



ELECTROCOMPONENTS PLC
Annual Report and Accounts 2013

DEVELOPING A

GLOBAL MINDSET

WHO WE ARE



CONTENTS

Directors' report:

Business review

Highlights 2013	1
Group overview	2
Our business model	3
Chairman's report	10
Group Chief Executive's review	12
Our Strategy	16
Business review	18
Principal risks and uncertainties	24
Corporate responsibility	28

Directors' report:

Corporate governance

Board of Directors	34
Corporate Governance	36
Audit Committee report	42
Remuneration report	45
Other disclosures	55
Statement of Directors' responsibilities	57

Financial statements

Independent auditors' report	58
Group income statement	59
Consolidated statement of comprehensive income	60
Group balance sheet	61
Group cash flow statement	62
Consolidated statement of changes in equity	63
Group significant accounting policies	64
Notes to the Group accounts	68
Company balance sheet	94
Company significant accounting policies	95
Notes to the Company accounts	97

Shareholder information

Five year record	103
Registered office, advisers and financial calendar	104
Principal locations	IBC

Electrocomponents, through its brands of RS Components and Allied Electronics, is the leading high service distributor of electronics and maintenance products in the world.

2013 has been a year of significant change. Making use of our global footprint, we have restructured our organisation to a global operating model and evolved to a common global strategy focused on seven strategic priorities. These changes will not only result in improved operational efficiency; they will enable us to capture market share at a faster rate and improve our financial performance over the medium term.

However, some things at Electrocomponents will not change. We are a service business and have built our reputation over 75 years on our commitment to great service – this will never be compromised.



For more information and the latest news visit:
www.electrocomponents.com



To view our online Annual Report 2013 visit:
annualreport.electrocomponents.com/2013

LEADING PRODUCT RANGE & SERVICE

44,000

parcels shipped every day from our extensive range of

550,000+

stocked products from

2,500

leading suppliers

(see page 7 to read our plans to improve our product offer)

GLOBAL SCALE & REACH

32

countries with operations and

17

distribution centres serving

1 MILLION+

customers globally

(see page 14 to learn how we are leveraging our global footprint to evolve to a common global strategy)

LEADING ECOMMERCE CAPABILITIES

56%

of Group sales from eCommerce in 2013

4%

Group eCommerce sales growth in 2013

8.9 MILLION

monthly average visits to our websites in 2013

(see page 5 to read how eCommerce is at the heart of our approach to marketing)

SALES

£1,235.6M

2013

2012

2011

2010

2009

ECOMMERCE SALES GROWTH

4%

2013

2012

2011

2010

2009

HEADLINE PROFIT BEFORE TAX¹

£98.7M

2013

2012

2011

2010

2009

HEADLINE FREE CASH FLOW¹

£56.1M

2013

2012

2011

2010

2009

DIVIDEND PER SHARE

11.75P

2013

2012

2011

2010

2009

NET DEBT TO EBITDA²

1.2x

2013

2012

2011

2010

2009

¹ Headline measures of profitability and cash flow are defined as the relevant reported profit/cash flow measure

² EBITDA: Earnings before interest, tax, depreciation and amortisation (inc. government grants)

WELL POSITIONED

We have operations in 32 countries and sell through distributors in a further 37 countries. With this global scale and reach we are well positioned to take advantage of the trends to globalisation in our industry. Our new operating model and global strategy, described over pages 3 to 17, are designed to leverage this global footprint to capture market share from the numerous smaller competitors against whom we primarily compete.

UK

- No. 1 market position*
- 20:80 electronics:maintenance
- 2,100 employees
- 2 distribution centres

30%

OF GROUP SALES

North America

- No. 3 market position*
- 70:30 electronics:maintenance
- 800 employees
- 1 distribution centre

22%

OF GROUP SALES

Continental Europe

- No. 1 market position*
- 35:65 electronics:maintenance
- 1,500 employees
- 6 distribution centres

35%

OF GROUP SALES

Asia Pacific

- No. 1 market position*
- 45:55 electronics:maintenance
- 1,000 employees
- 8 distribution centres

13%

OF GROUP SALES

* Versus other international high service distributors

Five global product categories:

Our leading range of over 550,000 stocked products is sourced from 2,500 global suppliers and spans five major technology groups, shown on the right.

Famous For

Electronics

Automation & Control

Known For

Test & Measurement

Electrical

Must Have

Support

STRATEGY

Strategy will work across the business to develop, plan, support and drive the delivery of the Group strategy.

1 MARKETING

Creating an instinctive preference for our brands, Marketing will improve our ability to reach, market to and develop more customers than ever before.

2 OFFER

Offer will make more products available to more customers whilst ensuring fast, reliable service levels are available globally – all at the lowest total cost for our business.

3 SALES

Our local sales teams will focus on increasing the amount our existing customers spend with us and making them more profitable for us.

IT

IT is dedicated to ensuring the business has the right tools, technologies and infrastructure in place to support a global operating model.

FINANCE

Finance will drive and support our performance agenda whilst maintaining a robust control environment and managing the Group's risks.

HR

HR is focused on delivering an effective organisation structure and ensuring we have the skills and culture we need to deliver the Group strategy.

DEVELOPING A GLOBAL MINDSET

There are strong forces driving globalisation in our industry. We are embracing these and have, during the last year, begun to make significant changes to the way we run the Group in order to become a truly global business. This means more than making our brand well known in markets across the world, or having distribution centres and employees on each continent and spanning multiple time zones. Being global is about having a global mindset.

We have begun the transformation to become a truly global business by reorganising our structure to a global operating model. This comprises three operating functions, Marketing, Offer and Sales, which are outlined over the following pages. They are supported by four enabling functions: Strategy, IT, HR and Finance.

This business model is designed to deliver one thing – our global strategy – faster and more efficiently.

THE VISION

IMPROVED CUSTOMER ACQUISITION

Global Marketing will transform the way we do business, creating an instinctive preference for our brands. We will create demand through relevant customer touches, and channel the combined firepower of our leading product offer and highly skilled sales force on our global marketplace. As a result, our ability to reach, market to, and develop more customers will become greater than ever before, leading to a higher rate of customer acquisition.

c.£700M

eCommerce business today

HOW WILL WE GET THERE?

AN ECOMMERCE-LED APPROACH

eCommerce will be at the heart of our approach to marketing. We will invest in improving our eCommerce functionality, digital marketing and technical marketing to increase website traffic and improve the conversion of such site visits into sales. Once new customers have been acquired, we will nurture and develop them to increase their frequency of spend with us, using improved insight capabilities to deploy our Global Sales team at the right time.

70%

of sales from eCommerce medium-term target

THE VISION

MORE PRODUCTS AVAILABLE TO MORE CUSTOMERS

Global Offer's vision is to make more products available to more customers by helping our customers find and buy the products they need at the right price as well as ensuring the products are available and can be delivered when they need them – all at the lowest total cost for our business. We will do this whilst also keeping our employees safe, empowered and highly engaged.

>550,000

stocked products from leading global brands available

HOW WILL WE GET THERE?

SINGLE GLOBAL OFFER

We will build a global range, bringing together RS and Allied product ranges to make 75% to 85% of our range available everywhere. Our global inventory will be visible to all customers with consistent content that is optimised for digital, and it will be managed globally to improve our return on stock. We will build a global freight network to ensure fast, reliable service levels are available worldwide.

75-85%

of global range to be made available everywhere

THE VISION

GROW EXISTING CUSTOMERS

Recognising the importance of a local sales and customer service presence, Global Sales' vision is to increase the amount our existing customers spend with us and make them more profitable for us. Working together we will identify best practice, scale it up and roll it out across our global sales force, improving effectiveness and efficiency. We aim to build an empowered and innovative world-class sales organisation.



>1 MILLION

customers worldwide

HOW WILL WE GET THERE?

RELEVANT SOLUTIONS

We will improve our insight capabilities and work with Global Marketing to identify which customers, according to their growth potential, will benefit from contact with our highly skilled sales people. Equipped with a global offer, our sales and customer service teams will work closely with our target customers to identify opportunities and provide relevant solutions that add value to their component purchasing. This will provide a key differentiator to the competition.

c.2,500

sales employees providing a great customer experience

EMBRACING CHANGE

**"THE BUSINESS HAS MADE
SIGNIFICANT CHANGES TO ITS
STRATEGY AND ORGANISATION
TO ACHIEVE OUTPERFORMANCE"**



I am delighted to have resumed my responsibilities as Chairman of Electrocomponents during the year, and on behalf of the Board I would like to thank Rupert Soames for taking on the role of Acting Chairman in my absence and all my colleagues for their understanding and support.

It is an exciting time for me to resume my chairmanship of the Group. During the past year the business has made significant changes to its strategy to achieve outperformance and has carried out a major reorganisation to deliver this strategy. These steps have been taken from a position of strength and have been implemented smoothly and effectively.

Organisation, strategy and performance framework

There are clear benefits to being a large, global competitor in the high service distribution marketplace and with our scale, customer proposition and global reach we are well placed to take advantage of the structural trends to globalisation.

Following an extensive review of how to maximise our ability to capture these benefits, and building on the successful regionalisation of our European businesses, we have, during the last year, developed and implemented a new global operating model. This resulted in the transition of our organisation structure from a country-based structure to a new functionally-based structure. Whilst it has involved the removal of some duplication within the business and driven greater efficiencies, its primary benefit is to enable us to evolve to a common global strategy which is designed to grow our market share faster and improve our financial performance over the medium term.

This new strategy is based around seven strategic priorities (covered in more detail in the Group Chief Executive's review). This strategy will be supported by additional investment over the next five years, which will be funded from operational cash flows and focused on our growth initiatives. The strategy, supported by a new organisation and additional investment, is expected to deliver an improvement in the Group's financial performance. Our new medium-term performance framework is set out on page 14 in the Group Chief Executive's review. Its principal components include a higher rate of share gains in our international markets, growth rather than stability from our UK business, and continued operating leverage.

Trading performance

Against the backdrop of very challenging trading conditions across almost all of the Group's markets underlying sales grew by 1% over the prior year, with Group reported sales of £1,236 million. Maintenance sales grew by 3%, offset by a 2% decline in electronics sales, though this latter product category outperformed a tough electronics market. The transformation of Electrocomponents into a primarily online business continued with eCommerce sales growing by 4%. eCommerce represented 56% of sales during the year, continuing on the path towards our medium-term target of 70%.

Highlighting the operational leverage inherent in our business, headline profit before tax declined by 19% to £99 million. This reflected a decline in gross margin of 0.8% points and operating cost growth of 2% at constant currency, together with a £10 million impact due to fewer trading days and currency movements.

The Group's cash-generative qualities remain evident, as headline free cash flow increased by 6% to £56.1 million despite the 19% decline in headline profit before tax. This resulted in a return on capital employed of 19.3%, significantly ahead of the Group's cost of capital. The Group retains a strong financial position, with funding in place through to 2015 and significant headroom to the Group's banking covenants.

Dividend

The Board is proposing an unchanged final dividend for the year of 6.75 pence per share. This will be paid on 22 July 2013 to shareholders on the register on 21 June 2013. As a result, the total dividend for the financial year will be 11.75 pence per share, resulting in headline earnings cover of 1.3 times.

The Board believes that the business has significant opportunities to invest for growth at attractive returns, as illustrated by the investment planned to support the Group's new medium-term business plan. The Group's free cash flow should enable the Board to maintain and grow the dividend over the medium term. As previously indicated, over time and as earnings increase, the Board intends to pursue a progressive dividend policy whilst increasing headline earnings dividend cover towards two times.

Board changes

Electrocomponents has a strong and effective Board with a clear view of its own role and purpose. I am delighted that during the year we have been able to further strengthen the Board. On 1 January 2013 Karen Guerra and John Pattullo joined the Board as Non-Executive Directors, bringing with them a broad range of international business experience and, respectively, strong backgrounds in marketing and supply chain management.

I am confident that both have the necessary skills to help support the Group's strategy and ongoing development.

Corporate responsibility

As a member of the FTSE4Good Index, corporate responsibility is an integral part of our business. As our business has evolved so has our commitment to sound corporate responsibility policies and practices across the globe. Following the reorganisation of our business in 2012, we are working together to share and embed best practice across all of our markets. In particular, our people are our greatest asset and keeping them safe and healthy is of paramount importance. Target Zero, our health and safety campaign launched in 2011 in the UK, has now been rolled out internationally with encouraging results; the total amount of lost time due to accidents across the Group has decreased by almost 50% over the prior year.

Employees

On behalf of the Board, I wish to express my sincere thanks to all our colleagues across the Group for their support through what has been a very challenging year. I am particularly grateful for their continued focus on business performance at a time of great personal insecurity for many. The Group's 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 and embracing so enthusiastically the changes that we are making to the business.



Peter Johnson, Chairman

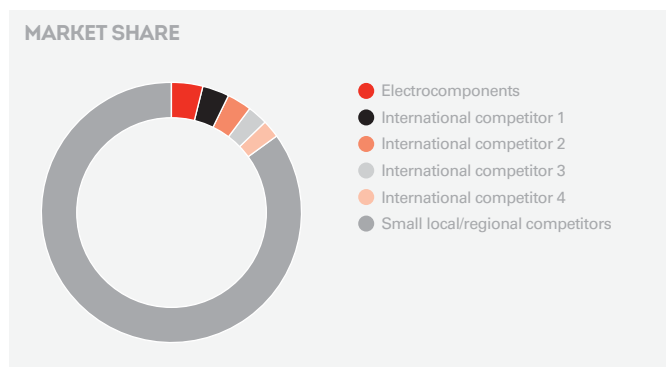
23 May 2013

"THIS HAS BEEN A YEAR OF SIGNIFICANT CHANGE FOR THE GROUP. WE IMPLEMENTED A NEW GLOBAL OPERATING MODEL AND EVOLVED TO A COMMON GLOBAL STRATEGY. THESE DEVELOPMENTS WILL ENABLE US TO STRENGTHEN OUR COMPETITIVE ADVANTAGES AND INCREASE THE RATE AT WHICH WE GAIN SHARE FROM OUR NUMEROUS SMALLER COMPETITORS"

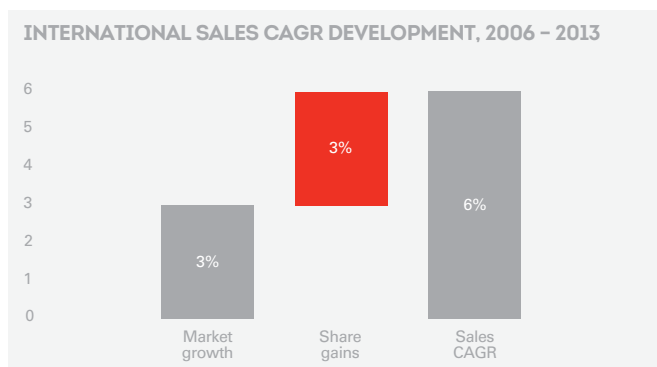


GOING

GLOB



c.£30bn market size



Nominal GDP growth weighted to Electrocomponents geographic split
Weighted for exposure to faster electronics growth

MARKET OVERVIEW AND MARKET ENVIRONMENT

Market overview

The high service distribution market caters to the small quantity needs of electronics and maintenance engineers and machine and panel builders. Our average customer order value is around £140, and this order is typically for three to four individual product lines. A customer will usually order different product lines each time rather than make repeat orders of the same products. Demand is similar across the world – customers want a broad range of high quality stocked products in small quantities with reliable delivery. The internet has become the dominant channel for customers to do business with us, though providing a multi-channel service remains important as many customers still prefer to use a catalogue and phone or fax to place orders, often in conjunction with the internet.

We estimate that the available market is worth around £30 billion globally, split evenly between electronics and maintenance products. The electronics market has, on average, grown at around twice the rate of GDP. The electronics cycle is more volatile than the economic cycle because spending on new technology innovation can be quickly halted and then re-started, as occurred during the last year. The maintenance market grows at around GDP but is less volatile than the electronics market.

The marketplace serving this demand is highly fragmented, being populated by a large number of small local and regional distributors. Electrocomponents, through its brands RS Components (RS) and Allied Electronics (Allied), is the world's leading high service distributor. RS is the leading distributor in the UK, Continental Europe and Asia Pacific, while Allied is in the top three in North America.

There are five large international high service distributors, including Electrocomponents, and together this group has around 15% of the available global market; as the leading player, our market share is around 4%. This group has been gaining market share from smaller distributors. Over the last seven years we have grown our International sales by an average of 6% per annum. We estimate that the markets in which we operate have grown on average at 3% per annum. The remaining 3% per annum of sales growth represents market share gains, principally from smaller competitors.

We believe that our customer proposition and global scale and reach give us an advantage over the numerous small local and regional distributors against whom we primarily compete, allowing us to take market share from them. Moreover, many of our smaller competitors find it difficult to obtain credit in tough economic times and therefore cannot develop their product range or eCommerce capabilities, creating an opportunity for large global competitors such as ourselves to gain share.

Market environment

The market environment during the past year was challenging, reflecting the uncertain economic conditions in many of our larger markets across Europe, North America and Asia Pacific.

The manufacturing Purchasing Managers Indices (PMIs) in all of our major markets except the US were at readings at or below 50 for much of the year. This is indicative of a flat or contracting manufacturing sector in these countries and led to a challenging environment in which to sell maintenance products. Despite this our maintenance sales grew by 3% in the year, which we believe outperformed the maintenance market as a whole.

Trade associations from the electronics distribution industry, such as the Association of Franchised Distributors of Electronic Components (AFDEC) and the National Electronic Distributors Association (NEDA), reported declining activity levels from their members during the year. The volume electronics distributors have also reported significant declines in sales during 2012. Within that context, we believe our electronics sales decline of 2% indicates that we have outperformed the electronics distribution market as a whole.

Whilst we believe that we have taken market share during the year, the difficult trading environment at this point in the economic cycle resulted in a greater use of discounting in order to retain and attract customers, particularly in the first half of the year when our gross margin reduced by over 1% point. As expected, our gross margin improved during the second half of the year, with the rate of decline reducing to 0.3% points, reflecting the actions we took to improve our discount effectiveness and the initial rollout of a targeted price differentiation strategy.



Medium-term performance framework: key performance indicators

	Historic Performance ¹	2013 Actual	Medium-term Target
Group sales growth ²	4% pa	0.5%	5% – 8% pa
Group return on sales ³	7% – 10% ⁴	8.4%	9% – 11%
Return on capital employed ^{3,5}	15% – 25%	19.3%	20% – 30%
Free cash flow as a % of sales ³	3% – 8%	4.5%	4% – 6%

1 Performance between 2006 and 2013

2 Underlying sales growth, adjusting for trading days and currency movements

3 These are headline measures of profitability and cash flow which are defined as the relevant reported profit/cash flow before reorganisation costs/cash flow

4 Reported Group return on sales adjusted to reflect a 75:25 International:UK sales mix

5 Headline operating profit expressed as a percentage of net assets plus net debt

STRATEGY UPDATE

Building on our proven 2006 strategy

In 2006 we established a strategy focused on five key initiatives. Since then we have invested behind this strategy and transformed the Group, increasing sales by over £400 million. We have now identified clear opportunities to build on these initiatives to deliver further progress and improve our financial performance.

International growth: Our International business has delivered 6% per annum sales growth since 2006 and taken market share. We have identified opportunities to gain market share faster by adopting a single global approach to serving our core customer groups.

Develop two strong offers: We have built a strong electronics offer through investment in over 100,000 new products since 2006. We also delivered good growth from our maintenance offer, particularly automation & control. We have an opportunity to grow faster and more efficiently by creating a single global offer.

Exploit eCommerce: eCommerce is at the heart of our multi-channel marketing approach. It has grown four times as fast as the Group over the past seven years, growing its share of our business from 25% to 56%. We have identified opportunities to grow faster by creating a global eCommerce 'machine' to acquire and develop new customers and deploying our highly skilled sales force to better manage the customer life cycle.

Deliver operating leverage: Operating leverage has been delivered through economies of scale and improved cost efficiency, offset by lower gross margin due to price repositioning and mix. We have identified an opportunity to continue to deliver operating leverage and partially mitigate gross margin pressure through a global pricing strategy.

Maintain UK profitability: Our UK business has delivered 1% sales and contribution growth since 2006. We have identified an opportunity to grow sales in line with the market whilst maintaining high profitability by adopting a single global approach to serving our core customer groups.

Evolving to a common global strategy

Since 2006 it has become increasingly evident that there are clear benefits to being a large, global competitor in this marketplace. Customer needs are similar everywhere, leading suppliers in our industry are global and the internet enables global marketing. We have the global footprint, relationships with suppliers and eCommerce capabilities to take advantage of these trends. Moreover, our experience since 2010 of managing our European business as a single region has demonstrated the effectiveness of a common strategy, as Europe has delivered an average of 10% per annum underlying sales growth since then, significantly ahead of the underlying market growth.

Following an extensive review of how to maximise our ability to capture the benefits of being a large, global company we have, during the last year, transitioned from a country-based structure to a global operating model that is functionally-based but which retains the value of a local sales presence. This comprises three operational functions – Sales, Marketing and Offer (comprising the Group's product and stock management, pricing and supply chain activities), and four support functions – Strategy, IT, Finance and HR. Each function is being run by an existing member of our highly-experienced management team. This move to a global operating model involved the removal of some duplication within the business and has delivered annualised efficiencies of £7 million.

The new global operating model has enabled us to evolve to a common global strategy. We believe that this will allow us to capture the significant opportunities identified above to build on our 2006 strategy. This global strategy comprises seven strategic priorities, with four key growth initiatives supported by three enablers. These seven strategic priorities, described overleaf, are supported by additional investment that will be funded from our existing cash flows. We will be investing an additional £15 million per annum in capital expenditure over the next five years, over and above our historical run-rate of £25 million per annum, with this incremental investment focused on our growth initiatives. We believe that the global organisation and strategy will enable us to extend our advantages over our numerous smaller competitors and accelerate the rate at which we gain market share in fragmented markets over the medium term.

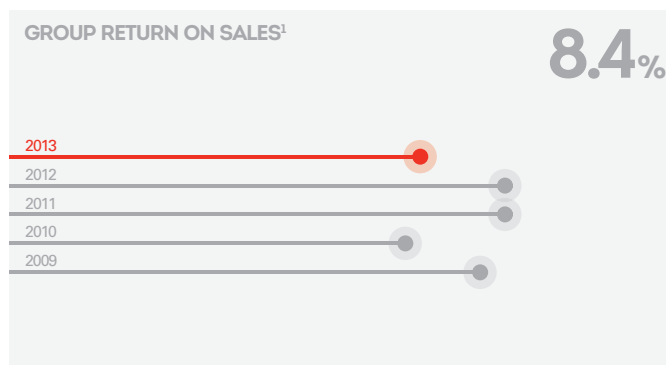
MEDIUM-TERM PERFORMANCE FRAMEWORK

Following the evolution of our strategy we have reviewed our medium-term performance framework. The new global strategy is expected to deliver improved medium-term financial performance as highlighted in the table above.

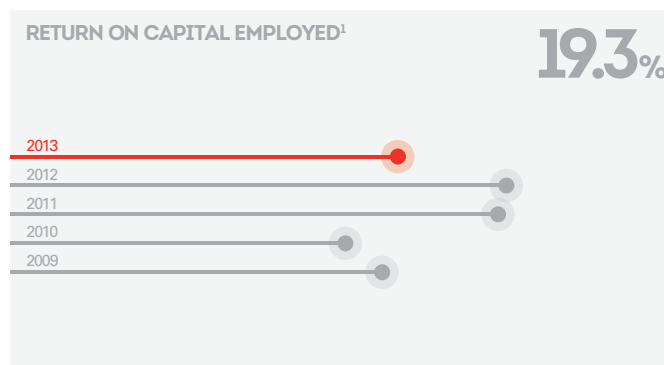
Higher sales growth

We are targeting an average Group sales growth rate of 5% to 8% per annum through the cycle. This represents a significant improvement over our historical average Group sales growth performance of 4% per annum.

Whilst we expect the global economic outlook to remain challenging, our global strategy is expected to enable us to accelerate the rate at which we gain share in our international markets. During the past seven years share gains have contributed around half of the 6% per annum International sales growth. Going forward we expect share gains to be a greater contributor to sales growth, enabling us to reach the upper end of our 7% to 10% per annum International sales growth target. With an extensive footprint of 17 distribution centres around the world we have the capacity to achieve this sales growth from our existing distribution network.



¹ Headline operating profit expressed as a percentage of sales



¹ Headline operating profit expressed as a percentage of net assets plus net debt

We are raising our ambitions for the UK business, targeting an average of 1% to 2% per annum sales and contribution growth rather than seeking to maintain contribution. This improved outlook is based on our experience of the last seven years, when the UK has delivered sales growth of 1% per annum, combined with our belief that the UK manufacturing sector now provides a more stable trading environment than it did a decade ago.

