Customer expectations and experiences are monitored through customer surveys, and appropriate action taken
- There are strong governance structures in place for new product introductions to ensure continued improvements in our content

### Key infrastructure dependencies

As a high service distributor, there is a reliance on our warehousing and on our key IT infrastructure to support business operations.

#### Impact

- A prolonged disruption to either our key strategic warehouse or our IT systems infrastructure would severely impact customer service operations including sales, order taking and order fulfilment

#### Mitigation

- Our IT systems infrastructure is designed to provide considerable contingency against disruption
- Upgrades to core systems and other applications are strictly controlled through tight project management processes and include vigorous test processes prior to any release

- Our warehouse facilities have Business Continuity Plans in place, which mitigate significant service disruptions
- Business Continuity Plans are subject to regular testing with well practised incident management procedures in place

### Increasing competition in electronics markets from high service distributors

Competitors close the service gap and offer better services, value for money and a broader product range, threatening the Group's core markets.

#### Impact

- The Group's future relative competitive position declines, losing market share and margin

#### Mitigation

- We have accelerated our market initiatives through developing web capabilities, service excellence, pricing competitiveness and range effectiveness
- Successful launch of DesignSpark

- We continually develop new product introductions including the addition of new range suppliers and driving benefits with existing suppliers
- Our multi-channel position is a market differentiator, serving the needs of all our customers

### Pension cost increases

Worsening economic conditions and weakening assumptions could lead to an increase in the liabilities and a reduction in assets of the UK defined benefit pension scheme.

#### Impact

- Increase in costs in the income statement
- Increasing contributions to the scheme

#### Mitigation

- There are regular quarterly reviews of our funding position, and regular interaction with our pension scheme Trustees
- Our company representative sits on a joint Trustee / Company working party which meets at least quarterly to review investments

**"All operational businesses complete an annual combined risk and controls profile, the results of which feed into the internal audit plan."**

## Foreign exchange rate volatility

Currency exchange rate volatility.

### Impact

- Increased uncertainty in business planning, product procurement costs and income statement exposures

### Mitigation

- Placing of forward contracts against planned expenditure and increased purchasing of stock in Euros and US Dollars

- Our Treasury Committee sets agreed risk tolerance levels
- Compliance against our foreign exchange exposure targets are reported to the Treasury Committee monthly

## Risks to the effective management of the growing electronics product range

The ongoing development of the electronics range, with its shorter product life cycles, potentially increases the exposure of the business to higher levels of stock obsolescence as well as operational capacity constraints

### Impact

- Reducing stock turns
- Increase in stock provision costs

- Deteriorating operational efficiency due to limitations on product induction and warehousing capacity

### Mitigation

- Comprehensive marketing analysis and monitoring of new product developments in electronics technologies, to identify high potential products and ranges

- Contractual arrangements in place with key suppliers on stock purchasing and product buy-back
- Active monitoring of products through their life cycle
- Investment in continuous improvement in operational effectiveness and processing capacity to support range growth

## People risk

The business is unable to attract or retain high-performing employees.

Staff are not fully engaged and supportive of the business strategy.

### Impact

- We do not have the right mix and depth of skills to deliver the strategy
- Lack of engagement with the strategy impacts achievement of objectives

### Mitigation

- We continually develop our internal competencies, and where appropriate introduce new expertise through external appointments
- Employee commitment is encouraged through our appraisal processes, with personal objectives being aligned in support of the strategic objectives

- Our Continuous Improvement initiatives encourage employee involvement in identifying and implementing changes to improve customer experience and deliver greater efficiency
- Employee engagement remains a strategic priority and is monitored through the annual employee survey. Initiatives are targeted to address any issues that are identified through the survey

## Corporate social responsibility

# Committed to sound corporate social responsibility policies and practices



Ian Mason  
Group Chief Executive



### Policy and overview

We are committed to sound corporate social responsibility (CSR) policies and practices as an integral part of our business. We believe that the progressive alignment of our values and strategy with responsible and ethical business policies and practices helps enhance employee engagement and is a driver for sustainable growth and success.

The Board of Electrocomponents takes account of CSR matters in our business operations. The Group Chief Executive is the Director responsible for CSR, environment and health and safety

across the business. Electrocomponents plc is a member of the FTSE4Good index and we were pleased to be named in the top 100 of most sustainable companies in the world by the Corporate Knights in 2011.

The Group has a policy manual, Our Standards, which sets out the standards of behaviour to which every employee is expected to work and which defines the core values and principles we apply in dealing with our customers, suppliers and other stakeholders. The manual covers gifts, hospitality and donations, fraud, compliance, competition law, conflicts of interest and respect

for our employees. We issue Our Standards annually to our management population across the Group in seven languages.

We have a zero tolerance approach to all forms of bribery and corruption. The Anti-Bribery Policy applies to all businesses, Directors and employees within our Group to ensure compliance with all laws and regulations governing bribery and corruption in the countries in which we operate. Electrocomponents is committed to conducting its business and affairs so as to ensure that it does not engage in or facilitate any form of bribery.

### Health and safety

The last year has been an encouraging period for health and safety within the Group, with the highlight being a 23% improvement in our lost time accident rate. The number of lost time accidents per 200,000 hours worked reduced to 0.78 in 2012 from 1.01 in 2011, with a corresponding reduction in the number of lost workdays from 796 to 770.

Building on the last two years' foundations, the safety culture has grown from strength to strength. This has been achieved through the creation of strong leadership skills, developing the right mindset within our employees and equipping them to play a full role in creating a safe and fulfilling place to work. Employees attended over 9,100 training sessions, covering subjects such as safety leadership and

**"We have achieved a 23% improvement in our lost time accident rate over the past year."**

mechanical handling equipment (MHE) awareness. A number also achieved vocational health and safety qualifications.

Embedding the right behaviours and a 'Target Zero' mindset has been supported by a series of campaigns across the Group. These campaigns were borne out of an improved communication strategy linked to a refined accident investigation process and trending analysis. Campaign feedback has been very positive and similar campaigns will be run over the coming year.

In the UK this activity has been further endorsed by the results of our employee engagement survey, where health and safety was the highest scoring element. Additionally the number of near misses reported has more than doubled over the year, a clear indication that our employees understand the value of learning from these types of events. The near miss reports are now discussed at daily meetings and are used to change or review risk assessments applied in the workplace.

Reflecting the commitment to health and safety made by the company in the UK, RS was recently awarded a RoSPA Bronze Achievement Award for Occupational Health and Safety.

Over the next year we will continue to build on the progress we have made to date. Changing the safety culture of an organisation is neither quick nor easy to do, and it is important we continue to invest in our people and implement a global safety improvement strategy designed to further reduce the harm occurring to our employees and help support the growth and development of the business in the future.

## Environment

We use a set of key performance indicators (KPIs) to assess and monitor the environmental performance of our sites and businesses. The KPIs index relevant environmental impacts to sales to reflect performance allowing for business growth. This enables us to benchmark individual areas of the Group's business and helps identify opportunities for performance improvements. These KPIs are measured and assessed on a calendar year basis rather than a financial year basis.

The most significant environmental impacts continue to be:

- (i) carbon emissions due to the consumption of energy at our facilities;

- (ii) the use of paper in our printed catalogues and packaging for our products;
- (iii) the generation of waste; and
- (iv) water usage.

We encourage businesses to gain the ISO14001:2004 Environmental Management Standard where this is supportive of our business objectives. Currently 55% of the Group by turnover is certificated to ISO14001.

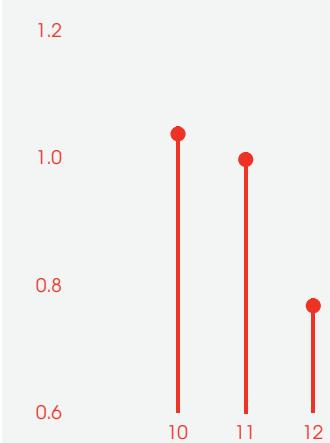
## Emissions

The main sources of our energy usage and carbon emissions are premises and the operational infrastructure. These represent a relatively fixed element of our carbon emissions footprint, so that as we increase sales our energy intensity metrics will show overall improvements in efficiency.

Our CO<sub>2</sub> performance in 2011 saw a 16% improvement in energy intensity, with the ratio being driven by higher sales and reductions in energy usage. Total CO<sub>2</sub> emissions in 2011 reduced by 8% to 19,743 tonnes (2010: 21,449 tonnes).

Major improvements in 2011 that contributed to this reduction in energy usage have included the upgrade of the building management system at

**Lost time accidents rate**  
(per 200,000 hours worked)



Data is for the financial year 1 April to 31 March.

## Developing a global five-year safety strategy

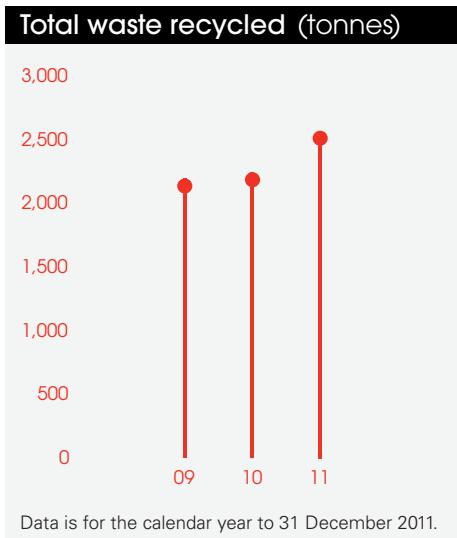
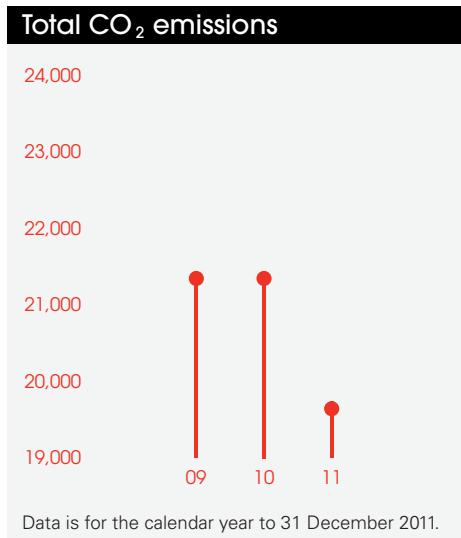
To build on our recent successes a global five-year safety strategy has been developed for implementation throughout the supply chain and across the regions.

The strategy has four clear elements:

- (i) leadership development and behavioural safety;

- (ii) implementation of clear standards across the Group allowing local ownership and improvement;
- (iii) sharing best practice across the Group; and
- (iv) interactive risk assessments and risk registers for all distribution centres.

## Corporate social responsibility continued



## Improving our energy efficiency

The improvement of lighting efficiency in our locations continues, with LED and fluorescent tubes linked to movement sensors being installed across many sites in the Group to replace older less efficient lighting installations.

In July 2011 we installed video conferencing facilities across our business locations. This has not only improved our international communications, but has improved time efficiency and cost management. Early indications are that the new facilities have been an important contributor to a reduction in business flight miles of 15% year on year.

our Nuneaton site in the UK. This provides for more efficient management of heating, ventilation and lighting, as well as improving data recording to identify further operating efficiencies. Together with new management systems to control heating and air conditioning usage in the UK's trade counter network, it is anticipated that these innovations will generate annual savings of over 1,000 tonnes of CO<sub>2</sub>.

Other factors influencing energy consumption in 2011 included a reduction in gas consumption in our North American business due to high summer temperatures. Our Japanese business reduced its energy consumption by 21% in response to government appeals to reduce energy use following the earthquake in March 2011.

We continue to receive recognition for our performance in improving our energy efficiency. The Group participates in the Carbon Disclosure Project (CDP), and in 2011 our performance was recognised as a 'High' score in the CDP, whilst in January 2012 our UK business became the first distributor of electronic and maintenance products to achieve the Carbon Trust Standard and be recertified after the initial two-year qualifying period.

### Waste and recycling

Our primary waste streams are card, paper and wood.

In 2011 we improved our waste intensity with a reduction to 2.66 tonnes of waste per £m sales from 2.74 tonnes in 2010.

We increased the proportion of waste recycled to 77% of total waste produced in 2011 from 72% in 2010. Our recycling performance relative to turnover also improved in 2011, by 3% points relative to 2010.

Recycling initiatives were launched in North America and the UK. The objective remains for the UK to achieve 'Zero to Landfill' status, and it has set an interim target of recycling 80% of all waste by 2014. Other initiatives to prevent the creation of waste include increasing the use of technology such as electronic invoicing, the re-use of transit packaging and supplier contractual clauses for the buyback of surplus or obsolete products.

### Paper and packaging

The increasing importance of the web has allowed us to review the frequency with which

we re-issue our catalogues to our customers. We have moved to an annual print frequency allowing us to reduce our costs, including the consumption of resources.

We continue to work closely with our pulp and paper suppliers and printers to improve the carbon footprint of the catalogue. All the pulp for the catalogues is sourced from either Sustainable Forestry Initiative or PEFC accredited forest management schemes, with printing carried out in ISO14001:2004 certificated facilities.

We are continually seeking opportunities to reduce the quantity of packaging consumed per order, whilst ensuring that our customer packaging protects customer orders and products from damage whilst in transit. The total quantity of packaging we used in 2011 increased to 5,497 tonnes (4,959 tonnes in 2010), and there was an increase of 3% in the quantity of

**"The percentage of our waste that we recycle has increased by 7% points over the last two years."**

packaging used per line ordered across the Group during the year. Factors behind the rise in consumption included the rise in sales together with increased exports from the UK, including for example providing support to customer service level improvements in Asia Pacific.

Our UK business has set a target to reduce the quantity of export packaging used per line ordered by 7% by 2014. This will be achieved through the ongoing review of our packaging range, improving user training and trialling new products.

#### Water

Our use of water resources is primarily for domestic office uses and for fire protection purposes.

Water consumption levels are strongly influenced by the number of people employed, and in 2011 the increase in staff numbers led to an increase in water consumption across the Group to 52,059 m<sup>3</sup> (2010: 48,424 m<sup>3</sup>). However, relative to the number of employees water consumption fell by 3%.

The UK business recorded the largest increase in consumption, with increases in employee numbers and operational infrastructure works at the Nuneaton warehouse contributing to the increased water usage. Water use restrictions in Texas due to the exceptionally hot summer reduced consumption for our North American business, whilst Italy, France and Singapore all reported reduced usage, the latter due to a move to new office premises.

#### Our people

We value our people. The Group has 6,300 employees around the world and they all play a role in delivering our strategy. Our employees are committed and hard working, and we are focused on building an effective organisation with a high performance team and culture.

#### High performance culture

'Building a Great Place to Work' continues to be a strategic focus across the Group. We regularly measure our progress through employee surveys and have continued to build on the positive results of previous years. The employee surveys provide us with an excellent opportunity to gather feedback from employees which is used to shape our plans for the coming year.

#### Environmental performance

	Calendar 2011	Calendar 2010	Calendar 2009
<b>Emissions</b>			
Total emissions CO <sub>2</sub> #	<b>19,743</b>	21,449	21,445
Energy intensity (tonnes CO <sub>2</sub> /£m turnover)	<b>15.7</b>	18.8	22.7
<b>Waste</b>			
Total waste (tonnes)	<b>3,351</b>	3,129	3,150
Waste intensity (tonnes waste / £m turnover)	<b>2.66</b>	2.74	3.34
<b>Recycling</b>			
Total waste recycled (tonnes)	<b>2,570</b>	2,256	2,196
Percentage waste recycled	<b>77%</b>	72%	70%
<b>Packaging</b>			
Total packaging consumed (tonnes)	<b>5,497</b>	4,959	3,883
Packing / line ordered (kg)	<b>0.24</b>	0.23	0.20
<b>Water</b>			
Total water consumed (m <sup>3</sup> )	<b>52,059</b>	48,424	48,223
Water / head (litres)	<b>8,635</b>	8,916	8,924

# CO<sub>2</sub> equivalent from all energy sources including country specific CO<sub>2</sub> factors for electricity

We believe that valuing and managing diversity and inclusiveness is a competitive differentiator. During the year the Board approved an updated global policy on diversity and inclusion and we are now working to embed this across our business processes and working practices. One example is the launch of a Working Globally e-learning module aimed at supporting the increasing number of employees who work in remote global teams.

The Group has an independently operated whistleblowing facility called 'Speak Up'. This facility allows employees to report matters of concern in confidence using a telephone hotline, email or a web-based system.

The Group is committed to a policy of equal opportunities, and applies the same criteria to all employees regardless of gender, disability, ethnicity or any other factor that could be the cause of discrimination. All of the Group's employment and training policies are compliant with relevant employment legislation and regulatory obligations. Where appropriate, facilities are adapted and retraining offered to any employee who develops a disability during their employment.

#### High performance teams

The Group recognises that building and developing the skills, motivation and team work of employees is key to achieving our strategic objectives. All parts of our business offer training programmes which are delivered through a combination of on-the-job learning and specific training courses. We also offer a number of global programmes which include our successful Leadership Coaching and Strategic Thinking Programmes. Our global recruitment system ensures we can make employees fully aware of all opportunities throughout the Group.

During the year RS won the OnRec innovative online marketing award, recognising our use of social media to improve delivery and reduce overall recruitment costs.

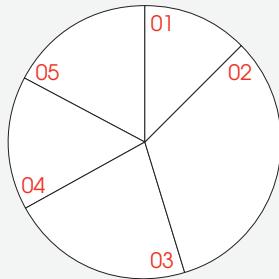
Our commitment to Continuous Improvement practices remains high, with 54 yellow belt, three green belt and one black belt level certifications achieved by our employees during the year.

#### Employee involvement

The Group continues its practice of communicating business performance and key developments to employees in a variety of formats which include

## Corporate social responsibility continued

### Employees by region



01 North America

02 UK

03 Continental Europe

04 Asia Pacific

05 Processes

monthly conference calls to managers across the Group, face-to-face meetings and postings on the Group Intranet. The Executive Directors present the Group Results to all employees, supported by targeted e-zines.

The Group has many consultation forums and a culture of two-way communications is actively promoted, with trade unions, works councils and other employee groups involved wherever appropriate.

In March employees from around the world met at the Group Conference to share the Group's vision and strategy, and to agree priorities for the coming year. Our Processes and regions then hosted their own conferences to cascade strategic objectives and align local priorities.

The appraisal process links closely with this business planning process and is designed to provide employees with a clear set of aligned business, personal and behavioural objectives, together with identifying personal development plans.

Many employees are stakeholders in the business through participation in employee share plans and

## RS The Way We Work

September 2011 saw the launch of our new Group behaviours, RS The Way We Work. These behaviours were crystallised following consultation with over 5,000 of our employees. Our five behaviours are:

*Customer focused, High performance, Working together, Respect and Dynamic.*

These behaviours reflect the best qualities of how we are today, but also set an aspiration to evolve our culture. With these behaviours, we are aiming to develop a culture of high performance that also provides a great place to work and consolidates our position as a valued business partner to our customers, suppliers and wider stakeholders.

**CUSTOMER  
FOCUSED**

**HIGH  
PERFORMANCE**

**WORKING  
TOGETHER**

**DYNAMIC**

**RESPECT**

## "We positively encourage and support our employees to be involved with charitable activities."

long-term performance share plans. Our UK total reward strategy, 'My Reward', was the winning innovation for the Most Effective Total Reward Strategy and Most Effective Benefits Strategy awards at the Employee Benefits Awards 2011. My Reward encompasses every benefit and positive aspect of working for RS, from healthcare to recognition schemes.

### Community

Through our offices and distribution centres we have very strong links to our local communities and we positively encourage and support our employees to be involved with charitable activities. The emphasis is for our local employees to decide which charities and community activities they pursue as opposed to a centrally-determined policy, consequently there are many smaller activities conducted locally rather than one or two large global initiatives.

Examples of such local initiatives are detailed below:

#### UK

- In 2011, our UK business was granted patron status of the children's charity, the NSPCC. This was in recognition for donations by employees in excess of £150,000 through a salary donation scheme and through organised events. Our UK business is proud to have an 11-year association with the NSPCC.
- Our UK business's call centre supported Sport Relief as part of the donation network across the country for the various charitable activities. Around 120 volunteers made up of staff, friends and family members took over 2,200 calls and over £62,000 was raised for the charity.
- Individual charitable activities organised by our UK employees resulted in over £50,000 of donations to a variety of local charities ranging from the Lakeland Day Care Hospice to the Northamptonshire and Warwickshire Air Ambulance.

#### Continental Europe

- In France, employees took part in a Telethon and raised more than €11,000 for a muscular dystrophy charity.

- In Germany, 15 teams of employees took part in the Global Corporate Challenge, raising approximately €7,000 for two local charities.
- In Italy, employee community activities raised over €10,000 for a number of good causes including a street photography project for a college and supporting a leprosy charity in India.

#### North America

- Allied employees supported the Boys and Girls Club of Fort Worth, with various community initiatives, and held a blood drive in June 2011 at its corporate office in Fort Worth, Texas. The donated blood helped save 114 lives according to Carter BloodCare.
- Allied employees donate school supplies each August and donate Christmas gifts each year to mothers and children at the Battered Women's Foundation. In 2011, more than 50 Allied employees participated, benefitting 56 women and children.
- Allied contributed \$2,500 to support the 2012 Future City Competition, sponsored in part by National Engineers Week. The competition is a middle-school education outreach programme

designed to foster an interest in technology and engineering.

#### Asia Pacific

A focus of our community activities in Asia Pacific last year was directed at the natural disasters that occurred across the region.

- In Japan, over ¥2m was donated to the Japanese Red Cross and employees also donated personal items to those affected by the tsunami and earthquake.
- In South East Asia, a staff donation drive was launched to help RS Thailand employees who had been affected by the flood, with around £4,500 raised.
- Our Australia and New Zealand employees organised charitable events to help those affected by the floods in Queensland and Thailand and those affected by the tsunami and earthquake in Japan.



### Verification

Electrocomponents evaluates its CSR policies and performance as part of its risk management and internal audit processes. Those locations certificated to ISO9001, ISO14001 and OSHAS18001 have regular audits by external agencies.

Our environmental reporting processes and data are reviewed by our Group Risk Manager working with external consultants to verify, where appropriate, our environmental key performance indicators.

We consider that these procedures provide a reasonable level of assurance that our non-financial key performance indicators are free from material misstatement. Whilst we have considered the potential for further external verification of the Group's CSR performance we have decided that currently we will limit this to external professional advice on specific matters as required.

## Board of Directors



1. Rupert Soames  
*Non-Executive Director\**



2. Peter Johnson  
*Chairman\**



3. Ian Mason  
*Group Chief Executive*



4. Simon Boddie  
*Group Finance Director*



5. Paul Hollingworth  
*Non-Executive Director*



6. Adrian Auer  
*Non-Executive Director*



7. Ian Haslegrave  
*General Counsel and Company Secretary*

## "Good governance is central to everything we do."

### **1. Rupert Soames**

*Non-Executive Director\**

Rupert Soames, 53, joined as a Non-Executive Director in July 2007. Rupert is Group Chief Executive of Aggreko plc. Previously he was Chief Executive of the Banking and Securities Division of Misys plc and a non-executive Director of Baggeridge Brick plc.

*\* Temporarily appointed as Acting Chairman from October 2011.*

*(Senior Independent Director and Chairman of the Remuneration Committee up to October 2011. Member of the Nomination, Audit and Remuneration Committees)*

### **2. Peter Johnson**

*Chairman\**

Peter Johnson, 64, joined as Chairman in October 2010. He is also a Member of the Supervisory Board of Wienerberger AG. Until January of this year he was Chairman of DS Smith plc. Previously, he has been a non-executive Director of SSL International plc, Chief Executive of George Wimpey plc and Chief Executive of The Rugby Group plc.

*\* Temporarily stepped down as Chairman from October 2011 but remains on the Board as a Non-Executive Director.*

*(Chairman of the Nomination Committee until October 2011)*

### **3. Ian Mason**

*Group Chief Executive*

Ian Mason, 50, joined the Group in February 1995 as Director of Business Development. He was appointed to the Board of Directors in July 2000 as Chief Operating Officer and was appointed Group Chief Executive in July 2001. Previously he worked for The Boston Consulting Group. In November 2007 he was appointed as a non-executive Director of The Sage Group plc.

*(Chairman of the Group Executive Committee and Member of the Treasury Committee)*

### **4. Simon Boddie**

*Group Finance Director*

Simon Boddie, 52, joined as Group Finance Director in September 2005 from Diageo plc. He joined Diageo in 1992 where he held a variety of senior finance positions, latterly as Finance Director of Key Markets.

*(Chairman of the Treasury Committee and Member of the Group Executive Committee)*

### **5. Paul Hollingworth**

*Non-Executive Director*

Paul Hollingworth, 52, joined as a Non-Executive Director in May 2008. He is Group Chief Financial Officer of Thomas Cook Group plc. Previously he was Chief Financial Officer of Mondi Group and prior to that held positions as Group Finance Director of BPB plc, De La Rue plc and Ransomes plc.

