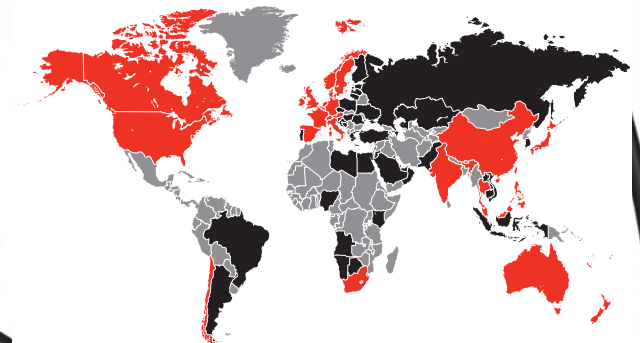


# 1 FOCUSED ON INTERNATIONAL MARKETS

We know our markets, we operate in 27 countries around the world and a further 38 countries via distributors



■ Distributor companies  
■ Operating companies

# WE ARE THE NUMBER ONE INTERNATIONAL HIGH SERVICE DISTRIBUTOR

## Overview of business

We are the leading high service distributor to engineers worldwide. The Group operates in 27 countries distributing components under the trading brands of RS, Radiospares, Radionics and Allied Electronics. Through our distributor network, we also provide this service to a further 38 countries. We cover around 90% of the world's GDP.

We satisfy the small quantity product needs of our 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 £100 although the range of order values is wide. The Group manages tens of thousands of orders for customers across the world each working day.

## Markets

We are focused on strengthening our positions in Continental Europe, North America and Asia Pacific which collectively represents 65% of our Group's revenue while maintaining our profitable UK business.

We have reorganised our Continental Europe and Asia Pacific regions to implement the strategy faster and improve performance. A more consistent, streamlined and cross-regional approach has been introduced to better serve our customers. In keeping with the Group's strategy resources have been reallocated from sales to marketing and from off-line to on-line activities.

In North America our e-Commerce revenue has increased by nearly 45% and we have continued to exploit both our extensive local sales office presence and supplier relationships to drive sales.

## Business systems

All our businesses in Continental Europe and the UK operate on a single integrated regional system. Likewise, our Asian business operates from a separate integrated system. This enables us to improve efficiency, share best practice, reduce our risk profile and maintain our high customer service levels.