Improved profitability and returns on capital employed

Sales growth will remain the key driver of operating leverage, augmented by process cost leverage and efficiencies from our move to a global operating model. Over the medium term we expect that gross margins will reduce by around 2% points as we grow faster in lower-margin technologies and countries. Our global pricing strategy will enable us to capture more value and partially mitigate the investment in margin we will make to improve our value for money proposition to customers.

These cost and gross margin actions are expected to result in a medium-term Group operating margin range of between 9% and 11%. This is an improvement on our historical performance of 7% to 10%, adjusted to reflect a 75:25 International:UK sales mix.

Over the past seven years the Group's return on capital employed (including goodwill) has ranged between 15% and 25%, significantly above the Group's weighted average cost of capital. We are targeting to raise this range to between 20% and 30% as the benefits of faster sales growth and continued strong cash flow generation are realised.

Strong free cash flow enabling dividend growth

Our global strategy is being supported by additional investment. Combined with a slight improvement in stock turns and improved profitability we are targeting medium-term Group headline free cash flow to sales to range between 4% and 6%.

The Group's free cash flow should enable the Board to maintain and grow the dividend over the medium term. As previously indicated, over time and as earnings increase, the Board intends to pursue a progressive dividend policy whilst increasing headline earnings dividend cover towards two times.

Ian Mason, Group Chief Executive

23 May 2013

WATCH IAN'S VIDEO INTERVIEW ONLINE



"THERE ARE CLEAR BENEFITS TO BEING A LARGE, GLOBAL COMPETITOR IN THIS MARKETPLACE. WE ARE WELL PLACED TO CAPTURE THESE BENEFITS AND EXTEND OUR ADVANTAGES OVER OUR NUMEROUS SMALLER COMPETITORS"



To watch Ian's video interview visit:
www.electrocomponents.com

DESIGNED FOR GROWTH

Our vision to be the World's Distributor of Choice has been consistent for many years. Given the evolving structural trends in our industry we have revisited our strategic initiatives to ensure we are focused on the right priorities to turn our vision into reality.

Our new global operating model has enabled us to evolve the strategy to a common global strategy.

This global strategy comprises seven strategic priorities, with four key growth initiatives supported by three strategic enablers. These seven strategic priorities are described below, together with a summary of our priorities over the next 12 months for each element of the strategy and their link to the Group's key performance indicators (KPIs) and principal risks.

We believe that this new strategy will enable us to grow faster and more profitably over the medium term.

OUR SEVEN STRATEGIC PRIORITIES

"WE ARE CONFIDENT THAT OUR SEVEN STRATEGIC PRIORITIES WILL ENABLE US TO GROW FASTER AND MORE PROFITABLY OVER THE MEDIUM TERM"



GROW TARGET CUSTOMERS

We will increase customer numbers and our sales to existing customers by focusing on our four core customer groups: Electronic Design Engineers, Machine and Panel Builders, Maintainers and Buyers. Our offer will be based on the needs of these groups, underpinned by our global approach.

Priorities for 2014

We will design and implement business plans for each of our customer groups, aligning their needs with the appropriate channel and service levels in an integrated contact strategy. We will share and level up best practice across the Group to improve our sales effectiveness.

Link to KPIs*

- Group sales growth

Link to Risks**

- Increasing competition
- Customer acquisition, retention and frequency of spend
- Delivery of Group strategy

ONE GLOBAL OFFER

We will use our industry-leading footprint to get more products to more customers by making 75% to 85% of our range available to all our customers across the world without compromising our reliable, high level of service. We will be famous for electronics and automation & control and will focus on driving a higher return on stock.

Priorities for 2014

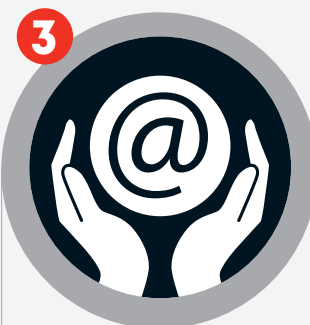
We will begin to level up the global range across RS and Allied and develop the global supply routes necessary for a reliable, high service level worldwide.

Link to KPIs*

- Group sales growth
- Group return on sales
- Headline return on capital employed
- Headline free cash flow as a % of sales

Link to Risks**

- Increasing competition
- Delivery of Group strategy
- Effective range management
- Product data integrity



ECOMMERCE WITH A HUMAN TOUCH

We will significantly develop eCommerce to acquire customers at a faster rate than before, and our medium-term target remains for 70% of our business to be transacted online (2013: 56%). For high-value customers we will deploy our highly skilled sales people to nurture these opportunities. By allocating digital and human resources more effectively we will manage our customer base more profitably.

Priorities for 2014

We will invest in a brand awareness and customer nursery programme focused on our growth markets. We will increase our investment in digital marketing to drive more traffic to our websites, and increase the conversion of visitors to customers through behavioural marketing.

Link to KPIs*

- Group sales growth

Link to Risks**

- Increasing competition
- Customer acquisition, retention and frequency of spend
- Delivery of Group strategy
- Product data integrity

* More information on our KPIs can be found on page 14.

** More information on our risks can be found on pages 24 to 27.



VALUE FOR MONEY

We will transform our customers' perceptions of the value we offer them, through the consistent, global execution of our strategy. There will be a step change in how we communicate our value and why this sets us apart from the competition, supported by dynamic pricing.

Priorities for 2014

We will roll out our price differentiation strategy globally, building on the successful piloting of this strategy in Europe, and make targeted margin investment to develop high-value customers. There will be automated online price messaging to improve our service to customers and their price perception.

Link to KPIs*

- Group sales growth
- Group return on sales

Link to Risks**

- Increasing competition
- Customer acquisition, retention and frequency of spend
- Delivery of Group strategy
- Pricing risk
- Product data integrity

HIGH PERFORMANCE TEAM

Our people will ensure the successful delivery of our strategy. Our focus will be on driving a high performance culture that equips our people with the skills and capabilities that they need to achieve our growth ambitions.

Priorities for 2014

We are focused on building the change and programme management capabilities and identifying the future skills requirements to equip the Group to deliver our strategy. We will act upon our first global employee engagement survey.

Link to Risks**

- Delivery of Group strategy
- People risk



BUSINESS INSIGHT

We will increase our capability to turn data into insight and understanding, through consistent global data, improved data tools and a culture where we actively seek new insights.

Priorities for 2014

We will invest in a business intelligence system and establish the governance structures that will make our product data readily available to users in one place, supporting quicker and more effective insight.

Link to Risks**

- Delivery of Group strategy
- Product data integrity

WORLD CLASS SYSTEMS AND SUPPLY CHAIN

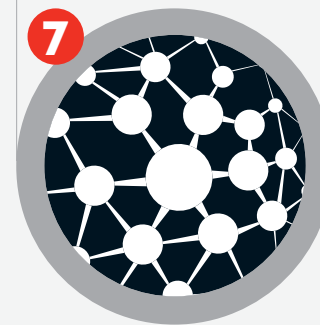
We will create a world class infrastructure and our systems will be built on a single platform to give us pace and agility. A globally-connected freight network will deliver a fast, reliable service for customers.

Priorities for 2014

We will continue to roll out a SAP-based system across Asia Pacific, the last region in the Group to move to a SAP-based platform. Having completed the system implementation in Australia, we will deliver it to South East Asia and begin the planning for implementation in Greater China.

Link to Risks**

- Delivery of Group strategy
- Key infrastructure dependencies



SIGNIFICANT IMPROVEMENT IN SECOND HALF PERFORMANCE VS. FIRST HALF

FINANCIAL PERFORMANCE AND POSITION

Financial Performance		
	2013	2012
Sales	£1,235.6m	£1,267.4m
Gross margin	46.0%	46.8%
Headline contribution ¹	£243.7m	£266.8m
Headline Group Process costs ¹	£(139.4)m	£(138.7)m
Headline operating profit ¹	£104.3m	£128.1m
Interest (net)	£(5.6)m	£(5.8)m
Headline profit before tax ¹	£98.7m	£122.3m
Headline free cash flow ¹	£56.1m	£52.7m
Headline earnings per share ¹	15.7p	19.5p
Dividend per share ²	11.75p	11.75p
Net debt to EBITDA ³	1.2x	1.0x

¹ Headline measures of profitability and cash flow are defined as the relevant reported profit/cash flow measure before reorganisation costs/cash flows

² 2013: includes 5p interim and 6.75p proposed final dividend

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

Sales

The Group delivered annual sales of £1,235.6 million, representing underlying full-year sales growth of 0.5% despite a challenging economic environment throughout the year. The sales of our maintenance products (59% of Group sales) grew by 3%, outperforming those of our electronics products (41% of Group sales), which declined by 2%. The continued development of the Group's eCommerce channel resulted in eCommerce sales growth of 4% and eCommerce averaged 56% of Group sales during the year. Around three fewer trading days and adverse currency movements reduced Group reported sales by around £38 million.

Gross margin

Gross margin at 46.0% was 0.8% points below the prior year. The rate of decline was greatest in the first half, when gross margin was 1.2% points below the prior year, impacted particularly by increased use of customer discounts, stronger performance from lower-margin technologies and adverse currency movements. Both UK and International gross margins were impacted by a similar amount.

At the end of the first half we set out a number of actions to improve gross margin during the second half, including a targeted price differentiation strategy and improved customer discount effectiveness. As a result of these actions the decline in gross margin was reduced significantly in the second half to 0.3% points.

Costs

Headline operating costs at constant currency increased by 1.7% over the previous year (versus a 0.1% decline as reported) and increased by 0.9% points of sales to 37.6%. This increase was greatest in the first half, when headline operating costs at constant currency increased by 3.1%.

At the end of the first half we set out a number of actions to reduce headline operating costs as a percentage of sales in the second half as compared to the first half. These included control of discretionary costs and efficiencies from the implementation of our global organisation structure. These organisational cost efficiencies amounted to £4 million in the second half, with the annualised run-rate being £7 million. The costs of achieving these efficiencies were £7.4 million, and are recorded as non-recurring reorganisation costs below headline profit before tax.

As a result of these actions, and after allowing for continued investment in search engine marketing to drive future sales growth, headline operating costs as a percentage of sales reduced by over 1% point in the second half and headline operating costs at constant currency were broadly flat year-on-year.

Headline profit before tax

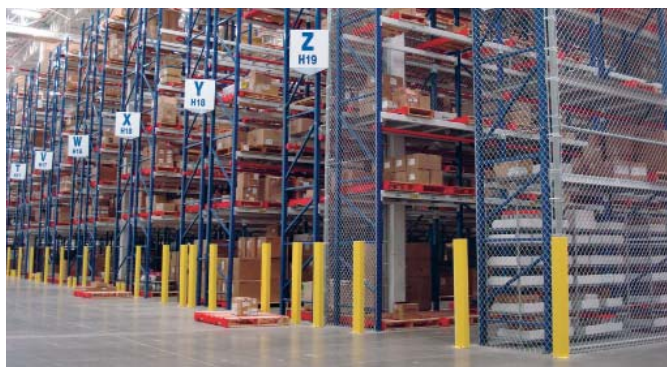
Headline profit before tax was £98.7 million, a decrease of £23.6 million (or 19.3%) on the prior year. Around £10 million of this decrease was due to fewer trading days and adverse currency movements (principally due to the weakening of the Euro against Sterling) compared to the prior year. The remainder of the decrease reflected the lower gross margin and increase in headline operating costs at constant currency noted above.

From a regional perspective the decrease in headline profit before tax was primarily the result of the International business contribution reducing by £23.0 million, with all regions within International impacted by gross margin pressure and negative operating leverage. Continental Europe's contribution declined by £8.9 million, North America contribution fell by £8.4 million, whilst Asia Pacific's contribution fell by £5.7 million.

There was a significant improvement in headline profit before tax in the second half (£57.2 million) as compared to the first half (£41.5 million), primarily reflecting the impact of our actions to improve gross margin and control operating costs described above, together with normal seasonality.

Reported profit before tax

Reported profit before tax comprises headline profit before tax after reorganisation costs. During the year non-recurring reorganisation costs of £7.4 million were recorded. These costs primarily related to redundancy charges arising from the implementation of the new global operating model.



Taxation

The Group's effective tax rate was 30% of headline profit before tax, a reduction of 1% point from the prior year. The effective tax rate on reported profit before tax was 31%, the same rate as in 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. The effective tax rate was higher than the cash tax rate of 28% of headline profit before tax, which is expected to increase going forward as prior-year tax losses are utilised.

Headline earnings per share

Headline earnings per share of 15.7p decreased by 19% year-on-year, broadly in line with the decrease in headline profit before tax.

Dividend

The Board is proposing a maintained final dividend of 6.75p per share. This will be paid on 22 July 2013 to shareholders on the register on 21 June 2013. As a result, the total dividend for the financial year will be maintained at 11.75p per share, resulting in headline earnings dividend cover of 1.3 times.

Cash flow

Headline free cash flow for the year of £56.1 million was 6% above the prior-year level. The reduction in headline profit before tax was more than offset by lower working capital and lower capital expenditure. Reported free cash flow for the year was £49.3 million. This was £6.8 million lower than the headline free cash flow, reflecting the cash out flows associated with the reorganisation of the business.

As planned, stock turn reduced slightly from 2.6 times to 2.5 times, reflecting additional investment in our electronics range. Following the major investment in systems in North America, UK and Continental Europe in the previous year, net capital expenditure reduced by £10.4 million as the Group's systems investment moved to Asia Pacific.

In the next year we are planning to invest around £40 million in capital expenditure to support our medium-term growth ambitions (2013: £27 million). This increase in capital expenditure is consistent with the planned step-up in investment over the next five years to drive faster sales growth, as outlined in the strategy update. We will continue the phased implementation of a new IT system in Asia Pacific. Additional investment will be targeted at our new strategic priorities, including further enhancements to the Group's eCommerce functionality, a business intelligence system to improve our insight capabilities, and systems to enable the levelling up of the RS and Allied product ranges as we move towards a single global offer.

Financial position

At 31 March 2013 net debt was £159.7 million. This was £5.5 million higher than last year. Dividend payments of £51.3 million exceeded reported free cash flow of £49.3 million. The balance of the movement was largely due to finance leases and currency movements.

The Group's committed debt finance comprises a syndicated multicurrency facility (currency split: US \$75 million, £120 million, €50 million) from seven banks maturing in November 2015, together with \$150 million of US Private Placement (PP) Notes, comprising \$65 million with a June 2015 maturity and \$85 million with a June 2017 maturity. Taken together, the Group's committed debt facilities and loans amount to £305.3 million, of which £149.2 million was undrawn as at 31 March 2013.

Year end net debt comprised gross borrowings of £169.0 million (currency split: £61.3 million US Dollars, £70.6 million Sterling, £32.0 million Euros and the balance in other currencies) and financial assets of £9.3 million. The currency mix is designed to partially hedge the Group's translation exposures. The peak month-end net borrowing during the year (using monthly exchange rates) was £202.2 million.

The Group's financial metrics remain strong with net debt to EBITDA of 1.2 times and EBITA interest cover of 21.1 times, with significant headroom to the Group's banking covenants.

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 £19.0 million at 31 March 2013. This balance comprised a £5.7 million deficit in Germany, £0.9 million deficit in the Republic of Ireland and £12.4 million deficit in the UK.

The largest defined benefit scheme is in the UK where the accounting valuation as at 31 March 2013 disclosed a deficit of £12.4 million compared to a surplus of £10.6 million last year (before the application of IFRIC14). 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. As a result of changing financial assumptions, principally around discount and inflation rates, we expect the defined benefit non-cash pension cost to increase in the year ended 31 March 2014 by an additional £1 million.

Amendments to IAS 19 became effective for periods beginning on and after 1 January 2013. We have not adopted these amendments in the Group's 2013 accounts but will adopt them for the first time in the Group's 2014 accounts. If these amendments had been applied to the Group's accounts for the financial year ended 31 March 2013, they would have increased the defined benefit non-cash pension expense in the income statement by approximately £5 million. When we publish the Group's accounts for the financial year ending 31 March 2014 we will restate the prior-year pension charge to reflect these amendments.



“EFFICIENCIES WERE REALISED FOLLOWING THE IMPLEMENTATION OF THE NEW GLOBAL OPERATING MODEL”

INTERNATIONAL

	2013	2012	Growth reported	Growth underlying ¹
Sales	£860.5m	£902.7m	(4.7)%	(0.8)%
Gross margin	44.6%	45.4%		
Operating costs	£(245.7)m	£(249.4)m	1.5%	(1.4)%
Contribution	£137.8m	£160.8m	(14.3)%	(11.4)%
Contribution % of sales	16.0%	17.8%		

¹ Adjusted for currency; sales also adjusted for trading days

The International business represents 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 sales declined by 1%, primarily due to a 3% decline in North America sales. Our Continental Europe business grew sales by 1%, whilst Asia Pacific sales were flat.

International eCommerce sales grew by 1%, driven by a strong performance in Continental Europe which offset declines in eCommerce sales in North America and Asia Pacific. The two latter regions delivered a significant improvement in eCommerce sales growth rates in the second half as compared to the first half.

International gross margin declined by 0.8% points over the year, with all regions within International reporting a similar decline. The decline eased in the second half to 0.5% points as compared to 1.2% points in the first half. This reflected the action we took to improve customer discount effectiveness and implement a targeted price differentiation strategy. Throughout the year there has been a negative product mix impact on gross margin due to a stronger sales performance from lower-margin technologies, such as test & measurement.

International operating costs at constant currency grew by 1.4%. As with the gross margin, there was a significant improvement in this measure in the second half as compared to the first half, when operating costs at constant currency grew by 4.4%. Whilst there continued to be fixed cost inflation in the second half, efficiencies were realised following the implementation of the new global operating model and discretionary costs were tightly controlled. As a result, operating costs at constant currency declined by 1.6% in the second half.

As a result of the above-mentioned movements, underlying contribution at constant currency decreased by 11%. Contribution as a percentage of sales reduced by 1.8% points to 16.0%.

CONTINENTAL EUROPE

	2013	2012	Growth reported	Growth underlying ¹
Sales	£426.2m	£456.3m	(6.6)%	0.6%
Contribution	£90.9m	£99.8m	(8.9)%	(3.3)%
Contribution % of sales	21.3%	21.9%		

¹ Adjusted for currency; sales also adjusted for trading days

Our business in Continental Europe operates in fifteen markets. The largest of these are France, Germany and Italy, which together comprise around 70% of sales in the region. The remaining markets are Austria, Belgium, Czech Republic, Denmark, Hungary, Ireland, Netherlands, Norway, Poland, Spain, Sweden and Switzerland.

Following a flat underlying sales performance in the first half there was a slight improvement in underlying sales growth across the region during the second half, resulting in 1% growth for the full year. During the year the manufacturing Purchasing Managers Indices (PMIs) were below 50 in our major European markets, indicative of a contracting manufacturing sector, so we believe that our sales performance reflects positively on our initiatives to improve the customer proposition.

The region continued to make good progress expanding its online business, generating 10% eCommerce sales growth during the year. eCommerce sales share was 66% over the period compared to 61% in the prior year, approaching our Group target of 70%. Increased search engine marketing and the significant enhancements to our websites, which have made the process of buying products clearer, faster and easier, have supported this performance.

During the year the European business strengthened its leading automation & control offer, expanding its Siemens stocked range to more than 20,000 products and launching the complete Omron industrial safety product range across Europe.

Having taken the decision to defer the European catalogue in the previous financial year, we reintroduced it this year (for the first time it covers the entire Europe, Middle East and Africa region in one catalogue). Whilst the catalogue has been received positively by our customers, this means that the year-on-year comparison of contribution has been adversely impacted by around £1 million, being the costs associated with producing and marketing the catalogue. The 3% decline in contribution at constant currency reflected a lower gross margin and these catalogue costs, together with fixed cost inflation in an environment of low sales growth.



NORTH AMERICA

	2013	2012	Growth reported	Growth underlying ¹
Sales	£268.6m	£277.5m	(3.2)%	(3.3)%
Contribution	£34.9m	£43.3m	(19.4)%	(20.3)%
Contribution % of sales	13.0%	15.6%		

¹ Adjusted for currency; sales also adjusted for trading days

Allied, our North American business, reported an underlying sales decline of 3.3% during the year. Following a decline of 5.1% in the first half, there was an improvement in sales performance during the second half.

The second-half improvement did not reflect a change in trading conditions – the majority of Allied's sales relate to electronics which remained a difficult market during both the first half and second half. Instead, the improvement in sales performance reflected a combination of easier comparators as the year progressed and enhanced sales force productivity following the temporary decline in this during the first half, when the sales force were adapting to the new IT system implemented in January 2012.

System enhancements during the second half also improved Allied's website functionality and our online sales performance. eCommerce sales declined by 26% in the first half following a temporary reduction in online functionality but, after the online functionality was restored in the second half, strong eCommerce sales growth returned and the full-year eCommerce sales decline reduced to 16%. eCommerce sales share improved from 32% in the first half to 36% in the second half, and is on track to return to the 40% level it reached during the prior financial year.

During the year Allied added over 30,000 new products to its portfolio, including products from new suppliers such as Siemens, Keithley Instruments/Tektronix and Yokogawa. The business extended its product range with Panasonic to include passives and semiconductors, and signed a new distribution agreement with Orion Power Systems to add its power protection solutions for data and security applications to its product portfolio. Allied's strong automation & control offer was significantly enhanced during the year when the business signed an agreement with Siemens to become an authorised distributor of Siemens' low-voltage products.

The 20% reduction in contribution at constant exchange rates primarily reflected the negative operating leverage caused by fixed cost inflation against a backdrop of lower sales, together with a lower gross margin.

ASIA PACIFIC

	2013	2012	Growth reported	Growth underlying ¹
Sales	£165.7m	£168.9m	(1.9)%	(0.1)%
Contribution	£12.0m	£17.7m	(32.2)%	(32.4)%
Contribution % of sales	7.2%	10.5%		

¹ Adjusted for currency; sales also adjusted for trading days

The Group's business in Asia Pacific is the region's market leader, operating across 13 markets. Sales across the region are split broadly equally between Japan, Australasia, Greater China and South East Asia. During the year the region reported flat underlying sales growth, reflecting growth in our emerging markets of Greater China and South East Asia and declines in Japan and Australasia.

Greater China and South East Asia delivered sales growth in both the first half and second half, benefiting from the investment in additional products that we have been making in recent years to improve our product range, notably in China.

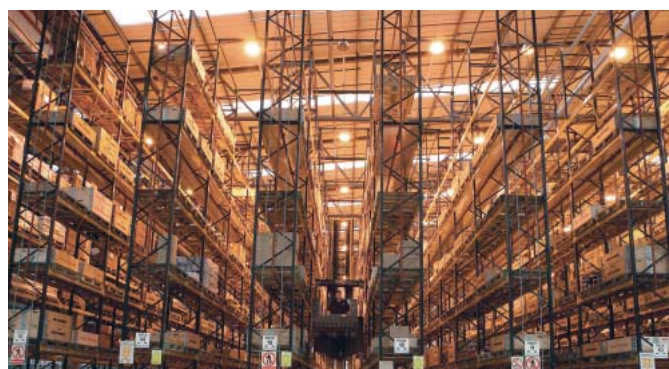
Our Japanese business, which is primarily focused on electronics, faced particularly difficult trading conditions during the first nine months of the financial year. Tough comparators and deteriorating manufacturing PMIs compounded a difficult environment for electronics globally. During the final quarter the manufacturing PMI improved to the neutral 50 level and the rate of sales decline eased.

Australasia had a strong first quarter, but this then gave way to a more challenging trading environment as the Australian natural resources sector slowed. Against this backdrop the business successfully went live with a new IT system.

The region's eCommerce performance was impacted by the weak Japan sales performance, as Japan has a high eCommerce sales share of around 70%. As a result, eCommerce sales in Asia Pacific declined by 3% during the year (growth of 3% excluding Japan). eCommerce sales share over the year was flat at around 50%.

Asia Pacific had considerable success winning large corporate accounts during the year, securing over 30 new contracts, and the region's product offer was enhanced via new agreements with Agilent Technologies and an extended partnership with SMC.

Asia Pacific's contribution as a percentage of sales reduced to 7.2% from 10.5%, primarily reflecting increased operating costs, due to inflation, higher stock costs and investment in marketing initiatives to raise our brand awareness, and a reduction in gross margin.



UK

	2013	2012	Growth reported	Growth underlying ¹
Sales	£375.1m	£364.7m	2.9%	3.7%
Gross margin	49.3%	50.0%		
Operating costs	£(79.0)m	£(76.5)m	(3.2)%	(3.2)%
Contribution	£105.9m	£106.0m	(0.1)%	(0.1)%
Contribution % of sales	28.2%	29.1%		

¹ Sales adjusted for trading days

Our UK operation, which celebrated its 75th anniversary during the year, is the largest high service distributor in its market. The UK business reported underlying sales growth of 3.7%, of which 2.3% points comprised sales of Raspberry Pi both within the UK and internationally. Raspberry Pi is a low-cost, credit card-sized single-board computer designed and developed by the Raspberry Pi Foundation, a charity established to promote computer development skills in education across the world. As such, it is a lower-margin product.