*(Chairman of the Audit Committee. Member of the Nomination and Remuneration Committees)*

### **6. Adrian Auer**

*Non-Executive Director*

Adrian Auer, 63, joined as a Non-Executive Director on 1 July 2009. Adrian is Chairman of both Shanks Group plc and Readymix plc. He is a non-executive Director of Umeco plc and AZ Electronic Materials S.A. He is also Chairman of Addaction, Britain's largest specialist drug and alcohol treatment charity. Adrian has held the position of Finance Director in a number of major companies and has extensive international business experience.

*(Member of the Nomination, Audit and Remuneration Committees. Acting Senior Independent Director and Chairman of the Remuneration Committee from October 2011)*

### **7. Ian Haslegrave**

*General Counsel and Company Secretary*

Ian Haslegrave, 43, joined the Company in September 2006 from Viacom Outdoor Limited where he was International Legal Director. Previously he worked at United Biscuits Limited and Freshfields Bruckhaus Deringer.

*(Member of the Treasury Committee)*

# Directors' report

The Directors present their report on the affairs of the Group together with the audited accounts for the year ended 31 March 2012.

## Principal activity and Business review

The principal activity of the Group is the high service level distribution of electronics, electrical, industrial and commercial supplies and services to engineers worldwide, through its 32 operating companies and its distributors. Significant events which occurred during the year are detailed in the Chairman's report on pages 2 to 3, the Group Chief Executive's review on pages 4 to 9 and the Business review (including the Corporate social responsibility section) on pages 18 to 35. The Business review is incorporated by reference into, and forms part of, this Directors' report.

## Corporate governance

The Company and the Group are committed to high standards of corporate governance and the Board is accountable to the Company's shareholders. Details are given in the Corporate Governance and Audit Committee reports on pages 40 to 42 and 43 to 44 respectively, which form part of and are incorporated by reference into this Directors' report, and in the Remuneration report on pages 45 to 52.

## Results and dividends

Results for the year are set out in the Group income statement on page 55. An analysis of revenue, profit and net assets by region is shown in note 2 on pages 64 to 66.

The Directors recommend a final dividend of 6.75p per ordinary share, to be paid, if approved, on 20 July 2012 which, together with the interim dividend of 5p per ordinary share paid in January 2012, amounts to a total dividend of 11.75p per ordinary share for the year ended 31 March 2012 (2011: 11.5p).

## Going concern

The Group's activities, strategy and performance are explained in the Chairman's report on pages 2 to 3, the Group Chief Executive's review on pages 4 to 9 and the Business review on pages 18 to 29.

Further detail on the financial performance, financial position and cash flows of the Group is provided in the Business review on pages 18 to 29.

Note 19 on pages 80 to 87 of the consolidated financial statements provides details of the Group's debt maturity profile, capital management policy, hedging activities and financial instruments and its exposures to interest rate and foreign currency risks.

The Group is cash generative as evidenced in its cash flow performance with free cash flow representing 62% of profit after tax for the year ended 31 March 2012. Management reviews its actual and forecast cash flows each month to ensure that sufficient facilities are in place to meet the Group's requirements.

At 31 March 2012, the Group's net debt was £154.2m with total committed debt and loan facilities of £300.6m and undrawn committed facilities of £128.3m.

The Group's main sources of finance are a syndicated multicurrency facility from seven banks for US\$75m, £120m and €50m maturing in November 2015 and US\$150m of Private Placement notes, split US\$65m maturing June 2015 and US\$85m maturing June 2017. The syndicated bank facility was put in place during the course of this year with comparable covenants to the previous one.

Compliance with the Group's bank covenants is monitored monthly and sensitivity analyses are periodically applied to forecasts to assess their impact on covenants and net debt. At 31 March 2012 there was significant headroom between the Group's financial position and its banking covenants; it is expected that such covenants will continue to be complied with for the foreseeable future.

The Group has sufficient financial resources, a large and geographically spread customer base and strong supplier relationships. Therefore, the Directors believe that the Group is well placed to manage its business risks successfully.

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Group's accounts. The Directors confirm that this statement has been prepared in accordance with Going Concern and Liquidity Risk: Guidance of UK Companies 2009, published by the Financial Reporting Council in October 2009.

## Financial instruments

For information on the Group's use of financial instruments, including financial risk management objectives and policies of the Group and exposure of the Group to certain financial risks, see note 19 on pages 80 to 87.

## Payment to suppliers

The Group agrees terms and conditions for its business transactions with different suppliers. Payment is then made according to these terms, subject to the supplier fulfilling its obligations. The Company has no trade creditors. Supplier payment days for the continuing operations of the Group outstanding at 31 March 2012 represent 42 days (2011: 36 days) of average purchases.

## Directors' interests in shares

A list of Directors and their interests in the ordinary share capital of the Company and details of their options over the ordinary share capital of the Company are given in the Remuneration report on pages 51 to 52.

## Directors' indemnities

In accordance with the Company's Articles of Association, the Company entered into a deed in 2007 to indemnify the Directors and officers (from time to time) of the Company to the extent permitted by law. A copy of this indemnity (which remains in force as of the date on which this report was approved) is available at the registered office of the Company.

The Company purchased and maintained Directors' and officers' liability insurance throughout 2011, which was renewed for 2012.

Neither the indemnity nor insurance provide cover in the event that a Director or officer is proved to have acted fraudulently.

## Employment policies

Further details of the Group's policies for its employees are provided in the Corporate social responsibility section of the Business review on pages 30 to 35.

## Substantial shareholders

As at 23 May 2012, the Company has been notified, in accordance with the FSA Disclosure and Transparency Rules, of the following interests in the voting rights of the Company:

	Nature of interest	Number of shares	Percentage held
Silchester International Investors LLP	Direct	83,089,855	19.05%
Sprucegrove Investment Management	Direct	33,046,296	7.58%
Majedie Asset Management Ltd	Indirect	21,996,999	5.04%
FIL Limited	Indirect	21,885,371	5.00%
Sanderson Asset Management Ltd	Direct	18,240,445	4.18%
Oppenheimer Funds Inc. and Baring Asset Management Ltd	Indirect	17,649,626	4.05%

## Share capital

Full details of share options and awards and shares issued under the terms of the Company's share incentive plans can be found in note 5 to the accounts on pages 67 to 69.

As at 31 March 2012, the Company's issued share capital comprised a single class of 436,961,886 ordinary shares of 10 pence each, totalling £43,696,188.60.

The Company was authorised by shareholders at the Annual General Meeting held on 15 July 2011 to purchase up to 10% of its ordinary share capital in the market. This authority will expire at the end of the 2012 Annual General Meeting and the Company is proposing a resolution to renew it for another year.

## Additional information for Electrocomponents plc shareholders

The information for Electrocomponents plc shareholders required pursuant to the Companies Act 2006 can be found on page 99 and is incorporated by reference into, and forms part of this report.

## Political and charitable contributions

The Group made no political contributions during the year. Charitable contributions within the UK amounted to £7,737 (2011: £9,837) and outside the UK amounted to £36,240 (2011: £34,140). Further information regarding charitable work and involvement in local community activities within the Group is given in the Corporate social responsibility section of the Business review on page 35.

## Disclosure of information to auditors

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

## Annual General Meeting

The Notice of the Annual General Meeting, which will be held at 12 noon on Friday, 13 July 2012 at the Company's premises:

The International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW, is set out in a separate circular.

By order of the Board

### Ian Haslegrave

General Counsel & Company Secretary

24 May 2012

# Corporate Governance report

During the year ended 31 March 2012, the Company has been subject to the provisions of the UK Corporate Governance Code ("the Code") published in June 2010. The Code is publicly available at [www.frc.org.uk](http://www.frc.org.uk). There are five main principles of the Code: Leadership, Effectiveness, Relations with shareholders, Accountability and Remuneration, along with supporting principles and provisions. This report explains how these principles were applied in the first three of these areas. Detailed reports on Directors' accountability and remuneration can be found in the Audit Committee and Remuneration reports on pages 43 to 44 and pages 45 to 52 respectively.

During the year ended 31 March 2012, the Directors consider that the Company complied throughout the accounting period with all relevant provisions set out in the Code with the exception of the temporary situation regarding the membership of the Audit Committee. The reason for non-compliance is given in the section on Committees, set out below.

## The Board

### Role and effectiveness

The Board comprised the Chairman, two Executive Directors and three independent Non-Executive Directors for the first half of the year. In October 2011, the Company announced that Peter Johnson would temporarily step down as Chairman and Rupert Soames would assume the role until such time as Peter Johnson returns to the Company. Further details are given in the Chairman's report on pages 2 to 3.

The Board is collectively responsible for promoting the long-term success of the Company. The Board has carefully considered the guidance criteria regarding the composition of the Board under the Code. In the opinion of the Board, the Chairman and all the Non-Executive Directors bring independence of judgement and character, a wealth of experience, knowledge and the appropriate balance of skills enabling them to carry out their responsibilities and duties to the Board and to the Committees on which they sit. They are sufficiently independent of management and are free from any other circumstances or relationships that could interfere with the exercise of their judgement.

The Board normally meets seven times per year and supplementary meetings are held as and when necessary. The Board has a formal schedule of matters reserved for its approval. It is responsible for the overall Group strategy and the approval and review of major investment proposals. The Board discusses and agrees strategic plans, reviews forecasts and evaluates Group and subsidiary performance. Other day-to-day operational decisions are delegated by the Board to the Group Executive Committee (GEC). Information and agenda items are recommended to the Board by the GEC and the Company Secretary after discussion with the Chairman and Group Chief Executive. A 12-month rolling programme of Board items and other key issues are discussed and agreed by the Board.

The Company's Articles of Association give the Board the power to authorise situations that might give rise to Directors' conflicts of interest. The Board has in place a formal conflicts of interest management procedure. The Board is responsible for considering whether authorisation is required, and if it can be given, in relation to new situations as they arise. The Board reviews annually any conflict authorisations it has given and any limitations that have been applied.

Biographical details of the Directors at the date of this report are set out on page 37, together with details of their membership of Board Committees.

### Committees

The Board has a number of standing committees consisting of certain Directors and, in the case of the GEC and Treasury Committee, certain senior managers, to which specific responsibilities have been delegated and for which written terms of reference have been agreed. These terms of reference are available for inspection on the Company's website. Board members receive minutes of meetings of all the Board's Committees and can request presentations or reports on areas of interest.

The performance of the Audit, Remuneration and Nomination Committees are assessed annually as part of the evaluation process described below.

The *Group Executive Committee* consists of the Executive Directors and certain senior managers with operating company and Process responsibilities. It is chaired by the Group Chief Executive. The Committee has met nine times during the year ended 31 March 2012 and manages the day-to-day activities of the Group.

The Board has delegated the following responsibilities to the GEC: the development and recommendation of strategic plans for consideration by the Board; the monitoring of the operating and financial results against plans and forecasts; and the development of risk management and control procedures. The Company Secretary acts as secretary to the Committee.

The *Audit Committee* consists of all the Non-Executive Directors and is chaired by Paul Hollingworth. It should be noted that from October 2011 Rupert Soames has remained a member of the Committee. The Company believes it preferable to have three directors it considers to be independent on the Committee, although one of them is temporarily acting as Company Chairman. Under its terms of reference the Committee meets at least three times a year. During the year under review the Committee met five times. It ensures the integrity of financial reporting and audit processes and the maintenance of a sound internal control and risk management system. The Company Secretary acts as secretary to the Committee. Further details of the work of the Audit Committee in discharging its responsibilities are set out in the Audit Committee report on pages 43 to 44.

The *Treasury Committee* consists of the Group Chief Executive, the Group Finance Director, the Group Treasurer, the Assistant Group Treasurer, the Group Controller, the Company Secretary and the Group Tax Manager and sets detailed treasury policy for the Group within guidelines established by the Board. The Committee meets quarterly. The Assistant Group Treasurer acts as secretary to the Committee.

The *Remuneration Committee* consists of all the Non-Executive Directors and was chaired by Rupert Soames until October 2011. Since October, the Committee has been chaired by Adrian Auer, on a temporary basis. Rupert Soames remains a member of the Committee. Under its terms of reference the Committee meets at least twice a year. During the year under review the Committee met three times. It is responsible for all aspects of the remuneration of the Company Chairman and Executive Directors, as well as senior employees. The Company Secretary acts as secretary to the Committee. Further details of the Remuneration Committee, remuneration policy and of the remuneration of each Director are set out in the Remuneration report on pages 45 to 52.

The *Nomination Committee* consists of the Company Chairman and all the Non-Executive Directors. The Company Chairman chairs the Committee. The Committee meets as required and recommends to the Board candidates for appointment as Directors of the Company. The Committee periodically assesses what new skills, knowledge and experience are required on the Board and, if necessary, the balance of independence. If appropriate, a candidate profile is recommended which is then used to brief recruitment consultants appointed by the Committee to undertake the selection process. Initial meetings are held generally by the Company Chairman and the Group Chief Executive with prospective candidates, and a shortlist of individuals is then selected to meet with other Nomination Committee members and the Executive Directors. The Nomination Committee then meets and decides which candidate, if any, will be recommended to join the Board.

During the year, as a result of the Board evaluation process, the Nomination Committee decided to commence the recruitment of an additional Non-Executive Director, and particular efforts are being made to seek out suitable female candidates with the particular skills required to enhance the Board. Consequently, the Board has not set specific quotas for gender diversity at this stage. Following the Board's adoption of a Group Diversity Policy during the year, the Nomination Committee has adopted a Policy Statement which emphasises its adherence to the Group Policy in considering succession planning and recruitment at Board level, and undertakes that any recruitment consultants or other advisers it appoints to help with these tasks should be made aware of the Group Diversity Policy. The Committee states that it is in the best interests of the Company to ensure balance and diversity at Board level, and will encourage recruitment consultants to widen search parameters so that a diverse range of candidates may be considered, where appropriate. The Board has long-term succession plans in place for both the Board and the GEC. These plans are reviewed annually. Board composition is also discussed as part of the Board evaluation process.

The Company Secretary acts as secretary to the Committee.

#### **Attendance**

The following table sets out the number of meetings of the Board and of the Audit, Remuneration and Nomination Committees during the year and individual attendance by the relevant members at these meetings, demonstrating commitment to their role as Directors of the Company. Peter Johnson has been absent from several Board Meetings during the latter half of the year as previously explained. During his absence, Peter has continued to receive Board papers in advance of meetings and has discussed a number of Board matters with the Acting Chairman and Group Chief Executive.

	Board (scheduled)	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held during the year	9	5	3	4
P Johnson	4 (9)	–	–	2(4)
I Mason	9 (9)	–	–	–
S Boddie	9 (9)	–	–	–
A Auer	9 (9)	5(5)	3(3)	4(4)
P Hollingworth	9 (9)	5(5)	3(3)	4(4)
R Soames	9 (9)	5(5)	3(3)	4(4)

(The maximum number of meetings held during the year that each Director could attend is shown in brackets)

#### **Chairman, Group Chief Executive and Non-Executive Directors**

The roles of Chairman and Group Chief Executive are held by different individuals. The division of responsibilities between the Chairman and Group Chief Executive has been clearly established; their responsibilities are set out in writing and have been agreed by the Board.

*The Chairman* is responsible for leadership of the Board and ensuring its effectiveness across all aspects of its role, setting its agenda to ensure adequate discussion of all items of business and promoting openness and debate. The Chairman facilitates constructive relations between Non-Executive and Executive Directors and holds meetings with Non-Executive Directors without Executives being present. The Chairman also ensures all Directors receive accurate, timely and clear information and is responsible for effective communication between the Board and shareholders.

*The Group Chief Executive* has direct charge of the Company on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group, and the determination of the strategy and the achievement of its objectives.

*The Non-Executive Directors* constructively challenge regarding strategy, performance of management and also satisfy themselves on the integrity of financial information and controls and systems of risk management. The Senior Independent Director is responsible for chairing the meeting of Non-Executive Directors for the purpose of evaluating the Chairman's performance. The Senior Independent Director also provides an alternative communication channel for shareholders if required.

#### **Information and development**

Directors receive a pack of relevant and timely information on the matters to be discussed at each meeting. Senior managers below Board level also attend relevant parts of Board meetings in order to make presentations on their areas of responsibility. The Board's annual schedule of meetings normally includes a visit to an operating company, which gives the Directors the opportunity to review operations and meet local management. Between Board meetings, Directors are provided with information in a timely manner on matters affecting the business as and when relevant.

A tailored induction programme is provided for each new Director by the Company Secretary. Overall, the aim of the induction programme is to introduce new Directors to the Group's business, its operations and its governance arrangements. Such inductions typically include meetings with senior management and the Company Secretary, sales visits to customers and presentations of key business areas and other relevant documentation. Directors are encouraged to update and refresh their skills, knowledge and familiarity with the Group by attending external seminars and briefings, through participation at meetings and through visits to operating units, both in the UK and overseas, as well as by receiving presentations from senior management. As part of the evaluation process, the Chairman discusses with each Director any training and development needs. Board Committees and Directors are given access to independent professional advice at the Group's expense, if they deem it necessary in order for them to carry out their responsibilities. This is in addition to the access that every Director has to the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with and advising the Board, through the Chairman, on new legislation and corporate governance matters.

## Corporate Governance report *continued*

### Board evaluation

The Board annually evaluates its own performance and that of its Committees and Directors. The main purpose of the Board over the coming years is to ensure the Group develops a clear and stretching strategy that is fully implemented and to support the Company in fulfilling its potential.

Overall the results of last year's evaluation were positive. A number of actions were identified to improve and maintain the effectiveness of the Board, which included:

- the Board agenda and action points should be structured around the development and implementation of the Group strategy;
- additional Non-Executive Directors should be recruited with the necessary experience to complement the Board, also taking into account gender and diversity; and
- Non-Executive Directors should maintain regular dialogue with the Chairman and Chief Executive Officer in both relaxed and formal environments.

These actions have now been followed up. The recruitment of an additional Non-Executive Director is currently ongoing.

This year's questionnaires were sent to Board members covering the Board, and its Directors and Committees. The questionnaire covered issues such as:

- balance of skills;
- experience;
- effectiveness of meetings;
- how well strategy is tested and developed;
- succession planning;
- diversity; and
- risk management controls.

The responses to the questionnaires were collated independently by the Company Secretary who prepared reports for the Company Chairman and the Chairman of each Committee. These reports were discussed at the relevant Committee meetings and the results were discussed by the Board at its meeting in March 2012.

The results of this year's evaluation were generally positive. The Board were particularly satisfied with the development of the Group strategy, noting the effective coverage at meetings and working dinners. The following themes were noted for further action:

- the recruitment of additional Non-Executive Directors was to continue to move forward using the criteria noted in last year's evaluation findings. The Board continues to recognise the need to recruit additional Non-Executive Directors, despite the challenges of finding a suitable candidate.
- the Board agreed that they have good visibility of the GEC but noted there should be more opportunity to meet with other high-potential individuals below the GEC level.

### Re-election

The Company's Articles of Association state that each Director must retire from office every three years. However, having considered the recommendations of the Code, the Board has decided that all Directors will retire and stand for re-election at the forthcoming Annual General Meeting on 13 July 2012, and annually thereafter.

The Board considers that the performance of all the Directors continues to be effective and demonstrates commitment to their role. The Board therefore recommends their re-election.

### Internal control and risk management

The Group has an established and ongoing process of risk management and internal control which has continued throughout the year under review and up to the date of approval of the Annual Report and Accounts. The Board is responsible for the effectiveness of the Group's system of internal control, which has been designed and implemented to meet the particular requirements of the Group and the risks to which it is exposed.

In accordance with the requirements of the Code and the recommendations of the Turnbull Review Group on internal control, the Audit Committee has regularly reviewed the effectiveness of the Group's system of internal control and risk management and reported the results to the Board. These reviews covered all material controls, including financial, operational and compliance controls and risk management systems. Further details of this process are given in the Audit Committee report on pages 43 to 44.

The Group's internal control system can provide reasonable but not absolute assurance against material misstatement or loss.

### Relations with shareholders

The Company encourages two-way communication with both institutional and private investors. The Annual Report and Accounts is sent to all shareholders who wish to receive a copy. It is also available on the Company's website [www.electrocomponents.com](http://www.electrocomponents.com), which additionally contains up-to-date information on the Group's activities and published financial results and presentations.

Executive Directors have frequent discussions with institutional shareholders on a range of issues affecting the Group's performance, which include meetings following the announcements of the annual and interim results, the results of which are communicated to, and discussed by, the Board. At these meetings the Executive Directors meet with major shareholders to discuss performance, strategy and governance, and the Chairman and Non-Executive Directors are available for discussions with shareholders if required. The Group Finance Director regularly reports to the Board on investor relations, including reports compiled by the Company's brokers and containing feedback from institutional shareholders, ensuring that the views of the shareholders are communicated to the Board through these reports.

The Senior Independent Director was available for meetings with major shareholders during the financial year ended 31 March 2012. During the year the Senior Independent Director had a number of informal telephone discussions with shareholders.

The Board ensures that regular and useful dialogue is maintained with shareholders and the Annual General Meeting is used as an additional opportunity for the Chairman and other Board members to meet with shareholders and investors and give them the opportunity to ask questions. Final voting results are published through a Regulatory Information Service and on the Company's website following the meeting.

By order of the Board

### **Ian Haslegrave**

General Counsel and Company Secretary

24 May 2012

# Audit Committee report

There follows a report from the Audit Committee detailing the role and responsibilities of the Committee and its activities during the year. The Board report on the systems of internal control and their effectiveness can be found in the Corporate Governance report on pages 40 to 42.

## Role

The role of the Committee is to assist the Board in its duties regarding the integrity of the financial and corporate reporting and auditing processes and the maintenance of a sound internal control and risk management system. In doing this, the Committee ensures that an appropriate relationship is maintained between Electrocomponents and its external auditors, reviews the scope and effectiveness of the external audit process and makes recommendations to the Board on the appointment of the external auditors. The Committee reviews the effectiveness of the internal audit function and the Group's system of internal control and the processes for monitoring and evaluating the risks facing the Group.

In the performance of its duties, the Committee has independent access to the Internal Audit team and to the external auditors. The Head of Internal Audit and the external auditors have direct access to the Chairman of the Committee outside formal Committee meetings.

The Committee has written terms of reference that outline its authority and responsibilities and these are reviewed periodically by the Committee. The Committee's current terms of reference are available for inspection on the Company's website.

The Board is kept fully informed of the Committee's work and the minutes of each Committee meeting are circulated to Board members.

## Membership

The Committee consists of all the Non-Executive Directors and is chaired by Paul Hollingworth. The Board is satisfied that Paul Hollingworth, who is also Group Chief Financial Officer at Thomas Cook Group plc, has the current and relevant financial and accounting experience required by the provisions of the Code. The other members of the Committee have a wide range of business experience and expertise, which is evidenced in their biographies on page 37. The Board is satisfied that the Committee can effectively fulfil its responsibilities.

## Meetings and attendance

The Committee met five times during the year ended 31 March 2012. These meetings were timed in accordance with the financial and reporting cycles of the Company. Members' attendance during the year is set out in the Corporate Governance report on page 41.

In addition to the members of the Committee, it was normal for the Chairman of the Company, the Group Chief Executive, the Group Finance Director, the Group Controller, the Head of Internal Audit, the Company Secretary and the Group Audit Engagement Director from KPMG Audit Plc ('KPMG') to receive the Committee papers and attend meetings. The Group Risk Manager also attends meetings when required. Their attendance was at the invitation of the Committee Chairman only and does not restrict the Committee's independent decision making.

## Activities during the year

### Financial reporting

In its financial reporting to shareholders and other key interested parties, the Board aims to present a balanced and understandable assessment of the Group's position and prospects. The Committee reviews and advises the Board on the Group's annual and half-yearly financial reports, interim management statements and other periodic statements. The Committee focuses in particular on key accounting policies and practices adopted by the Group and any significant areas of judgement that may materially

impact reported results. In its review of the financial statements for the year ended 31 March 2012, the Committee also considered analysis to support the going concern judgement.

### Internal control and risk management

The Board's responsibilities for internal control are set out in the Corporate Governance report on pages 40 to 42.

The Committee receives regular reports on the performance of the system of internal control, and on its effectiveness in managing material risks and in identifying control failings or weaknesses.

The Committee annually reviews the Group's risk management process with the outcome of the review being reported to the Board. This, together with the provision of regular updates to the Board on material risk issues, allows the Board to make the assessment on the systems of internal control for the purposes of making its public statement.

Where weaknesses in the internal control system have been identified through the monitoring processes outlined above, plans for strengthening them are put in place and action plans regularly monitored until complete. During the period under review there were no control failings or weaknesses that resulted in unforeseen material losses.

Further information regarding risks to the business is given on pages 26 to 29 of the Business review.

### Internal financial controls

Internal financial controls are the systems employed by the Group to enable the Directors to discharge their responsibilities for financial matters. Those responsibilities are noted on page 53.

The main financial control elements are described below.

Clear terms of reference set out the duties of the Board and the Board Committees, with delegation of operating responsibility through the Board Committees to management in all locations. Operating company controls are detailed in Group Finance and Group Treasury manuals that specify the controls necessary in identified areas of financial risk.

