

FY14 Half-Yearly Financial Report

Electrocomponents plc, the world's leading high service distributor of electronics and maintenance products, today announces its results for the six months ended 30 September 2013.

SUMMARY OF RESULTS

	H1 2013/14	H1 2012/13 As restated ⁽³⁾	Change
Sales	£635.4m	£606.5m	1.1% ⁽¹⁾
Headline profit before tax ⁽²⁾	£44.6m	£39.2m	13.8%
Reported profit before tax	£44.6m	£36.7m	21.5%
Headline earnings per share ⁽²⁾	7.2p	6.2p	16.1%
Headline free cash flow ⁽²⁾	£36.0m	£24.0m	50.0%
Interim dividend per share	5.0p	5.0p	-

(1) Sales growth, unless otherwise stated, is adjusted for trading days and currency movements ("underlying sales growth/decline"). Additional trading days and currency movements increased Group reported sales by around £22m

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

(3) Restated for the changes in *IAS19R Employee Benefits*. For further details refer to basis of preparation on pages 22 and 23

Financial Highlights

- Group underlying sales growth of 1%, with 3% International growth and 3% UK decline
- International driven by 3% growth in both Europe and North America, with Asia Pacific flat
- UK sales trends improved through the period
- Gross margin stable at 45.4%, operating costs grew by 1% at constant currency
- Group return on sales increased by 0.5% points to 7.4%, with contribution increasing in all regions
- Headline profit before tax⁽²⁾ increased by 14%, with 10% points due to extra trading days and currency
- Headline free cash flow⁽²⁾ grew by 50% to £36.0m, with higher profit and improved working capital
- Strong balance sheet with net debt:EBITDA of 1.1 times
- Interim dividend per share maintained at 5.0 pence

Operational Highlights

- Group eCommerce sales growth of 6%, share of Group sales increasing by 3% points to 57%
- Group customer numbers increased by 5%
- Successfully launched DesignSpark Mechanical, our latest design tool for engineers
- Significant enhancements to our websites, particularly regarding search functionality
- Our *Famous For* product sales, comprising electronics and automation and control, grew by 3%
- Successful pilot with TE Connectivity of our strategy to build a global offer across RS and Allied
- Successfully rolled out existing SAP-based IT system to South East Asia

CURRENT TRADING

In October, Group underlying sales growth was 4%. International grew by 5% and the UK declined by 1% (excluding sales of Raspberry Pi the UK was flat). Within International, Continental Europe grew by 6%, North America grew by 8% and Asia Pacific was flat.

IAN MASON, GROUP CHIEF EXECUTIVE, COMMENTED:

"The Group has delivered a solid performance in the first half, with an improved operating margin and strong free cash flow. Underlying sales growth rates have improved from 1% in the first half to 4% in both September and October.

We have made good progress implementing our global strategy. Our move towards a single global offer is now underway, we made further website enhancements and customer numbers have increased by 5%. We believe that this strategy will enable us to grow our market share and improve our financial performance over the medium term."

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There will be a webcast presentation on these half-year results at 9:00am. The webcast, half-year results statement, half-year results presentation and video interviews with senior management are available on the corporate website at www.electrocomponents.com

Notes on financial terms:

In order to reflect underlying business performance, comparisons of sales between periods (including by region, product group and channel) have been adjusted for currency and trading days ("underlying sales growth/decline").

Changes in profit, cash flow, debt and share related measures such as earnings per share are, unless otherwise stated, at reported exchange rates.

Sign conventions: % changes in revenues and costs are disclosed as positive if improving profit and negative if reducing profit.

Key performance measures such as return on sales and EBITDA use headline profit figures.

Notes to editors:

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

The business satisfies the small quantity needs of its customers who are typically electronics or maintenance engineers in business. A large number of high quality goods are stocked, which are dispatched the same day that the order is received. The average customer order value is around £150 although the range of order values is wide. The Group's large number of customers comes from a wide range of industry sectors with diverse product demands.

MARKET ENVIRONMENT AND STRATEGY IMPLEMENTATION

Market environment

The market environment during the majority of the half-year period remained challenging, reflecting continued uncertain economic conditions in many of our larger markets across Europe, North America and Asia Pacific. However, following a quiet summer, market conditions showed signs of improvement in September and October, and the Group delivered 4% sales growth in both of these months compared to 1% growth during the first half as a whole.

The most important indicator of our market conditions remains the manufacturing Purchasing Managers Indices (PMIs). During the half-year period the PMIs in the UK, our largest European markets and Japan gradually improved to a reading of above 50, indicative of a return to growth in the manufacturing sector in these countries. In the US and China the PMIs remained stable at or just above a reading of 50. We believe that the Group's improved sales growth performance in September and October in part reflects this more favourable PMI backdrop.

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 a gradual improvement in activity levels from their members during the half year. The volume electronics distributors have also reported a return to sales growth during the half year and improving order book trends. This more favourable electronics environment has also begun to feed through to our business, with our electronics product categories, part of our *Famous For* range, generating slight sales growth during the half year after being in slight decline for over a year.

Strategy implementation

Last year, following an extensive review of how to maximise our ability to capture the benefits of being a large international company, we evolved to a common global strategy. We believe that this strategy will enable us to extend our advantages, particularly over our numerous smaller competitors, and grow faster and more profitably over the medium term. We set a new medium-term performance framework to reflect this increased ambition (see end of this section for information on this performance framework).

The global strategy comprises four growth initiatives supported by three enablers. Below is a summary of the aim of each element of the strategy. For each element there is also a review of progress during the half-year and an outline of our priority for the balance of the year.

Four Growth Initiatives

1. Grow target customers

Aim: 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.

Across the Group, customer numbers have increased by around 5% year on year.

Near the end of the half year we successfully launched our latest design tool for engineers, DesignSpark Mechanical. This fast, easy-to-use 3D modelling and assembly tool brings 3D design capability to all engineers free of charge, helping them to bring innovative products to market quickly. This tool will help us to attract new customers whilst also nurturing existing relationships within our target customer groups. In the first 50 days following its launch the software registered over 100,000 downloads.

We have also begun to realise benefits from sharing best practice on when and how to deploy the human touch to more effectively grow customer numbers. For example, our French business had previously developed a customer qualification process, working with our suppliers to identify which industry sectors and customers had high growth potential and warranted a targeted sales approach. During the first half we shared this best practice from France with our smaller European markets, helping businesses like our Spanish operation attract new customers and deliver double-digit underlying sales growth in the period.

In the second half and into the next financial year we will scale up this best practice globally beyond Europe and look for opportunities to share other examples of best practice across the Group's sales organisations to improve our sales effectiveness and increase customer numbers.

2. One global offer

Aim: We will 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 and control, and will focus on driving a higher return on stock.

We have now successfully transitioned to managing our product categories at a global level within the RS Group. The five product categories are built to service our four core target customer groups and there are clear, distinct strategies for each. Our *Famous For* range, comprising semiconductors, interconnect, passives and electromechanical and automation and control product categories, will be actively promoted and we expect it to be the primary growth driver for the Group. In the half year, the *Famous For* range grew underlying sales by 3%, ahead of the Group average. Our two other product categories, electrical, test and measurement and support, comprise our *Other Maintenance* range. We will aim to defend and grow these product categories whilst focusing on return on stock.

During the half year we made our first significant step towards building one global offer. Our product range for TE Connectivity, our largest electronics supplier, is now more consistent across both the RS and Allied businesses. Having completed this successful pilot, we will look to continue our range level-up with other suppliers during the second half.

We also made major improvements to our service level in China during the period in order to enable the business to offer same day despatch. We have plans for further service level improvements for our Chinese customers during the second half.

3. eCommerce with a human touch

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

During the half year we enhanced our search functionality, making it even easier for our customers to do business with us. Visitors to our websites now get more relevant and clearer product information and have the ability to browse quick views of product specifications. Together with improvements we have made to the speed and effectiveness of the search filtering functionality, customers are now able to find and buy the products they need faster.