## Market position

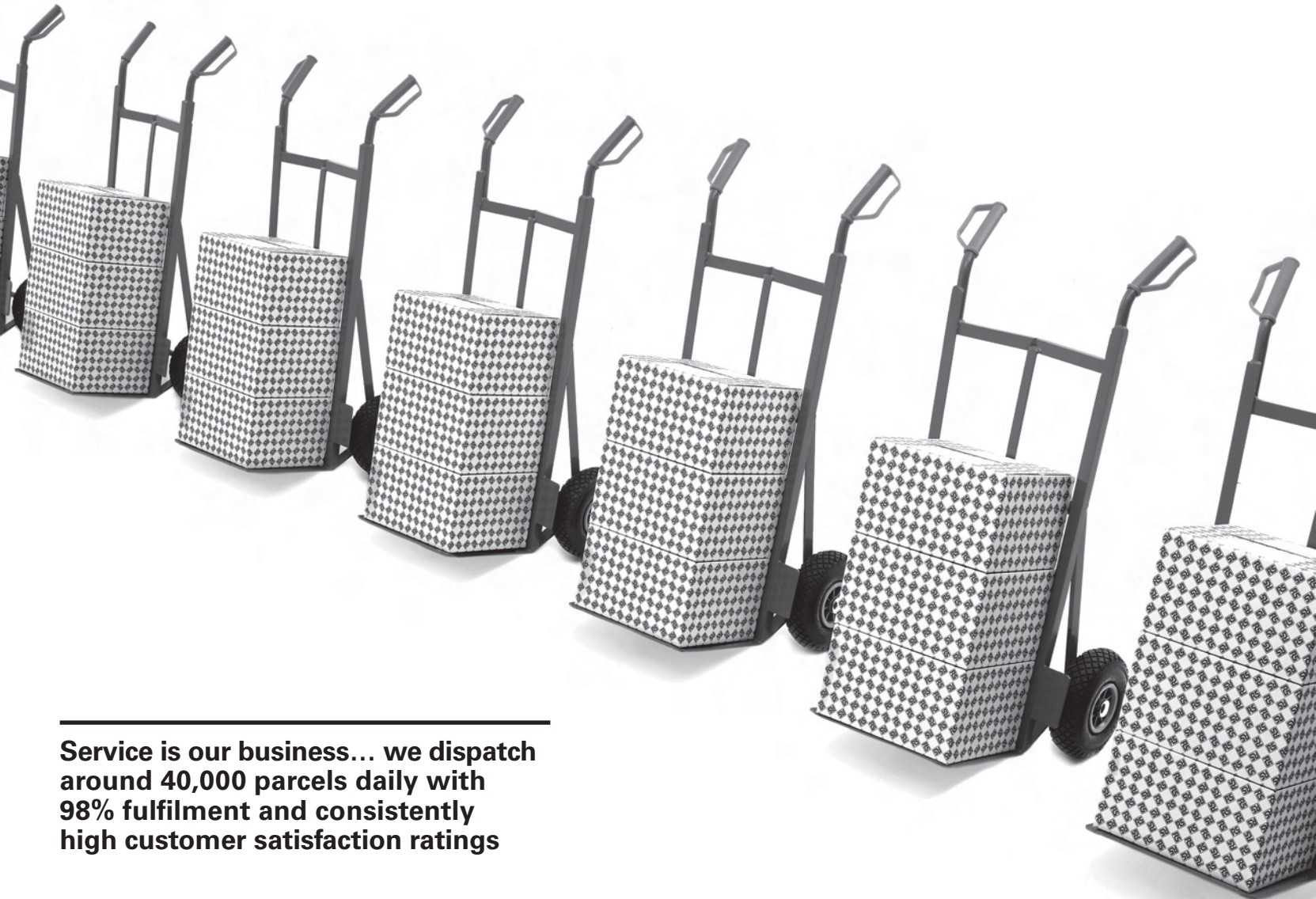
Region	Revenue	% of Group revenue	Headline contribution % of revenue	Market position
Europe	347	36%	22%	No. 1
North America	187	19%	13%	No. 3
Asia Pacific	102	10%	7%	No. 1
International	636	65%	17%	No. 1
UK	339	35%	27%	No. 1
Group	975	100%	21%	No. 1

# £975m

## Revenue

65% from our International businesses

# 2 FOCUSED ON THE CUSTOMER OFFER



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**Service is our business... we dispatch around 40,000 parcels daily with 98% fulfilment and consistently high customer satisfaction ratings**

# WE ARE ACCELERATING THE DEVELOPMENT OF THE GROUP'S CUSTOMER OFFERS

## Electronics

We have accelerated the development of our electronics offer which has been significantly enhanced during the year. We successfully launched our electronics production packaging capability across the UK, Continental Europe and Asia Pacific. This is aimed at customers with small batch production needs, allowing them to order the quantity that they need in tubes, trays and continuous strips. The range now totals 50,000 products.

The electronics product offer has been expanded; we have introduced 10,000 new products from leading suppliers during the year. Further product launches from leading electronics suppliers are planned for the next financial year across the UK, Continental Europe and Asia Pacific.

A number of actions have been taken to more competitively position our electronics offer with a significant number of electronics product prices being reduced during the year.

The electronics team has been expanded in order to drive the electronics strategy globally with a consistent and focused approach supported by our strategic suppliers.

## Maintenance

We continue to improve our offer to maintenance engineers. This includes more targeted and effective promotion of specific ranges, supported by strategic suppliers with combined web activity, joint sales visits and customer referrals.