Financial reporting systems are comprehensive and include weekly, monthly and annual reporting cycles. Monthly management accounts are prepared by all operating companies and Processes. These contain forecasts of the current financial year which are updated at least four times per year and are compared against the previous forecast, the budget and prior year actual figures. Variances are reviewed by the GEC and by the Board. Specific reporting systems cover treasury operations, major investment projects and legal and insurance activities, which are reviewed by the Board and its Committees on a regular basis.

### Internal audit

The Group has a team of internal auditors which has an annually agreed audit programme approved by the Committee. The Committee also reviews:

- the level and skills of resources allocated to the Internal Audit function to conduct this programme of work;
- the summary of the results of each audit and the resolution of any control issues identified; and
- the effectiveness of the Internal Audit function.

The Head of Internal Audit has regular contact with the Chairman of the Committee, with access to the Company Chairman and other members of the Committee.

## Audit Committee report *continued*

On an annual basis the Committee as a whole discusses with the Head of Internal Audit the control environment of the Group without the presence of executive management.

### External auditors

The Committee and Board put great emphasis on the objectivity of the Company's auditors KPMG in their reporting to shareholders. To ensure full and open communication the Group Audit Engagement Director from KPMG was present at all of the Committee meetings, other than an unscheduled meeting to discuss the Audit Committee evaluation.

The performance of the auditors is reviewed annually by the Committee, and covers qualification, expertise, resources and re-appointment as well as reassurance that there are no issues which could adversely affect the auditors' independence and objectivity taking into account the relevant ethical standards. As part of risk evaluation planning the Committee will also consider the need to include the risk of its current auditor withdrawing from the market.

Views of management are also taken into account and this is reported to senior members of KPMG. This forms part of KPMG's own system of quality control. The Committee also met with KPMG, without management being present, to review the adequacy of controls and any significant area where management judgement has been applied.

The auditors' engagement letter and the scope of the year's annual audit cycle is discussed in advance by the Committee, ensuring that any changes in circumstances arising since last year are taken into account. Following discussions between the operating companies and the local KPMG offices and a review by Group management, audit and non-audit fees are reviewed by the Committee and are then recommended to the Board for approval. Details of audit and non-audit fees are given in note 3 on page 66.

With respect to non-audit assignments undertaken by KPMG, the Company has a policy to ensure that the provision of such services does not impair KPMG's independence or objectivity.

In determining the policy the Committee has taken into account possible threats to auditor independence and objectivity.

The policy is as follows:

- When considering the use of the external auditors to undertake non-audit work, the Group Finance Director should at all times give consideration to the provisions of the Financial Reporting Council Guidance on Audit Committees with regard to the preservation of independence and objectivity;
- the external auditors must certify to the Company that they are acting independently;
- in providing a non-audit service, the external auditors should not:
  - audit their own work;
  - make management decisions for the Company;
  - create a mutuality of interest; or
  - find themselves in the role of advocate for the Company;
- before commissioning non-audit services, the Committee or the Group Finance Director as appropriate must ensure that the external auditors are satisfied that there is no issue as regards independence and objectivity;

– the Group Finance Director has authority to commission the external auditors to undertake non-audit work where there is a specific project with a cost that is not expected to exceed £50,000. This work has to be reported to the Committee at its next meeting. If the cost is expected to exceed £50,000, the agreement of the Committee is required before the work is commissioned. In either case, other potential providers must be adequately considered; and

– the Group Finance Director monitors all work done by the external auditors or other providers of accountancy services anywhere in the Group in excess of £10,000.

The Group has a policy on employment of former employees of the external auditors. This requires that any such employment is considered on a case by case basis and takes into account the Auditing Practices Board's Ethical Standards on such appointments. Any appointment requires approval by a combination of the Group Finance Director, Audit Committee and Board, depending on the seniority of the appointment.

APB Ethical Standards require rotation of the Group Audit Engagement Director from KPMG. This took place in July 2009 when a new Director was appointed, replacing the previous Director who had held the post for five years. A formal statement of independence from the external auditors is received each year. The Group will not engage the auditors to undertake any work that could threaten their independence.

The annual appointment of auditors by the shareholders at the Annual General Meeting is a fundamental safeguard, and beyond this, there are controls in place to ensure that additional work performed by the auditors is appropriate and subject to proper review.

### Fraud

The Committee reviews the procedures for prevention and detection of fraud in the Group. Suspected cases of fraud must be reported to the Company Secretary within 48 hours and investigated by operational management or Internal Audit, as appropriate. The outcome of any investigation is reported to the Company Secretary. A register of all suspected fraudulent activity and the outcome of any investigation is kept which is circulated to the Committee on a regular basis.

### Whistleblowing

In accordance with the provisions of the Code the Committee is responsible for reviewing the arrangements whereby staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensuring that any matters are investigated and escalated as appropriate. This is run by an external third party. Whistleblowing is referred to as 'Speak Up' internally and is available to all staff in the Group. The Board receives aggregated reports on matters raised through these services and monitors their use throughout the Group.

By order of the Board

### Paul Hollingworth

Chairman of the Audit Committee

24 May 2012

# Remuneration report

This report sets out the Company's remuneration policy and provides details of the remuneration of the Executive and Non-Executive Directors for services in the year ended 31 March 2012. The report has been prepared in accordance with the relevant legal and accounting regulations, and meets the requirements of the UK Listing Authority Listing Rules. During the year the Committee has complied with the principles and provisions of the relevant part of the UK Corporate Governance Code ("the Code").

## Remuneration Committee

### Responsibilities and membership

The Remuneration Committee is a Committee of the Board. Its responsibilities are set out in its Terms of Reference which can be found on the Company's website at [www.electrocomponents.com](http://www.electrocomponents.com). The task of the Committee is to consider the remuneration packages needed to attract, retain and motivate Executive Directors and other senior employees and to ensure that they are compensated appropriately for their contributions to the Group's performance. The Committee also considers the remuneration of the Company Chairman. The Board as a whole considers and determines the remuneration of the Non-Executive Directors. No Director participates in decisions relating to their own remuneration. The Company Chairman and the Group Chief Executive are consulted on the Committee's proposals regarding the remuneration of the Group Finance Director.

The Committee membership during the year has changed due to the temporary absence of the Company's Chairman and Rupert Soames' temporary appointment to the role for part of the year. Its membership was as follows:

Until October 2011:

Rupert Soames (Chairman); Adrian Auer; Paul Hollingworth.

October 2011 onwards:

Adrian Auer (Chairman); Paul Hollingworth; Rupert Soames.

Peter Johnson, as Company Chairman, was invited to attend Committee meetings. Rupert Soames has continued as a member of the Committee following his temporary appointment as Acting Company Chairman. The Committee met three times during the year. Attendance by individual Committee members at meetings is detailed in the Corporate Governance report on page 41. No individual was present while decisions were made regarding their own remuneration.

### Advisers

During the year under review, the Committee has taken advice from the following:

- Kepler Associates, who provided advice and data in respect of the remuneration of the Executive Directors, advice regarding the setting of performance targets for the Long Term Incentive Plan (LTIP), the data required for the measurement of those performance targets; and the inclusion of clawback provisions in the Company's incentive plans. Kepler Associates has advised the Committee since 2001 and, following a tender process, were re-appointed in 2005. The Committee reviewed the cost and effectiveness of Kepler during the year and agreed to continue with them as their remuneration consultants. Kepler provide no other services to the Company or its Directors;
- the Company Chairman, Group Chief Executive and Group Finance Director, who attended meetings by invitation to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers;

- Group HR (Ian Watson), who was invited to attend meetings to advise on bonus payments, and the remuneration of senior managers; and
- the Company Secretary (Ian Haslegrave), who acts as Secretary to the Committee.

### Remuneration policy

The Committee keeps the Company's senior executive remuneration policy under regular review. The current reward strategy was put in place by the Committee with effect from 1 April 2010. In formulating this policy, the Committee took advice from Kepler Associates. The Committee considers that the current reward strategy remains appropriate for the next financial year. The principal objective of the reward strategy is to enable the Company to attract, motivate and retain the people it needs to maximise the value of the business. In so doing the Committee will be mindful of:

- aligning the interests of executives and shareholders;
- achieving an appropriate balance between fixed and performance-related pay;
- achieving an appropriate balance between the rewards available for meeting short- and long-term objectives;
- supporting the Group's values and culture; and
- complying with corporate governance best practice guidelines.

In addition, the Committee has adopted two other objectives:

- to express the reward strategy in a way that is understandable, clear and meaningful; and
- that there should generally be congruence between the reward strategy for the Executive Directors and the GEC members.

In determining Executive Directors' remuneration, the Committee also considers the pay and conditions of employees around the Group.

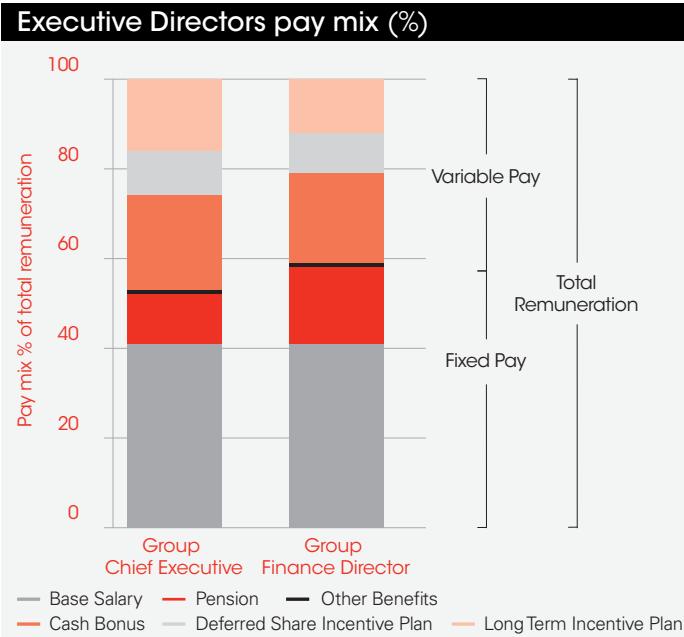
The components of the remuneration package for Executive Directors are set out below. The Committee is satisfied that their approach to setting the structure of remuneration packages for senior executives underpins the effective and proper management of risk by rewarding executives fairly for sustainable profit growth and long-term returns to shareholders, and delivering a significant proportion of senior executive remuneration in the form of Company shares.

The main components of remuneration are:

Fixed:	Basic salary; pension; value of other benefits.
Variable:	Annual bonus and associated deferred share bonus plan; LTIP.

Just under half of the value of Executive Director's remuneration, as calculated by our independent advisers, is variable and linked to performance. The chart on page 46 illustrates the proportions of the Executive Directors' remuneration comprising fixed pay (basic salary, pension and other benefits) and variable pay, assuming achieved performance justifies a target annual bonus and a long-term incentive outcome in line with the expected value.

## Remuneration report *continued*



In positioning pay, the Committee's policy states that:

- the target/fair value of total remuneration is to be set at broadly median market levels;
- fixed pay (basic salary, pension, value of other benefits) positioning is to be at broadly median market levels; and
- the fair value of variable pay as a percentage of salary should be positioned at broadly median market levels.

The Committee recognises that, as a matter of practicality, it may on occasion have to step outside these guidelines in order to attract, motivate and retain particular individuals.

In considering market levels against which elements of remuneration are to be benchmarked, the Committee will seek its advisers' views on the population of benchmark companies. In devising the benchmark, the Committee has instructed advisers that:

- companies should be UK based FTSE 250 companies with a majority of their revenues outside the UK;
- sectors should include support services, distribution and manufacturing and other similar classifications, but they should not include financial services;
- the benchmark weighting criteria should be, in descending order of weight: revenue, number of employees and market capitalisation; and
- the size of the benchmark population should be large enough to have statistical integrity, but not so large as to become a general average of FTSE 250 businesses.

The benchmark population is reviewed annually.

The following should be benchmarked:

- Fixed pay (basic salary, pension, value of other benefits);
- Variable pay (annual bonus, LTIP); and
- Total remuneration (fixed pay and fair value of variable pay).

Whilst ultimately total remuneration is the key benchmark, fixed and variable pay cannot be too far away from the adopted policy if total remuneration is to be around benchmark levels.

### Policy on basic salary

Analysis carried out during the course of this year, applying the criteria set out in the remuneration policy, identified that although the position in relation to the policy has improved, the Executive Directors' basic pay is still above the chosen benchmarks. After two years with no increase in basic pay, the Executive Directors received an increase of 2.5% last year, in line with the rest of the UK business. This compared with a median increase for executive directors of FTSE 250 companies of around 3-4% of salary. For 2012, the Executive Directors will again receive an increase in basic pay of 2.5%, in line with the rest of the UK business.

### Policy on annual bonuses

The Annual Bonus Plan aims to incentivise Executive Directors and senior managers to deliver the best possible near-term performance of the business. The Committee believes that performance targets for bonuses should be aligned with the annual budget agreed by the Board, which also sets out the resources available to management and the operational objectives they are expected to achieve. It therefore follows that annual performance targets for bonuses may, like annual budgets, be lower in some years than in previous years, if market conditions mean that financial performance is expected to deteriorate and the resources available to management need to be reduced.

The on-target annual bonus opportunity for Executive Directors is 75% of base salary, with a maximum annual bonus of 150% of base salary. One third of all bonus payments are converted into Electrocomponents shares under the Deferred Share Bonus Plan, which vests these shares after two years, subject to continued employment. Therefore, the cash element of the annual bonus is 50% of salary for on-target performance and 100% of salary for meeting or exceeding the maximum performance target.

In the year under review the annual bonus for Executive Directors was determined by performance against targets for three financial factors being: Group sales growth, profit before tax and reorganisation costs, and cash flow. The respective weighting of each factor for the annual bonus calculation in the year ended 31 March 2012 was determined by the Committee as 40:40:20. The financial targets and relative weightings are reviewed by the Committee on an annual basis. The Committee has decided the weightings should remain the same for the forthcoming year.

For the year ended 31 March 2012, sales and profits have fallen slightly short of both internal and external expectations at the time budgets and bonus targets were set, but cash flow has exceeded expectations. As a consequence of the results actually achieved, the Executive Directors have met the minimum performance targets for sales and profit, and exceeded target for cash flow. They have therefore been awarded a cash bonus of 28.2% of their base salary. This has been calculated as follows:

Sales: bonus range 0-40% of salary; percentage of target achieved: 68%; percentage of salary earned as cash bonus: 7.2%

Profit before tax and reorganisation costs: bonus range 0-40% of salary; percentage of target achieved: 93%; percentage of salary earned as cash bonus: 1%

Cash generation: bonus range 0-20% of salary; percentage of target achieved: 122%; percentage of salary earned as cash bonus: 20%

Total cash bonus earned: 28.2%

This cash bonus will be augmented by a share award under the Deferred Share Bonus Plan equivalent to 50% of the cash award i.e. 14.1% of salary, which will vest two years after the award.

### Policy on long-term incentives

Under the Company's LTIP, a conditional award of shares (an Award) was made to plan participants in the year ended 31 March 2012. The Award is subject both to a performance condition and on their continued employment with the Group until the determination of the performance condition, except in certain circumstances as explained below. The LTIP is designed to align long-term incentives with the interests of shareholders and reflect current best practice. Participation in the plan extends to Executive Directors and the Group's senior managers. Awards were made of a total of 1,029,855 ordinary shares in the Company on 5 July 2011. The maximum value of Awards permissible under the LTIP is 150% of basic salary for exceptional performance, although in practice the Committee would not normally award shares above a value of 100% of basic salary.

For the year ended 31 March 2012, an LTIP award of 100% (2011: 100%) of salary was granted to the Group Chief Executive and 75% (2011: 75%) of salary to the Group Finance Director in July 2011.

Vesting of one half of the Awards made to Executive Directors is dependent upon Electrocomponents' three-year total shareholder return (TSR) percentage out-performance of the FTSE 250 Index (the Index). Vesting of the other half of the Award is conditional on growth in the Company's cumulative earnings per share (EPS).

For the part of the Award conditional on TSR to vest in full, the Company's TSR must out-perform the TSR of the Index by at least 20% over the three-year performance period beginning on 1 April in the year in which Awards are granted. If the Company's TSR is equal to or below the TSR of the Index, none of this part of the Award will vest. Between these two levels this part of the Award will vest on a straight-line basis.

For the part of the Award conditional on EPS to vest in full, the percentage increase in the Company's cumulative EPS over the three year performance period beginning on 1 April in the year in which Awards are granted must be equivalent to a nominal compound growth rate of at least 10% per annum. If the percentage increase in the Company's cumulative EPS over the performance period is equivalent to a nominal compound annual growth of 5% per annum or less, none of this part of the Award will vest. Between these two levels this part of the Award will vest on a straight-line basis.

A cash payment, equivalent to the dividends that would have accrued on the number of shares that vest, will be made to participants on vesting.

For the Award to vest, the Committee must additionally be satisfied that there has been a sustained improvement in the Company's underlying financial performance.

The Committee selected TSR and EPS as performance measures because it felt this would provide a good balance between external and internal measures of performance, as well as absolute and relative performance. TSR aligns performance with shareholders' interests, and the FTSE 250 Index was chosen as the benchmark because Electrocomponents is a constituent of the Index and the Index is objective and transparent. EPS provides a measure of the profitability of the Company, reflecting more directly management performance, and is a measure used by investors in deciding whether to invest in the Company.

Under the Company's Deferred Share Bonus Plan, awards of shares are made to plan participants to the value of 50% of their cash bonus. The award vests after two years, subject normally to the continued employment of the participant within the Group. There are no other performance conditions. Participation in the Plan extends to Executive Directors and members of the senior executive team. Awards were made of a total of 371,628 ordinary shares on 5 July 2011, in respect of bonuses earned for the year ended 31 March 2011. A further award will be made in respect of bonuses earned for the year ended 31 March 2012. A cash payment, equivalent to the dividends that would have accrued on the shares will be made to participants on vesting.

The Committee considers that the current structure of long-term incentives for Executive Directors and other senior executives remains appropriate, as do the performance conditions. However, the Committee has determined that unvested Deferred Bonus Awards should be available for clawback in instances of misconduct or misstatement.

Executive Directors and other senior executives also participate in the Company's Savings Related Share Option Scheme, which is open to all UK employees. Performance conditions have not been imposed, as they are not permissible under UK HM Revenue & Customs rules for this type of scheme.

Awards granted under the Company's LTIP are capable of being satisfied by the issue of new shares. The Company's current dilution levels are well within commonly accepted limits. The Company's Employee Benefit Trust (the Trust) can also be used to provide shares to satisfy LTIP share awards, by purchasing shares in the market. This Trust is funded by the Company. It is intended that awards made under the Company's Deferred Share Bonus Plan will be satisfied by the Trust. The Trust currently holds 408,417 (2011: 308,417) shares.

### Policy on executive shareholding guidelines

Executive shareholding guidelines are in place which require Executive Directors to retain at least 50% of any share awards that vest (net of tax) in order to help build up their personal holdings of Electrocomponents plc shares to a value of 200% of salary for the Group Chief Executive and 100% of salary for the Group Finance Director. Details of Executive Directors' shareholdings are given on page 52.

### Policy on pensions

Current Executive Directors are able to participate in the section of the Electrocomponents Group Pension Scheme (the Scheme) that provides defined benefits on retirement. The Scheme operates a Scheme-specific earnings limit therefore maintaining a cap on pensionable earnings (the Earnings Cap). At the end of the year under review, this was £129,600.

Under the Scheme, the Executive Directors benefit from the following provisions, subject to the annual allowance:

- a pension accrual rate of one-thirtieth for each year of service (subject to a maximum pension on retirement of up to two-thirds of final pensionable earnings, or the Earnings Cap if lower);
- salary considered for defined benefit pension purposes is restricted to increase at a maximum of 3% per annum from 1 June 2008, which was agreed with all members of the defined benefit section of the Scheme in 2008.

## Remuneration report *continued*

- pension accrued after 1 June 2008 will be subject to a life expectancy risk sharing agreement, which was agreed with all members of the defined benefit section of the Scheme in 2008;
- a normal retirement age of 60;
- benefits drawn from the Scheme before Normal Retirement Age are reduced to reflect the fact that they are paid sooner and for longer than anticipated. The reduction factors are calculated on a basis that is intended to be 'cost neutral' to the Scheme;
- in the event of death before retirement, a capital sum equal to four times basic salary is payable together with a spouse's pension of two-thirds of the member's prospective pension at age 60 and children's pensions if appropriate;
- in the event of death in retirement, a spouse's pension of two-thirds of the member's pre-commutation pension is payable; and pensions in payment increase in line with RPI capped at 5% per annum for pension built up before 5 April 2006 and RPI capped at 2.5% per annum for pension built up after 6 April 2006. (Legal advice has been obtained which confirmed that the inflationary index used will not change to CPI). Additional increases are payable at the discretion of the Company and the Trustee of the Scheme. No such increases have been awarded during the year; and
- pensions in deferment increase in line with RPI capped at 5% per annum for pension built up before 5 April 2009. Pension built up after 6 April 2009 receives statutory increases in deferment.

Following recent changes to tax legislation, the cash supplement paid in lieu of pension to the Executive Directors has increased from 6 April 2011. This is principally due to a switch from contributions paid into pension arrangements to an equivalent value paid in cash direct to the individual. These changes are broadly cost neutral to the Company and are summarised as follows:

- an increase in the cash supplement paid in lieu of benefits above the Annual Allowance due to the lowering of the Allowance; and
- the payment as cash supplements of amounts equivalent to the employer contributions previously payable to the defined contribution section of the Scheme as a result of the 3% per annum cap on pensionable Salary increases in the defined benefit section.

Details of the total cash supplements for the year under review are shown on page 50.

### Policy on other benefits

Executive Directors are provided with a company mobile phone, a company car (or a cash allowance) and medical insurance. The taxable value of these benefits is included in the Directors' emoluments table on page 50.

### Policy on service agreements

Executive Directors have service agreements that are on a 12-month rolling basis. These agreements provide for 12 months' notice by the Company and by the Executive Directors.

Termination payments are limited to the Directors' normal compensation, including basic salary, annual incentives and benefits for the unexpired portion of the notice period subject to performance and Remuneration Committee discretion. The Committee will aim to minimise the level of payments to that Director, however, having regard to all circumstances, including the Company's contractual obligations to the Director, the reason for the departure, and the Company's policy to apply mitigation in the case of severance.

The Company entered into an updated service agreement with Ian Mason on 1 March 2001. This agreement replaced all prior arrangements. The Company entered into a service agreement with Simon Boddie on 25 May 2005.

### Policy on external appointments

Executive Directors are permitted to take up one non-executive position on the boards of other companies, subject to the prior approval of the Board. The Executive Director may retain any fees payable in relation to such appointment. During the financial year, Ian Mason was a Non-Executive Director of Sage Group plc, and will retain the fees paid in relation to this appointment. The fee payable is £55,000 per annum.

### Chairman and Non-Executive Directors

Remuneration comprises an annual fee for the Chairman and Non-Executive Directors of the Company. An additional fee is paid to the Chairmen of the Audit and Remuneration Committees. Neither the Chairman nor the Non-Executive Directors participate in the Company's incentive or bonus schemes, nor do they accrue any pension entitlement.

During the year, the Chairman agreed to forgo his fee from October 2011 during his temporary absence. Rupert Soames and Adrian Auer's fees have increased temporarily to reflect their increased responsibilities since October 2011. Details are given in the notes to the remuneration table on page 50.

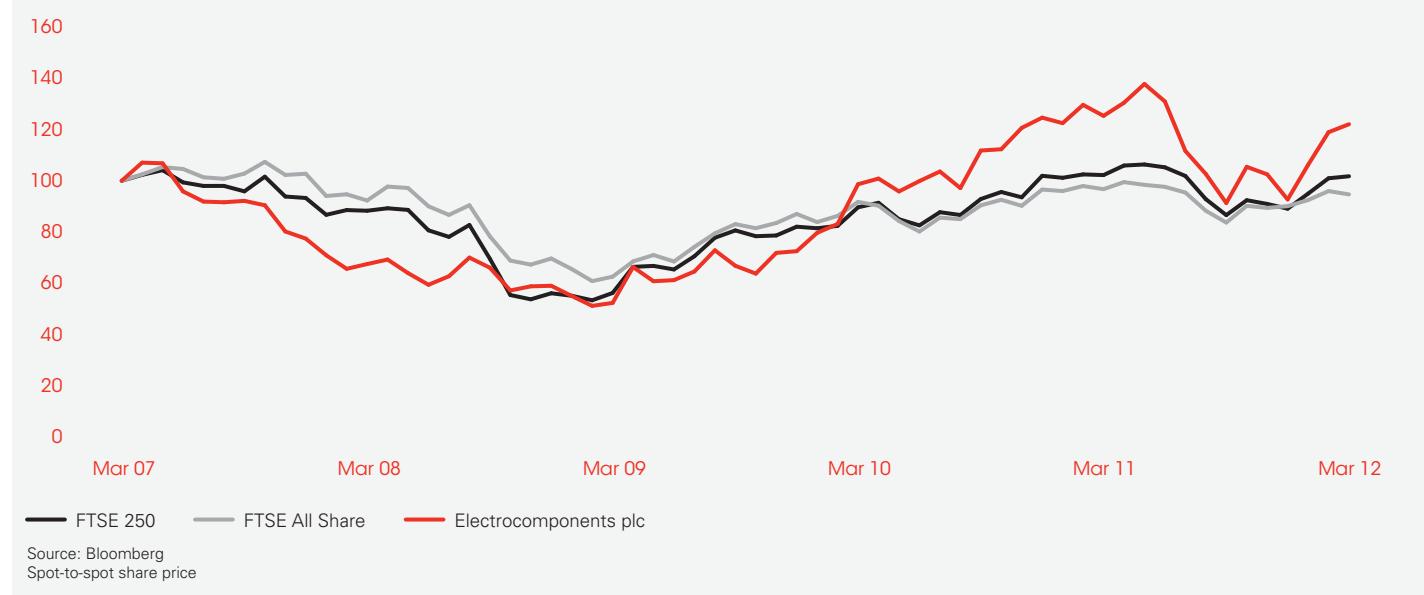
Letters of appointment are provided to the Chairman and Non-Executive directors providing for an initial three-year term. The Chairman's letter of appointment provides for a six-month notice period and the Non-Executive Directors a three-month notice period.

