

Report of the Directors

The Directors present their report on the affairs of the Group together with the audited accounts for the year ended 31 March 2008.

Principal Activity and Business Review

The principal activity of the Group is the distribution of electronic, electrical and industrial and commercial supplies and services, through its 27 operating companies and its distributors. Significant events which occurred during the year are detailed in the Chairman's statement, the Group Chief Executive's review, and the Business Review shown on pages 3 to 15. The Business Review is incorporated by reference into, and forms part of, this Directors' Report.

Results and Dividends

Results for the year are set out in the income statement on page 30. An analysis of revenue, profit and net assets by activity is shown in note 2 on pages 39 and 40.

The Directors recommend a final dividend of 12.6p per ordinary share, to be paid, if approved, on 25 July 2008 which, together with the interim dividend of 5.8p per share paid in January 2008, amounts to a total dividend of 18.4p for the year ended 31 March 2008 (2007: 18.4p).

Corporate Governance

In respect of the year ended 31 March 2008, the Company has been subject to the provisions of the Combined Code on Corporate Governance published in July 2003 and revised in June 2006 (the "Combined Code"). Section 1 of the Combined Code establishes 17 main principles and 26 supporting principles of good governance in four areas: Directors; Remuneration of Directors; Accountability and Audit and Relations with Shareholders. The following three sections explain how these principles were applied. A detailed report on Directors' Remuneration can be found on pages 24 to 28.

Directors and Directors' Independence

As at 31 March 2008 the Board comprised the Chairman, who is part-time, two Executive Directors and four independent Non-Executive Directors, one of whom, (Keith Hamill) will retire at the forthcoming Annual General Meeting. Since the year end, Paul Hollingworth has been appointed to the Board as a Non-Executive Director. The Board is collectively responsible for the performance of the Company. The Board has carefully considered the guidance criteria on independence of Non-Executive Directors under the Combined Code. In the opinion of the Board, all the continuing Non-Executive Directors bring independence of judgement and character to the Board and to the committees on which they sit, and are independent of management and free from any business or other relationships which could interfere with the exercise of their judgement.

Biographical details of the Directors at the date of this report are set out on pages 16 and 17, together with details of their membership of Board Committees. Brief details of the Chairman, the Group Chief Executive and the Senior Independent Director are set out on pages 19 and 20.

Directors' interests in the shares of the Company are shown on pages 20 and 28.

The Board has a formal schedule of matters reserved for its approval. It is responsible for the overall Group strategy and the approval and review of major investment proposals. The Board discusses and agrees strategic plans, reviews forecasts and evaluates Group and subsidiary performance. Other day-to-day operational decisions are delegated by the Board to the Group Executive Committee.

Directors are encouraged to update 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. The Directors are regularly updated on new legislation, including training during the year on the new directors' duties brought in by the Companies Act 2006. 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. The Company has continued to secure appropriate insurance cover for its Directors and its officers.

Retirement by Rotation and New Appointment

Keith Hamill wishes to retire at the forthcoming Annual General Meeting and will not be seeking re-election.

Tim Barker will retire by rotation at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association and, being eligible, is offering himself for re-election. Tim Barker does not have a service contract. On the expiry of Tim Barker's second three year term as a Non-Executive Director his performance was subject to a particularly rigorous review by the Board. Following a formal performance evaluation, the Chairman confirms that the performance of Tim Barker as Non-Executive Director continues to be effective and that he demonstrates commitment to the role.

Rupert Soames was appointed as a Non-Executive Director on 13 July 2007. Rupert Soames is therefore standing for formal election at the forthcoming Annual General Meeting.

Paul Hollingworth was appointed as a Non-Executive Director on 1 May 2008. Paul Hollingworth is therefore standing for formal election at the forthcoming Annual General Meeting.

Board Committees

The Board has a number of standing committees consisting of certain Directors, and in the case of the Group Executive Committee 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. Membership of the various Committees, including the Chairman of each Committee, is shown on pages 16 and 17. The Board formally receives minutes of meetings of all its committees and can request presentations or reports on areas of concern.

THE GROUP EXECUTIVE COMMITTEE consists of the Executive Directors and certain senior managers with Operating Company and Process responsibilities. The Committee meets monthly and manages the day-to-day activities of the Group. The Board has delegated the following responsibilities to the Group Executive Committee: the development and recommendation of strategic plans for consideration by the Board; the monitoring of the operating and financial results against plans and forecasts; and the development of risk management and control procedures. The Board reviewed succession planning for members of the Committee in July 2007.