We have strengthened our strategic supplier relationships via the Group's global sourcing capability, providing our customers with improved product ranges and joint e-Commerce offers. Our own brand range has been expanded and its sales have outperformed the market.

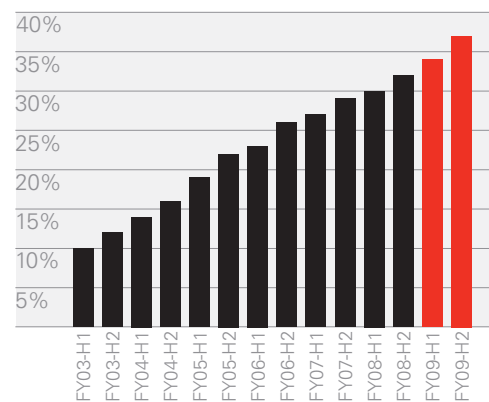
## e-Commerce

We have significant e-Commerce capability with a single web site platform supporting our UK, Continental Europe and Asia Pacific businesses. This provides real time links to transactional systems allowing our customers to experience on-line stock visibility and weekly content updates.

We have enhanced the Group's e-Commerce offer and made a step change towards becoming an e-centric business. Underlying e-Commerce revenue increased by 10% in the year, exiting at around a 40% share of Group revenue. In North America e-Commerce revenue grew by around 45%.

Improved search and browse capability was introduced across the UK and Continental Europe leading to a 60% increase in customer search-to-order conversion. Cross selling programmes, including "new accessory" and "customer also viewed" links as well as the availability of own brand alternatives, have increased average order value. The website is now available to mobile phone users in the UK, Continental Europe, North America and Asia Pacific: a first for a high service distributor.

e-Commerce share % of sales



# 3 FOCUSED ON MAINTAINING FINANCIAL STRENGTH



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**Our integrated systems are driving efficiency and best practice across the business including centralised purchasing and supply chain management.**

# DECISIVELY RESPONDING TO THE ECONOMIC CONDITIONS AND MAINTAINING FINANCIAL STRENGTH

## Strong cash flow

In the current trading environment the business delivered strong cash flow of £78m, up 4% on the prior year representing 118% of profit after tax.

This performance was delivered through continued tight control over working capital, with stable stock turn and reducing debtor days whilst capital expenditure was less than half the level of depreciation.

## Robust financial metrics

The Group has robust financial metrics with interest cover of 13 times and net debt to EBITDA of 1.7 times. We have significant headroom between these metrics and the banking covenants. The Group completed its bank refinancing in the year and has committed facilities of £314m with £281m maturing in September 2012.

## Pensions

The Group, following consultation with its UK based employees, has taken action to improve the sustainability of its UK defined benefit pension scheme. This has involved changes to early retirement terms, a restriction on future salary increases that may be considered pensionable, and a life expectancy risk sharing mechanism between the Group and the pension scheme members.

The UK scheme deficit of £6.3m is £15.5m lower than at the previous year end due to these rule changes together with various adjustments to the pension assumptions.

## Gross margin management

Gross margin for the year was 49.5%, with the second half improving on the first half due to more targeted use of customer discounts, better buying and selling price increases.

## Reducing costs

Operating costs, at constant currency, have reduced year on year.

We have taken decisive action to reduce operating costs across the business and will realise annualised savings of around £18m of which around £15m will be realised in the coming year.

These actions have been taken across all regions of the business. They have been enabled by the increasing e-Commerce channel share, strong control of discretionary spend, redistribution of activity between the Group's two UK warehouses and exploiting the benefits of our systems infrastructure.

## Key financial metrics

Free cash flow	£78m
Net debt to Headline EBITDA	1.7x
Interest cover	13 x
Committed facility headroom	£111m

**Free cash flow**  
**£78m**  
**Increased by 4%**