## Performance review

The following graph shows the five year TSR performance of the Company relative to the FTSE All Share and the FTSE 250 Indices.

The FTSE All Share is a broad equity market index of which Electrocomponents is a member and the Company is measuring its TSR performance versus the FTSE 250 for the purposes of the LTIP and has therefore included this as a relevant index.

**Total Shareholder Return (value of £100 invested on 31 March 2007)**



Remuneration report *continued***Directors' remuneration for the year ending 31 March 2012 (audited)****Salary, annual bonus and other benefits**

	Salary paid 2012 £	Salary paid 2011 £	Cash supplement in lieu of pension 2012 <sup>(a)(b)</sup> £	Cash supplement in lieu of pension 2011 <sup>(a)</sup> £	Benefits 2012 £	Benefits 2011 £	Cash bonus 2012 <sup>(d)</sup> £	Cash bonus 2011 <sup>(c)</sup> £	Total 2012 £	Total 2011 £
<b>Emoluments of the Chairman</b>										
P Johnson <sup>(e)</sup>	<b>95,000</b>	95,000	–	–	–	–	–	–	<b>95,000</b>	95,000
<b>Emoluments of Executive Directors</b>										
I Mason	<b>552,270</b>	540,696	<b>99,236</b>	95,945	<b>16,132</b>	16,255	<b>159,062</b>	551,250	<b>826,700</b>	1,204,146
S Boddie	<b>364,693</b>	357,156	<b>114,772</b>	87,653	<b>12,229</b>	13,116	<b>106,041</b>	367,500	<b>597,735</b>	825,425
<b>Totals</b>	<b>1,011,963</b>	992,852	<b>214,008</b>	183,598	<b>28,361</b>	29,371	<b>265,103</b>	918,750	<b>1,519,435</b>	2,124,571
<b>Fees of Non-Executive Directors</b>										
A Auer <sup>(e)</sup>									<b>49,792</b>	42,500
P Hollingworth <sup>(d)</sup>									<b>54,792</b>	52,500
R Soames <sup>(d,e)</sup>									<b>81,667</b>	52,500
<b>Totals</b>									<b>1,705,686</b>	2,272,071

(a) In the year ended 31 March 2011, the following employer contributions were made into the defined contribution section of the Scheme in respect of salary awards above 3%: Simon Boddie £735 and Ian Mason £1,102. These were in addition to the figures included for 2011 above. From April 2011, these amounts were paid as cash supplements, and are included in the 2012 figures given in the table above.

(b) The increase in cash supplement in lieu of pension for Ian Mason and Simon Boddie represents primarily the additional supplement paid during the year as a result of the reduction to £50,000 from 6 April 2011 of the Annual Allowance. Details are set out on page 48. For Ian Mason this increase was negligible as he was able to utilise unused Annual Allowance from previous years.

(c) An additional 50% of these amounts will be awarded to each of the Executive Directors, as was the case for the year ended 31 March 2011, in the form of shares under the Deferred Share Bonus Plan, described on page 47 of this Report. The shares will vest after two years, conditional on the director continuing in employment with the Group until that time.

(d) Rupert Soames, as Chairman of the Remuneration Committee and Paul Hollingworth, as Chairman of the Audit Committee, each received an additional fee of £10,000 per annum. This fee is included within their remuneration shown above.

(e) Peter Johnson waived his fee for the period from 1 October 2011 during his temporary absence from the Board. Rupert Soames' remuneration increased temporarily from 1 October to £100,000 and Adrian Auer's remuneration increased temporarily from the same date to £55,000. These increases are pro-rated to the time during which Rupert was Acting Chairman in Peter's absence and Adrian was acting as Senior Independent Director and Chairman of the Remuneration Committee.

Ian Mason and Simon Boddie's annual salaries from 1 June 2011 are £565,031 and £376,688 respectively (before 1 June 2011: £551,250 and £367,500). The salary paid figure in the table above includes £1,200 (2011: £1,200) paid to both Ian Mason and Simon Boddie in cash, in lieu of personal fuel allowance, and excludes £11,664 (2011: £11,754) for Ian Mason and £11,664 (2011: £11,544) for Simon Boddie, which has been deducted in respect of salary sacrifice.

No compensation for loss of office was paid during the year ended 31 March 2012.

## Pensions

The following table gives details for each Executive Director of:

- the annual accrued pension payable from normal retirement age, calculated as if they had left service at the year end i.e. 31 March 2012;
- the increase in accrued pension attributable to service as a Director during the year;
- the transfer value of the accrued benefit at the year end;
- the transfer value of the accrued benefit at the previous year end; and
- the increase in the transfer value over the period.

These amounts exclude any (i) benefits attributable to contributions to the defined contribution section of the Scheme; (ii) additional voluntary contributions; and (iii) actual members' contributions.

										Transfer value at 31 March
										2012 of the increase in
										accrued pension net of inflation less Directors' contributions <sup>(d)</sup>
	Age at 31 March	Accrued pension as at 31 March	Increase in accrued pension benefits	Increase in accrued pension net of inflation <sup>(b)</sup>	Transfer value as at 31 March	Transfer value as at 31 March		Increase in transfer value less Directors' contributions <sup>(d)</sup>		
	2012	2012 <sup>(a)</sup>	£	£	2012 <sup>(c)</sup>	£	2011	£	£	£
	Years									
I Mason	49	52,571	5,546	3,853	886,000	629,000		245,336		45,336
S Boddie	52	27,549	3,859	3,006	451,000	309,000		130,336		35,336

(a) The accrued pension benefits shown are the amounts which would be paid annually on retirement at normal retirement age, based on service to the end of the year.

(b) RPI inflation for the year to March 2012 was 3.6%.

(c) Transfer values at 31 March 2012 have been calculated on the Scheme's transfer value basis, in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 2008. The size of the increase in transfer values is exacerbated by the considerable fall in gilt yields between March 2011 and March 2012.

(d) The transfer value calculations include the effect of fluctuations in the transfer value due to factors beyond the control of the Company and Directors, such as financial market movements.

The increase in transfer value and the transfer value of the increase in accrued pension net of inflation are shown after deducting the Directors' contributions.

## Share options (audited)

Scheme	Date of grant	Vesting date	Expiration date	Exercise price	Shares under option 1 April 2011	Shares under option				
						Granted in 2012	Exercised in 2012	Lapsed in 2012	31 March 2012	
I Mason	Savings related	01-Jul-09	01-Sep-14	28-Feb-15	149.00p	10,436	–	–	–	<b>10,436</b>
					Total	10,436	–	–	–	<b>10,436</b>
S Boddie	Savings related	30-Jun-10	01-Sep-13	28-Feb-14	175.00p	3,085	–	–	–	<b>3,085</b>
		29-Jun-11	01-Sep-14	28-Feb-15	235.00p	–	1,536	–	–	<b>1,536</b>
					Total	3,085	1,536	–	–	<b>4,621</b>

## Remuneration report *continued*

### Share awards

				Shares awarded at 1 April 2011	Shares awarded in 2012	Vested in 2012	Lapsed in 2012	Shares awarded at 31 March 2012
I Mason	Long Term Incentive Plan <sup>(a)</sup>	9-Jul-08 <sup>(b)</sup>	220,000	–	110,000	110,000	–	–
		30-Jun-09	386,165	–	–	–	–	<b>386,165</b>
		30-Jun-10	248,009	–	–	–	–	<b>248,009</b>
		5-Jul-11	–	201,480	–	–	–	<b>201,480</b>
	Deferred Share Bonus Plan <sup>(c)</sup>	30-Jun-10	93,005	–	–	–	–	<b>93,005</b>
		5-Jul-11	–	100,483	–	–	–	<b>100,483</b>
		Total	947,179	301,963	110,000	110,000	–	<b>1,029,142</b>
S Boddie	Long Term Incentive Plan <sup>(a)</sup>	9-Jul-08 <sup>(b)</sup>	110,000	–	55,000	55,000	–	–
		30-Jun-09	193,082	–	–	–	–	<b>193,082</b>
		30-Jun-10	124,005	–	–	–	–	<b>124,005</b>
		5-Jul-11	–	100,740	–	–	–	<b>100,740</b>
	Deferred Share Bonus Plan <sup>(c)</sup>	30 Jun-10	62,003	–	–	–	–	<b>62,003</b>
		5-Jul-11	–	66,989	–	–	–	<b>66,989</b>
		Total	489,090	167,729	55,000	55,000	–	<b>546,819</b>

(a) Awards made under the LTIP are subject to performance conditions and a vesting period set out on page 47. The vesting date for the awards granted under the Long Term Incentive Plan in 2009 is expected to be in June 2012.

(b) On 22 June 2011, the Committee determined that 50% of the Award made under the LTIP in June 2008 should vest in accordance with the performance condition based on the Company's TSR and EPS as described on page 47 of this Report. The Committee was satisfied that there had been sustained improvement in the Company's underlying financial performance during the performance period. In addition, cash dividend entitlements of £43,560 and £21,780 were paid at vesting to Ian Mason and Simon Boddie respectively.

(c) Deferred Share Bonus Plan awards are subject to the terms set out on page 47.

The closing mid-market price of the Company's shares on 31 March 2012 was 247.8p. During the year, the price of the Company's shares varied between 182.2p and 294.9p. The mid-market price of the Company's shares on 22 June 2011, being the date on which the 2008 LTIP vested, was 266.2p. The mid-market price of the Company's shares on 29 June 2011, being the date the Savings Related Options were granted, was 269.0p. The mid-market price of the Company's shares on 5 July 2011 when the LTIP and Deferred Share Bonus Plan awards were made was 273.7p.

### Directors' interests in shares

The beneficial interests of the Directors and their connected persons in the shares of the Company are set out in the table below. The Directors have no non-beneficial interests.

	31 March 2012 or date ceased to be a Director	1 April 2011 or date appointed as a Director
A Auer	<b>2,500</b>	2,500
S Boddie	<b>139,358</b>	113,059
P Hollingworth	<b>10,000</b>	10,000
P Johnson	<b>100,000</b>	50,000
I Mason	<b>212,989</b>	160,333
R Soames	<b>15,024</b>	15,024

Up to 24 May 2012 there have been no changes in the Directors' interests or rights to subscribe for shares.

By Order of the Board

### Adrian Auer

Acting Chairman of the Remuneration Committee

24 May 2012

# Statement of Directors' responsibilities

## Statement of Directors' responsibility in respect of the Annual Report and Accounts

The Directors are responsible for preparing the Annual Report and the Group and Parent Company accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company accounts for each financial year. Under that law they are required to prepare the Group accounts in accordance with International Financial Reporting Standards as adopted by the EU and applicable law and have elected to prepare the Parent Company accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group accounts, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company accounts, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' report, Remuneration report and Corporate Governance report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Responsibility statement of the Directors in respect of the Annual Report and Accounts

Each of the Directors, whose names and functions are listed on page 37 of this document, confirms that to the best of his knowledge:

- The accounts, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

**Ian Mason**  
Group Chief Executive

**Simon Boddie**  
Group Finance Director

24 May 2012

The report and accounts contain 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 positions, 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 intentions or obligations to update forward-looking statements contained herein.

# Independent auditors' report to the members of Electrocomponents plc

We have audited the financial statements of Electrocomponents plc for the year ended 31 March 2012 set out on pages 55 to 97. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

## Respective responsibilities of directors and auditor

As explained more fully in the Responsibility statement of the Directors set out on page 53, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 53, in relation to going concern;
- the part of the Corporate Governance report on page 40 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

### Paul Sawdon (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

24 May 2012

# Group income statement

For the year ended 31 March 2012

	Note	2012 £m	2011 £m
<b>Revenue</b>			
Cost of sales	1,2	<b>1,267.4</b>	1,182.2
<b>Gross profit</b>		<b>(674.7)</b>	(625.8)
Distribution and marketing expenses		<b>592.7</b>	556.4
Administrative expenses		<b>(455.4)</b>	(427.6)
<b>Operating profit</b>		<b>(9.2)</b>	(9.0)
		<b>128.1</b>	119.8
Financial income	1	<b>1.8</b>	3.0
Financial expense	1	<b>(7.6)</b>	(8.8)
<b>Profit before tax</b>	1,2,3	<b>122.3</b>	114.0
Income tax expense	7	<b>(37.4)</b>	(35.8)
<b>Profit for the year attributable to the equity shareholders of the Parent Company</b>		<b>84.9</b>	78.2
<b>Earnings per share</b>			
Basic	9	<b>19.5</b>	18.0
Diluted	9	<b>19.3</b>	17.7
<b>Dividends</b>			
<b>Amounts recognised in the period:</b>			
Final dividend for the year ended 31 March 2011	8	<b>6.5p</b>	6.0p
Interim dividend for the year ended 31 March 2012	8	<b>5.0p</b>	5.0p
		<b>11.5p</b>	11.0p

A final dividend of 6.75p per share relating to the year has been proposed since the year end.

The notes on pages 64 to 89 form part of these Group accounts.

## Consolidated statement of comprehensive income

For the year ended 31 March 2012

	Note	2012 £m	2011 £m
<b>Profit for the year</b>		<b>84.9</b>	78.2
<b>Other comprehensive income:</b>			
Foreign exchange translation differences		(3.1)	(5.8)
Actuarial (loss) gain on defined benefit pension schemes	6	(21.8)	31.7
Movement in unrecognised pension surplus		13.8	(25.1)
Net gain on cash flow hedges (see note 19)		2.0	1.4
Taxation relating to components of other comprehensive income		1.2	(2.4)
<b>Other comprehensive (expense) for the year</b>		<b>(7.9)</b>	(0.2)
<b>Total comprehensive income for the year</b>		<b>77.0</b>	78.0

# Group balance sheet

As at 31 March 2012

Company number: 647788

	Note	2012 £m	2011 £m
<b>Non-current assets</b>			
Intangible assets	10	<b>204.1</b>	202.6
Property, plant and equipment	11	<b>119.5</b>	114.1
Investments	13	<b>0.6</b>	0.7
Other receivables	16	<b>7.0</b>	4.1
Other financial assets	19	<b>7.7</b>	2.2
Deferred tax assets	20	<b>10.2</b>	9.3
		<b>349.1</b>	333.0
<b>Current assets</b>			
Inventories	15	<b>258.4</b>	232.8
Trade and other receivables	16	<b>220.8</b>	215.9
Income tax receivables		<b>2.9</b>	1.1
Cash and cash equivalents	24	<b>19.8</b>	6.3
		<b>501.9</b>	456.1
<b>Current liabilities</b>			
Trade and other payables	17	<b>(212.3)</b>	(207.8)
Loans and borrowings	18	<b>(1.4)</b>	(2.0)
Income tax liabilities		<b>(11.3)</b>	(14.5)
		<b>(225.0)</b>	(224.3)
<b>Net current assets</b>		<b>276.9</b>	231.8
<b>Total assets less current liabilities</b>		<b>626.0</b>	564.8
<b>Non-current liabilities</b>			
Other payables	17	<b>(10.7)</b>	(11.5)
Retirement benefit obligations	6	<b>(8.3)</b>	(5.4)
Loans and borrowings	18	<b>(180.2)</b>	(167.2)
Other financial liabilities	19	<b>(0.1)</b>	–
Deferred tax liabilities	20	<b>(60.7)</b>	(45.4)
		<b>(260.0)</b>	(229.5)
<b>Net assets</b>		<b>366.0</b>	335.3
<b>Equity</b>			
Called-up share capital	23	<b>43.7</b>	43.6
Share premium account		<b>39.8</b>	38.8
Retained earnings		<b>263.9</b>	232.4
Cumulative translation reserve		<b>20.3</b>	23.6
Other reserves		<b>(1.7)</b>	(3.1)
<b>Equity attributable to the equity shareholders of the Parent Company</b>		<b>366.0</b>	335.3

These Group accounts were approved by the Board of Directors on 24 May 2012 and signed on its behalf by:

## Simon Boddie

Group Finance Director

The notes on pages 64 to 89 form part of these Group accounts.

# Group cash flow statement

For the year ended 31 March 2012

	Note	2012 £m	2011 £m
<b>Cash flows from operating activities</b>			
Profit before tax		<b>122.3</b>	114.0
Depreciation and amortisation		<b>27.9</b>	27.0
Equity-settled transactions		<b>2.9</b>	1.9
Finance income and expense		<b>5.8</b>	5.8
Non-cash movement on investment in associate		<b>0.1</b>	(0.1)
<b>Operating cash flow before changes in working capital, interest and taxes</b>		<b>159.0</b>	148.6
Increase in inventories		(28.7)	(51.2)
Increase in trade and other receivables		(12.1)	(34.0)
Increase in trade and other payables		<b>5.0</b>	43.5
<b>Cash generated from operations</b>		<b>123.2</b>	106.9
Interest received		<b>1.8</b>	3.0
Interest paid		(7.6)	(9.1)
Income tax paid		(26.9)	(21.5)
<b>Net cash from operating activities</b>		<b>90.5</b>	79.3
<b>Cash flows from investing activities</b>			
Capital expenditure		(38.4)	(22.1)
Proceeds from sale of property, plant and equipment		<b>0.6</b>	0.2
<b>Net cash used in investing activities</b>		<b>(37.8)</b>	(21.9)
<b>Free cash flow</b>		<b>52.7</b>	57.4
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		<b>1.1</b>	0.2
New loans		<b>106.0</b>	76.8
Loans repaid		(95.2)	(85.4)
Equity dividends paid	8	(50.1)	(47.9)
<b>Net cash used in financing activities</b>		<b>(38.2)</b>	(56.3)
<b>Net increase in cash and cash equivalents</b>		<b>14.5</b>	1.1
Cash and cash equivalents at the beginning of the year		<b>5.6</b>	4.3
Effect of exchange rate fluctuation on cash		(1.5)	0.2
<b>Cash and cash equivalents at the end of the year</b>	24	<b>18.6</b>	5.6

The notes on pages 64 to 89 form part of these Group accounts.

# Consolidated statement of changes in equity

For the year ended 31 March 2012

	Share capital £m	Share premium account £m	Other reserves		Cumulative translation £m	Retained earnings £m	Total £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 year	–	–	–	–	–	84.9	84.9
Foreign exchange translation differences	–	–	–	–	(3.1)	–	(3.1)
Actuarial loss on defined benefit pension schemes	–	–	–	–	–	(21.8)	(21.8)
Movement in unrecognised pension surplus	–	–	–	–	–	13.8	13.8
Net gain on cash flow hedges (see note 19)	–	–	2.0	–	–	–	2.0
Taxation relating to components of other comprehensive income	–	–	(0.4)	–	(0.2)	1.8	1.2
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>1.6</b>	<b>–</b>	<b>(3.3)</b>	<b>78.7</b>	<b>77.0</b>
Equity-settled transactions	–	–	–	–	–	2.9	2.9
Dividends paid	–	–	–	–	–	(50.1)	(50.1)
Shares allotted in respect of share awards	0.1	1.0	–	–	–	–	1.1
Own shares acquired	–	–	–	(0.2)	–	–	(0.2)
<b>At 31 March 2012</b>	<b>43.7</b>	<b>39.8</b>	<b>0.2</b>	<b>(1.9)</b>	<b>20.3</b>	<b>263.9</b>	<b>366.0</b>
	Share capital £m	Share premium account £m	Other reserves		Cumulative translation £m	Retained earnings £m	Total £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 year	–	–	–	–	–	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)
Net gain on cash flow hedges (see note 19)	–	–	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>

The notes on pages 64 to 89 form part of these Group accounts.

# Group significant accounting policies

## Basis of consolidation

Electrocomponents plc (the 'Company') is a company domiciled in England. The Group accounts for the year ended 31 March 2012 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in a jointly controlled entity. Subsidiaries are entities controlled by the Company. All significant subsidiary accounts are made up to 31 March and are included in the Group accounts. Further to the IAS Regulation (EC 1606/2002) the Group accounts have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU ('adopted IFRS'). The Company accounts continue to be prepared in accordance with UK Generally Accepted Accounting Practice ('UK GAAP') and details of the Company accounts, notes to the accounts and principal accounting policies are set out on pages 90 to 97.

The accounts were authorised for issue by the Directors on 24 May 2012.

## Basis of preparation

The accounts are presented in £ Sterling and rounded to £0.1m.

They are prepared on a going concern basis, (as referred to in the Directors' report on page 38), and on the historical cost basis except certain financial instruments detailed below.

## Estimates and judgements

The preparation of accounts in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The significant judgements made in the accounts for the year ended 31 March 2012 are:

- Pensions: the key assumptions and estimates relate to discount rates, inflation rates and increases to salaries and pensions in payment. These are explained in more detail in note 6.
- Goodwill: the Group's goodwill principally relates to the acquisition of Allied Electronics Inc. in July 1999. The key assumptions used to determine the recoverable amount of goodwill relate to future operating performance, cash flows and discount rates. These are set out in note 10.
- Inventory: the estimation of the net realisable value of inventory. This estimation includes assessment of product sales levels and assumptions around product lifecycles.
- Share based payments: the estimation of the likelihood of vesting conditions being met in the calculation of the cost of share based payments. These are explained in more detail in note 5.

## Statement of compliance

The Group accounts have been prepared in accordance with IFRS as adopted for use by the EU.

## Adjusted measures

Profit measures such as operating profit, profit before tax and earnings per share are also presented as being results before pension changes/reorganisation income (costs) or as headline results. Similarly a cash flow term, free cash flow, representing the Group's cash flow before financing activities, is also disclosed.

These measures are used by the Group for internal reporting purposes and employee incentive arrangements. The terms 'pension changes/reorganisation', 'headline' and 'free cash flow' are not defined terms under IFRS and may not be comparable with similar measures disclosed by other companies. Likewise, these measures are not a substitute for GAAP measures of profit or cash flow.

## Revenue

Revenue from the sale of goods is recognised in the income statement on dispatch, when the significant risks and rewards of ownership have been transferred. Revenue represents the sale of goods and services and is stated net of sales taxes and volume discounts. Freight recharged to customers is included within revenue.

## Customer loyalty schemes

The cost of loyalty schemes is treated as a deduction from sales and part of the fair value of the consideration received is deferred and subsequently recognised over the period that the awards are redeemed. The fair value of the points awarded is determined with reference to the fair value to the customer and takes into account factors such as the redemption rate.

## Transactions eliminated on consolidation

Intra-group balances and unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing Group accounts. Unrealised gains arising from transactions with the jointly controlled entity are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains.

## Goodwill and other intangibles

Goodwill arising on all acquisitions prior to 31 March 1998 has been written off against reserves. Goodwill arising on acquisitions after 1 April 1998 has been capitalised and, under UK GAAP, was amortised on a straight-line basis over its estimated useful life, with a maximum of 20 years.

The Group has made the elective exemption under IFRS 1 that allows goodwill in respect of acquisitions made prior to 1 April 2004 to remain as stated under UK GAAP. The balance of goodwill as at 1 April 2004 is deemed to be the cost going forward. Goodwill is not amortised under IFRS. Instead the carrying value is reviewed annually for impairment.

Other intangible assets are stated at cost less accumulated amortisation. The cost of acquired intangible assets are their purchase cost together with any incidental costs of acquisition. Amortisation is calculated to write off the cost of the asset on a straight-line basis at the following annual rates:

Trademarks	5%
Computer software costs	12.5%-50%

Amortisation is disclosed in distribution and marketing expenses in the income statement. The residual value, if significant, is reassessed annually. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

## Investments in jointly controlled entities

The Group accounts include the Group's share of the total recognised gains and losses in one jointly controlled entity on an equity accounted basis.

## Property, plant and equipment

Tangible assets are stated at cost less accumulated depreciation. The cost of self constructed assets includes the cost of materials, direct labour and certain direct overheads.

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Each finance-leased asset is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease less accumulated depreciation.

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

Freehold and leasehold buildings	2%
Plant and machinery	10%-20%
Mainframe computer equipment	20%
Network computer equipment	33%
Portable computers	50%
Other office equipment	20%

Depreciation is disclosed in distribution and marketing expenses in the income statement. The residual value, if significant, is reassessed annually.