THE AUDIT COMMITTEE consists of all the Non-Executive Directors and meets at least three times a year and more frequently if required. The Committee assists the Board in its duties regarding financial statements and continually reviews the operation of internal financial controls with the internal operational audit team and, where applicable, external auditors. It also reviews the scope and results of the audit with the external auditors and the results of the work of the internal operational audit team. The Committee is also responsible for reviewing the arrangements whereby staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Keith Hamill and Paul Hollingworth have relevant financial and accounting experience. Further details of the role of the Committee are set out on pages 20 to 21.

THE TREASURY COMMITTEE consists of the Group Chief Executive, the Group Finance Director, the Group Treasurer, the Assistant Group Treasurer, the Group Controller, the Company Secretary and the Group Tax Manager and sets detailed treasury policy for the Group within guidelines established by the Board. The Committee meets quarterly.

THE REMUNERATION COMMITTEE consists of all the Non-Executive Directors and meets as required but not less than twice per year and is responsible for all aspects of the remuneration of Executive Directors and senior managers. Details of the remuneration policy and of the remuneration of each Director are set out in the Remuneration Report.

THE NOMINATION COMMITTEE consists of the Chairman and all the Non-Executive Directors. The Chairman, Helmut Mamsch, chairs the Committee. The Committee meets as required and recommends to the Board candidates for appointment as Executive and Non-Executive Directors of the Company. The Committee periodically assesses what new skills, knowledge and experience are required on the Board and if appropriate, recommends a candidate profile which is then used to brief Recruitment Consultants appointed by the Committee to undertake the selection process. Initial meetings are held generally by the Chairman and the Group Chief Executive with prospective candidates and a shortlist of individuals is selected to meet with other Nomination Committee members and the Executive

Directors. The Nomination Committee then meets and decides which candidate, if any, will be recommended to join the Board. This process was used for the appointment of Rupert Soames and Paul Hollingworth as Non-Executive Directors.

Board Evaluation

During the year the Chairman has held meetings with the Non-Executive Directors, without the Executive Directors present. In addition, the Board has carried out a formal evaluation of its own performance. The process comprised the Company Secretary issuing a detailed questionnaire covering the Board and its Committees to Board members. The questionnaire covered issues such as effectiveness of meetings, how well strategy is tested and developed, Board composition and succession planning and risk management controls. The responses to the questionnaire were collated independently by the Company Secretary, who then prepared reports for each of the chairmen of the relevant Committees. The reports were discussed at the Board and the relevant committees and necessary follow-up actions agreed.

Chairman Evaluation

During the year, the Non-Executive Directors, led by Tim Barker in his capacity as the Senior Independent Director, met to review the performance of the Chairman, taking into account the views of the Executive Directors. Following the review, Tim Barker met with the Chairman to discuss the feedback on his performance.

Board Attendance

Board and Committee Meetings

The following table sets out the number of scheduled meetings of the Board and of the Audit, Nomination and Remuneration Committees during the year and individual attendance by the relevant members at these meetings:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Number of meetings held during the year	9	4	2	4
Chairman				
H Mamsch	9	–	–	4
Executive Directors				
I Mason	9	–	–	–
S Boddie	9	–	–	–
Non-Executive Directors				
L Atkinson	9	4	2	4
T G Barker	9	4	2	4
K Hamill	9	4	2	4
R C Soames ^(a)	6	2	1	1
N J Temple ^(b)	3	2	1	3

^(a) Rupert Soames was appointed to the Board on 13 July 2007.

^(b) Nick Temple ceased to be a Director on 13 July 2007.

Chairman, Group Chief Executive and Senior Independent Director

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.

Report of the Directors

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The Chairman is responsible for leadership of the Board and for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman has no involvement in the day-to-day business of the Company. The Chairman facilitates the effective contribution of the Non-Executive Directors, and ensures Directors receive accurate, timely and clear information. He is also responsible for effective communication between the Board and shareholders.

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

Tim Barker as the Senior Independent Director is responsible for chairing the meeting of Non-Executive Directors for the purpose of evaluating the Chairman's performance and to provide a communication channel for shareholders if required.

Directors' Interests in Shares

The beneficial interests of the Directors in the shares of the Company are set out in the table below. The Directors have no non-beneficial interests:

	31 March 2008 or date ceased to be a Director	31 March 2007 or date appointed as a Director
L Atkinson	2,260	2,260
T G Barker	15,000	15,000
S Boddie	75,000	25,000
K Hamill	5,183	5,183
H Mamsch	10,000	10,000
I Mason	112,349	62,349
R C Soames ^(a)	5,866	Nil
N J Temple ^(b)	10,040	10,040

^(a) Rupert Soames was appointed to the Board on 13 July 2007.

