Board of Directors >

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1. H Mamsch, Chairman
Helmut Mamsch, 62, joined as Chairman Designate in September 2006 and took over as Chairman in October 2006. He is a Non-Executive Director of both GKN plc, and SAPPI Ltd (South Africa). He is also a Supervisory Board member of K+S AG. He was formerly Deputy Chairman of LogicaCMG plc, a Non-Executive Director of RMC Group plc and a Management Board member of VEBA AG (now E.ON AG). (Chairman of the Nomination Committee) (a)

2. I Mason MBA, Group Chief Executive
Ian Mason, 45, joined the Group in February 1995 as Director of Business Development. He was appointed to the Board of Directors in July 2000 as Chief Operating Officer and was appointed Group Chief Executive in July 2001. Previously he worked for The Boston Consulting Group.(Chairman of the Group Executive Committee) (b) (c)

3. S Boddie MA ACA, Group Finance Director
Simon Boddie, 47, joined as Group Finance Director in September 2005 from Diageo plc. He joined Diageo in 1992 where he held a variety of senior finance positions, latterly as Finance Director of Key Markets. (Chairman of the Treasury Committee) (b) (c)

4. K Hamill BA FCA, Non-Executive Director
Keith Hamill, 54, joined as a Non-Executive Director in July 1999. He is Chairman of Tullett Prebon plc, Alterian plc and Travelodge Limited and Deputy Chairman of Collins Stewart plc. He was previously Chairman of Go Fly, was Finance Director of WH Smith, Trust House Forte and United Distillers, and was a partner in Pricewaterhouse Coopers. He is Deputy Chancellor of Nottingham University. (a) (d) (e)

5. N J Temple, Senior Non-Executive Director
Nick Temple, 59, joined as a Non-Executive Director in September 1996. He is a Non-Executive Director of Datatec Inc, Datacash Group plc and 4imprint plc and is Chairman of Fox IT Ltd, Tax Computer Systems Ltd, Retail Business Solutions Ltd and Capula Limited. He was Chairman of Blick plc, Chairman and CEO of IBM UK Ltd and Vice-President of Sales and Marketing in IBM Europe, Middle East and Africa.(a) (d) (e)

6. L Atkinson MA D.Phil, Non-Executive Director
Dr Leslie Atkinson, 63, joined as a Non-Executive Director in July 2000, having spent most of his career with BP where he became Chairman of BP Asia Pacific. He has also been a member of the UK Government's Central Policy Review Staff, Vice President of the Chamber of Shipping and served on the Board of the Securities and Futures Authority. His other Non-Executive Directorships include AEA Technology plc, Samworth Brothers (Holdings) Ltd and Witan Pacific Investment Trust plc. (Chairman of the Remuneration Committee) (a) (d) (e)

7. T G Barker MA, Non-Executive Director
Timothy Barker, 67, joined as a Non-Executive Director in July 2000. From 1998 until his retirement in 2000, he was a Vice-Chairman of Dresdner Kleinwort Benson and from 1993 of Kleinwort Benson Group plc. In the mid-1980s he was Director General of the City Panel on Takeovers and Mergers. He is a Non-Executive Director of Drax Group plc. (Chairman of the Audit Committee) (a) (d) (e)

8. I Haslegrave, LLB ACIS, General Counsel and Company Secretary
Ian Haslegrave, 38, joined the Company in September 2006 from Viacom Outdoor Limited where he was International Legal Director. Previously he worked at United Biscuits Limited and Freshfields Bruckhaus Deringer. (b)

a – member of the Nomination Committee
b – member of the Treasury Committee
c – member of the Group Executive Committee
d – member of the Remuneration Committee
e – member of the Audit Committee

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 2007.

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 during the year are detailed in the Chairman's statement, the Group Chief Executive's review, and the Business Review shown on pages 8 to 13. The Business Review is incorporated in this report by reference.

Results and dividends

Results for the year are set out in the income statement on page 24. An analysis of revenue, profit and net assets by activity is shown in note 2 on pages 29 and 30. The Directors recommend a final dividend of 12.6p per ordinary share, to be paid, if approved, on 27 July 2007 which, together with the interim dividend of 5.8p per share paid in January, amounts to a total dividend of 18.4p for the year (2006: 18.4p).

Corporate Governance

In respect of the year ended 31 March 2007, 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 19 to 22.

Directors and Directors' Independence

The Board comprises the Chairman, who is part-time, two Executive Directors and four independent Non-Executive Directors, one of whom will retire at the AGM in 2007. 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. The Board considered that the Chairman also met the independence criteria on his appointment on 9 October 2006.