## Impairment

The carrying amounts of the Group's goodwill and intangible assets are reviewed annually to determine whether there is any indication of impairment. Goodwill and intangible assets with indefinite lives are tested annually. Other intangible assets are tested if there is an indication of impairment.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. The recoverable amount is calculated as the higher of fair value less costs of sale and value in use. The present value of estimated future cash flows is calculated using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

## Inventories

Inventories are valued at the lower of cost and net realisable value. This cost is calculated on a weighted average basis. Work in progress and goods for resale include attributable overheads.

## Trade and other receivables

Trade and other receivables are initially measured on the basis of their fair value. Subsequently they are carried at amortised cost using the effective interest rate method.

## Net debt

Net debt comprises cash and cash equivalents less borrowings. Cash and cash equivalents comprises cash in hand and held with qualifying financial institutions in current accounts or overnight deposits net of overdrafts with qualifying financial institutions. Cash and cash equivalents include investment in money market funds and term deposits with qualifying financial institutions. Borrowings represent term loans from qualifying financial institutions together with financial instruments classified as liabilities.

## Operating expense classification

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

Distribution and marketing expenses include operating company expenses, such as freight costs and movements in inventory provisions, together with the Supply Chain & Facilities, Product Management, Information Systems, Electronics and eCommerce process expenses.

Administrative expenses comprise Group Finance, Legal and Group Human Resources Process expenses, together with the expenses of the Group Board and Group Communications.

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses and gains and losses on hedging instruments that are recognised in the income statement.

Interest income is recognised in the income statement as it accrues, using the effective interest rate method. The interest expenses component of finance lease payments is recognised in the income statement using the effective interest rate method.

## Borrowing costs

Borrowing costs are recognised in the income statement as incurred.

## Catalogue costs

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

## Operating leases

Operating lease rentals are charged to the income statement on a straight-line basis over the course of the lease period. The benefits of rent-free periods and similar incentives are credited to the income statement on a straight-line basis over the full lease term.

## Government grants

Government grants related to expenditure on property, plant and equipment are credited to the income statement at the same rate as the depreciation on the asset to which the grants relate. The unamortised balance of capital grants is included within trade and other payables.

## Employee benefits

### Pension costs

In the UK the Group operates a pension scheme providing benefits based on final pensionable pay for eligible employees who joined on or before 1 April 2004. The scheme is administered by a corporate trustee and the funds are independent of the Group's finances. In addition there are defined benefit pension schemes in Germany and the Republic of Ireland.

For UK employees who joined after 1 April 2004 the Group provides a defined contribution pension scheme. There are also defined contribution schemes in Australia, North America, Germany and the Republic of Ireland, and government schemes in France, Italy, Scandinavia and North Asia. Obligations for contributions to defined contribution schemes are recognised as an expense in the income statement as incurred.

## Group significant accounting policies *continued*

The cost of the defined benefit scheme charged to the income statement comprises: current service cost, past service cost, expected return on scheme assets and the interest cost on the expected amount of unwinding of the discount on plan liabilities within administrative expenses and distribution and marketing expenses. The Group has elected to adopt the amendment to IAS 19 (revised), which allows actuarial gains and losses to be recorded in the Consolidated Statement of Comprehensive Income immediately.

Obligations are measured at present value using the projected unit credit method and a discount rate reflecting yields on high quality corporate bonds. Assets are measured at their fair value at the balance sheet date.

### Share-based payment transactions

The Group operates several share-based payment schemes, the largest of which are the Savings Related Share Option Scheme (SAYE), the Long Term Incentive Plan (LTIP) and the Deferred Share Bonus Plan. Details of these are provided in note 5 to the Group accounts.

Equity-settled share-based schemes are measured at fair value at the date of grant. The fair value is expensed with a corresponding increase in equity on a straight-line basis over the period during which employees become unconditionally entitled to the options. The fair values are calculated using an appropriate option pricing model. The income statement charge is then adjusted to reflect expected and actual levels of vesting based on non-market performance-related criteria.

Cash-settled share options are measured at fair value at the balance sheet date. The Group recognises a liability at the balance sheet date based on these fair values, taking into account the estimated number of options that will actually vest and the relative completion of the vesting period. Changes in the value of this liability are recognised in the income statement for the year.

Administrative expenses and distribution and marketing expenses include the cost of the share-based payment schemes.

Shares in the Company, held by the trust established to administer the schemes, are shown within reserves.

The Group has chosen to adopt the exemption whereby IFRS 2, Share-Based Payment, is applied only to awards made after 7 November 2002.

### Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes.

The amount of deferred tax provided is calculated using tax rates enacted or substantively enacted at the balance sheet date which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which these temporary differences can be utilised.

### Foreign currency

#### Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

#### Net investment in foreign operations

Exchange differences arising from this translation of foreign operations, and of related qualifying hedges, are taken directly to equity. They are released into the income statement upon disposal.

The elective exemption in IFRS 1 means that any translation differences prior to the date of transition (1 April 2004) do not need to be analysed retrospectively and so the deemed cumulative translation differences at this date can be set to £nil. Thus, any cumulative translation differences arising prior to the date of transition are excluded from any future profit or loss on disposal of any entities. The Group adopted this exemption.

#### Foreign currency transactions

Transactions in foreign currencies are recorded using the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

### Financial instruments

#### Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational and financing activities. It principally employs forward foreign exchange contracts to hedge against changes in exchange rates in the majority of its operating companies. In addition there are also a number of interest rate swaps that swap certain fixed rate loans into floating rate.

In accordance with its treasury policies, the Group does not hold or issue derivative financial instruments for trading purposes.

Certain derivative financial instruments are designated as hedges in line with the Group's risk management policies. Hedges are classified as follows:

- Cash flow hedges when they hedge the exposure to variability in cash flows that is attributable to a particular risk associated with a forecast transaction.
- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability.
- Net investment hedges when they hedge the exposure to changes in the value of the Group's interests in the net assets of foreign operations.

All the Group's derivatives are initially and in subsequent periods recognised in the balance sheet at fair value. Changes in the fair value of derivative financial instruments that do not qualify for cash flow or net investment hedge accounting are recognised in the income statement as they arise.

## Cash flow hedge accounting

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised immediately in the income statement. When the forecast transaction subsequently results in the recognition of a non-financial asset or liability the associated cumulative gain or loss is removed from equity and included in the initial cost of the non-financial asset or liability. When the forecast transaction subsequently results in the recognition of a financial asset or liability, the associated cumulative gain or loss that was recognised directly in equity is reclassified into the income statement in the same period during which the asset acquired or liability assumed affects the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is taken immediately to the income statement.

The fair value of forward foreign exchange contracts is the difference between their discounted contractual forward price and their current forward price.

## Fair value hedge accounting

The Group uses derivative financial instruments to hedge exposure to interest rate risks arising from financing activities, holding a small number of interest rate swaps which swap certain fixed rate loans into floating rate.

The fair value of the swaps is the market value of the swap at the balance sheet date, taking into account current interest rates. The market value of changes in fair values of derivatives designated as fair value hedges and changes in fair value of the related hedged item, in relation to the hedged risk, are recognised directly in the income statement.

## Hedge of net investment in foreign operations

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in the income statement.

## Changes in accounting policies

The following standards and changes to existing standards and interpretations that have been enacted, and have an impact on these accounts are:

- Amendments to IFRIC 13 'Customer Loyalty Programmes- fair value of award credit' is applicable for periods beginning on or after 1 January 2011. It requires that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would have been offered to customers that have not earned the award credits. This will not affect the reported results or net assets of the Group.
- IAS 24 'Related Party Disclosures' was issued in November 2009 and is applicable for annual periods beginning on or after 1 January 2011. The revision clarifies the definition of a related party for disclosure purposes and will not affect the reported results or net assets of the Group.
- Amendments to IFRIC 14 'Prepayments of a Minimum Funding Requirement' was issued in November 2009 and is required to be applied for annual periods beginning on or after 1 January 2011. This will not affect the reported results or net assets of the Group.

The following standards and interpretations have been issued and endorsed by the EU but not yet applied:

- Amendments to IFRS 7 'Disclosures – Transfers of Financial Assets' was issued in October 2010 and is required to be applied for annual periods beginning on or after 1 July 2011. It requires a number of changes to disclosures but will not affect the reported results or net assets of the Group.
- Amendments to IAS 12 'Deferred Tax: Recovery of Underlying Assets' was issued in December 2010 and is applicable for periods beginning on or after 1 January 2012. This will not affect the reported results or net assets of the Group.
- Amendments to IAS 19 'Defined Benefit Plans' is applicable for periods beginning on or after 1 January 2013. It requires that actuarial gains and losses are immediately recognised in other comprehensive income and eliminate the corridor method. The principal amendment is the requirement to calculate net interest income or expense using the discount rate used to measure the defined benefit asset or liability. This will not affect the reported results or net assets of the Group until such time as it becomes effective.

The Group does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

# Notes to the Group accounts

For the year ended 31 March 2012

## 1 Analysis of income and expenditure

This analysis reconciles the income statement presentation to the segmental reporting shown in note 2.

	2012 £m	2011 £m
Revenue	<b>1,267.4</b>	1,182.2
Cost of sales	<b>(674.7)</b>	(625.8)
Distribution and marketing expenses within contribution	<b>(325.9)</b>	(308.4)
Contribution before Process costs	<b>266.8</b>	248.0
Distribution and marketing expenses within Process costs	<b>(129.5)</b>	(119.2)
Administrative expenses within Process costs	<b>(9.2)</b>	(9.0)
Process costs	<b>(138.7)</b>	(128.2)
Operating profit	<b>128.1</b>	119.8
Bank interest receivable	<b>1.8</b>	3.0
Bank interest payable	<b>(3.1)</b>	(4.3)
Private placement note interest payable	<b>(4.5)</b>	(3.8)
Other interest payable	<b>–</b>	(0.7)
Net financial expense	<b>(5.8)</b>	(5.8)
Profit before tax	<b>122.3</b>	114.0

Distribution and marketing expenses within contribution comprise local costs relating to the selling and distribution of the Group's products, and are attributable to the region to which they relate.

Distribution and marketing expenses within Process costs comprise the identification, introduction and sourcing of the Group's products, managing supplier relationships, developing the Group's eCommerce strategy, managing the Group's stock (both quantity and location), and the Group's worldwide IT infrastructure.

## 2 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 UK, Continental Europe, North America and Asia Pacific. The UK comprises operations in the UK 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, Taiwan, 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.

Inter-segment 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.

	2012 £m	2011 £m
<b>Revenue from external customers</b>		
UK	<b>364.7</b>	356.3
Continental Europe	<b>456.3</b>	413.6
North America	<b>277.5</b>	262.3
Asia Pacific	<b>168.9</b>	150.0
	<b>1,267.4</b>	1,182.2
 <b>Inter-segment sales</b>		
UK	<b>211.4</b>	180.4
Continental Europe	<b>51.9</b>	40.4
North America	<b>6.4</b>	5.9
Asia Pacific	<b>3.1</b>	2.8
	<b>272.8</b>	229.5

## 2 Segmental reporting *continued*

	2012 £m	2011 £m
<b>Contribution</b>		
UK	<b>106.0</b>	101.7
Continental Europe	<b>99.8</b>	90.5
North America	<b>43.3</b>	42.5
Asia Pacific	<b>17.7</b>	13.3
	<b>266.8</b>	248.0

### Reconciliation of contribution to profit before tax

	2012 £m	2011 £m
Contribution	<b>266.8</b>	248.0
Group Process costs	<b>(138.7)</b>	(128.2)
Net financial expense	<b>(5.8)</b>	(5.8)
Profit before tax	<b>122.3</b>	114.0

Net financial expenses and income tax are not included or reviewed as a measure of performance of a reportable segment, but as total costs to the Group. Therefore no segmental information has been provided.

	2012 £m	2011 £m
<b>Segment assets</b>		
UK	<b>267.8</b>	259.3
Continental Europe	<b>169.4</b>	171.8
North America	<b>278.6</b>	263.3
Asia Pacific	<b>94.6</b>	75.8
	<b>810.4</b>	770.2
Unallocated assets:		
Cash at bank and in hand	<b>19.8</b>	6.3
Deferred tax assets	<b>10.2</b>	9.3
Income tax assets	<b>2.9</b>	1.1
Other financial assets	<b>7.7</b>	2.2
Total assets	<b>851.0</b>	789.1

	2012 £m	2011 £m
<b>Segment liabilities</b>		
UK	<b>124.7</b>	116.6
Continental Europe	<b>60.3</b>	63.0
North America	<b>23.7</b>	21.1
Asia Pacific	<b>22.6</b>	24.0
	<b>231.3</b>	224.7
Unallocated liabilities		
Income tax liabilities	<b>11.3</b>	14.5
Deferred tax liabilities	<b>60.7</b>	45.4
Loans and overdrafts	<b>181.6</b>	169.2
Other financial liabilities	<b>0.1</b>	–
Total liabilities	<b>485.0</b>	453.8

## Notes to the Group accounts *continued*

### 2 Segmental reporting *continued*

	2012 £m	2011 £m
<b>Capital expenditure</b>		
UK	<b>24.8</b>	13.1
Continental Europe	<b>2.1</b>	2.1
North America	<b>8.0</b>	3.5
Asia Pacific	<b>2.9</b>	1.7
	<b>37.8</b>	20.4
<b>Depreciation and amortisation</b>		
UK	<b>2.7</b>	3.0
Continental Europe	<b>1.9</b>	1.8
North America	<b>2.5</b>	2.2
Asia Pacific	<b>0.8</b>	0.7
Process costs	<b>20.0</b>	19.3
	<b>27.9</b>	27.0

The Intangible assets and Property, plant and equipment of the Group are reported within the geographic region to which they relate. The depreciation and amortisation of assets are expensed either through the geography if they relate to a cost that is incurred by an operating company or through Process costs if they relate to costs incurred by a Group Process.

The Group derives its revenue from two product types:

	2012 £m	2011 £m
Electronics	<b>531.8</b>	489.3
Maintenance	<b>735.6</b>	692.9
	<b>1,267.4</b>	1,182.2

### 3 Profit before tax

	2012 £m	2011 £m
Profit before tax is stated after charging (crediting):		
Fees payable to the Company's auditors for the audit of the Parent Company and Group accounts	<b>0.2</b>	0.2
Fees payable to the Company's auditors and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	<b>0.6</b>	0.5
Other services pursuant to legislation	<b>0.1</b>	0.1
Other services relating to taxation	<b>–</b>	0.1
Depreciation	<b>12.6</b>	11.0
Amortisation of intangibles	<b>15.3</b>	16.0
Amortisation of government grants	<b>(0.2)</b>	(0.2)
Loss (profit) on disposal of property, plant and equipment	<b>0.1</b>	(0.1)
Hire of plant and machinery	<b>3.6</b>	3.5

## 4 Employees

### Numbers employed

	2012	2011
The average number of employees during the year was:		
Management and administration	340	315
Distribution and marketing	<b>6,000</b>	5,469
	<b>6,340</b>	5,784

### Aggregate employment costs

	2012 £m	2011 £m
Wages and salaries	<b>188.0</b>	176.9
Social security costs	<b>22.6</b>	20.6
Equity-settled transactions	<b>4.0</b>	4.0
Pension costs	<b>10.5</b>	10.0
	<b>225.1</b>	211.5

The remuneration of individual Directors is detailed on page 50.

## 5 Share-based payments

The Group has a number of share-based incentive plans for employees. These comprise a Deferred Share Bonus Plan awarded to the Group's most senior executives, a Long Term Incentive Plan (LTIP) awarding shares to senior managers and a Save As You Earn (SAYE) scheme made available to all eligible employees.

The total charge included in the income statement in the year was £4.0m (2011: £4.0m). Of the total charge £2.9m (2011: £1.9m) related to equity-settled share schemes and £1.1m (2011: £2.1m) related to cash-settled share schemes.

### Deferred Share Bonus Plan

Under the Company's Deferred Share Bonus Plan, awards of shares are made to plan participants to the value of 50% of their cash bonus. The award vests after two years, normally subject to the continued employment of the participant within the Group. There are no other performance conditions. A cash payment equivalent to the dividends that would have accrued on the shares will be made to the participants on vesting.

During the year a total of 371,628 shares (2011: 308,774) and 36,719 share equivalent awards paid in cash (2011: 34,938) were conditionally awarded to the scheme's participants.

Deferred shares relating to the bonus awards to senior managers for the year ended 31 March 2012 will be granted in June 2012.

Details of shares awarded and cash entitlements outstanding as at 31 March 2012 are set out below:

	Number of shares	
	2012	2011
Shares	<b>680,402</b>	308,774
Share equivalent awards to be paid in cash	<b>71,657</b>	34,938
	<b>752,059</b>	343,712

## Notes to the Group accounts *continued*

### 5 Share-based payments *continued*

#### Long Term Incentive Plan (LTIP)

Under the Group's LTIP, conditional awards of shares are made to the plan participants. At the vesting date the share award will either vest, in full or in part, or lapse. The awards include a right to receive dividend equivalents on vesting. The terms and conditions of the LTIP are such that the vesting conditions are based on both the performance of the Group versus the FTSE 250 and growth in Earnings per Share over the life of the scheme.

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

	LTIP 2011	LTIP 2010	LTIP 2009	LTIP 2008
Options granted	1,495,629	1,693,536	2,675,883	1,594,600
Fair value at grant date	144.0p	117.1p	52.6p	54.0p
Assumptions used				
Share price	274p	222p	141p	147p
Exercise price	Nil	Nil	Nil	Nil
Expected volatility	34.6%	38.3%	37.1%	27.2%
Expected option life	3 years	3 years	3 years	3 years
Expected dividend yield	7.30%	8.90%	11.40%	9.10%
Risk free interest rate	1.80%	4.14%	4.20%	4.90%

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

#### Save As You Earn (SAYE) schemes

The SAYE schemes are available to the majority of employees of the Group. The option price is based on the average market price of the Company's shares over the three days prior to the offer, discounted by 20%. The option exercise conditions are the employees' continued employment for a three year period and the maintenance of employees' regular monthly savings. Failure of either of these conditions is normally deemed a forfeiture of the option. At the end of the period the employee has six months to either purchase the shares at the agreed price, or withdraw their savings with the accrued interest. There are no market conditions to the vesting of the options.

	SAYE 3 yr 2011	SAYE 5 yr 2011	SAYE 3 yr 2010	SAYE 5 yr 2010	SAYE 3 yr 2009	SAYE 5 yr 2009	SAYE 3 yr 2008	SAYE 5 yr 2008	SAYE 5 yr 2007
Options granted	660,883	299,559	595,181	370,029	568,506	249,009	1,424,630	997,559	227,814
Fair value at grant date	47.5p	45.0p	57.6p	52.5p	21.8p	19.6p	18.2p	17.5p	50.5p
Assumptions used									
Share price	269p	269p	217p	217p	141p	141p	141p	141p	262p
Exercise price	235p	235p	175p	175p	149p	149p	131p	131p	241p
Expected volatility	34.6%	33.1%	38.3%	32.9%	37.1%	32.4%	27.2%	27.2%	29.8%
Expected option life	3 years	5 years	5 years						
Expected dividend yield	4.30%	4.30%	6.20%	6.20%	7.80%	7.80%	9.00%	9.00%	6.70%
Risk free interest rate	1.40%	2.16%	4.27%	4.27%	4.20%	4.20%	5.10%	5.10%	5.50%

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

## 5 Share-based payments *continued*

### Number and weighted average exercise price of share options (equity and cash-settled)

	Weighted average exercise price 2012	Number of options 2012	Weighted average exercise price 2011	Number of options 2011
In thousands of options				
Outstanding at the beginning of the year	65p	9,329	125p	11,914
Forfeited during the year	2p	(369)	114p	(208)
Lapsed during the year	103p	(1,618)	198p	(5,089)
Exercised during the year	88p	(1,282)	73p	(290)
Granted during the year	89p	3,064	56p	3,002
Outstanding at the end of the year	66p	9,124	65p	9,329
Exercisable at the end of the year	149p	154	241p	2

The options outstanding at 31 March 2012 have an exercise price in the range 0p to 235p and a weighted average contractual life of 3.3 years.

	2012	2011
In thousands of options		
Option prices		
£nil-£1.00	5,836	5,870
£1.00-£2.00	2,134	3,173
£2.00-£3.00	1,154	78
£3.00-£4.00	–	–
£4.00-£5.00	–	–
£5.00-£6.00	–	208
	9,124	9,329

## 6 Pension schemes

The funding of the UK defined benefit scheme is assessed in accordance with the advice of independent actuaries. The net pension costs for the year ended 31 March 2012 amounted to £nil (2011: £1.7m). The contributions paid by the Group to the defined contribution section of the scheme amounted to £4.2m (2011: £3.2m).

The rules of the UK Electrocomponents Group Pension scheme give the Trustee powers to wind up the scheme, which it may exercise if the Trustee is aware that the assets of the scheme are insufficient to meet its liabilities. Although the scheme is currently in deficit on a statutory funding basis, the Trustee and the Company have agreed a plan to eliminate the deficit over time and the Trustee has confirmed as at 12 April 2012 that it has no current intention of exercising its power to wind up the scheme.

Having taken legal advice, it was determined that the majority of pensions under the scheme will continue to increase in line with the Retail Price Index (RPI) measure of inflation subject to the relevant caps. Therefore there was no significant impact on the value of the scheme liabilities as a result of the UK government changing the inflation measure to CPI for statutory minimum increases on pensions.

The costs of the defined benefit pension scheme in Germany and Republic of Ireland were £0.4m (2011: £0.4m). The costs of the defined contribution schemes in Australia, North America, Germany and Republic of Ireland were £2.1m (2011: £1.6m), and those via government schemes in France, Italy, Scandinavia and North Asia were £3.8m (2011: £3.1m).

The Group expects to pay £5.6m to its UK defined benefit pension scheme in 2012/13.

The principal assumptions used in the valuations of the liabilities of the Group's schemes were:

	2012 UK	2012 Germany	2012 Republic of Ireland	2011 UK	2011 Germany	2011 Republic of Ireland
Discount rate	5.00%	3.75%	3.75%	5.50%	5.00%	5.00%
Rate of increase in pensionable salaries	2.55%	3.00%	3.00%	2.55%	3.00%	3.00%
Rate of increase of pensions in payment	3.10%	2.00%	2.00%	3.20%	2.00%	2.00%
Inflation assumption	3.20%	2.00%	2.00%	3.30%	2.00%	2.00%

The assumption on the rate of increase of pensionable salaries in the UK scheme has been restricted. This is due to the introduction of salary capping entitlement arrangements with respect to the defined benefit pension scheme in June 2008.

## Notes to the Group accounts *continued*

### 6 Pension schemes *continued*

The expected long-term rates of return on the schemes' assets as at 31 March were:

	2012 UK	2012 Germany	2012 Republic of Ireland	2011 UK	2011 Germany	2011 Republic of Ireland
Equities	<b>7.60%</b>	n/a	<b>7.00%</b>	7.40%	n/a	7.50%
Corporate bonds	<b>4.60%</b>	n/a	<b>4.00%</b>	5.00%	n/a	n/a
Government bonds	<b>2.60%</b>	n/a	n/a	3.90%	n/a	4.00%
Diversified growth funds	<b>7.00%</b>	n/a	n/a	6.90%	n/a	n/a
Enhanced matching funds	n/a	n/a	n/a	3.80%	n/a	n/a
Matching plus funds	<b>2.50%</b>	n/a	n/a	n/a	n/a	n/a
Credit funds	<b>6.50%</b>	n/a	n/a	6.50%	n/a	n/a
Cash	<b>0.00%</b>	n/a	n/a	0.00%	n/a	n/a
Other	n/a	n/a	<b>2.00%</b>	n/a	n/a	3.50%

The expected return for each asset class is based on a combination of historical performance analysis, the forward looking views of the financial markets (as indicated by available yields) and the views of investment organisations.

Based upon the demographics of scheme members, the weighted average life expectancy assumptions used to determine benefit obligations were:

	2012 UK Years	2012 Germany Years	2012 Republic of Ireland Years	2011 UK Years	2011 Germany Years	2011 Republic of Ireland Years
Member aged 65 (current life expectancy) – male	<b>21.2</b>	<b>18.8</b>	<b>22.3</b>	21.1	18.8	21.9
Member aged 65 (current life expectancy) – female	<b>23.2</b>	<b>22.9</b>	<b>23.7</b>	23.1	22.9	24.1
Member aged 45 (life expectancy at age 65) – male	<b>23.4</b>	<b>22.1</b>	<b>25.4</b>	23.3	22.1	24.4
Member aged 45 (life expectancy at age 65) – female	<b>25.8</b>	<b>26.1</b>	<b>26.4</b>	25.7	26.1	26.6

The net costs (income) recognised in the income statement were:

	2012 UK £m	2012 Germany £m	2012 Republic of Ireland £m	2012 Total £m	2011 UK £m	2011 Germany £m	2011 Republic of Ireland £m	2011 Total £m
Current service cost	<b>4.4</b>	–	<b>0.1</b>	<b>4.5</b>	4.5	0.1	0.1	4.7
Interest cost	<b>16.3</b>	<b>0.2</b>	<b>0.2</b>	<b>16.7</b>	16.9	0.2	0.2	17.3
Expected return on scheme assets	<b>(20.7)</b>	–	<b>(0.1)</b>	<b>(20.8)</b>	(19.7)	–	(0.2)	(19.9)
Total Income Statement charge	–	<b>0.2</b>	<b>0.2</b>	<b>0.4</b>	1.7	0.3	0.1	2.1

Of the net cost for the year, a charge of £nil (2011: £0.4m) has been included in administrative expenses and a charge of £0.4m (2011: £1.7m) in distribution and marketing expenses.

