THE GROUP'S FREE CASH FLOW OF £78M REPRESENTED 118% OF PROFIT AFTER TAX

Simon Boddie
Group Finance Director

NATURE OF THE BUSINESS

Electrocomponents plc is a high service distributor of electronics, electromechanical and wider industrial products. The Group operates in 27 countries and sells to most of the remaining countries of the world via third party distributors.

The Group satisfies the small quantity product 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 approximately £100 although the range of order values is wide. The Group has a large number of customers from a wide range of industry sectors with diverse product demands. This means that the Group manages tens of thousands of orders for customers across the world each working day.

STRATEGY

We continue to implement our strategy and the four areas identified to drive the Group's future performance. A more detailed explanation of the strategy and the progress that we have made on each of these areas is provided in the Chief Executive's Review.

STRENGTHS AND RESOURCE

Brands
The Group has a number of major brands. The most significant of these is 'RS' which is used all over the world, except in North America, France and Ireland where the 'Allied', 'Radiospares' and 'Radionics' brands are used respectively.

Geographic footprint
Our operating companies provide our high service level across countries representing around 80% of the world's GDP. The Group's Distributors serve Eastern Europe, Russia, Southern Europe, the Middle East and South America representing a further 10% of the world's GDP.

Customer relationships
We supply around 1.5m customers from a wide range of industrial sectors. We have relationships with both the end users who use our products and also with the companies for whom they work. Our customers are typically electronics and maintenance engineers.

Supplier relationships
The relationships with our suppliers are an increasingly important factor in allowing us both to maintain high standards of product availability for our customers and to anticipate future customer needs. We purchase some half a million products from around 2,500 major suppliers throughout the world with a groupwide focus on global purchasing agreements. Our offer to electronics engineers is valuable to many of our suppliers, who would otherwise find the small order and immediate dispatch requirements of such customers difficult and costly to satisfy.

e-Commerce
e-Commerce provides the Group with the ability to reach a broad customer base and critically to reach our target electronics customers who are conducting a greater proportion of their product research on-line. The channel also allows us to extend and promote our on-line offer rapidly. On-line merchandising is being used to highlight to customers relevant products and information during their on-line journey providing improved customer experience and revenue opportunities. We are increasingly focusing on the provision of on-line customer services giving our customers the flexibility they want to manage their business relationships with us on-line.

Employees
The skills and support from our employees is extremely important to the Group. During the year we employed around 6,000 employees worldwide. The geographic spread of our employees is: 2,000 in the UK, 1,300 in Continental Europe, 800 in North America, 1,000 in Asia Pacific and 900 in the Group-wide Processes.

Infrastructure
The Group recognises that the provision of a high service level is extremely important to our customers. Three areas of our infrastructure are particularly important:

Systems: All our businesses in Continental Europe together with our UK business operate on a single integrated regional system. Likewise, our Asia Pacific business also operates from a separate integrated system.

Operating on these robust and integrated platforms enables us to improve efficiency, share best practice and reduce our risk profile.

Facilities: The Group has a well developed warehouse network across all our markets to support our customer needs. The operations and coordination at our warehouses is managed by our cross-Group Supply Chain Process to ensure an efficient and cost effective use of our assets.

e-Commerce: The Group operates from a single website platform supporting the RS businesses in the UK, Continental Europe and Asia Pacific. This gives us the ability to roll out new developments quickly and efficiently across these regions, maximising the benefits to our customers. Allied, the Group's North American business uses a separate web platform.

OPERATING PERFORMANCE AND KEY PERFORMANCE INDICATORS

Operating performance	2009	2008
Revenue	**£974.6m**	£924.8m
Gross margin	**49.5%**	50.2%
Contribution	**£200.2m**	£203.2m
Group Process costs	**(£106.6)m**	(£99.5)m
Headline operating profit	**£93.6m**	£103.7m
Interest (net)	**(£7.0)m**	(£7.3)m
Headline profit before tax	**£86.6m**	£96.4m
Free cash flow	**£78.0m**	£75.0m
Headline earnings per share	**13.6p**	14.8p
Dividend per share	**11.0p**	18.4p