Biographical details of the Directors at the date of this report are set out on page 14, 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 page 16.

Directors' interests in the shares of the Company are shown on pages 16 and 22.

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. 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.

Retirement by rotation and new appointment

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

On 9 October 2006, Mr Lawson retired as Chairman and was replaced by Mr Mamsch. Mr Mamsch therefore stands for formal election at the forthcoming Annual General Meeting.

Dr Atkinson and Mr Mason will retire by rotation at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election. Dr Atkinson does not have a service contract. Mr Mason has a one year rolling contract.

Following formal performance evaluation, the Chairman confirms that the performance of Dr Atkinson as Non-Executive Director continues to be effective and that he demonstrates commitment to the role. On the expiry of Dr Atkinson's second, three year term as a Non-Executive Director his performance was subject to a particularly rigorous review by the Board.

Board committees

The Board has a number of standing committees consisting of certain Directors, and in the case of the 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 14 and 16. 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 at least 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 AUDIT COMMITTEE consists of all the Non-Executive Directors and meets at least three times a year and more frequently if required. The Committee reviews the major risks facing the business, assists the Board in its duties regarding financial accounts 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. Further details of the role of the Committee are set out on pages 16 to 17.

THE TREASURY COMMITTEE consists of the Group Chief Executive, the Group Finance Director, the 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 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 with prospective candidates and a shortlist of individuals is selected to meet with the Chairman, 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 Mr Mamsch as Chairman.

Board Evaluation

During the year the Chairman has held meetings with the Non-Executive Directors, without the Executives present. In addition, the Board has carried out a formal evaluation of its own performance. A detailed questionnaire was issued to Board members for the purpose of assessing overall Board performance. The responses to the questionnaire were collated independently by the Company Secretary, who discussed them in depth with the Chairman. The Chairman subsequently prepared a report on the results of the questionnaire for Board consideration. The Board discussed the report and agreed necessary follow up actions.

Board Attendance

Board and Committee Meetings

The following table sets out the number of meetings of the Board and its Committees during the year and individual attendance by the relevant members at these meetings:

	Scheduled Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Number of meetings held during the year	9	4	5	4
Chairman – R A Lawson [1]	5	–	–	–
Chairman – H Mamsch [2]	6	–	–	–
Executive Directors				
I Mason	9	–	–	–
S Boddie	9	–	–	–
Non-Executive Directors				
K Abbott [3]	2	2	2	2
L Atkinson [5]	8	2	5	4
T G Barker [6]	9	4	2	4
K Hamill	7	3	3	3
F D Lennertz [4]	3	–	3	2
N J Temple	9	4	5	4

(1) Mr Lawson ceased to be Chairman on 9 October 2006.
(2) Mr Mamsch was appointed to the Board on 1 September 2006.
(3) Mr Abbott ceased to be a Director on 13 July 2006.
(4) Dr Lennertz ceased to be a Director on 14 July 2006.
(5) Dr Atkinson was appointed to the Audit Committee on 14 July 2006.
(6) Mr Barker was appointed to the Remuneration Committee on 14 July 2006.

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.

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.

Mr Temple 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. Mr Barker will replace Mr Temple as Senior Independent Director on Mr Temple's retirement following the Annual General Meeting.

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 2007 or date ceased to be a Director	31 March 2006 or date on which became a Director
K Abbott [a]	**10,000**	10,000
L Atkinson	**2,260**	2,260
T G Barker	**15,000**	11,000
S Boddie	**25,000**	Nil
K Hamill	**5,183**	5,183
R A Lawson [c]	**403,374**	403,374
F D Lennertz [b]	**8,034**	8,034
H Mamsch [d]	**10,000**	Nil
I Mason	**62,349**	37,349
N J Temple	**10,040**	10,040

(a) Mr Abbott ceased to be a Director on 13 July 2006.
(b) Dr Lennertz ceased to be a Director on 14 July 2006.
(c) Mr Lawson ceased to be a Director on 9 October 2006.
(d) Mr Mamsch became a Director on 1 September 2006.

As at 31 March 2007 the Electrocomponents Employee Trust (the 'EET') held 308,417 shares. As Executive Directors are potential beneficiaries of the EET they are treated for company law purposes as being interested in the shares held in the EET.

Directors' interests in Incentive Plans and Share Options are disclosed on page 22.

Up to 30 April 2007 there have been no changes in the Directors' interests or rights to subscribe for shares.

Relations with Shareholders

Executive Directors and senior executives 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 reports to the Board on meetings with shareholders.

Shareholders have been given the opportunity to meet with 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 also held meetings with a representative group of shareholders in November 2006 shortly after the interim results to obtain their views on strategy and performance, the results of which were communicated to and discussed by the Board.