Excluding the sales of Raspberry Pi products and accessories, the UK business generated 1.4% underlying sales growth. Maintenance comprises around 75% of the UK's sales, and the relatively low exposure to the electronics market benefited the UK's performance. There was a good performance from our corporate accounts as we continued to attract new customers and expand our product range with existing accounts. We also began to sell value-added services to these accounts, such as insight into their procurement behaviour. Corporate accounts now contribute over a quarter of the UK's sales.

eCommerce revenue grew by 10% during the year, with eCommerce revenue share averaging 62% compared to 58% in the prior year. This strong performance was driven by continued investment in search engine marketing and search engine optimisation, the development of our online chat service, Live Chat, and the enhancements made to our websites to make it easier for customers to order and purchase products from us.

Following the 1.4% point reduction in gross margin in the first half, the UK's gross margin returned to 50% in the second half, as it benefited from our actions to improve customer discount effectiveness and our price differentiation strategy versus the competition. This resulted in a full-year decline in gross margin of 0.7% points which, combined with 3% cost growth from increased sales volumes and inflation, led to an unchanged contribution year-on-year. Contribution as a percentage of sales was maintained at a strong level in excess of 28%.

PROCESSES

	2013	2012	Change reported	Change underlying ¹
Process costs	£(139.4)m	£(138.7)m	(0.5)%	(1.5)%
Costs % of sales	(11.3)%	(11.0)%		

¹ Adjusted for currency

The Processes principally comprise our teams that manage our Group-wide Marketing, Offer and IT activities, together with Group management and head office costs. Process costs rose by 1.5% at constant exchange, primarily reflecting the impact of fixed cost inflation offset by efficiencies following the move to a global operating model.

There has been ongoing investment in our initiatives to drive future sales growth. This includes enhancements to our websites to make it faster and easier to buy products from us. We have also made improvements to our leading suite of technical design tools for customers. Version 4.0 of DesignSpark PCB now features a new library manager, which integrates with ModelSource, a new online component library which is freely available as a standalone tool via the DesignSpark website. The libraries are aligned with our product offer and enable engineers to focus on innovation, research and development rather than spending time on creating the basic building blocks of the design.

We have strengthened existing partnerships with leading global brands and added new suppliers to our product portfolio. RS added over 40,000 new products in the year, with Allied adding over 30,000. We have extended our relationship with Siemens to North America, added passives and semiconductors to our Panasonic range in North America, expanded our portfolio of Agilent Technologies test & measurement products in Asia Pacific and signed a new distribution agreement with Samtec, a leading supplier of connectors, covering Europe, Middle East, Africa and Asia Pacific.

Following the move to a global operating model we have also signed a number of new global freight contracts. These agreements will further improve the service provision to customers and provide support for driving sales growth while reducing the total cost of global freight services.

“THE GROUP IS WELL PLACED TO CAPTURE MARKET SHARE IN ITS INTERNATIONAL MARKETS AND WE ARE THEREFORE INCREASING INVESTMENT IN OUR STRATEGIC INITIATIVES”

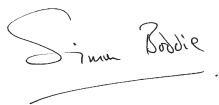
CURRENT TRADING AND OUTLOOK

In the first seven weeks of the new financial year, the Group has delivered sales growth of 1%. The International business grew by 1% and the UK was flat. Within International, Continental Europe grew by 2%, North America grew by 1% and Asia Pacific declined by 1%.

Whilst mindful of challenging economic conditions, we are implementing our common global strategy and expect to make progress towards our medium-term performance goals. The Group is well placed to capture market share in its international markets and we are therefore increasing investment in our strategic initiatives.



Ian Mason, Group Chief Executive



Simon Boddie, Group Finance Director

23 May 2013

WATCH SIMON'S VIDEO INTERVIEW ONLINE



“IN THE NEXT YEAR WE ARE PLANNING TO INVEST AROUND £40 MILLION IN CAPITAL EXPENDITURE TO SUPPORT OUR MEDIUM-TERM GROWTH AMBITIONS”



To watch Simon's video interview visit:
www.electrocomponents.com

MANAGING OUR RISKS EFFECTIVELY

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) who are 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, 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 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 then by the Audit Committee in the annual risk review. The results of the risk assessment are factored into the audit plan to focus audit testing on key controls within the business.

The risk management process is subject to ongoing review which aims to ensure the process is effective and promotes management ownership of risk.

Principal risks and uncertainties

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

In light of the significant changes undertaken by the Group this year, including the transition to a global operating model and the evolution of a new common global strategy, an additional risk has been identified – 'Risk to the delivery of the Group's strategy'.

The first table, on this page and opposite, 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.

The second table, on pages 26 to 27, is a list of risks classified as 'Significant'. Owners of all significant risks regularly report the impacts and mitigating actions to the GEC. If the risk increases, or if requested, the owner may be called upon to present the risk mitigation plans to the Board.

RISK

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.

Increasing competition in high service distribution

New and existing competitors close the service gap, offering improved service standards and value propositions.

Changes to global competitive markets potentially challenge the growth assumptions made in the Group's strategy.

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.

Risks to the delivery of the Group's strategy

The Group's strategic objectives will require close management and co-ordination to be delivered effectively.

The risk is that the Group's resources and capabilities will be challenged by the scale and complexity of what is required.

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.

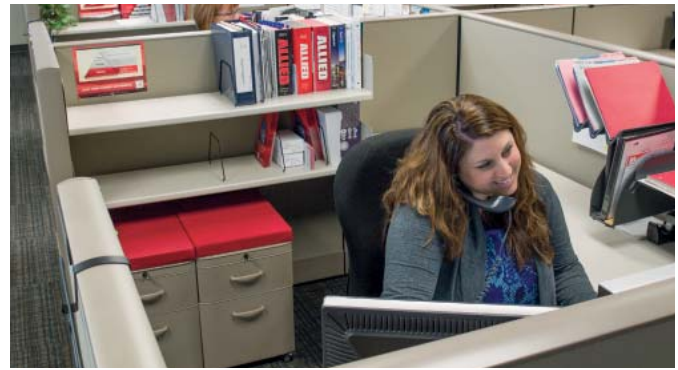
IMPACT	KEY RISK MEASURES	MITIGATING ACTIONS
Threat <ul style="list-style-type: none"> Reduced sales Lowering of operational leverage Excess stock Bad debt increase Funding shortfall Opportunity <ul style="list-style-type: none"> Focus on markets served by smaller competitors Customers reduce stock holding and use Electrocomponents to source components 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Cash generative business Strong balance sheet Significant headroom to the Group's banking covenants and facilities Manage costs Increasing global penetration Stock management
Threat <ul style="list-style-type: none"> Declining barriers to entry for new market entrants Customer switching costs reduce Increase in supply side options increases competition Opportunity <ul style="list-style-type: none"> Incumbency advantages in key markets Capabilities in place to adapt quickly to market changes and new opportunities 	<ul style="list-style-type: none"> Gross margin Customer loyalty/propensity to substitute Relative price performance to competitors 	<ul style="list-style-type: none"> Extensive and growing range in key technologies Dynamic pricing strategy Maintain high service level globally Enhance online experience Ongoing review of competitive forces and environment Access to distribution channels
Threat <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> Increased sales and profitability Sustained growth in market share 	<ul style="list-style-type: none"> New customer acquisition Average order frequency/average order value Metrics on new customer purchasing behaviours Customer retention metrics Customer satisfaction measures 	<ul style="list-style-type: none"> Customer acquisition campaign Brand awareness programmes in new markets Development programme to influence new customer purchasing behaviours Improvements to the online customer journey Targeted and relevant mass marketing programmes Continuing high levels of new product introductions
Threat <ul style="list-style-type: none"> Insufficient internal expertise Risk of implementation delays and cost overrun Unexpected events disrupt delivery timeframes Opportunity <ul style="list-style-type: none"> Clearly defined strategic direction and opportunity Develop market-leading capabilities and service 	<ul style="list-style-type: none"> Programme management review and reporting processes Monitoring of benefits and costs Monitoring against defined programme delivery methodology Operational excellence and continuous improvement challenge 	<ul style="list-style-type: none"> Clearly defined business objectives and implementation planning Global organisational structure in place RS/Allied 'The Way We Work' behaviours and global change programme in place Functional ownership of projects with resourced programme management process in place
Threat <ul style="list-style-type: none"> Pressure on gross margin from lower prices and increased customer discounts Lower sales if we do not act quickly Opportunity <ul style="list-style-type: none"> Differentiated by industry-leading service levels Sales opportunity for RS-branded value products 	<ul style="list-style-type: none"> Gross margin Value for money performance Competitor price matching coverage Frequency of price reviews RS brand sales growth Service level performance indicators 	<ul style="list-style-type: none"> Dynamic pricing strategy Adapt sale prices in response to and in anticipation of external factors Increase price matches with competitor products Continue focus on customer service Monitor and maintain customer order fill and line fill



“ALL OPERATIONAL BUSINESSES FEED INTO THE RISK ASSESSMENT PROCESS. THE RESULTS OF THE ANNUAL RISK REVIEW ARE FACTORED INTO THE AUDIT PLAN TO FOCUS AUDIT TESTING ON KEY CONTROLS”

The following have been assessed as ‘Significant risks’. 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.

RISK	IMPACT
Product data integrity The risk is that current information and data structures inhibit the future effectiveness of eCommerce and the wider customer offer. The risk anticipates increasing market demands for faster rates of new product introductions, price changes and provision of comprehensive product information.	<ul style="list-style-type: none"> Customers find the website difficult to use, resulting in lost sales
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.	<ul style="list-style-type: none"> A prolonged disruption to our key infrastructure would impact order taking and order fulfilment, resulting in lost sales
Risks to the effective management of the range Ongoing development of the range with shortening product life cycles potentially increases the exposure of the business to higher levels of stock obsolescence as well as operational capacity constraints.	<ul style="list-style-type: none"> Reducing stock turns Increase in stock provision costs Deteriorating operational efficiency due to limitations on product induction and warehousing capacity
People risk The business is unable to attract or retain high-performing employees. Staff are not fully engaged and supportive of the business strategy.	<ul style="list-style-type: none"> We do not deliver the Group strategy
Foreign exchange rate volatility Currency exchange rate volatility.	<ul style="list-style-type: none"> Increased uncertainty in business planning, product procurement costs and income statement exposures
Pension cost increases Worsening economic conditions and weakening assumptions could lead to an increase in the liabilities and a reduction in the assets of the UK defined benefit pension scheme.	<ul style="list-style-type: none"> Increase in costs in the Income Statement Increasing cash contributions to the scheme



MITIGATING ACTIONS

- Strategic content programme delivering improvements in product data and content quality
 - Customer surveys to monitor customer expectations
 - Strong governance structures in place for new product introductions
-
- Contingency plans in place for our IT systems infrastructure
 - Strict controls over upgrades to core systems and other applications
 - Rigorous test processes prior to any new system release
 - Business continuity plans at warehouses, regularly tested
-
- Monitoring and analysis of new product developments to identify high-potential products and ranges
 - Monitoring of products through their lifecycle
 - Contractual arrangements with key suppliers on stock purchasing and product buy-back
 - Continuous improvement programmes to improve operational effectiveness and capacity to support range growth
-
- Training to develop existing employee competencies, new external expertise introduced where appropriate
 - Employee appraisal process seeks to align personal objectives with the Group's strategic objectives
 - Employee involvement in identifying and implementing changes to improve customer experience and deliver efficiencies
 - Annual employee survey, with initiatives targeted to address issues identified in the survey
-
- Forward contracts used against planned expenditure, increased purchasing of stock in Euros and US Dollars
 - Treasury Committee sets agreed risk tolerance levels
 - Compliance against foreign exchange exposure targets reported to Treasury Committee monthly
-
- Regular quarterly reviews of pension scheme funding position
 - Regular interaction with the pension scheme Trustee
 - Joint Trustee/company working party meets at least quarterly to review investments

DELIVERING SUSTAINABLE GROWTH



“WE BELIEVE THAT THE PROGRESSIVE ALIGNMENT OF OUR VALUES AND STRATEGY WITH RESPONSIBLE AND ETHICAL BUSINESS POLICIES AND PRACTICES IS A DRIVER FOR SUSTAINABLE GROWTH AND SUCCESS ACROSS THE WORLD”

In September 2012 we celebrated our 75th anniversary. Having started life selling parts for radios from a small garage in London, Radiospares, now known as RS Components, offered 50 products in its six-page catalogue. Today we offer 90,000 electronics and maintenance products in our catalogue and 550,000 products online. As in 1937 our business model is still based on high service, offering same day despatch, but now we serve over one million customers internationally from distribution centres in 17 locations across the world.

Corporate responsibility (CR) is an integral part of our business and as our business has evolved so has our commitment to sound CR policies and practices across the globe. Our key stakeholders include customers, suppliers, investors, employees, and communities, who expect us to be an honourable and moral organisation.

Our Group Chief Executive is the Director responsible for CR and the Board of Electrocomponents takes account of CR matters in the Group's business operations. Our new Non-Executive Directors have visited our distribution centres in the UK as part of their induction. We believe that the progressive alignment of our values and strategy with responsible and ethical business policies and practices is a driver for sustainable growth and success across the world.

Electrocomponents is a member of the FTSE4Good Index, which measures the performance of companies that meet globally recognised corporate responsibility standards. We have been included in the 2013 Corporate Knights Global 100 List of sustainable corporations based on the disclosure of our sustainability practices, financial health, product category and financial sanctions. This is the fifth time in the past seven years that Electrocomponents has been included in the Global 100 list.

We have identified the following corporate responsibility risks as having the greatest potential impact on our business and key stakeholders: carbon emissions, paper usage, product packaging, waste, health and safety issues, employee and community engagement. We address these risks and communicate our findings under three separate headings: Our People, Our Community and Our Environment. This year we have made encouraging progress on all three elements of our CR agenda.

Our people are our greatest asset and keeping them safe and healthy is of paramount importance. Our five-year global safety strategy was developed and implemented in 2012 and has already led to some impressive results, including a decrease of nearly 50% in reported accidents. In recognition of our health and safety success over this year, we have been awarded the Royal Society for the Prevention of Accidents (RoSPA) Silver award for ongoing commitment to raising occupational health and safety standards.

HIGHLIGHTS 2013

24%

reduction in lost time accidents

10%

reduction in total waste generated

82%

participation in global employee engagement survey



Silver award in RoSPA Occupational Health and Safety Awards

Following the restructure of our business into a global organisation in 2012, we have conducted our first global employee survey to learn how our people are feeling about the opportunity ahead, what motivates them and what's important to them. During the year ending 31 March 2014 we will digest the results of this survey and implement initiatives to address areas of concern highlighted to us by that survey.

Our reputation in the local community is important to us. We believe that we play a valuable role in supporting the development of our local communities and therefore invest time and resource in engaging with them. Our Community activities are strongly supported by our employees and we encourage our people to get involved. Local community activity and charitable giving are recorded and the results are monitored and reported to the Group.

We use a set of key performance indicators (KPIs) to assess and monitor the environmental performance of our businesses and sites. Our KPIs index environmental impacts to sales to reflect performance adjusted for business growth. This enables us to benchmark individual areas of the Group's business and helps identify opportunities for performance improvement.

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.





OUR PEOPLE....

We value our people and foster a culture that embodies our Group behaviours: Respect, High Performance, Working Together, Dynamic, and Customer Focused. We want to build a Group where our employees work together as one global team with one global vision, inspire trust amongst each other through openness and honesty and drive superior standards of professionalism. Our aim is to encourage accountability and continuous improvement while nurturing an innovative attitude. Our customers are at the heart of our business and we strive to continually meet their expectations.

We are committed to 'Building a Great Place to Work' and believe that we can attain this if we cultivate engaged employees who live by our Group behaviours. Employee engagement remains key to our business. We have also conducted our first global employee engagement survey, My Voice, which we will use to shape our future plans. An impressive 82% of employees participated. We recognise that developing their skills, motivation and teamwork is key to achieving our strategic objectives and are committed to helping them reach their full potential.

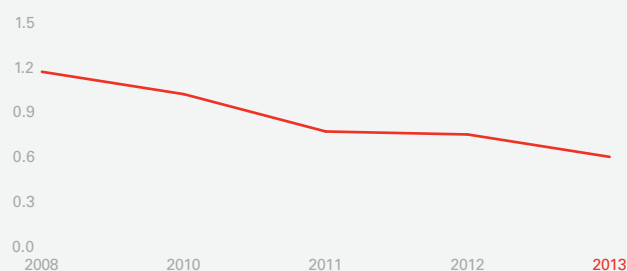
We conduct performance appraisals twice a year, encourage regular one-to-ones with line managers and use tools such as 360 feedback. Development programmes are offered and delivered through specific courses, on-the-job and virtual learning. We also offer a number of global programmes, such as Leadership Coaching.

Our evolution to a global operating model has resulted in a year of significant change for our people. We involved our senior leaders in defining and agreeing the changes, ensuring that we remained fair and transparent throughout the process. We recognised the importance of effective and regular communication, and encouraged employee feedback, using a variety of channels including videos, newsletters, emails, and our intranet. We encouraged our managers to provide regular support to their teams so that our people understood why change was necessary. We have created a network of global Change Champions to support our people as we implement the changes necessary to achieve our seven strategic priorities.

We respect the rights of our employees and aim to treat them with dignity and consideration. We are committed to a policy of equality and apply the same criteria to all employees regardless of gender, disability, ethnicity or any other factor that could be the cause of discrimination. Our focus is to educate our managers to create a more diverse and inclusive culture. This includes reverse mentoring to provide insight into another perspective and to challenge stereotype and judgement. We also monitor statistics around recruitment, promotion and exit to provide insight for improving our processes.

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.

LOST TIME ACCIDENTS (LTAs)/200,000 HOURS



....AND THEIR HEALTH AND SAFETY

Health and safety is a key element of 'Building a Great Place to Work' and integral to continued economic success and a sustainable future. Our core objective is to achieve long-term cultural change within the business, promoting good practice and behaviours amongst all employees. Our health and safety systems, processes and organisation are embedded as a core activity and underpin many wider business strategies.

With 17 distribution centres across the world, accident prevention is a high priority. The implementation of the five-year global safety strategy has produced significant results after just one year. We have reduced the number of Lost Time Accidents (LTAs) by 24%, equating to 0.60 LTAs/200,000 hours.

The amount of lost time has been reduced by 47% from 770 days in 2012 to 405 in 2013. Furthermore, the total number of reported accidents, including minor, lost time and road traffic, has decreased by 45% from 967 to 532 in 2013. Near miss reporting remains at a high level (4,421 in 2013 compared to 5,157 in 2012), reflecting the improvement in employee awareness and engagement regarding safety.

This performance has been achieved through a number of initiatives including a sustained programme of risk assessments, implementation of global health and safety standards, and further leadership and safety training. Our 'Target Zero' campaign, which has been rolled out as a global initiative, has improved the level of safety awareness in all markets.

There has been continued investment in safety training, including mechanical handling equipment, management training, safety leadership and fire safety training, and the majority of our employees attended a safety training course. In the coming year we will implement a wellbeing strategy, including occupational health education, to further aid and benefit our people.

In recognition of our success we achieved a Silver award in the RoSPA Occupational Health and Safety Awards, an improvement over our Bronze award of last year. In Italy we also received the 'Enterprise Award for Safety'. In the UK, the British Standards Institute (BSI) three-yearly re-accreditation process for Environment (BS 14001) and Health and Safety (BS 18001) standards was successful. We were also chosen as an official European campaign partner of the EU-OSHA Healthy Workplaces Campaign 2012-2013, 'Working together for risk prevention'.

“THROUGH OUR OFFICES AND DISTRIBUTION CENTRES WE HAVE STRONG LINKS TO OUR LOCAL COMMUNITIES”



OUR COMMUNITY

In our key markets around the world we are a major local employer and we believe that we have a responsibility to these communities. Our employees feel passionately about supporting the local communities they live in, so we encourage our people and give them the opportunity to be involved with charitable activities. We encourage a multi-level approach to these activities as we believe this drives a greater degree of employee and community engagement than simply donating cash and stock. We support:

- Provision of time and expertise
- Employee-led fundraising
- Direct donations
- Corporate matching of donations
- Donations of stock

This year we are implementing a Group community engagement policy, which lays down the key principles for our approach to community engagement and charitable giving. To ensure that our community engagement efforts are as effective as possible, we will focus on the following:

- Supporting charities which provide for the advancement of education, health or saving lives
- Supporting charities which provide relief to those in need by reason of youth, age, ill-health, disability or poverty

We believe that this more structured approach will enhance our local teams' efforts and enable us to deliver more significant results globally. We do, however, continue to encourage local decision-making regarding the specific charities our teams wish to support to ensure maximum employee engagement.

Across the world our employees have invested their time and money to raise funds for valuable causes. Some key highlights are as follows:

- In the United States, the Allied team donated \$37,000 to United Way, an organisation dedicated to improving education, income and health in communities across the country. In November Allied donated \$10,000 to the American Red Cross Disaster Relief Fund to support relief efforts in the wake of Hurricane Sandy
- In Italy, the team donated €12,000 to those affected by the earthquake in Emilia, north of Bologna
- In Asia Pacific, the team donated £2,652 to those RS staff affected by Typhoon Goner in the Philippines. Flood victims in Mindano were also helped by RS through donations of clothing
- In Australia, the RS team raised over £1,300 by taking part in City2Surf, a 14km annual fun run, and donated the monies to a cancer charity
- In South Africa, a team of RS volunteers entered a 97km cycle race on the roads of Johannesburg and raised around £3,500 for the Endangered Wildlife Trust

MY COMMUNITY IN ACTION

In September 2012 the My Community forum was created in Corby, UK, to focus on employee-led community and volunteer activities. A framework was developed with clear guidelines to ensure that the forum operates in an open, fair and transparent manner. My Community is inclusive and accessible to all employees and our people offer their participation on a voluntary basis.

The My Community management committee meets monthly to review and make decisions about community activities and charity requests. An annual budget is made available to support employee-led initiatives on a matched giving basis and to support local school initiatives.

A My Community newsletter is published monthly and initiatives are promoted internally and communicated externally through public relations activities. Since its launch My Community has raised more than £27,000 through a number of fundraising events and has made donations to a vast number of local charities.

Through an employee request My Community was able to help support Uppingham College students to build a car to enter into a local young engineers competition. The original request was for financial support for the students to then go and purchase parts for the car. However, the outcome of discussions saw the students spending one of their evening sessions searching the RS website for the parts, providing a parts list which My Community provided the funding for.



“OUR GROUP ENVIRONMENTAL POLICY STATEMENT COMMITS US TO IDENTIFYING AND MANAGING THE ENVIRONMENTAL IMPACTS ASSOCIATED WITH OUR ACTIVITIES”

OUR ENVIRONMENT

The Group Environmental Policy Statement explained in Our Standards commits us to identifying and managing the environmental impacts associated with our activities. The policy and our implementation programmes support the Group's business strategy. Our aims are to promote greater efficiency and progressively reduce our environmental impacts per unit of sales.

Our most significant environmental impacts include the carbon emissions due to the consumption of energy at our facilities, together with packaging for our products, the generation of waste, and paper consumption for the production of our catalogues.

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 sales is certificated to ISO14001.

Our environmental data is currently reported by calendar year, however, from 2014 we will align our environmental reporting with our financial year to be consistent with other Group reporting.

Waste and Recycling

Waste	Total Waste (Tonnes)			Total Waste ¹ (Tonnes / £m Sales)		
	2012	2011	2010	2012	2011	2010
	3,129	3,494	3,201	2.52	2.84	2.87
Recycling	Percentage Waste Recycled ¹ (Total Waste Recycled / Total Waste)			Total Waste Recycled (Tonnes)		
	2012	2011	2010	2012	2011	2010
	79%	74%	70%	2,461	2,570	2,256

¹ KPIs are on a constant currency basis and updated to reflect changes in reporting methodology and in emissions factors

Our primary waste streams are card, paper, wood and plastics. In 2012 waste intensity was reduced by 11% to 2.52 tonnes per £m sales (2011: 2.84 tonnes per £m sales). Total waste was down 10% from 3,494 tonnes in 2011 to 3,129 tonnes in 2012.

This improvement in waste intensity was achieved through waste reduction initiatives at a number of Group sites, together with the incremental benefits from several innovations. These include electronic ordering and invoicing, the use of reusable replenishment modules and transit packaging, and supplier contractual clauses for the buyback of surplus or obsolete products.



Recycling performance also improved in the year with 79% of total waste being recycled, up from 74% in 2011. A key factor in this performance was the 'zero to landfill' campaign implemented in the UK business which gained a bronze award from the 'Let's Recycle' campaign for the progress made during the year.