^(b) Nick Temple ceased to be a Director on 13 July 2007.

Directors' interests in Incentive Plans and Share Options are disclosed on page 28.

Up to 28 April 2008 there have been no changes in the Directors' interests or rights to subscribe for shares.

Relations with Shareholders

Executive Directors have frequent discussions with institutional shareholders on a range of issues affecting the Group's performance, which include meetings following the announcement of the annual and interim results. The Group Chief Executive, Group Finance Director and Chairman meet with major shareholders to discuss performance, strategy and governance, and the Non-Executive Directors are available for discussions with shareholders if required. The Group Finance Director regularly reports to the Board on meetings with shareholders. The Group Finance Director ensures that the views of the shareholders are communicated to the Board through these reports.

Shareholders were given the opportunity to meet with and put questions to the Chairman and other Board Directors at last year's Annual General Meeting. The Senior Independent Director is available to attend meetings with major shareholders at their request.

The Chairman and Executive Directors held meetings with a representative group of shareholders in June 2007 to obtain their

views on strategy and performance, the results of which were communicated to and discussed by the Board.

The Company also has a website (www.electrocomponents.com) which contains up-to-date information on Group activities.

Accountability and Audit

In its financial reporting to shareholders and other interested parties, by means of Annual and Half-Yearly Financial Reports and Interim Management and other periodic statements, the Board aims to present a balanced and easily understandable assessment of the Group's position and prospects.

Internal Control

The Group has an established and on-going 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 Combined Code and the recommendations of the Turnbull Review Group on internal control, the Directors have reviewed the effectiveness of the system of internal control. The Audit Committee receives regular reports on the performance of the system of internal control, and on its effectiveness in managing material risks and in identifying control failings or weaknesses. The Board then formally receives the minutes of each Audit Committee meeting.

The Audit Committee dedicates one meeting a year to the review of the risk management and the internal control system with the minutes of the review being formally reported to the Board. Together with the provision of regular updates to the Board on material risk issues, these allow the Board to make the assessment on the systems of internal control for the purposes of making its public statement.

During the period under review, no significant changes to the material risks to which the Group is exposed were identified, and no control failings or weaknesses were identified that resulted in unforeseen material losses. The internal control system can provide reasonable but not absolute assurance against material misstatement or loss.

Internal Financial Controls

Internal financial controls are the systems employed by the Directors to enable them to discharge their responsibilities for financial matters. Those responsibilities are noted on page 23. 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. Smaller group operating companies are supported by Group, regional and Process specialists in key areas.

Financial reporting systems are comprehensive and include weekly, monthly and annual reporting cycles. Monthly management accounts are prepared by all operating companies and Group-wide Processes. These contain forecasts of the current financial year which are updated four times per year and are compared against the previous forecast, the budget and prior year actuals. Variances

are reviewed by the Group Executive Committee 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.

The Group has a team of internal operational auditors which has an annually agreed audit programme approved by the Audit Committee. The team reports regularly to the Audit Committee on the results of audits performed and reviews self-certification internal control questionnaires completed by operating management.

The Board and the Audit Committee have reviewed the effectiveness of the Group's system of internal control and internal financial control during the period covered by this report.

Audit Independence

The Audit Committee and Board put great emphasis on the objectivity of the Company's auditors KPMG Audit Plc ("KPMG") in their reporting to shareholders.

The Audit Committee met four times during the year ended 31 March 2008 and the Group Audit Engagement Director from KPMG was present at all of these meetings to ensure full and open communication. In addition to the members of the Audit Committee, it was normal for the following people to receive the Audit Committee papers and attend meetings:

1. the Chairman of the Company
2. the Group Chief Executive
3. the Group Finance Director and Group Controller
4. the Head of Internal Audit
5. the Company Secretary

Their attendance was at the invitation of the committee Chairman only and does not restrict the Audit Committee's independent decision making.

The overall performance of the auditors is reviewed annually by the Audit Committee, taking into account the views of management, and this is reported to senior members of KPMG. This forms part of KPMG's own system of quality control. The Audit Committee also has discussions with KPMG, without management being present, on the adequacy of controls and on any significant area where management judgement has been applied.