The Company seeks to ensure that all Directors, including the Chairmen of the relevant Board Committees and Senior Independent Director, are available to answer questions at the Annual General Meeting.

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 interim results and 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 the 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 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 represent the systems employed by the Directors to enable them to discharge their responsibilities for financial matters. Those responsibilities are noted on page 18. The main financial control elements are described below.

Clear terms of reference set out the duties of the Board and its Committees, with delegation of operating responsibility through the Group Executive Committee 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 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 2007 and the Group Audit Engagement Director from KPMG was present at three of these meetings to ensure full and open communication. In addition to the members of the Committee, it is normal for the following to receive the Committee papers and attend meetings:

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

Their attendance is 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 the external auditors, 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. Audit fees are reviewed by the Audit Committee after discussions between the Operating Companies and the local KPMG offices and a review by Group management and are then recommended to the Board for approval. Professional rules require rotation of the Group Audit Engagement Director. 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 our 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 the external auditor'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 are 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 41 to 43 to the annual report and accounts.

Compliance with the Combined Code

During the year ended 31 March 2007, 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 and there was no evaluation of the Chairman. The Chairman was appointed on 9 October 2006 and therefore the Directors determined that he would be evaluated later during 2007.

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 2007 represent 43 days (2006: 43 days) of average purchases.

Employment Policies

The Group values highly the commitment of its employees and has maintained its practice of communicating business developments to them wherever practicable. Regular staff appraisals and consultations take place with individuals and the employees' representatives. The Group remains supportive of the employment and advancement of disabled persons and complies with the Core International Labour Organisation Conventions and prohibits the employment of underage or forced labour.

Capital Gains Tax

For Capital Gains Tax purposes the valuation of the Company's 10p ordinary shares at 31 March 1982 was 40p.

Substantial Shareholders

As at 20 May 2007 the following interests in shares had been notified to the Company:

	Number of Shares	Percentage held
Silchester International Investors Limited	69,085,874	15.87%
Franklin Templeton Investments	38,647,085	8.88%
Prudential plc group of companies	29,668,573	6.81%
UBS AG	29,079,714	6.68%
Sprucegrove Investment Management Ltd	28,268,337	6.49%
Oppenheimer Funds Inc. and Baring Asset Management Ltd	18,325,922	4.21%
Millgate Capital Inc.	15,900,000	3.65%
Legal & General Group plc	14,966,617	3.43%
Barclays plc	13,937,895	3.20%

Share capital

Full details of share options and shares issued under the terms of the Company's share schemes can be found in note 7 to the accounts on pages 32 and 33.

Political and Charitable Contributions

The Group made no political contributions during the year. Charitable contributions within the UK amounted to £10,283 (2006: £15,408) and outside the UK amounted to £14,449 (2006: £11,077).

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 12:00 noon on Friday 13 July 2007 at the Company's premises, The International Management Centre, 8050 Oxford Business Park North, Oxford, OX4 2HW, is set out on page 54.

In addition to conducting the ordinary business, the following special business will be considered:

ELECTRONIC COMMUNICATION: The Companies Act 2006 has introduced new provisions (which came into effect on 20 January 2007) dealing with company communications to shareholders and facilitating communications in electronic form and by means of a website.

These shareholder electronic communications provisions are intended to make it easier for UK companies to communicate with their shareholders. In particular, they enable the Company, subject to certain conditions, to treat its shareholders as having deemed to agree to communication by means of a website. In order to effect these provisions, in addition to the passing of this resolution, the Company must also write to shareholders to request them individually to agree that the Company can communicate with them by way of its website. In the event that a shareholder does not respond with an objection to this request within 28 days from the date of request, the shareholder will be deemed to have agreed to receive notices, documents or information from the Company by means of a website. The Company plans to send such a request to its shareholders prior to the publication of its 2008 Annual Report.

Any shareholder may indicate a wish to continue to receive printed documents at any time and any agreement to receive documents or information electronically or by means of a website can be revoked at any time. Every shareholder who has agreed to receive communications by website will be notified when a document is available on the Company's website.

RENEWAL OF DIRECTORS' AUTHORITY FOR THE PURCHASE BY THE COMPANY OF ITS OWN SHARES: At the 2006 AGM, shareholders gave the Company renewed authority to make market purchases of up to approximately 10% at that time of the Company's issued ordinary share capital. As at the date of this report, the Company has made no such purchases under this authority. Nevertheless, the Directors believe it advisable to seek renewal of this authority at each AGM.