Key performance indicators	2009	2008
Group sales growth[(1)]	**(5.3)%**	5.4%
International[(1)]	**(4.5)%**	8.4%
UK[(1)]	**(6.7)%**	0.9%
e-Commerce revenue share	**36%**	31%
Headline Group return on sales[(2)]	**9.6%**	11.2%
Headline ROCE[(3)]	**18.5%**	24.0%
Stock turn (per year)	**2.7x**	2.9x
Revenue per head [(4)] (£'000)	**162**	165
Number of customers (millions)	**1.5**	1.5
Net debt to headline EBITDA	**1.7x**	1.2x
Interest cover	**13.4x**	14.2x

(1) Underlying revenue growth, adjusting for currency and trading days
(2) Headline operating profit expressed as a percentage of revenue
(3) Headline operating profit expressed as a percentage of net assets plus net debt
(4) Revenue on a like for like basis (2009 and 2008) adjusting for trading days and foreign exchange

£975m
Revenue

Free cash flow
£78m
Increased by 4%

BUSINESS PERFORMANCE

Revenue
Group revenue was £974.6m, an increase of £49.8m year on year (5.4% reported growth). Group revenue benefited from Sterling's depreciation in the year most notably against the Euro and US Dollar (14% at average rates). Underlying revenue declined by around 5% year on year.

Group revenue was significantly impacted by the deteriorating economic environment across the world. This deterioration accelerated as the year progressed and particularly affected the Group's second half year sales performance. First half underlying revenue growth of 1% was followed by a second half decline of 11%.

All the Group's regions were affected by the economic downturn: our UK business was in decline throughout the year, Continental Europe moved into decline in May and our North American and Asia Pacific businesses declined from November.

Gross margin
Gross margin for the year was 49.5% with the second half margin improving by 0.4% points on the first half due to more targeted use of customer discounts, better buying and selling price increases. Year on year, the 0.7% points reduction in the gross margin was primarily due to increasing promotional activities, customer discounts and large customer performance in the UK, and country mix and foreign exchange impacts in Asia Pacific.

Costs
At constant currency, operating costs were flat year on year. Operating costs grew by 0.9% points of sales reflecting the downturn in sales in the second half of the year together with the high proportion of the Group's costs that are fixed. The Group's Process costs increased by 0.1% points of sales while the operating company costs increased by 0.8% points of sales.

The Group's management has taken action to reduce operating costs going forward. This has been across all regions of the business, principally during the final quarter of the year, and will realise annualised savings of around £18m of which around £15m will be realised in the next financial year. As a result of these actions, the Group will reduce its headcount by around 500 heads from the level in the second half of the year. This will represent around 8% of the total headcount. To deliver these benefits, one-off reorganisation costs, principally employee severance, of £7.1m were incurred. The resulting cash outflow in the year was around £1.5m and a further cash outflow relating to this reorganisation of around £4.6m is expected in the financial year ending 31 March 2010 (a balance of £1m is non-cash).

Profit before tax

The Group's headline profit before tax was £86.6m, down £9.8m (10.2%) year on year due to the decline in contribution from the UK business and increase in reported Process costs which were only partially offset by the increased contribution from the International business.

Reported profit before tax was £96.5m, which benefited from one-off net income of £9.9m. This performance was £1.1m (1.2%) above the prior year. This one-off net income, below headline profit, of £9.9m comprised a first half income of £17.0m and a second half cost of £7.1m. The first half income was due to the accounting benefits of the changes made to the UK defined benefit pension scheme in June 2008 of £17.5m net of £0.5m costs associated with reorganisation activities. In the second half the Group incurred £7.1m costs due to its reorganisation activities including £0.8m UK defined benefit pension scheme costs.

Earnings per share

Headline earnings per share of 13.6p reduced by 8% year on year with the 10% reduction in headline profit before tax being partially offset by a reduction in the Group's effective headline tax rate of 1% to 32%. This reduction in the tax rate was principally due to the lowering of tax rates in certain territories within which the Group operates.

Dividend

In May 2008, the Board announced that for the 2009 financial year, the ordinary dividend would be 11p per share, comprising an interim dividend of 5p per share and a final dividend of 6p per share. The interim dividend was paid in January 2009 and the Board will recommend the payment of the final dividend of 6p per share to be paid in July 2009.