The scope of the year's audit is discussed in advance by the Audit Committee. Following discussions between the Operating Companies and the local KPMG offices and a review by Group management, audit fees are reviewed by the Audit Committee and are then recommended to the Board for approval. Professional rules require rotation of the Group Audit Engagement Director from KPMG. This took place in July 2004 when the current Director was appointed, replacing the previous Director who had held the post for five years.

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

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

The policy is as follows:

- When considering the use of the external auditors to undertake non-audit work, the Group Finance Director should at all times give consideration to the provisions of the Smith Report with regard to the preservation of independence.
- The external auditors must certify to the Company that they are acting independently.
- In providing a non-audit service, the external auditors should not (as summarised in the Smith Report):
 - audit their own work;
 - make management decisions for the Company;
 - create a mutuality of interest; or
 - find themselves in the role of advocate for the Company.
- Before commissioning such work, the Audit Committee or the Group Finance Director as appropriate must ensure that the external auditors are satisfied that there is no issue as regards independence.
- 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 Audit Committee at its next meeting. If the cost is expected to exceed £50,000, the agreement of the Audit 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.

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 accounts.

Financial Instruments

For information on the Company's use of financial instruments, see note 21 on pages 54 to 59 to the annual report and accounts.

Compliance with the Combined Code

During the year ended 31 March 2008, the Directors consider that the Company complied with the provisions set out in Section 1 of the Combined Code, except that the current Senior Independent Director has not attended meetings with major shareholders having not been requested to do so.

Payment to Suppliers

The Group agrees terms and conditions for its business transactions with 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 2008 represent 39 days (2007: 43 days) of average purchases.

Directors Indemnities

In accordance with the Company's Articles of Association, the Company entered into a deed of indemnity to the extent permitted by law with each of the Directors, officers of the Company and the Company Secretary in 2007.

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The Company purchased and maintained directors' and officers' liability insurance throughout 2007, which was renewed for 2008.

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

Employment Policies

The Group values highly the commitment of its employees and has maintained its practice of communicating business developments to them wherever practicable. In June, representatives from around the world met for the Group Management Meeting to share the Group's vision and strategy. The Executive Directors have provided presentations of the Group Results (including the Half-Yearly Financial Results). The Group has also introduced a bi-annual newsletter, "RS News", with stories of success and interest around the world.

There are numerous consultation forums across the Group, such as the Information Consultation Forum in the UK, which is designed to facilitate a communication channel from employees to senior management.

Employees are appraised regularly. The appraisal process has been designed to link closely with the business planning process and provides employees with a clear set of business and personal objectives.

Employees around the world are invited to participate in the all employee share plans. These plans are popular with employees, with approximately 37% participation in the UK SAYE Scheme and approximately 10% participation in the international plans.

The Group is committed to a policy of Equal Opportunities with regard to its employment practices and procedures. The Group remains supportive of the employment and advancement of disabled persons. The Group has a "Diversity Policy" which includes its clear obligations towards employees or prospective employees to ensure that people with disabilities are afforded equal employment and development opportunities.

Substantial Shareholders

As at 23 May 2008 the following interests in voting rights of 3% or more of the issued share capital of the Company had been notified to the Company:

	Number of Shares	Percentage held
Silchester International Investors Limited	78,630,502	18.06%
Prudential plc group of companies	35,601,972	8.17%
Aviva plc	27,492,997	6.32%
Sprucegrove Investment Management Ltd	25,970,477	5.97%
UBS AG	22,302,913	5.12%
Legal & General Group plc	17,764,284	4.08%
Oppenheimer Funds Inc. and Baring Asset Management Ltd	17,018,213	3.91%
Barclays plc	13,937,895	3.20%

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 7 to the accounts on pages 41 to 43.

The Company has a single class of share capital which is divided into 500,000,000 ordinary shares of 10 pence each. The shares are in registered form.

Additional information for Electrocomponents plc shareholders

The information for Electrocomponents plc shareholders required pursuant to the Companies Act 2006 can be found on page 74 and is incorporated into and forms part of this report.

Political and Charitable Contributions

The Group made no political contributions during the year. Charitable contributions within the UK amounted to £12,028 (2007: £10,283) and outside the UK amounted to £10,841 (2007: £14,449).

Disclosure of Information to Auditors

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

Annual General Meeting

The Notice of the Annual General Meeting, which will be held at 12 noon on Friday 18 July 2008 at the Company's premises, The International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW, is set out in a separate circular.

By order of the Board

Ian Haslegrave

General Counsel & Company Secretary
28 May 2008