Packaging and Paper

Packaging	Total Packaging Consumed (Tonnes)			Packaging Per Line Ordered (Kg)		
	2012	2011	2010	2012	2011	2010
	5,895	5,497	4,959	0.26	0.24	0.23

The increasing importance of the internet for customer communications has allowed us to review the frequency with which we issue our catalogues to our customers. We have moved to an annual print frequency allowing us to reduce both our costs and resources consumed.

We work closely with our pulp and paper suppliers and printers to improve the carbon footprint of the catalogue which remains an important channel for our customers. All the pulp for the catalogues is sourced from either the Sustainable Forestry Initiative or the Programme for the Endorsement of Forest Certification (PEFC) accredited forest management schemes, with printing carried out in ISO14001:2004 certificated facilities.

The growth in the export business from our largest UK distribution centres, together with electronic 'production packing' of customer orders, contributed to a 7% increase in total packaging consumed during 2012 to 5,895 tonnes from 5,497 tonnes in 2011.

Water

Water	Total Water Consumed (m³)			Water Consumed / Employee (Litres per Head)		
	2012	2011	2010	2012	2011	2010
	52,724	52,604	48,745	8,537	8,725	8,975

The Group's use of water includes domestic office use, on-site catering, fire protection purposes and irrigation. We monitor water consumption per employee. In calendar year 2012 this figure was down 2% to 8,537 litres per person from 8,725 litres per person in 2011. Total use is heavily influenced by the number of people employed, the testing of fire protection systems and irrigation requirements, with a small increase from 52,604m³ in 2011 to 52,724m³ in 2012.

A number of sites across the Group reported reductions in consumption during 2012, but our US business reported an increase in consumption due to the exceptionally hot summer.



Emissions

	Total Emissions CO ₂			Energy Intensity (Tonnes CO ₂ / £m Sales)		
	2012	2011	2010	2012	2011	2010
CO ₂ due to premises energy use ^{1,2,3}	20,103	19,863	21,744	16.2	16.1	19.5

1 CO₂ equivalent from all energy sources including country specific CO₂ factors for electricity

2 Excludes a number of smaller facilities included in lease costs

3 KPIs are on a constant currency basis and updated to reflect changes in reporting methodology and in emissions factors

Electrocomponents participates in the Carbon Disclosure Project (CDP). The CDP is a not-for-profit organisation that assesses and rates companies according to their worldwide carbon related disclosures, strategies, management and reporting. In 2012 we achieved our best score to date, appearing in the top quartile of CDP scoring methodology, reflecting the Group's progress in managing energy use and the resulting CO₂ emissions.

The main sources of our energy usage and related carbon emissions are our premises and 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. However, as much of our energy use relates to space heating in winter and cooling in summer our apparent energy-related performance is also subject to climatic variations.

In calendar year 2012 our CO₂ emissions intensity due to energy use increased by 0.6% to 16.2 tonnes per £m of sales. Absolute emissions rose by 1.2% to 20,103 tonnes from 19,863 tonnes in 2011. Increases in energy consumption were recorded at sites across Europe and North America. This was primarily due to climatic factors experienced in 2012, with increased winter heating required in Europe and increased air conditioning needed at our US business based in Texas due to the exceptionally hot summer.

We continue to target improvements in energy efficiency through investment in energy efficient lighting systems in our locations, installing LED and fluorescent tube lighting systems linked to movement sensors across many sites to replace older less efficient lighting installations.

Energy management systems have now been installed across the UK's trade counter network. These systems, which include automated meter reading, allow for more efficient control of heating and air conditioning systems, reducing carbon energy use and carbon emissions as well as producing cost savings.

The investment in energy management technology and systems supported our UK business in gaining accreditation to the Certified Emissions Management and Reduction Scheme (CEMARS) and the Greenhouse Gas Data Verification standard, ISO14064-1.

High quality video conferencing has been progressively installed at facilities across the Group since 2011 to improve time efficiency and cost management by reducing travel requirements. During 2012 the use of these facilities, as measured by the number of calls made, has averaged over 150 per week.



PETER JOHNSON

Chairman

Peter Johnson, 65, joined as Chairman in October 2010. He is also a Member of the Supervisory Board of Wienerberger AG. Previously, he was Chairman of DS Smith plc, a Non-Executive Director of SSL International plc, Chief Executive of George Wimpey plc and Chief Executive of The Rugby Group plc.

Committee membership

Chairman of the Nomination Committee from November 2012



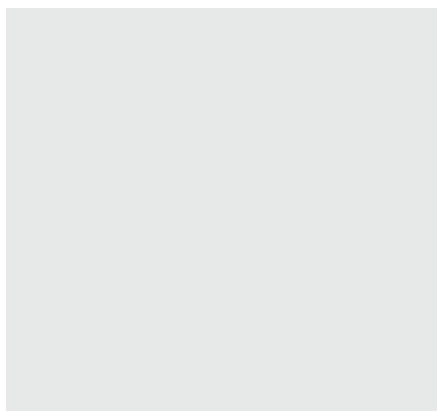
IAN MASON

Group Chief Executive

Ian Mason, 51, 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.

Committee membership

Chairman of the Group Executive Committee and Member of the Treasury Committee



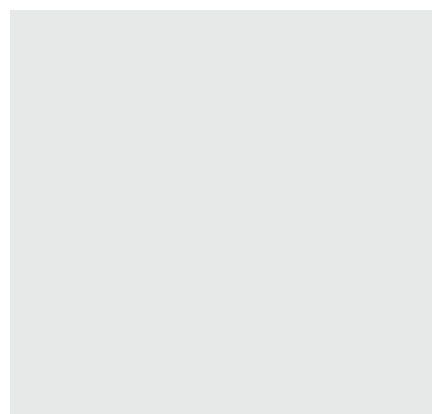
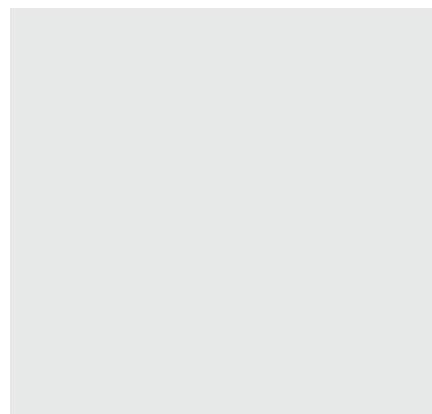
SIMON BODDIE

Group Finance Director

Simon Boddie, 53, joined as Group Finance Director in September 2005. In September 2012 he was appointed as a Non-Executive Director of PageGroup. Previously he worked for Diageo plc where he held a variety of senior finance positions, latterly as Finance Director of Key Markets.

Committee membership

Chairman of the Treasury Committee and Member of the Group Executive Committee



RUPERT SOAMES

Non-Executive Director

Rupert Soames, 54, 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.

Committee membership

Senior Independent Director and Chairman of the Remuneration Committee. Member of the Nomination and Audit Committees



PAUL HOLLINGWORTH

Non-Executive Director

Paul Hollingworth, 53, joined as a Non-Executive Director in May 2008. Previously he was Group Chief Financial Officer of Thomas Cook Group plc and prior to that he was Chief Financial Officer of Mondi Group and held positions as Group Finance Director of BPB plc, De La Rue plc and Ransomes plc.

Committee membership

Chairman of the Audit Committee.
Member of the Nomination and Remuneration Committees



ADRIAN AUER

Non-Executive Director

Adrian Auer, 64, joined as a Non-Executive Director in July 2009. Adrian is Chairman of Shanks Group plc and a Non-Executive Director of AZ Electronic Materials S.A. He is also Chairman of Addaction, Britain's largest specialist drug and alcohol treatment charity. Adrian has also held the position of Finance Director in a number of major companies and has extensive international business experience.

Committee membership

Member of the Audit, Nomination, and Remuneration Committees



KAREN GUERRA

Non-Executive Director

Karen Guerra, 57, joined as a Non-Executive Director in January 2013. She is a Non-Executive Director of Amcor Limited, Swedish Match AB and Davide Campari-Milano S.p.A. Previously, she was a Non-Executive Director at Inchcape plc, More Group plc and Samlerhuset Group BV. and held senior executive positions at Colgate-Palmolive, including Managing Director and Chairman of both their UK and French businesses.

Committee membership

Member of the Audit, Nomination and Remuneration Committees



JOHN PATTULLO

Non-Executive Director

John Pattullo, 61, joined as a Non-Executive Director in January 2013. He recently retired as Chief Executive Officer of CEVA Logistics and continues to serve on the CEVA Board. Previously he was Chief Executive Officer of the Europe, Middle East and Africa division of Exel and when Exel was acquired by Deutsche Post/DHL he went on to run the combined Exel and DHL contract logistics business in EMEA. He spent most of his early career working in supply chain management roles with Procter & Gamble.

Committee membership

Member of the Audit, Nomination and Remuneration Committees



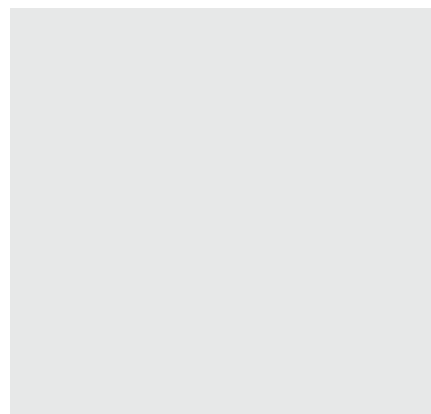
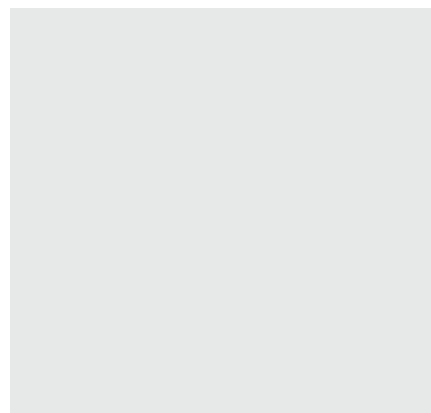
IAN HASLEGRAVE

General Counsel and Company Secretary

Ian Haslegrave, 44, 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.

Committee membership

Member of the Treasury Committee



COMMITTED TO GOOD GOVERNANCE



OUR GOVERNANCE FRAMEWORK

SHAREHOLDERS

BOARD OF DIRECTORS

Audit Committee

- Financial reporting
- External audit
- Risk management and internal controls
- Operational audit
- Whistleblowing and fraud

Remuneration Committee

- Chairman and Executive Director pay
- Senior executive pay
- Share incentive plans

Nomination Committee

- Board structure
- Board appointments
- Board succession plans

Group Executive Committee

- Executive strategy
- Operational and financial performance

Dear Shareholder

Electrocomponents, as a UK listed company, is required to explain how we have applied the main principles set out in the UK Corporate Governance Code (the Code) and whether the relevant provisions have been complied with throughout the financial year. The following reports set out how we have applied the Code and confirm our compliance.

The Company and the Group are committed to high standards of corporate governance and the Board is accountable to the Company's shareholders.

We are mindful of the need to meet the ever-changing demands of the business environment, whilst at the same time ensuring that our various stakeholders – shareholders, employees, customers and the environment – are all given appropriate consideration. This has been a challenge that our Board continues to take very seriously.

One of the main priorities arising from previous Board evaluations has been to strengthen our Board and we were delighted to welcome two additional Non-Executive Directors to our Board, and its Committees, in January of this year. In making these appointments we have improved our diversity across a range of measures, including skills, experience and gender, helping to bring different perspectives to our decision making.

During the year we conducted a review of our effectiveness as a Board. There were a number of outputs from this review including improving the way we review financial performance, greater visibility of the progress of the implementation of our strategy and reviewing succession planning following changes to the Group's new operating model.

The Company actively engages in two-way communication with its shareholders and during the year we held numerous face-to-face meetings, hosted site visits and invited them to presentations on both the Group's financial results and elements of its strategy.

Executive remuneration has been a topic of considerable debate in the press and elsewhere again over the year and the Remuneration Committee's report on pages 45 to 54 sets out in detail the Company's approach to this important area.

Peter Johnson, Chairman

23 May 2013

“WE HAVE STRENGTHENED OUR BOARD FURTHER BY WELCOMING KAREN GUERRA AND JOHN PATTULLO AS NON-EXECUTIVE DIRECTORS, BRINGING WITH THEM A BROAD RANGE OF INTERNATIONAL BUSINESS EXPERIENCE”

The Directors present their report on the affairs of the Group together with the audited accounts for the year ended 31 March 2013.

Principal activity

Electrocomponents is the world's leading high service distributor of electronics and maintenance products. With operations in 32 countries, we offer more than 550,000 products through the internet, catalogues and at trade counters to over one million customers, shipping around 44,000 parcels a day. Our products, sourced from 2,500 leading suppliers, include electronics, automation and control, test and measurement, electrical and support.

Significant events which occurred during the year are detailed in the Chairman's report on pages 10 to 11 and the Group Chief Executive's review on pages 12 to 15.

Business review

The Business review on pages 18 to 33 is incorporated by reference into, and forms part of, the Directors' report and includes the following:

- Principal risks and uncertainties on pages 24 to 27; and
- Corporate responsibility on pages 28 to 33.

Corporate governance

During the year ended 31 March 2013, 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. There are five main principles of the Code:

- Leadership
- Effectiveness
- Relations with shareholders
- Accountability
- Remuneration

This report explains how the principles were applied in the first three of these areas. Details of Directors' accountability and remuneration can be found in the following sections of the Directors' report:

- Audit Committee report on pages 42 to 44; and
- Remuneration report on pages 45 to 54.

During the year ended 31 March 2013, 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 following:

- Rupert Soames continued to be a member of the Audit Committee whilst also carrying out the role of Acting Company Chairman. The Board believed it preferable to have three directors it considered to be independent on the Audit Committee
- The Company Chairman did not meet with individual directors for the purposes of evaluating their performance and discussing their training and development needs. This will take place during the forthcoming year

Both situations occurred as a result of Peter Johnson temporarily stepping down from his role as Company Chairman.

The Board Composition

The Board currently comprises the Chairman, two Executive Directors and five independent Non-Executive Directors. In November 2012 the Company was pleased to announce that Peter Johnson was to return as Chairman, after temporarily stepping down, during which time Rupert Soames had assumed the role of Acting Chairman. Karen Guerra and John Pattullo were welcomed as independent Non-Executive Directors with effect from 1 January 2013.

Biographical details of the Directors at the date of this report are set out on pages 34 and 35, together with details of their membership of Board Committees.

Role and effectiveness

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 and knowledge, the appropriate balance of skills, and assign sufficient time to enable them to effectively 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 which includes responsibility for:

- The approval of the Group strategy and its budgetary and business plans
- The review and approval of major investment proposals and capital expenditure
- The approval of annual and half-year results, interim management statements and trading statements
- The approval of the Group's dividend policy, the payment of interim dividends and the recommendation of final dividends
- Ensuring and maintaining the Group's systems of risk management, internal control and corporate governance
- Reviewing health and safety policy and its performance
- Discussing and agreeing strategic plans
- Evaluating Group and subsidiary performance and reviewing forecasts

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 by the Company Secretary after discussion with the Chairman and Group Chief Executive.

Conflicts of interest

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.

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.

Group Executive Committee

Composition

The Committee consists of the Executive Directors and the Group Chief Executive's direct reports and is chaired by the Group Chief Executive. The Committee has met ten times during the year ended 31 March 2013 and manages the day-to-day activities of the Group. The Company Secretary acts as secretary to the Committee.

Role

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.

Audit Committee

Composition

The Committee consists of all the Non-Executive Directors and is chaired by Paul Hollingworth. Under its terms of reference the Committee meets at least three times a year. The Company Chairman is regularly invited to attend Committee meetings. During the year under review the Committee met four times. The Company Secretary acts as secretary to the Committee.

Role

The Committee monitors the integrity of financial reporting and audit processes and the maintenance of a sound internal control and risk management system. Further details of the work of the Audit Committee in discharging its responsibilities are set out in the Audit Committee report on pages 42 to 44.

Remuneration Committee

Composition

The Committee consists of all the Non-Executive Directors and, with effect from November 2012, the Committee was chaired by Rupert Soames. Prior to November, the Committee was chaired by Adrian Auer on a temporary basis. Rupert Soames remained a member of the Committee. Under its terms of reference the Committee meets at least twice a year. The Company Chairman is regularly invited to attend Committee meetings. During the year under review the Committee met four times. The Company Secretary acts as secretary to the Committee.

Role

It is responsible for all aspects of the remuneration of the Company Chairman and Executive Directors, as well as senior employees. 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 54.

Nomination Committee

Composition

The Committee consists of the Company Chairman and all the Non-Executive Directors. The Company Chairman chairs the Committee.

With effect from November 2012 the Committee was chaired by Peter Johnson. Prior to November the Committee was chaired by Rupert Soames in his capacity as Acting Chairman of the Company. The Company Secretary acts as secretary to the Committee.

Role

The Committee meets as required and considers matters relating to Board succession planning and makes recommendations to the Board where appropriate. During the period under review the Committee met five times. The Committee periodically assesses what new skills, knowledge and experience are required on the Board and, if necessary, the balance of independence. Where a new director is to be appointed, 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 Committee members. The Committee then meets and decides which candidate, if any, will be recommended to join the Board.

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.

Non-Executive Director appointment

As a result of last year's Board evaluation the Committee continued its search for additional Non-Executive Directors, using the process outlined above. Upon recommendation from the Committee, the Board appointed Karen Guerra and John Pattullo with effect from 1 January 2013. Russell Reynolds Associates, an executive search agency, were appointed to assist with this process and they have no other connection with the Company.

Diversity

The Committee has a Policy Statement which emphasises its adherence to the Group Diversity 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 are 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.

Treasury Committee

Composition

The Committee consists of the Group Chief Executive, the Group Finance Director, the Group Treasurer, the Assistant Group Treasurer, the Group Financial Controller, the Company Secretary and the Group Tax Manager. The Committee meets quarterly. The Assistant Group Treasurer acts as secretary to the Committee.

Role

The Board has delegated the following responsibilities to the Treasury Committee: day-to-day financing and administrative matters and setting and monitoring detailed treasury policy for the Group within an overall policy framework established by the Board.

Meeting attendance

The table below 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.

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 its 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 Group 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, and other Directors if required, as well as providing a sounding board for the Chairman.

Information and development

Board meetings

Directors receive a pack of relevant and timely information on the matters to be discussed at each meeting. During the year a system was introduced whereby Board and Committee papers are received electronically by Directors. This enables faster and more secure distribution of information and reduces the use of resources.

At each Board meeting the Group Chief Executive presents a comprehensive update on the business issues across the Group and the Group Finance Director presents a detailed analysis of the financial performance, as well as reports on investor relations and feedback from investors. GEC members and other senior managers also attend relevant parts of Board meetings in order to make presentations on their areas of responsibility, providing updates on developments and changes to the business. Between Board meetings, Directors also meet with GEC members and are provided with information in a timely manner on matters affecting the business as and when relevant.

The Board's annual schedule of meetings normally includes a visit to one of our operating companies and this year the Board visited our Shanghai operation. This visit provided them with the opportunity to tour its warehouse, review operations and meet with management of the Chinese business and the wider Asia Pacific region. This gave the Board a better insight into the strategic issues within the Group's Asia Pacific business.

	Board (scheduled)	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held during the year	7	4	4	6
P Johnson	6 (7)	–	–	6 (6)
I Mason	7 (7)	–	–	–
S Boddie	7 (7)	–	–	–
A Auer	7 (7)	3 (4)	3 (4)	6 (6)
K Guerra ^a	2 (2)	1 (1)	2 (2)	1 (1)
P Hollingworth	7 (7)	4 (4)	4 (4)	6 (6)
J Pattullo ^a	2 (2)	1 (1)	2 (2)	1 (1)
R Soames ^b	7 (7)	4 (4)	4 (4)	5 (6)

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

a Karen Guerra and John Pattullo were appointed as Non-Executive Directors on 1 January 2013

b Rupert Soames was not present at a meeting of the Nomination Committee as he was the subject of discussion.

Induction and training

A tailored induction programme is provided for each new Director. Overall, the aim of the induction programme is to introduce new Directors to the Group's business, its operations and its governance arrangements. Inductions for Karen Guerra and John Pattullo were carried out during the year and included meetings with senior management, sales visits to customers, presentations of key business areas, tours of our UK warehouses, as well as receiving technical training on legal and governance issues and 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. 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.

Board evaluation

The Board recognises the benefit of annual evaluation, enabling it to improve its effectiveness and focus and that of its Committees and Directors. In accordance with the requirements of the Code, the Company will be sourcing a provider to carry out an external evaluation during the forthcoming financial year.

The main purpose of the Board is to ensure the Group develops a clear and stretching strategy that is fully implemented and to support the Company in fulfilling its potential.

The actions resulting from last year's evaluation have been followed up.

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

- Balance of skills
- Experience
- Effectiveness of meetings
- How well strategy is tested and developed
- Succession planning
- Diversity
- 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 January 2013.

The results of this year's evaluation were constructive and positive. The Board was particularly pleased with the recruitment of two new Non-Executive Directors, bringing additional experience and knowledge to the Board in two key areas, marketing and logistics. The following themes were noted for further action:

- Strategy: more visibility of progress against targets by tracking agreed Key Performance Indicators at Board meetings
- Financial performance: more time to be spent on financial performance year to date, with increased focus on divisional performance
- Succession planning: following changes to the Group's operating model, existing succession plans should be reviewed

Director election/re-election

The Company's Articles of Association state that each Director must retire from office every three years. The Code goes beyond this, requiring all Directors to retire and stand for re-election at each Annual General Meeting. The Company complies with the Code requirement in this respect.

Rupert Soames' second term of appointment as a Non-Executive Director is due to expire in July 2013. The Nomination Committee, following a review of his contribution to the Board, recommends that his appointment should be extended for a further three-year term. This recommendation was agreed by the Board.

Karen Guerra and John Pattullo were appointed as Non-Executive Directors on 1 January 2013. In accordance with the Company's Articles of Association they will be standing for formal election at the forthcoming Annual General Meeting on 17 July 2013.

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 election or re-election, as appropriate.

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 42 to 44 and the Business review on pages 24 to 27.

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

Going concern

In its review of the financial statements for the year ended 31 March 2013, the Audit Committee also considered analysis to support the going concern judgement.

The Group's activities, strategy and performance are explained in the Chairman's report on pages 10 and 11, the Group Chief Executive's review on pages 12 to 15 and the Business review on pages 18 to 33.

Further details on the financial performance, financial position and cash flows of the Group are provided in the Business review on pages 18 to 33.

Note 20 on pages 84 to 91 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 78% of profit after tax for the year ended 31 March 2013. 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 2013, the Group's net debt was £159.7m with total committed debt and loan facilities of £305.3m and undrawn committed facilities of £149.2m.

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.

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 2013 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.

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, which additionally contains up-to-date information on the Group's activities and published financial results and presentations. During the year the Company also launched its investor relations app offering instant online and offline access, free of charge, to the Company's latest financial and corporate information on the Apple iPad and iPhone.

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. 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. During the year more than 50 face to face meetings and telephone conference calls have been held with institutional shareholders in the United Kingdom, United States and Europe, covering over 75% of the shareholder base. The Company has hosted visits to its operating facilities for institutional shareholders during the year and from time to time it hosts briefings for analysts and investors on specific topics related to business strategy and operations. In February 2013 the GEC member responsible for the newly established Global Offer function held one such briefing for over 20 analysts and institutional shareholders.

During the year ended 31 March 2013 Peter Johnson (as Chairman) and Rupert Soames (as Acting Chairman) each met with one major shareholder. The Senior Independent Director was also available for meetings with major shareholders.

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 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.



s Chairman of the Audit Committee, I would like to present our report detailing the role and responsibilities of the Committee and its activities during the year. The Board's report on the systems of internal control and their effectiveness, together with the going concern statement, can be found in the Corporate Governance section on pages 36 to 41.

Membership

The Committee consists of all the Non-Executive Directors. The Board is satisfied that the Chairman of the Committee has the current and relevant financial and accounting experience required by the provisions of the Code, having previously held chief financial officer positions in public companies for most of his career, including most recently the position of Group Chief Financial Officer at Thomas Cook Group plc up to June 2012. The other members of the Committee have a wide range of business experience and expertise, as evidenced in their biographies on pages 34 and 35. The Board is also satisfied that the Committee can effectively fulfil its responsibilities.

Meetings and attendance

The Committee met four times during the year ended 31 March 2013. Meetings are scheduled in accordance with the financial and reporting cycles of the Company. Members and their attendance at meetings during the year are set out in the Corporate Governance section on pages 36 to 41.

In addition to the members of the Committee, it was normal for others to receive the Committee papers and attend meetings, when required. Attendance was at the invitation of the Committee Chairman only and does not restrict the Committee's independent decision making. Details of the regular attendees are shown opposite.