In the current difficult trading environment, our focus is on maintaining the Group's financial strength. Therefore, as previously announced, the Board decided that it would not be appropriate to pay the special dividend of 7.4p per share which was also proposed in May 2008.

Cash flow

The Group's free cash flow for the year of £78.0m was £3m ahead of the prior year and represented 118% of profit after tax. This strong performance was delivered through continued tight control over working capital, stable stock turn at constant foreign exchange rates, debtor days reducing by around three days, and capital expenditure less than half the level of depreciation.

Financial position

The Group has robust financial metrics with interest cover of 13 times and net debt to headline EBITDA of 1.7 times, with significant headroom to the Group's banking covenants.

At 31 March 2009, net debt was £203.2m which was £52.1m higher than last year, almost entirely due to foreign exchange rates with free cash flow of £78.0m exceeding dividend payments of £76.6m. At the year end, the Group had total committed bank facilities of £314m with £281m having a maturity of September 2012. The headroom between the committed facilities and net debt at the year end was £111m.

Year end net debt comprised gross borrowings of £205.2m (currency split: £91m US Dollars, £43m Sterling, £43m Euros, £14m Japanese Yen and the balance in other currencies), and financial assets of £2.0m. The currency mix is designed to help hedge the Group's translation exposures. The peak month-end net borrowing during the year (using monthly exchange rates) was £241m.

The Group's main source of debt finance is a syndicated multicurrency facility from ten banks which was established in September 2008 for US $137m, £142m and €47m maturing in September 2012. The Group has other bilateral facilities of £25m (maturing in March 2010), Yen800m (maturing December 2010) and an amortising bilateral of currently €2.7m (maturing December 2011).

INTERNATIONAL

	2009	2008	Growth reported	Growth (constant exchange)
Revenue	**£635.3m**	£566.8m	12.1%	(4.5)%[1]
Gross margin	**48.2%**	48.5%		
Operating costs % of revenue	**(31.3)%**	(30.5)%		
Contribution	**£107.1m**	£102.3m	4.7%	(10.2)%
Contribution % of revenue	**16.9%**	18.0%		

[1] Underlying revenue growth, adjusting for currency and trading days

The International business now represents around 65% of the Group's revenue. The business comprises three regions: Continental Europe (55% of International business revenue), North America (29%) and Asia Pacific (16%).

On a reported basis, including the beneficial effect of the weakening of Sterling, revenue increased by 12.1% and contribution by 4.7%. Underlying revenue declined by 4.5%, with Continental Europe declining by 6.9%, North America by 2.2% and Asia Pacific flat.

Gross margin increased by 0.8% points from the first half to the second half of the year. Year on year, gross margin reduced by 0.3% points principally due to the impact of country mix and foreign exchange in Asia Pacific. Operating costs reduced slightly at constant foreign exchange and as a percentage of sales increased by 0.8% points, due to the sales decline in the second half of the year. Actions to reduce costs in light of the declining sales were taken principally in the final quarter of the year.

Continental Europe

	2009	2008	Growth reported	Growth (constant exchange)
Revenue	**£346.7m**	£316.2m	9.6%	(6.9)%[1]
Contribution	**£75.9m**	£71.0m	6.9%	(8.4)%
Contribution % of revenue	**21.9%**	22.5%		

[1] Underlying revenue growth, adjusting for currency and trading days

Continental Europe includes eight businesses: France, Germany and Italy are the largest, representing around 75% of the region's revenue, the remaining businesses are Austria, Benelux, Ireland, Scandinavia and Spain.

On a reported basis, including the benefit of the weakening of Sterling, revenue increased by 9.6% and contribution by 6.9%. Underlying revenue declined by around 7% with the business moving into decline in May. Gross margin was stable year on year as were costs in local currency.

The senior European management team was strengthened during the year with the appointment of the previous UK General Manager to lead the region. A more consistent and cross regional approach has been introduced to drive performance.

The Group's electronics strategy has been implemented in Europe with the broadening of the product offer, increased competitiveness of prices and the successful launch of production packaging. Within maintenance, there have been successes in own brand promotion, joint supplier activities and large customer contract wins. The business has focused its large customer activity around more economically resilient sectors such as defence, government, utilities and education.

e-Commerce revenue increased by 8% in the year with its share of revenue increasing from 35% to 41% year on year, exiting the year at 44%.