This resolution is proposed as a special resolution and will authorise market purchases of up to 43,532,000 ordinary shares (being approximately 10% of the issued share capital as at 21 May 2007). The Directors will only exercise this authority when satisfied it is in the best interests of shareholders and that any purchase will have a beneficial impact on earnings per share, having first considered other investment opportunities open to the Company. As at 21 May 2007, a maximum of 23,246,237 shares would be required to satisfy all outstanding options to subscribe for equity shares and conditional awards of shares. This represents 5.34% of the issued share capital. If this resolution is passed and the full authority to buy back shares were used, then shares required for such purposes would represent 5.93% of the issued share capital.

Listed companies are now permitted, subject to certain restrictions, to hold their own shares which they purchase in Treasury for resale or transfer at a later date, rather than being obliged to cancel them. If the Company were to purchase any of its own shares pursuant to the authority referred to above, it would consider holding them as treasury stock provided that the number does not at any time exceed 10% of the Company's issued share capital. This would provide the Company with additional flexibility in the management of its capital base. As at 21 May 2007, the Company held no ordinary shares in Treasury.

By order of the Board

Mr Haslegrave
Group Counsel & Company Secretary
30 May 2007

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company accounts for each financial year. Under that law they are required to prepare the Group accounts in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent Company accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group accounts are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 1985 provides in relation to such accounts that references in the relevant part of that Act to accounts giving a true and fair view are references to their achieving a fair presentation.

The parent Company accounts are required by law to give a true and fair view of the state of affairs of the parent Company and of the profit or loss of the parent Company for that period.

In preparing each of the Group and parent Company accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group accounts, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company accounts, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent Company accounts; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

The report and accounts contain 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 positions, strategy, projected costs, plans and objectives for the managements 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 intentions or obligations to update forward-looking statements contained herein.

Remuneration Report

Remuneration Committee

Role and Membership

The Remuneration Committee is responsible for recommending overall remuneration policy in respect of the Executive Directors, the Chairman and senior managers. The Board as a whole determines the remuneration of the Non-Executive Directors.

The Committee was chaired throughout the year by Dr Atkinson. The other members of the Committee over the year were Mr Hamill, Mr Temple, Mr Abbott (until his resignation from the Board on 13 July 2006), Dr Lennertz (until his resignation from the Board on 14 July 2006), and Mr Barker, who joined the Committee on 14 July 2006. The Chairman was invited to attend Committee meetings during the year. The Committee met five times during the year. Attendance by individual Committee members is detailed in the Report of the Directors on page 16.

During the year ended 31 March 2007, the Committee adhered to the principles and provisions of the Combined Code as it applied during that year. In preparing this Report, the Board has followed the provisions of Section 1B of the Combined Code.

Advisers

For the year under review, the Remuneration Committee has taken advice from the following:

- Kepler Associates, who provided advice and data in respect of the Executive Directors' salary reviews, and have also provided the data required for the measurement of performance targets relating to the various executive share-based plans. Kepler Associates provided no other advice or services to the Company;
- the Chairman, Group Chief Executive and Group Finance Director, who have attended parts of meetings by invitation to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers;
- the General Manager – HR, who advised on remuneration of senior managers; and
- the Company Secretary, who acts as Secretary to the Committee.

Remuneration Policy

Executive Directors

The objectives of the remuneration policy for Executive Directors are to:

- provide a remuneration package which is competitive and performance-linked; and
- ensure that the Group can attract and retain executives who have the experience, skills and talents to operate and develop its businesses to their maximum potential, thereby delivering the highest level of return for shareholders.

The components of the remuneration package for Executive Directors are:

Variable	Fixed
• Annual bonus;	• Basic salary;
• Long Term Incentive Plan; and	• Pension; and
• Executive Incentive Plan.	• Other benefits.

The Committee strives to ensure that shareholders' interests are served by creating an appropriate balance between performance-related and non-performance related components of the remuneration package. In order to fulfil its objectives, the Committee believes that it is important to retain a certain amount of flexibility in structuring appropriate remuneration, for instance to facilitate the recruitment of suitably qualified candidates in a very competitive environment.

The Chairman and Non-Executive Directors

Remuneration comprises an annual fee for the Chairman and Non-Executive Directors of the Company. An additional fee is paid to the Chairmen of the Audit and Remuneration Committees. The Chairman and Non-Executive Directors do not participate in the Company's incentive or bonus schemes, nor do they accrue any pension entitlement.

Mr Lawson, who was Chairman until his retirement from the Company on 9 October 2006, has pension arrangements which relate to his previous service as an Executive Director. Details of Mr Lawson's service contract are set out on page 21 of this report.