We have continued to significantly increase our investment in digital marketing whilst simultaneously reducing our expenditure on catalogues. Together with greater use of behavioural marketing, this increased investment has resulted in our eCommerce channel growing underlying sales at 6% in the period, significantly ahead of the 1% Group underlying sales growth. eCommerce channel share, up 3% points year on year to 57%, continues to move towards our medium-term target of 70%.

This 6% eCommerce sales growth has been driven by our eProcurement solution, sales of which grew by 16% in the half year. The eProcurement solution helps large customers reduce their total cost of procurement, and during the first half our sales force worked hard to market the solution's benefits. This has helped sales to our large customers grow faster than the overall customer base during the period.

We also completed the global roll-out of our Live Chat service across RS during the period. The service includes both sales chats, when customers are invited to chat based on their behaviour on site, and service chats, when customers can click a button to initiate a chat themselves. This service is now live in 29 countries in 19 languages across the world.

We will continue to invest in and develop our eCommerce capabilities in the second half, with a particular focus on rolling out a global compliance programme to support our drive to grow large customer sales and on developing a mobile eCommerce platform for our UK and Japanese businesses.

4. Value for money

Aim: We will transform our customers' perception of the value we offer them. There will be a step change in how we communicate our value, supported by dynamic pricing.

During the half year we made good progress rolling out our price differentiation strategy across the UK and Continental Europe. We have begun to implement this strategy in Asia Pacific, and expect to make further progress in this region in the second half.

In the half-year period we also carried out pricing experiments to improve our knowledge of how different product categories react to price movements and price messaging, and late in the period we rolled out a price perception measurement tool in the US and China to help us understand how both existing and potential customers view our prices. We plan to take this tool into more of our markets during the second half. Our plans for the second half also include the development of an automated online price messaging system to improve the way we communicate the value we offer to our customers.

Three Strategic Enablers

1. High performing team

Aim: Our people will ensure the successful delivery of the 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.

Following our first global employee engagement survey in Spring 2013 we have developed action plans across the Group that will enable us to improve upon our current levels of employee engagement. These action plans will begin to be implemented during the second half and into the next financial year.

We have also invested in developing and building our programme management capabilities to ensure we are well-equipped to deliver our growth ambitions.

2. Business insight

Aim: 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.

During the half year we made good progress defining and building a new SAP-based business intelligence system that will support quicker and more effective data analysis and insight. We have now commenced installation and implementation of this system.

3. World class systems and infrastructure

Aim: 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 our customers.

During the half year we successfully installed a SAP-based system in South East Asia. This is the second of our four sub-regions in Asia Pacific to move to this system, following Australasia which went live with its new system in January 2013.

Asia Pacific is the last of the Group's regions to move to a SAP-based system. During the second half our systems implementation focus moves to the Greater China sub-region, and then in the next financial year we plan to progress to the final sub-region, Japan.

Medium-term performance framework

Key performance indicator (KPI)	Historic performance ⁽¹⁾	Medium-term target
Group sales growth ⁽²⁾	4% pa	5% - 8% pa
Group return on sales ^{(3), (4)}	7% - 10% ⁽⁵⁾	9% - 11%
Return on capital employed ^{(3), (6)}	15% - 25%	20% - 30%
Free cash flow as a % of sales ⁽³⁾	3% - 8%	4% - 6%

(1) Performance between financial years 2006 and 2013

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

(3) Headline measures of profitability and cash flow are defined as the relevant reported profit/cash flow before reorganisation costs/cash flow

(4) Headline operating profit expressed as a percentage of sales

(5) Reported Group return on sales adjusted to reflect a 75:25 International:UK sales mix

(6) Headline operating profit expressed as a percentage of net assets plus net debt

All of our KPIs are "through the cycle" targets, and in any half-year or full-year period our performance may be significantly above or below the target range depending on what stage of the economic cycle we have been operating in. In the table above we have therefore compared our historic performance over a seven-year period to a medium-term target. Going forward, our performance against these targets is most appropriately measured over multiple reporting periods.

BUSINESS FINANCIAL PERFORMANCE AND POSITION

Financial Performance	H1 2013/14	H1 2012/13 As restated ⁽³⁾
Sales	£635.4m	£606.5m
Gross margin	45.4%	45.5%
Headline contribution ⁽¹⁾	£123.0m	£112.1m
Headline Group Process costs ⁽¹⁾	£(75.8)m	£(70.1)m
Headline operating profit ⁽¹⁾	£47.2m	£42.0m
Headline return on sales ⁽¹⁾	7.4%	6.9%
Net interest (expense)	£(2.6)m	£(2.8)m
Headline profit before tax ⁽¹⁾	£44.6m	£39.2m
Reported profit before tax	£44.6m	£36.7m
Headline free cash flow ⁽¹⁾	£36.0m	£24.0m
Headline earnings per share ⁽¹⁾	7.2p	6.2p
Interim dividend per share	5.0p	5.0p
Net debt to 12 months EBITDA ⁽²⁾	1.1x	1.1x

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

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

(3) Restated for the changes in IAS19R Employee Benefits. For further details refer to basis of preparation on pages 22 and 23

Sales

Group sales were £635.4 million, representing underlying sales growth of 1.1%. Group eCommerce sales growth was 6%, with eCommerce averaging 57% of Group sales during the period. Our *Famous For* products (electronics and automation & control, comprising around 55% of Group sales) grew by 2.6%, driven by automation and control. These products outperformed our *Other Maintenance* products (electrical, test & measurement and support, comprising around 45% of Group sales), sales of which declined by 0.7%. Additional trading days and currency movements increased Group reported sales by £22 million.

Gross margin

Group gross margin at 45.4% was stable with the first half of last year. Excluding adverse currency movements there was a slight increase in gross margin which reflected the benefits arising from our price differentiation strategy.

The UK gross margin increased by 1.3% points, primarily reflecting the continued roll-out of our price differentiation strategy. This was offset by a decline in the International gross margin of 0.7% points. This was primarily driven by adverse currency movements, but was also impacted by negative product mix (due mainly to Raspberry Pi) and some price repositioning in certain markets.

Costs

Headline operating costs at constant exchange increased by 1.3% (3.0% as reported) and headline operating costs as a percentage of sales have decreased to 37.9% (H1 FY13: 38.6%). The annualisation of the cost efficiencies arising from last year's implementation of a global organisation structure amounted to around £3 million in the period. This benefit, together with lower stock provisions, was offset by fixed cost inflation, increased IT costs, higher depreciation and further investment in our strategic growth initiatives.

Costs included non-cash pension charges amounting to £3.6 million in the half year following our adoption of *IAS 19R Employee benefits*. We have also restated the prior-year period to reflect this change in accounting treatment (H1 FY13: restatement due to *IAS19R* of £2.3 million, resulting in a pension charge of £3.1 million). See the *Basis of preparation* on pages 22 and 23 for further details of this change in accounting standard. The £0.5 million increase in pension charge is due to lower discount rates used to value scheme liabilities.

Headline profit before tax

Headline profit before tax was £44.6 million, an increase of £5.4 million (13.8%) over the first half of last year. The International business' contribution increased by £9.5 million (15.6%), driven by a strong performance from Continental Europe, whilst the UK's contribution increased by £1.4 million (2.7%). Process costs increased by £5.7 million (8.1%), reflecting inflation and additional IT costs and depreciation associated with the implementation of our global strategy. Net interest costs reduced by £0.2 million,

reflecting lower net debt levels and lower interest costs associated with our new multicurrency European cash pool.

There was a combined benefit to Group headline profit before tax of £4.0 million due to additional trading days and favourable currency movements (principally due to the weakening of Sterling against the Euro).