North America

	2009	2008	Growth reported	Growth (constant exchange)
Revenue	**£186.6m**	£163.3m	14.3%	(2.2)%[1]
Contribution	**£24.3m**	£22.0m	10.5%	(5.4)%
Contribution % of revenue	**13.0%**	13.5%		

[1] Underlying revenue growth, adjusting for currency and trading days

The business has continued to pursue its local strategy to exploit both its extensive local sales office presence across North America and its supplier relationships to drive sales. Local initiatives with suppliers have included customised trade brochures, supplier funded joint advertising and web and parcel promotions.

On a reported basis, including the benefit of the weakening of Sterling, revenue increased by 14.3% and contribution by 10.5%. Underlying revenue declined by 2.2%. The business remained in revenue growth through the first half of the financial year, moving into decline in November 2008 as economic conditions deteriorated. Gross margin was stable year on year as were costs in local currency.

A particular focus for the year within the organisation has been the further development of the web site, providing new on-line quote functionality and product recommendations. The latest initiative has been the launch of the web site for mobile phone users. This provides mobile phone users with search functionality, the ability to view pricing, stock availability and technical specifications and images. Allied is the first electronics components distributor in North America to offer such a mobile site to its customers.

As a result of this, and other web promotional activities, underlying e-Commerce revenue increased by nearly 45% in the year. e-Commerce share of revenue increased from 10% to 15% year on year and exited the year at 22%.

e-Commerce revenue growth in North America

45%

17%

Revenue Growth in China

Asia Pacific

	2009	2008	Growth reported	Growth (constant exchange)
Revenue	**£102.0m**	£87.3m	16.8%	(0.3)%[1]
Contribution	**£6.9m**	£9.3m	(25.8)%	(34.9)%
Contribution % of revenue	**6.8%**	10.6%		

[1] Underlying revenue growth, adjusting for currency and trading days

The Group has a large and well established footprint across Asia Pacific, operating in ten countries with a presence in the region for more than 20 years, having seven warehouses and local language catalogues including those for Japan and China.

Reported revenue including the benefit of the weakening of Sterling, increased by 16.8%. Underlying revenue was flat for the year but moved into decline in November. The Japanese economy suffered particularly badly in the economic downturn and this had a significant effect on the region's overall sales performance. 'Excluding the Japanese business, the region recorded 5% underlying sales growth for the year. A number of the region's markets have delivered double digit sales growth, including China (17%), South Korea (24%), Singapore (18%) and Thailand (38%). e-Commerce continues to be an important driver to sales performance in the region with our e-Commerce share in Japan at nearly 70%.

The Group's electronics production packaging offer was launched across the region during the third quarter of the financial year supported by increased local and on-line marketing, to positive customer feedback. Local customer activities have focused on growing industry sectors and large customers.

During the year, the Asia Pacific business reorganised its activities onto a more regional, streamlined and functionally oriented structure. This change was in recognition of the business's growing size, having doubled since March 2003, to allow it to benefit from changing customer needs whilst also delivering cost efficiencies across all areas.

The significant reduction in contribution as a percentage of revenue was caused by the reduction in gross margin, due to country mix and foreign exchange, and the full year effect of the additional investment made in the region in the prior year to exploit the growth potential.

UK

	2009	2008	Growth reported	Growth (constant exchange)
Revenue	**£339.3m**	£358.0m	(5.2)%	(6.7)%[1]
Gross margin	**51.8%**	53.1%		
Operating costs % of revenue	**(24.4)%**	(24.9)%		
Contribution	**£93.1m**	£100.9m	(7.7)%	(7.7)%
Contribution % of revenue	**27.4%**	28.2%		

[1] Underlying revenue growth, adjusting for trading days

Underlying revenue declined by 6.7% with sales slowing during the year. The business has pursued sales initiatives across a number of different areas. These include the introduction of the electronics production packaging offer, which is meeting a clear customer need, and continued expansion of the UK's electronics sales support with the opening of a new electronics sales office. Other initiatives have included the increasing use of web based sales promotions, large customer wins and increased sales penetration of large accounts and own brand promotions.

e-Commerce revenue increased by around 10% and e-Commerce share of revenue increased from 37% to 43% year on year, exiting the year at 47%.