The actual gain on scheme assets was: UK £27.3m (2011: £23.3m), Germany £nil (2011: £nil) and Republic of Ireland £0.1m (2011: £0.3m).

## 6 Pension schemes continued

The valuation of the assets of the schemes as at 31 March were:

	2012 UK £m	2012 Germany £m	2012 Republic of Ireland £m	2011 UK £m	2011 Germany £m	2011 Republic of Ireland £m
Equities	<b>91.1</b>	n/a	<b>2.1</b>	103.6	n/a	2.2
Corporate bonds	<b>20.4</b>	n/a	<b>1.2</b>	18.4	n/a	1.0
Government bonds	<b>40.2</b>	n/a	n/a	6.5	n/a	n/a
Diversified growth funds	<b>146.4</b>	n/a	n/a	139.1	n/a	n/a
Enhanced matching funds	–	n/a	n/a	41.0	n/a	n/a
Credit funds	<b>13.5</b>	n/a	n/a	12.9	n/a	n/a
Matching plus funds	<b>33.9</b>	n/a	n/a	n/a	n/a	n/a
Cash	<b>0.7</b>	n/a	n/a	1.3	n/a	n/a
Other	n/a	n/a	–	n/a	n/a	0.1
Total market value of scheme assets	<b>346.2</b>	–	<b>3.3</b>	322.8	–	3.3

No amount is included in the market value of assets relating to either financial instruments or property occupied by the Group.

The amounts included in the balance sheet arising from the Group's obligations in respect of its defined benefit pension schemes were:

	2012 UK £m	2012 Germany £m	2012 Republic of Ireland £m	2012 Total £m	2011 UK £m	2011 Germany £m	2011 Republic of Ireland £m	2011 Total £m
Total market value of assets	<b>346.2</b>	–	<b>3.3</b>	<b>349.5</b>	322.8	–	3.3	326.1
Present value of scheme liabilities	<b>(335.6)</b>	<b>(5.8)</b>	<b>(5.1)</b>	<b>(346.5)</b>	(297.9)	(4.8)	(3.7)	(306.4)
Schemes' surplus (deficit)	<b>10.6</b>	<b>(5.8)</b>	<b>(1.8)</b>	<b>3.0</b>	24.9	(4.8)	(0.4)	19.7
Unrecognised pension surplus	<b>(11.3)</b>	–	–	<b>(11.3)</b>	(25.1)	–	–	(25.1)
Schemes' adjusted deficit	<b>(0.7)</b>	<b>(5.8)</b>	<b>(1.8)</b>	<b>(8.3)</b>	(0.2)	(4.8)	(0.4)	(5.4)

As at 31 March 2012 the UK defined benefit pension scheme reported a surplus of £10.6m (2011: £24.9m). Under IAS19 Employee benefits and IFRIC 14, the Company has not recognised this pension surplus as it has neither the unconditional right to a refund nor the unconditional right to run the scheme off a last survivor basis (due to the Trustees' power to wind up the scheme).

The movement in present value of the defined benefit obligations in the current period was:

	2012 UK £m	2012 Germany £m	2012 Republic of Ireland £m	2012 Total £m	2011 UK £m	2011 Germany £m	2011 Republic of Ireland £m	2011 Total £m
Present value of the defined benefit obligations at the beginning of the year	<b>297.9</b>	<b>4.8</b>	<b>3.7</b>	<b>306.4</b>	314.8	5.2	3.6	323.6
Movement in year:								
Current service cost	<b>4.4</b>	–	<b>0.1</b>	<b>4.5</b>	4.5	0.1	0.1	4.7
Interest cost	<b>16.3</b>	<b>0.2</b>	<b>0.2</b>	<b>16.7</b>	16.9	0.2	0.2	17.3
Actuarial loss (gain)	<b>25.8</b>	<b>1.2</b>	<b>1.3</b>	<b>28.3</b>	(27.4)	(0.4)	(0.2)	(28.0)
Benefits paid	<b>(8.8)</b>	<b>(0.1)</b>	–	<b>(8.9)</b>	(10.9)	(0.1)	–	(11.0)
Exchange differences	–	<b>(0.3)</b>	<b>(0.2)</b>	<b>(0.5)</b>	–	(0.2)	–	(0.2)
Present value of the defined benefit obligations at the end of the year	<b>335.6</b>	<b>5.8</b>	<b>5.1</b>	<b>346.5</b>	297.9	4.8	3.7	306.4

## Notes to the Group accounts *continued*

### 6 Pension schemes *continued*

The movement in present value of the fair value of scheme assets in the current period was:

	2012 UK £m	2012 Germany £m	2012 Republic of Ireland £m	2012 Total £m	2011 UK £m	2011 Germany £m	2011 Republic of Ireland £m	2011 Total £m
Present value of fair value of the scheme assets at the beginning of the year	<b>322.8</b>	–	<b>3.3</b>	<b>326.1</b>	304.6	–	2.8	307.4
Movement in year:								
Expected return on scheme assets	<b>20.7</b>	–	<b>0.1</b>	<b>20.8</b>	19.7	–	0.2	19.9
Actuarial gain (loss)	<b>6.6</b>	–	<b>(0.1)</b>	<b>6.5</b>	3.6	–	0.1	3.7
Contributions by Company	<b>4.9</b>	<b>0.1</b>	<b>0.2</b>	<b>5.2</b>	5.8	0.1	0.2	6.1
Benefits paid	<b>(8.8)</b>	<b>(0.1)</b>		<b>(8.9)</b>	(10.9)	(0.1)	–	(11.0)
Exchange differences	–	–	<b>(0.2)</b>	<b>(0.2)</b>	–	–	–	–
Present value of fair value of the scheme assets at the end of the year	<b>346.2</b>	–	<b>3.3</b>	<b>349.5</b>	322.8	–	3.3	326.1

Experience adjustments were:

	2012 UK	2012 Germany	2012 Republic of Ireland	2011 UK	2011 Germany	2011 Republic of Ireland
Difference between expected and actual return on scheme assets	<b>1.9%</b>	n/a	<b>(2.7)%</b>	1.1%	n/a	0.6%
Experience losses (gains) on scheme liabilities	<b>0.0%</b>	<b>(0.3)%</b>	<b>0.1%</b>	(1.8)%	(1.1)%	(3.2)%

The cumulative amount of actuarial gain recognised is £9.0m (2011: £30.8m).

In addition, the value of the assets held by the external AVCs amounted to £0.1m as at 31 March 2012 (2011: £0.6m).

The value of the assets held by the defined contribution section of the UK scheme amounted to £19.8m as at 31 March 2012 (2011: £15.4m).

Experience adjustments over the last five years in relation to the UK scheme were as follows:

	2012	2011	2010	2009	2008
Actual less expected return on scheme assets (£m)	<b>6.6</b>	3.6	54.1	(52.5)	(18.6)
As a % of scheme assets	<b>1.9%</b>	1.1%	17.8%	(21.8)%	(6.8)%
Experience gains (losses) arising on scheme liabilities (£m)	–	(5.4)	–	(5.3)	4.3
As a % of scheme liabilities	<b>0.0%</b>	(1.8)%	0.0%	(2.1)%	1.5%
Actuarial (loss) gain recognised in the statement of total recognised gains and losses (£m)	<b>(19.2)</b>	31.0	(5.5)	(4.1)	4.6
As a % of scheme liabilities	<b>5.7%</b>	10.4%	(1.7)%	(1.7)%	1.6%

#### Sensitivity analysis of the impact of changes in key IAS 19 assumptions

The following analysis estimates the impact of various assumption changes on the UK defined benefit pension obligation, whilst holding all other assumptions constant.

Effect on obligation of a 0.1% increase to the assumed discount rate	Liabilities reduce by £6.8m
Effect on obligation of a 0.1% increase to the assumed inflation rate	Liabilities increase by £4.8m
Effect on obligation of an assumed increase in one year's life expectancy	Liabilities increase by £8.0m

## 7 Income tax expense

	2012 £m	2011 £m
<b>Taxation on the profit of the Group</b>		
UK corporation tax at 26% (2011: 28%)	<b>10.6</b>	9.9
UK deferred taxation	<b>1.7</b>	(1.1)
	<b>12.3</b>	8.8
Overseas current taxation	<b>12.4</b>	13.7
Overseas deferred taxation	<b>12.7</b>	13.3
Total income tax expense in income statement	<b>37.4</b>	35.8
Total tax expense is reconciled to a notional 26% (2011: 28%) of profit before taxation as follows:		
Expected tax charge	<b>31.8</b>	31.9
Differences in overseas corporation tax rates	<b>5.5</b>	3.9
Utilisation of tax losses <sup>(1)</sup>	<b>(0.9)</b>	(3.0)
Items not deductible for tax purposes	<b>0.5</b>	0.5
Other local taxes suffered overseas	<b>1.4</b>	0.8
(Over) under provision in prior years	<b>(0.9)</b>	1.7
	<b>37.4</b>	35.8

<sup>(1)</sup>Tax losses refer to losses not previously recognised within deferred tax assets

### Tax (income) expense recognised directly in other comprehensive income

<b>Recognised in retained earnings</b>		
Relating to actuarial (losses) gains	<b>(1.8)</b>	1.9
<b>Recognised in the hedging reserve</b>		
Relating to gain on cash flow hedges	<b>0.4</b>	0.4
<b>Recognised in the cumulative translation reserve</b>		
Relating to gain on net investment hedges	<b>0.2</b>	0.1
	<b>(1.2)</b>	2.4

### Tax (income) recognised directly in equity

Relating to equity-settled transactions	-	(0.7)
---	---	-------

The UK Budget on 22 March 2012 announced that the UK corporation tax rate will reduce from 26% to 24% from 1 April 2012 and a further reduction to 23% with effect from 1 April 2013. This will apply to the Company's future tax charge. In line with this change the rate applying to UK deferred tax assets and liabilities has been reduced from 26% to 24% creating a rate adjustment, which is partly reflected in a benefit to the Group income statement (£0.3m), and partly in a benefit to the consolidated statement of comprehensive income (£0.1m). Accordingly both recognised and unrecognised UK deferred tax balances as at 31 March 2012 have been calculated at a rate of 24%.

The reduction in rate from 24% to 23% has not yet been substantively enacted. If this reduction had been substantively enacted at the balance sheet date, the effect would have been to reduce the net deferred tax liability by £0.2m. Of this reduction, it is estimated that £0.4m would have been credited to the Group income statement, and £0.2m charged to the consolidated statement of comprehensive income.

Deferred taxation balances are analysed in note 20.

## 8 Dividends

	2012 £m	2011 £m
<b>Amounts recognised in the period:</b>		
Final dividend for the year ended 31 March 2011 – 6.5p (2010: 6.0p)	<b>28.3</b>	26.1
Interim dividend for the year ended 31 March 2012 – 5.0p (2011: 5.0p)	<b>21.8</b>	21.8
	<b>50.1</b>	47.9
Proposed dividend for the year ended 31 March 2012 – 6.75p	<b>29.5</b>	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 13 July 2012 and has not been included as a liability in these accounts.

## Notes to the Group accounts *continued*

### 9 Earnings per share

	2012 £m	2011 £m
Profit for the year attributable to the equity shareholders of the Parent Company	<b>84.9</b>	78.2
Weighted average number of shares	<b>436,115,083</b>	435,251,770
Dilutive effect of share options	<b>3,077,146</b>	5,659,359
Diluted weighted average number of shares	<b>439,192,229</b>	440,911,129

	Pence	Pence
Basic earnings per share	<b>19.5</b>	18.0
Diluted earnings per share	<b>19.3</b>	17.7

A further 963,097 (2011: 208,150) share options were outstanding as at 31 March 2012 but were not included as they were anti-dilutive.

### 10 Intangible assets

<b>Cost</b>	Goodwill £m	Software £m	Other intangibles £m	Total £m
At 1 April 2010	172.2	126.6	0.3	299.1
Additions	–	11.4	–	11.4
Translation differences	(8.5)	0.2	–	(8.3)
At 1 April 2011	163.7	138.2	0.3	302.2
Additions	–	17.1	–	17.1
Disposals	–	(0.5)	–	(0.5)
Translation differences	–	(1.0)	–	(1.0)
<b>At 31 March 2012</b>	<b>163.7</b>	<b>153.8</b>	<b>0.3</b>	<b>317.8</b>
<b>Amortisation</b>				
At 1 April 2010		83.2	0.1	83.3
Charged in the year		16.0	–	16.0
Translation differences		0.3	–	0.3
At 1 April 2011		99.5	0.1	99.6
Charged in the year		15.2	0.1	15.3
Disposals		(0.4)	–	(0.4)
Translation differences		(0.8)	–	(0.8)
<b>At 31 March 2012</b>		<b>113.5</b>	<b>0.2</b>	<b>113.7</b>
<b>Net book value</b>				
<b>At 31 March 2012</b>	<b>163.7</b>	<b>40.3</b>	<b>0.1</b>	<b>204.1</b>
At 31 March 2011	163.7	38.7	0.2	202.6
At 31 March 2010	172.2	43.4	0.2	215.8

Of total goodwill of £163.7m (2011: £163.7m), £163.1m (2011: £163.1m) related to the acquisition of Allied Electronics Inc. in July 1999, and £0.6m (2011: £0.6m) related to the acquisition of the Group's Norwegian distributor in September 2001.

## 10 Intangible assets *continued*

### Value in use calculations

The recoverable amount of goodwill is based on value in use calculations.

These calculations use discounted cash flow projections based on actual operating results together with management projections for five years. These cash flows are based on extrapolations from earlier budgets and forecasts. These are subject to assessing the reasonableness of the assumptions; for example by examining the causes of differences between past cash flow projections and actual cash flows.

Cash flows for further periods, i.e. beyond five years, are extrapolated using a long-term annual growth rate of 2% (2011: 2%) which is consistent with the prudent 'market estimate' long-term average growth rate for the distribution industry.

A pre-tax discount rate of 9% (2011: 9%) has been applied in calculating the discounted projected cash flows.

### Key assumptions

The key assumptions used are the sales growth rate and discount rate.

The sales growth rate is prepared using internal forecasts based upon historical growth rates and future medium-term plans together with relevant macroeconomic indicators. The long-term growth rates used are consistent with the prudent 'market estimate' long-term average growth rates for the industry and do not exceed expected long term GDP growth.

The discount rate is based upon the Group's Weighted Average Cost of Capital (WACC) at 31 March 2012 and has been calculated reflecting market assessments at that time.

The Directors believe that currently all 'reasonably likely' changes in the key assumptions referred to above would not give rise to an impairment charge.

### Outcome of calculations

The recoverable amount of the Allied Electronics Inc. cash-generating unit exceeds its carrying value and the carrying value of the goodwill is therefore not impaired.

## 11 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Computer systems £m	Total £m
<b>Cost</b>				
At 1 April 2010	113.2	123.8	68.8	305.8
Additions	0.6	4.8	3.6	9.0
Disposals	(0.3)	(2.5)	(2.3)	(5.1)
Translation differences	(1.0)	(0.4)	(0.1)	(1.5)
At 1 April 2011	112.5	125.7	70.0	308.2
Additions	0.8	7.6	12.3	20.7
Disposals	(0.2)	(1.5)	(1.5)	(3.2)
Translation differences	(2.2)	(1.4)	(0.5)	(4.1)
<b>At 31 March 2012</b>	<b>110.9</b>	<b>130.4</b>	<b>80.3</b>	<b>321.6</b>
<b>Depreciation</b>				
At 1 April 2010	30.3	100.3	57.7	188.3
Charged in the year	2.3	5.6	3.1	11.0
Disposals	(0.3)	(2.4)	(2.3)	(5.0)
Translation differences	(0.1)	(0.1)	–	(0.2)
At 1 April 2011	32.2	103.4	58.5	194.1
Charged in the year	2.2	5.9	4.5	12.6
Disposals	(0.1)	(1.4)	(1.0)	(2.5)
Translation differences	(0.4)	(1.3)	(0.4)	(2.1)
<b>At 31 March 2012</b>	<b>33.9</b>	<b>106.6</b>	<b>61.6</b>	<b>202.1</b>
<b>Net book value</b>				
<b>At 31 March 2012</b>	<b>77.0</b>	<b>23.8</b>	<b>18.7</b>	<b>119.5</b>
At 31 March 2011	80.3	22.3	11.5	114.1
At 31 March 2010	82.9	23.5	11.1	117.5

## Notes to the Group accounts *continued*

### 11 Property, plant and equipment *continued*

	2012 £m	2011 £m
<b>Net book value of land and buildings</b>		
Freehold land	<b>12.1</b>	12.4
Freehold buildings	<b>61.2</b>	64.3
Long leasehold buildings	<b>0.3</b>	0.4
Short leasehold buildings	<b>3.4</b>	3.2
	<b>77.0</b>	80.3
<b>Net book value of plant and machinery</b>		
Plant and machinery	<b>21.6</b>	20.1
Other office equipment	<b>1.6</b>	1.5
Motor vehicles	<b>0.6</b>	0.7
	<b>23.8</b>	22.3

All classes of tangible assets are depreciated except for freehold land.

### 12 Capital commitments

	2012 £m	2011 £m
Contracted capital expenditure at 31 March, for which no provision has been made in these accounts	–	4.1

### 13 Investments

	2012 £m	2011 £m
Jointly controlled entity	<b>0.6</b>	0.7

For details of the jointly controlled entity, see note 14 to the Group accounts.

## 14 Principal subsidiary undertakings and associated undertakings

	Principal location	Country of incorporation
<b>High service distribution of electronics and maintenance products</b>		
RS Components Pty Limited*	Sydney	Australia
RS Components Handelsges.m.b.H.*	Gmünd	Austria
Allied Electronics (Canada) Inc.*	Ottawa	Canada
RS Componentes Electrónicos Limitada*	Santiago	Chile
RS Components A/S*	Copenhagen	Denmark
RS Components SAS*	Beauvais	France
RS Components GmbH*	Frankfurt	Germany
RS Components Limited*	Kowloon	Hong Kong
RS Components & Controls (India) Limited <sup>†</sup>	New Delhi	India
RS Components SpA*	Milan	Italy
RS Components KK*	Yokohama	Japan
RS Components Sdn Bhd*	Kuala Lumpur	Malaysia
RS Components BV*	Haarlem	Netherlands
RS Components Limited*	Auckland	New Zealand
RS Components AS*	Haugesund	Norway
RS Components (Shanghai) Company Limited*	Shanghai	People's Republic of China
RS Components Sp. Z.o.o.*	Warsaw	Poland
Radionics Limited*	Dublin	Republic of Ireland
RS Components Pte Limited*	Singapore	Singapore
Amidata SAu*	Madrid	Spain
RS Components AB*	Vällingby	Sweden
RS Components Company Limited*	Bangkok	Thailand
RS Components Limited	Corby	UK
Allied Electronics Inc.*	Fort Worth, TX	United States of America
<b>Holding and Management Companies</b>		
Electrocomponents France SARL*	Beauvais	France
Electrocomponents UK Limited	Oxford	UK
RS Components Holdings Limited*	Oxford	UK
Electrocomponents North America Inc.*	Laytonsville, MD	United States of America

Except as stated below all of the above are wholly owned by Electrocomponents plc.

Those companies marked with an asterisk are indirectly owned. The companies operate within their countries of incorporation. RS Components Limited (UK) exports to most countries where the Group does not have a trading company and operates branch offices in Japan, South Africa, Taiwan, and the Philippines. RS Components Limited also operates under the names of RS Calibration, RS Mechanical and RS Health & Safety in the UK.

<sup>†</sup> RS Components & Controls (India) Limited (RSCC) is a jointly controlled entity with Controls & Switchgear Company Limited, a company registered in India. The authorised share capital of this company is INR20m, of which INR18m is issued and owned in equal shares by Electrocomponents UK Limited and its partner. RS Components Limited supplies product and catalogues to RSCC, while office space and distribution network are provided by Controls & Switchgear. During the year ended 31 March 2012 the Group made sales of £0.9m (2011: £0.9m) to RSCC. RSCC is treated in the accounts as an associated undertaking.

A full list of subsidiary companies is available from the Company's registered office.

## Notes to the Group accounts *continued*

### 15 Inventories

	2012 £m	2011 £m
Gross inventories value:		
Raw materials and consumables	<b>48.1</b>	40.1
Finished goods and goods for resale	<b>234.1</b>	209.5
	<b>282.2</b>	249.6
Stock provisions	<b>(23.8)</b>	(16.8)
	<b>258.4</b>	232.8

During the year £11.9m (2011: £8.3m) was recognised as an expense relating to the write down of inventory to net realisable value.

### 16 Trade and other receivables

	2012 £m	2011 £m
Gross trade receivables	<b>206.3</b>	206.7
Provision for doubtful debts	<b>(4.7)</b>	(5.5)
Amounts owed by jointly controlled entity	<b>0.6</b>	0.3
Derivative assets (see note 19)	<b>1.3</b>	0.5
Other receivables	<b>4.7</b>	5.3
Prepayments and accrued income	<b>12.6</b>	8.6
Trade and other receivables falling due within one year	<b>220.8</b>	215.9
Other receivables falling due after more than one year	<b>7.0</b>	4.1

### 17 Trade and other payables

	2012 £m	2011 £m
Trade payables	<b>137.3</b>	125.6
Other taxation and social security	<b>13.2</b>	12.8
Derivative liabilities (see note 19)	<b>0.9</b>	2.2
Other payables	<b>3.8</b>	4.0
Government grants	<b>0.2</b>	0.2
Accruals and deferred income	<b>56.9</b>	63.0
Trade and other payables due within one year	<b>212.3</b>	207.8
Other payables	<b>6.7</b>	7.2
Government grants	<b>4.0</b>	4.3
Other payables due in more than one year	<b>10.7</b>	11.5

## 18 Interest bearing loans and borrowings

	2012 £m	2011 £m
<b>Non-current liabilities:</b>		
Unsecured bank facilities	<b>80.3</b>	70.8
Finance lease liabilities	<b>0.1</b>	0.6
Unsecured Private Placement notes	<b>99.8</b>	95.8
	<b>180.2</b>	167.2
<b>Current liabilities:</b>		
Unsecured bank overdrafts	1.2	0.7
Unsecured bank loans	0.2	–
Secured bank loans	–	0.8
Finance lease liabilities	–	0.5
	<b>1.4</b>	2.0
<b>Borrowings are repayable as follows:</b>		
Amounts falling due on demand or in less than one year	1.4	2.0
In more than one but not more than two years	0.1	71.4
In more than two but not more than three years	–	–
In more than three but not more than four years	<b>121.5</b>	–
In more than four but not more than five years	–	41.0
In more than five years	<b>58.6</b>	54.8
	<b>181.6</b>	169.2

Borrowings are analysed by currency as:	Sterling 2012 £m	US Dollar 2012 £m	Euro 2012 £m	Japanese Yen 2012 £m	Other 2012 £m	Total 2012 £m
Unsecured bank overdrafts	–	–	–	–	1.2	1.2
Unsecured bank facilities	<b>20.0</b>	<b>31.3</b>	<b>25.0</b>	–	4.0	<b>80.3</b>
Unsecured bank loans	–	0.2	–	–	–	0.2
Finance lease liabilities	–	0.1	–	–	–	0.1
Unsecured Private Placement notes	–	<b>99.8</b>	–	–	–	<b>99.8</b>
<b>Total borrowings</b>	<b>20.0</b>	<b>131.4</b>	<b>25.0</b>	–	5.2	<b>181.6</b>

Borrowings are analysed by currency as:	Sterling 2011 £m	US Dollar 2011 £m	Euro 2011 £m	Japanese Yen 2011 £m	Other 2011 £m	Total 2011 £m
Unsecured bank overdrafts	–	–	–	–	0.7	0.7
Unsecured bank facilities	14.7	25.0	11.4	10.0	9.7	70.8
Secured bank loans	–	–	0.8	–	–	0.8
Finance lease liabilities	–	1.1	–	–	–	1.1
Unsecured Private Placement notes	–	95.8	–	–	–	95.8
<b>Total borrowings</b>	<b>14.7</b>	<b>121.9</b>	<b>12.2</b>	<b>10.0</b>	<b>10.4</b>	<b>169.2</b>

## Notes to the Group accounts *continued*

### 19 Financial instruments

#### Fair values of financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows.

None of the financial assets or financial liabilities have been reclassified during the year.