Remuneration Components for Executive Directors

Basic Salary

In determining salary levels, the Committee takes into account the following:

- comparable information for similar job functions in companies of a similar size;
- the international spread and competitive nature of the Group's businesses; and
- the individual's experience, performance and contribution in the areas for which responsibility is held.

Annual Bonus Plan

A new annual bonus plan has been implemented for the year ended 31 March 2007 with the aim of ensuring that the incentives for Executive Directors and senior managers are competitive and more closely aligned to the Company's financial performance.

For Executive Directors, the plan links bonus to financial performance, primarily based on PBT but also on growth in Group Sales. The performance targets are established by the Board and adopted by the Remuneration Committee on an annual basis and reflect market conditions as well as strategic and operational factors. In the light of market developments the Committee decided to cap annual bonuses for Executive Directors at 100% of salary. On-target performance could earn a bonus of 50% of salary for each Executive Director. For the financial year ended 31 March 2007, the Executive Directors were awarded bonuses of 58.7% of salary.

The Remuneration Committee has discretion to vary bonus payments for participants but only in exceptional circumstances. This discretion was not applied in respect of bonuses for the financial year. Annual bonus payments are not pensionable.

Long Term Incentive Plan ('LTIP')

An award of Shares (an 'Award') was made to plan participants under the LTIP in the year ended 31 March 2007. The Award is subject to the performance condition detailed in the paragraph below and is conditional on their continued employment with the Group for three years, except in certain circumstances. The LTIP is designed to align long-term incentives with the interests of shareholders and reflect current best practice. Participation in the plan extends to Executive Directors and the Group's senior managers. Awards were made over a total of 1,542,118 ordinary shares in the Company on 14 June 2006.

Vesting of the Award is dependent upon Electrocomponents' 3-year Total Shareholder Return ('TSR') percentage out-performance of the FTSE 250 Index (the 'Index'). For the Award to vest in full, the Company's TSR must outperform the TSR of the Index by at least 20%. If the Company's TSR is equal to or below the TSR of the Index, the Award will not vest. Between these two levels the Award will vest on a straight line basis. A cash payment, equivalent to the dividends that would have accrued on the number of shares that vest, will be made to participants on vesting.

For the Award to vest, the Committee must additionally be satisfied that there has been a sustained improvement in the Company's underlying financial performance.

The Committee selected TSR as the performance measure because it felt it was the measure most aligned to shareholders' interests and the FTSE 250 Index as the benchmark because Electrocomponents is a constituent of the Index and the Index is objective and transparent.

Executive Incentive Plan ('EIP')

The EIP, which is limited to Executive Directors and members of the Group Executive Committee, is a one-off incentive plan rewarding achievement of the PBT targets set for the 2008/09 financial year. The award of shares (the 'Award') was made on 1 February 2006. The Award is subject to the performance condition detailed in the paragraph below and is conditional on participants' continued employment with the Group for three years, except in certain specified circumstances.

The performance condition is based on the PBT in the 2008/09 financial year. If PBT in the 2008/09 financial year is less than £130m the Award will not vest. For full vesting of the award PBT must be £155m in the 2008/09 financial year. 20% of the Award will vest if PBT is £130m, with straight-line vesting between these two levels. A cash payment, equivalent to the dividends that would have accrued on the number of shares that vest, will be made to participants on vesting.

PBT was selected as an appropriate measure of financial performance and the threshold performance level was based on the Company's long-term strategy as previously announced to shareholders.

For any Award to vest the Committee must additionally be satisfied that the Company's Return on Capital Employed ('ROCE') is at least 25% in the 2008/09 financial year. ROCE is return on capital employed excluding any pension liability.

Subject to the agreement of the Remuneration Committee, Awards under both the LTIP and EIP may vest where employment does not continue for the full performance period for 'good leavers' and on a change of control. In these circumstances, the amount of the Award which would vest would be subject to the performance conditions as described above and would normally be pro rated for time.

Long Term Incentive Share Option Plan ('LTIOP')

No awards were made under the LTIOP in the year ended 31 March 2007 and no further awards will be made under this plan.

Participants were awarded options each financial year ended March 2003, 2004, 2005, and 2006, with a ten year life subject to a performance condition based on TSR, with no options vesting unless TSR performance is above the median for the selected comparator group, and full vesting only occurring if Electrocomponents is first out of the 14 in that group in terms of TSR. The Committee chose TSR because it felt it was the measure most closely aligned to shareholders' interests.

TSR performance is measured over a minimum period of three years from the date of grant but, if the target is not met at all, the period is extended to four, and then five years from a fixed base. Once the target has been met in part, however, performance is not subsequently retested and the unvested part of the option lapses. If the target has not been met at all at the end of five years, the option lapses.