Gross margin reduced by around 1.3% points year on year as more customer promotions and discounts were used to drive sales and large customers outperformed the higher margin smaller customers. Gross margin was stable across the two half years as selling price changes were made in the October catalogue and promotions were further targeted through the year.

Costs reduced by around 7% during the year as action was taken through continuous improvement and a variety of cost saving initiatives.

The business has continued to provide excellent customer service which, in the case of our customer contact centre, has been recognised with their winning of the 2008 UK National Customer Service Awards for the best Large Customer Service Contact Centre of the Year.

PROCESSES

	2009	2008
Process costs	**£106.6m**	£99.5m
Costs % of revenue	**(10.9)%**	(10.8)%

The Processes support our operating companies by ensuring that they have the products, infrastructure and expertise to provide consistently high service levels around the world. Process costs have remained stable as a percentage of sales.

Key developments in the year have included the creation of the new Electronics division to drive the expansion of our range, build stronger relationships with our strategic electronics suppliers and implement a consistent marketing approach. Information Systems have supported our cost reduction initiatives through the ongoing development of our Groupwide systems whilst the investment in our e-Commerce platform has helped to drive competitive advantage. Supply Chain has developed a strategy to support an increased product offer while also exploiting the Group's global infrastructure to generate cost savings. Recently this has led to the creation of a management team across Europe and the UK to optimise activities already leading to improved product availability. Product Management has focused on the Group's global sourcing capability with a growing proportion of products sourced via the Group's Asia sourcing operation.

TAXATION

The Group's effective tax rate was 32% of headline profit before tax, which was 1% point lower than the prior year. This reduction was principally due to the lowering of local tax rates in some of the territories within which the Group operates, including the reduction of the UK tax rate by 2% points. The Group's current effective tax rate includes the effect of a significant and continuing increase in the deferred tax liability due to the tax amortisation of overseas goodwill. This deferred tax liability is not expected to crystallise in the foreseeable future. This, together with the differing timing of payments, means that the effective tax rate was significantly higher than the cash tax rate of 24%.

PENSION

The Group has defined benefit pension schemes in the UK, Ireland and Germany. All these schemes are now closed to new entrants. Elsewhere (including the replacement schemes in the UK and Ireland), the schemes are defined contribution.

During the latter part of the prior year and first half of this year, the Group consulted with UK based employees over changes designed to improve the sustainability of the UK defined benefit pension scheme. These included changes in the Group's future approach to early retirement, a restriction on the amount of base pay that can be considered pensionable for defined benefit purposes, and a life expectancy risk sharing mechanism to share the uncertain future costs of improving life expectancy between the Group and the active members. These changes resulted in an accounting benefit of £17.5m.

In the second half of the year, the headcount in the UK was reduced as a result of cost reduction actions taken in the business. This has led to an accounting cost of £0.8m relating to the pension impact of the changes.

As a result of these two actions and their effects on the UK defined benefit pension scheme, a net non-cash credit of £16.7m has been recognised in the Income Statement and excluded from headline profit.

The most recent valuation of the UK defined benefit scheme was carried out as at 31 March 2009. This disclosed a deficit of £6.3m before tax relief. The scheme was 97% funded on an accounting basis. The Group was not required to make any deficit recovery contributions to the pension scheme during the financial year, and does not anticipate any requirement to do so in the year ending 31 March 2010.

This deficit is £15.5m lower than at the previous year end due to lower expectations of long term inflation, higher discount rates, partially offset by the reduction in the value of the assets, together with benefit changes which improve the sustainability of the scheme.

Under IAS 19, the combined gross deficit of the Group's defined benefit schemes was £16.9m at 31 March 2009.

RISKS

Electrocomponents has well established risk management procedures for the identification, assessment and management of risks to achieve the Group's strategic objectives.

The Board and Group Executive Committee receive regular reports covering risks and mitigating actions arising from external factors, key dependencies, project delivery and corporate responsibility factors. Our key business risks, which the Group has identified, are as follows:

Macroeconomic environment

The uncertain economic outlook presents significant challenges to the Group's financial performance going forward.