Reported profit before tax

Reported profit before tax, which comprises headline profit before tax after reorganisation costs, increased by 21.5%. This increase was above the 13.8% increase in headline profit before tax due to the absence of exceptional items in this period. In the prior-year period reorganisation costs of £2.5 million arose, primarily relating to redundancy charges arising from the implementation of the global organisation structure.

Headline earnings per share

Headline earnings per share of 7.2 pence increased by 16.1%. This was slightly above the increase in headline profit before tax as the effective tax rate decreased to 29% from 30% in the prior-year period, primarily reflecting the reduction in the UK corporate tax rate.

Dividend

The Board has approved a maintained interim dividend of 5.0 pence per share, which will be paid on 10 January 2014 to shareholders on the register as at 6 December 2013. The business has significant opportunities to invest for growth at attractive returns and we intend to maintain a strong balance sheet. 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.

Cash flow

The Group delivered headline free cash flow (reported free cash flow before reorganisation cash costs) of £36.0 million. This was £12.0 million ahead of the first half of last year, driven by higher operating profit and good working capital management. In particular, trade receivables management in the period benefitted from the sharing of cash collection best practice in the UK with our Continental European businesses. Stock turn in the period was stable on the prior year at 2.6 times. We continue to expect that stock turn for the full year will be around 2.5 times.

Whilst capital expenditure in the half year of £11.3 million was at a similar level to the prior year we continue to expect full year capital expenditure of around £40 million, with planned investment in the second half targeted at our one global offer, eCommerce with a human touch and world-class systems and infrastructure strategic initiatives. The phased roll-out of SAP into Asia Pacific is progressing to plan, with our Australian and South East Asian businesses now operating on these systems. The focus of our SAP systems implementation in the second half will move to Greater China.

Financial position

At 30 September 2013 net debt was £148.5 million. This was £11.2 million lower than as at 31 March 2013, principally due to first half free cash flow exceeding the final dividend for the 2013 financial year that was paid during the period (£29.5 million).

The Group's committed debt finance comprises a £210 million syndicated multicurrency facility from seven banks maturing in November 2015, together with \$150 million of US Private Placement ("PP") notes. As at 30 September 2013 total committed debt finance was £299.7 million, of which £151.8 million was undrawn. The PP notes are split \$65 million maturing in June 2015 and \$85 million maturing in June 2017. Cross currency interest rate swaps have swapped \$60 million of the PP notes from fixed \$ to floating £ and \$40 million from fixed \$ to floating €, giving the Group an appropriate spread of financing maturities and currencies.

The Group's financial metrics remain strong with EBITA interest cover of 22.2 times and Net Debt to EBITDA of 1.1 times (both measures are based upon proforma twelve months ended 30 September 2013 financials), leaving significant headroom to the Group's banking covenants.

Pension

The Group has defined benefit pension schemes in the UK, Ireland and Germany, the largest of which is the UK scheme. All these schemes are closed to new entrants and in Germany the pension scheme is closed to accruals for future service. Under IAS 19R the combined gross deficit of the Group's defined benefit schemes was £33.6 million at 30 September 2013. This balance comprised a £5.7 million deficit in Germany, £0.9 million deficit in the Republic of Ireland and £27.0 million deficit in the UK. The UK deficit increased from a deficit of £12.4 million at 31 March 2013. This movement was principally caused by higher

liabilities, due to the use of updated census data for the next triennial valuation which was only partially offset by a higher discount rate, together with actuarial losses caused by returns on assets being lower than expected. There is a triennial actuarial valuation of the UK defined benefit scheme currently ongoing, with completion due by June 2014.

Amendments to IAS19 became effective for periods beginning on or after 1 January 2013 and we have adopted these amendments for the first time in these half-year 2014 accounts. In this half-year period these amendments have resulted in a defined benefit non-cash pension charge in the income statement of £3.6 million. We have also restated the prior-year pension charge to reflect these amendments (H1 FY13: restatement due to *IAS19R* of £2.3 million, resulting in pension charge of £3.1 million). See *Basis of preparation* on pages 22 and 23 for further details of this change in accounting standard. The £0.5 million increase in pension charge is due to lower discount rates used to value scheme liabilities.

INTERNATIONAL

	H1 2013/14	H1 2012/13	Growth Reported	Growth underlying ⁽¹⁾
Sales	£450.1m	£420.9m	6.9%	2.6%
Gross margin	43.5%	44.2%		
Operating costs	£(125.4)m	£(124.8)m	(0.5)%	2.0%
Contribution	£70.5m	£61.0m	15.6%	10.2%
Contribution % of sales	15.7%	14.5%		

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

The International business represents 71% of Group sales and comprises three regions: Continental Europe (50% of the International business), North America (32%) and Asia Pacific (18%).

During the half year, underlying sales increased by 2.6%. Within International, both Continental Europe and North America reported underlying sales growth of 3.2% and underlying sales in Asia Pacific increased by 0.1%. We continued to make good progress in emerging markets such as Eastern Europe and South Africa.

Gross margin reduced by 0.7% points. This reduction was primarily driven by adverse currency movements, but was also impacted by negative product mix (due mainly to Raspberry Pi) and some price repositioning in certain markets.

Operating costs at constant currency decreased by 2.0%. The annualisation of the cost efficiencies associated with the prior-year reorganisation and lower stock provisions were partially offset by increased investment in marketing and fixed cost inflation.

The above combination of sales growth, lower gross margin and lower costs resulted in the International contribution as a percentage of sales increasing by 1.2% points to 15.7%.

CONTINENTAL EUROPE

	H1 2013/14	H1 2012/13	Growth Reported	Growth underlying ⁽¹⁾
Sales	£223.3m	£200.6m	11.3%	3.2%
Contribution	£46.3m	£37.7m	22.8%	14.3%
Contribution % of sales	20.7%	18.8%		

(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; the remaining are Austria, Belgium, Czech Republic, Denmark, Hungary, Republic of Ireland, Netherlands, Norway, Poland, Spain, Sweden and Switzerland.

Continental Europe delivered underlying sales growth of 3.2% in the half year. This performance was broadly-based across the region, with all of our markets in growth during the period. Our smaller markets in the region, such as Spain, Scandinavia, Ireland and Eastern Europe, performed particularly well during the first half. This strong performance was partly due to the improving PMI backdrop, but also reflected the benefits of sharing best practice in how and when to deploy our sales force across the region.

The region made progress in the period expanding its portfolio of large customer accounts, leveraging the Group's strong product and service offer and leading eProcurement solutions, and sales to large customers grew faster than the overall customer base in the region. During the half year the region added 12 new corporate accounts, including leading German, French and Spanish multinationals from the industrials, technology and utility sectors.

eCommerce sales grew by 7% in the half year and eCommerce sales share averaged 68% compared to 65% during the first half of last year. This region is now close to our Group target of 70% of sales via eCommerce, and several markets in the region already have eCommerce shares above this level. Increased search engine marketing and the significant enhancements to our websites, which have made the process of finding products clearer, faster and easier, have supported this strong performance.

RS won the award for 'Outstanding Growth in 2012' from Tektronix for its contribution to Tektronix's sales growth in Europe over the past twelve months.

The 14.3% increase in underlying contribution reflects positive operating cost leverage as sales growth exceeded fixed cost inflation. It also reflects the annualisation of the cost efficiencies associated with the prior-year reorganisation, lower stock provisions and the absence of a catalogue launch and associated marketing costs.

NORTH AMERICA

	H1 2013/14	H1 2012/13	Growth reported	Growth underlying ⁽¹⁾
Sales	£145.1m	£135.9m	6.8%	3.2%
Contribution	£19.3m	£18.5m	4.3%	1.7%
Contribution % of sales	13.3%	13.6%		

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

Allied, our North American business which recently celebrated its 85th anniversary, reported underlying sales growth of 3.2% for the first half. This performance partly reflected easier comparators, as during the prior-year period the business was impacted by temporary reductions in sales force productivity and online functionality following the SAP system implementation in early 2012. It also reflected strong growth from Allied's automation and control product range and the benefits the business continues to get from maintaining a large network of 53 sales offices across the US to provide a local sales touch to customers.

