

## DIRECTORS' REPORT

The Directors present their report on the affairs of the Group together with the audited accounts for the year ended 31 March 2009.

### Principal Activity and Business Review

The principal activity of the Group is the high service level distribution of electronic, electrical, industrial and commercial supplies and services to engineers worldwide, 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 1 to 20.

The Business Review is incorporated by reference into, and forms part of, this Directors' Report.

### Corporate Governance

The Company and the Group are committed to high standards of corporate governance, details of which are given in the Corporate Governance Report on pages 24 to 27 and in the Remuneration Report on pages 28 to 33.

### Results and Dividends

Results for the year are set out in the Income Statement on page 36. An analysis of revenue, profit and net assets by activity is shown in note 2 on pages 43 to 45.

The Directors recommend a final dividend of 6p per ordinary share, to be paid, if approved, on 24 July 2009 which, together with the interim dividend of 5p per share paid in January 2009, amounts to a total dividend of 11p for the year ended 31 March 2009 (2008: 18.4p).

### Going Concern

The Group's activities, strategy and performance are explained in the Chief Executive's review and the Business Review on pages 3 to 5 and 12 to 20.

Further detail on the financial performance, financial position and cash flows of the Group is provided in the Business review on pages 13 to 17.

Note 20 to the consolidated financial statements provides details of the Group's debt maturity profile, capital management policy, hedging activities and financial instruments and its exposures to interest rate and foreign currency risks.

The Group is highly cash generative as evidenced in its strong cash flow performance with free cash flow representing 118% of profit after tax for the year ended 31 March 2009. Management reviews its actual and forecast cash flows each month to ensure that sufficient facilities are in place to meet the Group's requirements. At 31 March 2009, the Group's net debt was £203.2m with total committed bank facilities of £314m (£281m having a maturity of September 2012). The headroom between the committed facilities and net debt at the year end was £110.8m.

Compliance with the Group's bank covenants is monitored monthly and sensitivity analyses are periodically applied to forecasts to assess their impact on covenants and net debt. At 31 March 2009 there was significant headroom between the Group's financial position and its banking covenants; it is expected that such covenants will continue to be complied with for the foreseeable future.

The Group has sufficient financial resources, a large and geographically spread customer base and strong supplier relationships. Therefore, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors, having made appropriate enquiries, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Group's accounts.

### Financial Instruments

For information on the Group's use of financial instruments, including financial risk management objectives and policies of the Group and exposure of the Group to certain financial risks, see note 20 on pages 60 to 66 to the Group accounts.

### Payment to Suppliers

The Group agrees terms and conditions for its business transactions with different suppliers. Payment is then made according to these terms, subject to the supplier fulfilling its obligations. The Company has no trade creditors. Supplier payment days for the continuing operations of the Group outstanding at 31 March 2009 represent 31 days (2008: 39 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.

The Company purchased and maintained directors' and officers' liability insurance throughout 2008, which was renewed for 2009.

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. The Executive Directors have provided presentations of the Group Results (including the Half-Yearly Financial Results). The Group also has 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 communication by employees with 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.

During the year employees around the world were invited to participate in all employee share plans. These plans are popular with employees, with approximately 33% participation in the UK SAYE Scheme.

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 and ensures its promotion and recruitment practices are fair and objective. 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 26 May 2009, the Company has been notified, in accordance with the FSA Disclosure and Transparency Rules, of the following interests in the voting rights of the Company:

	Nature of Interest	Number of Shares	Percentage held
Silchester International Investors Limited	Direct	82,755,730	19.01%
Prudential plc group of companies	Direct	42,503,851	9.76%
Sprucegrove Investment Management Ltd	Direct	39,642,142	9.11%
UBS AG	Direct	1,682,912	0.39%
	Indirect	20,132,469	4.62%
	Total	21,815,381	5.01%
Majedie Asset Management Ltd	Indirect	21,802,755	5.01%
Legal & General Group plc	Direct	17,403,410	3.99%
Oppenheimer Funds Inc. and Baring Asset Management Ltd	Direct	17,283,540	3.97%
Aviva plc	Direct	15,755,003	3.62%

### Share Capital

Full details of share options and awards and shares issued under the terms of the Company's share incentive plans can be found in note 6 to the accounts on pages 46 to 49.

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 82 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 £17,256 (2008: £12,028) and outside the UK amounted to £8,636 (2008: £10,841).

### 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 17 July 2009 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  
29 May 2009