The Group aims to mitigate and manage these effects through the close monitoring of trading environments and driving growth opportunities across the Group's markets through its electronics and maintenance offers and e-Commerce channel. The business model remains broad based with 450,000 products being sold to 1.5m customers globally with an average order value of approximately £100. The business is geographically spread operating directly in 27 countries with the International business contributing 65% of Group revenue.

Costs continue to be tightly controlled, with actions taken during the year to deliver £18m of annualised cost savings. These include a net reduction of around 500 employees which represents around 8% of the total Group headcount. The cost actions were enabled by the increasing e-Commerce channel share, strong control over discretionary spend, redistribution of activity between the Group's two UK warehouses and exploiting the benefits of the Group's systems infrastructure.

The business remains highly cash generative with significant headroom to the Group's banking covenants. The vast majority of the Group's committed facilities available at 31 March 2009 have a maturity date of September 2012.

Europe e-Commerce revenue share

44%*

*exit

UK costs reduced by

7%

Group strategy implementation

The implementation of the Group's strategy was accelerated during the year. However the risk remains that it may not deliver the expected results. To address the risk, we have focused on developing our customer communications supported by robust customer research and dedicated sales and organisational resources.

Our priority will remain the development of the electronics and maintenance offers including accelerating new product introductions, strengthening partnerships with our key suppliers, developing our price competitiveness and exploiting the full potential of our e-Commerce platform. The recent restructuring of the regional organisations in Continental Europe and Asia Pacific will support the delivery of the strategic objectives across those markets.

Information and communications systems

We are dependent on the quality and resilience of our information and communications infrastructure to support our worldwide distribution business. This infrastructure underpins the Group's new product initiatives and development of the electronics strategy. A major failure affecting these systems would cause significant disruption to our operations.

The recent upgrades to business systems in Europe and Asia Pacific, including investments in resilient infrastructure, systems knowledge and regional disaster recovery provision, have significantly reduced the risks in these areas.

We will continue to improve our information and communications infrastructure with the targeted introduction of supplementary technologies to support the achievement of the Group's strategic objectives, particularly in our e-Commerce capabilities.

Pricing
To ensure our success in the market, customers must be provided with "value for money" by competitive market pricing, high service levels and effective customer communications. There is a risk that in an economic recession, the market becomes increasingly price driven with the high service business model becoming less valued by our customers.

To address this we have robust pricing frameworks in place to allow us to respond quickly to market and competitor pricing developments. During the year we reduced the prices on a significant number of electronics products to improve our competitiveness. Also the expansion of our own brand ranges further supports our ability to compete on price in the current business environment.

Our use of targeted discounting, application of the pricing model and product sourcing strategies have contributed to the gross margin increasing between the first half and second half of the year in tough market conditions. These actions aim to ensure that we will remain competitive in the current tough market conditions, whilst our service offer with products "in stock" provides us with an advantage over many of our competitors.

People
The skills, expertise and commitment of our employees are important to the success of the Group strategy. A significant risk to strategy implementation is that the business is unable to attract or retain high performing employees, or that staff are not fully engaged in the strategy.

This risk is progressively addressed through the development of our internal competencies, supplemented with new expertise through external appointments. Employee commitment is encouraged through our appraisal processes, with personal objectives being aligned in support of the strategic objectives.

Our continuous improvement initiatives encourage employee involvement in identifying and implementing changes to improve customer experience and deliver greater efficiency.

The Group Executive Committee regularly spends time considering personal development and career progression opportunities for employees in the business. The annual Group meetings also involve the wider senior management engaging further in the Group strategy.

CORPORATE RESPONSIBILITY
At Electrocomponents sound corporate responsibility (CR) policies and practices are integral to our business. We believe that the progressive alignment of our values and strategy with responsible and ethical business policies and practices helps enhance competitiveness and is a driver for sustainable growth and success.

The Board takes regular account of CR matters in the business of the Group; the Group Chief Executive being the Director responsible for CR, health and safety and environmental matters at the Board.

Our Group Policy Manual defines our core values and the principles we apply in dealing with our customers, suppliers and other stakeholders. The Manual also covers the protection of our assets, competition law and conflicts of interest. We issue the Manual to our management population across the Group, and make the Manual available to all employees via the Group Intranet. Managers are required to confirm receipt and ensure that employees are briefed on the contents. We have a "whistle-blowing" policy which allows employees to report matters of concern in confidence, with an independently operated "whistle-blowing" hotline in the UK and Asia Pacific regions.