	Notes	Valuation Methodology	Carrying value £m	Fair value £m
<b>Financial assets</b>				
<b>Financial assets held at Fair Value</b>				
Interest rate swaps used for hedging		A	7.7	7.7
Forward exchange rate contracts used for hedging	16	A	1.3	1.3
			9.0	9.0
<b>Financial assets held at Amortised Cost</b>				
Cash and cash equivalents	24	D	19.8	19.8
Trade receivables, other receivables and accrued income	16	F	214.1	214.1
			233.9	233.9
<b>Total Financial assets at 31 March 2012</b>			<b>242.9</b>	<b>242.9</b>
<b>Financial liabilities</b>				
<b>Financial liabilities held at Fair Value</b>				
Interest rate swaps used for hedging		A	(0.1)	(0.1)
Forward exchange rate contracts used for hedging	17	A	(0.9)	(0.9)
Bank loans	18	B	–	–
Private Placement notes	18	C	(68.5)	(68.5)
			(69.5)	(69.5)
<b>Financial liabilities held at Amortised Cost</b>				
Bank facilities	18	D	(80.5)	(80.5)
Private Placement notes	18	D	(31.3)	(33.0)
Finance lease liabilities	18	E	(0.1)	(0.1)
Bank overdrafts	18	D	(1.2)	(1.2)
Trade payables, other payables and accruals	17	F	(224.9)	(224.9)
			(338.0)	(339.7)
<b>Total Financial liabilities at 31 March 2012</b>			<b>(407.5)</b>	<b>(409.2)</b>

## 19 Financial instruments *continued*

	Notes	Valuation Methodology	Carrying value £m	Fair value £m
<b>Financial assets</b>				
<b>Financial assets held at fair value</b>				
Interest rate swaps used for hedging		A	2.2	2.2
Forward exchange rate contracts used for hedging	16	A	0.5	0.5
			2.7	2.7
<b>Financial assets held at amortised cost</b>				
Cash and cash equivalents	24	D	6.3	6.3
Trade receivables, other receivables and accrued income	16	F	209.2	209.2
			215.5	215.5
<b>Total Financial assets at 31 March 2011</b>			218.2	218.2
<b>Financial liabilities</b>				
<b>Financial liabilities held at fair value</b>				
Forward exchange rate contracts used for hedging	17	A	(2.2)	(2.2)
Bank loans	18	B	(0.8)	(0.8)
Private Placement notes	18	C	(64.5)	(64.5)
			(67.5)	(67.5)
<b>Financial liabilities held at amortised cost</b>				
Bank facilities	18	D	(70.8)	(70.8)
Private Placement notes	18	D	(31.3)	(34.6)
Finance lease liabilities	18	E	(1.1)	(1.1)
Bank overdrafts	18	D	(0.7)	(0.7)
Trade payables, other payables and accruals	17	F	(222.0)	(222.0)
			(325.9)	(329.2)
<b>Total Financial liabilities at 31 March 2011</b>			(393.4)	(396.7)

### Estimation of fair values

The fair values reflected in the table above have been determined by reference to available market information at the balance sheet date and using the methodologies described below.

### A Derivative financial assets and liabilities

Fair values are estimated by discounting expected future contractual cash flows using prevailing interest rate curves and valuing any amounts denominated in foreign currencies at the exchange rate prevailing at the balance sheet date. These financial instruments are included on the balance sheet at fair value, derived from observable market prices. (Level 2 as defined by IFRS7 Financial Instruments: Disclosures.)

### B Interest-bearing loans held at fair value

These comprise sterling and foreign currency denominated interest bearing loans which are subject to hedge accounting. The foreign currency amounts have been valued at the exchange rate prevailing at the balance sheet date. (Level 2 as defined by IFRS7 Financial Instruments: Disclosures.)

### C Loans designated under fair value hedge relationships

These comprise sterling and foreign currency denominated interest bearing loans which are subject to hedge accounting. The foreign currency amounts have been valued at the exchange rate prevailing at the balance sheet date. These loans have been designated under fair value hedge relationships.

### D Cash and cash equivalents, bank overdrafts, interest-bearing loans held at amortised cost

Cash and cash equivalents largely comprise local bank account balances, which typically bear interest at rates set by reference to local applicable rates or cash float balances which have not yet cleared for interest purposes. Fair values are estimated to equate to carrying amounts as their re-pricing maturity is less than one year.

Interest bearing loans held at amortised cost comprise fixed rate sterling and foreign currency denominated loans. For carrying values the foreign currency principal amounts have been valued at the exchange rate prevailing at the balance sheet date. Fair values are estimated by discounting future cash flows using prevailing interest rate curves.

Bank overdrafts are repayable on demand and are all unsecured. They bear interest at rates set by reference to applicable local rates. Fair values are estimated to equate to carrying amounts as their re-pricing maturity is less than one year.

## Notes to the Group accounts *continued*

### 19 Financial instruments *continued*

#### E Finance lease liabilities

Fair values are estimated by discounting future cash flows using prevailing interest rate curves.

#### F Other financial assets and liabilities

Fair values of receivables and payables are determined by discounting future cash flows. For amounts with a re-pricing maturity of less than one year, fair value is assumed to approximate to the carrying amount.

#### Risk management objectives and policies

The principal financial risks to which the Group is exposed are those of liquidity, market and credit. Each of these is managed in accordance with Board approved policies. The policies are set out below.

#### Liquidity risk

The Group's key priority is to ensure that it can meet its liabilities as they fall due. The Group ensures this by having sufficient committed debt facilities in place to meet its anticipated funding requirements. The Group's forecast funding requirements and its committed debt facilities are reported to and monitored by the Treasury Committee monthly.

As at 31 March 2012 the Group had the following committed debt finance in place:

- Private Placement notes of \$150m with maturities of June 2015 and June 2017.
- A syndicated multi-currency facility for \$75m, £120m and €50m with a maturity of November 2015;

As at 31 March 2012, the Group had available £128.3m of undrawn committed debt facilities in respect of which all conditions precedent had been met.

The Group also uses bank overdrafts, uncommitted short-term money market loans, cash and short-term investments. The main purpose of these financial instruments is to manage the Group's day to day funding and liquidity requirements.

The following are the contractual maturities of financial liabilities, including contractual future interest payments.

#### Maturity profile of financial liabilities

	Carrying amounts £m	Contractual cash flows £m	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m
<b>Derivative financial liabilities</b>								
Interest rate swaps used for hedging	(0.1)	(0.1)	(0.1)	–	–	–	–	–
Forward exchange rate contracts used for hedging	(0.9)	(0.9)	(0.9)	–	–	–	–	–
<b>Non-derivative financial liabilities</b>								
Bank loans	(80.5)	(84.5)	(1.3)	(1.1)	(1.1)	(81.0)	–	–
Private Placement notes	(99.8)	(115.6)	(4.5)	(4.5)	(4.5)	(44.5)	(2.7)	(54.9)
Finance lease liabilities	(0.1)	(0.1)	–	(0.1)	–	–	–	–
Bank overdrafts	(1.2)	(1.2)	(1.2)	–	–	–	–	–
Trade payables, other payables and accruals*	(224.9)	(224.9)	(222.5)	(2.4)	–	–	–	–
<b>At 31 March 2012</b>	<b>(407.5)</b>	<b>(427.3)</b>	<b>(230.5)</b>	<b>(8.1)</b>	<b>(5.6)</b>	<b>(125.5)</b>	<b>(2.7)</b>	<b>(54.9)</b>
	Carrying Amounts £m	Contractual Cash flows £m	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m
<b>Derivative financial liabilities</b>								
Interest rate swaps used for hedging	–	–	–	–	–	–	–	–
Forward exchange rate contracts used for hedging	(2.2)	(2.3)	(2.3)	–	–	–	–	–
<b>Non-derivative financial liabilities</b>								
Bank loans	(71.6)	(71.7)	(0.9)	(70.8)	–	–	–	–
Private Placement notes	(95.8)	(121.6)	(4.5)	(4.5)	(4.6)	(4.6)	(45.1)	(58.3)
Finance lease liabilities	(1.1)	(1.1)	(0.5)	(0.6)	–	–	–	–
Bank overdrafts	(0.7)	(0.7)	(0.7)	–	–	–	–	–
Trade payables, other payables and accruals*	(222.0)	(222.0)	(219.9)	(2.1)	–	–	–	–
<b>At 31 March 2011</b>	<b>(393.4)</b>	<b>(419.4)</b>	<b>(228.8)</b>	<b>(78.0)</b>	<b>(4.6)</b>	<b>(4.6)</b>	<b>(45.1)</b>	<b>(58.3)</b>

\* Excludes derivatives which are shown separately.

## 19 Financial instruments *continued*

### Market risk

#### Foreign currency transactional risk

The Group is exposed to foreign currency transaction risk because most operating companies have some level of payables in currencies other than their functional currency. Some operating companies also have receivables in currencies other than their functional currency.

Hedging of currency exposures during periods when operating companies cannot easily change their selling prices is implemented in order to 'shelter' the forecast gross profits during those periods. In this way the impacts of currency fluctuations can be smoothed until selling prices can be changed in the light of movements in exchange rates. The hedges are enacted through forward foreign currency contracts entered into by Group Treasury based on trading projections provided by the operating companies. The Group's largest exposures relate to Euros and US Dollars. As at 31 March 2012, net forecasted exposures in Euros and US Dollars for the first six months (Euros) and the first three months (US Dollars) of the year ending 31 March 2013 were 100% hedged.

In addition specific cash flows relating to material transactions in currencies other than the functional currency of the local business are hedged when the commitment is made.

The Group classifies forward exchange contracts as hedging instruments against forecast receivables/payables and designates them as cash flow hedges for accounting purposes. The forecast cash flows are expected to occur evenly throughout the period for 12 months from the year end, and will affect the income statement in the period in which they occur. The net fair value of forward exchange contracts not used as hedges of forecast transactions at 31 March 2012 was £nil (2011: £nil).

Foreign currency transaction exposures, and the hedges in place to mitigate them, are monitored monthly by the Treasury Committee.

The Group does not believe its foreign currency transactional risk has materially altered during the year.

#### Foreign currency translational risk

During the year ended 31 March 2010 the Group issued \$37.5m of Private Placement notes, with maturities of June 2015 and June 2017, and, using cross-currency interest rate swaps, swapped \$36.25m to £22.5m at a floating interest rate.

In June 2010 a further \$112.5m of Private Placement notes, with maturities of June 2015 and June 2017, was issued, and, using cross-currency interest rate swaps the Group swapped \$63.75m into a combination of £14.8m and €28.3m at floating interest rates.

These cross-currency interest rate swaps are designated as fair value hedges and are expected to remain highly effective over the life of the Private Placement notes.

The Group has designated certain external loans as net investment hedges against its investments in its US and European subsidiaries.

The carrying amount of the US hedge as at 31 March 2012 was \$170m (£106.3m), of which \$40m (£25.0m) formed part of the unsecured bank facility, \$50m (£31.3m) was from the US Private Placement market and \$80m (£50.0m) was in the form of an overdraft. The carrying amount of the Euro hedge was €65m (£54.2m), of which €22m (£18.3m) formed part of the unsecured bank facility and €43m (£35.9m) was in the form of an overdraft. Both the US Dollar and Euro overdrafts are shown in the balance sheet netted with positive cash balances, as there is an absolute right of set-off.

The carrying value of these US Dollar and Euro hedges remained highly effective throughout the year ended 31 March 2012.

A foreign exchange gain of £3.4m (2011: £6.1m) was recognised in equity on translation of the loans to sterling in the year ended 31 March 2012.

No other foreign currency translation exposures are explicitly hedged although local currency debt is used where economic and fiscally efficient in the financing of subsidiaries and this provides a degree of natural hedging. Guidelines are in place to manage the currency mix of the Group's net debt. The Group does not believe its foreign currency translational risk has materially altered during the year.

#### Interest rate risk

The Group has relatively high interest cover and therefore the Group adopts a policy of paying and receiving most of its interest on a variable interest rate basis, as in the opinion of the Group this minimises interest cost over time. This policy is subject to regular monitoring of the effect of potential changes in interest rates on its interest cost with a view to taking suitable actions should exposure reach certain levels. The Group does not believe its interest rate risk has materially altered during the year.

As at 31 March 2012 the Group had:

- Fixed the interest on \$40m borrowings from its syndicated bank facility until June 2013 using an interest rate swap designated as a cash flow hedge
- Left \$50m of its Private Placement notes fixed until June 2015.
- Swapped \$100m of its Private Placement notes from \$ fixed to £ floating (\$60m) and € floating (\$40m) using an interest rate swap. This is designated as a fair value hedge.

All other borrowings were at a variable rate.



## 19 Financial instruments continued

### Maturity profile of financial derivatives

	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m
Interest rate and cross-currency swaps hedging Private Placement notes						
Assets	–	–	–	0.7	–	7.0
Liabilities	–	–	–	–	–	–
Other interest rate swaps						
Liabilities	(0.1)	–	–	–	–	–
Forward exchange contracts						
Assets	1.3	–	–	–	–	–
Liabilities	(0.9)	–	–	–	–	–
<b>At 31 March 2012</b>	<b>0.3</b>	<b>–</b>	<b>–</b>	<b>0.7</b>	<b>–</b>	<b>7.0</b>

	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m
Interest rate and cross-currency swaps hedging Private Placement notes						
Assets	–	–	–	–	0.4	1.8
Liabilities	–	–	–	–	–	–
Other interest rate swaps						
Liabilities	–	–	–	–	–	–
Forward exchange contracts:						
Assets	0.5	–	–	–	–	–
Liabilities	(2.2)	–	–	–	–	–
<b>At 31 March 2011</b>	<b>(1.7)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0.4</b>	<b>1.8</b>

### Sensitivity analysis

The sensitivity analysis set out below summarises the impact:

- On interest expense of a 1% increase/decrease in interest rates on all currencies from their actual levels for the year ended 31 March 2012 and the year ended 31 March 2011;
- On Group profit before tax of a 10% increase/decrease in the value of the US Dollar and the Euro against Sterling from the actual level for the year ended 31 March 2012 and the year ended 31 March 2011.

The sensitivity analysis is based on the following:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments;
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at their fair market value;
- Changes in market interest rates affect the fair value of derivative financial instruments designated as hedging instruments;
- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end.

## Notes to the Group accounts *continued*

### 19 Financial instruments *continued*

Year ended 31 March 2012	1% increase in interest rates	1% decrease in interest rates	10% increase in value of US\$ & €	10% decrease in value of US\$ & €
	£m	£m	£m	£m
Impact on income statement: (loss) gain	(1.2)	1.2	5.8	(5.8)
Impact on equity: gain (loss)	–	–	15.0	(15.0)

Year ended 31 March 2011	1% increase in interest rates	1% decrease in interest rates	10% increase in value of US\$ & €	10% decrease in value of US\$ & €
	£m	£m	£m	£m
Impact on income statement: (loss) gain	(0.5)	0.5	6.3	(6.3)
Impact on equity: gain (loss)	–	–	16.8	(16.8)

#### Credit risk

The Group is exposed to credit risk on financial assets such as cash balances (including deposits and cash and cash equivalents) and derivative instruments and on trade and other receivables.

The amounts in the balance sheet represent the maximum credit risk exposure at the balance sheet date. There were no significant concentrations of credit risk at the balance sheet date, as exposure is spread over a large number of counterparties, customers and geographic locations. As such the Group does not believe its credit risk has materially altered during the year.

The Group identifies counterparties of suitable creditworthiness based on ratings assigned by international credit-rating agencies and has procedures to ensure that only these parties are used, that exposure limits are set based on the external credit ratings, and that these limits are not exceeded.

#### Trade and other receivables

All operating companies have credit policies and monitor their credit exposure on an ongoing basis. Each operating company performs credit evaluations on all customers seeking credit over a certain amount. Trade receivables are stated net of allowances for doubtful receivables, estimated by local management based on prior experience of customers and assessment of their current economic environment. There are no significant individual allowances for doubtful receivables included within this amount.

For countries with no local operating company presence export credit limits are set and monitored on a country basis monthly by the Treasury Committee.

Given the profile of our customers, whereby credit risk is spread amongst a large number of customers with small balances, no further material credit risk has been identified with the trade receivables not past due other than those balances for which an allowance has been made.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2012 £m	2011 £m
UK	<b>61.9</b>	63.3
Continental Europe	<b>82.4</b>	84.3
North America	<b>32.5</b>	29.7
Asia Pacific	<b>24.8</b>	23.9
	<b>201.6</b>	201.2

The ageing of net trade receivables at the reporting date was:

	2012 £m	2011 £m
Not past due	<b>159.4</b>	151.5
Past due 0-60 days	<b>37.1</b>	45.5
Past due 60-120 days	<b>4.0</b>	3.1
Past due >120 days	<b>1.1</b>	1.1

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

	2012 £m	2011 £m
Balance at 1 April	<b>(5.5)</b>	(5.2)
Impairment gain (loss) recognised	<b>0.8</b>	(0.3)
Balance at 31 March	<b>(4.7)</b>	(5.5)

## 19 Financial instruments *continued*

### Capital management

The Board's policy is to always maintain a strong capital base, with an appropriate debt to equity mix, to ensure investor, creditor and market confidence and to support the future development of the business. The Board monitors the return on capital, which the Group defines as operating profit as a percentage of net assets plus net debt, and the level of dividends to ordinary shareholders.

The Group seeks to raise debt from a variety of sources and with a variety of maturities. As at 31 March 2012 the Group had a Revolving Credit Facility of £120m, \$75m and €50m with a maturity of November 2015 and \$65m of US Private Placement Notes due 2015 and \$85m due 2017. The Group's debt covenants are EBITA: Interest to be greater than 3:1 and Net Debt: EBITDA to be less than 3.25:1. At the year end the Group comfortably met these covenants.

There were no significant changes in the Group's approach to capital management during the year.

## 20 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Property, plant and equipment	–	–	(12.9)	(9.3)	(12.9)	(9.3)
Goodwill	–	–	(48.9)	(43.5)	(48.9)	(43.5)
Retirement benefit obligations	2.1	0.5	–	–	2.1	0.5
Inventories	–	0.1	(0.2)	(0.1)	(0.2)	–
Employee benefits	2.7	2.9	–	–	2.7	2.9
Provisions	1.5	1.6	–	–	1.5	1.6
Other items	3.0	1.0	–	–	3.0	1.0
Tax losses	2.2	10.7	–	–	2.2	10.7
Tax assets (liabilities)	11.5	16.8	(62.0)	(52.9)	(50.5)	(36.1)
Set off of tax	(1.3)	(7.5)	1.3	7.5	–	–
Net tax assets (liabilities)	10.2	9.3	(60.7)	(45.4)	(50.5)	(36.1)

The increase in the deferred tax liability is largely due to the continuing tax amortisation of overseas goodwill and the reduced offset of tax losses due to the fact that they are being utilised. This deferred tax liability is not expected to crystallise in the foreseeable future.

A deferred tax asset has been recognised for tax losses where current projections show that sufficient taxable profits will arise in the near future against which these losses may be offset.

	2012 £m	2011 £m
<b>Unrecognised deferred tax assets</b>		
Tax losses	9.2	11.3

A deferred tax asset has not been recognised in respect of these tax losses which can be carried forward against future taxable income as recoverability is uncertain.

Deferred tax is provided at the standard rate of corporation tax applicable at the balance sheet date unless there is legislation enacted or substantively enacted by the balance sheet date changing the rate.

## Notes to the Group accounts *continued*

### 21 Lease commitments

#### Operating lease commitments

The Group has entered into non-cancellable leases in respect of plant and machinery, the payments for which extend over a period of up to five years. The total annual rental for 2012 was £3.6m (2011: £3.5m). The lease agreements provide that the Group will pay all insurance, maintenance and repairs. In addition, the Group leases certain properties on short and long term leases. The annual rental on these leases was £14.5m (2011: £9.8m). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Group pays all insurance, maintenance and repairs of these properties. Operating lease rentals are payable as follows:

	Properties		Plant and machinery	
	2012 £m	2011 £m	2012 £m	2011 £m
Within one year	<b>8.8</b>	8.8	<b>7.0</b>	2.6
Within two to five years	<b>14.8</b>	17.5	<b>11.3</b>	4.1
After five years	<b>2.3</b>	4.4	—	—
	<b>25.9</b>	30.7	<b>18.3</b>	6.7

### 22 Related parties

The Company has a related party relationship with its subsidiaries as disclosed in note 14 to the Group accounts and with its key management personnel. The key management personnel of the Group are the Directors. Compensation of key management personnel was:

	2012 £m	2011 £m
Remuneration	<b>1.7</b>	2.7
Social security costs	<b>0.2</b>	0.2
Equity-settled transactions	<b>0.4</b>	0.6
Pension costs	<b>0.4</b>	0.1
	<b>2.7</b>	2.9

Details of transactions with the jointly controlled entity are given in note 14 to the Group accounts.

### 23 Share capital

	2012 Number of shares	2011 Number of shares	2012 £m	2011 £m
Ordinary shares of 10p each:				
Called-up and fully paid:				
At 1 April	<b>435,679,731</b>	435,389,603	<b>43.6</b>	43.5
New share capital subscribed	<b>1,282,155</b>	290,128	<b>0.1</b>	0.1
At 31 March	<b>436,961,886</b>	435,679,731	<b>43.7</b>	43.6

All of the new share capital subscribed in the financial year 2012 related to the exercise of share options (note 5).

Details of the own shares held are given in note 8 to the Company accounts on page 95.

## 24 Cash and cash equivalents

	2012 £m	2011 £m
Bank balances	<b>11.2</b>	4.4
Call deposits and investments	<b>8.6</b>	1.9
Cash and cash equivalents in the balance sheet	<b>19.8</b>	6.3
Bank overdrafts	<b>(1.2)</b>	(0.7)
Cash and cash equivalents in the cash flow statement	<b>18.6</b>	5.6
Current instalments of loans	<b>(0.2)</b>	(1.3)
Bank loans repayable after more than one year	<b>(80.4)</b>	(71.4)
Private Placement Loan Notes due 2015 (4.41%)	<b>(41.3)</b>	(41.0)
Private Placement Loan Notes due 2017 (5.14%)	<b>(58.5)</b>	(54.8)
Fair value of swap hedging fixed rate borrowings	<b>7.6</b>	2.2
Net debt	<b>(154.2)</b>	(160.7)
Gross pension deficit	<b>(8.3)</b>	(5.4)
Net debt including gross pension deficit	<b>(162.5)</b>	(166.1)

The movements on net debt during the year are analysed below:

<b>Analysis of movement in net debt</b>	2012 £m	2011 £m
Net debt at 1 April	<b>(160.7)</b>	(172.1)
Free cash flow	<b>52.7</b>	57.4
Equity dividends paid	<b>(50.1)</b>	(47.9)
New shares issued	<b>1.1</b>	0.2
New finance leases	<b>–</b>	(1.3)
Translation differences	<b>2.8</b>	3.0
Net debt at 31 March	<b>(154.2)</b>	(160.7)

## 25 Contingent liabilities

At 31 March 2012 there were no contingent liabilities (2011: none).

## 26 Principal exchange rates

	2012 Average	2012 Closing	2011 Average	2011 Closing
US Dollar	<b>1.60</b>	<b>1.60</b>	1.56	1.60
Euro	<b>1.16</b>	<b>1.20</b>	1.18	1.13

# Company balance sheet

As at 31 March 2012

Company number: 647788

	Note	2012 £m	2011 £m
<b>Fixed assets</b>			
Tangible fixed assets	6	<b>16.3</b>	16.8
Investments	7	<b>344.4</b>	342.9
		<b>360.7</b>	359.7
<b>Current assets</b>			
Debtors: amounts falling due within one year	9	<b>56.2</b>	58.1
Debtors: amounts falling due after more than one year	9	<b>8.5</b>	3.1
Cash at bank and in hand		<b>118.6</b>	102.2
		<b>183.3</b>	163.4
Creditors: amounts falling due within one year	10	<b>(87.5)</b>	(95.6)
<b>Net current assets</b>		<b>95.8</b>	67.8
<b>Total assets less current liabilities</b>		<b>456.5</b>	427.5
Creditors: amounts falling due after more than one year	10	<b>(180.0)</b>	(166.7)
Provisions for liabilities and charges	12	<b>(0.9)</b>	(1.0)
		<b>275.6</b>	259.8
<b>Capital and reserves</b>			
Called-up share capital	15	<b>43.7</b>	43.6
Share premium account	16	<b>39.8</b>	38.8
Retained earnings	16	<b>192.1</b>	177.4
<b>Equity shareholders' funds</b>		<b>275.6</b>	259.8

These accounts were approved by the Board of Directors on 24 May 2012 and signed on its behalf by:

**Simon Boddie**

Group Finance Director

The notes on pages 93 to 97 form part of these Company accounts.

# Company significant accounting policies

As at 31 March 2012

## Basis of preparation

The Company accounts have been prepared under the historical cost convention, modified to include revaluation to fair value of certain financial instruments as described below and in accordance with UK Company Law and UK Generally Accepted Accounting Practice (UK GAAP).

The Group accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and are presented on pages 55 to 89.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own Profit and Loss Account.

Under Financial Reporting Standard 29, the Company is exempt from the disclosure requirements of FRS 29 (Financial Instruments: Disclosures) on the grounds that the parent undertaking, Electrocomponents plc, includes the Company in its own published consolidated accounts. Disclosures are provided in note 19 under IFRS 7 (Financial Instruments: Disclosures) which comply with the disclosure requirements of FRS 29.