For performance at or below median, no part of the option will vest. 25% of the option will vest for performance of one position above the median with full vesting if the Company is ranked first in the comparator group selected. Between those two levels, the option will vest on a sliding scale. TSR is calculated in common currency.

The comparator group for the grants made in the financial years ended 2003, 2004 and 2005 comprised:

Arrow Electronic Industries Inc	Manutan International SA
Avnet Inc	Misumi Corporation
Brambles Limited	Premier Farnell plc
Buhrmann NV	Rexel SA
Daetwyler Holdings AG	Takkt AG
Grainger (WW) Inc	Wolseley plc
Hagemeyer NV	

Rexel ceased to be part of the comparator group during the financial year ended 31 March 2005 and the Committee agreed not to replace Rexel in the group. For the grant made in the financial year ended 31 March 2006, therefore, it did not form part of the comparator group nor will it for the purposes of performance measurement going forward.

Executive Shareholding Guidelines

Executive shareholding guidelines have been introduced whereby Executive Directors are required to build-up their personal holdings of Electrocomponents shares, to a value of 200% of salary for the Group Chief Executive and 100% of salary for the Group Finance Director.

Savings Related Share Option Scheme

Executive Directors can participate in the Savings Related Share Option Scheme which is open to all UK employees. Performance conditions have not been imposed as they are not permissible under UK HM Revenue & Customs rules for this type of scheme.

Electrocomponents Group Pension Scheme ('the Scheme')

Executive Directors participate in the section of the Scheme that provides defined benefits on retirement. When the HM Revenue & Customs limits were removed on 6 April 2006, the Scheme replaced them with equivalent Scheme-specific limits therefore maintaining the cap on benefits (the 'earnings cap'). The Committee reviewed the implications of the new pension tax regime from 6 April 2006 on the Company's pension arrangements and has not assumed any additional costs or liabilities as a result of the legislation.

Under the Scheme, the Directors benefit from the following provisions:

- a pension accrual rate of one-thirtieth for each year of service;
- a normal retirement age of 60;
- a pension on retirement of up to two-thirds of pensionable earnings, or the 'earnings cap' if lower;
- no actuarial reduction will be applied to pension benefits accrued prior to 1 April 2003 if retirement is from age 55 or later;
- in the event of death before retirement, a capital sum equal to four times basic salary is payable together with a spouse's pension of two-thirds of the member's prospective pension at age 60 and children's pensions if appropriate;
- in the event of death in retirement, a spouse's pension of two-thirds of the member's pre-commutation pension is payable; and
- pensions in payment or in deferment are guaranteed to increase annually in February by the lesser of 5% or the increase in the RPI. Additional increases are payable at the discretion of the Company and the trustee of the Scheme.

Where payment of a pension on retirement is limited by the 'earnings cap', arrangements may be agreed with individuals to compensate them for the reduction in benefits, either by salary supplement or through a funded unapproved retirement benefits scheme. Mr Boddie and Mr Mason have each elected to receive a salary supplement in lieu of all of their unapproved pension entitlements, details of which are included in a table shown on page 21.

The table below gives details for each Director of:

- the annual accrued pension payable from normal retirement age, calculated as if he had left service at the year end i.e. 31 March 2007;
- the increase in accrued pension attributable to service as a Director during the year;
- the transfer value of the accrued benefit at the year end;
- the transfer value of the accrued benefit at the previous year end; and
- the increase in the transfer value over the period.

These amounts exclude any (i) benefits attributable to additional voluntary contributions; and (ii) actual members' contributions.

Other Benefits

All Executive Directors are provided with a company mobile phone, a company car (or a cash allowance) and medical insurance. The taxable value of these benefits is included in the Directors' emoluments table on page 21.

Disclosure of Directors' Pension Benefits for the Year Ended 31 March 2007 (audited)

	Age at 31 March 2007 Years	Accrued pension as at 31 March 2007 £	Increase/ (Decrease) in accrued pension benefits £	Transfer value as at 31 March 2007[c] £	Transfer value as at 31 March 2006[c] £	Increase/ (Decrease) in transfer value less Directors' contributions[d] £
RA Lawson[a][b]	62	64,229	(18,037)	1,263,000	1,700,000	(437,000)
S Boddie	47	6,335	3,695	72,000	30,000	32,226
I Mason	45	30,294	3,326	314,000	282,000	22,226

(a) Mr Lawson left the scheme on 20 July 2001, and did not accrue any benefit in the year. He retired on 6 April 2006, and these pension figures represent the pension he is currently receiving. Mr Lawson's accrued pension and transfer value have reduced during the year as he took a tax-free cash lump sum of £375,000 in exchange for part of his pension, as permitted by the Scheme rules. If he had not taken the cash lump sum the transfer value at 31 March 2007 would have been £1,685,000.