The business' sales per day are now close to the levels experienced prior to the systems implementation, and Allied's eCommerce performance has also recovered strongly since last year as the business has restored full online functionality. During the half year eCommerce sales grew by 22% and eCommerce sales share averaged 37% in the period, compared to 32% in the first half of last year.

During this half-year period Allied has introduced around 28,000 new products into its range, which is significantly more than its usual run-rate of around 12,000 to 15,000 in a six-month period. This reflects the implementation of the initial stage of our medium-term strategy to build a single global offer, as in this period we built a more consistent offer from our largest electronics supplier TE Connectivity across RS and Allied.

Allied's strong relationships with suppliers were illustrated with several awards during the period. This included eight awards at the 2013 EDS Conference from supplier partners such as Schaffner, NKK Switches and Crydom Inc., for sales excellence, sales growth, outstanding distribution, and marketing. In addition, Honeywell Sensing and Control recognised Allied with an *Innovative Marketing Communications Award – Silver* for its integrated marketing strategies used to promote the Honeywell brand. Allied has also continued to expand its supplier base, signing a distribution agreement with ON Semiconductor, one of the largest global semiconductor companies, to offer its portfolio of energy-efficient products.

The increase in underlying contribution of 1.7% in the half year reflected a broadly stable gross margin offset by fixed cost inflation and additional costs associated with the work underway to build a single global offer across RS and Allied.

ASIA PACIFIC

	H1 2013/14	H1 2012/13	Growth reported	Growth underlying ⁽¹⁾
Sales	£81.7m	£84.4m	(3.2)%	0.1%
Contribution	£4.9m	£4.8m	2.1%	8.4%
Contribution % of sales	6.0%	5.7%		

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

Our Asia Pacific business is the region's market leader operating across thirteen markets with local language websites and around 1,000 employees. The business comprises four similarly-sized sub-regions, Australasia, Greater China, Japan and South East Asia.

Underlying sales in the region as a whole were flat, but performance across the four sub-regions varied significantly. After a very challenging 2013 financial year our Japanese business returned to growth during this half year, with sales performance improving as the period progressed. In contrast Australasia, which for many years has delivered good growth, experienced a period of sales decline in the first half, reflecting the weakness in the Australian economy as the resources-related sector slowed. Greater China continued to deliver good growth throughout the period, whilst South East Asia reported declining sales.

The region's eCommerce performance benefitted from the positive mix impact of an improving sales performance from Japan, which has one of the highest eCommerce sales shares of all our markets. eCommerce sales in Asia Pacific increased by 3% in the first half and eCommerce sales share grew to 49% during the period, compared to 48% in the first half of last year.

During the period a direct franchise agreement was signed with Renesas, a leading supplier of microcontrollers and other semiconductor products, to enable customers in Hong Kong and China to benefit from the full range of Renesas products. Asia Pacific was successful in securing around 12 large customer contracts during the period across all major markets in the region and across the engineering, oil and gas and chemicals end markets.

Our profile in the region was enhanced further by several major awards in the period. These included the *Best eCommerce Distributor 2013* award in the Electronic Component Distributor Survey carried out by Electronics Supply and Manufacturing China magazine, and the *Best Use of Rewards & Incentives (Silver)* and *Best Use of Relationship Marketing - B2B (Bronze)* awards at the inaugural Loyalty & Engagement Awards 2013 Singapore, in recognition of our RS Infinity customer loyalty programme.

Asia Pacific's underlying contribution increased by 8.4%, mainly reflecting lower marketing costs after the prior-year period included set-up costs for the RS Infinity customer loyalty programme.

UK

	H1 2013/14	H1 2012/13 As restated ⁽²⁾	Growth reported	Growth underlying ⁽¹⁾
Sales	£185.3m	£185.6m	(0.2)%	(2.5)%
Gross margin	49.9%	48.6%		
Operating costs	£(39.9)m	£(39.2)m	(1.8)%	(1.8)%
Contribution	£52.5m	£51.1m	2.7%	2.7%
Contribution % of sales	28.3%	27.5%		

(1) Sales adjusted for trading days

(2) Restated for the changes in *IAS19R Employee Benefits*. For further details refer to basis of preparation on pages 22 and 23

Our UK business is the largest high service distributor in the UK supported by 16 locally-stocked trade counters located in the UK's industrial hubs.

The UK business reported underlying sales decline of 2.5%, 1.7% excluding sales of Raspberry Pi. The UK business' performance throughout the period was impacted by strong comparators from the prior-year period (when underlying sales growth was 5%). Sales trends did improve during the period, largely reflecting the improvement in the manufacturing PMI that began in Spring 2013.

The UK continued to secure additional large customer contracts, across end markets such as food and drink, chemicals and engineering. We are making progress with regard to our large account strategy of helping customers understand the full costs associated with managing their maintenance spend. This is helping us to grow sales from this customer segment, offsetting some of the pressure on sales from the public sector and our medium-sized customer accounts, which have been particularly impacted by the current weak economic environment.

eCommerce sales outperformed the overall business, declining by 1% in the period, and eCommerce sales share averaged 62%, up from the 61% share achieved during the first half of last year. The business won the *Best Email Marketing* and *Best Multichannel Marketing* awards at The Digitals 2013 for its automated behavioural marketing programme and Arduino social marketing campaign respectively.

Customer service is at the heart of our business and we were pleased with the results from the latest UK mystery shopper benchmarking programme run by Call Centre in conjunction with GfK. This programme

uses mystery shoppers to measure the customer service experience across multiple channels including calls, email, web chat and social media, producing a Top 50 Companies for Customer Service list. Having first entered this list last year at number 31, this year we moved to number 24, and among B2B and Retail companies we are now ranked number five in the list.

Despite declining underlying sales the UK's contribution increased by 2.7% to £52.5 million, representing a strong contribution margin of 28.3%. This reflected an increase in gross margin of 1.3% points, primarily due to the continued roll-out of our price differentiation strategy, the annualisation of the cost efficiencies associated with the prior-year reorganisation and lower stock provisions, partly offset by fixed cost inflation.

PROCESSES

	H1 2013/14	H1 2012/13 As restated ⁽²⁾	Change reported	Change underlying ⁽¹⁾
Process costs	£(75.8)m	£(70.1)m	(8.1)%	(6.9)%
Costs % of sales	(11.9)%	(11.6)%		

(1) Adjusted for currency

(2) Restated for the changes in *IAS19R Employee Benefits*. For further details refer to basis of preparation on pages 22 and 23

The Processes principally comprise our teams that manage our Group-wide Marketing, Offer and IT activities, together with Group management and head office costs. These Processes have responsibility for the identification, introduction and sourcing of the Group's products, managing supplier relationships, developing the Group's eCommerce strategy and its implementation, managing the Group's stock and overseeing the Group's worldwide IT infrastructure.

Process costs rose by 6.9% at constant currency, primarily reflecting the impact of fixed cost inflation and additional IT costs and depreciation as we commenced the implementation of our systems strategy to support our medium-term growth ambitions. For example, there has been increased systems investment in our eCommerce with a human touch strategic initiative, including the introduction of our new design tool for customers, DesignSpark Mechanical, and enhancements to the search functionality on our websites.

As part of our one global offer strategic initiative we have strengthened our supplier partnerships, with new global agreements signed in the period with Parallax, Exar and Philips Lumileds. RS added around 13,000 new products in the period, with the majority of these in our *Famous For* product categories. This is below our run-rate for RS in recent years as we now focus on globalising our existing offer, with range expansion now more targeted. Allied has added around 28,000 new products in the half year, which is ahead of its recent run-rate, reflecting the addition of products from TE Connectivity, the first of our major suppliers where we have developed a more consistent global range.