Committee members:

Paul Hollingworth (Chairman)

Adrian Auer

Karen Guerra (following her appointment in January 2013)

John Pattullo (following his appointment in January 2013)

Rupert Soames

Other regular attendees:

Company Chairman

Group Chief Executive

Group Finance Director

Group Company Secretary

Group Financial Controller

Head of Internal Audit

Group Risk Manager

Group Audit Engagement Director from KPMG

Role

The Committee's main responsibilities include the following:

- Assisting the Board in its duties regarding the integrity of the financial and corporate reporting and auditing processes
- The maintenance of a sound internal control and risk management system
- Reviewing the effectiveness of the internal audit function and the Group's system of internal control, including financial reporting and the processes for monitoring and evaluating the risks facing the Group
- Ensuring that an appropriate relationship is maintained between Electrocomponents and its external auditors
- Reviewing the scope and effectiveness of the external audit process, including the auditors' appointment, fees and independence
- Making recommendations to the Board on the appointment of the external auditors

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.

Activities during the year

Financial reporting

In its financial reporting to shareholders and other key interested parties, the Board aims to present a fair, balanced and understandable assessment of the Group's position and prospects, providing necessary information for shareholders to assess the Company's business model, strategy and performance. 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 2013, 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 section on pages 36 to 41.

The Committee receives 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 24 to 27 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 57.

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 major cost functions. These contain actual financial performance measures for both the most recent month and year to date which are compared with forecasts and prior years. In addition forecasts, which are usually updated at least four times a year, 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 audit programme covering scope and resources of the function, annually agreed and 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
- 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.

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.

The performance and effectiveness 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 standards. As part of risk evaluation planning the Committee considers 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 the previous 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 71.

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 part of the Group Finance Manual.

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
 - 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
- 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

It is the Committee's current intention to carry out an external audit tender process, in accordance with the Financial Reporting Council's Guidance on Audit Committees and the new Code, both of which were published in September 2012. The timing is likely to coincide with the cycle for the rotation of the current Group Audit Engagement Director. There are currently no contractual obligations that will restrict the Committee's choice of external auditors.

The Auditing Practices Board's 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 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.

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.

Anti-bribery

An anti-bribery policy has been developed and implemented following the Bribery Act coming into force. Its introduction was supported by a training programme and an online training module. A gift register has been introduced to ensure transparency.

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 employees in the Group. The Committee 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

23 May 2013



This report sets out the Company's remuneration policy and provides details of the remuneration of the Executive and Non-Executive Directors for services provided during the year ended 31 March 2013. 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).

The Company's remuneration policy has remained unchanged during the year under review, and our approach to implementation has also remained consistent with previous years. The policy is not expected to change for the forthcoming year in respect of the Executive Directors.

The Committee is aware of the ongoing public debate on executive remuneration in the UK and is sensitive to the concerns of shareholders and other stakeholders on this subject. During the year, the Committee has kept abreast of the developments in regulatory thinking on shareholder voting rights and the reporting of Directors' remuneration. Although the proposed new reporting requirements are not yet finalised, we have opted to incorporate a number of the proposed changes in this year's report to enhance transparency. This report is therefore divided into two distinct sections: a 'Policy Report' and an 'Implementation Report'. The Policy Report outlines Electrocomponents' remuneration policy for the year ended 31 March 2013, and the forthcoming financial year, setting out the role of each element of pay, how the structure of the package helps to reinforce the achievement of our strategy, and details of reward opportunities available to the Company's Executive Directors. The Implementation Report details how the policy was implemented in the year ended 31 March 2013, and includes a table for the new single figure of total remuneration for both Executive Directors. We hope these changes help make the Remuneration report clearer and easier to understand.

Rupert Soames, Chairman of the Remuneration Committee
23 May 2013

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. 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 individual was present while decisions were made regarding their own remuneration.

The Committee membership during the year has changed following Peter Johnson's resumption of his role as Company Chairman in November 2012. This enabled Rupert Soames, who had been Acting Company Chairman, to resume his role as Chairman of the Committee. Its membership during the year under review was as follows:

Rupert Soames (Chairman from November 2012)

Adrian Auer (Chairman until November 2012)

Karen Guerra (following her appointment in January 2013)

Paul Hollingworth

John Pattullo (following his appointment in January 2013)

The Company Chairman was invited to attend Committee meetings, and he and the Group Chief Executive are consulted on appropriate matters, other than their own remuneration.

The Committee met four times during the year. Attendance by individual Committee members at meetings is detailed in the Corporate Governance report on page 39.

POLICY REPORT

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 financial year ending 31 March 2014. 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 behaviours and culture
- Complying with corporate governance best practice guidelines
- Expressing the reward strategy in a way that is understandable, clear and meaningful
- 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 review levels of employees around the Group.

The Committee is satisfied that its 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.

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
- 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
- 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)
- 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.

Pay policy table

This section of our report describes the key components of the remuneration arrangements for Executive Directors who were in place for the year ended 31 March 2013. These will remain unchanged for the year ending 31 March 2014.

Component	Objective
Base salary and benefits (Fixed)	
Base salary	To provide broadly market median levels of fixed pay.
Pension	To provide an appropriate level of retirement benefit. Existing Directors participated in the Defined Benefit section of the Company Pension Scheme but chose to opt out of the Scheme and receive cash in lieu of pension. Any new Executive Directors who are not already in the Defined Benefit section of the Scheme would not participate in this section as it is now closed to new entrants.
Benefits	Provision of benefits in line with the market.

Annual incentives (Variable)

Annual Bonus Plan	To focus Executive Directors on achieving demanding annual targets relating to Company performance.
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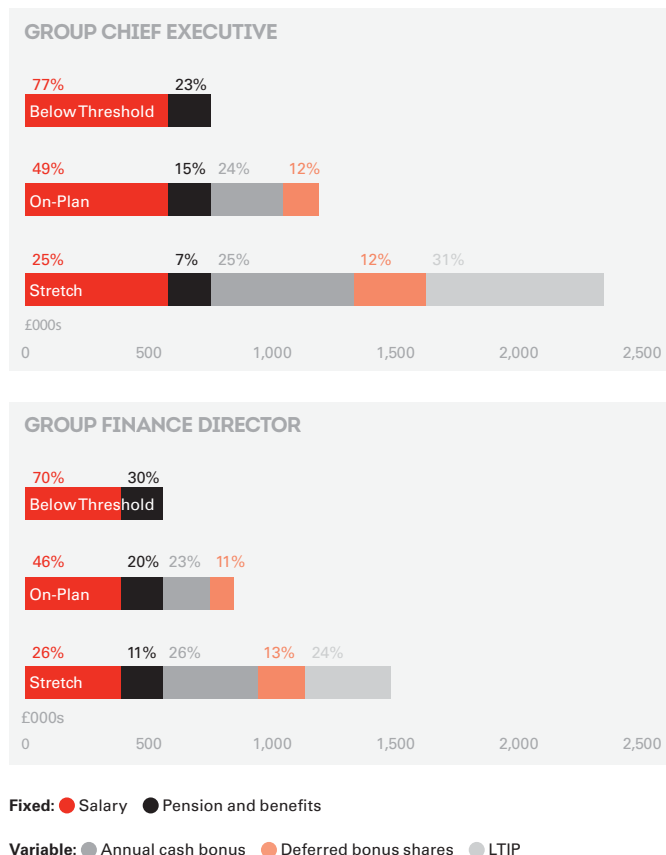
Longer-term incentives

Long-Term Incentive Plan	To incentivise Executive Directors and senior managers to deliver long-term performance by aligning their performance with shareholders' interests and reflect best practice.
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Operation	Opportunity	Performance measures for year to 31 March 2013	Changes for year to 31 March 2014
<p>Generally reviewed each year, with increases effective 1 June with reference to salary levels at other FTSE 250 companies of broadly similar size, sector and international scope to Electrocomponents.</p> <p>The Committee also considers the salary increases applying across the rest of the UK business when determining increases.</p>	<p>Base salary increases are applied in line with the outcome of the annual review.</p>	n/a	<p>No changes to policy for 2013.</p> <p>Salary increases are set out on page 49.</p>
<p>Where Executive Directors have opted out of the Company Pension Scheme, a single cash supplement will be paid that is no greater than the value of pension benefits previously provided.</p>	<p>See page 52 for further information in respect of current Directors.</p>	n/a	None
<p>Executive Directors are provided with a company mobile phone, a company car (or a cash allowance in lieu thereof) and medical insurance.</p>	<p>See page 52 for further information in respect of current Directors.</p>	n/a	None
<p>Performance targets are set at the start of the year and aligned with the annual budget agreed by the Board. 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.</p> <p>At the end of the year, the Remuneration Committee determines the extent to which these targets have been achieved.</p> <p>One third of total bonus payments are converted into Electrocomponents shares under the Deferred Share Bonus Plan. These shares vest after two years, subject normally to continued employment.</p> <p>The Committee has determined that unvested Deferred Share Bonus Awards should be available for clawback in instances of misconduct or misstatement.</p>	<p>Maximum opportunity: 150% of base salary.</p> <p>Target opportunity: 75% of base salary.</p>	<p>Sales growth</p> <p>Profit before tax and reorganisation costs (PBTR)</p> <p>Cash flow</p> <p>No further performance condition for vesting of Deferred Share Bonus Plan shares.</p> <p>Further details are given on page 49.</p>	None
<p>A conditional award of shares (an Award) is made following the announcement of the Company's final results.</p> <p>The Award is subject both to a performance condition and, normally, on continued employment with the Group until the determination of the performance condition.</p> <p>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.</p>	<p>The maximum value of Awards permissible under the LTIP is 150% of basic salary, although in normal circumstances the Committee would grant awards with a value below this level. Such grants have typically been around 100% of basic salary for the Group Chief Executive, and 75% for the Group Finance Director.</p> <p>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.</p>	<p>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 a benchmark. Vesting of the other half of the Award is conditional on growth in the Company's earnings per share (EPS).</p> <p>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. 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.</p> <p>Further details are given on page 50.</p>	None

Pay-for-performance: scenario analysis

The graphs below provide estimates of the potential future reward opportunity for Executive Directors, and the potential mix between the different elements of remuneration under three different performance scenarios: 'Below Threshold', 'On-Plan' and 'Stretch'.



Potential opportunities illustrated above are based on the policy which will apply in the forthcoming financial year, applied to the base salary in force at 1 April 2013. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for 2013/14. It should be noted that any awards granted under the Deferred Share Bonus Plan do not normally vest until the second anniversary of the date of grant, and LTIP awards do not normally vest until the third anniversary of the date of grant. This illustration is intended to provide further information to shareholders on the relationship between executive pay and performance. Please note, however, that actual pay delivered will be further influenced by changes in factors such as the Company's share price and the value of dividends paid. The following assumptions have been made in compiling the above charts:

Scenario	Annual cash bonus	Deferred Share Bonus Plan	LTIP	Fixed pay
Below Threshold	No annual cash bonus payable	None	Threshold not achieved (0% vesting)	Latest disclosed salary, pension and benefits
On Plan	On target annual cash bonus	50% of the annual cash bonus payable	TSR and EPS growth at threshold (0% vesting)	Latest disclosed salary, pension and benefits
Stretch	Maximum annual cash bonus	50% of the annual cash bonus payable	Performance warrants full vesting (100% of award)	Latest disclosed salary, pension and benefits

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 54.

Service contracts

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. 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.

Termination

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, 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.

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. The fee payable is £60,000 per annum. In September 2012 Simon Boddie became a Non-Executive Director of PageGroup. The fee payable is £48,000 per annum. Both will retain the fees paid in relation to these appointments.

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.

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.

IMPLEMENTATION REPORT: REMUNERATION FOR THE YEAR ENDED 31 MARCH 2013

Main activities of the Remuneration Committee in 2012/13

The main activities carried out by the Committee during the year under review were:

- Review and approval of Remuneration report for 2012
- Review of Executive Director pension policy
- Vesting of the Long Term Incentive Plan (LTIP)
- Review of reward policy for senior managers below Executive Director level
- Remuneration Committee annual evaluation
- Annual bonus performance and payments for the year under review
- Annual bonus structure and performance targets for the forthcoming financial year
- Review of structure and performance targets of the LTIP
- Review of this report for the financial year ended 31 March 2013

Independent 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 LTIP, and the data required for the measurement of those performance targets; and the reward framework for senior executives, below Board level. 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. Kepler Associates is a member of the Remuneration Consultants Group and adheres to its code of conduct
- 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
- The Global HR Director (Ian Watson), who was invited to attend meetings to advise on bonus payments, and the remuneration of senior managers
- The Company Secretary (Ian Haslegrave), who acts as Secretary to the Committee

Base salary and benefits

For the year under review, the Executive Directors received an increase in basic pay of 2.5%, in line with the rest of the UK business and below the increase in base pay averaged across the Group. Full details of the Executive Directors' pay are provided in the remuneration table on page 52.

For the forthcoming year, the Committee has reviewed the base salaries of the Executive Directors having considered general economic conditions and average salary increases across the rest of the UK business of around 2%. The Committee has agreed that Ian Mason and Simon Boddie will receive no increase in their salaries. This will be the fourth year their rise in salary has been below median increase for executive directors of FTSE 250 companies.

Pensions

The current Executive Directors are able to participate in the defined benefits section of the Electrocomponents Group Pension Scheme (the Scheme). However, if their pension benefits are greater than or equal to the lifetime allowance, they can choose to opt out of the pension scheme and receive cash in lieu of pension.

As a result of the reduction in the lifetime allowance to £1.5 million with effect from 6 April 2012, both current Executive Directors opted out of the Scheme with effect from 5 April 2012.

Following a review of pension benefits, the Committee agreed that both Executive Directors would receive a single cash supplement in lieu of pension benefits such that the total cash supplement was no greater than the cost of pension benefits previously provided. The new single cash supplement rate was deemed to apply with effect from 6 April 2012 and replaced all historic cash supplements and pension benefits. This single cash supplement will be paid until the earlier of (i) the date employment with the Company terminates and (ii) the date the Executive Director reaches age 60 (normal retirement age). The cash supplement rate will be fixed as follows:

Ian Mason	30% of Basic Salary
Simon Boddie	43.5% of Basic Salary

Both Executive Directors had a historic pension benefit capped at two thirds of salary at 60. Ian Mason's cash supplement rate reflects the limitation imposed by the two-thirds salary cap due to his length of employment with the Company. This is not the case for Simon Boddie, hence the difference between the cash supplement rates.

Details of the cash supplements paid for the year under review are given in the remuneration table on page 52.

2013 Annual Bonus Plan award

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 (PBTR) and cash flow. The respective weighting of each factor for the annual bonus calculation in the year ended 31 March 2013 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 2013, sales and PBTR have fallen short of both internal and external expectations at the time budgets and bonus targets were set. Cash flow, however, has performed slightly better. As a consequence of the results actually achieved, the Executive Directors have met the minimum performance targets for cash flow, but not for sales or PBTR. They have therefore been awarded a cash bonus of 3.7% of their base salary. This has been calculated as follows:

Performance measure	Weighting	Percentage of target achieved	Percentage of salary earned as cash bonus
Group sales growth	40%	9.6%	0%
Group PBTR	40%	81.4%	0%
Group cash flow	20%	91.6%	3.7%
Total cash bonus			3.7%

Full details of cash bonuses payable are given in the remuneration table on page 52.

Deferred Share Bonus Plan

Participation in the Deferred Share Bonus Plan (DSBP) extends to Executive Directors and members of the senior executive team.

DSBP awards to be made in respect of the year under review

For the year under review, the cash bonus will be augmented by a share award under the DSBP equivalent to 50% of the cash award i.e. 1.85% of salary, which will vest two years after the award.

DSBP awards made during the year to 31 March 2013

Awards were made of a total of 147,511 ordinary shares on 3 July 2012, 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. Shares were awarded to the Executive Directors as set out in the current Director shareholdings table on pages 53 and 54.

Vesting of DSBP awards during the year to 31 March 2013

Share awards made under the DSBP in 2010 vested in their entirety on 30 June 2012. Full details of the vesting and dividend equivalents paid to Executive Directors are given in the current Director shareholdings table on pages 53 and 54.

Long-Term Incentive Plan

The Company operates a long-term incentive, the Long-Term Incentive Plan (LTIP). Participation in the LTIP extends to Executive Directors and around 100 senior managers. Under the Company's LTIP, a conditional award of 1,633,904 shares (an Award) was made to plan participants on 3 July 2012, and will normally vest after three years, subject to a performance condition and, normally, the participant's continued employment with the Group.

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.

2012 LTIP awards for Executive Directors

In the year ended 31 March 2013, an LTIP award of 100% (2012: 100%) of salary was granted to Ian Mason and 75% (2012: 75%) of salary to Simon Boddie in July 2012. Details are provided in the current Director shareholdings table on pages 53 and 54.

Vesting of one half of the Awards made to Executive Directors is dependent upon Electrocomponents' total shareholder return (TSR) percentage out-performance of the FTSE 250 index (the Index) over the three financial years commencing 1 April 2012, as follows:

TSR % outperformance of FTSE 250 Index	Award vesting (% of LTIP award)
Index +20% or greater	50%
Between Index and Index +20%	Straight-line sliding scale from 0%-50%
In line with Index, or below	0%

The FTSE 250 index was chosen as the benchmark because Electrocomponents is a constituent of the index and it is objective and transparent.

Vesting of the other half of the Award is conditional on growth in the Company's cumulative earnings per share (EPS), as follows:

Annualised 3-year EPS growth	Award vesting (% of LTIP award)
10% p.a. or greater	50%
Between 5% p.a. and 10% p.a.	Straight-line sliding scale from 0%-50%
5% p.a. or below	0%

In addition, for the Awards to vest, the Committee must be satisfied that there has been a sustained improvement in the Company's underlying financial performance.

2013 LTIP awards for Executive Directors

For awards to be granted in June 2013, the Remuneration Committee intends to make LTIP awards with face values of 125% of salary and 90% of salary to Ian Mason and Simon Boddie, respectively, to recognise their critical role and performance during an important phase of transition to the new strategy and organisational structure.

2009 LTIP award vesting

On 1 June 2012, the Committee determined that 20.5% of the Award made under the LTIP in June 2009 should vest. The performance condition was as set out for the 2012 Award above.

Vesting was determined as follows:

TSR % outperformance of FTSE 250 Index	Achievement	Award vesting (% of LTIP award)
Between Index and Index+20%	Index +8.3%	20.5%
Annualised 3-year EPS growth	Achievement	Award vesting (% of LTIP award)
5% p.a. or below	3.6% p.a.	0%

In addition, the Committee was satisfied that there had been sustained improvement in the Company's underlying financial performance during the performance period.

Further details are given in the current Director shareholdings table on pages 53 and 54.

2010 LTIP award vesting

For the forthcoming year, it is anticipated at the date of this report that the Committee will determine that 55% of the Award made under the LTIP in June 2010 should vest in accordance with the performance condition, based on the Company's TSR and EPS performance over the performance period. The performance condition was as set out for the 2012 Award above.

Vesting is likely to be determined as follows:

TSR % outperformance of FTSE 250 Index	Achievement against condition	Award vesting (% of LTIP award)
Between Index and Index+20%	Index +2.2%	5.5%
Annualised 3-year EPS growth	Achievement against condition	Award vesting (% of LTIP award)
10% p.a. or greater	19.2 % p.a.	50%

In addition, the Committee must be satisfied that there has been sustained improvement in the Company's underlying financial performance during the performance period.

All Employee Share Scheme

The Company seeks to make it possible for as many employees as practicable to join an all-employee share plan. There are currently around 1,200 employees subscribing to all-employee share plans around the Group. The Plans are offered annually to employees (including Executive Directors) who are in employment with the Group immediately before the annual invitation period, including employees in most overseas operating companies.

The Plans allow a maximum of £250 (or equivalent currency value) to be saved each month and converted into Electrocomponents' shares (or the value thereof for overseas participants) at the end of either three or five years. The price at which they can be converted is at a discount (normally 20%) to the price of Electrocomponents' shares at the beginning of the invitation period (calculated on an average of the share prices over three days). At maturity, participants have a period of six months to convert their savings into shares (or the value thereof, for overseas participants). There are no performance conditions, other than, normally, continued employment with the Group. Details of the participation of Executive Directors are shown on page 53.

Single figure of remuneration

The following table provides a single figure for remuneration of the Executive Directors. In calculating this figure, we have used the methodology proposed to the Government's Department of Business, Innovation & Skills (BIS) by the Financial Reporting Lab at the FRC.

	Ian Mason (£000s)		Simon Boddie (£000s)	
	2013	2012	2013	2012
Salary	577	551	385	363
Benefits	18	17	15	13
Pension	173	188	167	187
Annual bonus	21	159	14	106
Deferred Share Bonus Plan	11	80	7	53
Long-Term Incentive Plan	395	181	197	91
TOTAL	1,195	1,176	785	813

Long-Term Incentive Plan: For 2013, the value at 31 March 2013 of shares expected to vest in the financial year to 31 March 2014, subject to performance over the three-year period ending 31 March 2013. For 2012, the value of shares (at their date of vesting) which vested in the financial year to 31 March 2013.

Group Chief Executive five-year historic pay figures

The table below shows Ian Mason's total remuneration for the last five years, together with annual bonus outcomes and LTIP vesting figures. The total remuneration figure is calculated on the same basis as the single figures given above.

Financial year	Incumbent	CEO total remuneration (£000s)	Annual bonus outcome (% of max.)	LTIP vesting outcome (% of max.)
2013	I Mason	1,195	3.7%	55.5%
2012	I Mason	1,176	28.2%	20.5%
2011	I Mason	1,862	100.0%	50.0%
2010	I Mason	1,472	74.1%	21.4%
2009	I Mason	750	0.0%	0.0%

Chairman and Non-Executive Director fees

Peter Johnson agreed to forgo his fee when he temporarily stepped down from his role as Chairman in October 2011. From May 2012 he was paid a Non-Executive Director fee only, until he resumed his role as Chairman in November 2012. Peter is paid £175,000 (2012: £190,000) per annum.

The Non-Executive Directors are each paid a fee of £45,000 per annum. In addition, Rupert Soames, as Chairman of the Remuneration Committee, and Paul Hollingworth, as Chairman of the Audit Committee, each receive an additional fee of £10,000 per annum. Rupert Soames and Adrian Auer's fees were increased temporarily to reflect their increased responsibilities until the Chairman resumed his role in November 2012.

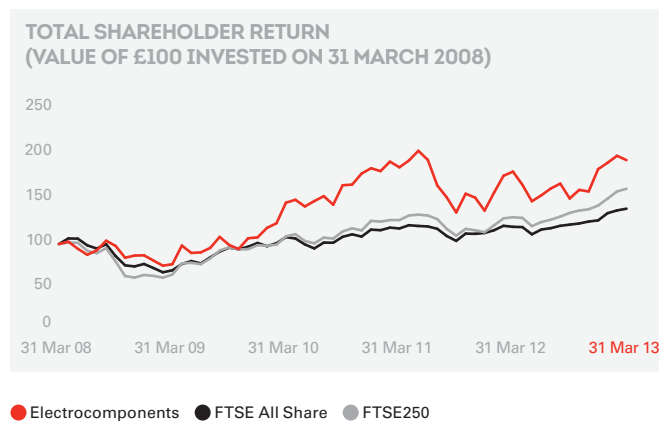
Full details are given in the remuneration table on page 52.

Dilution headroom

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 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 337,059 (2012: 408,417) shares.

Five-year TSR performance

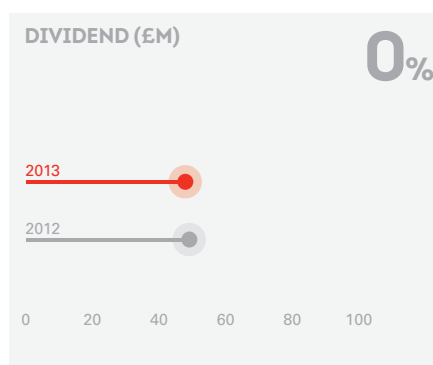
The following graph shows the five-year TSR performance of the Company relative to the FTSE All Share and the FTSE 250 Indices.



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.

Distribution statement

The graphs below shows Electrocomponents' profit after tax, dividend and expenditure on total employee pay for the year under review and the prior year, and the percentage change year on year.