We implement our CR policies through our management systems and processes in alignment with the overall governance structure of the Group. We monitor the effectiveness of our CR policies through regular reporting of key performance indicators and other related information.

Electrocomponents is a member of the FTSE4Good index and we participate in the Carbon Disclosure Project.

Customers and suppliers
Responsible selling and marketing and the provision of safety and environmental information are key elements of our service ethic and business model.

We source products and services from suppliers that meet, or are willing to meet, the Group's ethical standards. In particular we will not knowingly source from organisations which use child labour or forced labour, which discriminate on the grounds of gender, ethnic or national origin, religion, sexual orientation, marital status, age or disability, or do not recognise freedom of association or collective bargaining.

All suppliers are informed of our CR principles, and all direct suppliers in countries of concern undergo periodic audit by regional sourcing teams, using assessment criteria based on Ethical Trade Initiative guidelines. During the last 12 months, we audited 30% of our direct suppliers in countries of concern.

Our customer service ethic is a core element of our strategy and business proposition. Some 40 sites around the world are covered by ISO9001 certifications, representing over 96% of the Group by turnover.

Employees
We value the commitment of our employees, and maintain a working environment where employees are valued and respected, and where there is equality of opportunity and where individual talent is recognised. Our approach is set out in further detail in the Directors' Report.

Environment
The Group Environmental Policy Statement, which is set out in the Group Policy Manual, commits us to identifying and managing the environmental impacts associated with our activities. The policy and our implementation programmes support the Group's strategy.

Our most significant environmental impacts are the carbon emissions due to the consumption of energy in our facilities, the use of paper in our printed catalogues, the generation of waste, packaging consumption and water use. We use a set of key performance indicators (KPIs) to assess and monitor the environmental performance of our sites and businesses. The KPIs index relevant environmental impacts to sales to reflect real performance allowing for business growth. This enables us to benchmark businesses and helps identify performance improvement opportunities.

In support of the implementation of our policy objectives we encourage our businesses to gain certification to ISO14001 where appropriate. During the year certification was extended to cover all of our UK facilities. Some 53% of our workforce is employed in ISO14001 certificated businesses with a further five international sites working towards certification in 2010.

We report below on our environmental impacts for the calendar years 2007 and 2008. We aim to continually improve the quality and coverage of our environmental reporting and have restated the 2007 performance where appropriate with all KPIs on a constant currency basis. All of our facilities world-wide report their environmental performance and this report covers the comparable data for 2007 and 2008.

Emissions

During the 2008 calendar year, CO_2 emissions due to energy use per unit of sales were reduced by 5.7%. This decrease was in part due to the ending of the parallel operation of the old and new facilities at Fort Worth, Texas during the relocation of the Allied business during the 2007 calendar year.

Excluding the effect of the Fort Worth business relocation, there was an underlying reduction in CO_2 emissions per unit of sales of 0.8% across the Group during 2008. This was achieved through incremental projects to improve energy efficiency in heating, lighting and air conditioning use, and the decommissioning of surplus server equipment from the regionalisation of business systems.

Emissions KPIs	Total emissions (Tonnes CO_2)		Tonnes CO_2 per £m turnover	
	2008	2007	**2008**	2007
CO_2 due to premises energy use[(1) (2)]	**20,994**	22,266	**20.6**	21.9

(1) CO_2 equivalent from all energy sources, including country specific CO_2 factors for electricity
(2) Excludes a number of smaller facilities where utilities are included in lease costs

Paper

Over the past five years we have worked closely with our pulp suppliers and printers to reduce the carbon footprint of the paper catalogue, through refinements in the grades of paper used, the bindings and the covers. This has produced distribution efficiencies, cost savings and improvements to our carbon footprint.

All the pulp for our paper catalogues are sourced from either Sustainable Forestry Initiative or PEFC accredited forests, with all the printing carried out in ISO14001 certificated facilities. Catalogues in the European and Asian markets now carry the PEFC "chain of custody" accreditation marks.