RISKS AND UNCERTAINTIES

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

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

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

Macroeconomic conditions

The global economic recovery continues to be unstable and vulnerable to major shocks, such as sovereign debt defaults and commodity price increases. The effects of these factors on economic growth and wider business confidence continue to present risks to the delivery of the Group's strategic programmes, sales and profits.

The Group's global strategy and reach, combined with its balanced product offer, provides some mitigation against local and sector slowdowns. The Group's strong balance sheet and highly cash-generative business model, combined with strong cost controls and working capital management, provide a sound basis on which to face macroeconomic conditions.

Risks to the delivery of the global strategy

The Group's strategic programmes will require close management and co-ordination to ensure the objectives and anticipated benefits are delivered. The risk is that the Group's resources and capabilities will be challenged by the scale and complexity of what is required.

To support the effective delivery of the strategic programmes the business has implemented a global functional organisational structure with clearly defined business objectives and closely aligned portfolio of strategic programmes.

Pricing

The primary risk is that customers come to value the high service model less in a price sensitive market and that our competitors close the service gap and become more competitive on price.

The risk is mitigated by the Group's dynamic pricing strategy, enabling the business to make targeted margin investments to high-value customers, and to adapt product sale prices both in response to and in anticipation of external factors such as competitor marketing and pricing activities and foreign currency movements.

We closely monitor customer value for money perceptions and our service level performance relative to our competitors. This supports the proactive targeting of marketing communications and pricing investments to improve our customers' price perception.

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

There is a risk that the business does not attract sufficient numbers of new customers and is unable to develop new and existing customer behaviour to increase order frequency at a sustained level.

Our eCommerce with a human touch strategic programme is investing in brand awareness and customer nursery programmes in our growth markets. By focussing our digital and human capital to target customer opportunities through the application of behavioural marketing approaches, we aim to increase both visitors to our websites and the conversion of those visitors into customers.

Increasing competition

There is a risk that new and existing competitors close the service gap and threaten the Group's core markets by offering improved services, better value for money and broader product ranges.

To mitigate this risk our strategy aims to sustain our competitive advantage by focussing on growing our four target customer groups with one global offer and eCommerce with a human touch providing value for money.

People risk

Our success in delivering the strategy will be dependent on the capabilities and skills of our employees, and their engagement with the strategy. The risk is that they are not supportive or fully engaged, with the business being unable to attract or retain high-performing employees.

We are focused on developing our employees' existing skills and competencies and supplementing this, where required with new expertise. Our appraisal programme aligns personal objectives with the strategy, and the engagement and behaviours programmes encourage a dynamic and rewarding organisational culture.

Key infrastructure dependencies

As a high service international distributor, we are dependent on our distribution and IT systems infrastructure to support our business operations. A major loss or service incident could result in significant disruption to our customers.

Our strategic investments will mitigate our dependence on individual locations and systems, through the implementation of a single IT platform and development of our supply chain infrastructure to support our single global offer. These investments will progressively reduce our dependency risks through improved resilience and contingencies, with the residual risk managed by our business continuity planning processes, where prioritised plans are subject to annual testing and review.

Regulatory compliance

As an international business, we are exposed to national and international regulatory requirements across a broad range of areas, including trade, transport, business ethics, competition, product compliance and product safety. The risk is that we fail to meet regulatory standards resulting in prosecution, fines, adverse publicity and an impact on our ability to trade.

In order to mitigate this risk an integral part of our strategy implementation involves the analysis of the current and future compliance demands the business will need to address as part of its growth strategy, together with the early identification of regulatory requirements across our global markets.

Cyber risk

We are heavily dependent on the resilience of our IT systems, networks and data for the delivery of the strategy. A major incident compromising the security of our systems or the data held on them could present the risk of significant business disruption, and damage to reputation amongst our stakeholders.

We invest significantly in the security of our systems and data management, and work closely with our partners to ensure the latest protections are in place to repel external threats. Our internal governance arrangements proactively manage potential conflicts of interest and are subject to continual review.

CURRENT TRADING

In October, Group underlying sales growth was 4%. International grew by 5% and the UK declined by 1% (excluding sales of Raspberry Pi the UK was flat). Within International, Continental Europe grew by 6%, North America grew by 8% and Asia Pacific was flat.

Ian Mason, Group Chief Executive
13 November 2013

Simon Boddie, Group Finance Director

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

We confirm that to the best of our knowledge:

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

Ian Mason, Group Chief Executive
13 November 2013

Simon Boddie, Group Finance Director

Condensed Consolidated Income Statement

	Note	6 months to 30.9.2013 £m	6 months to 30.9.2012 As restated* £m	Year to 31.3.2013 As restated* £m
Revenue	1	635.4	606.5	1,235.6
Cost of sales		(347.1)	(330.4)	(667.2)
Gross profit		288.3	276.1	568.4
Distribution and marketing expenses		(235.3)	(230.9)	(466.4)
Administrative expenses		(5.8)	(5.7)	(9.7)
Operating profit		47.2	39.5	92.3
Financial income		2.1	2.0	2.8
Financial expense		(4.7)	(4.8)	(8.4)
Profit before tax	1	44.6	36.7	86.7
Income tax expense	3	(12.8)	(11.2)	(27.3)
Profit for the period attributable to the equity shareholders of the parent company		31.8	25.5	59.4
Earnings per share – Basic	4	7.2p	5.8p	13.6p
Earnings per share – Diluted	4	7.2p	5.8p	13.5p
Dividends				
Amounts recognised in the period:				
Final dividend for the year ended 31 March	5	6.75p	6.75p	6.75p
Interim dividend for the year ended 31 March 2013	5	-	-	5.0p

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

* Restated for the changes in *IAS19R Employee Benefits*. For further details refer to basis of preparation on pages 22 and 23

	Note	6 months to 30.9.2013 £m	6 months to 30.9.2012 As restated* £m	Year to 31.3.2013 As restated* £m
Headline operating profit				
Operating profit		47.2	39.5	92.3
Reorganisation costs	2	-	2.5	7.4
		47.2	42.0	99.7
Headline profit before tax				
Profit before tax		44.6	36.7	86.7
Reorganisation costs	2	-	2.5	7.4
		44.6	39.2	94.1

Condensed Consolidated Statement of Comprehensive Income

	6 months to 30.9.2013 £m	6 months to 30.9.2012 As restated* £m	Year to 31.3.2013 As restated* £m
Profit for the period	31.8	25.5	59.4
Other comprehensive income			
Items that are not reclassified subsequently to the income statement			
Remeasurement of pension deficit	(13.7)	(6.5)	(21.5)
Movement in unrecognised pension surplus	-	7.0	11.9
Taxation relating to remeasurement of pension deficit	2.7	(0.2)	1.7
Items that are reclassified subsequently to the income statement			
Foreign exchange translation differences	(15.6)	(4.9)	11.5
Gain (loss) on cash flow hedges	3.8	0.3	(0.7)
Taxation relating to components of other comprehensive income	(1.2)	(0.4)	1.4
Other comprehensive (expense) income for the financial period	(24.0)	(4.7)	4.3
Total comprehensive income for the financial period	7.8	20.8	63.7

* Restated for the changes in *IAS19R Employee Benefits*. For further details refer to basis of preparation on pages 22 and 23