The following paragraphs describe the main accounting policies under UK GAAP, which have been applied consistently.

## Investments in subsidiary undertakings

Investments in subsidiary undertakings including long-term loans are included in the Balance Sheet of the Company at the lower of cost and the expected recoverable amount. Any impairment is recognised in the Profit and Loss Account.

## Translation of 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 and losses on translation are included in the Profit and Loss Account.

## Financial instruments

### Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational and financing activities. It principally employs forward foreign exchange contracts to hedge against changes in exchange rates over the periods of the majority of its operating companies. In addition, there are also interest rate swaps which swap certain fixed rate loans into floating rate.

In accordance with its treasury policies, the Company does not hold or issue derivative financial instruments for trading purposes.

Certain derivative financial instruments are designated as hedges in line with the Company's risk management policies. Hedges are classified as follows:

- Cash flow hedges when they hedge the exposure to variability in cash flows that is attributable to a particular risk associated with a forecast transaction.
- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability.

All the Group's derivatives are initially and in subsequent periods recognised in the Balance Sheet at fair value. Changes in the fair value of derivative financial instruments that do not qualify for cash flow or net investment hedge accounting are recognised in the Profit and Loss Account as they arise.

## Cash flow hedge accounting

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised immediately in the Profit and Loss Account. When the forecast transaction subsequently results in the recognition of a non-financial asset or liability the associated cumulative gain or loss is removed from equity and included in the initial cost of the non-financial asset or liability. When the forecast transaction subsequently results in the recognition of a financial asset or liability, the associated cumulative gain or loss that was recognised directly in equity is reclassified into the Profit and Loss Account in the same period during which the asset acquired or liability assumed affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Profit and Loss Account.

The fair value of forward foreign exchange contracts is the difference between their discounted contractual forward price and their current forward price.

## Fair value hedge accounting

The Company uses derivative financial instruments to hedge exposure to interest rate risks arising from financing activities, holding interest rate swaps which swap certain fixed rate loans into floating rate.

The fair value of the interest rate swaps is the market value of the swap at the balance sheet date, taking into account current interest rates.

## Pension costs

The Company participates in Group operated defined contribution and defined benefit pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds.

As allowed by FRS 17 'Retirement Benefits', the Company is unable to identify its share of the defined benefit scheme's underlying assets and liabilities and therefore accounts for it as though it was a defined contribution pension scheme. The deficit of the scheme is included within the accounts of RS Components Limited.

## Company significant accounting policies *continued*

### Share-based payments

The Company operates several share-based payment schemes, the largest of which are the Savings Related Share Option Scheme (SAYE) and the Long Term Incentive Plan (LTIP).

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity and spread over the period during which employees become unconditionally entitled to the options. The fair values are calculated using an appropriate option pricing model. The Profit and Loss Account charge is then adjusted to reflect expected and actual levels of vesting based on non-market performance related criteria.

All Profit and Loss Account charges relating to options held by members of other Group companies are charged to the appropriate Group company.

The Company has chosen to adopt the exemption whereby FRS 20, Share-Based Payments, is applied only to awards made after 7 November 2002.

### Depreciation

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

Freehold buildings	2%
Warehouse systems	10%-20%
Plant and equipment	10%-20%
Mainframe computer equipment	20%
Network computer equipment	33%
Portable computers	50%
Other office equipment	20%

### Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes.

### Leases

Operating lease rentals are charged to the Profit and Loss Account on a straight-line basis over the course of the lease period. The benefits of rent free periods and similar incentives are credited to the Profit and Loss Account on a straight-line basis over the period up to the date on which the lease rentals are adjusted to the prevailing market rate.

### Own shares held

The Company's own shares held by the Electrocomponents Employee Benefit Trust are deducted from shareholders' funds until they vest unconditionally with employees as required by UITF 38: Accounting for ESOP Trusts.

# Notes to the Company accounts

For the year ended 31 March 2012

## 1 Profit for the financial year

The profit dealt with in the accounts of the Company is £61.9m (2011: £40.5m). A separate profit and loss account has not been presented in respect of the Company, as provided by Section 408 of the Companies Act 2006.

Disclosure of the audit fees payable to KPMG Audit plc for the audit of Electrocomponents plc's financial statements is made in note 3 of the Group accounts.

## 2 Employees

### Numbers employed

	2012	2011
The average number of employees during the year was:		
Management and administration	46	38
Distribution and marketing	18	15
	<b>64</b>	53

### Aggregate employment costs

	£m	£m
Wages and salaries	5.0	6.0
Social security costs	0.7	0.6
Equity-settled transactions	1.4	1.0
Pension costs	0.7	0.6
	<b>7.8</b>	8.2

The remuneration of individual Directors is detailed on page 50.

## 3 Share based payments

Details and relevant disclosures of the share based payment schemes that existed during the year are given in note 5 of the Group accounts.

### Number and weighted average exercise prices of share options

In thousands of options	Weighted average exercise price 2012	Number of options 2012	Weighted average exercise price 2011	Number of options 2011
Outstanding at the beginning of the year	10p	2,828	87p	3,462
Forfeited during the year	40p	(41)	n/a	–
Lapsed during the year	10p	(810)	151p	(1,837)
Exercised during the year	31p	(312)	8p	(97)
Granted during the year	7p	732	4p	1,300
Outstanding at the end of the year	3p	2,397	10p	2,828
Exercisable at the end of the year	n/a	–	n/a	–

The options outstanding at 31 March 2012 have an exercise price in the range 0p to 235p and a weighted average contractual life of 2.8 years.

The total charge included in the profit and loss account in the year was £1.4m (2011: £1.0m).

## Notes to the Company accounts *continued*

### 4 Pension schemes

Full details of the UK defined benefit scheme can be found in note 6 of the Group accounts.

The last actuarial valuation of the UK scheme was carried out as at 31 March 2010 and has been updated to 31 March 2012 by a qualified independent actuary in accordance with FRS 17. The balance on the UK scheme is included within the balance sheet of RS Components Ltd, a subsidiary of Electrocomponents plc, as it is this company which employs the majority of the scheme members. As allowed by FRS 17, the balance has not been split between Electrocomponents plc and RS Components Ltd as it is not possible to do on a consistent and reasonable basis. This disclosure therefore relates to the UK pension scheme rather than just the Electrocomponents plc portion of it.

The only significant difference that has been identified between IAS 19 (IFRS) and FRS 17 (UK GAAP) is that the surplus may be recognised under UK GAAP in the accounts of RS Components Limited.

The valuation of the scheme as at 31 March was:

	2012 £m	2011 £m
Total market value of assets	<b>346.2</b>	322.8
Present value of scheme liabilities	<b>(335.6)</b>	(297.9)
Surplus in the scheme recognised in RS Components Limited	<b>10.6</b>	24.9

### 5 Dividends

	2012 £m	2011 £m
<b>Amounts recognised in the period:</b>		
Final dividend for the year ended 31 March 2011 – 6.5p (2010: 6.0p)	<b>28.3</b>	26.1
Interim dividend for the year ended 31 March 2012 – 5.0p (2011: 5.0p)	<b>21.8</b>	21.8
	<b>50.1</b>	47.9
Proposed dividend for the year ended 31 March 2012 – 6.75p	<b>29.5</b>	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 13 July 2012, and has not been included as a liability in these accounts.

### 6 Tangible fixed assets

<b>Cost</b>	Land and buildings £m	Plant and machinery £m	Computer systems £m	Total £m
At 1 April 2011	21.5	9.2	0.5	31.2
Additions	–	–	–	–
<b>At 31 March 2012</b>	<b>21.5</b>	<b>9.2</b>	<b>0.5</b>	<b>31.2</b>

#### Depreciation

At 1 April 2011	4.9	9.1	0.4	14.4
Charged in the year	0.4	0.1	–	0.5
<b>At 31 March 2012</b>	<b>5.3</b>	<b>9.2</b>	<b>0.4</b>	<b>14.9</b>

#### Net book value

<b>At 31 March 2012</b>	16.2	–	0.1	16.3
At 31 March 2011	<b>16.6</b>	<b>0.1</b>	<b>0.1</b>	<b>16.8</b>

<b>Net book value of land and buildings</b>	2012 £m	2011 £m
Freehold land	<b>4.6</b>	4.6
Freehold buildings	<b>11.6</b>	12.0
	<b>16.2</b>	16.6

All classes of tangible fixed assets are depreciated except freehold land.

## 7 Investments: subsidiary undertakings

	Shares £m	Loans £m	Total £m
<b>Cost</b>			
At 1 April 2011	185.7	172.6	358.3
Additions	1.5	—	1.5
Disposals	—	—	—
<b>At 31 March 2012</b>	<b>187.2</b>	<b>172.6</b>	<b>359.8</b>
<b>Provisions</b>			
At 1 April 2011	—	15.4	15.4
Released in the year	—	—	—
<b>At 31 March 2012</b>	<b>—</b>	<b>15.4</b>	<b>15.4</b>
<b>Net book value</b>			
<b>At 31 March 2012</b>	<b>187.2</b>	<b>157.2</b>	<b>344.4</b>
At 31 March 2011	185.7	157.2	342.9

A list of the principal subsidiary undertakings held by the Company is disclosed in note 14 to the Group accounts.

The cost of share-based incentives in respect of shares in the Company granted to employees of Group companies other than Electrocomponents plc, is treated as an increase in investments with the corresponding credit taken directly to reserves. In 2012, this amounted to £1.5m (2011: £1.0m).

## 8 Own shares

At 31 March 2012, a total of 408,417 (2011: 308,417) ordinary shares in the Company were held by the Electrocomponents Employee Benefit Trust, all of which were under option to employees for a nominal consideration. During the year 100,000 ordinary shares in the Company were purchased by the trustees (2011: nil). The market value of the shares at 31 March 2012 was £1,012,057 (2011: £824,399).

## 9 Debtors

	2012 £m	2011 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	53.9	56.6
Prepayments and accrued income	2.3	1.5
	<b>56.2</b>	58.1
Amounts falling due after more than one year:		
Derivative asset	7.7	2.2
Deferred tax asset (see note 12)	0.8	0.9
	<b>8.5</b>	3.1

## 10 Creditors

	2012 £m	2011 £m
Amounts falling due within one year:		
Bank overdrafts (unsecured)	0.2	0.5
Amounts owed to subsidiary undertakings	83.1	89.3
Accruals and deferred income	4.2	5.8
	<b>87.5</b>	95.6
Amounts falling due after more than one year:		
Loans repayable after more than one year (see note 11)	180.0	166.7
	<b>180.0</b>	166.7

## Notes to the Company accounts *continued*

### 11 Loans

	2012 £m	2011 £m
Australian Dollar bank loans	–	1.4
Euro bank loans	<b>25.0</b>	11.5
Sterling bank loans	<b>20.0</b>	14.7
Japanese Yen bank loans	–	10.0
Singapore Dollar bank loans	–	3.3
South African Rand bank loans	<b>4.0</b>	5.0
US Dollar bank loans	<b>31.2</b>	25.0
US Dollar Private Placement notes	<b>99.8</b>	95.8
	<b>180.0</b>	166.7
Loans repayable in more than one but not more than two years	–	70.8
Loans repayable in more than two but not more than five years	<b>121.4</b>	41.0
Loans repayable in more than five years	<b>58.6</b>	54.9
	<b>180.0</b>	166.7

The bank loans are at variable rates of interest and are unsecured.

Details of the US Dollar Private Placement notes are provided in note 19 of the Group accounts.

### 12 Provisions for liabilities and charges

	Deferred taxation £m	
At 1 April 2011	0.1	
Profit and loss account	–	
Recognised in reserves	–	
<b>At 31 March 2012</b>	<b>0.1</b>	
Deferred taxation	<b>2012 £m</b>	2011 £m
Amounts provided:		
Accelerated capital allowances	<b>0.9</b>	1.0
Share schemes	<b>(0.8)</b>	(0.9)
	<b>0.1</b>	0.1
Disclosed as:	<b>2012 £m</b>	2011 £m
Deferred tax asset (see note 9)	<b>(0.8)</b>	(0.9)
Deferred tax liability	<b>0.9</b>	1.0
	<b>0.1</b>	0.1

### 13 Lease commitments

At 31 March 2012 the Company had annual commitments under non-cancellable operating leases expiring as follows:

	Motor Vehicles		Land and Buildings	
	2012 £m	2011 £m	2012 £m	2011 £m
Within one year	–	–	–	–
Within two to five years	<b>0.1</b>	0.1	–	–
After five years	–	–	<b>0.3</b>	0.3
	<b>0.1</b>	0.1	<b>0.3</b>	0.3

## 14 Contingent liabilities

Guarantees in respect of bank facilities are available to certain subsidiaries up to a maximum of £16.5m (2011: £25.0m), of which £1.0m (2011: £6.3m) had been drawn down by the end of the year.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contracts as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

## 15 Share capital

	2012 Number of shares	2011 Number of shares	2012 £m	2011 £m
Ordinary shares of 10p each				
Called up and fully paid:				
At 1 April	<b>435,679,731</b>	435,389,603	<b>43.6</b>	43.5
New share capital subscribed	<b>1,282,155</b>	290,128	<b>0.1</b>	0.1
<b>At 31 March</b>	<b>436,961,886</b>	435,679,731	<b>43.7</b>	43.6

All of the new share capital subscribed in 2012 related to the exercise of share options.

## 16 Reserves

	Retained earnings				Total £m
	Share premium account £m	Own shares held £m	Hedging reserve £m	Profit and loss account £m	
At 1 April 2011	38.8	(1.7)	0.8	178.3	216.2
Profit for the year	–	–	0.2	61.9	62.1
Dividends paid	–	–	–	(50.1)	(50.1)
Equity-settled transactions	–	–	–	2.9	2.9
New share capital subscribed	1.0	(0.2)	–	–	0.8
<b>At 31 March 2012</b>	<b>39.8</b>	<b>(1.9)</b>	<b>1.0</b>	<b>193.0</b>	<b>231.9</b>

The own shares held reserve represents the cost of shares in Electrocomponents plc purchased in the market and held by the Electrocomponents Employee Benefit Trust to satisfy options under the Group's share option schemes.

## 17 Reconciliation of movements in shareholders' funds

	2012 £m	2011 £m
Profit for the year	<b>61.9</b>	40.5
Dividends paid	<b>(50.1)</b>	(47.9)
Gain (loss) on cash flow hedges	<b>0.2</b>	(1.3)
Own shares acquired	<b>(0.2)</b>	–
Equity-settled transactions	<b>2.9</b>	2.1
New share capital subscribed	<b>1.1</b>	0.2
Net increase (reduction) in equity	<b>15.8</b>	(6.4)
Equity shareholders' funds at the beginning of the year	<b>259.8</b>	266.2
Equity shareholders' funds at the end of the year	<b>275.6</b>	259.8

## Five year record

Year ended 31 March

£m	2012	2011	2010	2009	2008
Revenue	<b>1,267.4</b>	1,182.2	972.6	974.6	924.8
Operating profit	<b>128.1</b>	119.8	80.8	103.5	102.7
Pension changes/reorganisation (income) costs	–	–	(1.6)	(9.9)	1.0
Headline operating profit	<b>128.1</b>	119.8	79.2	93.6	103.7
Net financial expense	<b>(5.8)</b>	(5.8)	(4.8)	(7.0)	(7.3)
Profit before tax	<b>122.3</b>	114.0	76.0	96.5	95.4
Pension changes/reorganisation (income) costs	–	–	(1.6)	(9.9)	1.0
Headline profit before tax	<b>122.3</b>	114.0	74.4	86.6	96.4
Tax	<b>(37.4)</b>	(35.8)	(23.4)	(30.3)	(31.5)
Profit for the year attributable to the equity shareholders	<b>84.9</b>	78.2	52.6	66.2	63.9
Basic earnings per share (pence)	<b>19.5p</b>	18.0p	12.1p	15.2p	14.7p
Free cash flow	<b>52.7</b>	57.4	71.9	78.0	75.0
Non-current assets	<b>349.1</b>	333.0	349.3	370.5	321.5
Current assets	<b>501.9</b>	456.1	372.7	350.9	363.8
Current liabilities	<b>(225.0)</b>	(224.3)	(190.6)	(160.1)	(168.3)
Non-current liabilities	<b>(260.0)</b>	(229.5)	(228.3)	(258.5)	(235.2)
Net assets	<b>366.0</b>	335.3	303.1	302.8	281.8
Number of shares in issue:					
Weighted average (excluding own shares held)	<b>436.1</b>	435.3	435.1	435.0	435.0
Year end	<b>437.0</b>	435.7	435.4	435.4	435.4
Dividend per share (pence)	<b>11.75</b>	11.5	11.0	11.0	18.4
Average number of employees	<b>6,340</b>	5,784	5,556	6,025	6,090
Share price at 31 March (pence)	<b>247.8</b>	267.3	220.0	125.5	182.0

# Additional information for Electrocomponents plc shareholders

Set out below is a summary of certain provisions of the Company's current Articles of Association (the "Articles") and applicable English law concerning companies (the Companies Act 2006, the 'Companies Act'). This is a summary only and the relevant provisions of the Articles or the Companies Act should be consulted if further information is required.

## Dividends and distributions

Subject to the provisions of the Companies Act, the Company may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends whenever the financial position of the Company, in the opinion of the Board, justifies such payment.

The Board may withhold payment of all or any part of any dividends or other monies payable in respect of the Company's shares from a person with a 0.25 per cent interest (as defined in the Articles) if such a person has been served with a notice after failure to provide the Company with information concerning interest in those shares required to be provided under the Companies Act.

## Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person and every duly appointed proxy has, upon a show of hands, one vote and on a poll every member who is present in person or by proxy has one vote for each share. In the case of joint holders of a share the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the shares.

## Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. In addition no member shall be entitled to vote if he has been served with a notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

## Deadlines for exercising voting rights

Voting rights may be exercised in person, by proxy, or in relation to corporate members, by corporate representative. The Articles provide a deadline for submission of proxy forms of not than less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

## Variation of rights

Subject to the relevant law, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

## Transfer of shares

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the Directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully-paid shares) by or on behalf of the transferee. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

The Directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares (not being fully paid shares) provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

The Directors may also refuse to register an allotment or transfer of shares (whether fully-paid or not) in favour of more than four persons jointly. If the Directors refuse to register an allotment or transfer they shall within two months after the date on which the letter of allotment or transfer was lodged with the Company send to the allottee or transferee a notice of the refusal.

Subject to statutes and applicable CREST rules, the Directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A shareholder does not need to obtain the approval of the Company, or of other shareholders of shares in the Company, for a transfer of shares to take place.

## Appointment and replacement of Directors

Directors shall be no less than three and no more than twelve in number. A Director is not required to hold any shares of the Company by way of qualification. The Company may by ordinary resolution increase or reduce the maximum or minimum number of Directors.

Any Director who was elected or last re-elected a Director at or before the Annual General Meeting held in the third calendar year before the current calendar year shall retire by rotation. In addition, each Director, (other than the Chairman and any director holding an executive office) shall retire at each Annual General Meeting following the ninth anniversary of the date on which he was elected. A retiring Director is eligible for re-election.

The Board may appoint any person to be a Director (so long as the total number of Directors does not exceed the limit prescribed in the Articles). Any such Director shall hold office only until the next Annual General Meeting and shall then be eligible for re-election.

## Powers of the Directors

Subject to the Articles, the Companies Act and any directions given by special resolution, the business of the Company will be managed by the Board who may exercise all the powers of the Company.

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

## Significant agreements: change of control

All of the Company's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

## Amendment of Articles of Association

Any amendments to the Articles of the Company may be made in accordance with the provisions of the Companies Act by way of special resolution.

## Company number

Registered Number: 647788

# Registered office, advisers and financial calendar

## Registered office

### Electrocomponents plc

International Management Centre  
8050 Oxford Business Park North  
Oxford OX4 2HW  
United Kingdom  
Tel: (44) (0) 1865 204000  
Fax: (44) (0) 1865 207400  
Website: [www.electrocomponents.com](http://www.electrocomponents.com)

## Shareholder services

### Shareview

A website, [www.shareview.co.uk](http://www.shareview.co.uk), has been developed by Equiniti, the Company's registrar, enabling shareholders to access shareholdings online. The website provides information useful to the management of investments together with an extensive schedule of frequently asked questions.

In order to view shareholdings the shareholder reference number is required which can be found at the top of share certificates or on the last dividend tax voucher.

## Warning to shareholders

We are aware that some shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. Such operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive and a 2006 survey by the Financial Services Authority (FSA) has reported that the average amount lost by each investor is around £20,000.

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation.
- Check that they are properly authorised by the FSA before getting involved by visiting [www.fsa.gov.uk/pages/register](http://www.fsa.gov.uk/pages/register).
- Report the matter to the FSA. For UK callers telephone 0300 500 5000 and for overseas callers telephone +44 20 7066 1000 or visit [www.moneymadeclear.fsa.gov.uk](http://www.moneymadeclear.fsa.gov.uk).
- If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at [www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml](http://www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml).

## Financial calendar

### Announcement of results

The results of the Group are normally published at the following times.  
Half-yearly results for the six months to 30 September in early/mid November.  
Preliminary announcement for the year to 31 March in late May/early June.  
Annual Report and Accounts for the year to 31 March in mid June.

### Dividend payments

Current policy is to make dividend payments at the following times:

Interim dividend in January.  
Final dividend in July.  
2012 final dividend:  
Ex-dividend date 20 June  
Record date 22 June  
Annual General Meeting 13 July  
Dividend paid 20 July

## Advisers

### Auditors

KPMG Audit Plc  
15 Canada Square  
London E14 5GL

### Merchant bankers

Citigroup  
Citigroup Centre  
33 Canada Square  
Canary Wharf  
London E14 5LB

### Registrars and transfer office

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA

### Solicitors

Linklaters LLP  
One Silk Street  
London EC2Y 8HQ

### Joint stockbrokers

Cannacord Genuity  
88 Wood Street  
London  
EC2V 7QR

UBS

1 Finsbury Avenue  
London EC2M 2PP

## Principal locations

### United Kingdom

UK  
[rswww.com](http://rswww.com)  
Global exports  
[www.rsdelivers.com](http://www.rsdelivers.com)

### Continental Europe

Austria  
[www.rs-components.at](http://www.rs-components.at)  
Belgium  
[www.rsonline.be](http://www.rsonline.be)  
Czech Republic  
[www.rscomponents.cz](http://www.rscomponents.cz)  
Denmark  
[www.rsonline.dk](http://www.rsonline.dk)  
France  
[rswww.fr](http://rswww.fr)  
Germany  
[www.rsonline.de](http://www.rsonline.de)  
Hungary  
[www.rscomponents.hu](http://www.rscomponents.hu)  
Ireland  
[rswww.ie](http://rswww.ie)  
Italy  
[rswww.it](http://rswww.it)  
Netherlands  
[www.rsonline.nl](http://www.rsonline.nl)  
Norway  
[www.rsonline.no](http://www.rsonline.no)  
Poland  
[www.rspoland.com](http://www.rspoland.com)  
Portugal  
[www.rsportugal.com](http://www.rsportugal.com)  
Spain  
[www.rsonline.es](http://www.rsonline.es)  
Sweden  
[www.rsonline.se](http://www.rsonline.se)  
Switzerland  
[www.rsonline.ch](http://www.rsonline.ch)

### North America

Canada  
[www.alliedelec.com](http://www.alliedelec.com)  
USA  
[www.alliedelec.com](http://www.alliedelec.com)

### Asia Pacific

Australia  
[www.rsaustralia.com](http://www.rsaustralia.com)  
Chile  
[www.rschile.cl](http://www.rschile.cl)  
People's Republic of China  
[www.rsprc.com](http://www.rsprc.com)  
Hong Kong  
[www.rshongkong.com](http://www.rshongkong.com)  
India  
[www.rsindia.com](http://www.rsindia.com)  
Japan  
[rswww.co.jp](http://rswww.co.jp)  
Malaysia  
[www.rsmalaysia.com](http://www.rsmalaysia.com)  
New Zealand  
[www.rsnewzealand.com](http://www.rsnewzealand.com)  
Philippines  
[www.rphilippines.com](http://www.rphilippines.com)  
Singapore  
[www.rssingapore.com](http://www.rssingapore.com)  
South Africa  
[www.rssouthafrica.com](http://www.rssouthafrica.com)  
South Korea  
[www.rscomponents.kr](http://www.rscomponents.kr)  
Taiwan  
[www.rstaiwan.com](http://www.rstaiwan.com)  
Thailand  
[www.rsthailand.com](http://www.rsthailand.com)

Get more online  
[www.electrocomponents.com](http://www.electrocomponents.com)

1. Access the latest shareholder information
  - updates via email
  - latest share price
  - corporate governance
2. View archive information
  - company reports
  - company presentations
  - results and trading updates
3. Shareholder services
  - register online
  - shareview
  - frequently asked questions



Designed by Black Sun Pic +44 (0)20 7736 0011  
Printed at Park

International Management Centre  
8050 Oxford Business Park North  
Oxford OX4 2HW  
United Kingdom

t: (44) (0) 1865 204000  
f: (44) (0) 1865 207400  
w: [www.electrocomponents.com](http://www.electrocomponents.com)