(b) Generally, the accrued pension benefits shown are the amounts which would be paid annually on retirement at Normal Retirement Age based on service to the end of the year. However, for Mr Lawson it reflects the pension actually in payment at the end of the year.

(c) Transfer values have been calculated in accordance with Guidance Note 11 (Version 9.2) issued by the actuarial profession.

(d) The increase in transfer value less Directors' contributions includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and Directors, such as stock market movements. It is calculated after deducting the Directors' contributions.

Service Agreements (not subject to audit)

All current Executive Directors have service agreements that are on a 12 month rolling basis. These agreements provide for 12 months' notice by the Company and by the Executive Directors.

Termination payments are limited to the Directors' normal compensation, including basic salary, annual incentives and benefits for the unexpired portion of the notice period subject to performance and Remuneration Committee discretion. The Committee will aim to minimise the level of payments to that Director, however, having regard to all circumstances, including the Company's contractual obligations to the Director, the reason for the departure, and the Company's policy to apply mitigation in the case of severance.

The Company entered into a service agreement with Mr Mason on 1 March 2001. This agreement replaced all prior arrangements. The Company entered into a service agreement with Mr Boddie on 25 May 2005.

The Company entered into a service agreement with Mr Lawson as Chairman of the Company on 20 July 2001. This agreement replaced all prior arrangements. The agreement provided for six months' notice by the Company and by Mr Lawson. His service agreement terminated on 9 October 2006. No compensation for loss of office was paid.

Letters of appointment are provided to the Chairman and Non-Executive Directors providing for an initial three year term. The Chairman's letter of appointment provides for a six month notice period and the Non-Executive Directors a three month notice period.

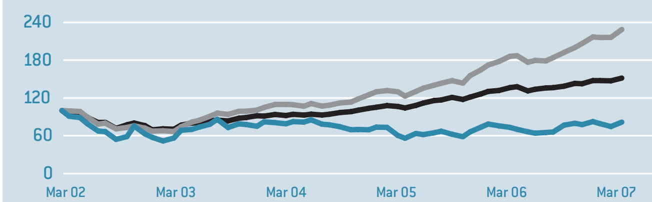
External Appointments (not subject to audit)

Executive Directors are permitted to take up one non-executive position on the boards of other companies, subject to the prior approval of the Board. Any fees payable in relation to such appointment may be retained by the Executive Director. Neither of the Executive Directors held such a position during the financial year.

Performance Review (not subject to audit)

The following graph shows the five year TSR performance of the Company relative to the FTSE All Share and the FTSE 250 Index. The FTSE All Share is a broad equity market index of which Electrocomponents is a member and the Company is measuring its TSR performance versus the FTSE 250 for the purposes of the LTIP and has therefore included this as a relevant index.

Total Shareholder Return (value of £100 invested on 31 March 2002)



Directors' Remuneration for the year ended 31 March 2007 (audited)

Salary, Annual Bonus and Other Benefits

	Salary 2007 £	Salary 2006 £	**In lieu of Pension 2007 £**	In lieu of Pension 2006 £	**Benefits 2007 £**	Benefits 2006 £	**Bonus 2007 £**	Bonus 2006 £	**Total 2007 £**	Total 2006 £
Emoluments of the Chairman										
R A Lawson[a]	**105,000**	180,000	–	–	**21,809**	29,442	–	–	**126,809**	209,442
H Mamsch[a]	**105,000**	–	–	–	–	–	–	–	**105,000**	–
Emoluments of Executive Directors										
S Boddie[b][c]	**333,750**	186,667	**83,305**	46,275	**14,957**	8,599	**196,645**	150,000	**628,657**	391,541
I Mason[b]	**498,750**	482,250	**62,256**	60,102	**23,393**	22,408	**293,500**	75,000	**877,899**	639,760
TOTALS	**1,042,500**	848,917	**145,561**	106,377	**60,159**	60,449	**490,145**	225,000	**1,738,365**	1,240,743
Fees of Non-Executive Directors										
K Abbott									**13,000**	36,000
L Atkinson[d]									**49,667**	46,000
T G Barker[d]									**49,667**	46,000
K Hamill									**39,667**	36,000
F D Lennertz									**16,000**	45,000
N J Temple[d]									**49,667**	36,000
TOTALS									**1,956,033**	1,485,743

(a) Mr Lawson served as Chairman until 9 October 2006 and Mr Mamsch joined the Company as a Director and Chairman designate on 1 September 2006 before becoming Chairman on 9 October 2006. Until his retirement, Mr Lawson had use of a company car and mobile phone and received life assurance.