Condensed Consolidated Balance Sheet

	Note	30.9.2013 £m	30.9.2012 £m	31.3.2013 £m
Non-current assets				
Intangible assets		218.3	211.2	223.5
Property, plant and equipment		101.1	106.8	112.1
Investments		0.4	0.5	0.6
Other receivables		6.4	8.2	7.1
Other financial assets	7	6.1	8.9	11.8
Deferred tax assets		7.2	8.7	6.4
		339.5	344.3	361.5
Current assets				
Inventories	6	266.5	261.1	261.9
Trade and other receivables		199.5	196.5	221.1
Income tax receivables		5.6	2.3	5.9
Cash and cash equivalents	7	12.0	12.4	9.3
		483.6	472.3	498.2
Current liabilities				
Trade and other payables		(183.8)	(190.6)	(194.8)
Provisions and other liabilities	2	-	(1.3)	(0.6)
Loans and borrowings	7	(11.2)	(8.0)	(10.7)
Other financial liabilities		(1.4)	-	(1.4)
Income tax liabilities		(10.6)	(12.1)	(13.9)
		(207.0)	(212.0)	(221.4)
Net current assets		276.6	260.3	276.8
Total assets less current liabilities		616.1	604.6	638.3
Non-current liabilities				
Other payables		(10.8)	(8.9)	(11.8)
Retirement benefit obligations	9	(33.6)	(8.4)	(19.0)
Loans and borrowings	7	(153.9)	(171.3)	(168.0)
Other financial liabilities	7	(0.1)	(0.1)	(0.7)
Deferred tax liabilities		(58.1)	(58.0)	(59.2)
		(256.5)	(246.7)	(258.7)
Net assets		359.6	357.9	379.6
Equity				
Called-up share capital		44.0	43.8	43.8
Share premium account		41.3	40.2	40.3
Retained earnings		254.9	259.2	263.9
Cumulative translation reserve		17.2	15.1	32.8
Other reserves		2.2	(0.4)	(1.2)
Equity attributable to the equity shareholders of the parent company		359.6	357.9	379.6

Condensed Consolidated Cash Flow Statement

	Note	6 months to 30.9.2013 £m	6 months to 30.9.2012 As restated* £m	Year to 31.3.2013 As restated* £m
Cash flows from operating activities				
Profit before tax		44.6	36.7	86.7
Depreciation and other amortisation charges		13.5	11.1	25.9
Equity-settled transactions		1.1	0.9	2.0
Finance income and expense		2.6	2.8	5.6
Operating cash flow before changes in working capital, interest and taxes		61.8	51.5	120.2
(Increase) decrease in inventories		(13.6)	(5.4)	1.4
Decrease in trade and other receivables		16.5	19.6	3.0
Decrease in trade and other payables		(1.8)	(20.0)	(17.3)
(Decrease) increase in provisions and other liabilities	2	(0.6)	1.3	0.6
Cash generated from operations		62.3	47.0	107.9
Interest received		2.1	2.0	2.8
Interest paid		(4.7)	(4.8)	(8.4)
Income tax paid		(13.0)	(11.3)	(25.6)
Net cash from operating activities		46.7	32.9	76.7
Cash flows from investing activities				
Capital expenditure and financial investment		(11.4)	(11.4)	(28.7)
Proceeds from sale of property, plant and equipment		0.1	1.3	1.3
Net cash used in investing activities		(11.3)	(10.1)	(27.4)
Free cash flow		35.4	22.8	49.3
Cash flows from financing activities				
Proceeds from the issue of share capital		1.2	0.4	0.6
Purchase of own shares		(0.2)	(0.2)	(0.5)
Loans repaid		(6.1)	(6.0)	(18.2)
Dividends from vested share options		-	-	(0.7)
Equity dividends paid	5	(29.5)	(29.5)	(51.3)
Net cash used in financing activities		(34.6)	(35.3)	(70.1)
Net increase (decrease) in cash and cash equivalents		0.8	(12.5)	(20.8)
Cash and cash equivalents at the beginning of the period		(1.4)	18.6	18.6
Effects of exchange rate fluctuations on cash		1.4	(1.7)	0.8
Cash and cash equivalents at the end of the period	7	0.8	4.4	(1.4)

* Restated for the changes in IAS19R Employee Benefits. For further details refer to basis of preparation on pages 22 and 23

	Note	6 months to 30.9.2013 £m	6 months to 30.9.2012 £m	Year to 31.3.2013 £m
Headline free cash flow				
Free cash flow		35.4	22.8	49.3
Reorganisation costs	2	0.6	1.2	6.8
		36.0	24.0	56.1

Condensed Consolidated Statement of Changes in Equity

	Share capital £m	Share premium account £m	Other reserves		Cumulative translation £m	Retained earnings £m	Total £m
			Hedging reserve £m	Own shares held £m			
At 1 April 2013	43.8	40.3	(0.1)	(1.1)	32.8	263.9	379.6
Profit for the period	-	-	-	-	-	31.8	31.8
Foreign exchange translation differences	-	-	-	-	(15.6)	-	(15.6)
Remeasurement of pension deficit	-	-	-	-	-	(13.7)	(13.7)
Gain on cash flow hedges	-	-	3.8	-	-	-	3.8
Taxation relating to components of other comprehensive income	-	-	(1.2)	-	-	2.7	1.5
Total comprehensive income	-	-	2.6	-	(15.6)	20.8	7.8
Equity settled transactions	-	-	-	-	-	1.1	1.1
Dividends paid	-	-	-	-	-	(29.5)	(29.5)
Shares allotted in respect of share awards	0.2	1.0	-	1.0	-	(1.3)	0.9
Own shares acquired	-	-	-	(0.2)	-	-	(0.2)
Related tax movements	-	-	-	-	-	(0.1)	(0.1)
At 30 September 2013	44.0	41.3	2.5	(0.3)	17.2	254.9	359.6
At 1 April 2012	43.7	39.8	0.2	(1.9)	20.3	263.9	366.0
Profit for the period	-	-	-	-	-	25.5	25.5
Foreign exchange translation differences	-	-	-	-	(4.9)	-	(4.9)
Remeasurement of pension deficit	-	-	-	-	-	(6.5)	(6.5)
Movement in unrecognised pension surplus	-	-	-	-	-	7.0	7.0
Gain on cash flow hedges	-	-	0.3	-	-	-	0.3
Taxation relating to components of other comprehensive income	-	-	(0.1)	-	(0.3)	(0.2)	(0.6)
Total comprehensive income	-	-	0.2	-	(5.2)	25.8	20.8
Equity settled transactions	-	-	-	-	-	0.9	0.9
Dividends paid	-	-	-	-	-	(29.5)	(29.5)
Shares allotted in respect of share awards	0.1	0.4	-	1.3	-	(1.4)	0.4
Own shares acquired	-	-	-	(0.2)	-	-	(0.2)
Related tax movements	-	-	-	-	-	(0.5)	(0.5)
At 30 September 2012	43.8	40.2	0.4	(0.8)	15.1	259.2	357.9
As restated*	43.8	40.2	0.4	(0.8)	15.1	259.2	357.9

* Restated for the changes in *IAS19R Employee Benefits*. For further details refer to basis of preparation on pages 22 and 23

Condensed Consolidated Statement of Changes in Equity (continued)

	Share capital £m	Share Premium account £m	Other reserves		Cumulative translation £m	Retained earnings £m	Total £m
			Hedging reserve £m	Own shares held £m			
At 1 April 2012	43.7	39.8	0.2	(1.9)	20.3	263.9	366.0
Profit for the period	-	-	-	-	-	59.4	59.4
Foreign exchange translation differences	-	-	-	-	11.5	-	11.5
Remeasurement of pension deficit	-	-	-	-	-	(21.5)	(21.5)
Movement in unrecognised pension surplus	-	-	-	-	-	11.9	11.9
Net loss on cash flow hedges	-	-	(0.7)	-	-	-	(0.7)
Taxation relating to components of other comprehensive income	-	-	0.4	-	1.0	1.7	3.1
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							
As restated*	43.8	40.3	(0.1)	(1.1)	32.8	263.9	379.6

* Restated for the changes in *IAS19R Employee Benefits*. For further details refer to basis of preparation on pages 22 and 23

BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Electrocomponents plc (the “Company”) is a company domiciled in the UK. The condensed set of financial statements for the six months ended 30 September 2013 comprises the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in a jointly controlled entity.