Directors' remuneration for the year ended 31 March 2013 (audited)

Salary, annual bonus and other benefits

	Salary paid 2013 £	Salary paid 2012 ^a £	Cash supplement in lieu of pension 2013 ^b £	Cash supplement in lieu of pension 2012 ^b £	Benefits 2013 £	Benefits 2012 £	Cash bonus 2013 ^c £	Cash bonus 2012 ^c £	Total 2013 £	Total 2012 £
Emoluments of the Chairman										
P Johnson ^e	95,416	95,000	—	—	—	—	—	—	95,416	95,000
Emoluments of Executive Directors										
I Mason	578,005	552,270	173,042	99,236	16,608	16,132	21,429	159,062	789,084	826,700
S Boddie	385,740	364,693	167,275	114,772	13,457	12,229	14,286	106,041	580,758	597,735
Totals	1,059,161	1,011,963	340,317	214,008	30,065	28,361	35,715	265,103	1,465,258	1,519,435
Fees of Non-Executive Directors										
A Auer ^e									50,833	49,792
K Guerra									11,250	—
P Hollingworth ^d									55,000	54,792
J Pattullo									11,250	—
R Soames ^{d,e}									81,250	81,667
Totals									1,674,841	1,705,686

a The salary shown in the 2012 column excludes £11,664 for Ian Mason and £11,664 for Simon Boddie, which was deducted in respect of salary sacrifice. No deduction was made in respect of salary sacrifice for the year under review.

b The increase in cash supplement in lieu of pension for Ian Mason and Simon Boddie is as a consequence of the decision by both Executive Directors to opt out of the Company Pension Scheme. Further details can be found on page 49.

c An additional 50% of these amounts was awarded to each of the Executive Directors in the form of shares under the Deferred Share Bonus Plan, described on page 50 of this Report.

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 to 1 November 2012 but was paid a Non-Executive Director fee to reflect his continuing participation as a Board member from May 2012. Rupert Soames' remuneration increased temporarily until 1 November 2012 to £100,000 and Adrian Auer's remuneration increased temporarily until the same date to £55,000. These increases are pro-rated to the time during which Rupert was Acting Chairman 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 2012 are £579,160 and £386,110 respectively (before 1 June 2012: £565,031 and £376,688). The salary paid figure in the table above includes £1,200 (2012: £1,200) paid to both Ian Mason and Simon Boddie in cash, in lieu of personal fuel allowance.

No compensation for loss of office was paid during the year ended 31 March 2013.

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 2013
- 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
- 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.

Ian Mason and Simon Boddie both opted to cease their pensionable service at 5 April 2012. Neither of them accrued any pension in the Scheme or paid any contributions to the Scheme during the year.

	Age at 31 March 2013 Years	Accrued pension as at 31 March 2013 ^a £	Increase in accrued pension benefits £	Increase in accrued pension net of inflation ^b £	Transfer value as at 31 March 2013 ^c £	Transfer value as at 31 March 2012 £	Increase in transfer value ^c £	Transfer value at 31 March 2013 of the increase in accrued pension net of inflation ^c £
I Mason	50	54,148	1,577	(52)	999,000	886,000	113,000	(1,000)
S Boddie	53	28,335	786	(68)	500,000	451,000	49,000	(1,000)

a The accrued pension benefits shown are the amounts which would be paid annually on retirement at normal retirement age, based on pensionable service to 5 April 2012 and the revaluation of their deferred pension to 31 March 2013.

b RPI inflation for the year to March 2013 was 3.1%. This is the predominant measure used to revalue deferred pensions each year. The increase in accrued pension net of RPI inflation is negative as a result of a 2.5% p.a. cap applying to the revaluation of pension accrued after 5 April 2009.

c Transfer values at 31 March 2013 have been calculated on the Scheme's transfer value basis, in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 2008.

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.

Current Director shareholdings

Share options (audited)

	Scheme	Date of grant	Vesting date	Expiration date	Exercise price	Shares under option 1 April 2012	Granted in 2013	Exercised in 2013	Lapsed in 2013	Shares under option 31 March 2013
I Mason	Savings related	01-Jul-09	01-Sep-14	28-Feb-15	149.00p	10,436	–	–	–	10,436
	Total					10,436	–	–	–	10,436
S Boddie	Savings related	30-Jun-10	01-Sep-13	28-Feb-14	175.00p	3,085	–	–	–	3,085
		29-Jun-11	01-Sep-14	28-Feb-15	235.00p	1,536	–	–	–	1,536
	Total					4,621	–	–	–	4,621

Share awards

	Notes	Scheme	Date of Award	Shares awarded at 1 April 2012	Shares awarded in 2013	Vested in 2013	Lapsed in 2013	Shares awarded at 31 March 2013
I Mason	a	Long Term Incentive Plan	30-Jun-09 ^b	386,165	–	79,163	307,002	–
			30-Jun-10	248,009	–	–	–	248,009
			5-Jul-11	201,480	–	–	–	201,480
			3-Jul-12	–	276,975	–	–	276,975
	c	Deferred Share Bonus Plan	30-Jun-10 ^d	93,005	–	93,005	–	–
			5-Jul-11	100,483	–	–	–	100,483
			3-Jul-12	–	38,119	–	–	38,119
			Total	1,029,142	315,094	172,168	307,002	865,066
	a	Long Term Incentive Plan	30-Jun-09 ^b	193,082	–	39,581	153,501	–
			30-Jun-10	124,005	–	–	–	124,005
			5-Jul-11	100,740	–	–	–	100,740
			3-Jul-12	–	138,488	–	–	138,488
		Deferred Share Bonus Plan	30-Jun-10 ^d	62,003	–	62,003	–	–
			5-Jul-11	66,989	–	–	–	66,989
			3-Jul-12	–	25,412	–	–	25,412
			Total	546,819	163,900	101,584	153,501	455,634

a Awards made under the Long Term Incentive Plan (LTIP) are subject to performance conditions and a vesting period set out on page 50. The vesting date for the awards granted under the LTIP in 2010 is expected to be in May 2013.

b On 1 June 2012, the Committee determined that 20.5% of the Award made under the LTIP in June 2009 should vest in accordance with the performance condition based on the Company's TSR and EPS as described on page 50 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 £26,519 and £13,259 were paid at vesting to Ian Mason and Simon Boddie respectively.

c Deferred Share Bonus Plan (DSBP) awards are subject to the terms set out on page 50.

d On 2 July 2012, the Award made under the DSBP in June 2010 vested in full. There are no performance conditions but vesting is dependent normally on continuing employment with the Group. Cash dividend entitlements of £21,623 and £14,415 were paid at vesting to Ian Mason and Simon Boddie respectively.

The closing mid-market price of the Company's shares on 31 March 2013 was 251.0p. During the year, the price of the Company's shares varied between 195.2p and 265.0p. The mid-market price of the Company's shares on 1 June 2012, being the date on which the 2009 LTIP vested, was 195.2p. The mid-market price of the Company's shares on 2 July 2012, being the date on which the 2010 DSBP vested, was 209.3p. The mid-market price of the Company's shares on 3 July 2012, when the LTIP and DSBP awards were made, was 213.4p.

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 2013 or date ceased to be a Director	1 April 2012 or date appointed as a Director
A Auer	2,500	2,500
S Boddie	187,349	139,358
K Guerra	7,525	–
P Hollingworth	10,000	10,000
P Johnson	100,000	100,000
I Mason	294,126	212,989
J Pattullo	10,000	–
R Soames	15,024	15,024

Up to 22 May 2013 there have been no changes in the Directors' interests or rights to subscribe for shares.

By Order of the Board

Rupert Soames, Chairman of the Remuneration Committee

23 May 2013

Results and dividends

Results for the year are set out in the Group income statement on page 59. An analysis of revenue, profit and net assets by region is shown in note 2 on pages 68 to 70. The Directors have declared dividends as follows:

Ordinary shares

Paid interim dividend of 5p per share (11 January 2013)	2012: 5p per share
Proposed final dividend of 6.75p per share (to be paid on 22 July 2013)	2012: 6.75p per share
Total ordinary dividend of 11.75p per share for year ended 31 March 2013	2012: 11.75p per share

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 6 to the accounts on pages 72 to 73.

As at 31 March 2013, the Company's issued share capital comprised a single class of 438,124,179 ordinary shares of 10p each, totalling £43,812,417.90.

The Company was authorised by shareholders at the Annual General Meeting held on 13 July 2012 to purchase up to 10% of its ordinary share capital in the market. This authority will expire at the end of the 2013 Annual General Meeting and the Company is proposing a resolution to renew it for another year.

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 2012, which was renewed for 2013.

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

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 20 on pages 84 to 91.

Substantial shareholders

As at 22 May 2013, the Company has been notified, in accordance with the FCA 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%
Ameriprise Financial, Inc. and its group	Direct and Indirect	22,383,083	5.11%
Majedie Asset Management Ltd	Indirect	21,996,999	5.04%
FIL Limited	Indirect	21,547,083	4.92%
Sanderson Asset Management Ltd	Direct	18,240,445	4.18%
Oppenheimer Funds Inc. and Baring Asset Management Ltd	Indirect	17,649,626	4.05%

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 2013 represent 39 days (2012: 42 days) of average purchases.

Political and charitable contributions

The Group made no political contributions during the year. Charitable contributions within the UK amounted to £24,253 (2012: £7,737) and outside the UK amounted to £33,515 (2012: £36,240). Further information regarding charitable work and involvement in local community activities within the Group is given in the Corporate responsibility section of the Business review on page 31.

Annual General Meeting

The Notice of the Annual General Meeting, which will be held at 12 noon on Wednesday, 17 July 2013 at the Company's premises: The International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW, is set out in a separate circular.

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% 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 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.

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.

Company number

Registered Number: 647788

By order of the Board

Ian Haslegrave, General Counsel and Company Secretary

23 May 2013

Statement of Directors' responsibilities in respect of the Annual Report and Accounts

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

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

Under company law the Directors must not approve the financial statements 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 financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU
- For the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements
- Prepare the financial statements 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 financial statements 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, Directors' Remuneration report and Corporate Governance Statement 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 pages 34 to 35 of this document, confirms that to the best of their 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

23 May 2013

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

We have audited the financial statements of Electrocomponents plc for the year ended 31 March 2013 set out on pages 59 to 102. 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 Directors' Responsibilities Statement set out on page 57, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2013 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 41, in relation to going concern;
- the part of the Corporate Governance Statement on page 37 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

23 May 2013

	Note	2013 £m	2012 £m
Revenue	1,2	1,235.6	1,267.4
Cost of sales		(667.2)	(674.7)
Gross profit		568.4	592.7
Distribution and marketing expenses		(461.8)	(455.4)
Administrative expenses		(9.7)	(9.2)
Operating profit		96.9	128.1
Financial income	1	2.8	1.8
Financial expense	1	(8.4)	(7.6)
Profit before tax	1,2,3	91.3	122.3
Income tax expense	8	(28.4)	(37.4)
Profit for the year attributable to the equity shareholders of the Parent Company		62.9	84.9
Earnings per share			
Basic	10	14.4	19.5
Diluted	10	14.3	19.3
Dividends			
Amounts recognised in the period:			
Final dividend for the year ended 31 March 2012	9	6.75p	6.5p
Interim dividend for the year ended 31 March 2013	9	5.0p	5.0p
		11.75p	11.5p
A final dividend of 6.75p per share relating to the year has been proposed since the year end.			
The notes on pages 68 to 93 form part of these Group accounts.			
Headline profit before tax			
Profit before tax		91.3	122.3
Reorganisation costs	4	7.4	–
		98.7	122.3
Headline earnings per share			
Basic	10	15.7	19.5
Diluted	10	15.6	19.3

	Note	2013 £m	2012 £m
Profit for the year		62.9	84.9
Other comprehensive income			
Foreign exchange translation differences		11.5	(3.1)
Actuarial loss on defined benefit pension schemes	7	(25.5)	(21.8)
Movement in unrecognised pension surplus		11.3	13.8
Net (loss) gain on cash flow hedges		(0.7)	2.0
Taxation relating to components of other comprehensive income		4.2	1.2
Other comprehensive income (expense) for the year		0.8	(7.9)
Total comprehensive income for the year		63.7	77.0

	Note	2013 £m	2012 £m
Non-current assets			
Intangible assets	11	223.5	204.1
Property, plant and equipment	12	112.1	119.5
Investments	14	0.6	0.6
Other receivables	17	7.1	7.0
Other financial assets	20	11.8	7.7
Deferred tax assets	21	6.4	10.2
		361.5	349.1
Current assets			
Inventories	16	261.9	258.4
Trade and other receivables	17	221.1	220.8
Current tax receivables		5.9	2.9
Cash and cash equivalents	25	9.3	19.8
		498.2	501.9
Current liabilities			
Trade and other payables	18	(194.8)	(212.3)
Provisions and other liabilities	4	(0.6)	–
Loans and borrowings	19	(10.7)	(1.4)
Other financial liabilities	19	(1.4)	–
Current tax liabilities		(13.9)	(11.3)
		(221.4)	(225.0)
Net current assets		276.8	276.9
Total assets less current liabilities		638.3	626.0
Non-current liabilities			
Other payables	18	(11.8)	(10.7)
Retirement benefit obligations	7	(19.0)	(8.3)
Loans and borrowings	19	(168.0)	(180.2)
Other financial liabilities	19	(0.7)	(0.1)
Deferred tax liabilities	21	(59.2)	(60.7)
		(258.7)	(260.0)
Net assets		379.6	366.0
Equity			
Called-up share capital	24	43.8	43.7
Share premium account		40.3	39.8
Retained earnings		263.9	263.9
Cumulative translation reserve		32.8	20.3
Other reserves		(1.2)	(1.7)
Equity attributable to the equity shareholders of the Parent Company		379.6	366.0

These Group accounts were approved by the Board of Directors on 23 May 2013 and signed on its behalf by:

Simon Boddie, Group Finance Director

The notes on pages 68 to 93 form part of these Group accounts.

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 £m	2012 £m
Cash flows from operating activities			
Profit before tax		91.3	122.3
Depreciation and other amortisation		25.9	27.9
Equity-settled transactions		2.0	2.9
Finance income and expense		5.6	5.8
Non-cash movement on investment in associate		–	0.1
Operating cash flow before changes in working capital, interest and taxes		124.8	159.0
Decrease (increase) in inventories		1.4	(28.7)
Decrease (increase) in trade and other receivables		3.0	(12.1)
(Decrease) increase in trade and other payables		(21.9)	5.0
Increase in provisions		0.6	–
Cash generated from operations		107.9	123.2
Interest received		2.8	1.8
Interest paid		(8.4)	(7.6)
Income tax paid		(25.6)	(26.9)
Net cash from operating activities		76.7	90.5
Cash flows from investing activities			
Capital expenditure		(28.7)	(38.4)
Proceeds from sale of property, plant and equipment		1.3	0.6
Net cash used in investing activities		(27.4)	(37.8)
Free cash flow		49.3	52.7
Cash flows from financing activities			
Proceeds from the issue of share capital		0.6	1.1
Purchase of own shares		(0.5)	–
New loans		–	106.0
Loans repaid		(18.2)	(95.2)
Dividends from vested share options		(0.7)	–
Equity dividends paid	9	(51.3)	(50.1)
Net cash used in financing activities		(70.1)	(38.2)
Net (decrease) increase in cash and cash equivalents		(20.8)	14.5
Cash and cash equivalents at the beginning of the year		18.6	5.6
Effect of exchange rate fluctuation on cash		0.8	(1.5)
Cash and cash equivalents at the end of the year	25	(1.4)	18.6

The notes on pages 68 to 93 form part of these Group accounts.

	Share capital £m	Share premium £m	Other reserves		Cumulative translation £m	Retained earnings £m	Total £m
			Hedging reserve £m	Own shares held £m			
At 1 April 2012	43.7	39.8	0.2	(1.9)	20.3	263.9	366.0
Profit for the year	–	–	–	–	–	62.9	62.9
Foreign exchange translation differences	–	–	–	–	11.5	–	11.5
Actuarial loss on defined benefit pension schemes	–	–	–	–	–	(25.5)	(25.5)
Movement in unrecognised pension surplus	–	–	–	–	–	11.3	11.3
Net loss on cash flow hedges (see note 20)	–	–	(0.7)	–	–	–	(0.7)
Taxation relating to components of other comprehensive income	–	–	0.4	–	1.0	2.8	4.2
Total comprehensive income	–	–	(0.3)	–	12.5	51.5	63.7
Equity-settled transactions	–	–	–	–	–	2.0	2.0
Dividends paid	–	–	–	–	–	(51.3)	(51.3)
Shares allotted in respect of share awards	0.1	0.5	–	1.3	–	(1.7)	0.2
Own shares acquired	–	–	–	(0.5)	–	–	(0.5)
Related tax movements	–	–	–	–	–	(0.5)	(0.5)
At 31 March 2013	43.8	40.3	(0.1)	(1.1)	32.8	263.9	379.6

	Share capital £m	Share premium £m	Other reserves		Cumulative translation £m	Retained earnings £m	Total £m
			Hedging reserve £m	Own shares held £m			
At 1 April 2011	43.6	38.8	(1.4)	(1.7)	23.6	232.4	335.3
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 20)	–	–	2.0	–	–	–	2.0
Taxation relating to components of other comprehensive income	–	–	(0.4)	–	(0.2)	1.8	1.2
Total comprehensive income	–	–	1.6	–	(3.3)	78.7	77.0
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)
At 31 March 2012	43.7	39.8	0.2	(1.9)	20.3	263.9	366.0

The notes on pages 68 to 93 form part of these Group accounts.

Basis of consolidation

Electrocomponents plc (the 'Company') is a company domiciled in England. The Group accounts for the year ended 31 March 2013 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 95 to 96.

The accounts were authorised for issue by the Directors on 23 May 2013.

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 41, and on the historical cost basis except certain financial instruments as detailed below.

The preparation of accounts in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of 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.

Estimates and judgements

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

The significant estimates made in the accounts for the year ended 31 March 2013 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 7
- 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 11
- Inventory: the estimation of the net realisable value of inventory. This estimation includes assessment of product sales levels and assumptions around product lifecycles
- Taxation: The tax payable on profits is determined based on tax laws and regulations that apply in each of the jurisdictions in which the Group operates. Where the precise impact of these laws and regulations is unclear then reasonable estimates may be used to determine the tax charge included in the financial statements
- Share-based payments: The estimation of the likelihood of vesting conditions being met is included in the calculation of the cost of share-based payments. These are explained in more detail in note 6

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 reorganisation costs/income and pension changes 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 is 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 are reviewed annually for impairment. All other intangible assets are reviewed to determine whether there is any indication of impairment. If such an indication exists the asset's recoverable amount is estimated.

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 cost 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 sold to customers.

Distribution and marketing expenses include all operating company expenses, including freight costs and movements in inventory provisions, together with the Group-wide Marketing, Offer and Information Technology expenses.

Administration expenses comprise Group Finance, Legal and Group Human Resources process expenses, together with the expenses of the Group Board.

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 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 using the effective interest rate method. Other interest payable includes interest charges on the unhedged portion of the Private Placement Loan notes.

Catalogue costs

The costs associated with the production and printing of catalogues are expensed to the income statement when incurred. Major investments in software associated with 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 United Kingdom 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.

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 the unwinding of the discount on plan liabilities within administrative expenses and distribution and marketing expenses. The Group recognises actuarial gains and losses 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 6 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 Payments) 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 and 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 over the catalogue periods of the majority of its operating companies. In addition there are also a number of interest rate swaps which 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 recognised immediately in 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 and exchange rate risks arising from financing activities, holding a small number of interest rate and cross currency 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 are recognised directly in the income statement.

All hedges not accounted for under fair value hedge accounting are held at amortised cost, which approximates to fair value as interest repricing takes place on a regular basis.

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

There were no standards and interpretations enacted applicable to the period ended 31 March 2013 that are considered to have an impact on these accounts.

The following standards and interpretations have been issued but not yet applied:

- IFRS 9 (Financial Instruments) was originally issued in November 2009 to review and replace IAS 39 (Financial Instruments: Recognition and Measurement). In October 2010 the IASB issued an amended version. The standard will be applicable for annual periods beginning on or after 1 January 2013. The effect on the Group is still being evaluated
- Amendments to IAS 19 (Defined Benefit Plans) is applicable for periods beginning on or after 1 January 2013. IAS 19 (revised 2011), (Employee Benefits), which replaces interest cost and expected return on plan assets with a finance cost component. This comprises net interest on the net defined benefit pension deficit calculated using the discount rate currently used to measure defined benefit pension liabilities. If this amendment had been applied in the year ended 31 March 2013, pre-tax profit would have been £4.6m lower, primarily because the discount rate is lower than the expected return on plan assets. The net pension deficit would have been unchanged
- Amendments to IAS 1 (Presentation of Financial Statements) is applicable for periods beginning on or after 1 July 2012. It requires that an entity separately presents the items of Other Comprehensive Income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. This will not affect the reported results or net assets of the Group
- IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements) and IFRS 12 (Disclosure of Interests in Other Entities) were endorsed in December 2012 and will be effective for periods beginning on or after 1 January 2014. These will replace the existing accounting standards for subsidiaries and joint ventures. This will not affect the reported results or net assets of the Group
- IFRS 13 (Fair Value Measurement) was endorsed in December 2012. It provides a single definition of fair value, a framework for measurement of fair values and disclosures about fair value measurements. This will not affect the reported results or net assets of the Group. The effective date is not yet known

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.

1 Analysis of income and expenditure

This analysis reconciles the Income Statement presentation to the segmental reporting shown in note 2.

	2013 £m	2012 £m
Revenue	1,235.6	1,267.4
Cost of sales	(667.2)	(674.7)
Distribution and marketing expenses within contribution	(324.7)	(325.9)
Headline contribution before Process costs	243.7	266.8
Distribution and marketing expenses within Process costs	(129.7)	(129.5)
Administrative expenses within Process costs	(9.7)	(9.2)
Process costs	(139.4)	(138.7)
Headline operating profit	104.3	128.1
Bank interest receivable	2.8	1.8
Bank interest payable	(3.8)	(3.1)
Private placement note interest payable	(4.6)	(4.5)
Net financial expense	(5.6)	(5.8)
Headline profit before tax	98.7	122.3
Reorganisation costs	(7.4)	–
Profit before tax	91.3	122.3

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 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). There have been no changes to the segments as a result of the reorganisation.

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

Intersegment pricing is determined on an arm's length basis, comprising sales of product at cost and a handling charge included within distribution and marketing expenses.

	2013 £m	2012 £m
Revenue from external customers		
United Kingdom	375.1	364.7
Continental Europe	426.2	456.3
North America	268.6	277.5
Asia Pacific	165.7	168.9
	1,235.6	1,267.4

2 Segmental reporting continued

	2013 £m	2012 £m
Intersegment sales		
United Kingdom	205.3	211.4
Continental Europe	57.3	51.9
North America	7.4	6.4
Asia Pacific	4.0	3.1
	274.0	272.8

	2013 £m	2012 £m
Contribution		
United Kingdom	105.9	106.0
Continental Europe	90.9	99.8
North America	34.9	43.3
Asia Pacific	12.0	17.7
	243.7	266.8

Reconciliation of headline contribution to profit before tax		
Headline contribution	243.7	266.8
Group Process costs	(139.4)	(138.7)
Reorganisation costs	(7.4)	–
Net financial expense	(5.6)	(5.8)
Profit before tax	91.3	122.3

Net financial expenses, reorganisation costs 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.

	2013 £m	2012 £m
Segment assets		
United Kingdom	278.7	267.8
Continental Europe	161.7	169.4
North America	292.4	278.6
Asia Pacific	93.5	94.6
	826.3	810.4
Unallocated assets		
Cash at bank and in hand	9.3	19.8
Deferred tax assets	6.4	10.2
Income tax assets	5.9	2.9
Other financial assets	11.8	7.7
Total assets	859.7	851.0

2 Segmental reporting continued

	2013 £m	2012 £m
Segment liabilities		
United Kingdom	126.6	124.7
Continental Europe	59.4	60.3
North America	21.7	23.7
Asia Pacific	18.5	22.6
	226.2	231.3
Unallocated liabilities		
Income tax liabilities	13.9	11.3
Deferred tax liabilities	59.2	60.7
Loans and overdrafts	178.7	181.6
Other financial liabilities	2.1	0.1
Total liabilities	480.1	485.0

	2013 £m	2012 £m
Capital expenditure		
UK	24.2	24.8
Continental Europe	1.2	2.1
North America	2.1	8.0
Asia Pacific	1.2	2.9
	28.7	37.8

	2013 £m	2012 £m
Depreciation and amortisation		
UK	3.4	2.7
Continental Europe	1.6	1.9
North America	3.2	2.5
Asia Pacific	0.7	0.8
Process costs	17.0	20.0
	25.9	27.9

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 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:

	2013 £m	2012 £m
Electronics	504.7	531.8
Maintenance	730.9	735.6
	1,235.6	1,267.4

3 Profit before tax

	2013 £m	2012 £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	0.1	0.1
Fees payable to the Company's auditors and its associates for other services:		
Audit-related assurance services	0.1	0.1
The audit of the Company's subsidiaries, pursuant to legislation	0.6	0.6
Other services pursuant to legislation	–	0.1
Other services relating to taxation	0.3	–
Depreciation	12.2	12.6
Amortisation of intangibles	13.7	15.3
Amortisation of government grants	(0.2)	(0.2)
Loss on disposal of intangible assets and property, plant and equipment	0.1	0.1
Hire of plant and machinery	7.5	3.6

4 Reorganisation costs

Reorganisation costs arising during the period are as follows:

	2013 £m	2012 £m
Redundancy and associated costs	7.4	–
	7.4	–

During the year, the Group undertook a significant restructuring of the business from a geographically-based operating model to a functionally-based global operating model. The costs incurred in relation to this restructuring activity included redundancy and associated consultancy costs. £6.8m of the costs were paid in the year ended 31 March 2013. The remaining £0.6m is held within provisions and other liabilities falling due within one year.