Our customer packaging is the subject of a review by a working group which aims to identify opportunities to reduce the quantity of packaging whilst ensuring customer orders are protected against damage whilst in transit. A key development during 2008 was the introduction of the production packaging process for electronics products, which reduced significantly the quantity of packaging supplied with orders whilst providing a valuable new service to customers.

Waste

Influenced by a series of one-off factors, the levels of waste relative to turnover increased during calendar year 2008. The relocation of the Allied business together with the reorganisation of logistics in the UK and Europe resulted in the disposal of a range of equipment and materials including surplus pallets and scrap furniture which boosted the quantities recorded. In addition we are seeing the impact of improved reporting of waste and recycling performance.

The proportion of total waste which is recycled remained high, at 72%, although due to the one-off disposals referred to above this is lower than the 74% achieved in 2007.

Waste KPIs	Total waste (Tonnes)		Tonnes waste per £m turnover	
	2008	2007	**2008**	2007
Total waste	**2,875**	2,083	**2.8**	2.1
Waste reused/ recycled	**2,054**	1,517	**2.0**	1.5

Water

As anticipated, water consumption per unit of sales fell in calendar year 2008, with a reduction of 7.3% year on year. The primary cause was completion of the move to the new warehouse and office complex in Fort Worth in 2007 with the increase in one-off water consumption associated with landscaping, and the cleaning and testing of fire protection systems at the new facility.

Incremental water efficiency measures in a number of businesses, together with the closure of some smaller trade counter facilities contributed to the reduction in consumption.

Water KPIs	Total water consumption (m^3)		Water consumption m^3 per employee	
	2008	2007	**2008**	2007
Total water use	**42,359**	45,799	**41.8**	45.1

Health and safety

We are committed to health and safety best practice as an integral part of our business activities and our drive for high performance. The Group Chief Executive and members of the Group Executive Committee have safety objectives set as part of their personal objectives with the Group's safety performance subject to ongoing review by the Group Executive Committee. In addition, there is a formal Groupwide safety performance report to the Group Executive Committee each quarter, with the Group Chief Executive presenting to the Board at least annually on safety performance from across the business.

Our health and safety management processes are based on the application of risk management techniques and on the Occupational Health and Safety Management Standard OHSAS18001. We are pleased to report that a number of our international businesses are working towards achieving OHSAS18001 certification, whilst our UK business has been certified to the standard since 2003.

During financial year 2009, the number of accidents reported increased by 15%, including a large rise in the number of "lost time" accidents. The total number of employee days lost due to an injury at work totalled 878 days, or 0.064% of working time, (2008, 0.044%). The most common causes of accident continue to be manual handling activities and slips, trips and falls, which are similar to other distribution businesses. Whilst our accident performance compares well with equivalent organisations in the service and support industries, our key objective for the coming year will be to improve our accident performance over 2009.

Health and safety KPIs	2008	2007
All accidents per 100,000 hours worked	**3.36**	3.04
Lost time accidents[1] per 100,000 hours worked	**0.84**	0.33

[1] Lost time accidents are those where the employee is off work for at least 24 hours

Health and safety training continues to be a major element of our drive for improvement in performance, and during 2009 the numbers of employees attending health and safety training courses increased by 30%. We will continue to improve the quality of our management controls and to make targeted investments in health and safety improvements at our facilities. Key initiatives for 2010 will include, for example, a major project to improve fire safety and premises protections at our French warehouse, significant investment at our UK distribution centres to reduce risks from working at height, and a project to eliminate slip and trip risks by fitting anti-slip flooring in our UK contact centre.

As first reported in the 2005 Annual Report, an engineer was fatally injured at our Nuneaton, UK distribution centre in January 2005. The prosecution of our UK business was concluded in November 2008 with the company being fined £100,000 plus costs. The company has worked closely with the health and safety authorities to address the issues raised by the prosecution.

We are committed to developing a proactive and dynamic health and safety culture across the Group to reduce accidents, control risk, reduce costs and improve our reputation.

Verification

Electrocomponents evaluates its CR policies and performance as part of its risk management and internal audit processes. Those locations accredited to ISO9001, ISO14001 and OHSAS18001 have regular audits by external agencies.

Our environmental reporting processes and data are reviewed by our Operational Audit Department and our Group Risk Manager works with external consultants to review and where appropriate verify our environmental key performance indicators.

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