The Group financial statements for the year ended 31 March 2013 are available upon request from the Company’s registered office at International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW.

The comparative figures for the year ended 31 March 2013 are not the Company’s statutory accounts for that year. Those accounts have been reported on by the Company’s auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. The financial risk management objectives and policies of the Group and the exposure of the Group to price risk, credit risk, liquidity risk and cash flow risk are discussed in note 20 to the Group’s Annual Report and Accounts for the year ended 31 March 2013.

Statement of compliance

The condensed set of financial statements included in this half-yearly financial report has been prepared on the basis of the accounting policies set out in the 2013 Annual Report and Accounts, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS), and International Accounting Standard (IAS) 34 *Interim Financial Reporting* as adopted by the EU. The condensed set of financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group financial statements for the year ended 31 March 2013.

This condensed set of financial statements was approved by the Board of Directors on 14 November 2013.

Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those that applied to the consolidated financial statements of the Group for the year ended 31 March 2013.

Estimates and judgements

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

The significant judgements made by management in applying the Group’s accounting policies were the same as those that applied to the Group financial statements for the year ended 31 March 2013. The key risks and uncertainties are explained on pages 13 and 14 of this half-yearly financial report.

Changes to accounting standards applied in this financial report

IAS 19 (revised 2011) Employee Benefits

The Group recognises all costs relating to the pension scheme within distribution and marketing costs within the income statement.

With effect from 1 April 2013, the Group has adopted the following new standard and amendment to an existing standard, which has been applied retrospectively. IAS19 (revised 2011) Employee Benefits, replaces interest cost and expected return on plan assets with a net pension cost on the pension deficit.

The defined benefit pension cost is calculated using the rate currently used to discount defined benefit pension liabilities. The discount rate is lower than the expected return on plan assets, increasing operating costs in the income statement and correspondingly reducing re-measurements recognised in other comprehensive income.

For the 6 months to 30 September 2012, the impact of this change has been to increase the net pension cost by £2.3m, reduce profit before tax by £2.3m and reduce profit after tax by £1.7m. The actuarial gain on pension schemes has been increased by £2.3m and the income tax charge on other comprehensive income has been increased by £0.6m. For the year to 31 March 2013, the impact has been to increase the net pension cost by £4.6m, to reduce profit before tax by £4.6m and reduce profit after tax by £3.5m. The actuarial loss on pension schemes has been reduced by £4.6m and the income tax credit on other comprehensive income has been reduced by £1.1m. The net pension deficit is unchanged in both comparative periods.

IAS 1 Presentation of Financial Statements

The Group has also adopted the amendment to IAS 1 Presentation of Items of Other Comprehensive Income, which is effective for the first time in the current financial year. The adoption of this amendment has no impact on the Group's consolidated results of financial position.

IFRS 13 Fair Value Measurement

The Group has also adopted IFRS 13 Fair Value Measurement which is effective for the first time in the current financial year. IFRS 13 specifically requires additional disclosures in interim financial statements for financial instruments which the Group has provided in Note 8. In accordance with the transitional provisions of IFRS 13, the Group has not provided any comparative information for additional disclosures. The change has no impact on the measurements of the Group's assets and liabilities.

1 Segmental reporting

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

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

During the year ended 31 March 2013, the Group changed from having a geographically-based operating model to a functionally-based operating model managed on a global basis. Management have reviewed the operating segments and continue to manage the business performance on a regional basis. Therefore, the operating segments are considered to be unchanged.

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

	6 months to 30.9.2013	6 months to 30.9.2012 As restated*	Year to 31.3.2013 As restated*
	£m	£m	£m
Revenue from external customers			
United Kingdom	185.3	185.6	375.1
Continental Europe	223.3	200.6	426.2
North America	145.1	135.9	268.6
Asia Pacific	81.7	84.4	165.7
	635.4	606.5	1,235.6

Contribution			
United Kingdom	52.5	51.1	103.2
Continental Europe	46.3	37.7	90.9
North America	19.3	18.5	34.9
Asia Pacific	4.9	4.8	12.0
	123.0	112.1	241.0

Reconciliation of contribution to profit before tax			
Headline contribution	123.0	112.1	241.0
Group Process costs	(75.8)	(70.1)	(141.3)
Reorganisation costs	-	(2.5)	(7.4)
Net financial expense	(2.6)	(2.8)	(5.6)
Profit before tax	44.6	36.7	86.7

* Restated for the changes in *IAS19R Employee Benefits*. For further details refer to basis of preparation on pages 22 and 23

During the 6 months ended 30 September 2013, the Group has changed the way in which it manages and reviews revenue by product category. The Group's growth strategy is focussed on products which it will be *Famous For*, which includes electronics and automation and control. All other products are classified as *Other Maintenance* and are managed separately.

	6 months to 30.9.2013	6 months to 30.9.2012	Year to 31.3.2013
	£m	£m	£m
Famous For products	347.2	326.6	664.1
Other Maintenance products	288.2	279.9	571.5
	635.4	606.5	1,235.6

2 Reorganisation costs

Reorganisation costs arising during the period are as follows:

	6 months to 30.9.2013	6 months to 30.9.2012	Year to 31.3.2013
	£m	£m	£m
Redundancy and associated costs	-	2.5	7.4

During the year ended 31 March 2013, 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, with the remaining balance of £0.6m held in provisions due within one year at the year end. At 30 September 2013, the provision has been utilised in full and no further liabilities are expected.

3 Taxation on the profit of the Group

	6 months to 30.9.2013	6 months to 30.9.2012 As restated*	Year to 31.3.2013 As restated*
	£m	£m	£m
United Kingdom taxation	5.1	3.7	10.4
Overseas taxation	7.7	7.5	16.9
	12.8	11.2	27.3

* Restated for the changes in *IAS19R Employee Benefits*. For further details refer to basis of preparation on pages 22 and 23

4 Earnings per share

	6 months to 30.9.2013	6 months to 30.9.2012 As restated*	Year to 31.3.2013 As restated*
	£m	£m	£m
Profit for the period attributable to equity shareholders	31.8	25.5	59.4
Reorganisation costs	-	2.5	7.4
Tax impact of reorganisation	-	(0.8)	(1.7)
Headline profit on ordinary activities after taxation	31.8	27.2	65.1
Weighted average number of shares (millions)	438.6	437.5	437.8
Diluted weighted average number of shares (millions)	439.6	439.2	439.9
Headline basic earnings per share	7.2p	6.2p	14.9p
Basic earnings per share	7.2p	5.8p	13.6p
Headline diluted earnings per share	7.2p	6.2p	14.8p
Diluted earnings per share	7.2p	5.8p	13.5p

* Restated for the changes in *IAS19R Employee Benefits*. For further details refer to basis of preparation on pages 22 and 23

5 Dividends

	6 months to 30.9.2013 £m	6 months to 30.9.2012 £m	Year to 31.3.2013 £m
Amounts recognised and paid in the period:			
Final dividend for the year ended 31 March 2013: 6.75p (2012: 6.75p)	29.5	29.5	29.5
Interim dividend for the year ended 31 March 2013 – 5.0p	-	-	21.8
	29.5	29.5	51.3
Amounts determined after the balance sheet date:			
Interim dividend for the year ending 31 March 2014 – 5.0p	22.0		

The timetable for the payment of the interim dividend is:

Ex-dividend	4 December 2013
Dividend record date	6 December 2013
Dividend payment date	10 January 2014

6 Inventories

	30.9.2013 £m	30.9.2012 £m	31.3.2013 £m
Gross inventories	297.5	288.2	293.7
Stock provision	(31.0)	(27.1)	(31.8)
Net inventory	266.5	261.1	261.9

During the 6 months ended 30 September 2013 £4.4m (2012: £6.1m; year ended 31 March 2013: £11.9m) was recognised as an expense relating to the write down of inventory to net realisable value.