5 Employees

Numbers employed	2013 £m	2012 £m
The average number of employees during the year was:		
Management and administration	357	340
Distribution and marketing	5,950	6,000
	6,307	6,340

Aggregate employment costs	2013 £m	2012 £m
Wages and salaries	189.0	188.0
Social security costs	21.0	22.6
Share-based payments	2.1	4.0
Pension costs	12.7	10.5
	224.8	225.1

The remuneration of individual Directors is detailed on page 52.

6 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 is made available to all eligible employees.

The total charge included in the Income Statement in the year was £2.1m (2012: £4.0m). Of the total charge £2.0m (2012: £2.9m) related to equity-settled share schemes and £0.1m (2012: £1.1m) related to cash-settled share schemes.

Deferred Share Bonus Plan

Under the Company's Deferred Share Bonus Plan, conditional 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 147,511 shares (2012: 371,628) and 13,750 share equivalent awards paid in cash (2012: 36,719) were conditionally awarded to the scheme's participants.

Deferred shares relating to the bonus awards to senior managers for the year ended 31 March 2013 will be awarded in June 2013.

Details of conditional awards of shares and cash entitlements outstanding as at 31 March 2013 are set out below:

	Number of shares	
	2013	2012
Shares	519,139	680,402
Share equivalent awards to be paid in cash	41,887	71,657
	561,026	752,059

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 as well as, normally, the continued employment of the participant with the Group.

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

	LTIP 2012	LTIP 2011	LTIP 2010	LTIP 2009
Options granted	1,606,980	1,495,629	1,693,536	2,675,883
Fair value at grant date	105.0p	144.0p	117.1p	52.6p
Assumptions used:				
Share price	226p	274p	222p	141p
Exercise price	Nil	Nil	Nil	Nil
Expected volatility	32.1%	34.6%	38.3%	37.1%
Expected option life	3 years	3 years	3 years	3 years
Expected dividend yield	5.10%	7.30%	8.90%	11.40%
Risk free interest rate	0.20%	1.80%	4.14%	4.20%

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

6 Share-based payments continued

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 continued payment of regular monthly savings by the employees. 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, if applicable. There are no market conditions attached to the vesting of the options.

	SAYE 3 yr 2012	SAYE 5 yr 2012	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 5 yr 2008
<i>Equity-settled options</i>									
Options granted	1,223,209	466,184	660,883	299,559	595,181	370,029	568,506	249,009	997,559
Fair value at grant date	40.2p	37.1p	47.5p	45.0p	57.6p	52.5p	21.8p	19.6p	17.5p
Assumptions used:									
Share price	201p	201p	269p	269p	217p	217p	141p	141p	141p
Exercise price	164p	164p	235p	235p	175p	175p	149p	149p	131p
Expected volatility	32.10%	36.10%	34.6%	33.1%	38.3%	32.9%	37.1%	32.4%	27.2%
Expected option life	3 years	5 years	3 years	5 years	3 years	5 years	3 years	5 years	5 years
Expected dividend yield	5.50%	5.50%	4.30%	4.30%	6.20%	6.20%	7.80%	7.80%	9.00%
Risk-free interest rate	0.16%	0.40%	1.40%	2.16%	4.27%	4.27%	4.20%	4.20%	5.10%

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.

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

	Weighted average exercise price 2013	Number of options 2013	Weighted average exercise price 2012	Number of options 2012
In thousands of options				
Outstanding at the beginning of the year	66p	9,124	65p	9,329
Forfeited during the year	187p	(73)	2p	(369)
Lapsed during the year	106p	(1,721)	103p	(1,618)
Exercised during the year	43p	(1,637)	88p	(1,282)
Granted during the year	86p	4,868	89p	3,064
Outstanding at the end of the year	71p	10,561	66p	9,124
Exercisable at the end of the year	241p	1	149p	154

The options outstanding at 31 March 2013 have an exercise price in the range 0p to 235p and a weighted average contractual life of 3.2 years.

In thousands of options	2013	2012
Option prices		
£nil-£1.00	6,159	5,836
£1.00-£2.00	3,783	2,134
£2.00-£3.00	619	1,154
	10,561	9,124

7 Pension schemes

The funding of the UK defined benefit scheme is assessed in accordance with the advice of independent actuaries. The net UK pension costs for the year ended 31 March 2013 amounted to £1.4m (2012: £nil). The contributions paid by the Group to the defined contribution section of the scheme amounted to £4.7m (2012: £4.2m).

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 24 April 2013 that it has no current intention of exercising its power to wind up the scheme.

The costs of the defined benefit pension schemes in Germany and Republic of Ireland were £0.4m (2012: £0.4m). The costs of the defined contribution schemes in Australia, North America, Germany and Republic of Ireland were £2.2m (2012: £2.1m), and those via government schemes in France, Italy, Scandinavia and North Asia were £4.1m (2012: £3.8m).

The Group expects to pay £5.0m to its UK defined benefit pension scheme in the year ending 31 March 2014.

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

	2013 United Kingdom	2013 Germany	2013 Republic of Ireland	2012 UK	2012 Germany	2012 Republic of Ireland
Discount rate	4.40%	4.00%	4.00%	5.00%	3.75%	3.75%
Rate of increase in pensionable salaries	2.55%	2.50%	2.00%	2.55%	3.00%	3.00%
Rate of increase of pensions in payment	3.20%	2.00%	2.00%	3.10%	2.00%	2.00%
Inflation assumption	3.30%	2.00%	2.00%	3.20%	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.

The expected long-term rates of return on the schemes' assets were:

	2013 United Kingdom	2013 Germany	2013 Republic of Ireland	2012 UK	2012 Germany	2012 Republic of Ireland
Equities	7.60%	n/a	7.00%	7.40%	n/a	7.50%
Corporate bonds	4.60%	n/a	4.00%	5.00%	n/a	n/a
Government bonds	2.60%	n/a	n/a	3.90%	n/a	4.00%
Diversified growth funds	7.00%	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	2.50%	n/a	n/a	n/a	n/a	n/a
Credit funds	6.50%	n/a	n/a	6.50%	n/a	n/a
Cash	0.00%	n/a	n/a	0.00%	n/a	n/a
Other	n/a	n/a	2.00%	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.

7 Pension schemes continued

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

	2013 UK Years	2013 Germany Years	2013 Republic of Ireland Years	2012 UK Years	2012 Germany Years	2012 Republic of Ireland Years
Member aged 65 (current life expectancy) – male	21.3	18.7	22.5	21.2	18.8	22.3
Member aged 65 (current life expectancy) – female	23.3	22.8	23.9	23.2	22.9	23.7
Member aged 45 (life expectancy at aged 65) – male	23.5	22.0	25.5	23.4	22.1	25.4
Member aged 45 (life expectancy at aged 65) – female	25.9	25.9	26.4	25.8	26.1	26.4

The net costs recognised in the Income Statement were:

	2013 UK £m	2013 Germany £m	2013 Republic of Ireland £m	2013 Total £m	2012 UK £m	2012 Germany £m	2012 Republic of Ireland £m	2012 Total £m
Current service cost	5.3	–	0.1	5.4	4.4	–	0.1	4.5
Interest cost	16.7	0.3	0.2	17.2	16.3	0.2	0.2	16.7
Expected return on scheme assets	(20.6)	–	(0.2)	(20.8)	(20.7)	–	(0.1)	(20.8)
Total Income Statement charge	1.4	0.3	0.1	1.8	–	0.2	0.2	0.4

Of the net cost for the year, a charge of £0.3m (2012: £nil) has been included in administrative expenses and a charge of £1.5m (2012: £0.4m) in distribution and marketing expenses.

The actual gain on scheme assets was: UK £42.8m (2012: £27.3m), Germany £nil (2012: £nil) and Republic of Ireland £0.4m (2012: £0.1m).

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

	2013 UK £m	2013 Germany £m	2013 Republic of Ireland £m	2012 UK £m	2012 Germany £m	2012 Republic of Ireland £m
Equities	95.7	n/a	2.4	91.1	n/a	2.1
Corporate bonds	23.1	n/a	1.4	20.4	n/a	1.2
Government bonds	44.1	n/a	n/a	40.2	n/a	n/a
Diversified growth funds	158.7	n/a	n/a	146.4	n/a	n/a
Credit funds	14.6	n/a	n/a	13.5	n/a	n/a
Matching plus funds	47.3	n/a	n/a	33.9	n/a	n/a
Cash	0.8	n/a	n/a	0.7	n/a	n/a
Other	n/a	n/a	0.1	n/a	n/a	–
Total market value of scheme assets	384.3	n/a	3.9	346.2	n/a	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:

	2013 UK £m	2013 Germany £m	2013 Republic of Ireland £m	2013 Total £m	2012 UK £m	2012 Germany £m	2012 Republic of Ireland £m	2012 Total £m
Total market value of assets	384.3	–	3.9	388.2	346.2	–	3.3	349.5
Present value of scheme liabilities	(396.7)	(5.7)	(4.8)	(407.2)	(335.6)	(5.8)	(5.1)	(346.5)
Schemes' (deficit) surplus	(12.4)	(5.7)	(0.9)	(19.0)	10.6	(5.8)	(1.8)	3.0
Unrecognised pension surplus	–	–	–	–	(11.3)	–	–	(11.3)
Schemes' adjusted deficit	(12.4)	(5.7)	(0.9)	(19.0)	(0.7)	(5.8)	(1.8)	(8.3)

7 Pension schemes continued

As at 31 March 2013 the UK defined benefit pension scheme reported a deficit of £12.4m (2012: surplus of £10.6m). In accordance with the requirements of IAS 19 (Employee benefits) and IFRIC 14, the Company did not recognise the pension surplus in its 2012 financial statements.

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

	2013 UK £m	2013 Germany £m	2013 Republic of Ireland £m	2013 Total £m	2012 UK £m	2012 Germany £m	2012 Republic of Ireland £m	2012 Total £m
Present value of the defined benefit obligations at the beginning of the year	335.6	5.8	5.1	346.5	297.9	4.8	3.7	306.4
Movement in year:								
Current service cost	5.3	–	0.1	5.4	4.4	–	0.1	4.5
Interest cost	16.7	0.3	0.2	17.2	16.3	0.2	0.2	16.7
Actuarial loss (gain)	48.9	(0.3)	(0.7)	47.9	25.8	1.2	1.3	28.3
Benefits paid	(9.8)	(0.1)	–	(9.9)	(8.8)	(0.1)	–	(8.9)
Exchange differences	–	–	0.1	0.1	–	(0.3)	(0.2)	(0.5)
Present value of the defined benefit obligations at the end of the year	396.7	5.7	4.8	407.2	335.6	5.8	5.1	346.5

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

	2013 UK £m	2013 Germany £m	2013 Republic of Ireland £m	2013 Total £m	2012 UK £m	2012 Germany £m	2012 Republic of Ireland £m	2012 Total £m
Present value of the fair value of scheme assets at the beginning of the year	346.2	–	3.3	349.5	322.8	–	3.3	326.1
Movement in year:								
Expected return on scheme assets	20.6	–	0.2	20.8	20.7	–	0.1	20.8
Actuarial gain (loss)	22.2	–	0.2	22.4	6.6	–	(0.1)	6.5
Contributions by Company	5.1	0.1	0.2	5.4	4.9	0.1	0.2	5.2
Benefits paid	(9.8)	(0.1)	–	(9.9)	(8.8)	(0.1)	–	(8.9)
Exchange differences	–	–	–	–	–	–	(0.2)	(0.2)
Present value of the fair value of scheme assets at the end of the year	384.3	–	3.9	388.2	346.2	–	3.3	349.5

Experience adjustments were:

	2013 UK	2013 Germany	2013 Republic of Ireland	2012 UK	2012 Germany	2012 Republic of Ireland
Difference between expected and actual return on scheme assets	5.8%	n/a	4.9%	1.9%	n/a	(2.7%)
Experience (gains) losses on scheme liabilities	–	1.1%	1.9%	–	(0.3%)	0.1%

The cumulative amount of actuarial loss recognised is £16.5m (2012: gain of £9.0m).

In addition, the value of the assets held by external Additional Voluntary Contribution's amounted to £0.1m as at 31 March 2013 (2012: £0.1m).

The value of the assets held externally in relation to the defined contribution section of the UK scheme amounted to £26.7m as at 31 March 2013 (2012: £19.8m).

7 Pension schemes continued

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

	2013	2012	2011	2010	2009
Actual less expected return on scheme assets (£m)	22.2	6.6	3.6	54.1	(52.5)
As a % of scheme assets	5.8%	1.9%	1.1%	17.8%	(21.8)%
Experience gains and losses arising on scheme liabilities (£m)	–	–	(5.4)	–	(5.3)
As a % of scheme liabilities	0.0%	0.0%	(1.8)%	0.0%	(2.1)%
Actuarial (loss) gain recognised in the statement of total recognised gains and losses (£m)	(26.7)	(19.2)	31.0	(5.5)	(4.1)
As a % of scheme liabilities	6.7%	5.7%	10.4%	(1.7)%	(1.7)%

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 £7.9m
Effect on obligation of a 0.1% increase to the assumed inflation rate	Liabilities increase by £6.0m
Effect on obligation of an assumed increase in one year's life expectancy	Liabilities increase by £10.4m

8 Income tax expense

Taxation on the profit of the Group	2013 £m	2012 £m
United Kingdom corporation tax at 24% (2012: 26%)	12.8	10.6
United Kingdom deferred taxation	(1.3)	1.7
	11.5	12.3
Overseas current taxation	10.9	12.4
Overseas deferred taxation	6.0	12.7
Total income tax expense in Income Statement	28.4	37.4

Total tax expense is reconciled to a notional 24% (2012: 26%) of profit before taxation as follows:

Expected tax charge	21.9	31.8
Differences in overseas corporation tax rates	5.7	5.5
Utilisation of tax losses ¹	(0.6)	(0.9)
Items not (taxable) deductible for tax purposes	(0.5)	0.5
Other local taxes suffered overseas	1.2	1.4
Under (over) provision in prior years	0.7	(0.9)
	28.4	37.4

¹ Tax losses refer to losses not previously recognised within deferred tax assets

8 Income tax expense continued

	2013 £m	2012 £m
Tax (income) expense recognised directly in other comprehensive income		
Recognised in retained earnings		
Relating to actuarial losses	(2.8)	(1.8)
Recognised in the hedging reserve		
Relating to (loss) gain on cash flow hedges	(0.4)	0.4
Recognised in the cumulative translation reserve		
Relating to (loss) gain on net investment hedges	(1.0)	0.2
	(4.2)	(1.2)
Tax recognised directly in equity		
Relating to equity-settled transactions	0.5	–

The 2013 Budget on 20 March 2013 announced that the UK corporation tax rate will reduce to 20% by 2015. A reduction to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012. 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 24% to 23% creating a rate adjustment, which is partly reflected by a benefit to the Group income statement (£0.1m), 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 2013 have been calculated at a rate of 23%.

The further reduction in rate from 23% to 20% 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 £0.5m. Of this reduction, it is estimated that £0.5m would be credited to the consolidated statement of comprehensive income.

Deferred taxation balances are analysed in note 21.

9 Dividends

	2013 £m	2012 £m
Amounts recognised in the period:		
Final dividend for the year ended 31 March 2012 – 6.75p (2011: 6.5p)	29.5	28.3
Interim dividend for the year ended 31 March 2013 – 5.0p (2012: 5.0p)	21.8	21.8
	51.3	50.1
Proposed dividend for the year ended 31 March 2013 – 6.75p	29.5	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 17 July 2013 and has not been included as a liability in these accounts.

10 Earnings per share

	2013 £m	2012 £m
Profit for the year attributable to the equity shareholders of the Parent Company	62.9	84.9
Reorganisation costs	7.4	–
Tax impact of reorganisation costs	(1.7)	–
Headline profit for the year attributable to the equity shareholders of the Parent Company	68.6	84.9
Weighted average number of shares	437,818,646	436,115,083
Dilutive effect of share options	2,047,772	3,077,146
Diluted weighted average number of shares	439,866,418	439,192,229
	Pence	Pence
Basic earnings per share	14.4	19.5
Diluted earnings per share	14.3	19.3
Headline basic earnings per share	15.7	19.5
Headline diluted earnings per share	15.6	19.3

There were 1,104,306 (2012: 963,097) further share options outstanding as at 31 March 2013 that were anti-dilutive.

11 Intangible assets

Cost	Goodwill £m	Software £m	Other intangibles £m	Total £m
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)
At 1 April 2012	163.7	153.8	0.3	317.8
Additions	–	24.4	–	24.4
Disposals	–	(2.1)	–	(2.1)
Translation differences	8.5	0.9	–	9.4
At 31 March 2013	172.2	177.0	0.3	349.5
Amortisation				
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)
At 1 April 2012	–	113.5	0.2	113.7
Charged in the year	–	13.7	–	13.7
Disposals	–	(1.7)	–	(1.7)
Translation differences	–	0.3	–	0.3
At 31 March 2013	–	125.8	0.2	126.0
Net book value				
At 31 March 2013	172.2	51.2	0.1	223.5
At 31 March 2012	163.7	40.3	0.1	204.1
At 31 March 2011	163.7	38.7	0.2	202.6

Of total goodwill of £172.2m (2012: £163.7m), £171.6m (2012: £163.1m) related to the acquisition of Allied Electronics Inc. in July 1999, and £0.6m (2012: £0.6m) related to the acquisition of the Group's Norwegian distributor in September 2001.

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% (2012: 2%) which is consistent with the prudent 'market estimate' long-term average growth rate for the distribution industry.

A pre-tax discount rate of 8.4% (2012: 9.0%) 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 macro economic 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 2013 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.

12 Property, plant and equipment

Cost	Land and buildings £m	Plant and machinery £m	Computer systems £m	Total £m
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)
At 1 April 2012	110.9	130.4	80.3	321.6
Additions	0.2	4.1	–	4.3
Disposals	–	(1.5)	(2.6)	(4.1)
Translation differences	1.5	0.8	0.5	2.8
At 31 March 2013	112.6	133.8	78.2	324.6
Depreciation				
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)
At 1 April 2012	33.9	106.6	61.6	202.1
Charged in the year	2.2	5.6	4.4	12.2
Disposals	–	(1.3)	(1.8)	(3.1)
Translation differences	0.3	0.6	0.4	1.3
At 31 March 2013	36.4	111.5	64.6	212.5
Net book value				
At 31 March 2013	76.2	22.3	13.6	112.1
At 31 March 2012	77.0	23.8	18.7	119.5
At 31 March 2011	80.3	22.3	11.5	114.1

Net book value of land and buildings	2013 £m	2012 £m
Freehold land	12.3	12.1
Freehold buildings	60.0	61.2
Long leasehold buildings	0.4	0.3
Short leasehold buildings	3.5	3.4
	76.2	77.0

Net book value of plant and machinery		
Plant and machinery	21.1	21.6
Other office equipment	1.0	1.6
Motor vehicles	0.2	0.6
	22.3	23.8

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

13 Capital commitments

	2013 £m	2012 £m
Contracted capital expenditure at 31 March, for which no provision has been made in these accounts	1.6	–

14 Investments

	2013 £m	2012 £m
Jointly controlled entity	0.6	0.6

For details of the jointly controlled entity, see note 15 to the Group accounts.

15 Principal subsidiary undertakings and associated undertakings

	Principal location	Country of incorporation
High service distribution of electronics and maintenance products		
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 Composants SAS*	Beauvais	France
RS Components GmbH*	Frankfurt	Germany
RS Components Limited*	Kowloon	Hong Kong
RS Components & Controls (India) Limited†	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
RS Components Corporation*	Manilla	Philippines
Holding and Management Companies		
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.

† 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 products to RSCC, while office space and distribution network are provided by Controls & Switchgear. During the year ended 31 March 2013 the Group made sales of £0.7m (2012: £0.9m) to RSCC. RSCC is accounted for using the equity accounting method.

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

16 Inventories

	2013 £m	2012 £m
Gross inventories value:		
Raw materials and consumables	52.8	48.1
Finished goods and goods for resale	240.9	234.1
	293.7	282.2
Stock provisions	(31.8)	(23.8)
Total net inventories	261.9	258.4

During the year £11.9m (2012: £11.9m) was recognised as an expense relating to the write down of inventory to net realisable value.

17 Trade and other receivables

	2013 £m	2012 £m
Gross trade receivables	208.0	206.3
Provision for doubtful debts	(5.4)	(4.7)
Amounts owed by jointly controlled entity	0.2	0.6
Derivative assets (see note 20)	1.3	1.3
Other receivables	4.3	4.7
Prepayments and accrued income	12.7	12.6
Trade and other receivables falling due within one year	221.1	220.8
Other receivables falling due after more than one year	7.1	7.0

18 Trade and other payables

	2013 £m	2012 £m
Trade payables	120.8	137.3
Other taxation and social security	12.8	13.2
Derivative liabilities (see note 20)	1.7	0.9
Other payables	3.0	3.8
Government grants	0.1	0.2
Accruals and deferred income	56.4	56.9
Trade and other payables due within one year	194.8	212.3
Other payables	7.9	6.7
Government grants	3.9	4.0
Other payables due in more than one year	11.8	10.7

19 Interest bearing loans and borrowings

	2013 £m	2012 £m
Non-current liabilities:		
Unsecured bank facilities	62.2	80.3
Finance lease liabilities	0.7	0.1
Unsecured Private Placement Notes	105.8	99.8
	168.7	180.2
Current liabilities:		
Unsecured bank overdrafts	10.7	1.2
Unsecured bank loans	–	0.2
Finance lease liabilities	1.4	–
	12.1	1.4
Borrowings are repayable as follows:		
Amounts falling due on demand or in less than one year	12.1	1.4
In more than one but not more than two years	0.7	0.1
In more than two but not more than three years	105.5	–
In more than three but not more than four years	–	121.5
In more than four but not more than five years	62.5	–
In more than five years	–	58.6
	180.8	181.6

	Sterling 2013 £m	US Dollar 2013 £m	Euro 2013 £m	Other 2013 £m	Total 2013 £m
Borrowings are analysed by currency as:					
Unsecured bank overdrafts	8.7	–	0.7	1.3	10.7
Unsecured bank facilities	24.6	26.3	7.6	3.7	62.2
Unsecured bank loans	–	–	–	–	–
Finance lease liabilities	2.1	–	–	–	2.1
Unsecured Private Placement Notes	–	105.8	–	–	105.8
Total borrowings	35.4	132.1	8.3	5.0	180.8

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

20 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
Financial assets				
Financial assets held at fair value				
Interest rate swaps used for hedging		A	11.8	11.8
Forward exchange rate contracts used for hedging	17	A	1.3	1.3
			13.1	13.1
Financial assets held at amortised cost				
Cash and cash equivalents	25	D	9.3	9.3
Trade receivables, other receivables and accrued income	17	F	217.3	217.3
			226.6	226.6
Total financial assets at 31 March 2013			239.7	239.7
Financial liabilities				
Financial liabilities held at fair value				
Forward exchange rate contracts used for hedging	18	A	(1.7)	(1.7)
Private Placement Notes	19	C	(72.9)	(72.9)
			(74.6)	(74.6)
Financial liabilities held at amortised cost				
Bank facilities	19	D	(62.2)	(62.2)
Private Placement Notes	19	D	(32.9)	(35.4)
Finance lease liabilities	19	E	(2.1)	(2.1)
Bank overdrafts	19	D	(10.7)	(10.7)
Trade payables, other payables and accruals	18	F	(210.4)	(210.4)
			(318.3)	(320.8)
Total financial liabilities at 31 March 2013			(392.9)	(395.4)

20 Financial instruments continued

	Notes	Valuation methodology	Carrying value £m	Fair value £m
Financial assets				
Financial assets held at fair value				
Interest rate swaps used for hedging		A	7.7	7.7
Forward exchange rate contracts used for hedging	17	A	1.3	1.3
			9.0	9.0
Financial assets held at amortised cost				
Cash and cash equivalents	25	D	19.8	19.8
Trade receivables, other receivables and accrued income	17	F	214.1	214.1
			233.9	233.9
Total financial assets at 31 March 2012			242.9	242.9
Financial liabilities				
Financial liabilities held at fair value				
Interest rate swaps used for hedging		A	(0.1)	(0.1)
Forward exchange rate contracts used for hedging	18	A	(0.9)	(0.9)
Private Placement Notes	19	C	(68.5)	(68.5)
			(69.5)	(69.5)
Financial liabilities held at amortised cost				
Bank facilities	19	D	(80.5)	(80.5)
Private Placement Notes	19	D	(31.3)	(33.0)
Finance lease liabilities	19	E	(0.1)	(0.1)
Bank overdrafts	19	D	(1.2)	(1.2)
Trade payables, other payables and accruals	18	F	(224.9)	(224.9)
			(338.0)	(339.7)
Total financial liabilities at 31 March 2012			(407.5)	(409.2)

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 repricing 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 repricing maturity is less than one year.