(b) Provision of pension benefits under the Group's approved pension arrangements is restricted for employees joining the Scheme after 1 June 1989. During the year ended 31 March 2007, Mr Boddie and Mr Mason elected to receive salary supplements of £83,305 and £62,256 respectively (2006: £46,275 and £60,102) in lieu of the balance pension entitlements.

(c) Mr Boddie's 2006 salary relates to the seven months from his appointment on 1 September 2006.

(d) Dr Atkinson, as Chairman of the Remuneration Committee, and Mr Barker, as Chairman of the Audit Committee, each receive an additional fee of £10,000 per annum. In addition Mr Temple was awarded an ex gratia payment for work undertaken as Chairman of the Nomination Committee in lieu of Mr Lawson, dealing with the issues surrounding the appointment of Mr Lawson's successor.

No compensation for loss of office was paid during the year ended 31 March 2007.

Share Options (audited)

	Scheme	Date of Grant	Vesting Date	Expiration Date	Exercise Price	Shares under option 1 April 2006	Granted in FY07	Exercised in FY07	Lapsed in FY07	**Shares under option 31 March 2007**
	Savings Related	04-Jul-06	01-Sep-09	28-Feb-10	196.0p	–	2,862	–	–	2,862
S Boddie	Long Term Incentive Option Plan[a]	13-Jun-05	12-Jun-08	12-Jun-15	251.0p	400,000	–	–	–	400,000
					Total	400,000	2,862	–	–	402,862
I Mason	Savings Related	28-Jun-03	01-Sep-08	28-Feb-09	260.0p	6,125	–	–	–	6,125
	Long Term	22-Aug-02	21-Aug-05	21-Aug-12	312.0p	552,300	–	–	–	552,300
	Incentive	16-Jun-03	15-Jun-06	15-Jun-13	349.0p	545,272	–	–	–	545,272
	Option Plan[a]	11-Jun-04	10-Jun-07	10-Jun-14	365.0p	525,000	–	–	–	525,000
		13-Jun-05	12-Jun-08	12-Jun-15	251.0p	550,000	–	–	–	550,000
					Total	2,178,697	–	–	–	2,178,697

(a) Awards made under the Long Term Incentive Option Plan are subject to performance conditions set out on pages 19 and 20.

Share Awards (audited)

	Notes	Scheme	Date of Award	Shares awarded at 1 April 2006	Shares awarded in FY07	Vested in FY07	Lapsed in FY07	**Shares awarded at 31 March 2007**
S Boddie	(a)	Executive Incentive Plan	1-Feb-06	400,000	–	–	–	**400,000**
	(b)	Long Term Incentive Plan	14-Jun-06	–	100,000	–	–	**100,000**
			Total	400,000	100,000	–	–	**500,000**
I Mason	(a)	Executive Incentive Plan	1-Feb-06	800,000	–	–	–	**800,000**
	(b)	Long Term Incentive Plan	14-Jun-06	–	200,000	–	–	**200,000**
			Total	800,000	200,000	–	–	**1,000,000**

(a) Awards made under the Executive Incentive Plan are subject to performance conditions and a vesting period set out on page 19.
(b) Awards made under the Long Term Incentive Plan are subject to performance conditions and a vesting period set out on page 19.

The closing mid-market price of the shares on 31 March 2007 was 289.5p. During the year, the price of shares varied between 225p and 304p. The mid market price of the Company's shares on 4 July 2006, being the date the Savings Related Options were granted was 231.75p. The mid market price of the Company's shares on 14 June 2006, being the date the Long Term Incentive Plan awards were made, was 236.75p.

By Order of the Board

Dr Leslie Atkinson
Chairman of the Remuneration Committee
30 May 2007

Independent Auditors' Report to the Members of Electrocomponents plc

We have audited the Group and parent Company accounts (the 'accounts') of Electrocomponents plc for the year ended 31 March 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense and the related notes. These accounts have been prepared under the accounting policies set out therein.

We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the Group accounts in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent Company accounts and the Directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibility on page 18.

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group accounts, Article 4 of the IAS Regulation.

We also report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. The information given in the Directors' Report includes specific information presented in the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not.

We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group accounts give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 March 2007 and of its profit for the year then ended;
- the Group accounts have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent Company accounts give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent Company's affairs as at 31 March 2007;
- the parent Company accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London EC4Y 8BB
30 May 2007