7 Cash and cash equivalents/analysis of movements in net debt

	30.9.2013 £m	30.9.2012 £m	31.3.2013 £m
Cash and cash equivalents	£m	£m	£m
Cash and cash equivalents in the balance sheet	12.0	12.4	9.3
Bank overdrafts	(11.2)	(8.0)	(10.7)
Cash and cash equivalents in the cash flow statement	0.8	4.4	(1.4)
Finance lease liabilities	(1.4)	-	(2.1)
Loans repayable after more than one year	(56.0)	(71.8)	(62.2)
Private placement loan notes	(97.9)	(99.5)	(105.8)
Fair value of swap hedging fixed rate borrowings	6.0	8.8	11.8
Net debt	(148.5)	(158.1)	(159.7)
Pension deficit	(33.6)	(8.4)	(19.0)
Net debt including pension deficit	(182.1)	(166.5)	(178.7)

	6 months to 30.9.2013 £m	6 months to 30.9.2012 £m	Year to 31.3.2013 £m
Analysis of movements in net debt	£m	£m	£m
Net debt at 1 April	(159.7)	(154.2)	(154.2)
Free cash flow	35.4	22.8	49.3
Equity dividends paid	(29.5)	(29.5)	(51.3)
Dividends from vested share options	-	-	(0.7)
New shares issued	1.2	0.4	0.6
Own shares acquired	(0.2)	(0.2)	(0.5)
New finance leases	-	-	(2.0)
Translation differences	4.3	2.6	(0.9)
Net debt at period end	(148.5)	(158.1)	(159.7)

8 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.

	Valuation Methodology	Carrying value £m	Fair value £m
Financial assets at 30 September 2013			
Financial assets held at Fair Value			
Interest rate swaps used for hedging	A	6.1	6.1
Forward exchange rate contracts used for hedging	A	4.0	4.0
		10.1	10.1
Financial assets held at Amortised Cost			
Cash and cash equivalents	D	12.0	12.0
Trade receivables, other receivables and accrued income	F	194.6	194.6
		206.6	206.6
Total Financial assets		216.7	216.7
Financial liabilities at 30 September 2013			
Financial liabilities held at Fair Value			
Interest rate swaps used for hedging	A	(0.1)	(0.1)
Forward exchange rate contracts used for hedging	A	(0.5)	(0.5)
Private Placement notes	C	(67.0)	(67.0)
		(67.6)	(67.6)
Financial liabilities held at Amortised Cost			
Bank facilities	D	(56.0)	(56.0)
Private Placement notes	D	(30.9)	(32.8)
Finance lease liabilities	E	(1.4)	(1.4)
Bank overdrafts	D	(11.2)	(11.2)
Trade payables, other payables and accruals	F	(199.0)	(199.0)
		(298.5)	(300.4)
Total Financial liabilities		(366.1)	(368.0)
Financial assets at 30 September 2012			
Financial assets held at Fair Value			
Interest rate swaps used for hedging	A	8.9	8.9
Forward exchange rate contracts used for hedging	A	1.6	1.6
		10.5	10.5
Financial assets held at Amortised Cost			
Cash and cash equivalents	D	12.4	12.4
Trade receivables, other receivables and accrued income	F	188.2	188.2
		200.6	200.6
Total Financial assets		211.1	211.1

Financial liabilities at 30 September 2012
Financial liabilities held at Fair Value

Interest rate swaps used for hedging	A	(0.1)	(0.1)
Forward exchange rate contracts used for hedging	A	(1.0)	(1.0)
Private Placement notes	C	(68.7)	(68.7)
		(69.8)	(69.8)
Financial liabilities held at Amortised Cost			
Bank facilities	D	(71.8)	(71.8)
Private Placement notes	D	(30.8)	(32.4)
Bank overdrafts	D	(8.0)	(8.0)
Trade payables, other payables and accruals	F	(201.6)	(201.6)
		(312.2)	(313.8)
Total Financial liabilities		(382.0)	(383.6)

	Valuation Methodology	Carrying value £m	Fair value £m
Financial assets at 31 March 2013			
Financial assets held at Fair Value			
Interest rate swaps used for hedging	A	11.8	11.8
Forward exchange rate contracts used for hedging	A	1.3	1.3
		13.1	13.1
Financial assets held at Amortised Cost			
Cash and cash equivalents	D	9.3	9.3
Trade receivables, other receivables and accrued income	F	217.3	217.3
		226.6	226.6
Total Financial assets		239.7	239.7

Financial liabilities at 31 March 2013
Financial liabilities held at Fair Value

Forward exchange rate contracts used for hedging	A	(1.7)	(1.7)
Private Placement notes	C	(72.9)	(72.9)
		(74.6)	(74.6)
Financial liabilities held at Amortised Cost			
Bank facilities	D	(62.2)	(62.2)
Private Placement notes	D	(32.9)	(35.4)
Finance lease liabilities	E	(2.1)	(2.1)
Bank overdrafts	D	(10.7)	(10.7)
Trade payables, other payables and accruals	F	(210.4)	(210.4)
		(318.3)	(320.8)
Total Financial liabilities		(392.9)	(395.4)

Estimation of fair values

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

A Derivative financial assets and liabilities

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

B Interest-bearing loans held at fair value

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

C Loans designated under fair value hedge relationships

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

D Cash and cash equivalents, Bank overdrafts, Interest-bearing loans held at amortised cost

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

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

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

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.

Cash pooling

The Group operates legal arrangements whereby cash balances and overdrafts held with the same bank are offset to give a net balance which is included within cash and cash equivalents on the balance sheet. These cash and bank overdraft figures before netting are shown in the tables below:

	Gross amounts before offsetting £m	Gross amounts set off £m	Net amounts presented £m
30 September 2013			
Cash at bank and in hand	174.5	(174.1)	0.4
Bank overdrafts	(185.2)	174.1	(11.1)
Total	(10.7)	-	(10.7)
30 September 2012			
Cash at bank and in hand	176.4	(175.4)	1.0
Bank overdrafts	(183.3)	175.4	(7.9)
Total	(6.9)	-	(6.9)
31 March 2013			
Cash at bank and in hand	175.1	(175.1)	-
Bank overdrafts	(185.4)	175.1	(10.3)
Total	(10.3)	-	(10.3)

9 Retirement benefit obligations

The Group operates defined benefit pension schemes in the United Kingdom, Germany and Ireland. At 30 September 2013 the Group's net retirement benefit obligation was £33.6m (30 September 2012: £8.4m, 31 March 2013: £19.0m).

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

	30.9.2013 £m	30.9.2012 £m	31.3.2013 £m
Total market value of the schemes' assets	375.9	352.3	388.2
Present value of the schemes' liabilities	(409.5)	(356.1)	(407.2)
Schemes' deficit	(33.6)	(3.8)	(19.0)
Unrecognised pension surplus	-	(4.6)	-
Schemes' adjusted deficit	(33.6)	(8.4)	(19.0)

As at 30 September 2012 the UK defined benefit pension scheme reported a surplus of £3.8m. In accordance with the requirements of IAS 19R *Employee benefits* the company did not recognise this pension surplus in its financial statements.

10 Principal exchange rates

	6 months to 30.9.2013	6 months to 30.9.2012	Year to 31.3.2013
Average for the period			
Euro	1.17	1.25	1.23
United States Dollar	1.54	1.58	1.58

	30.9.2013	30.9.2012	31.3.2013
Period end			
Euro	1.20	1.26	1.19
United States Dollar	1.62	1.62	1.52

INDEPENDENT REVIEW REPORT TO ELECTROCOMPONENTS PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2013 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

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

13 November 2013

SAFE HARBOUR

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