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 repricing maturity of less than one year, fair value is assumed to approximate to the carrying amount.

20 Financial instruments continued**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 are 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 2013 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 multicurrency facility for \$75m, £120m and €50m with a maturity of November 2015

As at 31 March 2013 the Group had available £149.2m 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
Derivative financial liabilities								
Interest rate swaps used for hedging	–	–	–	–	–	–	–	–
Forward exchange rate contracts used for hedging	(1.7)	(1.7)	(1.7)	–	–	–	–	–
Non-derivative financial liabilities								
Bank loans	(62.2)	(64.8)	(0.9)	(0.9)	(63.0)	–	–	–
Private Placement Notes	(105.8)	(116.5)	(4.8)	(4.8)	(46.6)	(2.9)	(57.4)	–
Finance lease liabilities	(2.1)	(2.1)	(1.4)	(0.7)	–	–	–	–
Bank overdrafts	(10.7)	(10.7)	(10.7)	–	–	–	–	–
Trade payables, other payables and accruals*	(210.4)	(210.4)	(207.2)	(3.2)	–	–	–	–
At 31 March 2013	(392.9)	(406.2)	(226.7)	(9.6)	(109.6)	(2.9)	(57.4)	–
	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
Derivative financial liabilities								
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)	–	–	–	–	–
Non-derivative financial liabilities								
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)	–	–	–	–
At 31 March 2012	(407.5)	(427.3)	(230.5)	(8.1)	(5.6)	(125.5)	(2.7)	(54.9)

* Excludes derivatives which are shown separately

20 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 2013 net forecast exposures in Euros and US Dollars for the first six months (Euros) and first three months (US Dollars) of the year ending 31 March 2014 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 as at 31 March 2013 was £Nil (2012: £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 the Group issued a further \$112.5m of Private Placement Notes with maturities of June 2015 and June 2017 and, using cross-currency interest rate swaps, 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 2013 was \$110m (£72.4m), of which \$40m (£26.3m) formed part of the unsecured bank facility, \$50m (£32.9m) was from the US Private Placement market and \$20m (£13.2m) was in the form of an overdraft. The carrying amount of the Euro hedge was €32.7m (£31.5m), of which €9m (£7.6m) formed part of the unsecured bank facility and €23.7m (£19.9m) 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 2013.

A foreign exchange loss of £2.8m (2012: gain of £3.4m) was recognised in equity on translation of the loans to Sterling in the year ended 31 March 2013.

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 2013 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 US Dollar fixed to Sterling floating (\$60m) and Euro floating (\$40m) using an interest rate swap. This is designated as a fair value hedge

All other borrowings were at a variable rate.

20 Financial instruments continued**Interest rate profile**

The interest rate profile of the Group's interest-bearing financial instruments, as at 31 March 2013 and as at 31 March 2012, are set out below. The classification and balances include the impact of the interest rate swaps.

	2013			2012		
	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Financial liabilities						
Interest-bearing loans and borrowings						
Current	(1.4)	(10.7)	(12.1)	(0.2)	(1.2)	(1.4)
Non-current	(59.9)	(97.0)	(156.9)	(56.4)	(116.2)	(172.6)
At 31 March	(61.3)	(107.7)	(169.0)	(56.6)	(117.4)	(174.0)
Financial assets						
Cash and cash equivalents	–	9.3	9.3	–	19.8	19.8
At 31 March	–	9.3	9.3	–	19.8	19.8

Cash flow hedges	£m
Fair value of hedging instruments under cash flow hedges as at 31 March 2011:	
Assets	0.5
Liabilities	(2.2)
Net	(1.7)

In the year ended 31 March 2012:

Amount removed from equity and taken to Income Statement in operating profit	1.7
Fair value of cash flow hedges taken to equity	0.3

Fair value of hedging instruments under cash flow hedges as at 31 March 2012:	
Assets	1.3
Liabilities	(1.0)
Net	0.3

In the year ended 31 March 2013:

Amount removed from equity and taken to Income Statement in operating profit	(0.3)
Fair value of cash flow hedges taken to equity	(0.4)

Fair value of hedging instruments under cash flow hedges as at 31 March 2013:	
Assets	1.3
Liabilities	(1.7)
Net	(0.4)

20 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	–	–	1.2	–	10.6	–
Other interest rate swaps						
Liabilities	–	–	–	–	–	–
Forward exchange contracts:						
Assets	1.3	–	–	–	–	–
Liabilities	(1.7)	–	–	–	–	–
At 31 March 2013	(0.4)	–	1.2	–	10.6	–
	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
Other interest rate swaps						
Liabilities	(0.1)	–	–	–	–	–
Forward exchange contracts:						
Assets	1.3	–	–	–	–	–
Liabilities	(0.9)	–	–	–	–	–
At 31 March 2012	0.3	–	–	0.7	–	7.0

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 2013 and the year ended 31 March 2012
- 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 2013 and the year ended 31 March 2012

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

20 Financial instruments continued

	1% increase in interest rates £m	1% decrease in interest rates £m	10% increase in value of US\$ & € £m	10% decrease in value of US\$ & € £m
Year ended 31 March 2013				
Impact on Income Statement: (loss) gain	(1.1)	1.1	5.5	(4.5)
Impact on Equity: gain (loss)	0.0	0.0	20.2	(16.6)
Year ended 31 March 2012				
Impact on Income Statement: (loss) gain	(1.2)	1.2	5.8	(5.8)
Impact on Equity: gain (loss)	–	–	15.0	(15.0)

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:

	2013 £m	2012 £m
UK	62.7	61.9
Continental Europe	81.9	82.4
North America	34.5	32.5
Asia Pacific	23.5	24.8
	202.6	201.6

The ageing of net trade receivables at the reporting date was:

	2013 £m	2012 £m
Not past due	136.0	159.4
Past due 0-60 days	58.0	37.1
Past due 60-120 days	5.9	4.0
Past due >120 days	2.7	1.1

20 Financial instruments continued

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

	2013 £m	2012 £m
Balance at 1 April	(4.7)	(5.5)
Impairment gain (loss) recognised	(0.7)	0.8
Balance at 31 March	(5.4)	(4.7)

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 employed, 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 2013 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 of US Private Placement Notes 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.

21 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets 2013 £m	2012 £m	Liabilities 2013 £m	2012 £m	Net 2013 £m	2012 £m
Property, plant and equipment	–	–	(9.1)	(12.9)	(9.1)	(12.9)
Goodwill	–	–	(57.1)	(48.9)	(57.1)	(48.9)
Retirement benefit obligations	4.3	2.1	–	–	4.3	2.1
Inventories	1.1	–	(0.1)	(0.2)	1.0	(0.2)
Employee benefits	3.2	2.7	–	–	3.2	2.7
Provisions	0.6	1.5	–	–	0.6	1.5
Other items	1.6	3.0	–	–	1.6	3.0
Tax losses	2.7	2.2	–	–	2.7	2.2
Tax assets (liabilities)	13.5	11.5	(66.3)	(62.0)	(52.8)	(50.5)
Set-off of tax	(7.1)	(1.3)	7.1	1.3	–	–
Net tax assets (liabilities)	6.4	10.2	(59.2)	(60.7)	(52.8)	(50.5)

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.

	2013 £m	2012 £m
Unrecognised deferred tax assets		
Tax losses	8.3	9.2

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.

22 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 2013 was £7.5m (2012: £3.6m). 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 £14.2m (2012: £14.5m). 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	
	2013	2012	2013	2012
	£m	£m	£m	£m
Within one year	8.7	8.8	7.0	7.0
Within two to five years	14.1	14.8	7.9	11.3
After five years	1.1	2.3	–	–
	23.9	25.9	14.9	18.3

23 Related parties

The Company has a related party relationship with its subsidiaries as disclosed in note 15 to the Group accounts and with its key management personnel. The key management personnel of the Group are the Directors and, following the reorganisation activity, the Group Executive Committee. Compensation of key management personnel was:

	2013	2012
	£m	£m
Remuneration	3.2	1.7
Social security costs	0.5	0.2
Equity-settled transactions	0.7	0.4
Pension costs	0.4	0.4
	4.9	2.7

Details of transactions with the jointly controlled entity are given in note 15 to the Group accounts.

24 Share capital

	2013	2012	2013	2012
	Number of	Number of	£m	£m
	shares	shares		
Ordinary shares of 10p each:				
Called-up and fully paid:				
At 1 April	436,961,886	435,679,731	43.7	43.6
New share capital subscribed	1,162,293	1,282,155	0.1	0.1
At 31 March	438,124,179	436,961,886	43.8	43.7

All of the new share capital subscribed in the financial year 2013 related to the exercise of share options (note 6).

Details of the own shares held are given in note 8 to the Company accounts on page 99.

25 Cash and cash equivalents

	2013 £m	2012 £m
Bank balances	9.3	11.2
Call deposits and investments	–	8.6
Cash and cash equivalents in the balance sheet	9.3	19.8
Bank overdrafts	(10.7)	(1.2)
Cash and cash equivalents in the cash flow statement	(1.4)	18.6
Current instalments of loans	–	(0.2)
Finance lease liabilities	(2.1)	(0.1)
Bank loans repayable after more than one year	(62.2)	(80.4)
Private Placement Notes due 2015 (4.41%)	(43.4)	(41.3)
Private Placement Notes due 2017 (5.14%)	(62.4)	(58.5)
Fair value of swap hedging fixed rate borrowings	11.8	7.7
Net debt	(159.7)	(154.2)
Gross pension deficit	(19.0)	(8.3)
Net debt including gross pension deficit	(178.7)	(162.5)

The movements on net debt during the year are analysed below:

	2013 £m	2012 £m
Analysis of movement in net debt		
Net debt at 1 April	(154.2)	(160.7)
Free cash flow	49.3	52.7
Equity dividends paid	(51.3)	(50.1)
Dividends from vested share options	(0.7)	–
New shares issued	0.6	1.1
Own shares acquired	(0.5)	–
New finance leases	(2.0)	–
Translation differences	(0.9)	2.8
Net debt at 31 March	(159.7)	(154.2)

26 Contingent liabilities

At 31 March 2013 there were no contingent liabilities (2012: none).

27 Principal exchange rates

	2013 Average	2013 Closing	2012 Average	2012 Closing
United States Dollar	1.58	1.52	1.60	1.60
Euro	1.23	1.19	1.16	1.20

	Note	2013 £m	2012 £m
Fixed assets			
Tangible fixed assets	6	15.9	16.3
Investments	7	284.8	344.4
		300.7	360.7
Current assets			
Debtors: amounts falling due within one year	9	61.0	56.2
Debtors: amounts falling due after more than one year	9	12.4	8.5
Cash at bank and in hand		76.8	118.6
		150.2	183.3
Creditors: amounts falling due within one year	10	(43.2)	(87.5)
Net current assets		107.0	95.8
Total assets less current liabilities		407.7	456.5
Creditors: amounts falling due after more than one year	10	(168.0)	(180.0)
Provisions for liabilities	12	(0.9)	(0.9)
		238.8	275.6
Capital and reserves			
Called-up share capital	15	43.8	43.7
Share premium account	16	40.3	39.8
Retained earnings	16	154.7	192.1
Equity shareholders' funds		238.8	275.6

These accounts were approved by the Board of Directors on 23 May 2013 and signed on its behalf by:

Simon Boddie, Group Finance Director

The notes on pages 97 to 102 form part of these Company accounts.

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 59 to 93.

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 20 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 catalogue 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:

- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability
- 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

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.

Share-based payments

The Company operates several share-based payment schemes, the largest of which are the Savings Related Share Option Scheme (SAYE), the Long Term Incentive Option Plan (LTIP), 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. Amounts relating to equity-settled share-based payments in subsidiary companies are debited to the value of the investment in that entity with the corresponding entry shown in reserves.

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 Trust are deducted from shareholders' funds until they vest unconditionally with employees as required by UITF 38 (Accounting for ESOP Trusts).

1 Profit for the financial year

The profit dealt with in the accounts of the Company is £12.8m (2012: £61.9m). 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**

	2013	2012
The average number of employees during the year was:		
Management and administration	40	46
Distribution and marketing	11	18
	51	64

Aggregate employment costs

	£m	£m
Wages and salaries	4.2	5.0
Social security costs	0.6	0.7
Share-based payments	1.1	1.4
Pension costs	0.9	0.7
	6.8	7.8

The remuneration of individual Directors is detailed on page 52.

3 Share-based payments

Details and relevant disclosures of the share based payment schemes that existed during the year are given in note 6 of the Group accounts.

Number and weighted average exercise prices of share options

In thousands of options	Weighted average exercise price 2013	Number of options 2013	Weighted average exercise price 2012	Number of options 2012
Outstanding at the beginning of the year	3p	2,397	10p	2,828
Forfeited during the year	n/a	–	40p	(41)
Lapsed during the year	15p	(550)	10p	(810)
Exercised during the year	5p	(373)	31p	(312)
Granted during the year	15p	1,623	7p	732
Outstanding at the end of the year	8p	3,097	3p	2,397
Exercisable at the end of the year	n/a	–	n/a	–

The options outstanding at 31 March 2013 have an exercise price in the range 0p to 235p and a weighted average contractual life of 2.9 years.

The total charge included in the Profit and Loss Account in the year was £1.1m (2012: £1.4m). Of the total charge £1.0m (2012: £1.4m) related to equity-settled share schemes and £0.1m (2012: £nil) related to cash-settled share schemes.

4 Pension schemes

The UK defined benefit scheme is described in note 7 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 2013 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 Limited, 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 Limited as it is not possible to do so 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 as between IAS 19 (IFRS) and FRS 17 (UK GAAP) is that the surplus in 2012 may be recognised under UK GAAP in the accounts of RS Components Limited.

The valuation of the scheme as at 31 March was:

	2013 £m	2012 £m
Total market value of assets	384.3	346.2
Present value of scheme liabilities	(396.7)	(335.6)
(Deficit) Surplus in the scheme recognised in RS Components Limited	(12.4)	10.6

5 Dividends

	2013 £m	2012 £m
Amounts recognised in the period:		
Final dividend for the year ended 31 March 2012 – 6.75p (2011: 6.5p)	29.5	28.3
Interim dividend for the year ended 31 March 2013 – 5.0p (2012: 5.0p)	21.8	21.8
	51.3	50.1
Proposed dividend for the year ended 31 March 2013 – 6.75p	29.5	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 17 July 2013 and has not been included as a liability in these accounts.

6 Tangible fixed assets

Cost	Land and buildings £m	Plant and machinery £m	Computer systems £m	Total £m
At 1 April 2012	21.5	9.2	0.5	31.2
Additions	–	–	–	–
At 31 March 2013	21.5	9.2	0.5	31.2
Depreciation				
At 1 April 2012	5.3	9.2	0.4	14.9
Charged in the year	0.4	–	–	0.4
At 31 March 2013	5.7	9.2	0.4	15.3
Net book value				
At 31 March 2013	15.8	–	0.1	15.9
At 31 March 2012	16.2	–	0.1	16.3

Net book value of land and buildings	2013 £m	2012 £m
Freehold land	4.6	4.6
Freehold buildings	11.2	11.6
	15.8	16.2

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

7 Investments: subsidiary undertakings

Cost	Shares £m	Loans £m	Total £m
At 1 April 2012	187.2	172.6	359.8
Additions	0.9	–	0.9
Disposals	–	(60.5)	(60.5)
At 31 March 2013	188.1	112.1	300.2
Provisions			
At 1 April 2012	–	15.4	15.4
Released in the year	–	–	–
At 31 March 2013	–	15.4	15.4
Net book value			
At 31 March 2013	188.1	96.7	284.8
At 31 March 2012	187.2	157.2	344.4

A list of the principal subsidiary undertakings held by the Company is disclosed in note 15 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 2013, this amounted to £0.9m (2012: £1.5m).

8 Own shares

At 31 March 2013, a total of 337,059 (2012: 408,417) 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 237,417 ordinary shares in the Company were purchased by the trustees (2012: 100,000), and 308,775 (2012: nil) were disposed of by the trustees. The market value of the shares at 31 March 2013 was £846,018 (2012: £1,012,057).

9 Debtors

	2013 £m	2012 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	58.4	53.9
Prepayments and accrued income	2.6	2.3
	61.0	56.2
Amounts falling due after more than one year:		
Derivative asset	11.8	7.7
Deferred tax asset (see note 12)	0.6	0.8
	12.4	8.5

10 Creditors

	2013 £m	2012 £m
Amounts falling due within one year:		
Bank overdrafts (unsecured)	–	0.2
Amounts owed to subsidiary undertakings	39.7	83.1
Accruals and deferred income	3.5	4.2
	43.2	87.5
Amounts falling due after more than one year:		
Loans repayable after more than one year (see note 11)	168.0	180.0
	168.0	180.0

11 Loans

	2013 £m	2012 £m
Euro bank loans	7.6	25.0
Sterling bank loans	24.6	20.0
South African Rand bank loans	3.7	4.0
US Dollar bank loans	26.3	31.2
US Dollar Private Placement Notes	105.8	99.8
	168.0	180.0
Loans repayable in more than two but not more than five years	105.6	121.4
Loans repayable in more than five years	62.4	58.6
	168.0	180.0

The bank loans are at variable rates of interest and are unsecured.

Details of the US Dollar Private Placement Notes are provided in note 20 of the Group accounts.

12 Provisions for liabilities

	Deferred taxation £m	
At 1 April 2012	0.1	
Profit and loss account	0.2	
At 31 March 2013	0.3	
	2013 £m	2012 £m
Deferred taxation		
Amounts provided:		
Accelerated capital allowances	0.9	0.9
Share schemes	(0.6)	(0.8)
	0.3	0.1
	2013 £m	2012 £m
Disclosed as:		
Deferred tax asset (note 9)	(0.6)	(0.8)
Deferred tax liability	0.9	0.9
	0.3	0.1

13 Lease commitments

At 31 March 2013 the Company had annual commitments under non-cancellable operating leases expiring as follows:

	Motor Vehicles		Land and Buildings	
	2013 £m	2012 £m	2013 £m	2012 £m
Within one year	–	–	0.3	–
Within two to five years	–	0.1	1.2	–
After five years	–	–	–	0.3
	–	0.1	1.5	0.3

14 Contingent liabilities

Guarantees in respect of bank facilities available to certain subsidiaries up to a maximum of £16.6m (2012: £16.5m), of which £10.3m (2012: £1.0m) 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

	2013 Number of shares	2012 Number of shares	2013 £m	2012 £m
Ordinary shares of 10p each				
Called up and fully paid:				
At 1 April	436,961,886	435,679,731	43.7	43.6
New share capital subscribed	1,162,293	1,282,155	0.1	0.1
At 31 March	438,124,179	436,961,886	43.8	43.7

All of the new share capital subscribed in 2013 related to the exercise of share options.

16 Reserves

	Share premium account £m	Retained earnings			Total £m
		Own shares held £m	Hedging reserve £m	Profit and Loss account £m	
At 1 April 2012	39.8	(1.9)	1.0	193.0	231.9
Profit for the year	–	–	–	12.8	12.8
Dividends paid	–	–	–	(51.3)	(51.3)
Equity-settled transactions	–	–	–	2.0	2.0
Shares allotted in respect of share awards	0.5	1.3	–	(1.7)	0.1
Own shares acquired	–	(0.5)	–	–	(0.5)
At 31 March 2013	40.3	(1.1)	1.0	154.8	195.0

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

	2013 £m	2012 £m
Profit for the year	12.8	61.9
Dividends paid	(51.3)	(50.1)
Gain on cash flow hedges	–	0.2
Own shares acquired	(0.5)	(0.2)
Equity-settled transactions	2.0	2.9
Shares allotted in respect of share awards	0.2	1.1
Net increase (reduction) in equity	(36.8)	15.8
Equity shareholders' funds at the beginning of the year	275.6	259.8
Equity shareholders' funds at the end of the year	238.8	275.6

£m	2013	2012	2011	2010	2009
Revenue	1,235.6	1,267.4	1,182.2	972.6	974.6
Operating profit	96.9	128.1	119.8	80.8	103.5
Reorganisation costs (income)/ pension changes	7.4	–	–	(1.6)	(9.9)
Headline operating profit	104.3	128.1	119.8	79.2	93.6
Net financial expense	(5.6)	(5.8)	(5.8)	(4.8)	(7.0)
Profit before tax	91.3	122.3	114.0	76.0	96.5
Reorganisation costs (income)/ pension changes	7.4	–	–	(1.6)	(9.9)
Headline profit before tax	98.7	122.3	114.0	74.4	86.6
Tax	(28.4)	(37.4)	(35.8)	(23.4)	(30.3)
Profit for the year attributable to the equity shareholders	62.9	84.9	78.2	52.6	66.2
Basic earnings per share	14.4p	19.5p	18.0p	12.1p	15.2p
Free cash flow	49.3	52.7	57.4	71.9	78.0
Non-current assets	361.5	349.1	333.0	349.3	370.5
Current assets	498.2	501.9	456.1	372.7	350.9
Current liabilities	(221.4)	(225.0)	(224.3)	(190.6)	(160.1)
Non-current liabilities	(258.7)	(260.0)	(229.5)	(228.3)	(258.5)
Net assets	379.6	366.0	335.3	303.1	302.8
Number of shares in issue:					
Weighted average (excluding own shares held)	437.8	436.1	435.3	435.1	435.0
Year end	438.1	437.0	435.7	435.4	435.4
Dividend per share (pence)	11.75	11.75	11.5	11.0	11.0
Average number of employees	6,307	6,340	5,784	5,556	6,025
Share price at 31 March (pence)	251.0	247.8	267.3	220.0	125.5

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SHAREHOLDER SERVICES

Registrar

If you have any questions about your shareholding in the Company, please contact our Registrar: Equiniti Ltd, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom. Telephone 0871 384 2158 (+44 121 415 7047 from outside the UK). Lines are open between 8.30am and 5.30pm Monday to Friday excluding UK bank holidays. Calls cost 8p per minute, plus network extras.

Shareview

To access online information about your shareholdings visit www.shareview.co.uk. The website also provides information useful to the management of investments together with an extensive schedule of frequently asked questions. In order to view your shareholdings the shareholder reference number is required which can be found at the top of share certificate or on the last dividend tax voucher.

Dividend Reinvestment Plan (DRIP)

Should you wish to reinvest your dividends in the Company, you can take advantage of our DRIP. It will allow you to use your cash dividend to buy more Electrocomponents shares in the market. You will need to complete a DRIP application form and return it to Equiniti. This can be found, together with plan terms and conditions, at www.shareview.co.uk or on our website at www.electrocomponents.com/investor-centre/shareholder-information/faqs. Alternatively, please contact Equiniti on the number given above and details and a form will be sent to you.

Share price information

The latest information on Electrocomponents plc share price is available on our website www.electrocomponents.com.

Investor relations app

The Company has launched an app offering instant online and offline access, free of charge, to the company's latest financial and corporate information on the Apple iPad and iPhone. Details are available on our website at www.electrocomponents.com/investor-centre.

SHARE FRAUD WARNING

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating 'boiler rooms' that are mostly based abroad. While high profits are promised, those who buy or sell shares in this way usually lose their money. The Financial Conduct Authority (FCA) has found that most share fraud victims are experienced investors who lose an average of £20,000, with around £200m lost in the UK in each year.

PROTECT YOURSELF - If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company research report, you should take these steps before handing over any money:

- Get the name of the person and organisation contacting you
- Check the FCA Register at www.fsa.gov.uk/register/home.do to ensure they are authorised
- Use the detail on the FCA Register to contact the firm

- Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date
- Search our list of unauthorised firms and individuals to avoid doing business with
- REMEMBER: if it sounds too good to be true, it probably is!

If you use an unauthorised firm to buy or sell shares or other investment, you will not have access to the Financial Ombudsman Service of Financial Services Compensation Scheme (FSCS) if things go wrong.

REPORT A SCAM - If you are approached about a share scam you should tell the FCA using the share fraud reporting form at www.fca.org.uk/consumers/scams, where you can find out about the latest investment scams. You can also call the Consumer Helpline on 0800 111 6768.

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 and final dividend in July.

2013 final dividend:
Ex-dividend date: 19 June
Record date: 21 June
Annual General Meeting: 17 July
Dividend paid: 22 July

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